

AN ORDINANCE No. 87-40-47  
ADOPTED MAR 9 1987

To amend and reordain Section 28-76 of the Code of the City of Richmond, 1985, concerning the levy and collection of taxes in relation to the levy of the tax on real estate to establish a tax rate of one dollar and fifty-three cents (\$1.53) (increasing the Rolled Back Tax Rate) for the tax year beginning January 1, 1987, and for each year thereafter until otherwise provided by law or ordinance, on each one hundred dollars of assessed evaluation on all real estate located in the City of Richmond, increasing such rate from one dollar forty-two and seventy hundredths cents (\$1.427 Rolled Back Tax Rate - as computed pursuant to the provisions of paragraph A of Section 58.1-3321 of the Code of Virginia).

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Patron - City Manager

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Approved as to form by City Attorney

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That Section 28-76 of the Code of the City of Richmond, 1985, be amended and reordained as follows:

Sec. 28-76. Levy on Real Estate.

(a) There shall be levied and collected for each year on all real estate located in the city not exempt from taxation [~~7- other than the real estate of public service corporations assessed by the state corporation commission at other than its fair market value and not adjusted to its fair market value as provided by law~~] a tax of one dollar and fifty-three cents (\$1.53) for the tax year beginning January 1, 1987, and for each year thereafter until

otherwise provided by law or ordinance, for each one hundred dollars (\$100.00) of assessed evaluation thereof for general purposes (an increase of \$0.103 from the Rolled Back Tax Rate of \$1.427 - Section 58-3321 of the Code of Virginia).

~~[(b)--There shall be levied and collected for the year beginning January 1, 1987, and for each succeeding year thereafter, unless otherwise provided by law or ordinance, on all real estate of public service corporations assessed by the state corporation commission, at other than its fair market value and remaining on an unequalized base (contra one hundred (100) percent of fair market value) as provided by law, a tax in such amount as may be computed in accordance with section 28-77 of this Code (that is, \$3.825 for each one hundred dollars (\$100.00) of assessed evaluation (as assessed by the state corporation commission) thereof for general purposes:~~

~~(c)--The rates fixed in subsections (a) and (b) are fixed pursuant to the provisions of sections 6.01 and 6.05 of the Charter of the city.]~~

(b) The rate fixed is fixed pursuant to the provisions of paragraph B of Section 58.1-3321 of the Code of Virginia and is to be applied in lieu of Rolled Back Tax Rates computed in accordance with said paragraph A of Section 58.1-3321 of the Code of Virginia, which said rolled back rates would have been \$1.427.

§ 2. This ordinance shall be in force and effective  
as of January 1, 1987.

February 6, 1987

The Honorable City Council of  
the City of Richmond, Virginia

Ladies and Gentlemen:

On February 4, 1987, the City Assessor sent out his official estimate of the value of all taxable real estate in the City. According to his letter, the 1987 assessed value of real estate is \$6,080,000,000, which represents an increase of 6.25% over the adjusted 1986 figure of \$5.722 billion.

#### Comparison of Assessed Values

The 1987 increase of 6.25% compares to an increase of 8.33% in 1986 and 8.85% in 1985. New construction and renovations totalled \$132.7 million as of January 1, 1987 as compared to \$162.9 million for the prior year. While the 1987 construction and renovation increase is less than the record increase of the previous year, it still reflects a strong increase in Richmond's real estate tax base.

The increase in general reassessments of existing property was also less than the prior year. Of the total 1987 increase, \$220.1 million resulted from general reassessments, as compared to \$278.9 million the year before. Apparently, staff turnover in the City Assessor's Office limited the number of reassessments that could be accomplished during the year.

#### Budget for Real Estate Taxes

The 1986-87 General Fund Budget was based on a tax rate of \$1.53/\$100 of assessed value and an estimated increase in assessed values of 6.6%. Since the actual increase was only 6.25%, the revised budget estimate has been reduced accordingly. The original budget for real estate taxes was \$91.5 million. The revised estimate is \$91.4 million, a reduction of about \$100,000. Although this reduction represents a revenue shortfall, the revised amount is only 1/10 of one percent less than our original estimates, and is therefore no cause for alarm.

## State Roll-Back Provisions

Under the provisions of Section 58.1 of the State Code, the tax rate automatically rolls back to offset all but 1% of the increase due to general reassessments (not including new construction), unless the City Council holds a public hearing and sets a new tax rate. The Department of Finance estimates that the roll-back rate would be \$1.43/100 of assessed value (see attachment). Therefore, it will be necessary for Council to hold a public hearing and again adopt a 1987 tax rate ordinance, with the same provisions as Ordinance No. 86-109-135, which set the rate at \$1.53/100 as part of the 1986-87 Budget.

## Other Revenue Issues

The City Administration has recently begun the process of reviewing revenue and expenditure estimates for the rest of the 1986-87 fiscal year as well as for next year's proposed budget. While we are at a very preliminary stage of the budget process, there appear to be at least two significant revenue problems in the current year.

1. Local Sales Tax- Receipts from local sales taxes have been quite strong over the last several years. In fact, the average growth rate since 1983-84 has been 7.8%. The current budget assumed an increase of 5%. Based on the first six months of the fiscal year, it appears that sales tax receipts will actually decline from the prior year results. So far this year, virtually every month has shown a decrease from the same month in the preceeding year. We are currently 5% behind last year. This trend-reversal is highly unusual and difficult to explain. The Director of Finance has met with the State Tax Commissioner to analyze this situation, but no errors in the current distribution have been found. Based on actual receipts so far this year, we now project a \$1.9 million shortfall in the current fiscal year. This problem will likely extend to 1987-88 as well.
2. State Shared Sales Tax- The 1% state sales tax is shared with localities based on school-age population in each jurisdiction. Every three years, local school divisions report school-age census figures to the State so that the distribution of sales tax revenues can be calculated. This year, the Richmond School Board census of school-age population shows a decline of 20% since 1983. This is difficult to comprehend, but the Schools administration can find no fault with the most recent census. As a result, Richmond's sales tax distribution will fall by 20% from what it otherwise would have been. We estimate that this will mean a \$1.4 million reduction in 1986-87 and a \$2.7 million loss in 1987-88. The recently adopted 1987-88 School

Board budget was based on sales tax returns from the State of \$16.3 million. It now appears that the revenue estimate was overstated by \$2.7 million.

These two problems are creating serious concerns for the current and proposed General Fund Budgets. I am taking steps to offset the problems in the current year by limiting discretionary spending. Based on these actions, I see no major problem in keeping the current \$313 million budget in balance, as long as the real estate tax rate remains at the budgeted amount of \$1.53/\$100.

#### Summary and Recommendation

In summary, real estate taxes, local sales taxes and state sales taxes will most likely fall below original budget estimates. While these problems can be handled within our existing budget, I think that it is important that City Council be aware of these issues when it sets the 1987 real estate tax rate.

At the next meeting of City Council, I will be recommending that Council hold the tax rate at the budgeted rate of \$1.53/100. I think that it is vitally important that the rate remain at \$1.53 (as set by Council on May 28, 1986) so that the budgeted real estate taxes are realized. Although this rate is higher than the rate paid by citizens in 1986 (\$1.47); the budget was adopted based on a \$1.53 rate and that rate is still needed to keep the budget in balance (given the City Assessor's official estimate of assessed values).

As you know, the Charter requires that the real estate tax rate for calendar 1987 be set no later than April 15. I would recommend that Council take action well before that date, since the rate affects major budget decisions that I will be making between now and the middle of March, for presentation to City Council on or about April 3, 1987.

If you would like to discuss this issue in more detail, please let me know.

Sincerely,

Robert C. Bobb  
City Manager

RCB/mr

**1987 Real Property Tax Rollback**  
**February 5, 1987**

I.	Total Adjusted 1986 assessed value per letter from City Assessor of Real Estate to City Council	\$5,722,404,130
	Deduct: State Corporation Commission Total	<u>317,494,620</u> <u>\$5,404,909,510</u>
	Adjusted Tax Levy - 1986 @ \$1.47 Add: 1% - Maximum Increase	<u>79,452,170</u> <u>794,521</u>
	Maximum Tax Levy for 1987	<u>\$ 80,246,691</u>
II.	Total value taxable real estate 2/4/87 (Per letter to Council from from City Assessor of Real Estate)	\$6,080,000,000
	Deduct: State Corp. Commission.      \$317,494,620 Add'l. State Corp. Comm.              5,893,750 New Buildings                              100,954,000 Alterations & Repairs <u>31,718,400</u>	<u>456,060,770</u>
	Adjusted Assessed Value 1/1/87 (For computation of maximum tax rate)	<u>\$5,623,939,230</u>
III.	Tax Rate 1987 applicable under Sec. 58.1-3321 Code of Virginia (Item I divided by Item II)	\$1.427
	Rate necessary to generate real estate tax revenue budgeted for 1986-87 (Budget amount less July 1 - December 31 collections divided by average percent of collections divided by total value of taxable real estate)	\$1.538
	Each 1 cent additional tax yields	\$ 583,011

**ORDINANCE OR RESOLUTION SUMMARY**  
**CITY OF RICHMOND, VIRGINIA**

<b>Resolution Ordinance No.</b> ..... 87-40 .....	<b>Subject</b>  To Establish Tax Rate at \$1.53 per \$100 of Assessed Real Estate.
<b>Requested by</b> ..... City Manager .....	
<b>Received City Manager's Office</b> ..... --- .....	
<b>Summarized</b> ..... 3/2/87 .....	

**SUMMARY**

This Ordinance would amend and reordain Section 28-76 of the Code to establish a tax rate of one dollar and fifty-three (\$1.53) for the tax year beginning January 1, 1987, and for the tax year beginning January 1, 1987, and for each year thereafter until otherwise provided by law or ordinance, on each one hundred dollars of assessed evaluation on all real estate located in the City of Richmond.

Present rate \$1.53 - Rolled back rate \$1.427.

**COUNCIL ACTION**

<b>On Docket</b> ..... 3/9/87 .....
<b>Amended</b> .....
<b>Adopted</b> .....
<b>Rejected</b> .....