REALIGNING REAL ESTATE ASSESSMENTS AND BUDGET DEVELOPMENT

Presentation to the Finance and Economic Development Standing Committee

Thursday, May 16, 2024

PURPOSE

- Provide an overview of the current real estate assessment and budget development cycles.
- Discuss the issues of the misalignment.
- Provide a potential solution.
- Discuss next steps.

CURRENT ROLES AND RESPONSIBILITIES

Assessor

- Assesses real estate annually
- Issues assessment notices of property value
- Issues Land Book effective January 1

Administration

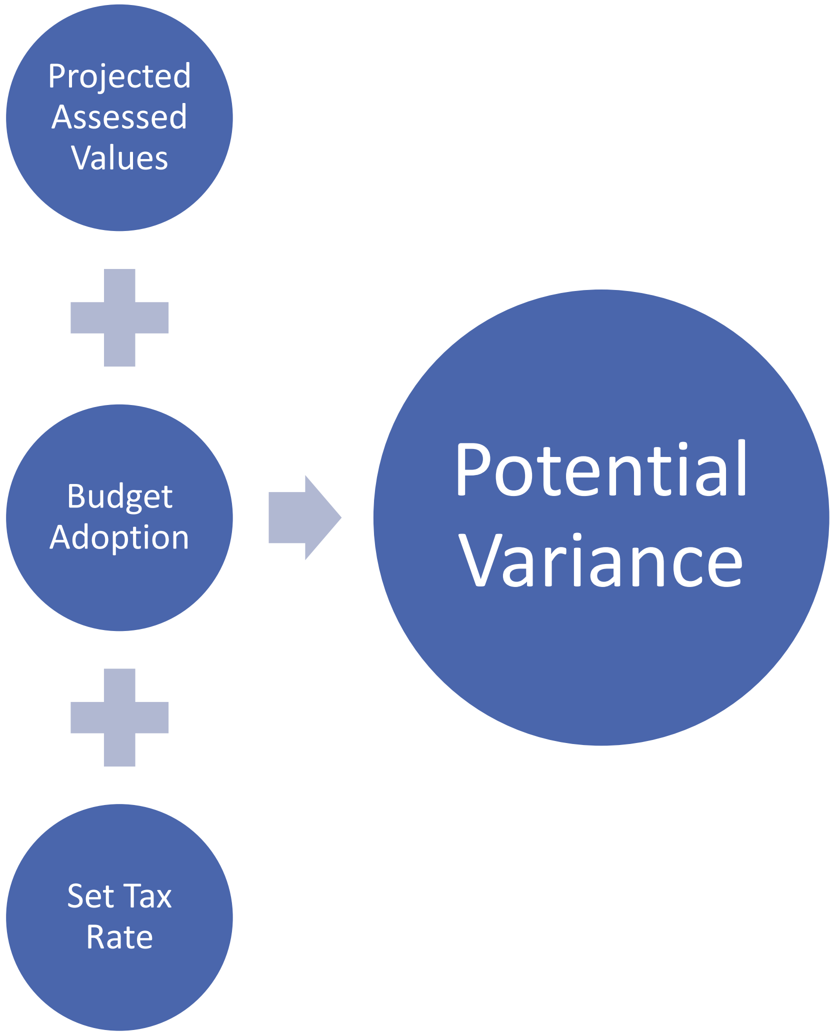
- Prepares annual budget
- Introduces budget in March
- Collects real estate tax in January and June

City Council

- Adopts budget in May
- Sets the real estate tax rate in November

WHAT ARE THE ISSUES?

- Budgets are based on projected assessed values.
- This means that budgets are adopted based on estimated reassessments, not reliable values.
- Tax rate is set well after the fiscal year has started.
- Results in large budget deficits or surpluses.
- Budget credibility is in question.



HOW DID WE GET HERE?

Prior to 1962:

Two collections (50% each) in June and December.

1962:

Changed to one collection at 100% in June.

1966:

Biennial assessment through January 1, 2012.

Late 1980s:

Tightening effects seen on cash availability. In 1987, the Unassigned General Fund balance was $1.3 million and city's credit rating downgraded to AA- by S&P.

2010:

Biennial assessment through January 1, 2012.

2011:

Reversed to two collections (50% each) in January and June.

2012:

Return to annual assessment with two half bills in January and June.

WHAT ARE THE VARIABLES?

CALENDAR YEAR

FISCAL YEAR

CHARTER

CITY CODE

STATE CODE

BUDGET

ASSESSMENTS

TAX YEAR

TAX RATE

BILLING

COLLECTIONS

CURRENT: ASSESSOR PROVIDES A PROJECTION

	January	March	May	July	November
CY 2024	Tax Year 2024 Land Book Effective				
	FY 2024				
		Propose Budget	Adopt Budget	FY 2025	
					Set 2025 Tax Rate
CY 2025	Tax Year 2025 Land Book Effective				
	FY 2025				
		Propose Budget	Adopt Budget	FY 2026	
					Set 2026 Tax Rate
CY 2026	Tax Year 2026 Land Book Effective				
	FY 2026				
		Propose Budget	Adopt Budget	FY 2027	
					Set 2027 Tax Rate

WE ARE BOUND BY CODE AND CHARTER

	Code of Virginia	City Charter	City Code
Real estate taxation: *Based on prior year's assessment or biennial assessment*	✓		
Fiscal year: *July 1 – June 30*	✓	✓	
Tax year: *January 1 – December 31*		✓	
Assessment year: *January 1 – December 31*			✓

✓ = requires state approval

✓ = city has authority to change

HOW DO WE REALIGN THE CYCLE?

1

Assessment will move ahead of budget.

2

Begin reassessment in July.

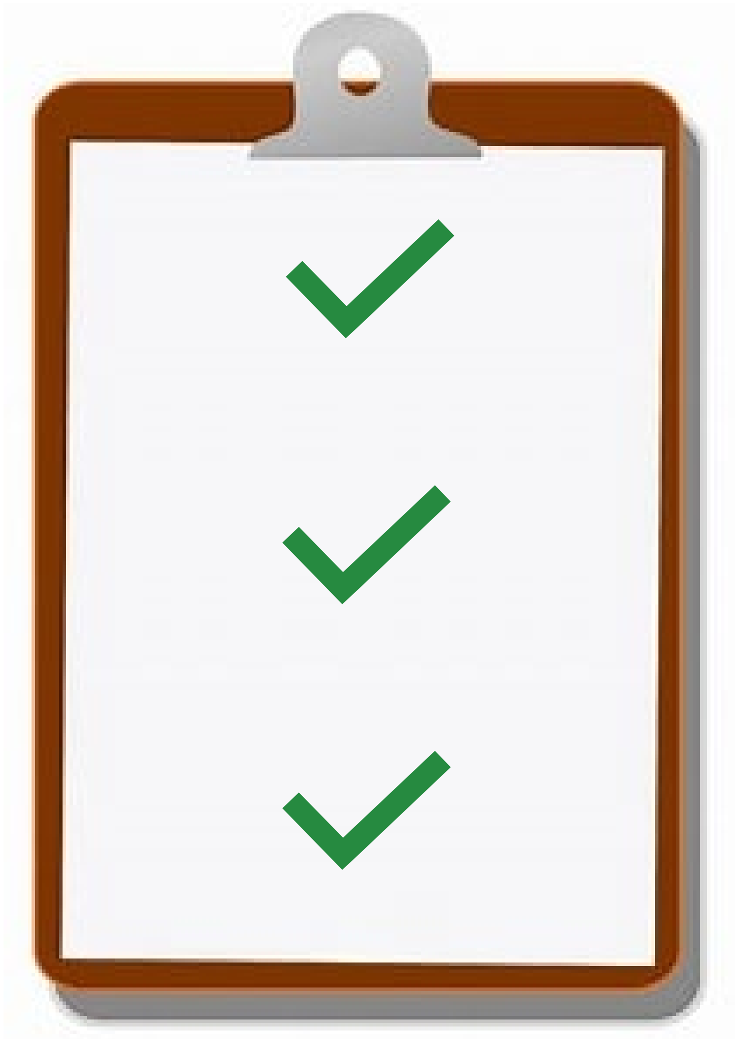
3

Move to a Fiscal Year assessment cycle.

PROPOSED: MOVE TO A FISCAL YEAR ASSESSMENT CYCLE

	January	March	May	July	November
CY 2025	Final Calendar Year Reassessment – Biennial Begins				
	FY 2025			FY 2026	
		Propose Budget	Adopt Budget		
					Set 2026 Tax Rate
CY 2026	2026 Land Book Effective, Used for Billing/Collection (1st Tax Year)				
	FY 2026			FY 2027: First FY Assessment Cycle Begins	
		Propose Budget	Adopt Budget		
				Tax Rate Adoption Not Required	
CY 2027	2026 Land Book Used for Billing/Collection (2nd Tax Year)				
	FY 2027			FY 2028: Assessment Cycle Begins	
		Propose Budget	Adopt Budget		
			Set 2028 Tax Rate		
CY 2028	2028 Land Book Effective				
	FY 2028			FY 2029: Assessment Cycle Begins	
		Propose Budget	Adopt Budget		
			Set 2029 Tax Rate		

WHAT ARE THE BENEFITS?



Achieves **fiscal cycle alignment** for better planning and decision-making.

Budgets based on **reliable and timely data**.

Council can review and adopt **tax rate and budget in tandem**.

NEXT STEPS

1. Assess and implement technology needs.
   - Determine the capability of the current assessment software to change effective date from January – December to July – June.
   - If needed, delay changes until new software is implemented.

We are here

2. Revise city code by ordinances.
   - Change to a one-time biennial assessment cycle: January 1, 2025 – June 30, 2026.
   - Change to a July – June effective assessment period: July 1, 2026.
3. Develop communication strategy and materials.

DISCUSSION

Land Books (LBs) by Fiscal Year

- FY 2026 = 2026 LB (Reassessment Starts <u>January 2025</u>)
- FY 2027 = 2026 LB
- FY 2028 = 2028 LB (Reassessment Starts <u>July 2026</u>)

Assessor:

- January 2026 = Wait
- July 2026 = Start new assessment