

The seal of the City of Richmond is a circular emblem. It features a central figure of a person standing on a pedestal, holding a staff or scepter. The figure is surrounded by a ring of stars. The outer border of the seal contains the text "CITY OF RICHMOND" at the top and "ESTABLISHED 1837" at the bottom. The seal is rendered in a light, semi-transparent grey color.

# **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

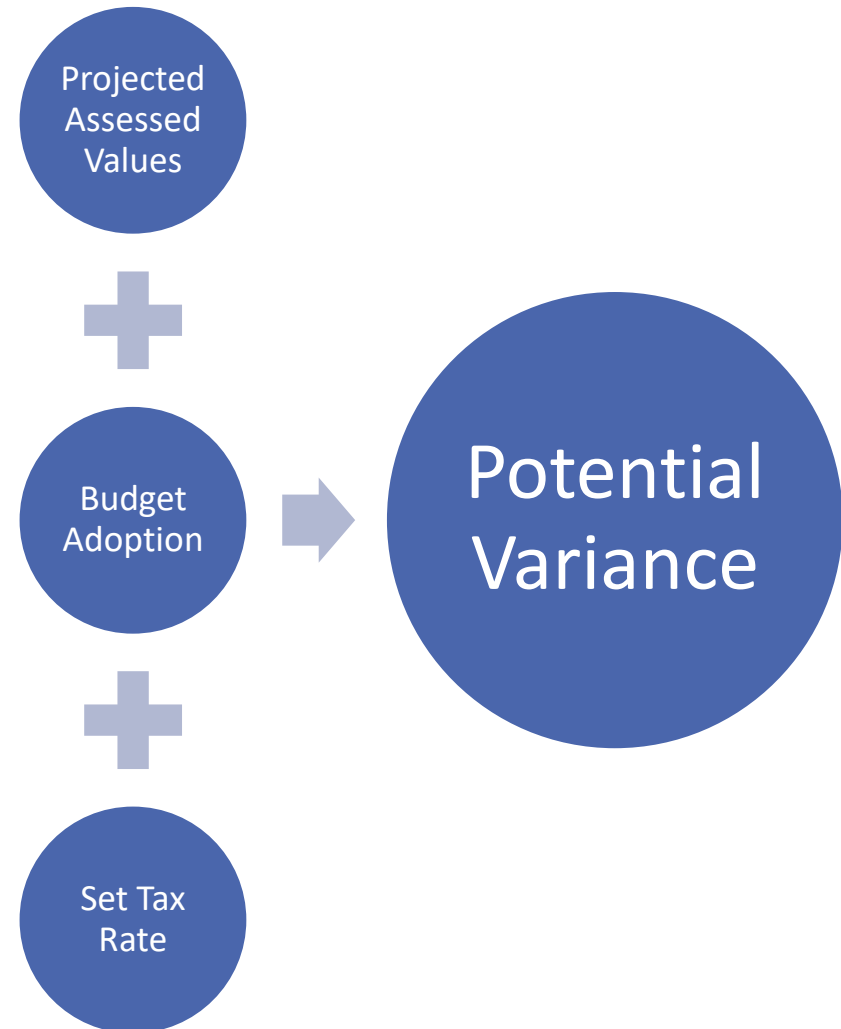
## City Council

- 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.

**1966:**

Biennial assessment through January 1, 2012.

**2010:**

Biennial assessment through January 1, 2012.

**2012:**

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

**1962:**

Changed to one collection at 100% in June.

**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.

**2011:**

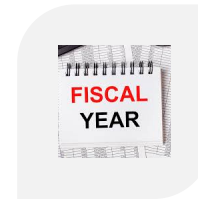
Reversed to two collections (50% each) in January and June.



# WHAT ARE THE VARIABLES?



CALENDAR YEAR



FISCAL YEAR



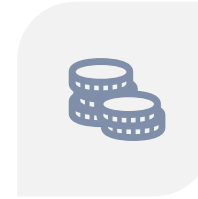
CHARTER



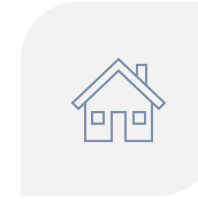
CITY CODE



STATE CODE



BUDGET



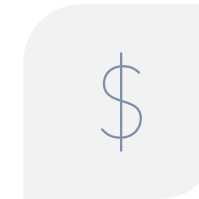
ASSESSMENTS



TAX YEAR



TAX RATE



BILLING



COLLECTIONS

# CURRENT: ASSESSOR PROVIDES A PROJECTION

	January	March	May	July	November
<b>CY 2024</b>	Tax Year 2024 Land Book Effective				
	FY 2024				
		Propose Budget	Adopt Budget	FY 2025	
					Set 2025 Tax Rate
<b>CY 2025</b>	Tax Year 2025 Land Book Effective				
	FY 2025				
		Propose Budget	Adopt Budget	FY 2026	
					Set 2026 Tax Rate
<b>CY 2026</b>	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
<b>Real estate taxation:</b> <i>Based on prior year's assessment or biennial assessment</i>	✓		
<b>Fiscal year:</b> <i>July 1 – June 30</i>	✓	✓	
<b>Tax year:</b> <i>January 1 – December 31</i>		✓	
<b>Assessment year:</b> <i>January 1 – December 31</i>			✓



✓ = 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

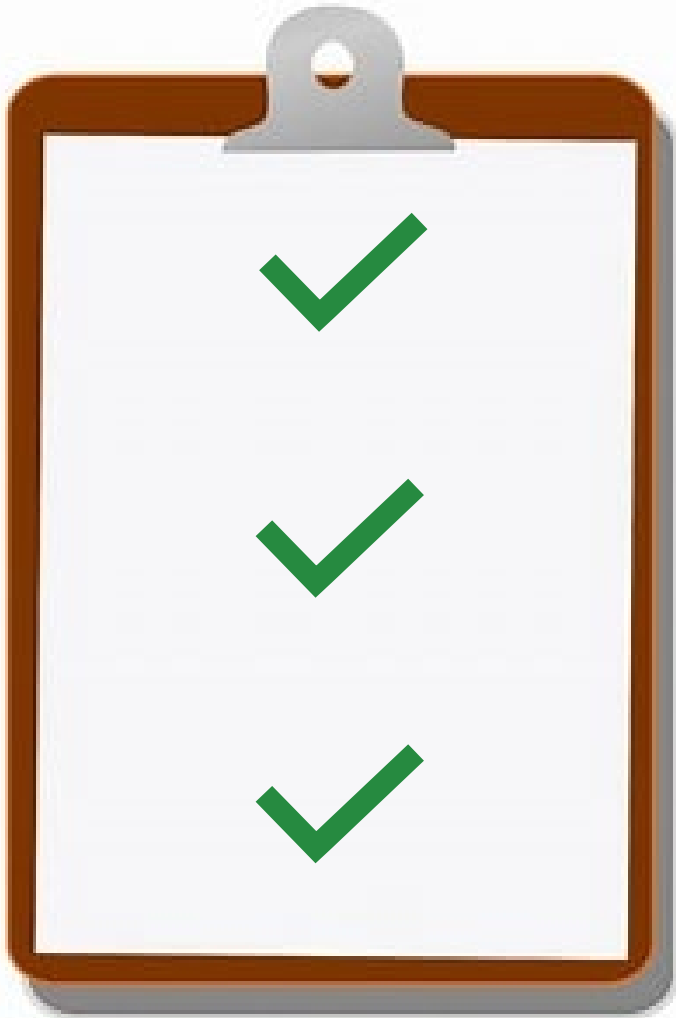
**Move to a Fiscal  
Year assessment  
cycle.**

# 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 (1 <sup>st</sup> 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 (2 <sup>nd</sup> 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.



## 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.





## Land Books (LBs) by Fiscal Year

- FY 2026 = 2026 LB (Reassessment Starts January 2025)
- FY 2027 = 2026 LB
- FY 2028 = 2028 LB (Reassessment Starts July 2026)

### Assessor:

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