

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: March 24, 2009

Action Agenda

Item No. 1

SUBJECT: 2009 Revaluation and Impacts on County's FY 2009-10 Budget

DEPARTMENT: County Manager, Tax
Assessor and Budget

PUBLIC HEARING: (Y/N)

No

ATTACHMENT(S):

Attachment 1. March 17, 2009 Revaluation
Analysis

INFORMATION CONTACT:
Laura Blackmon, (919) 245-2300
John Smith, (919) 245-2100
Donna Coffey, (919) 245-2151

Attachment 2. Impacts of Revaluation Charts

Attachment 3. Comparison of 2009
Revaluation Outcomes in Other
NC Counties

Attachment 4. FY 2009-10 Revaluation
Impacts on County's FY 2009-
10

PURPOSE: For the Board to receive a report on and make decisions regarding the County's 2009 Revaluation and its potential impacts on the County's FY 2009-10 budget.

BACKGROUND:

On March 17, 2009, the Tax Assessor presented an analysis of the 2009 Revaluation to the Board. Attachment 1 of this agenda abstract provides a copy of the presentation. Since that time staff has completed further analyses of the Revaluation process and received information from the NC Department of Revenue regarding Revaluation outcomes in other NC counties. Attachments 2 and 3 provide that information.

In addition, staff has also analyzed how possible BOCC decisions regarding the 2009 Revaluation would impact the County's upcoming FY 2009-10 budget. For purposes of tonight's work session discussion, staff selected four sets of circumstances to analyze:

- Scenario 1. Real Property Values Increased Due to 2009 Revaluation, All Properties Assessed Revenue Neutral Tax Rate
- Scenario 2. Real Property Values Increased Due to 2009 Revaluation, Real Property Owners Whose Property Increased 24% or Less (compared to 2008 valuations) "Held Harmless"

- Scenario 3. Real Property Values Unchanged from 2008 Values, Property Tax Rate Remains at FY 2008-09 Approved Rate of 99.8 Cents Per \$100
- Scenario 4. Real Property Values Unchanged from 2008 Values, Total Property Tax Received by County Remains at FY 2008-09 Approved Amount of \$126.9 Million
- It is important to remember the projection of next year's revenue is based on mathematical equations. As one factor in the equation decreases (such as valuation), another factor increases (such as tax rate) in order to reach the same result (such as total property tax dollars).
 - For example, in both Scenarios 1 and 4, total property tax dollars equal \$126.9 million. However, the valuation in each of these circumstances is different.
 - Scenario 4 uses the pre-Revaluation real property value of \$11.6 billion. In order to generate \$126.9 million in tax revenue, a higher property value would be required than in Scenario 1 where the post-Revaluation valuation is higher.

Staff plans to walk through details of the analysis during the work session. Attachment 4 of this agenda abstract provides details of the staff analysis.

FINANCIAL IMPACT: Financial impacts included in the Background section and presented during the work session.

RECOMMENDATION(S): The Manager recommends:

- The Board not rescind the 2009 Revaluation
- The Board agree to implement a revenue neutral tax rate for FY 2009-10 for all taxpayers
- The Board apply the same principles for all taxing districts including the County wide ad valorem tax, Chapel Hill Carrboro City Schools district tax and fire district taxes
- The Board agree the funding target for schools for FY 2009-10 is 48.1% of County revenues.

2009 Orange County, NC Revaluation Analysis

March 17, 2009

Revenue Neutral Tax Rate

- In Revaluation years, NC statutes require counties to publish a revenue neutral tax rate.
 - Revenue neutral is a tax rate that when applied to the new property values will generate the same tax dollars as received in the previous year.

Taxable Real Property

- Includes residential, commercial (including farmland and farm buildings) and industrial properties
 - **For 2009, there are 51,225 total taxable properties in Orange County.**

Basis of Revaluation Analysis

- In order to calculate the percentage increase in real property due to revaluation, staff compared 2008 values (before revaluation) with 2009 values (after revaluation).
- The comparison excluded some properties to make the comparison one of "apples with apples."
- Excluded properties include those that did not exist in 2008
 - properties with new construction for 2009
 - properties with construction not previously taxed
 - newly created property parcels
 - parcels that had use value status changes
- **Of the total 51,225 total taxable properties in Orange County in 2009, 4.8%, or 2,454 properties, fell into one of these comparison exclusions.**
- **Staff analyzed statistics related to the remaining 48,771 properties.**

How A Neutral Revenue Rate Impacts Tax Bills

- Properties with value increases at or below 16% would have no tax increase at the .86 cents rate
 - Approximately 9,134 properties
- Properties with value increases between 16% and 24% will have tax increases between 0 and 6.85% at the .86 cents rate
 - Approximately 16,423 properties

How A Neutral Revenue Rate Impacts Tax Bills

- When the revenue neutral tax rate is applied, property tax bills for personal property such as cars, motorcycles and mobile homes will decrease.
- Staff anticipates vehicle, personal and public utilities property valuations to continue to decline.
 - Fewer new motor vehicles are being purchased
 - Purchases of other personal property, boats, business computers, etc. are being deferred
- In addition, the NC General Assembly has created new tax exemptions that will erode the local property tax base.

Tax Relief for Elderly and Permanently Disabled

- Elderly and permanently disabled taxpayers may apply for assistance with paying their tax bills.
 - Applications should be filed no later than June 1
 - Taxpayers must apply, in writing, for tax relief

- Copies of this presentation available on-line beginning Wednesday, March 18, 2009

<http://www.co.orange.nc.us/>

Impacts of Revaluation

The chart below offers examples of the potential impact of real property revaluation on individual tax bills. The FY 2008-09 approved tax rate equals 99.8 cents per \$100 valuation. The projected revenue neutral rate will be between 84 and 87 cents per \$100 valuation. For purposes of this illustration a tax rate of 86 cents has been selected. This may or may not be the neutral tax rate for FY 2009-10.

	Value Prior to Revaluation	% Increase After Revaluation				
		24%	33%	40%	50%	100%
Value of Property	\$241,000	\$298,840	\$320,530	\$337,400	\$361,500	\$482,000
Equals Tax Bill	\$2,405	\$2,570	\$2,757	\$2,902	\$3,109	\$4,145
Annual \$ Increase in Tax Bill		\$165	\$351	\$496	\$704	\$1,740
Per Month Equivalent		\$14	\$29	\$41	\$59	\$145
% Increase in Tax Bill		6.85%	14.61%	20.64%	29.26%	72.34%

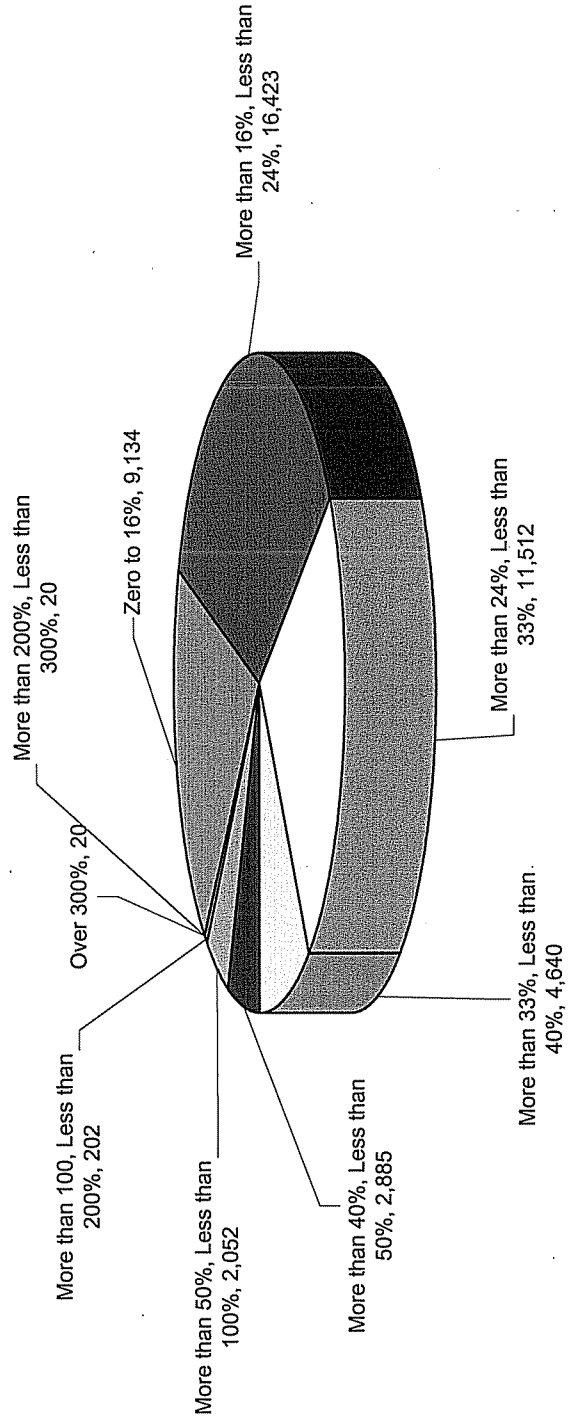
Impacts of Revaluation

The chart below summarizes how the 2009 revaluation affected real property parcels in Orange County.

Percentage Increase in Real Property Valuation Between 2008 and 2009	# Properties	% of Total Properties	Cumulative % of Total Properties
Zero to 16%	9,134	19.48%	19.48%
More than 16%, Less than 24%	16,423	35.03%	54.51%
More than 24%, Less than 33%	11,512	24.55%	79.06%
More than 33%, Less than 40%	4,640	9.90%	88.95%
More than 40%, Less than 50%	2,885	6.15%	95.11%
More than 50%, Less than 100%	2,052	4.38%	99.48%
More than 100, Less than 200%	202	0.43%	99.91%
More than 200%, Less than 300%	20	0.04%	99.96%
Over 300%	20	0.04%	100.00%

Impacts of Revaluation

The chart below summarizes how the 2009 revaluation affected real property parcels in Orange County.



COUNTIES CONDUCTING A REVALUATION EFFECTIVE JANUARY 1, 2009

County	Number of Parcels	Est. Appeals Informal	Percentage Appeals Informal	2008 Tax Rate	Year of Last Revaluation
Alamance	68,000	9,911	14.58%	0.580	2001
Chatham	38,000	5,538	14.57%	0.653	2005
Cumberland	132,000	5,986	4.53%	0.860	2003
Davie	23,000	2,700	11.74%	0.660	2005
Duplin	37,000	1,200	3.24%	0.790	2001
Edgecombe	30,500	1,800	5.90%	0.940	2001
Forsyth	151,000	N/A	N/A	0.696	N/A
Gates	7,500	N/A	N/A	0.975	N/A
Harnett	58,277	N/A	N/A	0.735	N/A
Hyde	8,500	N/A	N/A	0.715	N/A
Lenoir	35,000	N/A	N/A	0.840	N/A
Martin	15,545	1,200	7.72%	0.785	2001
Mitchell	18,000	N/A	N/A	0.520	N/A
Nash	50,000	2,250	4.50%	0.700	N/A
Orange	55,000	1,900	3.45%	0.998	2005
Polk	16,000	N/A	N/A	0.680	N/A
Stokes	29,000	400	1.38%	0.600	2005
Swain	10,500	N/A	N/A	0.330	N/A
Transylvania	30,000	N/A	N/A	0.540	N/A
Tyrrell	4,800	N/A	N/A	0.740	N/A
Warren	23,000	3,000	13.04%	0.920	2001
Yadkin	29,000	2,700	9.31%	0.760	2005

Average = 7.83%

INFORMATION SUPPLIED BY NC DEPTMENT OF REVENUE ON MARCH 19, 2009

Per NC Dept of Revenue past year internal appeal percentages

2008 - 7.47

2007 - 6.87

2006 - 6.90

FY 2009-10 Budget Planning
Summary of Revaluation Analysis

	Approved FY 2008-09 Budget	Scenario 1. Real Property Values Increased Due to 2009 Revaluation, All Properties Assessed Revenue Neutral Tax Rate	Scenario 2. Real Property Values Increased Due to 2009 Revaluation, Real Property Owners Whose Property Increased 24% or Less (compared to 2008 valuations) "Held Harmless"	Scenario 3. Real Property Values Unchanged from 2008 Values, Property Tax Rate Remains at FY 2008-09 Approved Rate of 99.8 Cents Per \$100	Scenario 4. Real Property Values Unchanged from 2008 Values, Total Property Tax Received by County Remains at FY 2008-09 Approved Amount of \$126.9 Million
Projected Ad Valorem Tax Rate (Cents per \$100 Valuation)	99.8	86.0	80.5	99.8	104.7
Budgeted Revenue from Real, Personal, Motor Vehicles and Public Utilities	\$126.9	\$126.9	\$118.8	\$120.6	\$126.9
Total County Revenue - All Sources Including Property Tax (in Millions of Dollars)	\$183.0	\$174.3	\$166.3	\$168.0	\$174.3
Shortfall from FY 2008-09 Budget		(\$8.7)	(\$16.7)	(\$15.0)	(\$8.7)
Allocation of Total Anticipated General Fund Revenue (FY 2009-10 Allocations Based on School Funding Target of 48.1%)					
Schools	\$88.5	\$83.84	\$79.99	\$80.81	\$83.84
County	\$94.5	\$90.46	\$86.31	\$87.19	\$90.46

FY 2009-10 Budget Planning

Scenario 1. Real Property Values Increased Due to 2009 Revaluation, All Properties Assessed Revenue Neutral Tax Rate

Annual General Fund Revenue

Assumed Tax Rate	86 cents per \$100 valuation
------------------	------------------------------

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Recurring Revenue	\$179.70	\$174.30	(\$5.40)
Non-Recurring Revenue			
Appropriated Fund Balance	\$2.00	\$0.00	(\$2.00)
Deferred Capital Projects	\$1.30	\$0.00	(\$1.30)
Total Anticipated General Fund Revenue Available for Appropriation	\$183.00	\$174.30	(\$8.70)

Allocation of Anticipated FY 2009-10 General Fund Revenue Available for Appropriation Between County and Schools

	Schools	County
	48.1%	51.9%
In Millions of Dollars	\$83.84	\$90.46

Schools - For FY 2009-10 assumes 48.1% of total anticipated General Fund revenue available for appropriation (County Target Percentage Does Not Include Funding for Durham Tech in Calculation of 48.1% Target)

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Total School Funding ⁽¹⁾	\$88.53	\$83.84	(\$4.69)
School Related Debt Service (Mandated Appropriation; No Dollar Discretion)	\$19.57	\$18.60	(\$0.97)
Recurring Capital (Mandated Appropriation, Discretionary Dollars)	\$2.57	\$3.00	\$0.43
Long Range Capital (Mandated Appropriation, Discretionary Dollars)	\$4.82	\$4.30	(\$0.52)
Fair Funding (Non Mandated Appropriation)	\$0.99	\$0.99	\$0.00
Current Expense (Mandated Appropriation, Discretionary Dollars)	\$60.58	\$56.95	(\$3.63)
Total School Funding	\$88.53	\$83.84	(\$4.69)
% of County General Fund	48.4%	48.1%	

⁽¹⁾ Does not include additional County funding for School Health Nursing Initiative, School Social Workers, School Resource Officers). Total Education appropriation % for FY 2008-09 including these components totaled 49.3%.

Calculation of Current Expense/Per Pupil Appropriation			
	FY 2008-09	FY 2009-10 ⁽²⁾	Difference
Projected # of Students	18,932	18,898	(34)
Projected Per Pupil Allocation	\$3,200	\$3,014	(\$186)

⁽²⁾ Preliminary projections; certified projection numbers from NC Department of Instruction will not be released until mid-to-late March

County - Assumes 51.9% of Total Anticipated General Fund Revenue Available for Appropriation

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Revenue Available for County Operations (For FY 2009-10, assumes 51.9% of Total Anticipated General Fund Revenue)	\$94.47	\$90.46	(\$4.01)
% of County General Fund	51.6%	51.9%	

FY 2009-10 Budget Planning

Scenario 2. Real Property Values Increased Due to 2009 Revaluation, Real Property Owners Whose Property Increased 24% or Less (compared to 2008 valuations) "Held Harmless"

Annual General Fund Revenue

Assumed Tax Rate	80.5 cents per \$100 valuation
------------------	--------------------------------

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Recurring Revenue	\$179.70	\$166.30	(\$13.40)
Non-Recurring Revenue			
Appropriated Fund Balance	\$2.00	\$0.00	(\$2.00)
Deferred Capital Projects	\$1.30	\$0.00	(\$1.30)
Total Anticipated General Fund Revenue Available for Appropriation	\$183.00	\$166.30	(\$16.70)

Allocation of Anticipated FY 2009-10 General Fund Revenue Available for Appropriation Between County and Schools

	Schools	County
	48.1%	51.9%
In Millions of Dollars	\$79.99	\$86.31

Schools - For FY 2009-10 assumes 48.1% of total anticipated General Fund revenue available for appropriation (County Target Percentage Does Not Include Funding for Durham Tech in Calculation of 48.1% Target)

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Total School Funding ⁽¹⁾	\$88.53	\$79.99	(\$8.54)
School Related Debt Service (Mandated Appropriation; No Dollar Discretion)	\$19.57	\$18.60	(\$0.97)
Recurring Capital (Mandated Appropriation, Discretionary Dollars)	\$2.57	\$3.00	\$0.43
Long Range Capital (Mandated Appropriation, Discretionary Dollars)	\$4.82	\$4.30	(\$0.52)
Fair Funding (Non Mandated Appropriation)	\$0.99	\$0.99	\$0.00
Current Expense (Mandated Appropriation, Discretionary Dollars)	\$60.58	\$53.10	(\$7.48)
Total School Funding	\$88.53	\$79.99	(\$8.54)
% of County General Fund	48.4%	48.1%	

⁽¹⁾ Does not include additional County funding for School Health Nursing Initiative, School Social Workers, School Resource Officers). Total Education appropriation % for FY 2008-09 including these components totaled 49.3%.

Calculation of Current Expense/Per Pupil Appropriation			
	FY 2008-09	FY 2009-10 ⁽²⁾	Difference
Projected # of Students	18,932	18,898	(34)
Projected Per Pupil Allocation	\$3,200	\$2,810	(\$390)

⁽²⁾ Preliminary projections; certified projection numbers from NC Department of Instruction will not be released until mid-to-late March

County - Assumes 51.9% of Total Anticipated General Fund Revenue Available for Appropriation

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Revenue Available for County Operations (For FY 2009-10, assumes 51.9% of Total Anticipated General Fund Revenue)	\$94.47	\$86.31	(\$8.16)
% of County General Fund	51.6%	51.9%	

FY 2009-10 Budget Planning

Scenario 3. Real Property Values Unchanged from 2008 Values, Property Tax Rate Remains at FY 2008-09 Approved Rate of 99.8 Cents Per \$100

Annual General Fund Revenue

Assumed Tax Rate	99.8 cents per \$100 valuation
------------------	--------------------------------

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Recurring Revenue	\$179.70	\$168.00	(\$11.70)
Non-Recurring Revenue			
Appropriated Fund Balance	\$2.00	\$0.00	(\$2.00)
Deferred Capital Projects	\$1.30	\$0.00	(\$1.30)
Total Anticipated General Fund Revenue Available for Appropriation	\$183.00	\$168.00	(\$15.00)

Allocation of Anticipated FY 2009-10 General Fund Revenue Available for Appropriation Between County and Schools

	Schools	County
	48.1%	51.9%
In Millions of Dollars	\$80.81	\$87.19

Schools - For FY 2009-10 assumes 48.1% of total anticipated General Fund revenue available for appropriation (County Target Percentage Does Not Include Funding for Durham Tech in Calculation of 48.1% Target)

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Total School Funding ⁽¹⁾	\$88.53	\$80.81	(\$7.72)
School Related Debt Service (Mandated Appropriation; No Dollar Discretion)	\$19.57	\$18.60	(\$0.97)
Recurring Capital (Mandated Appropriation, Discretionary Dollars)	\$2.57	\$3.00	\$0.43
Long Range Capital (Mandated Appropriation, Discretionary Dollars)	\$4.82	\$4.30	(\$0.52)
Fair Funding (Non Mandated Appropriation)	\$0.99	\$0.99	\$0.00
Current Expense (Mandated Appropriation, Discretionary Dollars)	\$60.58	\$53.92	(\$6.66)
Total School Funding	\$88.53	\$80.81	(\$7.72)
% of County General Fund	48.4%	48.1%	

⁽¹⁾ Does not include additional County funding for School Health Nursing Initiative, School Social Workers, School Resource Officers). Total Education appropriation % for FY 2008-09 including these components totaled 49.3%.

Calculation of Current Expense/Per Pupil Appropriation			
	FY 2008-09	FY 2009-10 ⁽²⁾	Difference
Projected # of Students	18,932	18,898	(34)
Projected Per Pupil Allocation	\$3,200	\$2,853	(\$347)

⁽²⁾ Preliminary projections; certified projection numbers from NC Department of Instruction will not be released until mid-to-late March

County - Assumes 51.9% of Total Anticipated General Fund Revenue Available for Appropriation

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Revenue Available for County Operations (For FY 2009-10, assumes 51.9% of Total Anticipated General Fund Revenue)	\$94.47	\$87.19	(\$7.28)
% of County General Fund	51.6%	51.9%	

FY 2009-10 Budget Planning

Scenario 4. Real Property Values Unchanged from 2008 Values, Total Property Tax Received by County Remains at FY 2008-09 Approved Amount of \$126.9 Million

Annual General Fund Revenue

Assumed Tax Rate	104.7 cents per \$100 valuation
------------------	---------------------------------

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Recurring Revenue	\$179.70	\$174.30	(\$5.40)
Non-Recurring Revenue			
Appropriated Fund Balance	\$2.00	\$0.00	(\$2.00)
Deferred Capital Projects	\$1.30	\$0.00	(\$1.30)
Total Anticipated General Fund Revenue Available for Appropriation	\$183.00	\$174.30	(\$8.70)

Allocation of Anticipated FY 2009-10 General Fund Revenue Available for Appropriation Between County and Schools

	Schools	County
	48.1%	51.9%
In Millions of Dollars	\$83.84	\$90.46

Schools - For FY 2009-10 assumes 48.1% of total anticipated General Fund revenue available for appropriation (County Target Percentage Does Not Include Funding for Durham Tech in Calculation of 48.1% Target)

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Total School Funding⁽¹⁾	\$88.53	\$83.84	(\$4.69)
School Related Debt Service (Mandated Appropriation; No Dollar Discretion)	\$19.57	\$18.60	(\$0.97)
Recurring Capital (Mandated Appropriation, Discretionary Dollars)	\$2.57	\$3.00	\$0.43
Long Range Capital (Mandated Appropriation, Discretionary Dollars)	\$4.82	\$4.30	(\$0.52)
Fair Funding (Non Mandated Appropriation)	\$0.99	\$0.99	\$0.00
Current Expense (Mandated Appropriation, Discretionary Dollars)	\$60.58	\$56.95	(\$3.63)
Total School Funding	\$88.53	\$83.84	(\$4.69)
% of County General Fund	48.4%	48.1%	

⁽¹⁾ Does not include additional County funding for School Health Nursing Initiative, School Social Workers, School Resource Officers). Total Education appropriation % for FY 2008-09 including these components totaled 49.3%.

Calculation of Current Expense/Per Pupil Appropriation			
	FY 2008-09	FY 2009-10 ⁽²⁾	Difference
Projected # of Students	18,932	18,898	(34)
Projected Per Pupil Allocation	\$3,200	\$3,014	(\$186)

⁽²⁾ Preliminary projections; certified projection numbers from NC Department of Instruction will not be released until mid-to-late March

County - Assumes 51.9% of Total Anticipated General Fund Revenue Available for Appropriation

	In Millions of \$		
	FY 2008-09	FY 2009-10	Difference
Revenue Available for County Operations (For FY 2009-10, assumes 51.9% of Total Anticipated General Fund Revenue)	\$94.47	\$90.46	(\$4.01)
% of County General Fund	51.6%	51.9%	