

**Union County
Government**

EST. 1842

FY2022 Revenue Neutral Tax Rate Process

Board of County Commissioners/
Board of Education Joint Meeting
March 18th, 2021



For Today

FY 2022 Budget Process Update

- Ad Valorem Tax
- K-12 Education Funding Relationship
- Property Valuation Process
- Sales to Assessment Ratio History
- Revenue Neutral Tax Rate Process
- Preliminary Revenue Assumptions
- Budget Process Calendar Review

BoCC Strategic Objectives

Public Safety – In concert with our community partners provide those essential services that protect the public’s health, safety, and welfare.

Community Consensus – By developing relationships based on mutual trust and understanding, engage appropriate stakeholders to identify and successfully implement programs and initiatives that reflect the community priorities.

Economic Development – Through common vision and direction become a more business friendly, economically vibrant and sustainable community by fostering development of a qualified workforce and infrastructure capacity to support future and current economic sustainability and growth.

Sustainability – Through collaboration with community partners, foster an environment that promotes affordability of services, conservation of resources, and preservation of a high quality of life to support and enrich a diverse and productive population.

Organizational Strengthening – Develop and maintain a highly engaged workforce through shared values and clarity of purpose, with the tools, training and resources that support skills development, knowledge sharing and retention, and employee investment.

FY 2022 Core Values

- Maintaining Fiscal Discipline
- Investing in Core Services
- Strategic Framework for Internal Business Process

Ad Valorem Tax

What is Ad Valorem Tax:

- Commonly known as “Property Taxes”
- Tax is charged in proportion to the estimated value of the item being taxed
- Taxable items include Real Property, Business Personal Property and Motor Vehicles
- Ad Valorem Tax makes up 35.2% of total County General Fund Revenue
- **60.9%** of Total Ad Valorem Revenue is dedicated to UCPS, **28.6%** dedicated to County General Government
- Property Tax is often expressed as the number of “cents” or “pennies”
- Referred to as a penny per \$100 of assessed value
- Annual budget process centers on property tax rate
- NCGS 153A states that Property Tax is the primary mandated source of funding
- Primary tool to increase funding for County services

<u>County Fund</u>	<u>Ad Valorem Revenue</u>	<u>% of Total</u>
Union County Public Schools	124,273,105	60.9%
General Government Fund	58,310,617	28.6%
Debt Budgetary Fund	9,215,759	4.5%
Emergency Medical Services Fund	5,864,573	2.9%
Fire Service Budgetary Fund	4,356,541	2.1%
Economic Development Budgetary Fund	2,094,491	1.0%
Total Ad Valorem Revenue	204,115,086	100%

K-12 Education Funding Relationship

Funding Relationship:

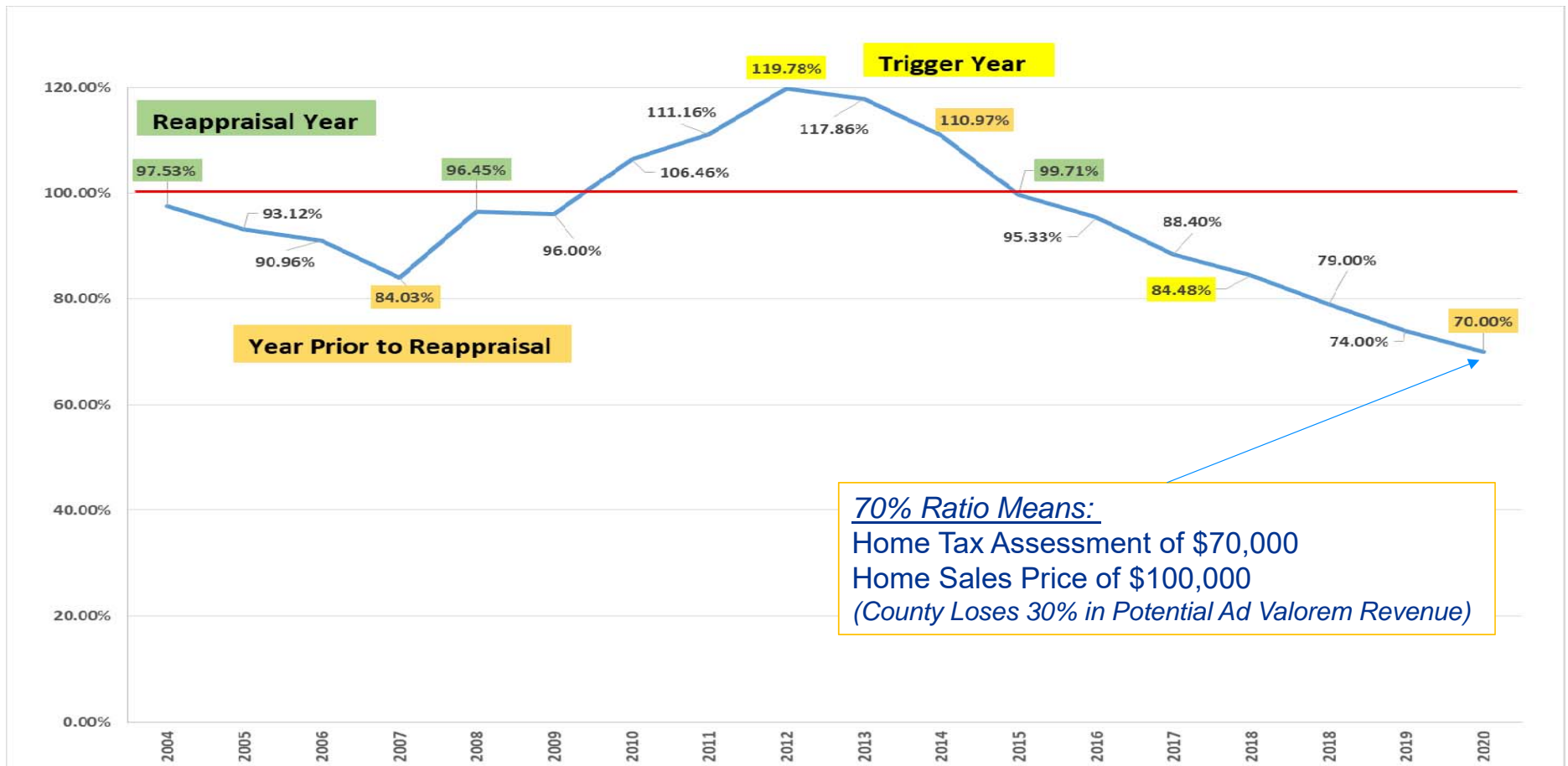
- State Statute requires school systems to provide a free basic education
- County required to provide local funding for children's education along with other community obligations such as:
 - Public Safety, Social Services, Child Protective Services, Public Health, Adult Services, etc.
- BoCC has responsibility to use taxing authority to raise and to allocate limited resources to a spectrum of services
- Counties are charged with building, equipping, and maintaining school facilities (G.S. 115C-408(b))
- State is charged with funding school operations, current and instructional expense (G.S. 115C-408(b))
- Counties must "sufficiently" supplement state school operations (G.S. 115C-426(e))

Property Valuation Process

Revaluation Cycle

- Review of the value of all real property, both land and buildings in County
- Excludes personal property, motor vehicles, and business personal property (valued annually through various other processes)
- Revaluation helps to reflect the current market as required by state statute and to reestablish equity throughout the tax base
- Makes values more reflective of current market conditions
- Charlotte Metro Regional Growth 17.5% - 2010 – 2019 (10th fastest); Union County 19.1%; Raleigh-Cary 29.8% (2nd fastest)
- Many states conduct a revaluation annually, NC requires at least every eight years (prior revaluation in 2015/FY 2016)
- State requires revaluation when sales to assessment ratio is greater than 115% or less than 85%
- County 2020 revaluation triggered by 2018 sales to assessment ratio of 84.5%
- Ratio continued declining to 70.0% in 2020

Sales to Assessment Ratio History



Revenue Neutral Tax Rate Process

- NC GS 159-11(e) Stipulates process below when a general reappraisal of real property has been conducted
 1. Establish tax levy/assessed valuation for current fiscal year
 2. Calculate new tax rate yielding same amount of levy/revenue (*based on new tax base*)
 3. Determine the average growth factor (*average growth rate since most recent revaluation*)
 4. Establish final revenue neutral tax rate
- Inverse Relationship between tax base and tax rate (as tax base grows, revenue neutral tax rate will decrease)
- Revenue neutral tax rate will not equal same amount of revenue to county, or the same amount of tax bill to tax payer
- Revenue neutral rate is applied to entire County, individual tax bill impact is based on unique assessed valuation change
- Revenue neutral calculations balance impact to ensure tax payers are protected from significantly higher tax bills
- Relationship between County and property owner grows more imbalanced over time
- Revaluation is opportunity to return equity to both parties

Preliminary Revenue Assumptions

Starting Revenue Assumptions:

- Ad Valorem Taxes – Base 3.0% Growth; Will Continue Refining with Reval Results and Revenue Neutral Tax Rate Review
- Local Sales Taxes – Base 7.0% Growth; Opportunity to Increase Based on FY 2021 Actuals and FY 2021 Reduction
- Non-County Taxes – Base 1.3% Growth Over FY 2021, Will Continue to Refine With More Information

Expected Economic Conditions:

- Federal Reserve Projects GDP Growth of 4.2% in 2021, Compared to -2.4% in 2020
- Unemployment Rate – U.S. - 6.3%; N.C. – 6.2%; Union – 5.0%
- NC Continued Unemployment Claims 66,221 (Feb 2021), Compared to High of 619,809 (May 2020)
- Dow Jones 32,862 (Today), Compared to 18,591 (March 2020)
- Mortgage Rates Historic Lows (30-Year Fixed Rate - 2.375%)
- Overdue Rental Assistance Program Beginning; Third Federal Stimulus Payment currently being distributed
- Current Sales Tax Receipts are 15% Above Adopted Budget (six months of data)
- ***Vaccines Widely Available; COVID Infection Rates Trending Down; Optimistic for Return to Normalcy***

Budget Process Calendar Update

<i>FY 2022 Budget Process Working Calendar</i>		
	Date	Topic
√	11/18/2020	Community Partner Budget Process Kickoff Meeting <i>(Virtual)</i>
√	2/1/2021	All Budget Worksheets Due and Input in OpenGov <i>(SL1, 2&3 and CIP)</i>
√	2/26/2021	Executive Team/Depts Provided Working Documents
√	3/8/2021	BoCC Work Session - FY 2022 Budget Process Update
√	3/8 - 19/2021	County Manager Meetings to Discuss Specific Budget Topics
√	3/12/2021	Volunteer Fire Department Funding Requests due to Budget Office
√	3/18/2021	Joint Meeting with Union County Board of Education
	4/12/2021	BoCC Work Session - TBD
	5/10/2021	BoCC Work Session - TBD
	5/15/2021	Receive UCPS Budget Request
	5/31/2021	MANAGER'S PROPOSED BUDGET PRESENTATION to BoCC
	6/7/2021	Public Hearing on the Budget
	6/14/2021	BUDGET ADOPTION

Thank You!

