



## ARLINGTON COUNTY, VIRGINIA

<b>County Board Agenda Item Meeting of February 21, 2009</b>
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**DATE:** February 12, 2009

**SUBJECT:** Request to advertise the CY 2009 real estate tax rate, sanitary district tax rate, and the commercial real estate tax rate.

**C. M. RECOMMENDATIONS:**

1. Advertise a Calendar Year (CY) 2009 real estate tax rate of \$\_\_\_\_\_ per \$100 of assessed value for public hearing on March 26, 2009, using the attached advertisement (Attachment V).
2. Advertise the sanitary district tax rate for stormwater management at the current rate of \$.01 per \$100 for public hearing on March 26, 2009, using the attached advertisement (Attachment V).
3. Advertise the commercial real estate tax for transportation initiatives at the current rate of \$.125 per \$100 for public hearing on March 26, 2009, using the attached advertisement (Attachment V).

**ISSUE:** What maximum real estate tax rates should be advertised? The County Board may adopt a rate lower than that advertised, but may not adopt a higher rate than that advertised.

**SUMMARY:** Real estate tax revenue represents 53% of the County's revenues and is one of the few tax sources where the County Board has flexibility in setting the rate. The current tax rate is \$.838 per \$100 of assessed value. To keep the average residential tax bill the same would require an advertisement of \$0.855 (an increase of \$1.7 cents).

To provide a current services budget without major reductions to County services, based on a full sharing of revenue with the Schools, would require an advertised rate of \$0.956 (an increase of 11.8 cents).

The overall assessed value for all properties in the County is up 0.4%, while the average home value is down 2.0%. However, all general fund revenues for the County are projected to decline 3.1%, which will generate \$28.9 million less than the adopted Fiscal Year 2009 budget.

When these revenues from current tax rates are apportioned based on the Revenue Sharing Agreement with the Schools, the Schools tax revenue transfer increases .65% (an increase of \$2.3 million) and the County's portion of shared local taxes decreases by 3.30% (a decrease of \$12.5

County Manager: _____
County Attorney: _____
Staff: Richard Stephenson, Budget Director, Department of Management and Finance Jon Altshul, Revenue Analyst, Department of Management and Finance

million), a total difference in tax revenue of \$14.9 million. The disparity between the County and the Schools is based on an automatic adjustment in the revenue sharing formula based on the increased number of students enrolled in the current school year.

As part of its FY 2010 budget guidance, the County Board asked for information regarding three scenarios:

- 1) Maintain the current tax rate, which would necessitate a reduction of \$28.9 million from the FY 2009 budget.
- 2) Maintain a current services budget, including compensation (steps only), which would require a tax rate increase of \$0.118 if shared with Schools. This would increase the School transfer by \$33.7 million.
- 3) Maintain the current average residential tax bill the same as CY 2008, which would allow for an increase in the real estate tax rate of \$0.017. This scenario was the Board's primary guideline.

In developing a recommended budget for FY 2010, I found an increase of 1.7 cents inadequate to meet the County's needs. In the budget that I will recommend for Fiscal Year 2010, I will ask the County Board to consider a minimum tax rate change of 2.7 cents. This increase will enable the Board to at least consider proposals that will avoid severe reductions in County services, mitigate the impacts from the automatic adjustment in the revenue sharing formula, and meet critical safety net needs. Even at this rate, over \$20 million in County programs will be recommended for reduction. An increase of this amount would add \$51 to the average tax bill and represent an increase of 1.1% over CY 2008. The County Board would still retain the option to set the rate at an increase of 1.7 cents and will have before it alternatives to further reduce County services.

The County Board should also consider additional flexibility beyond 2.7 cents. Whatever real estate rate the County Board advertises represents the maximum rate that the County Board may consider. This year, more than most, it is important for the Board to maintain some flexibility to set tax policy after a full public vetting of the County Manager's Recommended Budget. The County Board can, in its adoption of the budget, set the rate at any level at or below the advertisement.

This flexibility is particularly important in light of several unknowns about FY 2010 revenues at this time. For example, the FY 2010 Proposed Budget reflects the \$1.9 million in reductions to Arlington's State aid due to the Governor's proposed reductions announced in December 2008. However, the State's budget bill is not expected to be adopted by the General Assembly until the end of this month. In addition, the federal stimulus package may impact Arlington's budget as well, although it is not expected to materially impact the County's bottom line, as federal dollars are not expected to supplant existing revenue sources. Finally, the overall economy remains unstable. We will not know local revenues from the Business and Professional Occupational Licenses until April.

Normal growth in revenue that is necessary to sustain County services is between 4% and 6%, depending on inflation. The FY 2010 budget that I will propose with a 2.7 cent rate increase would result in overall growth of 0.04% in the County budget (net of fund balance) and a growth rate of 0.65% in the Schools transfer.

**Note: Tax rate changes are not recommended for the sanitary district tax or commercial transportation tax:**

- **Sanitary District Tax:** The current and proposed rate is \$.01 per \$100 of assessed value. Revenue from the sanitary district tax is dedicated for stormwater management. For FY 2010, \$5,764,916 in revenue is anticipated from this tax, down 1.5% (\$88,267).
- **Commercial Transportation Tax:** The current and proposed rate is \$.125 per \$100 of commercial real estate value. For FY 2010, this tax is projected to generate \$21,038,453, up 1.0% (\$200,812).

**Attachment I** details the changes in assessments for residential and commercial properties between CY 2008 and CY 2009.

**Attachment II** displays ten years of history of assessed valuation and taxes for Arlington. (It should be noted that the single-family residential value is an average calculation. A comparison of one year's average assessment to another will not indicate the rate of appreciation in value because the average considers additions to the inventory of single-family dwellings from subdivision, new construction and declarations of condominium properties.)

**Attachment III** provides a history from Calendar Year 1970 to 2009 of the total real estate assessment values (excluding Public Service Corporations). The assessment base increase of 0.4% represents the slowest rate of assessment growth since 1994.

**Attachment IV** is the resolution required to set the recommended advertised real estate property tax rate. Attachment V is the annual public "Notice of Proposed Real Property Tax Increase", which satisfies the advertisement requirements set by State law for increasing tax rates.

**ATTACHMENT IV  
ARLINGTON, VIRGINIA  
#1 COURTHOUSE PLAZA**

**RESOLUTION FIXING COUNTY REAL ESTATE LEVY**

**BE IT RESOLVED AND ORDERED** by the County Board of Arlington County, Virginia, that there is hereby levied for the tax year (CY) 2009, a tax of \$\_\_\_\_\_ per one hundred dollars of assessed valuation of all taxable real estate located in this County for County and School purposes. The levy hereby ordered is also applicable to real estate of the public service corporations based upon the assessment thereof by Arlington County, the State Corporation Commission, and the State Department of Taxation, and duly certified.

**IT IS FURTHER ORDERED** that such taxes, when and if appropriated by the County Board of this County, shall be used to defray the County and School charges and expenses and all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington, and

**IT IS FURTHER ORDERED** that such taxes for County and School purposes appropriated or unappropriated and unused to defray County and School charges and expenses shall return to the General Fund of the County to be used to defray County and School charges and expenses and all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington County for the next fiscal year.

**IT IS FURTHER ORDERED** that the sanitary district tax codified in § 26-13 of the Arlington County Code and the real estate tax on properties used for or zoned to permit commercial and industrial purposes codified in § 20-6(c) of the Arlington County Code be maintained at the existing rates of \$.01 and \$.125 per one hundred dollars of assessed value, respectively.

Arlington County  
#1 Courthouse Plaza  
2100 Clarendon Boulevard  
Arlington, Virginia 22201  
February 24, 2009

**NOTICE OF PROPOSED REAL PROPERTY TAX INCREASE**

The County of Arlington, Virginia, proposes to increase property tax levies.

1. **Assessment Increase:** Total assessed value of real property, excluding additional assessments due to new construction or improvements to property, exceeds last year's total assessed value of real property by 0.4 percent.
2. **Lowered Rate Necessary to Offset Increased Assessment:** The tax rate which would levy the same amount of real estate tax as last year, when multiplied by the new total assessed value of real estate with the exclusions mentioned above, would be \$0.843 per \$100 of assessed value. This rate will be known as the "lowered tax rate."
3. **Effective Rate Increase:** The County of Arlington, Virginia proposes to adopt a tax rate of \$\_\_\_\_\_ per \$100 of assessed value. The difference between the lowered tax rate and the proposed rate would be \$\_TBD\_ per \$100, or \_TBD\_ percent. This difference will be known as the "effective tax rate increase."

Individual property taxes may, however, increase at a percentage greater than or less than the above percentage.

4. **Proposed Total Budget Increase:** Based on the proposed real property tax rate and changes in other revenues, the total budget of Arlington County will exceed last year's revised budget by \_TBD\_ percent.
5. In addition to the base tax rate, the County proposes to maintain the sanitary district tax at the current rate of \$.01 per \$100 of assessed value. Revenue from this tax is dedicated for stormwater management purposes.
6. The County also proposes to maintain the real estate tax for properties used for or zoned to permit commercial and industrial uses at the current rate of \$.125 per \$100. Revenue from this tax is dedicated for transportation initiatives.

**A PUBLIC HEARING ON THE INCREASE WILL BE HELD ON MARCH 26, 2009, AT 7:00 P.M. OR AS SOON THEREAFTER AS POSSIBLE AT THE COUNTY BOARD ROOM, 2100 CLARENDON BLVD, ARLINGTON COUNTY, VIRGINIA. AFTER THE HEARING, THE COUNTY BOARD MAY ADOPT A TAX RATE LOWER THAN \$0.\_\_\_\_ PER \$100 OF ASSESSED VALUE, BUT IT CANNOT ADOPT A HIGHER RATE.**

A copy of the proposed resolution fixing the real estate tax rate for CY 2009 is on file and available for review in the Office of the Clerk to the County Board, Room 300, #1 Courthouse Plaza, 2100 Clarendon Boulevard, weekdays between the hours of 8:00 a.m. and 5:00 p.m.

Hope Halleck, Clerk  
Arlington County Board