



FY 2021 Recommended Budget Budget Question

Board Question #: 57

BUDGET QUESTION: Please explain the calculation of the equalized rate. Is new construction factored out? What additional real estate revenue is coming in at the equalized rate and what is it being used for in the Recommended Budget?

RESPONDING DEPARTMENT/OFFICE: Budget

RESPONSE: The equalized rate is the rate that when applied to the new taxable value projected for 2020 less new construction occurring during 2019 yields 101% of the prior year's (2019's) tax levy. The calculation is prescribed by State Code and is required to be calculated at 101% excluding new construction.

Please pay particular attention to the fiscal years noted in the remainder of this response. We're using what we know about the current year (FY 2020) to revise current year projections that factor into out-year (FY 2021) projections.

At the \$0.8100 equalized rate, the FY 2021 real estate revenue is projected to increase by \$3.6 million over what is currently projected for FY 2020*. The \$3.6 million breaks down as follows:

Amount	Description
\$1.8M	Revenue associated with new construction occurring during 2019 which increases the 2020 assessed value and impacts <u>both</u> tax bills – December 2020 and June 2021 – in FY 2021
\$1.2M	Revenue associated with the 1% increase allowed in revenue when calculating the equalized rate
(\$0.2M)	Estimated loss in revenue stemming from increased assessed values in the tax deferral and exemption programs
\$0.8M	Estimated revenue associated with the estimate of new construction to occur during 2020 which will increase the 2021 assessed value and impact <u>one</u> of two tax bills – the June 2021 bill – in FY 2021
\$3.6M	Estimated Increase in Real Estate Revenue at Equalized Rate

Recent historical changes in real estate revenue net of tax relief are as shown in the following table. Four of the five prior years of actual results included a tax rate increase for at least one of the two tax billings applicable to the fiscal year. At the equalized rate for CY 2020 and no change assumed in the rate for CY 2021, the increase in real estate revenue is projected at \$3.6 million for FY 2021. In reassessment years, the change (or “no change,” where applicable) is relative to the equalized rate.

FY 2021 Recommended Budget

Budget Question

Comparison FYs	+/- in Real Estate Revenue	Changes in Tax Rates Factoring Into Revenue
Projection: FY 2021 to FY 2020	+\$3.6M (at equalized)	CY 2021 = no change CY 2020 = no change
Projection: FY 2020 to FY 2019	+\$5.9M (at equalized)	CY 2020 = no change CY 2019 = +\$0.0144
Actual: FY 2019 to FY 2018	+\$4.6M	CY 2019 = +\$0.0144 CY 2018 = +\$0.0166
Actual: FY 2018 to FY 2017	+\$5.0M	CY 2018 = +\$0.0166 CY 2017 = no change
Actual: FY 2017 to FY 2016	+\$4.7M	CY 2017 = no change CY 2016 = +\$0.0187
Actual: FY 2016 to FY 2015	+\$3.1M	CY 2016 = +\$0.0187 CY 2015 = no change
Actual: FY 2015 to FY 2014	+\$2.2M	CY 2015 = no change CY 2014 = (\$0.0030)

For reference, the tax rates for the calendar year associated with these fiscal years are shown below:

Calendar Year	Tax Rate	Equalized Tax Rate
2014	0.86	0.863
2015	0.86	
2016	0.85	0.8313
2017	0.85	
2018	0.8330	0.8164
2019	0.8474	
2020 - advertised	0.8797	0.8100

Along with changes in other revenues, the increase in real estate revenue at the equalized rate is used for base budget adjustments in FY 2021. In general terms, these are the items on the attached Board Communication identified as being funded with “Base/Associated Revenue” other than instances where we’ve placed a star.

*Note that the revenue currently projected in FY 2020 is \$1.2 million less than originally adopted budget because staff is having to reset the FY 2020 projection of real estate tax revenue to address actual receipts being less than projections in both FY 2019 and so far in FY 2020. So, when a comparison of real estate revenue at the equalized rate is made to the FY 2020 Adopted Budget, the increase is \$2.4 million.

ESTIMATE OF STAFF TIME SPENT ON RESPONSE: 3.5 hours

COUNTY OF SPOTSYLVANIA



BOARD OF SUPERVISORS COMMUNICATION

Date: February 28, 2020

Purpose:

<input type="checkbox"/> BOS Follow-Up	<input type="checkbox"/> Schedule Notes *
<input type="checkbox"/> Future BOS Meeting	<input checked="" type="checkbox"/> Information Only *
<input type="checkbox"/> Emerging Issue	<input type="checkbox"/> Other: _____

* May be combined

Title: Breakdown of Recommended General Fund Budget by Strategic Plan Category & Funding Source

Summary/Analysis: A Board member asked that I provide a listing of which adjustments to the General Fund budget are funded with the equalized tax rate. The attached document summarizes all changes made to the FY 2020 Adopted Budget to yield the FY 2021 Recommended Budget. Adjustments are arranged by strategic plan category and the source of funding – base revenue, on-going funding from the tax rate increase, one-time funding from the tax rate increase – is shown for each adjustment. I've included notes where I thought they'd be helpful.

Conclusion/Recommended Action: No action is required at this time.

Prepared By: Bonnie Jewell, Assistant County Administrator/CFO

Reviewed By: _____

FY 2021 Recommended Budget Breakdown
(Including Funding Sources)

FY 2020 Expenditures & Transfers \$290,382,132

	How's it Paid For?		
	Base/Associated Revenue	Rate Increase (on-going)	Rate Increase (one time)
Commitment to Quality Government			
1.8% COLA - other than Public Safety	\$572,647		
2% performance-based merit	\$636,274		
VRS rate increased - mandated by State	\$578,120		
Focused salary adjustments	\$300,000		
Longevity adjustments	\$45,313		
Health insurance adjustments	-\$314,419		
Other personnel adjustments	-\$98,203		
Subtotal - Various Base Personnel Adj's	\$1,719,732	\$0	\$0
Mileage/Travel/Training	\$223,608		
Management Consulting	\$273,983		
Positions Approved for Add During FY 2020	\$240,419		\$40,000
Software Applications	\$215,121		
All Others	-\$33,679		\$425,517
New Initiative - Assessment Technician	\$25,492		
New Initiative - Account Clerk	\$28,747		
New Initiative - IT Program Mgr. Financial System	\$119,060		
New Initiative - Comm. Atty. Legal Assistant	\$68,597		
New Initiative - Solid Waste Division Director	\$154,571		
New Initiative - Planner I	\$79,368		
New Initiative - 4 Eligibility Workers - 1/2 yr	\$111,159		
New Initiative - Eligibility Supervisor	\$88,519		
New Initiative - Market/Planning Analysis	\$75,000		
Replacement voting booths	\$36,140		\$37,500
Transfer to Code Compliance	-\$32,203		\$36,140
Subtotal - Maintaining Levels of Service	\$1,673,902	\$611,616	\$539,157
Fund DSS programs & CSA mandates	\$2,039,043		
Add'l one-third for OPEB contribution	\$504,230		
Total Quality Government Adjustments	\$4,786,134	\$611,616	\$539,157

This one-time funding in this column won't be available without the tax rate increase proposed. For every penny reduction in the proposed rate, \$600K of this one-time funding would be removed.

\$80K - Increases in approved IS contracts
\$73K - Department technology requests
\$81K - Salary study (policy calls for every 3 years. We will be in year 5.)
\$40K - Landfill modeling, GPS, fixed asset id

\$35,571
\$28,326
\$37,500
Assumed State revenue
Assumed State revenue
Use of former EDO Fund balance

\$1.7M of this is State DSS/CSA revenue

**FY 2021 Recommended Budget Breakdown
(Including Funding Sources)**

	How's It Paid For?		
	Base/Associated Revenue	Rate Increase (on-going)	Rate Increase (one time)
Commitment to Public Safety			
Public Safety Step Scale & 1.8% COLA	\$8,002,033	\$8,002,033	
Various other P.S. personnel adjs	\$172,422		
Share of Jail/Juvenile Center budgets	\$419,747	\$419,747	
Next Generation 911 (NG911)	\$175,957		
	\$175,957		
Total Public Safety Adjustments	\$348,379	\$8,421,780	\$0
Commitment to Infrastructure Investment			
Existing debt service	-\$506,410		
Remove one-time FY 2020 transfer to capital	-\$4,200,000		
Increase transfer to Capital - policy level	\$1,946,405		
Added transfer to Transportation	\$700,000		
	\$4,706,410	\$0	\$2,646,405
Total Infrastructure Investment Adjustments	-\$4,706,410	\$0	\$2,646,405
Commitment to Educational Opportunities			
Increase transfer to Schools - on-going	\$2,500,000	\$1,900,000	\$1,500,000
Increase transfer to Schools - one-time	\$1,500,000		
Share of Library budget	\$224,378	\$224,378	
Germannna - career coaches for high schools	\$125,000		
Total Educational Opportunities Adjustments	\$4,349,378	\$2,124,378	\$1,500,000
Commitment to Economic Prosperity			
Increase in approved incentives payments	\$229,000		
Total Economic Prosperity	\$229,000	\$0	\$0
FY 2021 Expenditures & Transfers	\$307,607,570		
Increase from FY 2020 to FY 2021	\$17,225,438	\$11,157,774	\$4,685,562

As on-going costs, the policy level transfer to Capital and the add'l transfer to Transportation should be paid with on-going funding; not one-time. However, adequate on-going funding isn't available to support it in FY 2021, so we're having to use one-time.

This is full grant funding in FY 2021.