



AGENDA
BOARD OF SUPERVISORS BUDGET WORK SESSION
WEDNESDAY, FEBRUARY 23, 2022
6:00 PM
BOARD MEETING ROOM
107 NORTH KENT STREET, WINCHESTER, VIRGINIA 22601

Call to Order

Budget Work Session

1. Discussion: Budget Scenarios
2. Other

Adjourn

Scenario A Current Tax Rates 50% Allocation to County Full School Funding Funding for Transportation Reserve New Positions No increase in Personal Property Assessments		Scenario B Same as Scenario A with exception of no School Capital funding No increase in Personal Property Assessments	
FY 22 Operating Revenue	\$209,706,798	FY 22 Operating Revenue	\$209,706,798
FY 23 Local Tax Revenue Growth	\$22,300,000	FY 23 Local Tax Revenue Growth	\$22,300,000
Market Value Adjustment	<u>-\$1,300,000</u>	Market Value Adjustment	<u>-\$1,300,000</u>
FY 22 Program/Department Specific Revenue	<u>\$1,686,011</u>	FY 22 Program/Department Specific Revenue	<u>\$1,686,011</u>
FY 22 General Fund Revenue	\$232,392,809	FY 22 General Fund Revenue	\$232,392,809
Funding For Transportation Reserve	<u>-\$4,600,000</u>	Funding For Transportation Reserve	<u>-\$6,700,000</u>
	\$227,792,809		\$225,692,809
Full Operating and Capital School Funding Request	<u>-\$5,900,000</u>	Full Operating School Funding Request	<u>-\$3,800,000</u>
	\$221,892,809		\$221,892,809
FY 23 General Fund Operating Requests	\$219,990,881	FY 23 General Fund Operating Requests	\$219,990,881
FY 23 General Fund Capital Requests	\$10,240,293	FY 23 General Fund Capital Requests	\$10,240,293
FY 23 General Fund New Position Requesta	<u>\$2,840,074</u>	FY 23 General Fund New Position Requesta	<u>\$2,840,074</u>
	\$233,071,248		\$233,071,248
<u>What is Funded in General Fund</u>		<u>What is Funded in General Fund</u>	
COLA Placeholder	\$4,500,000	COLA Placeholder	\$4,500,000
Contingency (subject to change)	\$300,000	Contingency (subject to change)	\$300,000
Health insurance Increase	\$1,100,000	Health insurance Increase	\$1,100,000
Reduction in Health Insurance Increase	<u>-\$730,000</u>	Reduction in Health Insurance Increase	<u>-\$730,000</u>
VRS Increase	\$600,000	VRS Increase	\$600,000
Adult Detention Funding Increase	\$1,634,843	Adult Detention Funding Increase	\$1,634,843
Security Upgrades/Virus Protection	\$232,243	Security Upgrades/Virus Protection	\$232,243
Sheriff OT/PT	\$225,000	Sheriff OT/PT	\$225,000
Sheriff Gasoline	\$220,000	Sheriff Gasoline	\$220,000
Additional Funding to Schools in FY 23	\$5,900,000	Additional Funding to Schools in FY 23	\$3,800,000
New Positions (32 Requested @ \$2.8m)	\$1,901,928	New Positions (32 Requested @ \$2.8m)	\$1,901,928
Captial Funding (non-school)	\$0	Captial Funding (non-school)	\$0
Captial Funding (school)	\$2,100,000	Captial Funding (school)	\$0
		Uses Debt Service Reduction to fund School Operating	

COR Fact Sheet on NADA and the personal property tax rate

The **National Automobile Dealer's Association (NADA)** now owned by J.D. Power is the industry standard for valuing used cars and trucks for many purposes including personal property taxation. Frederick County has used NADA's **Clean Trade-in** value as far back as anyone can remember. There are other NADA valuations such as, Rough Trade-in, etc. Different localities use different methods.

Taxpayers are used to seeing their valuations step down year after year after initial purchase of a vehicle so that the tax burden generally decreases over time. This expectation on the part of taxpayers is why we are discussing this today.

Commissioners all over Virginia are experiencing an unprecedented rise in NADA values in 2022 (possibly as high as a 38.7% increase as stated in a J.D. Power presentation I forwarded to the BOS in late December 2021). This is due to supply chain problems related to public policy decisions during the pandemic that include but are not limited to closing of businesses or industries, closing of ports, limitations on international shipping, economic stimulus to states, localities, and directly to taxpayers.

The rise in NADA values isn't just affecting newer vehicles. It is impacting vehicles as far back as 10 years old up to new 2022 models. Vehicles older than 10 years are not necessarily rising in value but have the tendency to hold their value. This is also unique to this market. Vehicles older than 20 years drop off NADA and we decrease them by 10% per year. That component stays the same.

The COR office has done two preliminary samplings on the personal property book data at the request of the county administrator and has determined that vehicles owned by the BOS have increased in value ~18% overall. Another sampling of the COR Office employees showed a rise of closer to 25% in NADA values overall.

The personal property tax rate is currently \$4.86/\$100 of assessed value. That tax rate was last changed from \$4.20/\$100 of assessed value in 2009 (a particularly bad budget year). 2008 back to 1999 is as far back as we can see history on and the rate stayed at \$4.20/\$100 of assessed value.

The Business Equipment (BE) tax rate is the same as the personal property tax rate in Frederick County and by law must be equal to or lower than the personal property tax rate (see 58.1-3506(B)). Business Equipment is equal to approximately 15% of the total personal property book value. So, when you lower the overall personal property tax rate, you must take into account that you need to lower the Business Equipment rate as well affecting revenues.

35% of the 138,620 (line item # changes daily) personal property (PP) line items are **NOT** affected by rising NADA values and include things like Business Equipment (BE), Machinery & Tools (M&T) etc. some of which are subject to different tax rates. And as stated earlier, a portion of vehicles (older cars and trucks) are unaffected by NADA values.

I have heard Mr. Graber say during board member comments that we have a higher personal property tax rate than Fairfax County. That is a true statement. Fairfax is at \$4.57/\$100 of assessed value (RE \$1.14) and Frederick County is at \$4.86/\$100 of assessed value (RE \$.61). Here are some other examples:

Shenandoah County - \$3.90/\$100 of assessed value (RE \$.64)
Clarke County - \$1.25/\$100 of assessed value (RE \$.71)
Winchester City - \$4.80/\$100 of assessed value (RE \$.93)
Prince William County - \$3.70/\$100 of assessed value (RE \$1.115)
Fauquier County - \$4.65/\$100 of assessed value (RE \$.994)
Warren County - \$4.00/\$100 of assessed value (RE \$.655)

The COR office will **NOT** be able to provide a **revenue neutral personal property tax rate** until the book is completed at the beginning of April. There are too many moving parts associated with PP to calculate that at this time. What we can say is that with each penny of PP tax rate reduction, there are \$130,000 fewer revenue dollars to cover budget items.