

EXHIBIT NO. 1

14
4-17-04 ~~18~~
~~4-13-04~~

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 31, 2004
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*
SUBJECT: PROPOSED REAL AND PERSONAL PROPERTY TAX RATES ORDINANCE FOR CALENDAR YEAR 2004 (FISCAL YEAR 2005)

ISSUE: Proposed Real and Personal Property Tax Rates Ordinance for Calendar Year 2004 (Fiscal Year 2005).

RECOMMENDATION: That City Council pass on first reading the ordinance to establish the real and personal property tax rates for calendar year 2004, set it for public hearing on Saturday, April 17, 2004, and for second reading and final passage on Monday, May 3, 2004.

DISCUSSION: Under the requirements of the Virginia Code, Council must annually establish a real property tax rate and personal property tax rates for each calendar year. The Virginia Code also establishes certain advertising and public hearing requirements prior to the adoption of these property tax rates. Given these advertising and public hearing requirements of the State Code, the following schedule for calendar year 2004 (FY 2005) is proposed:

- April 8: Newspaper advertisement of public hearings on effective tax increase and property tax rates ordinances
- April 12: Public hearing on the budget
- April 13: Introduction of tax ordinances
- April 17: Public hearing on the effective real property tax increase and property tax rates ordinances
- May 3: Final adoption of the budget and tax ordinances

It should be noted that the State Code requires a separate public hearing on the real property tax rate if the taxes levied for the year in which the proposed tax rate applies would increase by more than one percent (after the value of new construction has been deducted). This would be the case in 2004 as taxes levied would increase 12.1 percent for all classes of real property (after the value of new construction has been deducted). Also, state law requires, in the circumstance of an increase in taxes levied in excess of 1%, to maintain or increase the current real property tax rate, that a special "notice of proposed real property tax increase" be placed in a local newspaper of general circulation. The required separate hearing on the real property tax increase is scheduled

to be held on April 17th, with the special notice of the hearing date placed in The Northern Virginia Journal and the Alexandria Gazette Packet prior to that hearing.

The attached ordinance reflects the City's proposed real and personal property tax rates included in the FY 2005 Proposed Operating Budget: a proposed decrease in the real property tax rate from \$1.035 per \$100 of assessed value to \$1.005 per \$100 of assessed value. The FY 2005 Proposed Operating Budget reflects no change to the various personal property tax rates (\$4.75 per \$100 of assessed value for tangible personal property, \$3.55 per \$100 of assessed value for vehicles with specially designed equipment for use by the physically disabled, \$4.50 per \$100 of assessed value for machinery and tools used in mining or manufacturing businesses, and \$0.01 per \$100 of assessed value for privately owned boats and watercraft that are used for recreational purposes only).

The calendar year 2004 real and personal property tax rates that are approved by Council for public hearing and final consideration would then be the highest tax rates that the Council could consider and adopt for calendar year 2004. By state law, Council could adopt those advertised rates or could adopt lower tax rates than those approved for public hearing, but not higher rates. Currently, the proposed advertised real estate rate of \$1.005 consists of \$0.995 for General Fund operating expenses and \$0.01 for the open space capital account. Since this is the first year for setting the real estate tax rate with an embedded open space \$0.01 real estate tax rate set-aside, it should be noted that increasing the amount designated for open space without reducing other General Fund capital or operating expenditures by an equivalent amount would require advertising a tax rate higher than the proposed tax rate of \$1.005.

FISCAL IMPACT: The value of three cents on the real property rate is estimated at \$10.2 million, or \$3.3 million in FY 2004 and \$6.9 million in FY 2005. This represents the sum of the value of three cents for the June 2004, November 2004, and June 2005 real estate tax payments, which have been dedicated in FY 2004 revenue re-estimates as FY 2005 revenue projections. This three payment date cost assumes that the real property tax rate that is applied to FY 2005 is also applied to the real property tax payment in June 2004, which occurs at the end of the FY 2004 budget. The value of one cent on the tangible personal property tax rate is \$0.1 million.

ATTACHMENT: Ordinance

STAFF:

Mark Jinks, Assistant City Manager

Bruce Johnson, Director, Office of Management and Budget

Introduction and first reading:	4/13/04
Public hearing:	4/17/04
Second reading and enactment:	5/03/04

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) of Division 1 (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT) and Section 3-2-224 (LEVIED ON AUTOMOBILES, TRUCKS, TRAILERS, SEMI-TRAILERS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981.

Summary

The proposed ordinance sets the city's 2004 tax rates for real property and tangible personal property. The ordinance sets the 2004 real property tax rate at \$1.005 on each \$100 of assessed value, a reduction of \$0.03 from the 2003 rate. Personal property tax rates are unchanged from 2003. The sum of \$0.01 on each \$100 of assessed value, out of the \$1.005 real property tax rate, is dedicated to the Open Space Trust Fund Account. Under the City Charter, all funds in this account must be used exclusively for the acquisition and improvement of new open space parks in the City.

Sponsor

Staff

Mark Jinks, Assistant City Manager
Daniel A. Neckel, Director of Finance
Bruce Johnson, Director of Management and Budget
Kendel Taylor, Budget Analyst
Ignacio B. Pessoa, City Attorney

Authority

Article X, § 4, Virginia Constitution
§§ 2.02(a)(1), 6.15 Alexandria City Charter

Estimated Costs of Implementation

None

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

ORDINANCE NO. _____

AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) of Division 1 (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT) and Section 3-2-224 (LEVIED ON AUTOMOBILES, TRUCKS, TRAILERS, SEMI-TRAILERS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 3-2-181 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-181 Levied; amount.

There shall be levied and collected for the calendar year ~~2003~~ 2004 on all real estate located within the territorial boundaries of the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of ~~1.035~~ \$1.005 on each \$100 of the assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 2. That Section 3-2-221 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-221 Levied on tangible personal property other than mobile homes, automobiles, trucks, antique motor vehicles, taxicabs, motor vehicles with specially designed equipment for use by the handicapped, motorcycles, campers and other recreational vehicles, boats and boat trailers; amount.

There shall be levied and collected for the calendar year ~~2003~~ 2004 on all tangible personal property, other than mobile homes, automobiles, trucks, antique motor vehicles, taxicabs, motor vehicles with specially designed equipment for use by the handicapped, motorcycles, campers and other recreational vehicles, boats and trailers, owned or held by residents or citizens of the city or located within the territorial boundaries of the city or otherwise having a situs within the city and subject

to taxation for city purposes under the constitution and laws of this state and city, a tax of \$4.75 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 3. That Section 3-2-222 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-222 Levied on machinery and tools used in mining or manufacturing business; amount.

There shall be levied and collected for the calendar year ~~2003~~ 2004 on all machinery and tools used in a mining or manufacturing business taxable on capital and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of \$4.50 on each \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 4. That Section 3-2-223 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-223 Levied on mobile homes; amount.

There shall be levied and collected for the calendar year ~~2003~~ 2004 on all vehicles without motor power, used or designed to be used as mobile homes as defined in section 46.2-100 of the Code of Virginia, owned or held by residents or citizens of the city or located within the territorial boundaries of the city or otherwise having a situs within the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of ~~\$1.035~~ \$1.005 on each \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 5. That Section 3-2-224 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-224 Levied on automobiles, trucks, trailers, semi-trailers, antique motor vehicles, taxicabs, motorcycles, campers and other recreational vehicles, boats and trailers; amount.

(a) Except as provided in subsections (b), (c) and (d), there shall be levied and collected for the calendar year ~~2003~~ 2004 on all automobiles, trucks, trailers, semi-trailers, antique motor vehicles (as defined in section 46.2-100 of the Code of Virginia, 1950, as amended, which may be used for general transportation purposes as provided in subsection C of section 46.2-730 of the Code of Virginia, 1950, as amended), taxicabs, motorcycles, campers and other recreational vehicles, boats and boat trailers owned or held by residents or citizens of the city or located within the territorial boundaries of the city or otherwise having a situs for taxation in the city, a tax of \$4.75 on every \$100

of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

(b) There shall be levied on and collected for the calendar year ~~2003~~ 2004 on all automobiles, trucks, trailers and semi-trailers with a gross vehicle weight of 10,000 pounds or more which are used to transport property for hire by a motor carrier engaged in interstate commerce, and are owned or held by residents or citizens of the city, are located within the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$4.50 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

(c) There shall be levied on and collected for the calendar year ~~2003~~ 2004 on all automobiles and trucks which are equipped with specially designed equipment for use by the handicapped and are owned or held by residents or citizens of the city, are located within the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$3.55 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

(d) There shall be levied on and collected for the calendar year ~~2003~~ 2004 on all privately owned pleasure boats and watercraft, which are used for recreational purposes only, and are owned or held by residents or citizens of the city, or are located within the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$.01 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 6. That this ordinance shall become effective January 1, 2004, *nunc pro tunc*.

WILLIAM D. EUILLE
Mayor

Introduction: 4/13/04
First Reading: 4/13/04
Publication:
Public Hearing:
Second Reading:
Final Passage: