

Blue Ribbon Committee on the Future of Wake County

Update on Financial Issues

March 18, 2008



 **Foundations for the Future**

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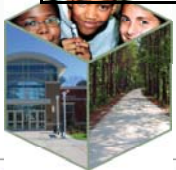
Presentation Overview

- Review of Needs
- Revenue Strategies
- Revaluation Results
- Revenue Neutral Tax Rate
- Capacity of New Local Tax Options
- Forecast of Property Tax Rate



Infrastructure Plans – Cost Summary

Infrastructure Area	Projected Funding Needs to 2030	Original Funding Gap	Progress to Date	Current Gap
Public Schools	\$ 11,700,000,000	\$ 11,100,000,000	\$ 1,056,000,000	\$ 10,044,000,000
Water/Sewer	\$ 1,200,000,000	None	None	None
Wake Tech	\$ 618,100,000	\$ 618,100,000	\$ 115,000,000	\$ 503,100,000
Criminal Justice				
Phase I	\$ 464,900,000	None	None	None
Phase II	\$ 361,600,000	\$ 361,600,000	\$ -	\$ 361,600,000
Open Space	\$ 300,000,000	\$ 300,000,000	\$ 50,000,000	\$ 250,000,000
Transportation / Roads	\$ 12,000,000,000	\$ 6,000,000,000	\$ -	\$ 6,000,000,000
Total	\$ 26,644,600,000	\$ 18,379,700,000	\$ 1,221,000,000	\$ 17,158,700,000



Tax Rate Projections for Approved Capital Projects

(In Cents)	Total	2008	2009	2010	2011	2012	2013	2014	2015
\$1.056 Billion CIP 2006 (\$970 Million in Bonds)									
Capital and Debt Service	2.70	2.70							
Operating	2.00	0.90	0.30	0.40	0.30	0.10			
Total	4.70	3.60	0.30	0.40	0.30	0.10			
\$210 Million Capital Plans (\$187 Million in Bonds)									
Capital and Debt Service (Libraries, Open Space and Wake Tech)	1.35		1.35						
Libraries - Operating	0.36	-	-	0.05	0.09	0.09	0.11	0.02	-
Wake Tech - Operating	0.47	-	0.01	0.01	0.02	0.12	0.06	0.13	0.12
Total	2.18	-	1.36	0.06	0.11	0.21	0.17	0.15	0.12
County Buildings - Operating	0.21	-	-	-	0.01	0.18	-	0.02	-
Criminal Justice - Operating	2.03	-	-	-	-	0.72	1.18	0.12	-
Total Capital and Debt Service	4.05	2.70	1.35	-	-	-	-	-	-
Total Operating Impacts	5.07	0.90	0.31	0.46	0.42	1.21	1.36	0.30	0.12
Total	9.12	3.60	1.66	0.46	0.42	1.21	1.36	0.30	0.12



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Revenue Strategies: Property Tax

- Reassess real property every four years instead of every eight years;
- And leave the tax rate at its current level rather than decreasing it to make the result revenue neutral



Revaluation Status

- Property owners notified in November 2007 of new valuation
- Valuation increase county-wide: 43% (all property types)



Results by Municipality

(average residential increase)

Raleigh	41%
-- Inside beltline – 73%	
-- Outside beltline – 35%	
Cary	38%
Morrisville	38%
Apex	36%
Unincorporated	35%
Holly Springs	31%



Results by Municipality

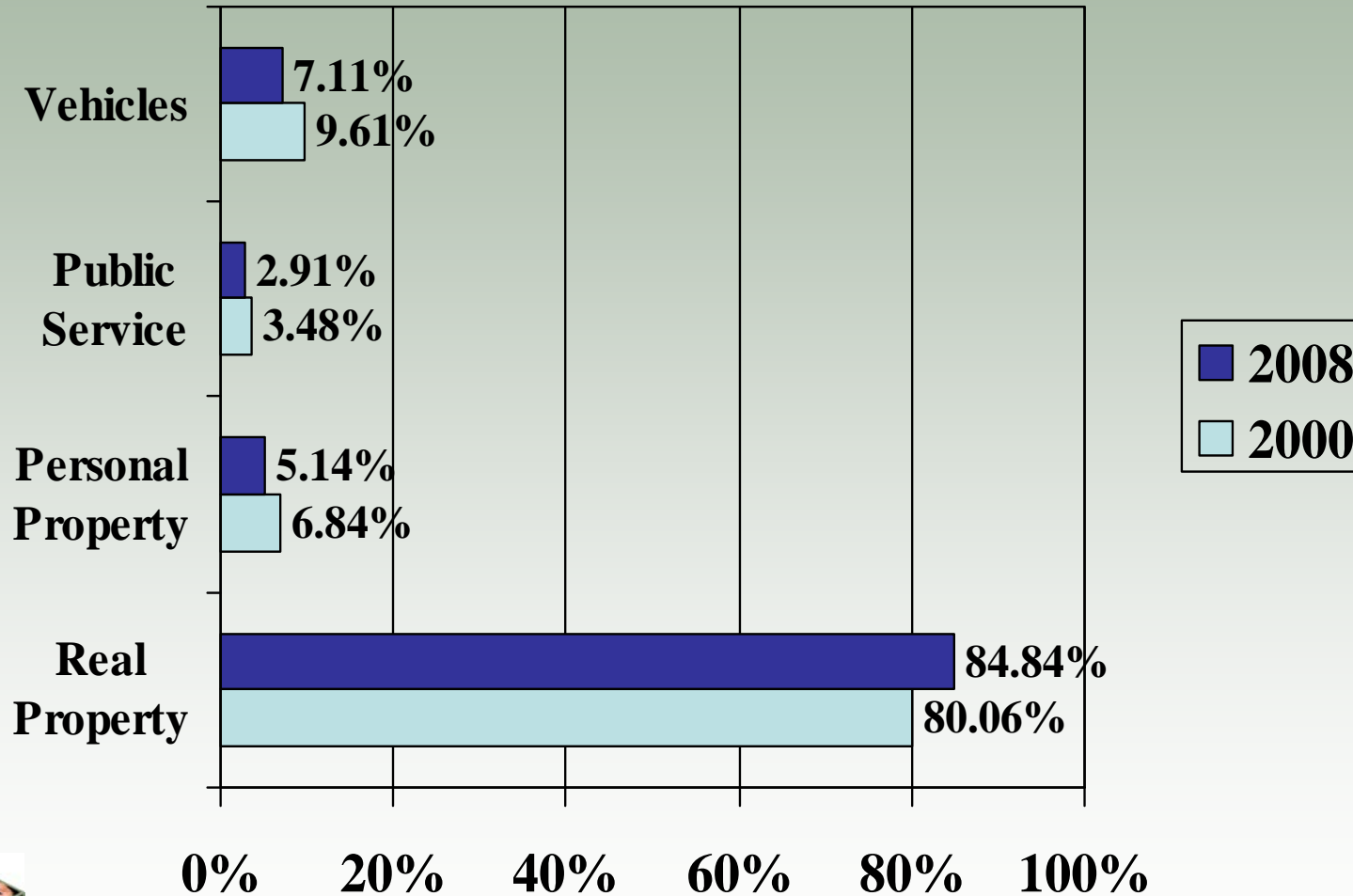
(average residential increase)

Wake Forest	29%
Fuquay-Varina	27%
Rolesville	27%
Zebulon	26%
Wendell	25%
Garner	25%
Knightdale	23%



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Shift in Real & Personal from 2000 to 2008



Revenue Neutral Tax Rate

- Refers to the rate that would generate the same amount of tax dollars in total if there had been no revaluation
- State requires that the revenue neutral tax rate be disclosed
- When the tax rate is established, any increase beyond that revenue neutral rate must be characterized as a tax increase





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Factors Affecting the Rate

- Appeals
 - A decrease in valuation is factored into the property valuation estimates
 - Outcome of appeals could increase or decrease the valuation and affect the tax rate
- New Construction
 - An estimate is included for new construction as all valuations have not been completed
 - Actual valuation amounts may increase or decrease the valuation and affect the tax rate



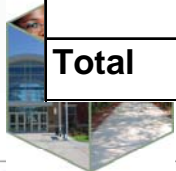
Setting of Tax Rate

- A final estimate of property valuation will be made in late April to determine the revenue neutral tax rate
- The “final” revenue neutral rate will be presented as part of the FY09 Recommended Budget



Residential Property Statistics

Value Inc from 2000 to 2008	Number of houses	2000 Median Value	2000 Land Value	2008 Median Value	2008 Land Value	Percent Increase - Median Value	Percent Increase - Land Value
0 to 9.9%	8,716	\$ 105,600	\$ 20,000	\$ 113,281	\$ 24,000	7.3%	20.0%
10 to 19.9%	34,528	\$ 120,100	\$ 24,000	\$ 139,047	\$ 32,000	15.8%	33.3%
20 to 29.9%	67,480	\$ 138,636	\$ 28,000	\$ 172,915	\$ 40,000	24.7%	42.9%
30 to 39.9%	60,481	\$ 173,800	\$ 36,000	\$ 234,545	\$ 66,000	35.0%	83.3%
40 to 49.9%	39,929	\$ 188,555	\$ 40,000	\$ 271,948	\$ 82,000	44.2%	105.0%
50 to 59.9%	15,382	\$ 199,800	\$ 48,000	\$ 305,752	\$ 103,700	53.0%	116.0%
60 to 69.9%	6,617	\$ 199,650	\$ 57,600	\$ 326,590	\$ 140,000	63.6%	143.1%
70 to 79.9%	4,544	\$ 189,000	\$ 60,000	\$ 329,024	\$ 164,188	74.1%	173.6%
80 to 89.9%	3,367	\$ 174,100	\$ 60,000	\$ 320,441	\$ 175,000	84.1%	191.7%
90 to 99.9%	2,417	\$ 173,425	\$ 66,000	\$ 336,497	\$ 178,805	94.0%	170.9%
100%+	10,580	\$ 77,021	\$ 40,000	\$ 279,539	\$ 91,000	262.9%	127.5%
Total	254,041						



Tax Impacts on Various Property Values

2008 Value	Taxes on 2008 Value at Revenue Neutral Rate (.509)	Taxes on 2008 Value at Current Rate (.678)	Difference in Revenue Neutral & Current Rate
\$ 150,000	\$764	\$1,017	\$254
\$ 300,000	\$1,527	\$2,034	\$507
\$ 450,000	\$2,291	\$3,051	\$761
\$ 600,000	\$3,054	\$4,068	\$1,014
\$ 750,000	\$3,818	\$5,085	\$1,268
\$ 1,000,000	\$5,090	\$6,780	\$1,690
\$ 20,000,000	\$101,800	\$135,600	\$33,800
\$ 50,000,000	\$254,500	\$339,000	\$84,500
\$ 100,000,000	\$509,000	\$678,000	\$169,000

Total Taxes Generated at Revenue Neutral Rate:

\$593,429,000

Total Taxes Generated at Current Rate:

\$791,246,000



Revenue Strategies: Local Option Sales Tax

- Seek authority from the General Assembly to implement a local options sales tax of up to 1%
 - With half dedicated to public school construction needs and half dedicated to transportation (roads, transit) needs



Local Option Taxes Granted by General Assembly

.40% Land Transfer Tax

OR

1/4 cent Sales Tax



Results of Fall Referenda

	Number of Counties	Number where Measure Passed
Land Transfer Only	11	0
Sales Tax Only	11	5
Land Transfer and Sales Tax	5	0
	<hr/> 27	<hr/> 5



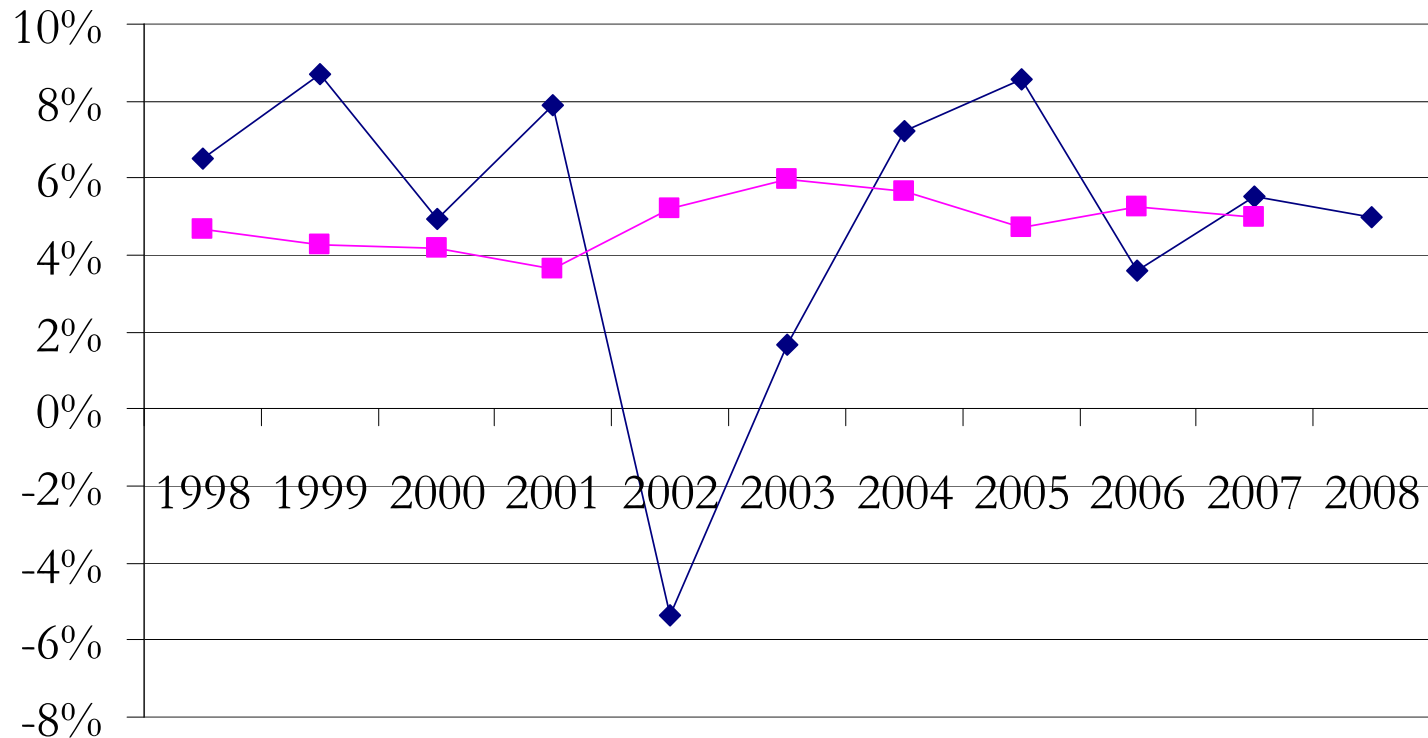
Potential Capacity from Local Option Sales or Land Transfer Tax

- Analyzed growth rate history
 - Sales tax – compound annual growth rate ranges from 4.0% to 6.1%
 - Land transfer – compound annual growth rate ranges from 7.0% to 16.9%
- FY08 estimates used to calculate revenues from the new sources



Historical Growth Chart – Sales Tax

Article 39 Point of Sale



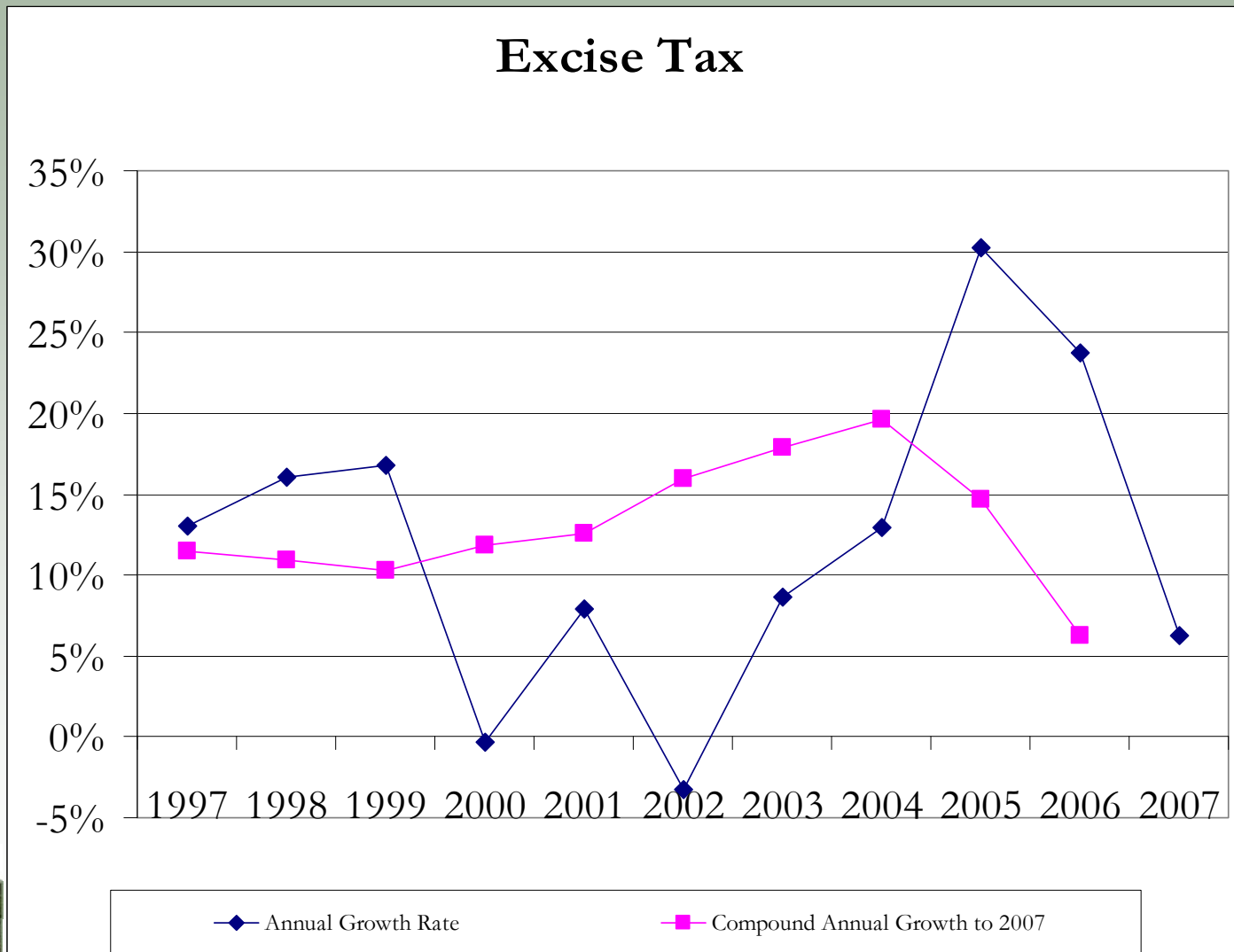
◆ Annual Growth Rate

■ Compound Annual Growth to 2008

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Historical Growth Chart – Land Transfer



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Assumptions for Projecting Capacity

- Growth Rate
 - Land Transfer – 7% annual growth
 - Sales Tax – 4.5% annual growth
- Calculating Capacity (Debt plus pay-as-you-go)
 - Assumes 80% debt, 20% pay-as-you-go
 - 20-year debt with an interest rate of 4.5%
 - Maintains a 19% Debt Service Fund Balance



Capacity Generated

Land Transfer growth rate of 7%

Sales Tax growth rate of 4.5%

Time Frame	Land Transfer	Sales Tax
1 to 5 years	767,000,000	463,000,000
6 to 10 years	401,000,000	169,000,000
11 to 15 years	481,000,000	162,000,000
16 to 20 years	665,000,000	196,000,000
TOTAL	2,314,000,000	990,000,000



Sensitivity Analysis

Reduce Land Transfer growth rate to 5%
and Sales Tax growth rate to 3.5%

Time Frame	Land Transfer	Sales Tax
1 to 5 years	713,000,000	446,000,000
6 to 10 years	283,000,000	137,000,000
11 to 15 years	285,000,000	116,000,000
16 to 20 years	355,000,000	132,000,000
TOTAL	1,636,000,000	831,000,000



Property Tax Rate Necessary to Generate Equivalent Capacity of Land Transfer and Sales Tax

Dollars Generated by	Equivalent Tax Rate
Land Transfer	4.5 to 8.0 cents
Sales Tax	3.0 to 3.2 cents



Projected Tax Rate Assumptions

- Eight-year Revaluation Cycle
- Operating and Debt Impacts of Fall 2007 Bonds
- Two Future Building Programs
 - \$1.1 billion in 2009 (\$875 million in bonds)
 - \$2.1 billion in 2011 (\$1.7 billion in bonds)



Projected Tax Rates

(Assumes 8-year Reval Cycle)

Assumptions:	AD VALOREM TAXES							
	2007	2008	2009	2010	2011	2012	2013	2014
Tax base	\$78,842,363	\$83,210,869	\$116,703,000	\$120,788,000	\$125,016,000	\$129,392,000	\$133,921,000	\$138,608,000
Annual growth rate	6.46%	5.54%	40.25%	3.50%	3.50%	3.50%	3.50%	3.50%
Tax increase - Operating (Schools)	3.00	1.70	0.30	0.30	0.20	0.30	0.50	0.30
Tax increase - Operating (County)			0.01	0.06	0.11	1.11	1.35	0.29
Tax increase (cents) - Capital		2.70	1.35	7.19		6.09		
Tax rate (cents)	63.40	67.80	52.50	60.05	60.36	67.86	69.71	70.31
Levy plus \$550 Late List less \$3m rebates	497,411	560,459	610,235	722,900	752,201	875,614	931,175	972,093
Collection rate	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%
Total tax receipts	489,949	552,052	601,081	712,057	740,918	862,480	917,208	957,512
Revenue per penny	7,764	8,194	11,493	11,895	12,312	12,743	13,189	13,650
Capital tax rate	16.5	19.20	15.75	22.94	22.94	29.03	29.03	29.03
Ad valorem tax - capital program	128,099	157,322	181,012	272,914	282,469	369,953	382,905	396,308
Percent change - ad valorem tax	7.02%	22.81%	15.06%	50.77%	3.50%	30.97%	3.50%	3.50%
Ad valorem tax allocation:								
Debt Service Fund	105,354	100,544	109,389	195,011	170,655	172,197	204,173	227,566
School Capital Projects Fund	-	16,000	30,000	47,000	85,000	170,000	150,000	139,000
County Capital - 20% Cash		16,900	16,600	5,000	-	-	-	-
County Capital Projects Fund	22,745	23,878	25,023	25,903	26,814	27,756	28,732	29,742
Total	\$128,099	\$157,322	\$181,012	\$272,914	\$282,469	\$369,953	\$382,905	\$396,308



QUESTIONS?



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