

# COUNTY OF ALBEMARLE



## MEMORANDUM

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**TO:** Albemarle County Board of Supervisors

**FROM:** Greg Kamptner, County Attorney

**DATE:** July 26, 2017

**RE:** *Key Sections in the City-County Revenue Sharing Agreement*

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This memorandum is an analysis of the key sections of the City-County Revenue Sharing Agreement (the "Agreement").

### 1. Revenue Sharing

Section II establishes the formula for determining the amount of revenue that will be "shared." The formula is generally a function of the populations of the City and the County, the value of locally assessed taxable real property, and the true real property tax rates of the City and the County as determined by the Virginia Department of Taxation. These numbers are then applied to a 5-step computation. Section II also imposes a cap on the amount of revenue transferred so that it can never exceed 0.1% of the locally assessed value of taxable real estate.

Section II of the Agreement provides in part that: "In each year in which the agreement is in effect, *the assessed values used to calculate the respective* contributions shall be those reflected on the land books of the two jurisdictions for the most recent year for which population and true tax rate figures."

The Agreement does not restrict how the receiving locality (the City) may use the transferred money. Through FY 2018, the County will have transferred \$311,803,547 to the City under the Agreement; revenue has never been transferred from the City to the County under the Agreement.

#### A. How the Value of the Locally Assessed Real Property is Determined

The *assessed values* are determined as follows. From the land books, the totals of the land values and the improvement values are added to get the total value. The land values used are the *fair market value* stated in the land books. For lands that are subject to land use valuation, the fair market value, not their use value, is used, and the taxes deferred on those lands under land use valuation, and the taxes for which tax relief is provided, are deducted. The result is the County's real estate tax base.

#### B. How the True Tax Rate is Determined

The *true tax rate* is determined by the Department of Taxation, which evaluates the assessed value of properties sold within the locality in a particular year and the value of the sales that are determined to have been fair market sales. From these two values (assessed value/sales), a median ratio is determined. The County's true tax rate is calculated by multiplying the County's nominal tax rate by the median ratio.

## **C. The Cap**

If the formula results in the amount of the revenue to be transferred to the City exceeding the 0.1% cap of the value of locally assessed taxable real property, then the “cap” amount applies. From 2012 until 2016, the calculated amount of revenue transferred to the City did not exceed the cap. During the life of the Agreement, the revenue transferred to the City has been reduced by the cap in 26 of the 35 years.

### **2. Prohibition on Annexation**

Section III prohibits the City from initiating any annexation proceedings against the County (with an exception in the Pen Park area), and requires the City to oppose any petitions by County residents or property owners seeking to have territory annexed to the City.

The County and the City acknowledged during negotiations that the General Assembly could re-establish a moratorium at any time. The current moratorium has been in place since January 1, 1987.

### **3. Duration of the Agreement**

Section VI provides that the Agreement will remain in effect until: (1) the City and the County are consolidated or combined into a single political subdivision; (2) the concept of independent cities is changed by State law so that real property in the City becomes part of the County’s tax base; or (3) the City and the County agree to cancel or change the Agreement.

The County and the City acknowledged during negotiations that the Agreement could continue indefinitely. The 0.1% cap referenced in Section 1(C) was added to address that possibility by limiting the potential liability of the transferring locality (the County) in any year.

### **4. Remedy for a Breach of the Agreement**

Section IX provides that if one party deems the other to have breached the Agreement, it must provide notice to that party, who has 60 days to remedy the breach. If the breaching party fails to correct the breach, the aggrieved party may seek a court order to compel performance in accordance with the terms of the Agreement.

### **5. Amending the Agreement**

Amending the Agreement is governed by State law and would require these steps: (1) the amendment would be in writing and the terms of the amendment would be agreed to by both the City and the County; (2) the amended Agreement would be reviewed by the State Commission on Local Government, which would issue a report; (3) the City and the County would hold public hearings and adopt ordinances approving the amended Agreement; and (4) the City and the County would petition the circuit court (a three judge special court) for approval of the amendment. *Virginia Code § 15.2-3400.*

If the amendment affects the revenue sharing payments by the County, the amendment would have to be approved by County voters in a referendum. *Virginia Code § 15.2-3401.*