

To: Henderson County Commissioners
From: Alternative Revenue Task Force Committee
Date: November 15, 2006
Subject: Alternative Revenue Options

The Alternative Revenue Task Force (ARTF) Committee made up of 9 citizens from various groups within the county met numerous times to discuss the various options of additional revenue to fund capital projects for Henderson County needs.

Those members were Chair Steve Dozier, Vice Chair, Nick Pryor, Phillip Stanley, Paula DeLorenzo, Ed Glenn, Hall Waddell, Ken Butcher and Michael Fleming

There weren't many options to consider and considerable time was spent researching alternative revenue sources besides property tax increases. Henderson County has seen tremendous growth and the financial needs have increased as well in relation to that growth, but not all of the capital financial needs have come from strictly growth of new residents.

Alternatives considered ranged from sales taxes, impact fees, service related fees, revenue bonds, land transfer fees, school taxes and others. Several of those were considered simply an additional property tax such as school taxes to fund new capital projects and not an alternative revenue source so they were disregarded.

During discussions held with County Staff and in consideration of the capital needs in the coming years which is excess of \$300 million, this committee felt it needed to come up with approximately \$10 million in alternative revenue per year to fund the debt service on \$100 million of capital needs.

It is also the strong recommendation of this committee that the funds generated from any alternative revenue sources be earmarked strictly for capital projects and in no way be used for growing the county's government operation.

After much discussion and consideration, this committee made up of various groups and business entities narrowed the options down to a small number of issues that should be presented to you, our County Commissioners for consideration.

Even with the options considered, not all of the options were agreed to unanimously, but were pushed forward by a majority vote.

The options are shown on the attached table. The concerns relating to this proposal are stated below.

Concerns relating to Revenue Options

- \$300+ million needed for capital projects
- Additional tax burdens on county population
- Find revenue streams to keep property tax increases to a minimum
- Find a revenue source that was broad based and would generate revenue totals in the range of \$10 to \$11 million dollars
- Utilize as many resources as possible to generate needed revenue.

ALTERNATIVE REVENUE OPTIONS

Option Agreed to Present	Pros	Cons	Vote of Committee	Amount Contributed
Propose a \$.01 cent sales tax increase that is paid by the entire population of the county along with any and all visitors to our area.	Broad based with county wide and visitor contribution.	\$.01 cent higher than surrounding counties	6 Yes 3 No	\$10 to \$11 million
Propose a combination of a \$.005 cent sales tax increase along with a 1/2% Land Transfer Fee/Tax on all real estate sales including residential and commercial sales involving property.	2 options on additional revenue so that no one group is saddled with entire burden.	Land Transfer fees have only been utilized in the north eastern part of NC in areas that were having 20% and higher appreciation rates.	6 Yes 3 No	\$10 to \$11 million
Additional Options	Pros	Cons	Vote of Committee	Amount Contributed
\$.005 cent sales tax increase	Broad based funding from county wide participation and additional contribution from all visitors to county.	\$.005 cent higher than surrounding counties	9 Yes 0 No	\$5 to \$6 million
Land Transfer Fee/Tax of 1/2% of sales amount for land, residential and commercial sales where real property is involved.	A Land Transfer Fee/Tax generates revenue from a sizeable portion of the community growth	Targets a small portion of the entire county population and puts the revenue burden entirely on this group.	6 Yes 3 No	\$4 to \$5 million

Henderson	Buncombe	Haywood	Polk	Rutherford	Transylvania
\$0.070 \$0.005 cent to possible \$0.01 increase	\$0.070	\$0.070	\$0.070	\$0.070	\$0.070

Henderson	Buncombe	Haywood	Polk	Rutherford	Transylvania
\$0.070 \$0.005 cent to possible \$0.01 increase	\$0.070	\$0.070	\$0.070	\$0.070	\$0.070

A Reappraisal Report

Faithfully Submitted For Consideration and Action

at the

15 November 2006 Meeting of the Board of Commissioners

Stan C. Duncan
County Assessor

Where we are now...

**Compelled to recommend the 2007
reappraisal be rescheduled to 2009 as
the most prudent course of action.**

- **Taking the reasonable, long-term view;** what will provide the most accurate and most equitable distribution of the property tax burden relative to each individual property's contribution to the tax base.

Jan. 1, 2009

General Reappraisals . . .

- Are conducted in compliance with the Uniform Standards of Professional Appraisal Practice. *USPAP*
- Recognize the economic principles of “Change, Highest & Best Use, Consistent Use, Anticipation, Substitution, and “any other factor that may affect” market value. N.C.G.S. 105-317(a)(1)&(2)
- Require counties to appraise and assess all real property at 100% Market Value. N.C.G.S. 105-283

N C Statutory Provision . . .

N.C.G.S. 105-286 establishes an octennial plan for all 100 NC counties whereby, at a minimum, general reappraisals are set to occur every eight years.

Counties may also:

- determine a four-year horizontal adjustment,
- advance a reappraisal to an earlier date, or
- reschedule to a later date within the eight-year statutory standard.

General Reappraisals . . .

- **Re-distribute the tax burden** relative to changes in the market unique to each parcel since the last reappraisal.
- **Rely on extensive analysis** of local real estate market activity.
- **Two Goals:**
 1. **Market Value** (100%)
 2. **Uniformity**; appraising the characteristics of each property due to location, type, and any other factor affecting its value in order to meet Goal #1.

Reappraisals are conducted...

Utilizing computer software to:

- **analyze activity** in the general real estate market to create appraisal schedules appropriate to every location and for every property type in Henderson County,
- and to
- **apply Schedules of Values, Standards, and Rules** against property characteristics in order to form “an opinion of value” or an appraised value.

NC Statutes Direct . . .

- The Assessor “have general charge of the listing, appraisal, and assessment of all property”.
N.C.G.S. 105-296(a)
- The Assessor develop “uniform, schedules of values, standards, and rules to be used in appraising real property at its true value”.
N.C.G.S. 105-317(b)

Therefore,

As your County Assessor, **I, and I alone,**
am responsible for the reappraisal
and any other appraisal or assessment of
taxable property.

Ref: N.C.G.S 105-296(a)

The **NC Property Tax System** (NCPTS)

- **Developed in response** to the growing need of NC counties for a reliable, uniform, software system to administer the property tax program.
- **Owned** by the NC County Commissioners Association (NCACC), and its member counties.
- **Governed by a Master Agreement** between NCACC as owner, Wake County as initial designer and funder (approximately \$2.1 Million invested for Billing & Collections; \$3.8 Million invested for LR/CAMA [Reappraisal]), and IIS as software code provider.

NCPTS History

- **Master Agreement** signed 18 December 2001.
- The Billing & Collections Module acquired by:
 - Wayne County on 8 January 2002
 - **Henderson County** on 18 September 2003 [Contract price for Billing & Collections was \$328,620; LR/CAMA, \$168,605; for a total of \$497,225]
 - Catawba County on 6 October 2003
 - Harnett County on 17 November 2003
 - Pitt County in September 2005 [Contract cost for Billing & Collection and LR/CAMA is approaching \$570,000.]
 - Mecklenburg County [investing approximately \$1.52 Million in a platform update of Billing & Collections alone].

Accordingly,

Just as being the County Assessor makes me **solely responsible** for the reappraisal,

I, and I alone, am responsible for my recommendation in September 2003 to change tax software.

N C P T S

Consists of two primary code developments.

1. Billing & Collections Module:

- **Billing** – The listing, appraisal, and assessment of all personal property, adjustments due to exclusion, exemption, or deferment for Present-Use Value, and the creation of tax bills.
- **Collections** – The receipt and accounting of all taxes charged (paid and unpaid), and enforcement remedies for any delinquent taxes.

NCPTS

And...

2. **Land Records / Appraisal Module** (LR/CAMA):

- **Production Database** – Daily processing of recorded deeds and plats, and all new construction existing as of 1 January of each calendar year.
- **Reappraisal Database** – Analysis of real estate market activity county-wide and by individual neighborhood or property type, development of Uniform Schedules of Values, Standards, and Rules for the next general reappraisal. This database creates the Production database for the January 1 of the reappraisal year and subsequently until the next reappraisal.

NCPTS to date . . .

Billing & Collections Module:

- Available for 4+ years
- Stable

LR/CAMA Module:

- Not yet fully available — (part still in development)
- 3 of 6 current Member Counties planning to reappraise with this module .

N C P T S

- **Was created to be and continues to be a collaborative effort** among the participating member counties.
- Collaboration brings the best practices and ideas from across the State to bear on the evolving product.
- However, collaboration has proved to be time-consuming.

Where we are now...

- Awaiting final code development from specifications as originally determined and/or revised by Wake County. (Wake County has indicated their expectation to sign off on the LR/CAMA Module in March or April of 2007)
- Hampered in our ability to complete the Schedules of Values, Standards & Rules for market value; lacking some of the essential tools necessary to ensure the best possible reappraisal for the equitable distribution of the tax burden among Henderson County property owners.

Where we are now...

Compelled to recommend the 2007 reappraisal be rescheduled to 2009 as the most prudent course of action.

- **Taking the reasonable, long-term view;** what will provide the most accurate and most equitable distribution of the property tax burden relative to each individual property's contribution to the tax base.

Options Considered - 2007 ?

- **Would adhere** to the 4-yr schedule and concur with Manager's Capital Improvement Plan.
- Schedules of Values **will not be easily determined or defended.** They would lack the "fine-tuning" still being developed (not yet available), in order to provide for an accurate and equitable reappraisal.
- There would be a change in values, but **the resulting assessments would only be as accurate or defensible as the schedules that produced them,** and probably would not meet USPAP Standard 6.

Options Considered - 2008 ?

- Would require **only a 1-yr reduction** to the Public Service Companies.
- Some “fine-tuning” could be implemented in the creation of the Schedules of Values, but **would still not be as accurate and defensible as would be possible for 2009**. Largely dependent on Wake County signing off as previously stated, sometime in March/April of 2007.
- Would produce results **better than possible for 2007, but not as good as would be attained for 2009**.

Options Considered - 2009 ?

- Would **require a 2-yr reduction** to the Public Service Companies.
- Would **provide ample time for LR/CAMA software to be completed** by Wake County.
- Schedules of Values **will be more accurately determined and easily defended**.
- Would **present the best opportunity to substantially improve assessments** over 2003 in terms of assessment equity and uniformity.

Other Software Alternatives?

- In scope and availability – **NONE**. There is a limited market Statewide (less than 100 possible customers), must be on current technology platform, and fit needs into the future.
- 20+ counties are waiting for final development (an upgrade) of their existing software (Cott/NovaLIS/BiTek).

Transylvania County has rescheduled their 2007 reappraisal until 2009. [Their software has gone through a series of owners, the latest having purchased the assets (the result of previous owner filing bankruptcy), and now working to provide a platform upgrade.]

Other Software Alternatives?

- Several counties are putting together pieces of software from different companies in an attempt to create a complete system.

Nash County is designing a system comprised of three separate software providers. [This will reportedly cost Nash County in excess of \$900,000.]

Other Software Alternatives?

- Many NC Counties are laboring under hardware that is either no longer being supported or soon to be without manufacturer support.

Consequently, most of these counties are searching for new software to replace their aging systems.

NCPTS to date . . .

Wake County has invested in NCPTS:

\$2.1 Million for Billing & Collections

3.2 Million for Land Records/Computer Assisted Mass Appraisal

Mecklenburg County is currently investing:

\$1.52 Million in converting Billing & Collections onto a new .net platform already in place for LR/CAMA as specified by Wake County.

N C P T S

Henderson County...

- Began the overall process of migration and implementation to NCPTS Billing & Collections in September 2003 with full migration achieved January 2004.
- At that time, the projection was for LR/CAMA to be complete and available for full migration and implementation by 4th Qtr. 2004.

N C P T S

Henderson County...

- Began the overall process of migration and implementation to what was available for NCPTS LR/CAMA in Spring 2005, some 5-6 months after the projected ready date.
- Has, and will continue to encourage Wake County towards the remaining development of the LR/CAMA software code.

Action Necessary...

- **Adopt Resolution** rescheduling the 2007 general reappraisal to become effective 1 January 2009.
- **“Promptly” forward copy of Resolution** to the Property Tax Division of the NC Department of Revenue (ASAP, but certainly prior to December 31, 2006).

[per N.C.G.S. 105-286]

Effect on Tax Base . . .

A **Two-year Reduction** in NC DOR Valuation Certification to the **County** for the 5 Largest Public Service Companies:

<u>Company:</u>	<u>Estimated ANNUAL Valuation Loss</u>
• Duke Energy	\$ 32,934,492
• BellSouth	11,338,858
• NC Public Service Gas	8,217,233
• Progress Energy (CP&L)	2,119,904
• Norfolk-Southern	<u>1,717,582</u>
Sub-TOTAL of 5 largest Public Service Companies:	\$ 56,328,069

Effect on Tax Base . . .

A Two-year Reduction in NC DOR Valuation Certification
to the **County** for Public Service Companies:

<u>Company:</u>	<u>Estimated ANNUAL Valuation Loss</u>
5 Largest Companies:	\$ 56,328,069
All other Companies (20):	1,673,651
ESTIMATED VALUATION LOSS:	\$ 58,001,720
 Estimated County Revenue Loss:	 \$ 327,710.⁰⁰
(based on 2006-07 tax rate of \$.565/\$100)	

Effect on Tax Base . . .

A Two-year Reduction in NC DOR Valuation Certification
to **Municipalities** for Public Service Companies:

<u>Municipality:</u>	<u>Estimated ANNUAL Valuation Loss</u>
• Hendersonville	\$ 8,548,224
• Mills River	3,837,916
• Flat Rock	2,303,637
• Fletcher	1,724,519
• Laurel Park	807,439
• Saluda	
Sub-TOTAL for 6 Municipalities:	\$ 17,221,735

Effect on Tax Base . . .

Revenue Loss due to Reduction in NC DOR Valuation
Certification to **Municipalities** for Public Service Companies:

Municipality:	Estimated ANNUAL REVENUE Loss (based on their respective 2006-07 tax rates)
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• Hendersonville	\$ 36,757.36
• Mills River	2,878.44
• Flat Rock	1,958.09
• Fletcher	4,656.20
• Laurel Park	2,704.92
• Saluda	0

SUMMARY of Recommendations

- **Adopt Resolution** rescheduling reappraisal from **2007 to 2009**, and forward to DOR.
- **Maintain pursuit for final deployment of the LR/CAMA Module** in order to timely complete the reappraisal effective for 1 January 2009.

hand-out
Update #4

HENDERSON COUNTY

Historic Courthouse Rehabilitation and New Annex Addition

Project Summary Report

November 15, 2006

SCHEDULE

- ❑ **Asbestos Abatement**—On November 7th, the testing firm discovered some additional asbestos floor tile and mastic underneath the jury boxes in the Courtroom. This asbestos is scheduled to be removed this week. The abatement of the asbestos in the roof is forecast to begin on December 4th and should take about two weeks to complete, weather permitting.
- ❑ **Lead Paint Abatement**—To date, approximately 98% of the lead paint has been removed and disposed of.
- ❑ **Demolition**--Selective demolition of some existing walls and for HVAC and Electrical penetrations is on-going.
- ❑ **Schedule**--The General Contractor has developed and distributed a Master Schedule for this Project. A copy of the Schedule that applies to this timeframe is attached. The Contractor is currently on-schedule.

QUALITY CONTROL

- ❑ When the foundations for the new annex were excavated last week, unsuitable soil below the grade excavated resulted in insufficient bearing capacity of the soil below the footing. The soil testing firm has recommended that an additional two or three feet of soil be removed and the area retested for bearing capacity.
- ❑ To eliminate cracks that exist in the walls in the Courtroom above two doors, the Engineer is recommending that the wooden header above the doors be replaced with steel lintels.

OUTSTANDING ISSUES

- ❑ None at this time.

000	PERMIT ISSUED	0	0	15AUG06	28AUG06	
010	MOBILIZATION	10d	10d	15AUG06	17AUG06	
020	INTERIOR DEMOLITION	69d	69d	15AUG06	17NOV06	
030	ASBESTOS ABATEMENT	45d	45d	04SEP06	03NOV06	
040	EXT. LEAD PAINT ABATEMENT	55d	55d	18SEP06	01DEC06	
050	INT. LEAD PAINT ABATEMENT	55d	55d	18SEP06	01DEC06	
060	BUILDING DEMOLITION	10d	10d	02OCT06	13OCT06	
070	EXTERIOR COLUMN STUCCO DEMO	25d	25d	02OCT06	03NOV06	
080	ASBESTOS ROOFING ABATEMENT	10d	10d	04DEC06	15DEC06	
090	SITE GRADING	25d	25d	02OCT06	03NOV06	
100	INSTALL STORM SEWER	15d	15d	02JAN07	22JAN07	
110	EXCAVATE FOUNDATIONS	15d	15d	16OCT06	03NOV06	
120	LAYOUT & POUR FOOTINGS	25d	25d	16OCT06	17NOV06	
130	FOUNDATION MASONRY	10d	10d	20NOV06	01DEC06	
140	EXTERIOR MASONRY RESTORATION	83d	83d	20NOV06	16MAR07	
150	INSTALL SECONDARY ELECTRICAL	10d	10d	20NOV06	01DEC06	
160	SANITARY SEWER ROUGH-IN	10d	10d	20NOV06	01DEC06	
170	INSTALL PERMANENT WATER SUPPLY	10d	10d	20NOV06	01DEC06	
180	COMPLETE SANITARY SEWER SERVICE	10d	10d	04DEC06	15DEC06	
190	STUB IN 8" SPRINKLER LINE	10d	10d	20NOV06	01DEC06	
192	ELECTRICAL ROUGH-IN (HISTORIC)	103d	103d	20NOV06	13APR07	
193	PLUMBING ROUGH-IN (HISTORIC)	103d	103d	20NOV06	13APR07	
194	HVAC ROUGH-IN (HISTORIC)	103d	103d	20NOV06	13APR07	
195	SPRINKLER ROUGH-IN (HISTORIC)	98d	98d	27NOV06	13APR07	
196	METAL FRAMING (HISTORIC)	29d	29d	20NOV06	29DEC06	
197	911 FIRE PROTECTION (HISTORIC)	30d	30d	27NOV06	09JAN07	
198	EXTERIOR WOOD REPAIRS	43d	43d	04DEC06	02FEB07	
199	ROOF REPLACEMENT (HISTORIC)	43d	43d	04DEC06	02FEB07	
200	PREP/POUR BASEMENT SLAB	10d	10d	04DEC06	15DEC06	
210	CMU MASONRY WALLS (ANNEX)	108d	108d	18DEC06	18MAY07	
212	FRAMING INSPECTIONS (HISTORIC)	0	0		29DEC06	
214	EXTERIOR PAINTING	44d	44d	02JAN07	02MAR07	
220	STRUCTURAL STEEL (ANNEX)	89d	89d	02JAN07	04MAY07	
230	PREP/POUR GROUND FLR. SLAB (ANNEX)	15d	15d	15JAN07	02FEB07	
240	PREP/POUR 1st FLOOR SLAB (ANNEX)	15d	15d	12FEB07	02MAR07	
250	PREP/POUR 2nd FLOOR SLAB (ANNEX)	15d	15d	12MAR07	30MAR07	
252	ROUGH-IN INSPECTIONS (HISTORIC)	0	0		13APR07	
255	INSTALL INSULATION (HISTORIC)	10d	10d	16APR07	27APR07	
260	SET ROOF STEEL (ANNEX)	15d	15d	16APR07	04MAY07	
270	INSTALL ROOF (ANNEX)	15d	15d	30APR07	18MAY07	
280	INSTALL WINDOWS/EXT. DOORS (ANNEX)	25d	25d	30APR07	01JUN07	
290	INSTALL STONE VENEER (ANNEX)	54d	54d	14MAY07	27JUL07	
300	INSTALL BRICK VENEER (ANNEX)	56d	56d	18JUN07	04SEP07	
310	INSTALL HISTORIC WINDOWS	24d	24d	04JUN07	06JUL07	
320	ELECTRICAL ROUGH-IN (ANNEX)	45d	45d	16APR07	15JUN07	
340	PLUMBING ROUGH-IN (ANNEX)	45d	45d	16APR07	15JUN07	
360	HVAC ROUGH-IN (ANNEX)	45d	45d	16APR07	15JUN07	
380	SPRINKLER ROUGH-IN (ANNEX)	45d	45d	16APR07	15JUN07	
400	ROUGH-IN INSPECTIONS (ANNEX)	0	0		15JUN07	
430	ELEVATOR INSTALLATION (ANNEX)	30d	30d	18JUN07	30JUL07	
440	GFRC-EXTERIOR	30d	30d	30JUL07	07SEP07	
450	INSTALL STEEL STAIRS	30d	30d	07MAY07	15JUN07	
520	INSTALL DRYWALL	69d	69d	30APR07	03AUG07	
523	METAL FRAMING (ANNEX)	30d	30d	21MAY07	29JUN07	
525	FRAMING INSPECTIONS (ANNEX)	0	0		29JUN07	

INTERIOR DEMOLITION
ASBESTOS ABATEMENT
EXT. LEAD PAINT ABATEMENT
INT. LEAD PAINT ABATEMENT
BUILDING DEMOLITION
EXTERIOR COLUMN STUCCO DEMO
ASBESTOS ROOFING ABATEMENT
SITE GRADING
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FOUNDATION MASONRY
INSTALL SECONDARY ELECTRICAL CONDUITS
SANITARY SEWER ROUGH-IN
INSTALL PERMANENT WATER SUPPLY
COMPLETE SANITARY SEWER SERVICE
STUB IN 8" SPRINKLER LINE
METAL FRAMING (HISTORIC)
911 FIRE PROTECTION (HISTORIC)
EXTERIOR WOOD REPAIRS
ROOF REPLACEMENT (HISTORIC)
PREP/POUR BASEMENT SLAB
FRAMING INSPECTIONS (HISTORIC)
EXTERIOR
PREP/POUR GROUND FLR. SLAB
PREP/POUR