

TOWN OF OCEAN VIEW  
DELAWARE

March 4, 2022

To: Mayor and Council

FROM: Carol S. Houck, Town Manager



SUBJECT: Follow-Up to Fiscal Year (FY) 2023 Budget Workshop

On March 2<sup>nd</sup> we held a Budget Workshop during which the attached presentation was offered in relationship to the staff proposed Budget for our FY2023 operations. The Towns FY23 fiscal year begins May 1, 2022. The proposed budget represents an Operating budget of \$5.5 million and a Capital Program of just over \$2 million.

Following the staff presentation, public comment and a council discussion were held. Mayor and Council had the opportunity to provide feedback or make suggestions for changes to the budget. Ultimately, there was strong council support for the FY23 Budget as proposed, with no recommendations for change made by any member of Council. For that reason, the Budget Ordinances were prepared for introduction at the March 8<sup>th</sup> regular meeting of Council using the proposed budget figures. The tax rate associated with the budget as proposed is .2378 per \$100 assessed value which is a **3 cent property tax rate reduction!**

On behalf of all of the Town employees, I thank the Mayor and Council and citizens that offered feedback or asked questions for your engagement. We also appreciate the support Mayor and Council have shown for our efforts to develop the proposed budget and we look forward to continuing to work every day with the best interest of our community in mind.

As a result of some comments made regarding the Town Wide Reassessment Update, I felt it was important to respond further than we did during the workshop in an attempt to clear up any possible misunderstandings:

In addressing comments made regarding the format of our budget for FY23:

For the FY23 budget cycle, we implemented a new budget module ClearGov that was approved in the FY22 Operating Budget. ClearGov, which was run parallel with the budget module used in previous budget cycles is a full and robust budget suite with a simple-to-use budgeting and forecasting tool that is specifically tailored to the needs of local governments. ClearGov is used by hundreds of municipalities and governmental agencies across the country including Sussex County. The ClearGov Digital Budget Book is a streamlined solution for building a budget book that follows the Governmental Financial

Officer's Association (GFOA) best practices. Although, for FY22, our first year of using the new module, we simplified the budget book, we intend to utilize the solution to its full capabilities in the upcoming budget cycles. We appreciate the Mayor and Council support for its purchase.

#### Town Wide Reassessment Updates and Discussion Follow-up as Related to Tax Rate:

At the time of writing on March 4th, the Town wide reassessment that was finalized in December 2021 was in its last days for appeals to be filed. One formal appeal has been filed and numerous informal appeals have presumably been satisfied. The formal appeal if not satisfied by Monday March 7<sup>th</sup> will be put before the members of the Town's Board of Assessment. It's important to note, that when a property owner appeals their assessment value, they are ONLY appealing their property value NOT their property tax. The assessor has no role in setting a tax rate. This is an important distinction as is the opportunity for property owners to file an appeal. The tax rate is later set by Mayor and Council based on the revenue determined to be needed to offer desired services. As you are aware, we have received a good amount of positive feedback from the community regarding the helpfulness and professionalism of our Town Assessor, Pearson's Appraisals under the leadership of Fred Pearson. Town staff, including myself can share that our assessment firm has been very responsive and dedicated to timeline and engagement with our property owners.

To further address discussion from the Budget Workshop in relationship to the reassessment and to ensure that there is no misunderstanding the following is also shared:

A few comments were made related to the **average assessment** increase and what the **tax billing** impact could be for those falling in the average range, using the example of a home that had an **assessed value increase** of \$78,000. Upon further consideration, I felt it important to be sure I pointed out that the example presented was misleading and, in my opinion, similar to comparing apples to oranges. I bolded the words above in this paragraph to highlight that there are differences in meaning for each term which can get confusing if one doesn't fully consider them for what they represent.

First of all, I agree that conducting a full town reassessment to maintain an equitable property tax across all properties ultimately intersects with the Town's tax rate (assessed value divided by \$100 x the tax rate), however using a full town reassessment year average increase percentage in an attempt to demonstrate our tax rate history for a certain property is very misleading. To be clear, **annual tax rates are the same for all properties**, unlike assessments. A property assessment is a **property value assessment for an individual property**. If an individual property assessment increases, taking that increased value and attempting to associate it with a different tax rate or % experience for that property is where the confusion I refer to comes into play. **The tax rate is the tax rate, set for the year, again common to all properties.** The tax rate is set to

maintain revenues at the level deemed appropriate by Mayor and Council (with recommendations from staff) to offer services as desired. Tax rates can be impacted by increased services or decreased services. No decrease in proposed services for FY23 were discussed or proposed.

The comparison made might be informative to an individual regarding their personal experience, but not in making a statement regarding the Town's tax rate increases. The fact is, individual experiences in relationship to property assessment occur on a regular basis in Ocean View and most other Towns and Cities across the county, in association with property improvement, or lack thereof, even community decline for various reasons. Are we now to use such a comparison to suggest individual tax rates every time a property is improved? The fact is that the full town reassessment outcome suggests that Ocean View properties are maintaining or increasing in value, often thought as a good thing. Ocean View appears to be desirable in relationship to our high resale rates. Thankfully most owners are maintaining their properties, and the Town is taking care of its infrastructure, safe and clean. All good! And the revenue associated with the full town reassessment outcome and measured against our expense needs for FY23 resulted in the recommendation for a 3 cent tax rate reduction, while maintaining and in some instances increasing service levels. Make no mistake, even the property used in the example with the higher individual property assessment will receive a 3 cent tax rate reduction (if the budget is ultimately approved as proposed). The property's assessment is what increased, not its tax rate. Using simple math to move between property assessment values and tax rate to come up with an asserted but not factual tax rate is very misleading and doing so could cause unnecessary confusion which I of course hope to avoid.

Finally, our expense needs are not reliant on an individual property owner's property assessment such that you can calculate random tax rates in association with an increase in assessed value. The Town's expenses are directly related to services and support provided to the community as a whole. Any concern for the Town's planned expense requirements or if we are living above our means can only be addressed by determining what we might consider cutting in terms of services and support to the community. To be clear, the Town's official tax rate for all properties over the past two years (including FY23 if adopted) are as follows:

Fy2022 tax rate increase of 2 cents equal to an 8% increase

FY2023 (as proposed) tax rate decrease of 3 cents equal to an 11% decrease.