

**VIRGINIA:**

A work session of the Lancaster County Board of Supervisors on the CY 2020 Personal Property Tax Rates was held in the Administrative Building Board/Commission Meeting Room of said county on Thursday, November 21, 2019.

- Members Present: Jason D. Bellows, Chair  
Ernest W. Palin, Jr., Vice Chair  
Jack D. Larson, Board Member  
William R. Lee, Board Member  
Robert S. Westbrook, Board Member
- Staff Present: Don G. Gill, County Administrator  
Crystal Whay, Clerk to the Board and  
Building/Land Use Assistant

Mr. Bellows called the meeting to order at 5:00 p.m.

**WORK SESSION-CY 2020 PERSONAL PROPERTY TAX RATES**

Mr. Gill stated that Dr. Westbrook and Mr. Larson have been looking at the personal property tax rates in Lancaster County. He stated that they have done some initial research that shows that Lancaster County collects less, percentage wise, on personal property taxes than surrounding counties. He stated that the personal property tax rate has remained unchanged at \$2.04 per \$100 of assessed value since 2007. He stated that the Commissioner of Revenue and her staff were present if anyone had questions of them.

Dr. Westbrook referred to a course that he had taken when he was going through the Supervisors' certification classes and stated that he had read the book entitled Budgeting Guide for Local Government. He stated that the book discusses finding a way to be fair and distribute the tax burden as fairly and equally as possible. He stated that he believed that the County was heavy on the real estate tax side. He stated that what he hoped would happen is that they will have enough funds to do the things that they need to do to bring themselves up from where they are now. He stated that if they can reach that plateau and fund the things that they know are coming, then eventually they could consider reducing the real estate tax in the future. He stated that neighboring counties are doing quite well in the way they are doing the personal property tax rates.

Mr. Larson stated that he agreed with Dr. Westbrook in the sense that the way the County collects revenue can be seen as unfair. He stated that, as Mr. Gill pointed out,

there has been no increase in the personal property tax rate since 2007, but there have been several increases in the real property tax rates. He stated that if they accept the premise that Lancaster County competes with its surrounding counties for new business and new residents, then they need to look at what those counties are doing. He stated that if it is perceived that the County's tax burden is unfairly distributed, then new residents and new businesses may look somewhere else.

Mr. Larson stated that, as Dr. Westbrook mentioned, there are increasingly new needs for the County and whether or not they are all ultimately funded will be a decision of the entire Board and will come later. He stated that what they are discussing now is strictly the revenue side. He stated that there were new things coming up such as broadband. He stated that they know there is grant money out there, but some of those grants require matching funds. He stated that they know that costs for volunteer emergency services are increasing and they don't know how long they can go before something will have to be done there. He stated that they know that somewhere down the road something will have to be done about our schools and a debt service will be involved with that. He stated that he had hoped that more citizens would have attended this session because they need input from the public. He thanked the attendees and asked if they could encourage others to come to these meetings.

Dr. Westbrook stated that he had hoped that the Board could have a dialogue and hear from everyone who has something to say and not necessarily limit them to just five minutes.

Mr. Lee stated that Dr. Westbrook and Mr. Larson have said everything well and he was glad that Mr. Larson had mentioned emergency services because that is a growing part of the County's budget and they don't know how much of an increase it will be in the future.

Mr. Bellows asked for public input.

Roger Atkins, a Kilmarnock resident, stated that the elephant in the room is the future of the schools and in his former career, he had dealt with many unknowns. He stated that, after making some calculations, he thought that there might be a possibility that taxes would need to increase by 25 percent to fund the schools and that is a huge amount. He stated that Lancaster County was not the lowest in its personal property tax rate. He stated that Northumberland County was the lowest. He stated that they were talking about a 77 percent increase in the car and truck taxes and that was unacceptable. He stated that personal vehicles are important and if the Board tells people about that increase, he would not want to be sitting in their chairs. He stated that the County has a lot of residents on a fixed income or low incomes and he recommended that the Board tread carefully and openly, so the public will know what is happening.

Mr. Larson referred to appendix C in Virginia Local Tax Rates 2018 and stated that both he and Dr. Westbrook looked at all of the possible taxes that could be imposed and looked at the percentage with respect to each tax. He referred to the personal property

tax and stated that 8 percent of Lancaster County's revenue comes from that, while 13.6 percent of Northumberland County's revenue comes from their personal property tax. He stated that Richmond County's percentage is 15.9, Essex County's is 17.1, Middlesex County's is 13.9 and Westmoreland County's is 17.1. He stated that Mr. Atkins might be thinking in terms of the tax rates and it can be confusing. He stated that there are three different possible values that are used on which the tax rate is assessed.

Mr. Atkins stated that the Board needed to look at increased taxes from the residents' point of view because they are the ones that will be affected by the Board's decisions.

Mr. Larson stated that he understood that. He stated that when they develop the budget, it is a statement of their planned expenditures for the year. He stated that, by law, they are required to have a balanced budget, which means they must raise the amount of revenue that is necessary to fund that budget. He stated that what they have been doing is continuing to raise the real property tax. He stated that someone could argue that the same citizens that pay real property taxes also pay personal property taxes, so what they are doing is shifting the burden back and forth and to some degree, that may be true, but this is what they are trying to look at and determine. He stated that, at the present time, they do not feel that they are getting the revenues from personal property that they should.

Mr. Larson stated that they also want to start looking at other taxes such as the transient occupancy tax. He stated that they started collecting for that tax in 2019.

Bruce Sanders, a District 5 citizen, stated that in comparing revenues from the various counties, he thought it would be instructive for the public to see the expenditures of the other counties as well. He stated that the other counties' expenses must be lower because they are not operating at a deficit.

Mr. Larson asked Mr. Sanders if he was present when they talked about the budget or attended the public hearings during the budget process.

Mr. Sanders replied no.

Mr. Larson asked why.

Mr. Sanders replied that he was unaware of it.

Dr. Westbrook stated that the last time they had budget discussions was in the spring and that this is a process every year.

Mr. Sanders stated that the Board is saying that the County needs more revenue and it may very well need more revenue, but the other side is expenses. He stated that the expenses in neighboring counties, and possibly other areas that are not as close, should also be looked at.

Mr. Larson stated that is a valid argument, but if Mr. Sanders did not think this was the right approach, then give them another approach. He stated that their objective is to go through the process to balance things out.

Margie Armen, a White Stone resident, referred to Mr. Larson's chart and stated that she thought it would be useful to have an additional way for people to be able to compare their own vehicles with the current tax rates and the proposed tax rates. She stated that she understood Mr. Atkins' concerns, but the County has to do something to come up with more revenue to meet the future needs. She stated that she was asking for a more concrete description.

Dr. Westbrook stated that there is the tax rate, the basis for the tax and the assessment ratio. He stated that if you take the tax rate times the basis for the tax times the assessment ratio, then you have the adjusted effective tax rate. He stated that our tax rate is \$2.04 and the loan value is what the County uses for the vehicle value. He stated that the County could also choose to use the retail value or the trade-in value. He stated that information comes from NADA. He stated that the County's assessment ratio is 100 percent and the loan value is 77 percent of the retail value. He stated that, using this information, the County's adjusted effective tax rate is actually \$1.57. He stated that every locality uses different values, rates and ratios. He stated that they were trying to put Lancaster County somewhere in the middle of other localities' rates, so that they have revenue without having to go back to the real estate tax. He stated that they want to make it as fair as possible to everyone.

Cassie Thompson, a District 2 citizen, stated that no one wants to raise taxes, but they are looking past today. She stated that no one wants to pay more taxes, but things are coming up that must be funded, such as schools, broadband and the increasing emergency services' expenses. She stated that they have been talking about personal property taxes, but asked if the Board had looked at all of the other possible taxes.

Mr. Larson replied that they were considering all of the possible taxes. He stated that some of the taxes were not feasible because they don't have the business base for them, but it could be put in place for the future. He stated that residents here are getting hit pretty hard when it comes to the real estate tax. He referred to the transient occupancy tax and stated that the people who pay that are not residents, but still command services from the County, so it is fair to tax them when they stay locally. He stated that he and Dr. Westbrook think that Lancaster County should be either three or four in comparison to surrounding counties, which would be right in the middle.

Mrs. Thompson stated that she thought it was a valid point to say that this was the start of the process. She stated that she thought people should know about the research that goes into these decisions. She stated that it was important to keep the citizens informed.

Mr. Larson stated that it comes down to unlimited wants and limited resources.

Dr. Westbrook stated that many of these taxes are for incorporated towns.

Mr. Larson stated that they were limited by things such as the Dillon Rule concerning what they can do for raising revenues, but under the law, the County could ask for the towns' permission to add a County tax. He stated that it happens in other areas.

Charlie Costello, a District 2 citizen, referred to Dr. Westbrook's working document and stated that it was very informative. He stated that some of the other counties have items considered personal property that Lancaster County does not. He stated that, in Richmond County, 14.3 percent of its budget comes from local sales and use. He stated that all of the taxes needed to be looked at and not just part of it. He stated that people needed to show up for the budget discussions.

Howard Kyzer, a District 3 citizen, stated that he wanted to understand how taxing and spending is going to make any community grow.

Mr. Bellows stated that, in his opinion, it is like investing in a business that markets itself. He stated that, in order for a business to grow, it needs to sell itself. He stated that, in order for a community to grow, it has to have basic facilities that citizens want, good schools and internet access to name a few things. He stated that if they don't have those types of things, a community cannot grow.

Mr. Kyzer stated that there were things that were out of the Board's control. He stated that they can keep on taxing and spending, but there are things that are going against the County. He stated that there was no workforce and the County was geographically out of the loop. He stated that people have been leaving the County since the 1960's. He referred to a study done by the University of Virginia and stated that Lancaster County was one of the named counties that was "dying on the vine." He stated that he did not have the answers, but the Board is supposed to come up with them and he didn't think they could do it.

Mr. Larson stated that he commended Mr. Kyzer for coming to the budget hearings over the years. He referred to Mr. Kyzer's statement about the Board coming up with the answers and stated that was what they were trying to do. He stated that they may not all agree on everything, but they are all trying to make things better. He stated that he had read the same study that Mr. Kyzer referred to, but he refused to accept it and wants to do something about it.

Mr. Kyzer asked how can they explain, since the 1950's and 60's, the exit of the young people. He stated that if they want to make a decent living, they have to leave the area.

Mr. Palin stated that he had been noticing for years that the youth are leaving the County. He stated that he has spoken to some of them that have said they would have

liked to stay, but could not make a living here. He stated that was one of the reasons that the Board is discussing the taxes and what can be done to change things. He stated that if they try hard enough, things can change. He stated that one of the key factors will be getting broadband and that will bring more businesses that will need employees. He stated that if they stay status quo, they will always be where they are or worse.

Dr. Westbrook stated that every study that he has seen shows people, as they age, would prefer to stay where they are and stay at home if they can get all of the things they need. He stated that as one's health declines, that is where telemedicine becomes more and more important, which links back to broadband. He stated that, in his opinion, getting broadband access throughout the County is the number one thing they can do for this County. He stated that, by having adequate broadband, they can have optimal telemedicine and access to doctors. He stated that was just one example of an investment that they can make that will come back to help the County. He stated that schools and workforce development are other important issues. He stated that if they don't make the investments, then it will be a slow downhill slide. He stated that what it also means is that there are fewer people to carry the load of the expenses that they have. He stated that they want more people to share that load.

Mr. Kyzer stated that he agreed with that, but he did not see a lot of people moving here.

Mr. Lee stated that he was going to say something that they don't normally say and that was to speak on behalf of the Board. He stated that they have all read the study that Mr. Kyzer referred to and stated that the Board refuses to live and die by that report. He stated that they do not accept it.

Mr. Kyzer stated that now the ball was in their court.

Tom Smith, a District 3 citizen, stated that the Board has a difficult job in trying to decide how to raise revenue. He referred to the personal property tax rate and stated that he was surprised about the effective rate being lower than \$2.04. He stated that he would ask that be added to the website for clarification. He stated that the County recently had a reassessment and raised the real estate tax rate. He stated that he knew the Board was trying to redistribute the tax burden by looking at other taxes. He stated that he had been looking at some basic calculations concerning the school system. He stated that if the County received a forty-year loan for \$60 million dollars with a three percent interest rate, real estate taxes would have to be raised fifteen percent. He stated that, with an \$80 million dollar loan, the taxes would have to be raised twenty percent. He stated that the citizens need to know this. He stated that he was thankful that the Board was looking at all sorts of possible ways to raise revenue, including the personal property tax. He stated that he thought the public needed to know that they face a dilemma of raising revenue and the numbers need to get out to the public. He suggested having an open house at the schools for people who do not know the actual condition of the schools.

Mr. Bellows stated that last year the General Assembly passed a bill that allowed one locality, Halifax County, by referendum, to impose a special sales tax to fund their schools. He stated that it passed the referendum and goes back to the General Assembly this year and if passed, it will be enacted. He stated that if they could impose the 1.5 percent sales tax and collect that money, it could pay for the bond up to \$70 million dollars.

Mr. Smith stated that was great information.

Mr. Bellows stated that this Board, as well as others, will be pushing the General Assembly for every locality to have that right to go to referendum for that special sales tax.

Dr. Westbrook stated that the sales tax is 5.3 percent and if they can get a referendum on the ballot for next November and it passes, any percentage over 5.3 would go for school construction until the loan is paid.

Mr. Bellows stated that the General Assembly also passed a bill that gave localities the ability to impose a special fee on telecommunications and then that fee could come back and help the County invest in broadband.

Mr. Larson stated that he will do some more research and come back with more recommendations. He stated that the sales and use tax jumps out at him and they should be doing better with that and he was going to look into that. He stated that they are barely getting any money at all from the transient occupancy tax and he thought more locations that are operating as AirBnBs needed to be identified. He stated that a cigarette and tobacco tax might also be something that they want to look at. He stated that they needed to find out from other localities how certain taxes are working for them.

Mr. Bellows stated that the push in the General Assembly this year from the Virginia Association of Counties is going to be equal taxing authority between towns and counties, so they can have basically the same sources of revenue.

Mr. Lee suggested putting Dr. Westbrook's document on the website because it is informative.

Dr. Westbrook asked Mr. Gill if he could show his document on the screen, so that everyone in attendance could see it.

The chart was presented to the public.

Dr. Westbrook explained the chart. He stated that he had included information on retail value, trade-in value and loan value. He stated that the chart shows that 97.2 percent of all of the vehicles in the County are valued between \$1000 to \$29,000. He stated that the bottom part of the chart shows how Lancaster County compares to its surrounding counties on personal property tax rates.

Mr. Lee stated that he liked the comments on the bottom of the page that explained what the revenues would be if the taxes were raised to either \$3.18 or \$3.62. He stated that was informative.

Mr. Smith asked if the Board was going to make a decision tonight on the tax rates.

Mr. Bellows replied that this session was just for discussion and ultimately the tax rates will be decided next year during the budget process.

Mr. Larson stated that they were looking at all potential sources of revenue and not just a few. He stated that they feel as if the tax burden is not being fairly placed. He referred to the Dillon Rule and stated that it was a rule imposed by a judge many years ago when it was said that local officials were corrupt and over taxing citizens, so that ruling severely limits the ways in which counties can raise revenues. He stated that it can be frustrating.

Mr. Bellows stated that the majority of the local taxes paid have been due to state unfunded mandates and the General Assembly has not paid its bills. He stated that the state has passed off the Virginia Retirement System expenses to us and the increases in the school's contribution from the County is because the state has not increased funding to the schools since the recession. He stated that these are some examples of things that localities must do and have no control over.

The Board thanked everyone who came to the work session.

**ADJOURNMENT**

Motion was made by Mr. Bellows to adjourn.

VOTE:	Jason D. Bellows	Aye
	Ernest W. Palin, Jr.	Aye
	Jack D. Larson	Aye
	William R. Lee	Aye
	Robert S. Westbrook	Aye