

**ACTION ITEM
BOARD OF SUPERVISORS**

DATE: December 15, 2009

TO: Board of Supervisors

FROM: Maria Perrotte *MP*
Chief Financial Officer

ISSUE: An Ordinance to Establish a Method for Returning Surplus Real Property Taxes to Taxpayers

STAFF RECOMMENDATION: See Background Report

BUDGET IMPACT: \$4,834,000 from fund balance

ATTACHMENTS: (4)

- [1] Background Report
- [2] Memo from Treasurer
- []
- [3] Reso/Ord/Proc # O09-60
- [4] Reso/Ord/Proc # R09-426
- [] Reso/Ord/Proc #

REVIEW: [X] County Administrator's Office *Anthony Romanello*
 [X] Legal *Joseph R. Howard*

- [] Consent Agenda
- [] Discussion Item
- [] New Business
- [] Other Business
- [] Presentation
- [X] Public Hearing
- [] Unfinished Business

PRESENTATION BY: Anthony Romanello, County Administrator
Laura Rudy, Treasurer

ELECTION DISTRICT: N/A

Attachment 1
O09-60
R09-426

BACKGROUND REPORT

At its December 1st meeting, the Board authorized a public hearing for Ordinance O09-60. The proposed ordinance would establish a method for returning surplus real property taxes to taxpayers. Proposed Resolution R09-426 budgets and appropriates \$4,834,000 in refunds to taxpayers. A memo from the Treasurer regarding this process is Attachment 2.

With a revenue shortfall in FY10, uncertainty in current and future state funding, and a dim budget outlook for FY11, staff believes these funds will be needed in fund balance. With our financial picture uncertain, allocating these funds now is in violation of the Board's Principles of High Performance Financial Management and could jeopardize the County's bond rating.

Further, the financial policies contemplate a reduction in taxes with the Tax Trigger provision. The Tax Trigger provision is a no cost means to lower the tax burden because it is done during the normal tax collection process.

Staff believes that major financial decisions are best made in the full context of the budget process.

Memo

Date: 12/10/2009

To: The Honorable Members of the Board of Supervisors of Stafford County

From: Laura M. Rudy, Treasurer

RE: Refund of surplus real property taxes to taxpayers



Gentlemen,

The proposed ordinance allowing a rebate or refund to the taxpayers will require a tremendous amount of resources in order to administer. I have many concerns about effectively administering the proposed resolution that includes 49,000 plus parcels in Stafford County.

Having only received this information during the Board meeting on December 1, 2009, I have had a limited amount of time to research the many aspects that would encompass such an endeavor. The following are only a few of the complications that need to be contemplated while identifying the processes required in administering the tax refund.

WHO PAID TAXES DURING FY 2009?

Since we are dealing with two different calendar years this criteria could be completely different for the respective halves of the fiscal year. Tax records would have to be queried to indentify real property taxpayers and exclude those who were exempt or received full or partial tax relief.

HOW MANY TRANSFERS OF OWNERSHIP OCCURRED?

Here is where we have a dual complication concerning real property ownership during the "last completed fiscal year" of FY 2009. With the economic climate, we have experienced and continue to experience an increase in foreclosures and short sales, which have occurred along with the normal Real Property sales during this timeframe. Due to the assortment of transfer types, our real challenge would be to effectively identify the owner or owners of the real property.

WHERE ARE THE TAXPAYERS NOW?

Another challenge would be to attain the correct address of a previous owner since "***real property taxes follow the property not the person.***" Our records concerning a previous owner of Real Estate would not and do not include any identifiable resource that would assist us in determining a current address of a previous owner.

IF WE CANNOT LOCATE THE TAXPAYER, THEN WHAT?

This would result in funds being sent to the State as Unclaimed Property, which involves additional paperwork to be completed for submission. In some cases we could essentially produce a \$20.00 tax refund that would ultimately be forwarded to the States Unclaimed Property.

ISSUANCE OF 1099.

This refund constitutes income. How many 1099's will we be required to generate on top of the refunds?

NEW SOFTWARE PROGRAM NECESSARY TO SUPPORT REFUND.

Recent discussions with our software vendor indicate we would be requesting a project that they have never developed before, requiring 60 to 120 days for developing and testing. Due to the unknown complexities of this new project we have no concrete cost.

Programming costs could exceed \$50,000.00

MATERIAL AND PROCESSING COSTS?

Costs would include; envelopes, a copy of the resolution in each refund, check stock, printer fees, banking fees, 1099 forms with envelopes, postage, and a significant amount of STAFF TIME from multiple departments would be required for research and implementation.

Material and processing costs could exceed \$80,000.00

While the material costs were not as significant, the refund process for the Widewater Special Service District was for roughly 500 plus parcels and required an enormous amount of staff time. I would also remind the Board Members of the pending lawsuits concerning the Widewater Special Service District Assessment refunds. I would further caution the Board to evaluate any future consequences that could result with enacting a method for returning surplus of real property taxes to taxpayer's.

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

ORDINANCE

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, Stafford County Administration Center, Stafford, Virginia, on the 15th day of December, 2009:

MEMBERS:

George H. Schwartz, Chairman
Harry E. Crisp II, Vice Chairman
M. S. "Joe" Brito
Mark Dudenhefer
Paul V. Milde III
Cord A. Sterling
Robert "Bob" Woodson

VOTE:

On motion of , seconded by , which carried by a vote of , the following was adopted:

AN ORDINANCE TO ENACT AND AMEND STAFFORD COUNTY CODE TO ADD A NEW SECTION 23-16 TO ESTABLISH A METHOD FOR RETURNING SURPLUS REAL PROPERTY TAXES TO TAXPAYERS

WHEREAS, Section 15.2-2511.1 of the Virginia Code, authorizes the County to develop a method for returning surplus real property tax revenues to taxpayers who are assessed real property taxes in any fiscal year in which the County reports a surplus; and

WHEREAS, the Board desires to establish a method to refund surplus real property taxes to taxpayers who paid real property taxes in fiscal years where a surplus has been achieved;

NOW, THEREFORE, BE IT ORDAINED by the Stafford County Board of Supervisors on this the 15th day of December, 2009, that Stafford County Code, Chapter 23, be and it hereby is enacted, amended and reordained to add a new Section 23-16 as follows, all other portions remaining unchanged:

ARTICLE I. IN GENERAL

Sec. 23-16. Establish Method for Returning Surplus Real Property Taxes to Taxpayers

Under the authority provided in Virginia Code § 15.2-2511.1, the Board of Supervisors hereby enacts this section to establish a method for returning surplus real property tax revenues to taxpayers who are assessed real property taxes in any fiscal year in which the County reports a surplus, as follows:

(1) If the reserve fund of Stafford County is certified to be in surplus of ten percent (10%) of the County's annual expenditures for the last completed fiscal year, an amount of funds not exceeding said surplus may be returned to the taxpayers who were assessed real property taxes for said year upon approval of a tax refund resolution by the Stafford County Board of Supervisors; and

(2) The funds returned to each said taxpayer shall be proportional to the amount of real property taxes paid; and

(3) Any such taxpayer's refund shall not exceed the amount paid in real property tax by said taxpayer for said fiscal year; and

(4) Any funds retained by the foregoing restriction shall be used to defray the costs of administering the refund process; and

(5) Any such taxpayer's refund shall be reduced by the amount of taxes, penalties and interest that are due from such taxpayer, or any past-due taxes, penalties and interest that have been assessed within the appropriate period of limitations.

This Ordinance shall be in effect on and after the date of its adoption.

AJR:JLHjr:ce

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

RESOLUTION

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, Stafford County Administration Center, Stafford, Virginia, on the 15th day of December, 2009:

MEMBERS:

George H. Schwartz, Chairman
Harry E. Crisp II, Vice Chairman
M. S. "Joe" Brito
Mark Dudenhefer
Paul V. Milde III
Cord A. Sterling
Robert "Bob" Woodson

VOTE:

On motion of, seconded by, which carried by a vote of, the following was adopted:

A RESOLUTION TO BUDGET AND APPROPRIATE A PORTION
OF THE SCHOOLS RECONCILIATION FUNDS TO ALL FY2009
REAL ESTATE TAXPAYERS

WHEREAS, the schools reconciliation funds of approximately \$6,250,000 has now been reconciled into the County General Fund; and

WHEREAS, the Stafford Board of Supervisors was not informed of the existence of these funds at the time tax rates and budget appropriations were established for fiscal year 2009; and

WHEREAS, the Board desires to refund a proportional amount of these funds to all FY2009 Real Property Taxpayers, not to exceed the amount paid by such taxpayer;

NOW, THEREFORE, BE IT RESOLVED by the Stafford County Board of Supervisors on this the 15th day of December, 2009 that the County Administrator be and he hereby is directed and authorized to budget and appropriate a rebate of Four Million Eight Hundred and Thirty-four Thousand Dollars (\$4,834,000) to all FY2009 Real Estate Taxpayers; and

BE IT FURTHER RESOLVED that a copy of this Resolution along with the rebate checks will be processed and mailed to the taxpayers within 30 days; and

BE IT STILL FURTHER RESOLVED that the County Administrator be and he hereby is directed and authorized to execute all necessary documents needed in support of this Resolution.