FY 2014-2015 Property Tax Rates and Selected User Fees for Major North Carolina Cities

Annually, the City of Greensboro compares its property tax rate and major user fees to those charged by other large cities in North Carolina. Cities utilize different funding strategies for providing basic city services, such as solid waste, and set different priorities for the level of service and types of services offered. Due to the increasing practice of municipalities offsetting property tax rates by charging fees for basic services such as water/sewer, storm water, and solid waste disposal, comparing property taxes without including user fees would not be representative of costs paid by the taxpayer for basic city services. Property taxes and applicable user fees for the respective counties are included to provide greater context for comparison.

For the purpose of this comparison, data has been collected from Charlotte, Durham, Greensboro, Raleigh, and Winston-Salem and their respective counties. Winston-Salem has had the most current property tax revaluation occurring in 2013, with Greensboro's occurring in 2012, Charlotte's in 2011, and both Raleigh's and Durham's in 2009.

FINDING: When combining city taxes, county taxes, and user fees Greensboro ranks in the middle of the comparison cities.

In North Carolina, property taxes are levied independently by city and the county governments. Properties within a city's municipal boundary are responsible for city and county property taxes. Therefore, comparing city property taxes without consideration to the respective county taxes would not accurately reflect the total property tax paid by homeowners.

The table below illustrates the FY 2014-2015 property tax rates for the comparison cities and their respective primary county based on a residential home with an assessed property value of $150,000. Basic user fees charged by both the city and county are also included in the table for a more comprehensive comparison.

CITY/COUNTY COMBINED TAXES AND FEES, FY 2014-15

	Charlotte / Mecklenburg	Durham / Durham	Greensboro / Guilford	Raleigh / Wake	Winston-Salem/ Forsyth
Rank (*1=Most Expensive*)	**2**	**1**	**3**	**5**	**4**
Total Taxes and Fees	**$2,684**	**$2,734**	**$2,557**	**$2,328**	**$2,338**
Taxes					
Property Tax Rate - City	0.4687	0.5912	0.6325	0.4038	0.5400
Property Tax Rate -County	0.8157	0.7931	0.7700	0.5780	0.7168
Combined Tax Rate per $100 value	1.2844	1.3843	1.4025	0.9818	1.2568
Combined Property Taxes ^	***$1,927***	***$2,076***	***$2,104***	***$1,473***	***$1,885***
Fees					
County Fees [1]	$15	$0	$0	$20	$0
Average Annual Water/Sewer Bill [2]	$512	$547	$401	$567	$369
Other City Fees and Charges [3, 4, 5]	$230	$111	$52	$268	$84
Total Fees	***$757***	***$658***	***$453***	***$855***	***$453***

Notes:

^All calculations are based on a $150,000 residential property value.

1 County fees include: $15 Solid Waste/Mecklenburg; $20 Recycling/Wake.

2 Rates from NCLM/UNC Environmental Finance Center, based on an average monthly bill for 4,000 gallons for FY 13-14.

3 Includes curbside solid waste and recycling fees; excludes optional yard waste fee of $60 in Winston-Salem and $72 in Durham.

4 Stormwater fee based on 2,000+ sq ft of impervious surface.

5 Vehicle Registration fee based on assumption of 2 vehicles per household.

When city taxes, county taxes, and basic user fees are combined **Greensboro ranks third** of the **five** comparison cities with combined costs per household of $2,557. Durham reports the highest costs at $2,734 and Raleigh the lowest at

$2,328. County taxes and fees can greatly affect a city's affordability and ranking. For example, Charlotte reports the second lowest city property tax rate of .4687; however, Mecklenburg County reports the highest county property tax rate at .8157, which shifts the costs per household rank for Charlotte from the second lowest to the second highest of the comparison cities.

FINDING: When combining city-only property taxes and user fees, Greensboro ranks as the second least expensive of the comparison cities.

The table below includes FY 2014-2015 estimates for solid waste services, storm water fees, motor vehicle license fees and city-only property taxes based on an assessed residential property value of $150,000; water and sewer estimates are for FY 2013-2014.

CITY TAXES AND FEES, FY 2014-2015

	Charlotte	Durham	Greensboro	Raleigh	Winston-Salem
Rank (*1=Most Expensive*)	**2**	**1**	**4**	**3**	**5**
Total City Taxes and Fees	**$1,445**	**$1,545**	**$ 1,402**	**$1,441**	**$1,263**
City Taxes					
Property tax rate per $100 value	0.4687	0.5912	0.6325	0.4038	0.5400
City Property taxes	***$703***	***$887***	***$949***	***$606***	***$810***
City Fees					
Average Annual Water/Sewer Bill [1]	*$512*	*$547*	$401	*$567*	*$369*
Annual Solid Waste Services Bill [2]	*$47*	*$0*	$0	*$160*	*$0*
Annual Stormwater Fee [3]	*$123*	*$81*	$32	*$48*	*$54*
Annual Motor Vehicle License Fees [4]	*$60*	*$30*	$20	*$60*	*$30*
Total City Fees	***$742***	***$658***	***$453***	***$835***	***$453***

^ All calculations are based on a $150,000 residential property value.

1 Rates from NCLM/UNC Environmental Finance Center, based on an average monthly bill for 4,000 gallons for FY 13-14.

2 Includes curbside solid waste and recycling fees; excludes optional yard waste fee of $60 in Winston-Salem and $72 in Durham.

3 Stormwater fee based on 2,000+ sq ft of impervious surface.

4 Vehicle Registration fee based on assumption of 2 vehicles per household.

Greensboro edged out Raleigh to move from third to the **second least expensive** cost per household this year with combined costs for city taxes and basic fees of $1,402. Durham again reports the highest taxes and fees per household at $1,545, while Winston–Salem continues to report the lowest per household at $1,263. For FY 14-15, Durham, Raleigh, and Winston-Salem increased property tax rates. User fees increased an average of $28 from last year for those cities with increases.

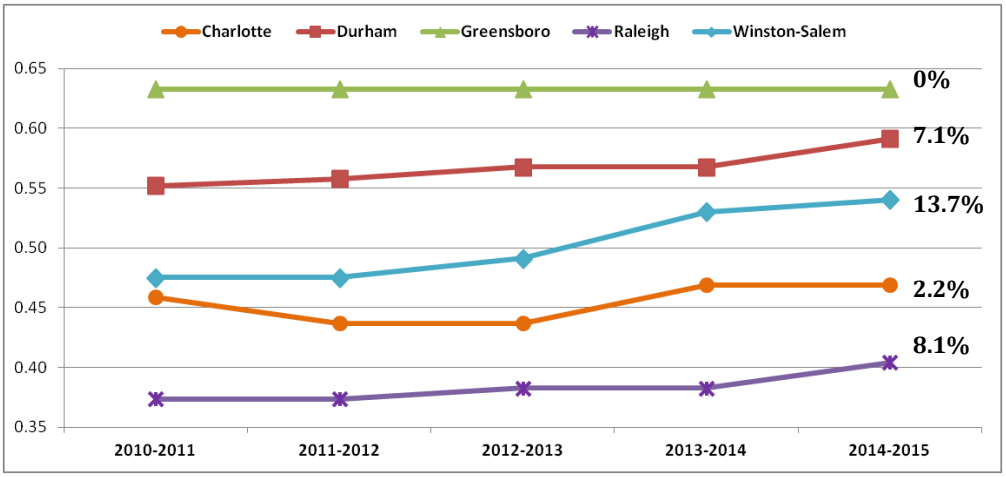
Regardless of how a city service is supported – whether by property taxes or user fees - it is important to also consider the level of service provided. In Greensboro, the standard residential solid waste service includes curbside pickup, recycling, and residential yard waste pick-up without additional fees. Like Greensboro, neither Durham nor Winston-Salem charge for curbside solid waste. However, both Durham and Winston-Salem charge annual fees of $72 and $60 respectively for an optional yard waste service.

FINDING: Greensboro's tax rate has been flat over the past five years. Guilford County's tax rate has decreased slightly.

Greensboro's city property tax rate has been flat over the past five years, while the property tax rates have increased in other municipalities, ranging from a 2.2% increase in Charlotte to a 13.7% increase in Winston-Salem since FY 2010-2011.

The Guilford County tax rate decreased slightly from .7804 in FY 2012-2013 to .77 at present and is currently in the middle of the comparison counties. Rates for Raleigh and Wake County have both increased sharply, approximately 8.1%, over the previous five years.

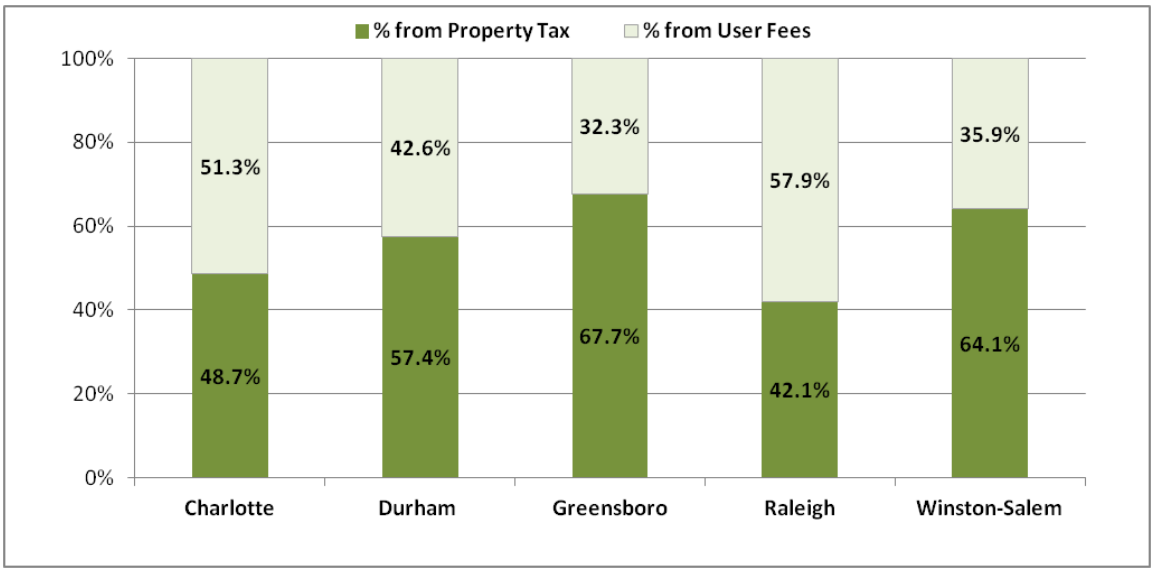
City Property Tax Rate Trends, FY 10-11 to FY 14-15



FINDING: Greensboro's basic city services are supported to a greater degree through property taxes than user fees.

Cities differ in how they leverage user fees versus property taxes to support basic city services. The graph below shows the share of taxes versus user fees paid by an average residential property owner.

Taxes vs. User Fees, FY 2014-2015



Greensboro has the lowest utilization of user fees to support basic city services, with 32.3% coming from user fees and 67% from property taxes. On the other hand, Raleigh relies heavily on user fees to support City services, at 57.9%, with an annual user fee cost per household approximately $380 higher than Greensboro. Just as no two cities are the same in size, composition, and needs, there is no "one size fits all" answer to the correct share of user fees vs. property taxes for basic city services.

FINDING: Community priorities affect the type and standards of service supported by a City.

Cities vary on the kind of services supported by property tax and the standards or service levels at which they are provided. Among the comparison cities, **Greensboro is the only city that operates and funds a public library system**. With net operating and debt service expenditures of approximately $7.8 million, Greensboro's public libraries represent approximately 3.1 cents on the property tax rate. If library costs were excluded from this comparison, the tax rate in Greensboro would be 60.11 cents per $100 of valuation. While this would not change Greensboro's relative rank for property tax rates, it would represent less than a penny's difference (.01) to Durham's property tax rate. More importantly, this highlights how property taxes reflect a community's priorities and expectations.

Supporting higher standards or levels of service than required also represents a choice made by the community. As an example, the Greensboro Fire Department has an ISO rating of 1, which is the best possible score. It is the only fire department in the state to achieve this rating. In contrast, the comparison cities have ISO ratings of 3. Because the fire department is supported by property taxes and not by user fees, it is important to consider how differences in standards are reflected in property tax rates.

SUMMARY

Although Greensboro has the highest property tax rate of the comparison cities, it ranks in the middle of the comparison cities based on combined city/county taxes and user fees and as the **second least expensive city** when city-only taxes and fees are considered. Greensboro is also the only city of those compared to fully fund and operate a library system and to support an ISO 1 rated fire department. Comparisons of property tax rates alone can't draw out these differences.

When comparing household costs, it is important to consider the various strategies by which local governments fund their operations, as well as the type and quality of services provided. Funding strategies are driven by a community's needs, priorities, and expectations for services. Comparisons between cities based solely on the city property tax rate don't adequately represent per household costs for basic services, nor do they reflect the increasing use of charging user fees for basic city services. Furthermore, excluding county property tax rates from the discussion dismisses, on average, 60% of the tax burden for property ownership in the comparison cities.

A City's ranking will differ based on the variables and jurisdictions included in the comparisons. The cost of municipal services is but one of many factors to consider when comparing property taxes. A subsequent report will compare the relationship between property tax rates to a city's property values and its size, both in terms of population and geography. Including these variables should yield greater insights to a city's tax rate and funding strategies.