City of Greensboro

Fiscal Year (FY) 2020-2021 Report
Property Tax & Select User Fees: Major North Carolina Cities

SUMMARY

Among the five largest cities in North Carolina, Greensboro ranks second in affordability of city services. This is driven chiefly by the lowest fees for solid waste collection, water & sewer, and stormwater utilities.

INTRODUCTION

Each fiscal year (July 1-June 30), the City of Greensboro creates the following report which compares our property tax & user fees to those of other large cities in North Carolina, including Charlotte, Durham, Raleigh, and Winston-Salem.

Property tax commonly applies to the real-estate and other real properties owned by a corporation or individual, and is based on the value of the property and the tax rate. State law requires that cities and counties perform periodic property tax valuations to assess the property tax rate. Cities and counties can determine the frequency of these valuations, so long as they are performed at least every eight years. In Guilford County, property tax valuations occur every 5 years. Greensboro's last valuation was in 2017, and the next will be in 2022.

User fees are expenses residents and customers pay for services like garbage collection, or water and sewer utilities. User fees generally fall into three categories: 1) fees that fund essential services, like utilities 2) fees that fund services that add to the quality of life, like parks and recreation facilities and 3) fees that fund regulatory items such as motor vehicle registrations.

Every city sets different priorities and uses different strategies to fund public services with property taxes and user fees. For example, Greensboro is the only city in the report that operates or funds a Public Library. These operations and debt service costs requires property tax support of about 3 cents in Greensboro.

When calculating total taxes and fees it is necessary to control for differences between communities where possible. For example, the property tax totals used in this report are based on median home values for each city. The *median* value is the point that separates the lower half of home values from the higher half; essentially the middle. The median home value will vary over time based on the housing market in each city, and this is why period revaluations are necessary.

The water rates in this report are based on a monthly bill for 4,000 gallons of water, which is an average residential monthly usage used by water systems. Stormwater fees are based on 2,001 square feet of impervious surface, which is considered a typical "Tier B" residential structure in Greensboro's fee schedule, and is a comparable designation with our peers. Solid waste fees include curbside solid waste and recycling collection fees, but excludes yard waste collection fees because these services are optional in cities like Winston-Salem and Durham. Those excluded costs are noted within the report for reference. Vehicle Registration fees are based on 2 vehicles per household. More information about these controls are included below each chart. Unless otherwise noted, all rate and fee structures in this report are constructed from data provided by each local government organization for the current fiscal year.

This report allows our community to understand how the cost of local government compares to our neighboring cities. It also allows us to understand how that cost has changed over time, and how Greensboro can make data-informed decisions going forward. We will begin our report with an overview of total property taxes & user fees. This will be followed by a comparison of the different parts of these tax and fee structures that make up this total.

FINDING 1

Greensboro Ranks Second Lowest for Combined City and County Taxes & Fees

City and County Combined
Annual Taxes & Fees FY 20-21
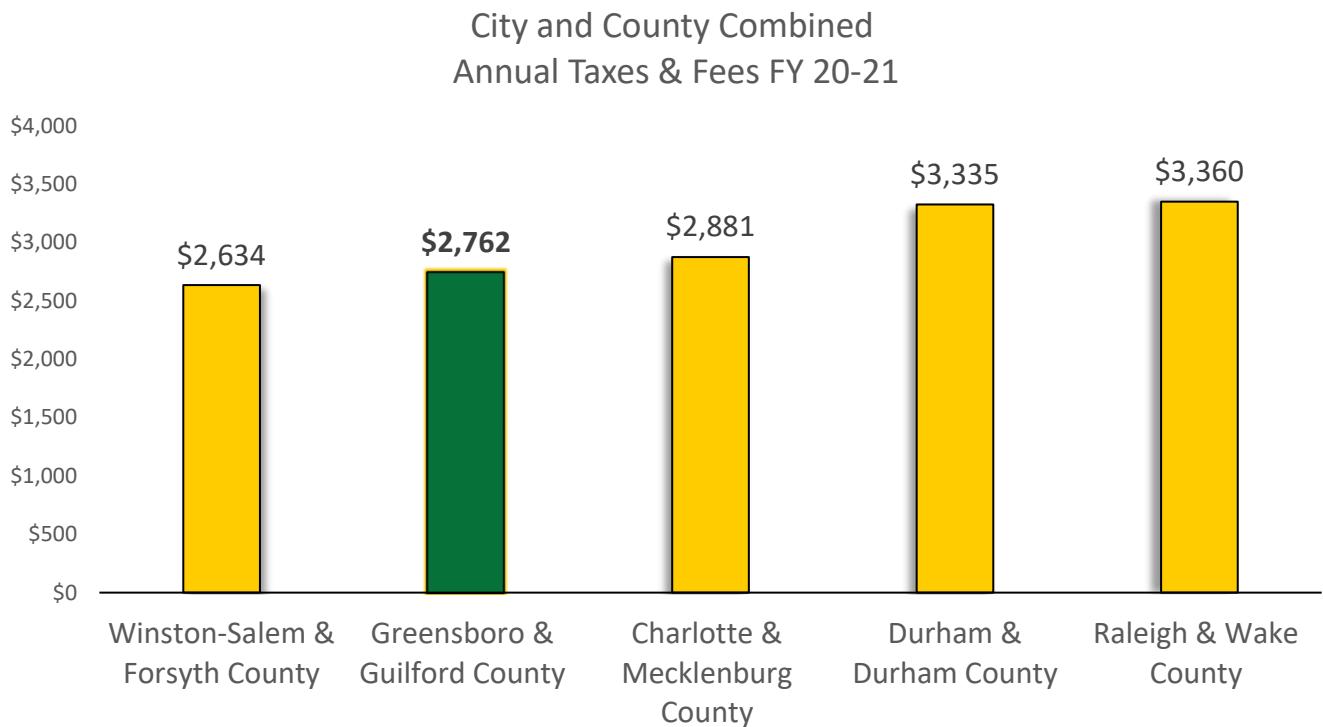
ANALYSIS

At $2,762 per year, Greensboro's taxes & fees are
$128 higher than Winston-Salem and $598 less than Raleigh for a typical household

Property tax makes up the largest portion of the above totals. Recall that property tax is based on the median home value of each city. In this report, median home values are derived from the *US Census Bureau, 2014 - 2018 American Community Survey*.

Median home values are influenced by several factors, including the timing of the last property tax valuation. Greensboro's last valuation occurred in 2017, whereas Charlotte's and Durham's occurred in 2019 for example. Other factors effect median home values as well, such as economic conditions, home sale prices, location, interest rates, local markets, age & condition, and home upgrades. Because of the importance of property tax valuation and median home values, we will review historic trends in home values and tax rates later in the report.

Our analysis begins with a breakdown of the basic elements of property tax and user fees which generate the totals in the above graph. In this first analysis, water & sewer fees are detailed separately from the other user fees because of their overall proportion of total user fees. The other user fees will be outlined later in the report.

City and County Combined, Annual Taxes & Fees Details FY 20-21

	Winston-Salem & Forsyth County	Greensboro & Guilford County	Charlotte & Mecklenburg County	Durham & Durham County	Raleigh & Wake County
Property Tax Rate (cents per $100 value)					
City	63.74	66.25	34.81	53.17	35.52
County	74.35	73.05	61.69	71.22	60.00
Combined	$1.3809	$1.3930	$0.9650	$1.2439	$0.9552
Total property tax[*]	**$1,994**	**$2,130**	**$1,935**	**$2,586**	**$2,261**
Annual Fees					
County fees[1]	$0	$0	$42	$0	$20
Avg. water/sewer bill[2]	$556	$510	$661	$638	$730
Other City fees[345]	$84	$122	$243	$111	$349
Total user fees	**$640**	**$632**	**$946**	**$749**	**$1,099**
Total taxes and fees:	**$2,634**	**$2,762**	**$2,881**	**$3,335**	**$3,360**

[*] Based on median residential home values for each location; 2018 ACS, US Census Bureau.

[1] County fees include: $27.50 Solid Waste/Mecklenburg, $14.40 Stormwater/Mecklenburg; $20 Recycling/Wake.

[2] NCLM/UNC Environmental Finance Center report in January, 2020. Rates are based on an average monthly bill for 4,000 gallons. Excludes any additional fixed fees which may be charged by municipalities.

[3] Includes curbside solid waste and recycling fees; excludes optional yard waste fee of $60 in Winston-Salem and $90 ($7.50/month) in Durham.

[4] Stormwater fee based on 2,001 sq ft. of impervious surface, a typical "Tier B" structure.

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

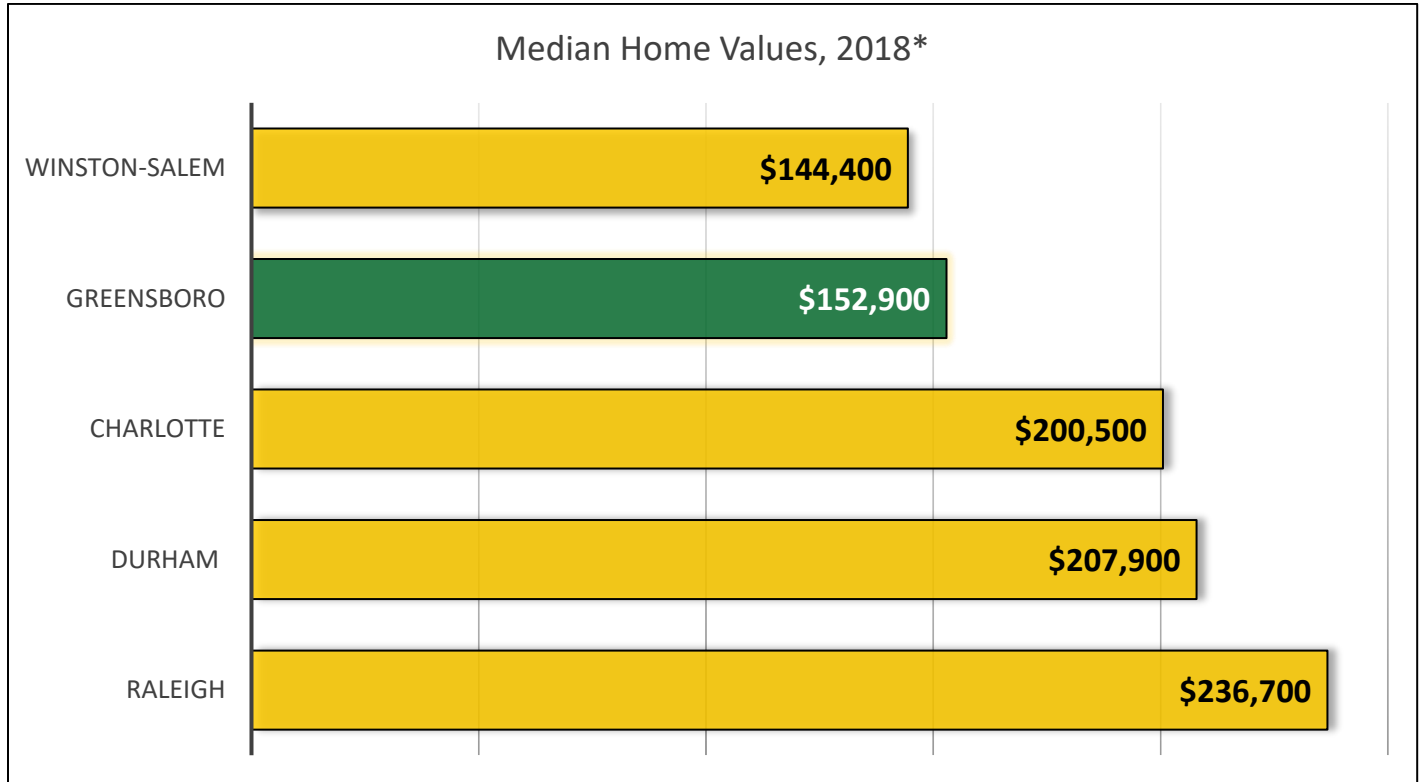## Observations

- Greensboro's **total taxes and fees** average $2,762 per year, for a typical household. This amount is $598 less than Raleigh, $573 less than Durham, $119 less than Charlotte, and $128 greater than Winston-Salem.

- The **property tax rate** for the City of Greensboro is 66.25 cents, and 73.05 cent for Guilford County. This means homeowners pay a combined city-county tax rate of $1.393 per $100 of property value.

- The **total property tax** of $2,130 is calculated by multiplying the combined city and county rate (66.25 + 73.05 = 1.3930) by the median home value in each city. Median home values are outlined on the following page.

- Greensboro holds the highest combined property tax rate (1.3930) and the lowest user fees ($632) of all five cities.

- Greensboro's average water and sewer bill is the lowest of all 5 five cities at $510 per year, or $42.50 per month. This represents 81% of our total user fees, and is $220 (43%) less than Raleigh.

FINDING 2

Greensboro Ranks Fourth for Median Home Values

Median Home Values derived from U.S. Census Bureau: American Community Survey, 2014-2018

Median Home Values, 2018*

City	Value
WINSTON-SALEM	$144,400
GREENSBORO	$152,900
CHARLOTTE	$200,500
DURHAM	$207,900
RALEIGH	$236,700

* US Census Bureau data for 2019, 2020 Median Home Values not available at the time of this report (September, 2020).
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ANALYSIS

At an estimated $152,900, Greensboro's median home values are
$8,500 (6%) greater than Winston-Salem, but $83,800 (55%) less than Raleigh

These figures represent an estimate, and affect the property tax rate in two key ways. First, home values influence the degree to which a city must rely upon the property tax rate to fund city services. Second, a city with lower property values generally needs a higher tax rate to raise as much revenue as a city with higher property values.

Tax valuations are state-mandated, but counties are able to decide their timing and frequency. Guilford County performs revaluations every five years, with the next in 2022. By comparison, other counties in the study perform revaluations every four years, with Forsyth County's next valuation in 2021; Durham County's in 2023; and Wake County's occurring this year, with the next in 2024. Charlotte/Mecklenburg County will move to a four year cycle effective in 2023.

The chart on the following page shows the historic trends in median home values among all five cities over a five-year period, from 2014-2018.

5-Year Change in Median Home Values, 2014-2018*
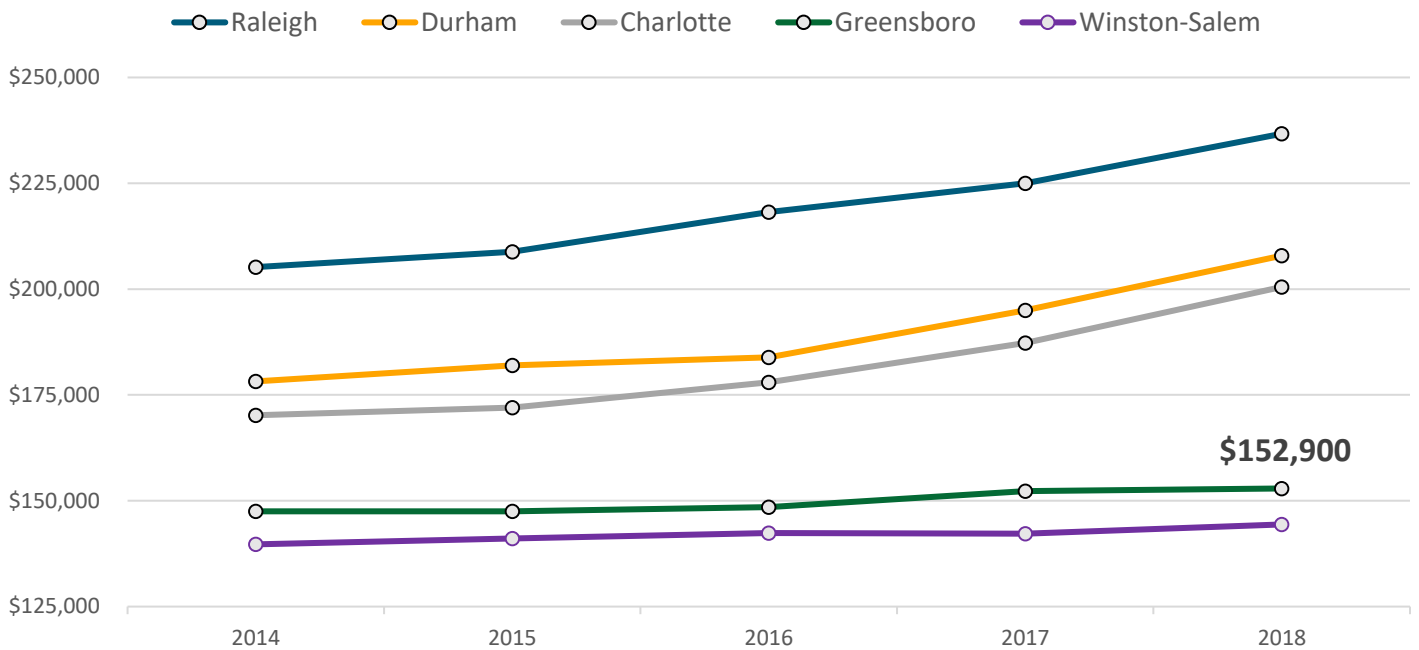
	Raleigh	Durham	Charlotte	Greensboro	Winston-Salem
5-Year Change ($)	$31,500	$29,700	$30,300	$5,400	$4,700
5-Year Change (%)	15%	17%	18%	4%	3%

U.S. Census Bureau: American Community Survey, 2014-2018.
ACS, US Census Bureau data for 2019, 2020 Median Home Values not available at the time of this report (September, 2020).

To facilitate our understanding of the link between property value, property tax, and how much a city depends on property tax to fund city services, we can compare how much revenue is generated in two different cities if they were to each add a penny to their respective property tax rate. This calculation is referred to as the penny on the tax rate.

For example, in 2014 the penny on the tax rate for Greensboro was $2,452,145. This means that based on the estimated total property value in the City of Greensboro during that year, a penny of property tax generated $2,452,145 in revenue for the City. By comparison, in that same year the penny on the tax rate for Raleigh was $5,138,429. That is a difference of $2,686,284 (109%) in tax revenue, due to the higher property values in Raleigh.

For FY20-21, the penny on the tax rate for Greensboro is $2,812,639 and for Raleigh it is $7,533,914. That is a difference of $4,721,275 (168%) in additional tax revenue that Raleigh generates from one cent of property tax.

From FY14-15 to FY20-21, Greensboro's penny on the tax rate grew $360,494, and Raleigh's grew $2,395,485. Based on this information, since FY 14-15 the margin between the penny on the tax rate for Greensboro and Raleigh has increased from $2,686,284 to $4,721,275. This means that as property values continue to increase in Raleigh over time, the tax revenue from that same one cent continues to increase. This highlights the importance of property value in generating tax revenue for a city.

Property Tax Rates, FY 16-17 to FY 20-21

(Cents per $100 value)

	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Last Reval
Winston-Salem	.5850	.5974	.5974	.6374	.6374	
Forsyth County	.7310	.7235	.7235	.7435	.7435	2017
COMBINED	$1.3160	$1.3209	$1.3209	$1.3809	$1.3809	
Greensboro	**.6325**	**.6325**	**.6325**	**.6625**	**.6625**	
Guilford County	.7550	.7305	.7305	.7305	.7305	2017
COMBINED	$1.3875	$1.3630	$1.3630	$1.3930	$1.3930	
Charlotte	.4787	.4787	.4887	.3481	.3481	
Mecklenburg County	.8157	.8157	.8232	.6169	.6169	2019
COMBINED	$1.2944	$1.2944	$1.3119	$0.9650	$0.9650	
Durham	.5607	.5786	.5786	.5317	.5317	
Durham County	.7404	.7679	.7779	.7122	.7122	2019
COMBINED	$1.3011	$1.3465	$1.3565	$1.2439	$1.2439	
Raleigh	.4183	.4253	.4382	.4382	.3552	
Wake County	.6005	.6150	.6544	.7180	.6000	2020
COMBINED	$1.0188	$1.0403	$1.0926	$1.1562	$0.9552	

Observations

- In FY 20-21, Greensboro's property tax remained the same, as did Charlotte's, Winston-Salem's, and Durham's.

- Raleigh's rate decreased 18.9%, from 43.82 to the *Revenue Neutral Rate* of 35.52, and Wake County's rate decreased 16.4% to 60.00.

  The *Revenue Neutral Rate* keeps the revenue consistent with the prior year, despite changes in the tax base due to property valuations; generally the rate that neither increases nor decreases expected tax revenue.

- Several notable changes have occurred since FY 18-19. Greensboro's property tax increased 3 cents, or 4.74%.

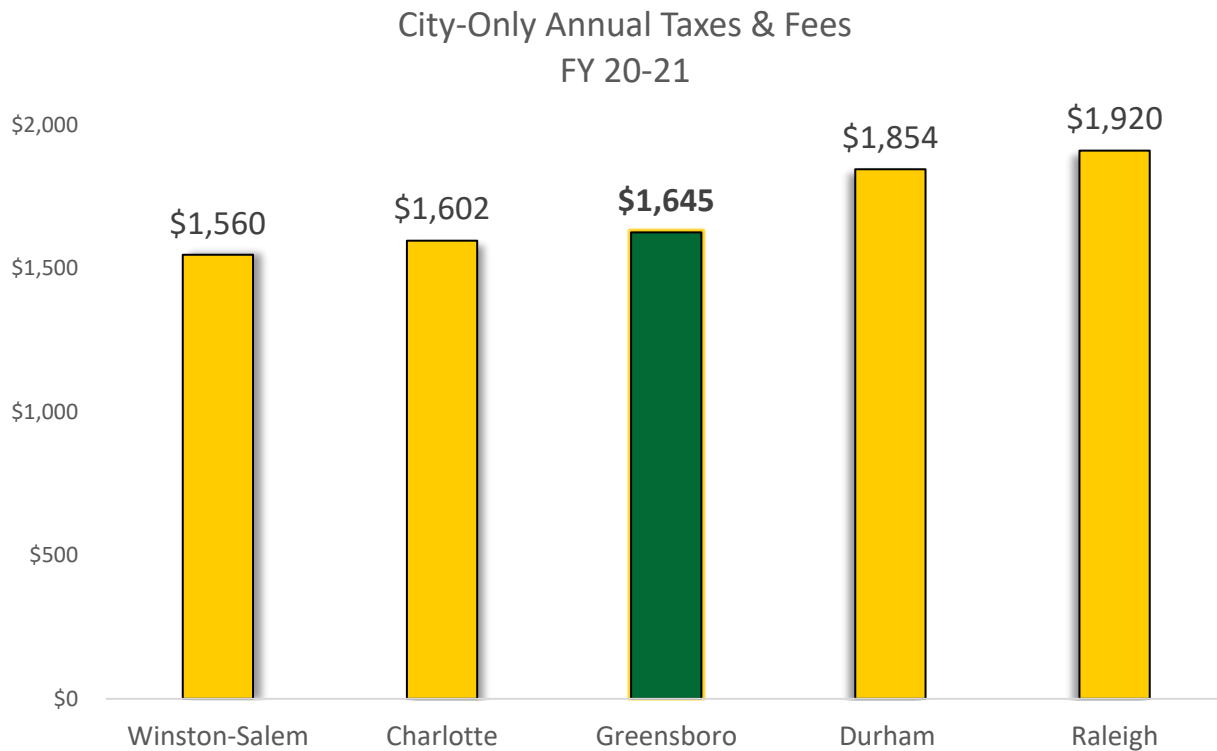 Winston-Salem's rate increased 4 cents, or 6.70% since FY18-19

  Durham's rate of 53.17 was an increase of 1.72 cents, or 3.23% over the revenue neutral rate of 51.45. Durham's median home value increased 20.76% after a property tax valuation.

  Charlotte's rate moved from 48.87 to the revenue neutral rate of 34.81 in FY 19-20.

FINDING 3

Greensboro Ranks in the Middle for City-Only Taxes & Fees

Taxes & fees include city property tax, avg. annual water & sewer bill, avg. annual solid waste services bill, avg. annual stormwater bill, annual motor vehicle registration fee.

City-Only Annual Taxes & Fees
FY 20-21

Winston-Salem	Charlotte	Greensboro	Durham	Raleigh
$1,560	$1,602	**$1,645**	$1,854	$1,920

ANALYSIS

At an average of $1,645, Greensboro's city-only taxes & fees are
$85 greater than Winston-Salem and $275 less than Raleigh.

These findings reflect taxes & fees provided to city governments only. *County* property tax and *county* user fees are excluded from the totals.

Additionally, some cities have *optional* user fees, like a Solid Waste fee of $65 in Winston-Salem and $90 in Durham for services like Leaf and Yard Waste collection. For uniformity, optional fees are excluded from the totals for these two cities. In Greensboro's case, our Solid Waste availability fee of $30 includes residential refuse, recycling, yard waste and bulk collections, which means we provide a higher level of service, at a lower cost.

The next page will review the individual elements of these totals, providing details of the FY 20-21 user fees for all five cities.

City-Only Annual Taxes & Fees Details FY 20-21

	Winston-Salem	Charlotte	Greensboro	Durham	Raleigh
Total City taxes & fees	**$1,560**	**$1,602**	**$1,645**	**$1,854**	**$1,920**
Median home value	$144,400	$200,500	$152,900	$207,900	$236,700
Tax rate (cents per $100 value)	63.74	34.81	66.25	53.17	35.52
City property taxes	**$920**	**$698**	**$1,013**	**$1,105**	**$841**
City fees (annual)					
Water/Sewer bill[1]	$556	$661	$510	$638	$730
Solid Waste Services bill[2]	$0	$68	$30	$0	$229
Stormwater fee[3]	$54	$115	$32	$81	$60
Vehicle Registration fee[4]	$30	$60	$60	$30	$60
Total City fees	**$640**	**$904**	**$632**	**$749**	**$1,079**

[1] NCLM/UNC Environmental Finance Center report in January 2020. Rates are based on an average monthly bill for 4,000 gallons. Excludes any additional fixed fees which may be charged by municipalities.
[2] Includes curbside solid waste and recycling fees; excludes optional yard waste fee of $60 in Winston-Salem and $90 ($7.50/month) in Durham.
[3] Stormwater fee based on 2,001 sq ft. of impervious surface, a typical "Tier B" structure.
[4] Vehicle Registration fee based on assumption of 2 vehicles per household.

Observations

- Greensboro's **city-only total taxes and fees** average $1,645 per year.

  This amount is $275 less than Raleigh, $209 less than Durham, $43 greater than Charlotte, and $85 greater than Winston-Salem.

- **City-only total property taxes** average $1,013 per year for the City of Greensboro. This is based off a median home value of $152,900.

- Greensboro has the highest city property tax rate, at 66.25 cents per $100 of property value. This rate is 2.78 cents greater than Winston-Salem, 31.44 greater than Charlotte, 13.08 greater than Durham, and 30.73 greater than Raleigh.

- **City-only total user fees** average $632 per year, which combines Water & Sewer, Solid Waste Collection, Stormwater, and Motor Vehicle Registration.

- When factoring in the optional Solid Waste Service fees for Winston-Salem and Durham, $90 and $65 respectively, Greensboro's fee of $30 per year is the lowest of all five cities, and it includes yard waste and bulk collection service. While Charlotte and Raleigh also include Yard Waste collection in their Solid Waste fee structure, it costs over twice as much in Charlotte and almost 8 times as much in Raleigh.

FINDING 4

Greensboro Ranks Lowest for User Fees

CITY-ONLY
ANNUAL USER FEES
FY 20-21
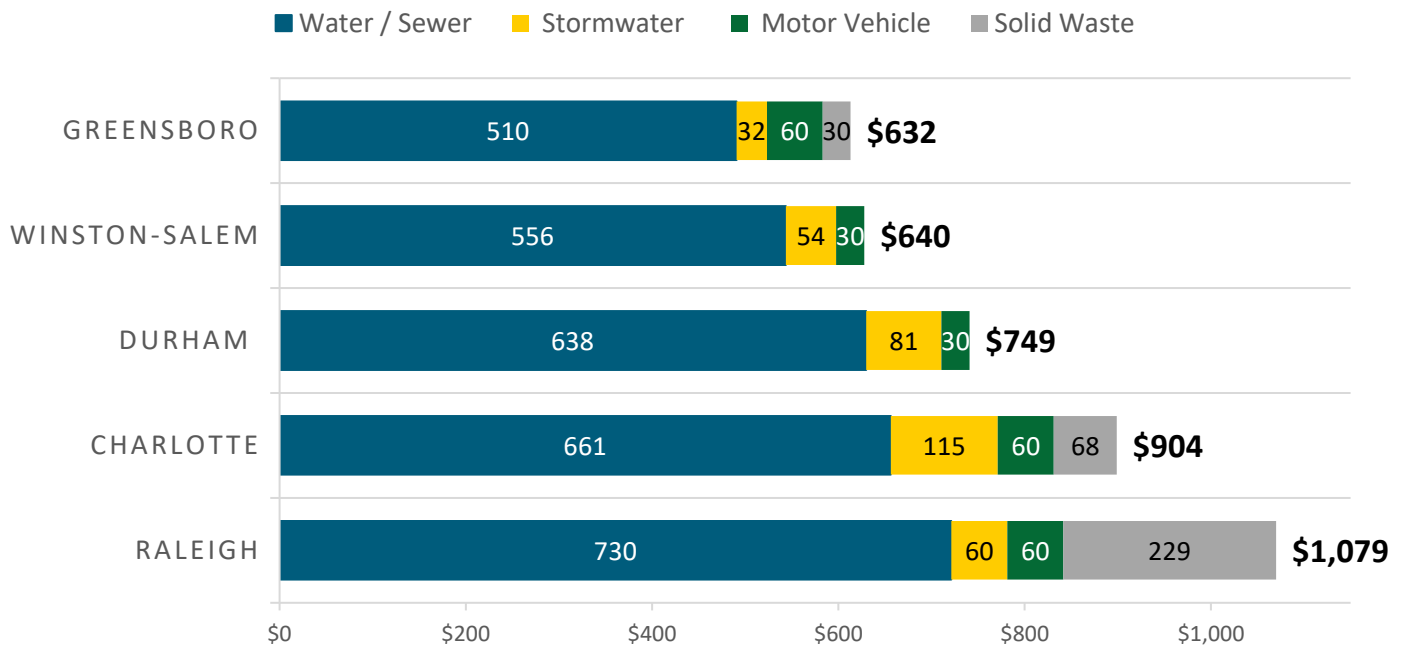
ANALYSIS 4

At an average of $632 per year, Greensboro's user fees are
$8 less than Winston-Salem and $447 less than Raleigh

For FY 20-21, Greensboro has the lowest annual user fees at $632 per year. This includes the lowest average annual Water and Sewer bill, as well as the lowest annual Stormwater fee. Even with the addition of a Solid Waste fee in FY 19-20, Greensboro still has the lowest user fees.

Greensboro also has the lowest annual Solid Waste fee among the three cities that use this fee. It is also lower than the optional fee used in Durham and Winston-Salem.

Over the last 5 years all cities have experienced user fee increases, most commonly for Water and Sewer services.

The following page provides a comparative analysis of current fee structures, as well as historical data to help understand fee changes over time.

Observations

- Raleigh has the highest user fees at $1079 per year. This is $447 (71%) more than Greensboro.

- Charlotte is $272 (43%) more than Greensboro. Durham is $117 (19%) more, and Winston-Salem is $8 (1%) more than Greensboro.

- Greensboro's Water/Sewer fees are the lowest in the study, at $510. Winston-Salem is $46 (9%) more, Durham $128 (25%) more, Charlotte $151 (30%) more, and Raleigh $220 (43%) more.

- 3 cities (Greensboro, Charlotte, and Raleigh) use a Solid Waste fee. At $229 per year, Raleigh's Solid Waste fee is almost 8 times

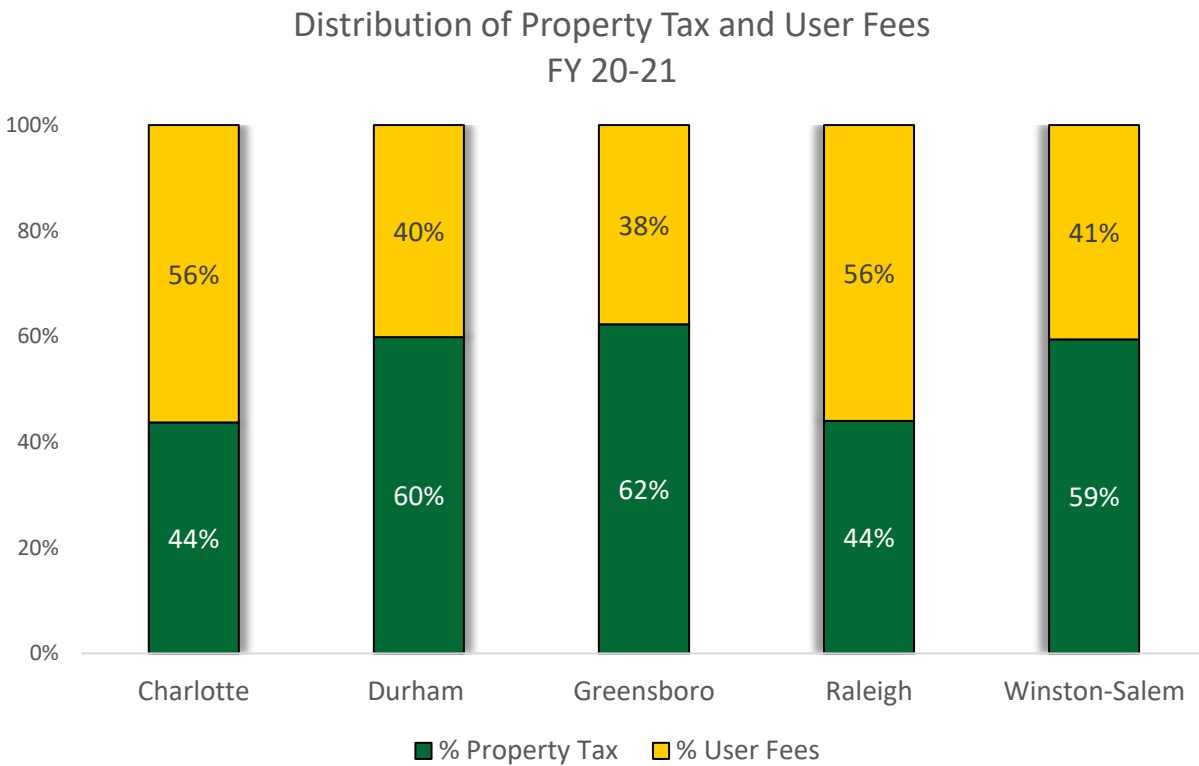more than Greensboro's, while Charlotte's is over twice as much at $68.

- Charlotte's Solid Waste fee increased from the previous year by 17%, from $58 to $68, while Raleigh's increased 10%, from $205 to $229. Greensboro's rate remains the same from last year.

- Greensboro's Stormwater fees are also the lowest of all 5 cities, at an average of $32 per year, while our Vehicle Registration fee is the highest at $60 per year, or $30 per vehicle. This rate is the same as Charlotte and Raleigh

- Over the last 5 years, Greensboro's user fees increased $100 (17%), Winston-Salem's $106 (20%), Durham's $57 (8%), Charlotte's $132 (17%), and Raleigh's $117 (12%).

5-Year City-Only User Fees, FY 16-17 to FY 20-21

	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	5-Year Change
Greensboro	$532	$551	$567	$613	$632	**$100**
Winston-Salem	$534	$557	$594	$628	$640	**$106**
Durham	$692	$707	$723	$723	$749	**$57**
Charlotte	$772	$810	$844	$874	$904	**$132**
Raleigh	$962	$996	$1,017	$1,046	$1,079	**$117**

Cities differ in how they leverage user fees and property tax to support city services prioritized by their respective communities. In Greensboro, property tax represents 62% of the total taxes & fees and user fees represent the remaining 38%.

Charlotte generates 44% of its revenue from property tax and 56% from user fees; Durham generates 60% from property tax and 40% from user fees. Raleigh generates 44% from property tax and 56% from user fees, and Winston-Salem 59% from property tax and 41% from user fees.

Distribution of Property Tax and User Fees
FY 20-21

	Charlotte	Durham	Greensboro	Raleigh	Winston-Salem
% User Fees	56%	40%	38%	56%	41%
% Property Tax	44%	60%	62%	44%	59%

■ % Property Tax   ☐ % User Fees

CONCLUSION

Numerous factors affect the amount of revenue necessary to cover expenses, including community priorities related to the types and levels of service supported by a City. For example, Greensboro supports a library system, at a cost of slightly over three cents on the tax rate, which is typically a county provided service. As another example, cities like Durham and Charlotte jointly operate their Planning Department with their respective County Government, which can lead to economies of scale (lower costs).

Generating an appropriate balance between property tax and user fees requires consideration of community input, local priorities, strategic goals, historic data, and more. User fees allow for more varied revenue sources, and may be a more feasible option than raising property taxes. Regardless of strategy, increased service costs require additional revenue from taxes, fees, and economic growth.

By increasing public knowledge about the structure of property tax and user fees, the City of Greensboro can continue in its purpose to serve the community effectively. This analysis allows the community to be data-informed as the City makes recommendations that affect the services to Greensboro's residents and visitors. Ensuring that local government operations maintain a people-centered focus is enhanced through fiscal stewardship that is based on the values of transparency and accountability.