

# City Budget Relies On Tax Rate Hikes

## VRS Change, Declining Property Values Blamed For Shortfall

By **PRESTON KNIGHT**

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**HARRISONBURG** — An increase in Virginia Retirement System costs and a decrease in the assessed value of Harrisonburg real estate will lead to two rate hikes in fiscal 2013, according to a draft budget.

City Manager Kurt Hodgen presented a \$199.2 million proposal to City Council on Tuesday night. It's \$ 2.5 million below the current adopted budget, but to balance it, a more than \$4 million funding gap had to be closed.

Hodgen said General Assembly changes to VRS employer contributions account for about \$1.4 million of that total, and another \$682,000 is from property assessment losses.

Fiscal 2013 begins July 1.

In the draft, the city's first real estate tax rate increase since 1994 is proposed — from 59 cents per \$ 100 of assessed value to 63 cents. In the fall, city officials learned that Harrisonburg had its first overall decline in assessed property value in recent memory.

Still, the proposed increase would keep Harrisonburg with the second-lowest tax rate among Virginia municipalities, behind only Williamsburg, officials said. The city decreased the rate from 62 cents to 59 cents in fiscal 2008.

Also proposed for an increase is the city's meals and lodging tax rate, rising from 6 to 6.5 percent. Mayor Richard Baugh said the tax is a way to obtain money from visitors, which means residents will not be hit by increases in other areas, such as an even bigger real estate tax hike.

The meals and lodging increase would be the first since fiscal 2004.

Increases are also on tap for trash collection and water and sewer services. Both areas have to be self-sufficient and are separate from the city's general fund, which includes the real estate and meals tax revenues, officials say.

Trash pickup would increase from \$20 to \$25 a month, with water going up 7 cents and sewer by 33 cents. For customers who use 5,000 gallons per month, the bill for sewer will go from \$14.65 to \$14.98 and the bill for water from \$12.33 to \$12.40.

The city reached the 50,000 population mark within the past year and added miles of road to maintain, but it has not added positions. Hodgen said the budget reflects what it takes to continue the same level of services.

Thirteen city positions, though, will be lost through attrition next fiscal year.

Although city employees will receive a 5.75 percent pay raise, that amount is only enough to offset a new mandate requiring them to contribute 5 percent of their salaries to their VRS accounts.

When salaries increase, governments pay more into the retirement system because their contribution rate is tied to employee pay.

On Tuesday, Gov. Bob McDonnell amended the legislation to give localities the option to phase in the pay raise over five years. Hodgen, however, said he sees no benefit to “kicking the can” down the road.

Schools already had the option to phase in the changes.

Scott Kizner, superintendent of Harrisonburg City Schools, presented to council a \$58.1 million proposed budget for fiscal 2013. The spending plan is \$3.6 million above the current budget, but it requests only \$39,000 more from the city.

A formal presentation and public hearing for Harrisonburg’s fiscal 2013 spending plan will be April 24. State funding figures could change slightly by then, Hodgen said, but proposed tax increases cannot go up from what the city advertises.

The draft proposal will be available online today at [www.harrisonburgva.gov](http://www.harrisonburgva.gov).

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