

# TAX DISTRICTS WORKGROUP REPORT OUT

*Budget, Finance & Economic Development Committee*

*November 29, 2022*



**LEXINGTON**



## **Agenda**

- Workgroup detail and work
- History and scope of tax district item
- Legal parameters
- Lexington-Fayette County tax districts
- Current tax district procedure
- Corrections summary
- Examples
- Updated internal procedures
- City of Lexington webpage
- Recommendations
- Questions/ feedback



## **Tax District Workgroup Detail**

- Workgroup met on 8 occasions from 2021-2022.
- Workgroup formed to review *policy, process, and procedure improvements in response to public feedback and then making any needed corrections.*
- Members:
  - Councilmembers Kathy Plomin, Amanda Bledsoe, Susan Lamb and Hannah LeGris. Staff: Nathan Dickerson (EQPW), Eve Miller (Legislative Aide to Councilmember Plomin), Jennifer Sutton (Council Core Staff), Kelley Farley (Council Core Staff), Michael Cravens (Law), Jeff Neal (Traffic Engineering), Brad Stone (EQPW), David O'Neil (PVA), and Hilary Angelucci (CAO). Other support staff: Abigail Allen (Council Clerk), Rob Allen (Streets and Roads), James Bush (EQPW), Samantha Coleman (Council Clerk).



## **History and Scope**

- The Review of Current Tax District Change Policy item was placed into Council's Environmental Quality and Public Works Committee on March 13, 2018.
- It was heard by the EQPW Committee on July 3, 2018.
- The item was placed into Council's Budget, Finance and Economic Development Committee on March 9, 2021.
- Staff met with Council Offices November 1-14, 2022



## **Legal Parameters**

Urban services tax districts are regulated by state law and the charter, which restrict change in the process.

- **Commonwealth of Kentucky Statutes**
  - Kentucky Revised Statutes (KRS) Chapter 67A.860
  
- **Lexington-Fayette County**
  - Charter, Article 2



## **Lexington-Fayette County Tax Districts**

- Lexington is divided into different districts which are assessed property taxes based on the city services available in each area.
- There are three (3) urban services for which property taxes are assessed: (1) city refuse collection; (2) streetlights; and (3) city street cleaning.
  - Newly developed properties built along public streets are placed in Tax District 1; the full urban services district.
  - Older areas, such as those built prior to the merger of the city and county governments, might have inherited any of the tax district designations that corresponded to the services that were available in those areas at the time.
  - Should residents in these areas wish to add city services such as city refuse collection, they are able to do so by successfully petitioning the city for the additional services.



## Lexington-Fayette County Tax Districts, Cont.

*Ad Valorem Tax on real property for each \$100 of assessed value.*

Tax District	LFUCG Tax Rate (2022)	Total Tax Rate (2022)	LFUCG Services Provided
1	0.168	1.2366	Full service; refuse, streetlights & street cleaning
2	N/A	1.0686	General service; police & fire only
3	0.139	1.2076	Refuse only
4	0.02	1.0886	Streetlights only
5	0.159	1.2276	Refuse & streetlights
6	0.029	1.0976	Streetlights & street cleaning
7	0.148	1.2166	Refuse & street cleaning



## **Current Tax District Procedures**

Three scenarios in which tax district changes are made:

1. **New Development:** as plats for new developments are filed, newly created parcel on public streets are placed within full urban services tax district 1 through annual, legal process.
  - If on private streets, then placed in tax district 3 (refuse only).
2. **Petition for Service:** properties in partial service districts may petition to receive added LFUCG services.
3. **Corrections to Tax District Assignment Error:** as we discover errors in tax district assignment, we will propose to correct them.





## **Tax District Issue**

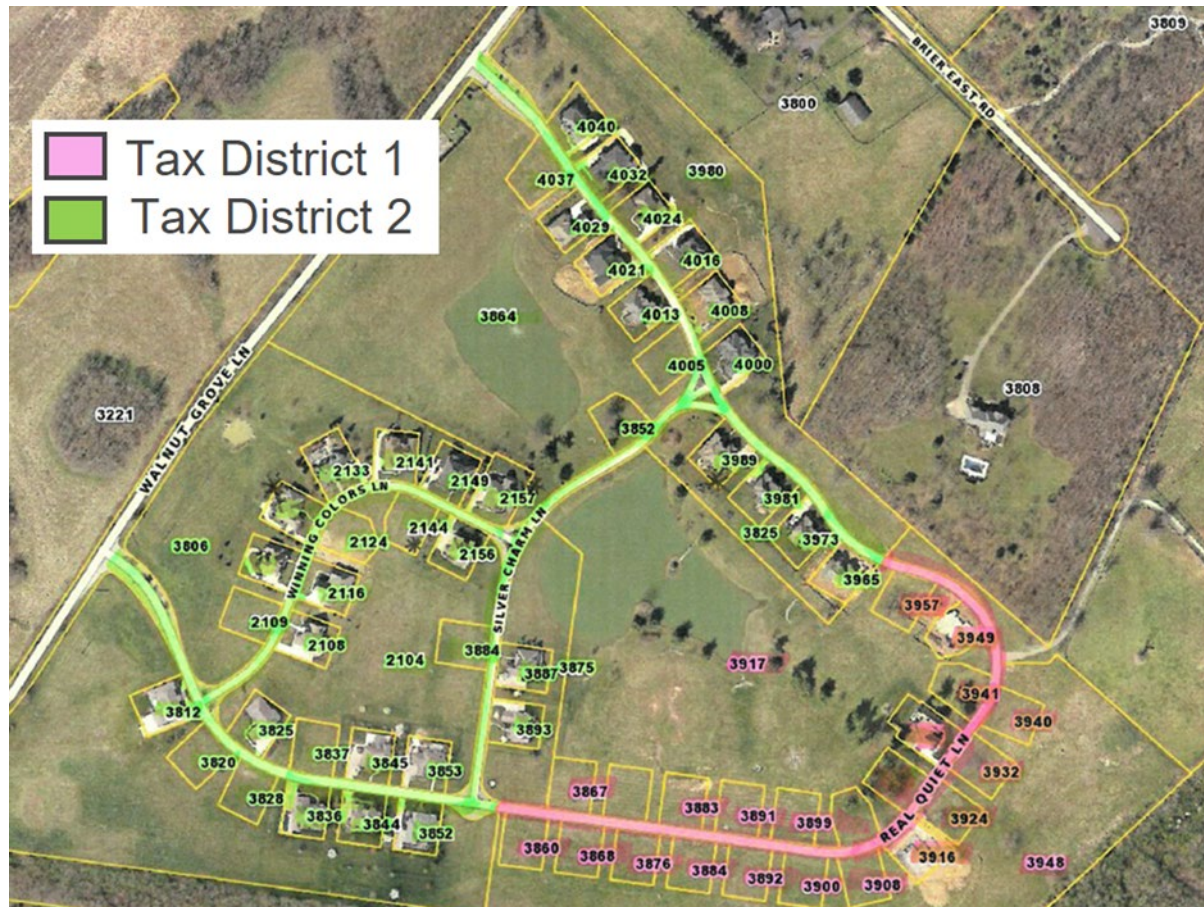
- Occasionally, the city will discover that a property is in a district that does not correspond to the services that are being received by the property or to the services that are otherwise available to the area surrounding the property.
  
- This could occur, for example, due to:
  - Updates to street naming and/or addressing
  - Plat omission
  - Human / transcription error
  - Process complexity



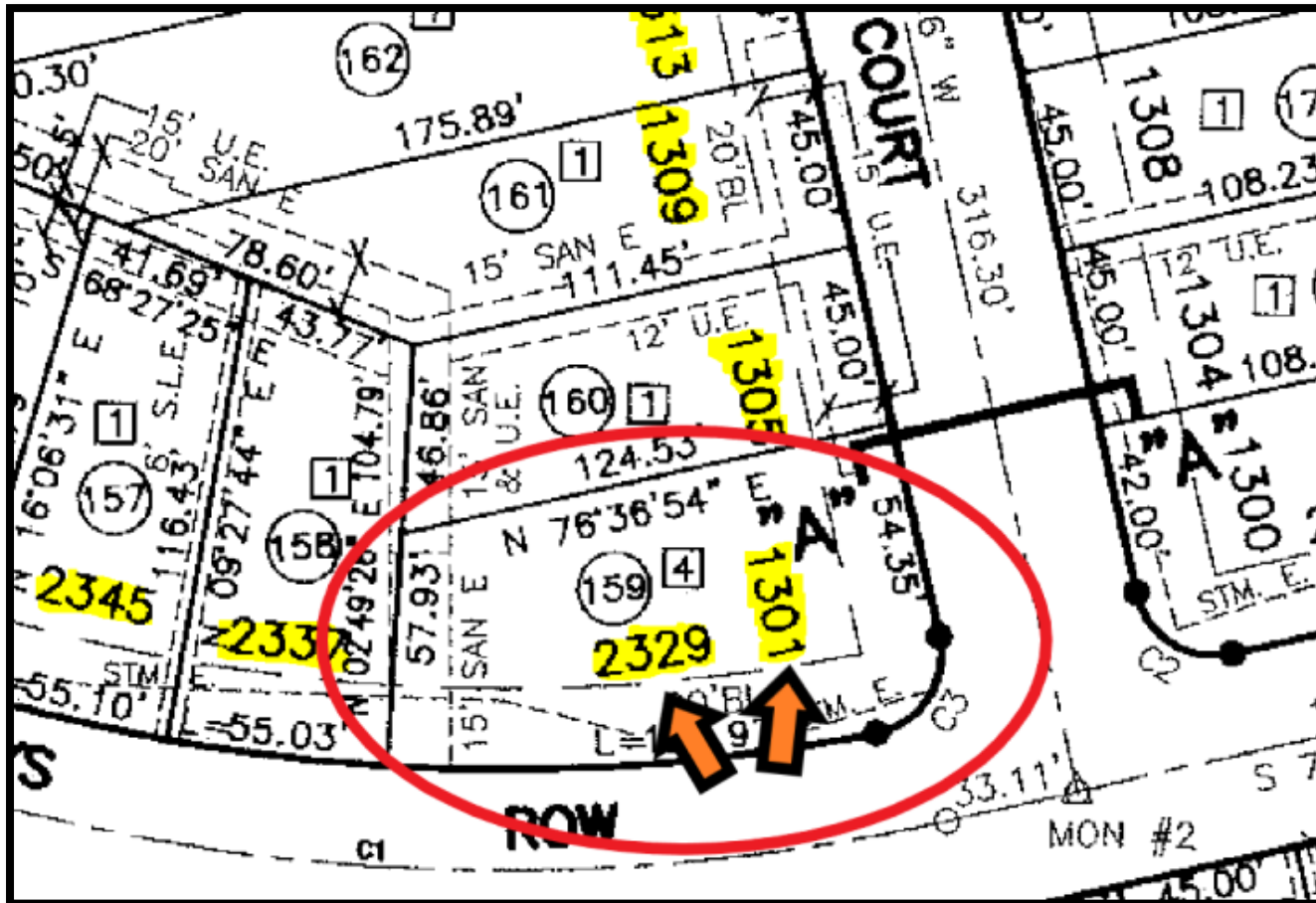
## **Corrections**

- **Parcels were reviewed based on:**
  - Public feedback
  - Receiving services without tax
  - Inconsistency due to plat or address omission
  
- **Categories**
  - Addressing transcription
  - Plat omission
  - Private street
  - Streetlighting installed
  - Tax exempt

# Example: Plat Omission



## Example: Addressing Transcription





## By Issue

Issue	Parcels
Addressing transcription	102
Plat omission	393
Private street (TD 3)	147
Streetlights installed (no tax)	518
Tax exempt	21
Total	1,181



## By Council District

District	Parcels
1	18
2	160
3	171
4	98
5	12
6	141
7	96
8	1
9	213
10	57
11	3
12	211
Total	1,181



## **Fiscal Impact**

- Estimate: an added \$389,635 to the Urban Services Fund.
  - *Note: Does not account for changes in property values or the ad valorem rates (rates went down in FY23).*



## Example: Glendover

RE: Urban Service Tax District Change for <ADDRESS> GLENDOVER RD

Dear Property Owner:

The Department of Environmental Quality & Public Works has been modernizing data systems and working to better share information across divisions and external agencies. In coordination with the City Council's Tax District Work Group, the Department has launched the Efficiency and Data Modernization Initiative (EDMI) to systematically review data including tax district records such as those related to petitioning parcels on Glendover Road.

In 2012, Glendover Road residents successfully petitioned to receive full city services by changing their parcels to tax district 01. That petition was adopted by Council in ordinance (see enclosure). We have, however, since verified that there was an error resulting in **the tax district change not getting reflected at the time even though residents began receiving city waste collection services.**

As a consequence, **residents on your street have been receiving city waste collection services but have not been charged for these services.** Given that this error is no fault of yours or other affected residents on Glendover, **LFUCG does not intend to bill for any taxes retroactively.** However, in the interest of consistent treatment to all taxpayers in Fayette County, **starting with your fall 2022 property tax bill, you will be billed as tax district 01 reflecting full city services in accordance with the original petition effort and 2012 ordinance.**

The Department, as part of the EDMI, will continue to leverage technology and data quality best practices so that errors like this can be more easily caught and avoided in the future. The EDMI also includes close coordination with the Property Valuation Administrator, who has been an active part of the Tax District Work Group's review and whose office has likewise focused on providing increasingly accessible and quality data.

Should you have any questions about this Initiative or your tax district change, please feel welcome to call me at





## **Updated Internal Procedures**

- **Efficiency**
  - E-Certified mailing
  - Increased computerization of plat review
  - E-petitioning
  
- **Process Enhancements**
  - Staff certification
  - Data sharing
  - Mistake proofing mechanisms
  
- **Modernizing internal staff procedures guide**



# LFUCG Webpage

## Lexington's Urban Services and Tax Districting

The city of Lexington provides urban services to certain residents and property owners. There are three different types of urban services: refuse collection, streetlights, and street cleaning. The urban services received at a property's location impacts how it is assessed for property taxes. There are currently 7 total tax districts, which are identified by numbers and correspond to services as follows:

Tax District 1: Full service – Trash, recycling, and yard waste collection, street lights, and street cleaning.

Tax District 2: General Service – No additional services beyond standard, general services.

Tax District 3: Partial Service – Waste collection (trash, recycling, and yard).

Tax District 4: Partial Service – Street lights.

Tax District 5: Partial Service – Waste collection (trash, recycling, and yard) and street lights.

Tax District 6: Partial Service – Street lights and street cleaning.

Tax District 7: Partial Service – Waste collection (trash, recycling, and yard) and street cleaning.

Since 1989, newly developed properties built along public streets are placed in Tax District 1. When an area is developed to include a private street, streetlights and city street cleaning services are usually not provided. Therefore, properties developed along a private street are placed in Tax District 3, which includes only refuse collection.

Older areas, such as those built prior to the merger of the city and county governments, might have inherited the tax district designations that corresponded to the services that were available in those areas at the time.

Should residents wish to add city services, such as refuse collection, they are able to do so by petitioning the city for the additional services. For additional information on petitioning to add city services, please click [here](#). If a petition is successful, the area included in the petition would be placed in the district that corresponds to services available to that area, including the additional petitioned services.

Occasionally, the city will discover a property is in a district that does not correspond to the services that are being received by the property or to the services that are otherwise available to the area surrounding the property. In such an event, the city may seek to resolve the issue by placing the property in an appropriate district based on the services provided to the area. Property owners would receive notice and an opportunity to provide comment prior to any revision.

For additional information, the PVA's website offers a [tax district calculator](#) as well as a schedule of rates and corresponding services available for each district. You may access those PVA resources by clicking [here](#).



## **Recommendations**

- Approve list of property corrections
- Approve schedule for property corrections
- Staff will continue to explore enhancements to process efficiency and data quality

# Questions?

