

OCEAN VIEW, DELAWARE

2019 TAX ASSESSMENT/TRANSFER TAX USAGE - UPDATE

Dear Neighbors and Friends:

Enclosed you will find your Fiscal Year (FY) 2020 Property Tax Statement which incorporates revisions made to your FY2019 tax bill in association with changes to our assessment strategy. This bill is inclusive of payments made towards your original FY2019 statement as captured in the **Previous Balance** line of the attached Property Tax Statement. In an effort to highlight the revisions, we share the following:

Why is my FY20 property statement reflecting changes made associated with FY19?

As you may be aware, for FY2019 a decision was made to utilize the Sussex County Assessments for our Town's real estate tax base. The initial decision was made to take advantage of savings associated with the elimination of town specific assessments while staying revenue neutral. Unfortunately, it resulted in the unanticipated consequence of inequities within the original FY2019 Property Tax billings.

In an effort to rectify this outcome, we reverted back to the previous fiscal year of FY2018 as a starting point (reflective of the mandated 5-year town-wide reassessment), and added the adopted 50% tax increase for Budget year FY2019. Therefore, the attached Property Tax Statement represents a consolidated billing for FY19 and FY20, addressing the unfairness experienced with the move to the Sussex County Assessments, aligning with the FY19 Budget decisions and keeping us on schedule with our FY2020 Property Tax billing.

Substantial effort has taken place to get to this point, including hiring a new Town Assessor, bringing the earlier FY2018 assessment up to date with property improvements made in FY2019 (through April 30, 2018); recognizing payments made toward the original FY2019 tax bill; responding to your many calls and emails for better understanding; and the delivery of the FY2020 Property Tax Statement as required by Code. All was necessary to reverse the impact of the Sussex County Assessments.

Why was the 50% tax increase for FY19 deemed necessary?

For well over a decade, Ocean View, like many other coastal towns, had been relying on the revenue from Transfer Taxes to supplement its annual operating budget. We all did this for a number of reasons:

- 1) The entire area was in a growth spurt and Transfer Taxes, the tax paid when a property is sold, was a continuing stream of cash.
- 2) The capital projects (drainage, street and sidewalk repairs, etc.), were evident but not critical and could be postponed.
- 3) A reluctance of prior Councils to initiate tax increases due to political fallout while these temporary revenue increases were available.

The problem with doing this is that Transfer Taxes cannot be depended on. They're more suitable to funding planned/out year capital projects, whether new or replacement, not to supplement the general

operating budget. Furthermore, in our case, areas in town suitable to large scale redevelopment are now limited. Since resales are approximately one half of the total sales, we can expect our revenue from Transfer Tax to effectively be cut in half in the years ahead. Compounding the problem is the fact that Transfer Taxes are passed through from the State which may, in any given year, cut the amount allocated to cities and towns.

Finally, please know that your Town Council has been committed to eliminating our annually occurring General Operating Budget reliance on Transfer Tax revenues. This goal was fully realized with the adoption of the FY2019 budget, including the 50% tax increase. Understanding the unreliable nature of Transfer Tax revenues, we believe this was prudent as is our commitment to fund planned capital infrastructure projects with our annually accrued Transfer Tax revenues.

In closing, we now know that moving to the County Assessments was not in the best interest of our community. However, we're pleased to say, the proactive steps we have taken to correct the earlier decision are nearly complete. Please note that some of you will receive a supplemental billing in July for any improvements made between May 2, 2018 and March 31, 2019.

While FY2019 may have been difficult at times, the Town of Ocean View tackled these issues head-on and is now back on track and doing well! With staffing changes made this past year at three key positions, the Town is moving forward and planning for its future.

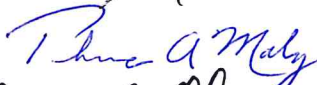
We thank you for your support and understanding.

SIGNED: OCEAN VIEW TOWN COUNCIL

Walter F. Curran-Mayor



Tom Maly, Mayor Pro-Tem; District 3



William Olsen, District 1



Frank Twardzik, District 2



Berton Reynolds, District 4



For Reference:

- The Town of Ocean View Fiscal Tax year runs from May 1 through April 30
- FY18 tax rate was \$.1652 per \$100 assessed value
- FY19 tax rate was increased by 50% to \$.2478 per \$100 assessed value over the FY2018 rate
- The Current Proposed FY20 tax rate is \$.2478 per \$100 assessed value – No Change