

Memorandum



DATE December 10, 2010

TO Members of the Budget, Finance & Audit Committee:
Jerry R. Allen, Chair, Ann Margolin, Vice-Chair, Vonciel Jones Hill, Angela Hunt,
Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT Budget Comparisons of the Five Largest Cities in Texas

The Budget, Finance and Audit Committee's December 13, 2010 agenda includes a briefing entitled "Budget Comparisons of the Five Largest Cities in Texas". The briefing is provided as information only and no action is required. The briefing materials are attached for your review.

Please contact me if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Craig D. Kinton, City Auditor
Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager

Budget Comparisons of the Five Largest Cities in Texas

Presented to Budget, Finance, and Audit Committee
December 13, 2010





Purpose

- Briefing provides a comparison of the annual budgets for the five largest cities in Texas
 - Even high level comparisons included in briefing are difficult since every city categorizes budget items differently
- Briefing is informational only and no action is required

Texas Cities

Fort Worth

Pop – 727,575
Households – 237,215
Sq. Miles – 299
Budget – \$2.2 billion
FTE – 6,274

Dallas

Pop – 1,299,542
Households – 466,438
Sq. Miles – 385
Budget – \$2.8 billion
FTE – 13,535

Austin

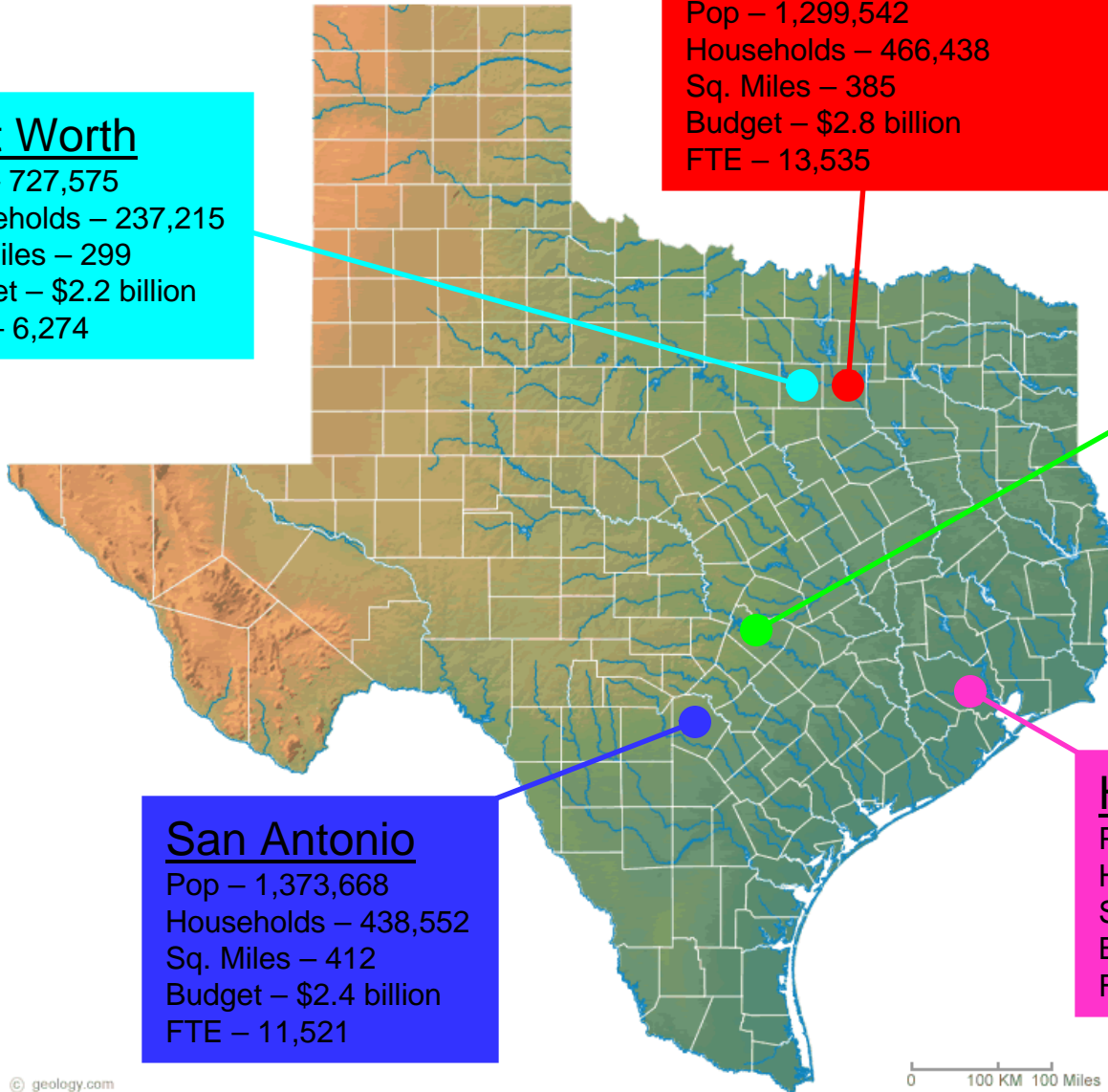
Pop – 786,382
Households – 312,988
Sq. Miles – 296
Budget – \$3.5 billion
FTE – 11,996

San Antonio

Pop – 1,373,668
Households – 438,552
Sq. Miles – 412
Budget – \$2.4 billion
FTE – 11,521

Houston

Pop – 2,257,926
Households – 791,145
Sq. Miles – 656
Budget – \$4.3 billion
FTE – 22,835

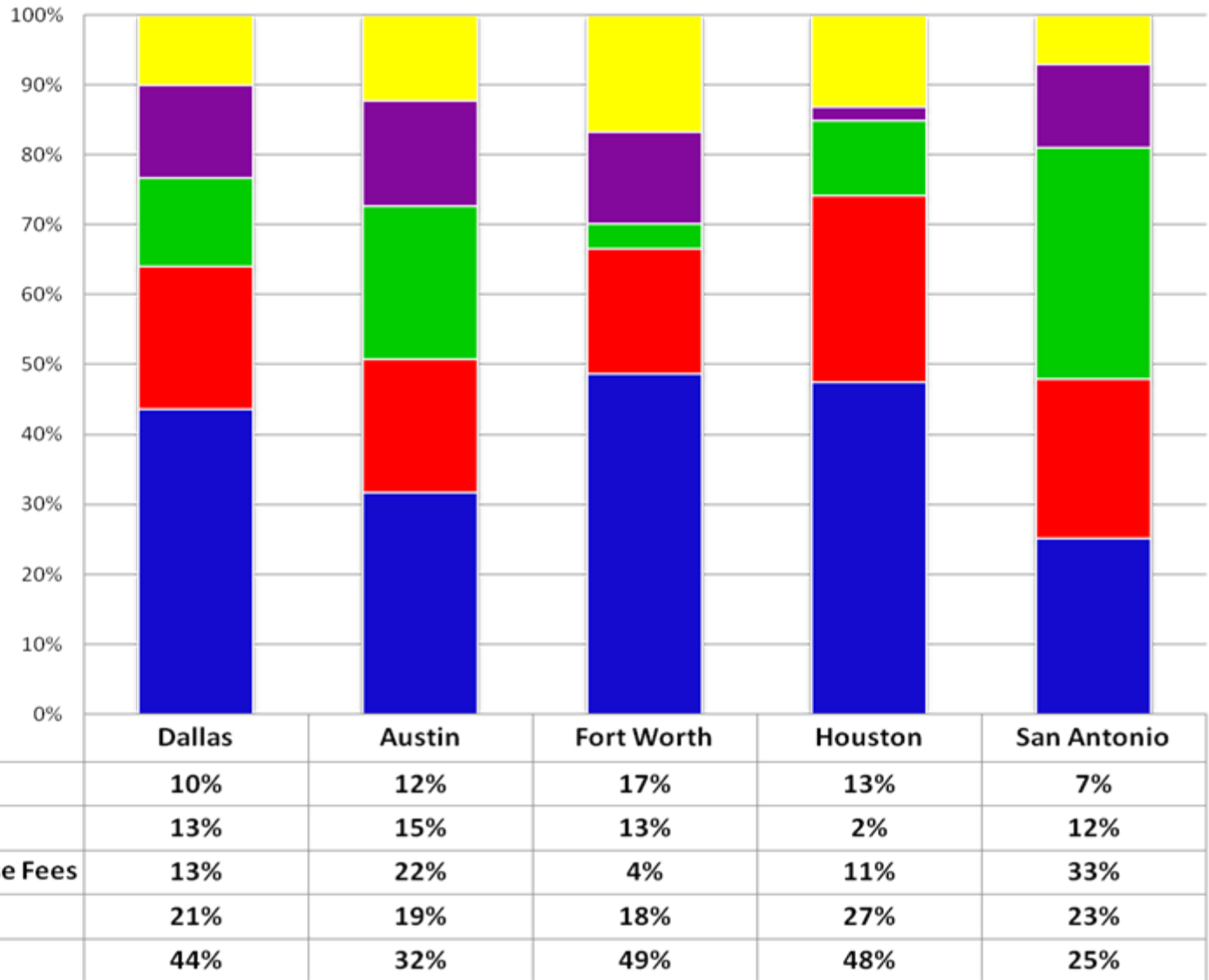




Areas of Comparison

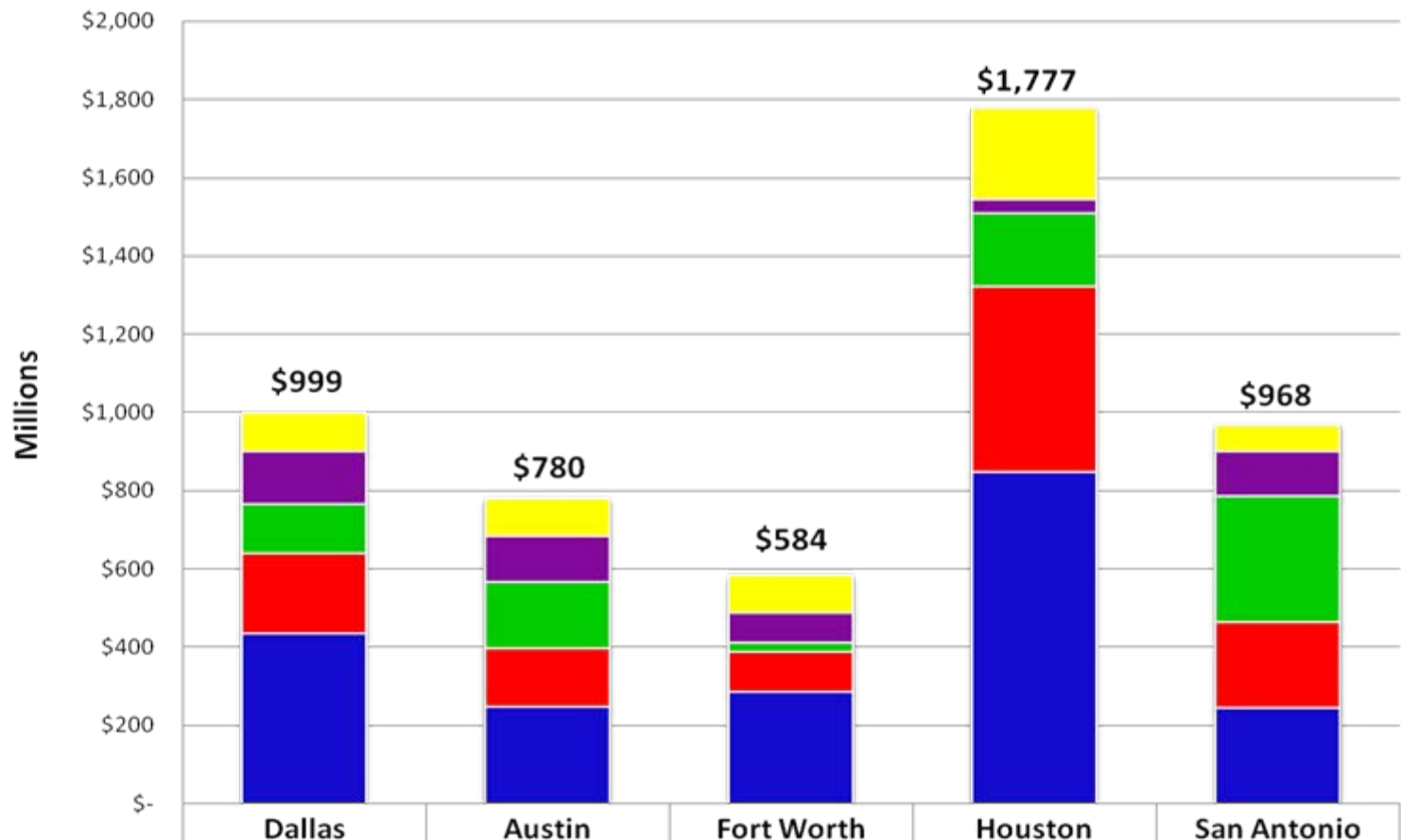
- General Fund Revenues
- Property Tax
- Sales Tax
- General Fund Expenditures
- Public Safety – Fire and Police
- Debt Service
- Non-General Fund Fees
- Average cost for citizen

FY11 General Fund Revenue Budget



Note: Adjustments made to other cities to be comparable to Dallas general fund.

FY11 General Fund Revenue Budget



	Dallas	Austin	Fort Worth	Houston	San Antonio
Other Revenue	\$99	\$96	\$98	\$234	\$68
Service Charges	\$133	\$117	\$76	\$34	\$115
Utility Transfers/Franchise Fees	\$126	\$171	\$21	\$189	\$321
Sales Tax	\$205	\$148	\$104	\$474	\$220
Property Tax	\$436	\$248	\$285	\$846	\$245

Property Tax

- Property tax is typically the largest source of general fund revenue for Texas cities
- Property tax payments from property owners (tax bill) is based on the following:
 - Property values determined by Appraisal Districts
 - Tax rate set by City Council
 - Exemptions set by City Council

Property Tax

	Dallas	Austin	Fort Worth	Houston	San Antonio
Tax Base Value	\$83.4 billion	\$74.1 billion	\$40.6 billion	\$142.9 billion	\$71.7 billion
Residential	47.4%	48.4%	48.6%	49.6%	51.2%
Commercial	37.8%	42.4%	34.3%	37.2%	36.6%
BPP	14.8%	9.2%	17.1%	13.2%	12.2%
Property Tax Rate per \$100 valuation	79.70¢	45.71¢	85.50¢	63.88¢	56.57¢
General Fund	67%	71%	83%	72%	63%
Debt Service	33%	29%	17%	28%	37%
Last Tax Rate Change	FY11 - Increase from 74.79¢ to 79.70¢ (+6.6%)	FY11 - Increase from 42.09¢ to 45.71¢ (+8.6%)	FY07 - Decrease from 86.00¢ to 85.50¢ (-0.6%)	FY09 - Increase from 63.38¢ to 63.88¢ (+0.8%)	FY10 - Decrease from 56.71¢ to 56.57¢ (-0.3%)
Exemptions: Homestead and Over 65/disabled	20%	0%	20%	20%	0%
	\$64,000	\$51,000	\$40,000	\$70,862	\$65,000

Property Tax

	Dallas	Austin	Fort Worth	Houston	San Antonio
Average Homestead Market Value	\$212,779	\$241,636	\$127,580	\$186,242	\$129,204
Average Homestead Taxable Value	\$170,223	\$241,636	\$102,064	\$148,994	\$129,204
Average City Property Tax Bill	\$1,356.68	\$1,104.52	\$872.65	\$951.77	\$730.91

Property Tax

- Neither Austin nor San Antonio have homestead exemptions
- Both Austin and Fort Worth have lower over-65 and disabled exemptions
- Of the 5 cities, Austin has least favorable exemptions for residential tax payers (0% homestead and \$51,000 over-65 and disabled exemptions)
 - If Dallas exemptions matched Austin, additional \$7.1 billion value would be subject to tax
 - At current tax rate, about \$50 million revenue would be added
 - If Dallas tax rate were reduced to rate necessary to generate current revenue budget, tax rate would reduce by 6.23¢ (-7.8%)

Sales Tax

	Dallas	Austin	Fort Worth	Houston	San Antonio
Local Sales Tax Rate (Note: State rate 6.25%)	2.00% 1% City + 1% Transit	2.00% 1% City + 1% Transit	2.00% 1% City + 0.5% Crime Control (City) + 0.5% Transit	2.00% 1% City + 1% Transit	1.875% 1% City + 0.25% Infrast. (City) + 0.125% Parks (City) + 0.5% Transit
Sales Tax Revenue	\$204.8 million	\$148.3 million	\$104.4 million	\$473.8 million	\$219.6 million
Unemployment	8.7%	6.6%	8.5%	8.1%	7.0%
Retail Occupancy	93%	94%	93%	93%	93%
Bachelor's Degree & Higher	26.8%	42.8%	23.9%	27.4%	23.3%
Average Household Income	\$68,692	\$72,883	\$64,441	\$69,389	\$57,868

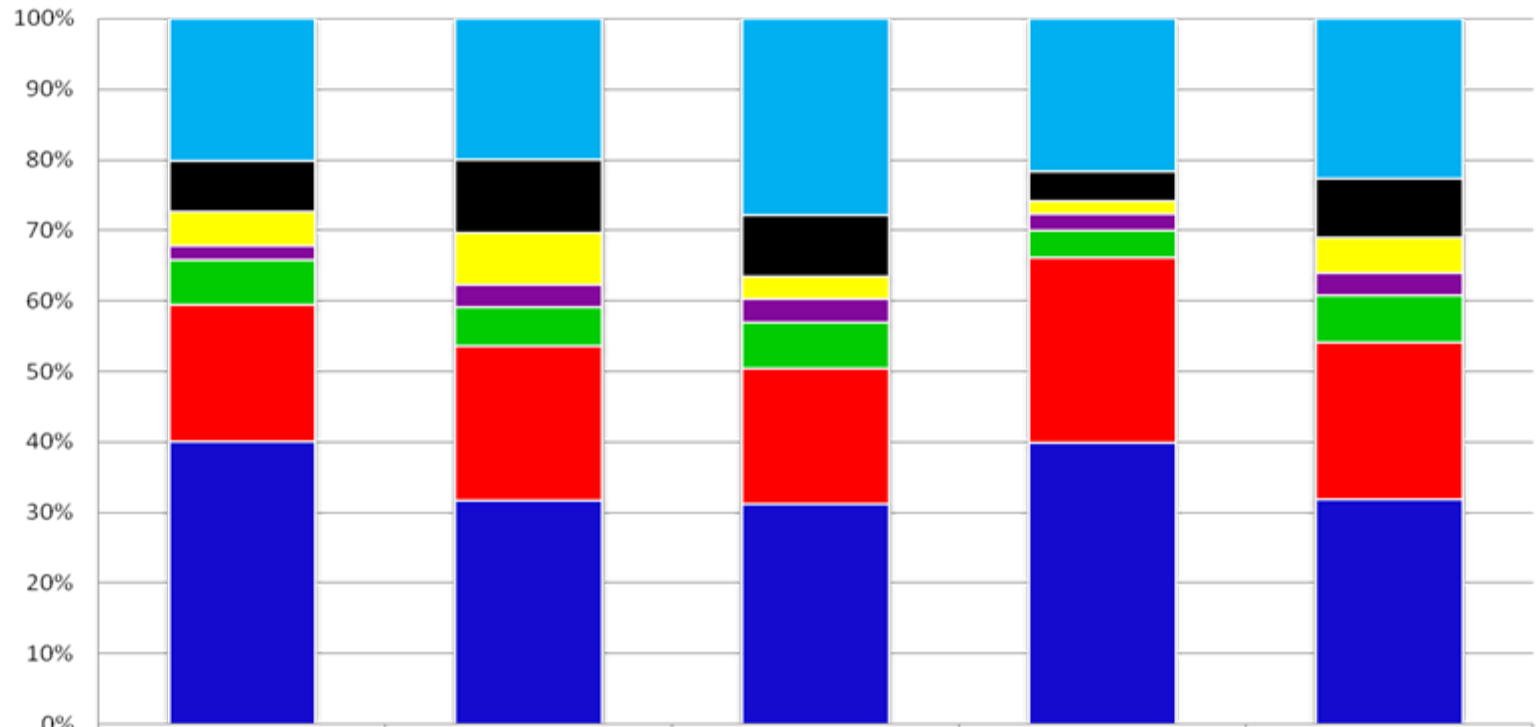
Sales Tax

- 1% of local sales tax in Dallas is revenue to DART while Fort Worth and San Antonio transit is 0.5%
- Both Fort Worth and San Antonio use additional local sales tax for purposes such as crime control, infrastructure and parks
- If Dallas had 0.5% additional sales tax it would equal \$102.4 million for purposes other than DART
 - If Dallas property tax rate were reduced to rate necessary to generate current revenue budget, property tax rate would reduce by 12.74¢ (-16%)

Other General Fund Revenues

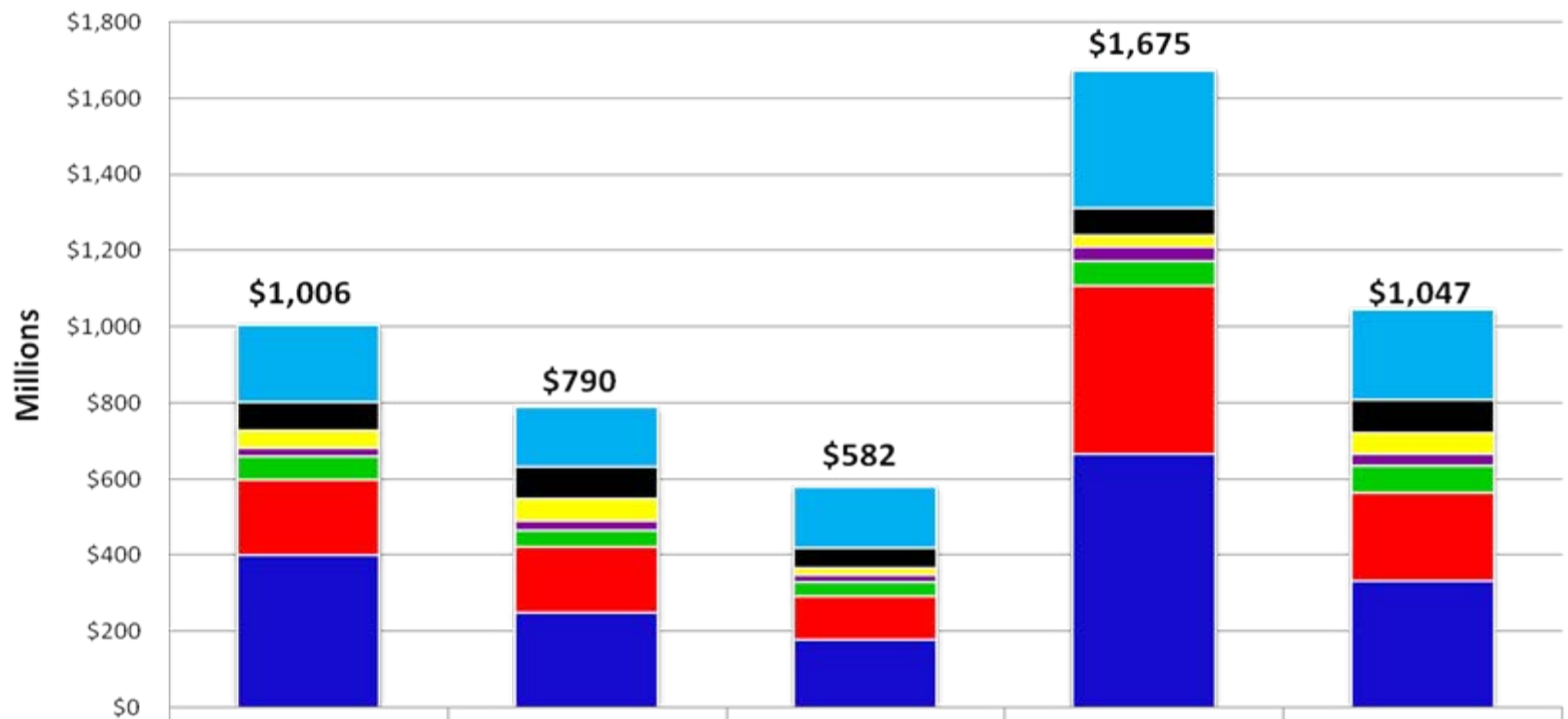
- Austin (\$103 million) and San Antonio (\$282 million) transfer funds from their city-owned electric utilities in contrast to Dallas (\$52 million) receiving revenue from franchise fees and property tax from electric companies operating in Dallas
- Austin has a Transportation User Fee (\$53 million) to fund street system maintenance rather than relying upon property tax revenues for this purpose

FY11 General Fund Expenditure Budget



	Dallas	Austin	Fort Worth	Houston	San Antonio
Other	20%	20%	28%	22%	23%
Sanitation	7%	10%	9%	4%	8%
Streets	5%	7%	3%	2%	5%
Library	2%	3%	3%	2%	3%
Parks and Recreation	6%	6%	7%	4%	7%
Fire/EMS	19%	22%	19%	26%	22%
Police	40%	32%	31%	40%	32%

FY11 General Fund Expenditure Budget



	Dallas	Austin	Fort Worth	Houston	San Antonio
Other	\$203	\$158	\$162	\$364	\$238
Sanitation	\$73	\$82	\$51	\$70	\$87
Streets	\$49	\$58	\$19	\$31	\$54
Library	\$20	\$26	\$19	\$37	\$33
Parks and Recreation	\$64	\$44	\$39	\$65	\$70
Fire/EMS	\$195	\$172	\$112	\$441	\$233
Police	\$403	\$251	\$181	\$667	\$333

Public Safety - Fire

	Dallas	Austin	Fort Worth	Houston	San Antonio
Public Safety (Fire + Police) - % of General Fund	59.5%	53.5%	50.3%	66.1%	54.0%
Fire Budget	\$195.1 million	\$172.4 million	\$111.8 million	\$441.1 million	\$232.5 million
Fire & EMS Uniform FTE	1,931	1,579	892	3,910	1,656
Fire Stations	57	45	42	103	51
Response Time-EMS (minutes)	5.34	4.30	4.72	6.00	5.81
Response Time-Fire (minutes)	4.62	4.30	5.13	7.00	5.81

Note: Fort Worth EMS is privatized and the City subsidy was eliminated in FY11. In prior years, a per capita subsidy was paid to MedStar.

Public Safety - Police

	Dallas	Austin	Fort Worth	Houston	San Antonio
Police Budget	\$403.1 million	\$250.6 million	\$181.3 million	\$666.6 million	\$333.0 million
Police Uniform FTE	3,675	1,669	1,717	5,082	2,307
(per capita)	2.83	2.12	2.36	2.25	1.68
Police Stations	8	5	11	15	7
Violent Crime Rate	0.79%	0.52%	0.58%	1.13%	0.57%
Property Crime Rate	5.53%	6.25%	4.96%	5.32%	6.67%
Total Crime Rate	6.32%	6.77%	5.55%	6.44%	7.24%

Note: Crime rate equals reported incidents divided by population.

Debt Service

	Dallas	Austin	Fort Worth	Houston	San Antonio
Bond Rating: Moody's S&P	Aa1 AA+	Aaa AAA	Aa1 AA+	Aa2 AA	Aaa AAA
Recent Bond Program	Nov 2006, \$1.35 billion, Implement over 4 ½ years	Nov 2006, \$567.4 million, Implement over 7 years	May 2008, \$150 million, Implement over 4 years	Nov 2006, \$625 million, Implement over 6 years	May 2007, \$550 million, Implement over 5 years
Outstanding General Obligation Debt	\$1,938.1 million	\$776.0 million	\$768.9 million	\$2,978.4 million	\$1,664.5 million
GO Debt per Capita	\$1,491	\$1,230	\$1,057	\$1,410	\$1,337
Debt Service Tax Rate	26.46¢	13.09¢	14.41¢	18.15¢	21.15¢
FY11 Debt Service Budget	\$260.7 million	\$145.4 million	\$65.4 million	\$296.1 million	\$169.5 million

Note: Houston (\$926 million) and Fort Worth (\$125 million) use Commercial Paper to finance capital improvements. These amounts are not included in outstanding debt.

Non-General Fund Fees – Typical Monthly Bill

	Dallas	Austin	Fort Worth	Houston	San Antonio
Storm Water	\$6.88	\$7.15	\$3.20	\$5.07 (to be implemented 7/1/11)	\$4.25
Sanitation	\$20.34	\$32.95	\$22.75	Included in Tax Rate (calculated fee \$26.88)	\$18.74
Water and Sewer	\$54.39	\$74.10	\$56.80	\$51.97	\$52.46
Transportation User Fee	\$0	\$7.29	\$0	\$0	\$0

Average Annual Cost to Citizen

	Dallas	Austin	Fort Worth	Houston	San Antonio
Property Tax - City	\$1,356.68	\$1,104.52	\$872.65	\$951.77	\$730.91
Storm Water	\$82.56	\$85.80	\$38.40	\$60.84	\$51.00
Sanitation	\$244.08	\$395.40	\$273.00	Included in Tax Rate	\$224.88
Water and Sewer	\$652.68	\$889.20	\$681.60	\$623.64	\$629.52
Transportation User Fee	\$0	\$87.48	\$0	\$0	\$0
Total City	\$2,336.00	\$2,562.40	\$1,865.65	\$1,636.25	\$1,636.31

Note: Electricity costs that are paid by citizens and then transferred to support general fund activities are not included.

Observations

- Comparing budgets across cities is not “apples to apples” since every city categorizes budget items differently
- Total cost to citizens is result of more than just property tax and includes fees such as sanitation, water/sewer, etc.
- Citizens’ property tax bill is result of more than just tax rate, it is result of tax rate, value, and exemptions
- Cities’ decision to participate in local transit takes sales tax revenue away from city coffers
- Transfers from utility funds and other non-tax revenue sources lessen the need for property tax revenue



Questions?