Memorandum

DATE **August 10, 2012**

TO **The Honorable Mayor and Members of the City Council**

SUBJECT **Property Tax Rate: Legal Options and Discussion**

CITY OF DALLAS

Your Wednesday, August 15th briefing agenda includes the subject presentation. The materials are attached for your review.
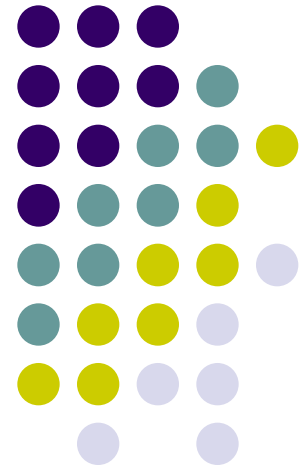
Please contact me if you have any questions or require additional information.
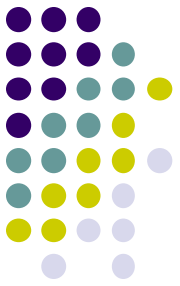
Jeanne Chipperfield

Jeanne Chipperfield
Chief Financial Officer

c: Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Rosa Rios, City Secretary
Craig Kinton, City Auditor
C. Victor Lander, Judiciary
A.C. Gonzales, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jack Ireland, Director, Office of Financial Services
Stephanie Cooper, Assistant to the City Manager

Property Tax Rate: Legal Options and Discussion

City Council Briefing

August 15, 2012

E³ Key Focus Area

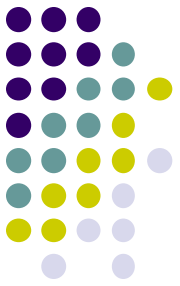Efficient, Effective, Economical Government

State Taxation Law

- Requires public notice of tax rate calculations

- Allows taxpayers to roll back or limit tax increase in certain cases

- Current ad valorem tax rate = 79.70¢

- FY13 budget proposed tax rate = 79.70¢

Effective Tax Rate

- The Effective Rate is the rate that generates the same amount of revenue in the new fiscal year on property that was taxed in the previous fiscal year

  - New construction not included in calculation

- FY13 Effective Rate = 79.11¢

  - 0.59¢ decrease from the current/proposed rate

- If the tax rate were set at the Effective Rate, revenues would <u>decrease</u> by $4.9m and expenses would need to be reduced by an equivalent amount
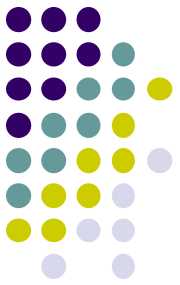
Rollback Tax Rate

- The Rollback Rate is the rate that if exceeded provides voters an opportunity to limit the tax rate increase through a citywide Rollback Election

- The Rollback Rate is the effective general fund rate plus 8%, plus the tax rate required to pay debt service

- The Rollback Rate divides the overall property taxes into two categories
  - General Fund
  - Debt Service

- The Rollback Rate includes an 8% increase on general fund taxes
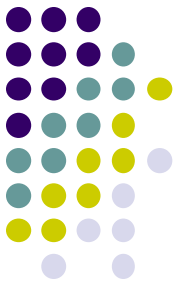
Rollback Tax Rate (continued)

- FY13 calculated Rollback Rate = 82.80¢
  - 3.10¢ increase above current/proposed rate

- If the tax rate were set at the Rollback Rate, revenues would <u>increase</u> by $25.2m

- If the debt service rate changes (as a result of Council amendments to the budget), the Rollback Rate changes

- If the adopted tax rate exceeds the Rollback Rate, voters have the option to petition for a Rollback Election and limit the tax rate increase – see Appendix for additional requirements
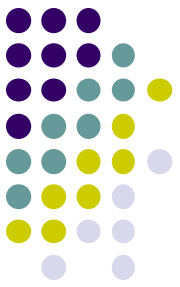
Notice and Hearing Rate

- The Notice and Hearing rate is the lower of either the Effective (79.11¢) or the Rollback (82.80¢) rate

- FY13 Notice and Hearing rate = 79.11¢
  - 0.59¢ decrease from the current/proposed rate

- If the tax rate were set at the Notice and Hearing Rate, revenues would <u>decrease</u> by $4.9m and expenses would need to be reduced by an equivalent amount
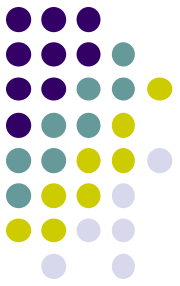
Notice and Hearing Rate Requirements

- In order for a taxing unit to adopt a rate above the Notice and Hearing rate the following requirements must be met:
  - Take a record vote for or against <u>consideration</u> of a <u>specific tax rate</u> higher than the Notice and Hearing tax rate
  - Publish notice of the date and time for the 2 public hearings and the results of the record vote
  - Hold 2 public hearings on the tax rate
  - Publish *Notice of Tax Revenue Increase*
    - Includes date and time for the vote to set the tax rate
  - Vote on the tax rate
  - Ratify the increase in taxes in a separate vote
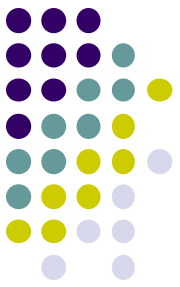
Tax Rate Recap

- Recap of tax rates
  - Current = 79.70¢
    - Rate adopted for FY12
  - Proposed = 79.70¢
    - Rate included in City Manager proposed budget for FY13
  - Effective = 79.11¢ (0.59¢ decrease)
    - Generates same amount of revenue in the new year as generated in the previous year
  - Rollback = 82.80¢ (3.10¢ increase)
    - Effective general fund rate plus 8%, plus rate necessary to pay debt service
    - Rate that if exceeded provides voters opportunity to limit tax rate increase through citywide Rollback Election
  - Notice and Hearing = 79.11¢ (0.59¢ decrease)
    - Lower of either the Effective or the Rollback rate

- 1¢ generates about $8.2 million in tax revenue

Schedule – <u>August 15th</u>

- Take record vote to <u>consider</u> a <u>specific tax rate</u> that exceeds the ***Notice and Hearing*** rate

- Call public hearings on the tax rate for Monday, August 27th and Monday, September 10th

- If no vote is taken today (August 15th), the maximum tax rate is 79.11¢

Schedule – August 15th (continued)

- If the Council wishes to consider a different rate than the posted rate, the resolution could be amended (from the floor) to consider any tax rate

- The tax rate considered in today's resolution becomes the maximum tax rate the Council could set on Wednesday, September 19th

- If no action to consider a tax rate is taken today, the maximum rate allowed for FY13 would be 79.11¢
  - The notice and 2 tax rate public hearings are not required to adopt a tax rate below this rate

Schedule (continued)

Friday, August 17

Publish the notice of public hearings and results of the record vote on the tax rate; if necessary

Monday, August 27
(9 a.m.) (Budget Workshop)

Hold 1st public hearing – if called
(City Hall, Room 6ES)

Monday September 10
(9 a.m.) (Amendment Workshop)

Hold 2nd public hearing – if called
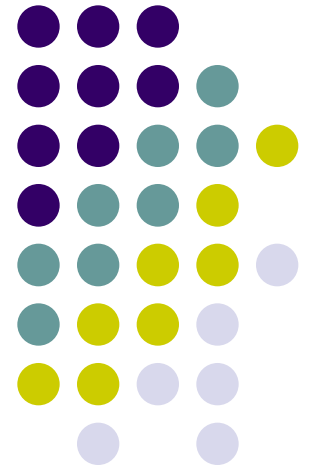(City Hall, Room 6ES)

Wednesday, September 12

Publish *Notice of Tax Revenue Increase*;
if necessary

Wednesday, September 19

Vote on Tax Rate

Ratify increase in taxes in a separate vote,
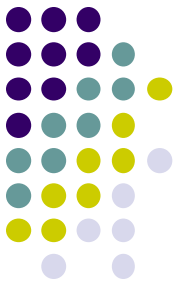if necessary

Appendix

Rollback Petition: Voter Options

- If the adopted tax rate exceeds the Rollback Rate, voters have option to petition for an election

- At least 7% of the registered voters shown on the City's most recent official voter list must sign the petition

- Petition must be submitted to the City within 90 days of the tax rate adoption
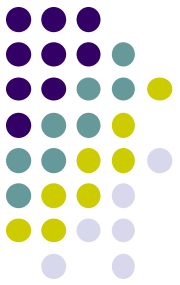
Rollback Petition: City's Responsibility

- City's responsibility after receiving a petition for rollback election include:

  - Determine if the petition is valid and pass a resolution regarding its validity within 20 days of receipt

  - Set a rollback election date 30 to 90 days after the governing body rules on the validity of the petition

  - If the rollback election fails, the adopted tax rate stands

Rollback Petition: City's Responsibility (continued)

- If the rollback election passes, a city must reduce its tax rate for the current year to the rollback rate

- If the rollback election passes, the assessor must:
  - Prepare and mail new tax bills
  - Refund any taxes paid under original rate
  - Postpone the delinquency date by the number of days between the date original bills were mailed and the date the corrected bills were mailed

Tax Rate History

Fiscal Year	Change from Prior FY	Tax Rate
FY90	+5.11¢	58.83¢
FY91	+4.14¢	62.97¢
FY92		62.97¢
FY93	+4.47¢	67.44¢
FY94		67.44¢
FY95		67.44¢
FY96	-0.22¢	67.22¢
FY97	-0.21¢	67.01¢
FY98	-1.85¢	65.16¢
FY99	-0.25¢	64.91¢

Fiscal Year	Change from Prior FY	Tax Rate
FY00	+1.84¢	66.75¢
FY01		66.75¢
FY02		66.75¢
FY03	+3.23¢	69.98¢
FY04		69.98¢
FY05	+1.99¢	71.97¢
FY06	+2.20¢	74.17¢
FY07	-1.25¢	72.92¢
FY08	+1.87¢	74.79¢
FY09		74.79¢

Fiscal Year	Change from Prior FY	Tax Rate
FY10		74.79¢
FY11	+4.91¢	79.70¢
FY12		79.70¢
FY13		79.70¢

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