

# Memorandum



CITY OF DALLAS

DATE August 21, 2009

TO Honorable Mayor  
And Members of the City Council

SUBJECT Property Tax Rate Legal Options and Discussion

You will be briefed on the Property Tax Rate Legal Options during the City Council Budget Workshop on Monday, August 24<sup>th</sup>. The briefing is attached for your review.

Please let me know if you have questions or need additional information.

A handwritten signature in cursive script, appearing to read 'D. Cook'.

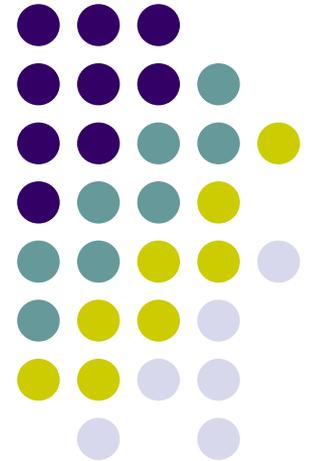
David Cook  
Chief Financial Officer

## Attachments

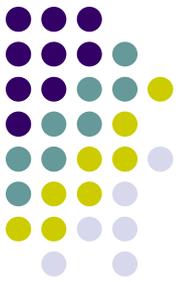
c: Mary K. Suhm, City Manager  
Ryan S. Evans, First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Forest Turner, Assistant City Manager  
Deborah Watkins, City Secretary  
Thomas P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
Jeanne Chipperfield, Director, Budget & Management Services

# Property Tax Rate Legal Options and Discussion

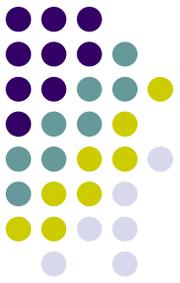
**City Council Briefing  
Monday, August 24, 2009**



# Taxation Law

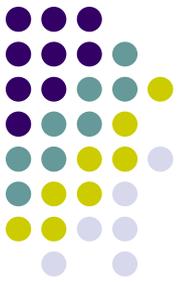


- State Law requires public notice of tax rate calculations
- Allows taxpayers to roll back or limit tax increase in certain cases



# Effective Tax Rate

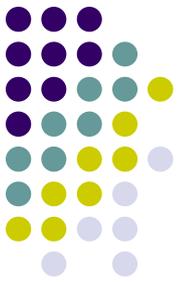
- The effective rate is the rate that generates the same amount of revenue in the new fiscal year on property that was taxed in the previous fiscal year
- New construction not included in calculation
- FY 2009-10 Effective Rate = 79.37¢



# Rollback Tax Rate

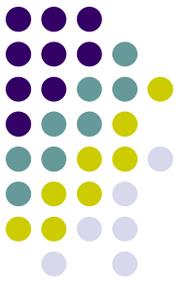
- The rollback tax rate divides the overall property taxes into two categories:
  - General Fund
  - Debt Service
- The rollback rate includes an 8 percent increase on general fund taxes

# Rollback Tax Rate (Cont'd)



- The rollback rate is: The effective general fund rate plus 8%, plus the tax rate required to pay debt service
- The calculated rollback rate is:
  - General Fund                    59.1696¢
  - Debt Service                    25.7255¢
  - 84.8951¢
- If the Debt Service rate changes (as a result of Council amendments to the budget), the rollback rate changes

# Notice and Hearing Rate

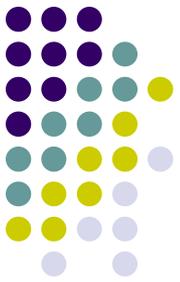


- The Notice and Hearing rate is the lower of either the Effective or the Rollback rate
- FY2009-10 Notice and Hearing rate = 79.37¢

# 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 consideration of a specific tax rate 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

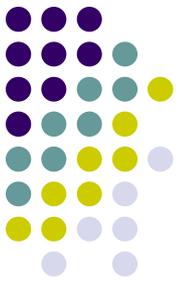
- Current = 74.79¢
- Proposed = 74.79¢
- Effective = 79.37¢
- Rollback = 84.89¢
- Notice and Hearing = 79.37¢
  
- If the tax rate were
  - Set at the Notice and Hearing Rate, revenues would increase by \$38.5m
  - Set at the Rollback Rate, revenues would increase by \$84.9m
  
- 1¢ generates \$8.4 million in tax revenue

# Voter Options if the Adopted Tax Rate Exceeds the Rollback Rate



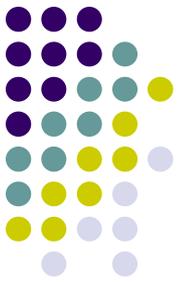
- Petition for an election
- At least 10% of the registered voters shown on the City's most recent official voter list must sign the petition
- Petition must be submitted to the City within 90 days of the tax rate adoption

# City's Responsibility after Receiving a Petition for Rollback Election



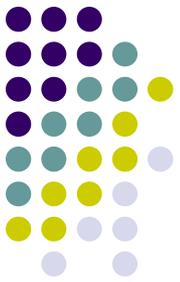
- Determine if the petition is valid and pass a resolution regarding its validity within 20 days of receipt
- Set a rollback election date 30 to 90 days after the governing body rules on the validity of the petition
- If the rollback election fails, the adopted tax rate stands

# City's Responsibility after Receiving a Petition for Rollback Election (cont'd)



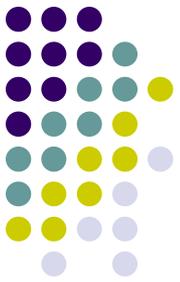
- If the rollback election passes, a city must reduce its tax rate for the current year to the rollback rate (84.89¢)
- If the rollback election passes, the assessor must:
  - prepare and mail new tax bills
  - refund any taxes paid under original rate
  - postpone the delinquency date by the number of days between the date original bills were mailed and the date the corrected bills were mailed

# Schedule



- August 24<sup>th</sup>
  - Take record vote to consider a specific tax rate that exceeds the ***Notice and Hearing*** rate
  - Call public hearings on the tax rate for Wednesday, September 9 and Monday, September 14
  - If no vote is taken today, maximum tax rate is 79.37¢

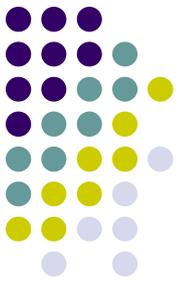
# Schedule (cont'd)



## August 24<sup>th</sup> (cont'd)

- 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 23
- If no action to consider a tax rate is taken today, the maximum rate allowed for FY 2009-10 would be 79.37¢
  - The notice and 2 tax rate public hearings are not required to adopt a tax rate below this rate

# Schedule (cont'd)



Wednesday, September 2	Publish the notice of public hearings and results of the record vote on the tax rate; if necessary
Wednesday, September 9 (1 p.m.)	Hold 1st public hearing – if called (City Council Chambers)
Monday, September 14 (9 a.m.)	Hold 2nd public hearing – if called City Hall Room 6ES
Wednesday, September 16	Publish <i>Notice of Tax Revenue Increase</i> ; if necessary
Wednesday, September 23	Vote on Tax Rate
	Ratify increase in taxes in a separate vote, if necessary