

Memorandum



CITY OF DALLAS

DATE August 12, 2011
TO The Honorable Mayor and Members of the City Council
SUBJECT Property Tax Rate: Legal Options and Discussion

Your Wednesday, August 17th 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.

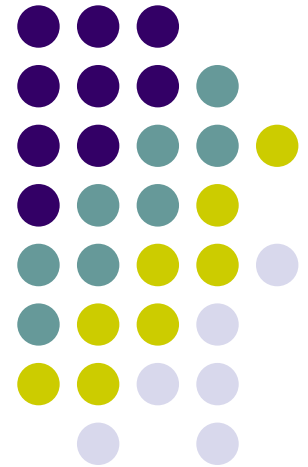
A handwritten signature in black ink that reads "Jeanne Chipperfield".

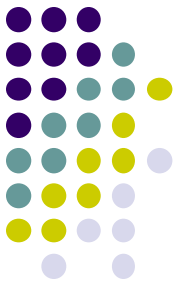
Jeanne Chipperfield
Chief Financial Officer

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

Property Tax Rate: Legal Options and Discussion

City Council Briefing
August 17, 2011





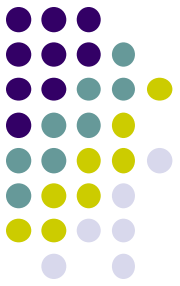
State Taxation Law

- 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¢
- FY12 budget proposed tax rate = 79.70¢



Effective Tax Rate

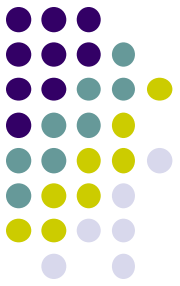
- The Effective Rate is the rate that generates the same amount of revenue in the new fiscal year on property that was taxed in the previous fiscal year
 - New construction not included in calculation
- FY12 Effective Rate = 81.78¢
 - 2.08¢ increase above current/proposed rate
- If the tax rate were set at the Effective Rate, revenues would increase by \$16.4m



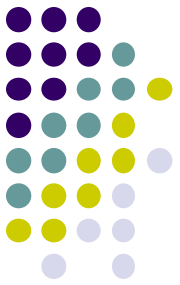
Rollback Tax Rate

- 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)



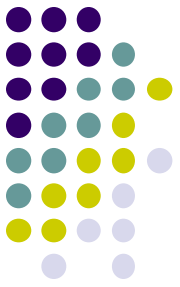
- FY12 calculated Rollback Rate = 84.27¢
 - 4.57¢ increase above current/proposed rate
- If the tax rate were set at the Rollback Rate, revenues would increase by \$36.1m
- If the debt service rate changes (as a result of Council amendments to the budget), the Rollback Rate changes
- If the adopted tax 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

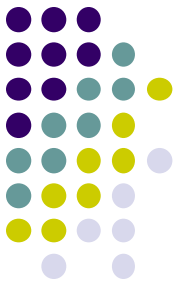
- The Notice and Hearing rate is the lower of either the Effective (81.78¢) or the Rollback (84.27¢) rate
- FY12 Notice and Hearing rate = 81.78¢
 - 2.08¢ increase above current/proposed rate
- If the tax rate were set at the Notice and Hearing Rate, revenues would increase by \$16.4m

Notice and Hearing Rate Requirements



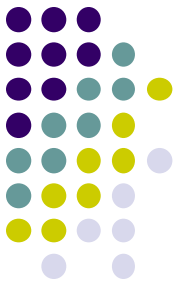
- In order for a taxing unit to adopt a rate above the Notice and Hearing rate the following requirements must be met:
 - Take a record vote for or against consideration of a specific tax rate higher than the Notice and Hearing tax rate
 - Publish notice of the date and time for the 2 public hearings 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



- Recap of tax rates
 - Current = 79.70¢
 - Rate adopted for FY11
 - Proposed = 79.70¢
 - Rate included in City Manager proposed budget for FY12
 - Effective = 81.78¢ (2.08¢ increase)
 - Generates same amount of revenue in the new year as generated in the previous year
 - Rollback = 84.27¢ (4.57¢ 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 = 81.78¢ (2.08¢ increase)
 - Lower of either the Effective or the Rollback rate
- 1¢ generates about \$7.9 million in tax revenue

Schedule – August 17th



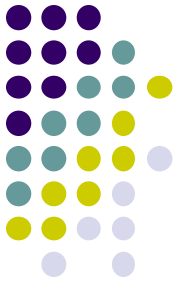
- Take record vote to consider a specific tax rate that exceeds the ***Notice and Hearing*** rate
- Call public hearings on the tax rate for Wednesday, September 7th and Wednesday, September 14th
- If no vote is taken today, maximum tax rate is 81.78¢

Schedule – August 17th (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 28th
- If no action to consider a tax rate is taken today, the maximum rate allowed for FY12 would be 81.78¢
 - The notice and 2 tax rate public hearings are not required to adopt a tax rate below this rate

Schedule (continued)



Tuesday, August 30

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

Wednesday, September 7
(9 a.m.)

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

Wednesday, September 14
(1 p.m.)

Hold 2nd public hearing – if called
(City Hall, Council Chambers)

Tuesday, September 20

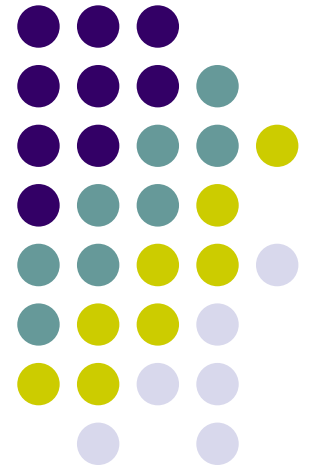
Publish *Notice of Tax Revenue Increase*;
if necessary

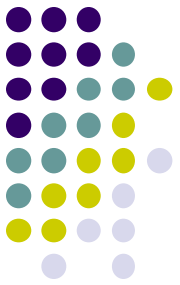
Wednesday, September 28

Vote on Tax Rate

Ratify increase in taxes in a separate vote,
if necessary

Appendix

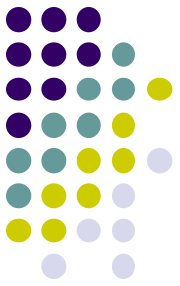




Rollback Petition: Voter Options

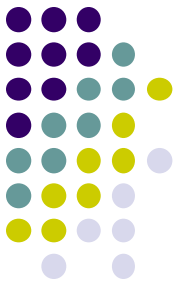
- If the adopted tax rate exceeds the Rollback Rate, voters have option to petition for an election
- At least 10% of the registered voters shown on the City's most recent official voter list must sign the petition
- Petition must be submitted to the City within 90 days of the tax rate adoption

Rollback Petition: City's Responsibility

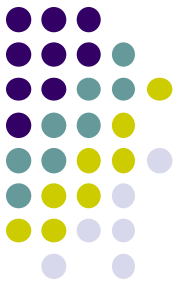


- City's responsibility after receiving a petition for rollback election include:
- Determine if the petition is valid and pass a resolution regarding its validity within 20 days of receipt
- Set a rollback election date 30 to 90 days after the governing body rules on the validity of the petition
- If 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¢