

Memorandum



CITY OF DALLAS

DATE August 16, 2013
TO The Honorable Mayor and Members of the City Council
SUBJECT Property Tax Rate: State Law Requirements

Your Wednesday, August 21st 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 cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

C: A.C. Gonzalez, Interim City Manager
Thomas P. Perkins, City Attorney
Judge Daniel F. Solis, Administrative Judge
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Ryan S. Evans, Interim First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Frank Libro, Public Information Officer
Jack Ireland, Director, Office of Financial Services
Elsa Cantu, Assistant to the City Manager – Mayor and Council

Property Tax Rate: State Law Requirements

Wednesday, August 21, 2013



Agenda

- Overview
- Effective Tax Rate
- Rollback Tax Rate
- Notice and Hearing Rate
- Schedule
- Appendix



Overview

- Property tax is the single largest source of revenue for the City of Dallas and totals \$679.2 million
 - \$477.3 million budgeted for General Fund in FY14
 - \$201.9 million budgeted for Debt Service in FY14
- Property tax is comprised of two factors:
 - Tax base value is certified by the four Appraisal Districts
 - Tax rate is set by the Dallas City Council

Overview – Property Tax Base Value

- Collin, Dallas, Denton, and Rockwall Appraisal Districts are required to certify the values within the city by July 25th of each year
- Certified values for tax year 2013 (FY 2013-14) are \$87.3 billion which is 4.27% more than values certified for FY 2012-13
- Values are detailed by following types of property:

Value by Type of Property	In Billion \$	Percent
Residential	\$39.13	44.8%
Commercial	\$35.10	40.2%
Business Personal Property	\$13.02	14.9%
Total	\$87.25	100.0%

Overview – Property Tax Rate

- Each September, the City Council sets a property tax rate necessary to support the City’s annual budget
- Proposed tax rate for FY14 is \$0.7970 per \$100 of valuation which is same property tax rate as the current year
- Tax rate is split between:
 - General fund which supports day to day operations of City
 - Debt service fund which is used to pay City’s general obligation long term debt

	FY13 Adopted Rate		FY14 Proposed Rate	
General Fund	\$0.5439	68.2%	\$0.5601	70.3%
Debt Service	\$0.2531	31.8%	\$0.2369	29.7%
Total	\$0.7970	100%	\$0.7970	100%



Overview – State Requirements

- State law governs property taxes in Texas and ensures that property owners are given notice and have certain rights
 - Requires the publication of the Effective and Rollback Tax rates before adopting an actual tax rate
 - Public notice of tax rate calculations was published in Dallas Morning News on Tuesday, August 6th
 - Requires publication of special notices and two public hearings before adopting a tax rate that exceeds the lower of the rollback rate or the effective rate
 - 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
- FY14 Effective Rate = \$0.7768
 - \$0.0202 decrease from the current/proposed rate
- If the tax rate were set at the Effective Rate, revenues would decrease by \$17.2 million 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)

- FY14 calculated Rollback Rate = \$0.8014
 - \$0.0044 increase above current/proposed rate
- If the tax rate were set at the Rollback Rate, revenues would increase by \$3.7 million
- 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 lower of either the Effective (\$0.7768) or the Rollback (\$0.8014) rate is referred to as the Notice and Hearing rate
- FY14 Notice and Hearing rate = \$0.7768
 - \$0.0202 decrease from the current/proposed rate
- If the tax rate were set at the Notice and Hearing Rate, revenues would decrease by \$17.2 million and expenses would need to be reduced by an equivalent amount

Notice and Hearing Rate (continued)

- 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 = \$0.7970
 - Rate adopted for FY13
 - Proposed = \$0.7970
 - Rate included in City Manager proposed budget for FY14
 - Effective = \$0.7768 (\$0.0202 decrease)
 - Generates same amount of revenue in the new year as generated in the previous year
 - Rollback = \$0.8014 (\$0.0044 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 = \$0.7768 (\$0.0202 decrease)
 - Lower of either the Effective or the Rollback rate

Schedule – August 21st

- 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 4th and Wednesday, September 11th
- If no vote is taken today (August 21st), the maximum tax rate is \$0.7768
- 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

Schedule – August 21st

- The tax rate considered in today's resolution becomes the maximum tax rate the Council could set on Wednesday, September 18th
- If no action to consider a tax rate is taken today, the maximum rate allowed for FY14 would be \$0.7768
 - The notice and 2 tax rate public hearings are not required to adopt a tax rate below this rate
 - Revenues for FY14 would decrease by \$17.2 million and expenses would need to be reduced by an equivalent amount

Schedule (continued)

Friday, August 23

Publish *Notice of Public Hearings on Tax Increase* and results of the record vote on the tax rate; if necessary

Wednesday, September 4
(9 a.m.)

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

Wednesday, September 11
(1 p.m.)

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

Wednesday, September 11

Publish *Notice of Tax Revenue Increase*; if necessary

Wednesday, September 18

Vote on Tax Rate

Ratify increase in taxes in a separate vote, if necessary



Appendix

Roll Back Petition

- 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
- 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

Roll Back Petition (continued)

- If the rollback election passes, 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

Property Tax Rate History

Fiscal Year	Change from Prior FY	Tax Rate	Fiscal Year	Change from Prior FY	Tax Rate	Fiscal Year	Change from Prior FY	Tax Rate
FY90	+\$0.0511	\$0.5883	FY00	+\$0.0184	\$0.6675	FY10		\$0.7479
FY91	+\$0.0414	\$0.6297	FY01		\$0.6675	FY11	+\$0.0491	\$0.7970
FY92		\$0.6297	FY02		\$0.6675	FY12		\$0.7970
FY93	+\$0.0447	\$0.6744	FY03	+\$0.0323	\$0.6998	FY13		\$0.7970
FY94		\$0.6744	FY04		\$0.6998	FY14		\$0.7970
FY95		\$0.6744	FY05	+\$0.0199	\$0.7197			
FY96	-\$0.0022	\$0.6722	FY06	+\$0.0220	\$0.7417			
FY97	-\$0.0021	\$0.6701	FY07	-\$0.0125	\$0.7292			
FY98	-\$0.0185	\$0.6516	FY08	+\$0.0187	\$0.7479			
FY99	-\$0.0025	\$0.6491	FY09		\$0.7479			