Overview

• Provide overview of property tax
• Review state law requirements
  • Effective tax rate
  • Rollback tax rate
• Review schedule for adopting a tax rate
Property Tax Overview

- Property tax is the single largest source of revenue for City of Dallas and totals $983.5M as proposed for FY 2018-19
  - General Fund – $713.4M
  - Debt Service – $270.1M
- Property tax is composed of three factors:
  - Tax base value certified by four appraisal districts
  - Tax exemptions allowed by state law and approved by City Council
  - Tax rate set by City Council
Property Tax Base Value and Growth

• Collin, Dallas, Denton, and Rockwall Appraisal Districts are required to certify values by July 25 of each year

• Certified tax base values for tax year 2018 (FY 2018-19) are $130.1B, or 9.94% more than FY 2017-18 certified values

<table>
<thead>
<tr>
<th>Values by Type of Property</th>
<th>FY 2017-18 ($ in billions)</th>
<th>FY 2018-19 ($ in billions)</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>52.3</td>
<td>57.8</td>
<td>10.58%</td>
</tr>
<tr>
<td>Non-residential*</td>
<td>66.0</td>
<td>72.3</td>
<td>9.55%</td>
</tr>
<tr>
<td>Total</td>
<td>118.3</td>
<td>130.1</td>
<td>9.94%</td>
</tr>
</tbody>
</table>

*Non-residential includes commercial and business personal property.
Property Tax Exemptions

- City-approved exemptions, plus those allowed by state law, result in property value being exempt from taxation
  - Exempt property value = $40.8B
  - Revenue foregone = $305.4M
- City Council approved a 20% homestead exemption on April 13, 1988, the maximum allowed by the state
- City Council approved a $90,000 exemption for those 65 and over or disabled on June 28, 2017
Property Tax Rate

• Each September, City Council sets a property tax rate necessary to support the City’s annual budget

• Proposed tax rate for FY 2018-19 is 76.50¢ per $100 of valuation, which is 1.54¢ (2.0%) lower than the current year tax rate
  • Third consecutive year with tax rate reduction
  • Three-year combined reduction is 3.20¢ or 4.0%
  • Largest combined reduction in at least 35 years
Property Tax Rate

YEAR-OVER-YEAR CHANGE IN TAX RATE IN CENTS PER $100 VALUATION
Property Tax Rate

Tax rate is split between:

• General Fund, which supports day-to-day operations

• Debt Service Fund, which is used to pay City’s general obligation long-term debt

<table>
<thead>
<tr>
<th></th>
<th>FY 2015-16 Adopted Rate</th>
<th>FY 2016-17 Adopted Rate</th>
<th>FY 2017-18 Adopted Rate</th>
<th>FY 2018-19 Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>56.46¢</td>
<td>71.6%</td>
<td>71.5%</td>
<td>72.5%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>23.24¢</td>
<td>28.4%</td>
<td>28.5%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Total</td>
<td>79.70¢</td>
<td>100.0%</td>
<td>78.25¢</td>
<td>78.04¢</td>
</tr>
</tbody>
</table>
State Requirements

• State law governs property taxes in Texas and ensures property owners are given notice and have certain rights

• If the proposed tax rate exceeds the lower of the Effective Tax Rate or the Rollback Tax Rate, the City is required to publish the calculated rates and hold two public hearings:
  • Dallas County Tax Office calculates Effective and Rollback Tax Rates for the City
  • Public notice of proposed tax rate calculations will be published in Dallas Morning News, Al Dia, and Dallas Weekly and posted on City’s website on August 24

• State law allows taxpayers to roll back or limit tax increase in certain cases
State law mandates specific requirements and language for the public notice:

- Language included in notice must match language as it appears in Local Government Code
- Must be at least a quarter-page in newspaper with a headline in 24-point type or larger
- May not be in legal or classified section of newspaper
- Must be published no later than September 1 or the 30th day after receiving the certified tax roll, whichever is later
- Must be posted on website until City adopts a tax rate
Effective Tax Rate

- Effective Tax Rate is the rate that generates the same amount of revenue in the new fiscal year on property taxed in the previous fiscal year
  - New construction is excluded from this calculation
- FY 2018-19 Effective Tax Rate = 73.91¢
  - 2.58¢ decrease from proposed rate
- If tax rate were set at Effective Tax Rate, proposed revenue for FY 2018-19 would decrease by $32.8M and expenses would need to be reduced by an equivalent amount
Rollback Tax Rate

• Rollback Tax Rate is the rate that, if exceeded, provides voters an opportunity to limit tax rate increase through a petition process to call a citywide Rollback Election

• Rollback Tax Rate divides overall property taxes into two categories: General Fund and Debt Service

• Rollback Tax Rate is the effective General Fund rate plus 8%, plus the tax rate required to pay Debt Service
Rollback Tax Rate

• FY 2018-19 Rollback Tax Rate = 78.11¢
  • 1.61¢ increase above proposed rate

• If tax rate were set at the Rollback Tax Rate, proposed revenue for FY 2018-19 would increase by $20.5M

• If debt service rate changes as a result of City Council amendments to the budget, the Rollback Tax Rate changes

• If adopted tax rate exceeds the Rollback Tax Rate, voters have option to petition for a Rollback Election and limit tax rate increase
Tax Rate Adoption

• For a taxing unit to adopt a rate above the lower of the Effective Tax Rate (73.91¢) or the Rollback Tax Rate (78.11¢), the following requirements must be met:
  • Take a record vote for or against consideration of a specific tax rate higher than the Effective Tax Rate (73.91¢)
  • Publish notice of date and time for two public hearings
  • Hold two public hearings on tax rate
  • Vote on tax rate
  • Ratify increase in taxes in a separate vote
Tax Rate Recap

- **Current** = 78.04¢
  - Rate adopted for FY 2017-18

- **Proposed** = 76.50¢
  - Rate included in City Manager’s proposed budget

- **Effective** = 73.91¢ (2.58¢ or $32.8M revenue decrease)
  - Generates same amount of revenue in new year as generated in previous year

- **Rollback** = 78.11¢ (1.61¢ or $20.5M revenue increase)
  - Effective General Fund rate plus 8%, plus rate necessary to pay debt service
  - Rate that if exceeded provides voters the opportunity to limit tax rate increase through citywide Rollback Election
Schedule – August 14th

• Tax rate considered in today’s resolution becomes maximum tax rate Council may set on Tuesday, September 18

• Take a record vote to consider a specific tax rate that exceeds the Effective Tax Rate (73.91¢)

• If Council wishes to consider a different rate than the posted rate (76.50¢), resolution can be amended (from floor) to consider an alternative tax rate

• Call public hearings on tax rate for Wednesday, September 5 and Wednesday, September 12

• If no vote is taken, the FY 2017-18 maximum tax rate will be 73.91¢, which will decrease revenues by $32.8M and require an equal reduction in General Fund expenses
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday, August 14</td>
<td>Take record vote to establish maximum tax rate that can be approved on September 18</td>
</tr>
<tr>
<td>Friday, August 24</td>
<td>Publish Notice of 2018 Tax Year Proposed Property Tax Rate</td>
</tr>
<tr>
<td>Wednesday, September 5</td>
<td>Hold first public hearing – if called (City Hall, Room 6ES)</td>
</tr>
<tr>
<td>Wednesday, September 12</td>
<td>Hold second public hearing – if called (City Hall, Council Chambers)</td>
</tr>
<tr>
<td>Tuesday, September 18</td>
<td>Vote on tax rate and ratify increase in taxes in a separate vote, if necessary</td>
</tr>
</tbody>
</table>
FY 2018-19 Property Tax Rate State Law Requirements
City Council Briefing
August 14, 2018

M. Elizabeth Reich, Chief Financial Officer
Jack Ireland, Director Office of Budget
Historical Property Tax Rate – Tax Rate Distribution (¢/$100 value)

<table>
<thead>
<tr>
<th>Year</th>
<th>General Fund</th>
<th>Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>51.96</td>
<td>22.83</td>
</tr>
<tr>
<td>FY09</td>
<td>52.30</td>
<td>22.49</td>
</tr>
<tr>
<td>FY10</td>
<td>49.18</td>
<td>25.61</td>
</tr>
<tr>
<td>FY11</td>
<td>53.24</td>
<td>26.46</td>
</tr>
<tr>
<td>FY12</td>
<td>53.79</td>
<td>25.91</td>
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<tr>
<td>FY13</td>
<td>54.39</td>
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<td>FY15</td>
<td>56.46</td>
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<td>FY17</td>
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<td>22.24</td>
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<tr>
<td>FY18</td>
<td>56.01</td>
<td>22.24</td>
</tr>
<tr>
<td>FY19</td>
<td>55.50</td>
<td>21.00</td>
</tr>
</tbody>
</table>

- FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19
- General Fund
- Debt Service

Government Performance and Financial Management
Historical Property Tax Rate – Tax Rate Distribution

<table>
<thead>
<tr>
<th>Year</th>
<th>General Fund (%)</th>
<th>Debt Service (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>69.5</td>
<td>30.5</td>
</tr>
<tr>
<td>FY09</td>
<td>69.9</td>
<td>30.1</td>
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<tr>
<td>FY18</td>
<td>71.6</td>
<td>28.4</td>
</tr>
<tr>
<td>FY19</td>
<td>72.5</td>
<td>27.5</td>
</tr>
</tbody>
</table>

General Fund | Debt Service
$275,000 is current average value for single-family residential property

Calculated tax levy assumes homestead exemption and is based on different tax rates:
- current rate
- proposed rate
- effective rate
- rollback rate
## Tax Rate Change Impact

<table>
<thead>
<tr>
<th>Tax Rate Change per $100 Valuation</th>
<th>Revenue Impact</th>
<th>Annual Tax Bill Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$100K residential property with Homestead Exemption</td>
</tr>
<tr>
<td>1.00¢</td>
<td>$12,711,514</td>
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</tr>
<tr>
<td>0.75¢</td>
<td>$9,533,635</td>
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<tr>
<td>0.50¢</td>
<td>$6,355,757</td>
<td>$4.00</td>
</tr>
<tr>
<td>0.25¢</td>
<td>$3,177,878</td>
<td>$2.00</td>
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