

Memorandum



CITY OF DALLAS

DATE August 15, 2014
TO Honorable Mayor and Members of the City Council
SUBJECT Property Tax Rate: State Law Requirements

Your Wednesday, August 20th briefing agenda includes a presentation on the proposed property tax rate for FY 2014-15 as well as the calculated effective tax rate and rollback tax rate. The briefing materials are attached for your review.

Let me know if you need additional information.

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

Jeanne Chipperfield
Chief Financial Officer

Attachment

C: A. C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel Solis, Administrative Judge, Municipal Court
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Shawn Williams, Interim Public Information Officer
Elsa Cantu, Assistant to the City Manager

Property Tax Rate: State Law Requirements

Wednesday, August 20, 2014



Agenda

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



Overview

- Property tax is single largest source of revenue for City of Dallas and totals \$725.3 million
 - \$513.8 million budgeted for General Fund in FY 2014-15
 - \$211.5 million budgeted for Debt Service in FY 2014-15
- Property tax is comprised of two factors:
 - Tax base value is certified by four Appraisal Districts
 - Tax rate is set by Dallas City Council

Overview – Property Tax Base Value

- Collin, Dallas, Denton, and Rockwall Appraisal Districts are required to certify values within City by July 25th of each year
- Certified values for tax year 2014 (FY 2014-15) are \$93.1 billion which is 6.75% more than values certified for FY 2013-14
- Values are detailed by following types of property:

Value by Type of Property (\$ in Billion)	FY 2013-14		FY 2014-15	
	Value	Percentage	Value	Percentage
Residential	\$39.1	44.8%	\$41.5	44.5%
Commercial	\$35.1	40.2%	\$38.6	41.5%
Business Personal Property	\$13.0	14.9%	\$13.0	14.0%
Total	\$87.2	100.0%	\$93.1	100.0%

Overview – Property Tax Rate

- Each September, City Council sets a property tax rate necessary to support City’s annual budget
- Proposed tax rate for FY 2014-15 is \$0.7970 per \$100 of valuation which is same property tax rate as current year (FY 2013-14)
- 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

	FY 2013-14 Adopted Rate		FY 2014-15 Proposed Rate	
General Fund	\$0.5601	70.3%	\$0.5646	70.8%
Debt Service	\$0.2369	29.7%	\$0.2324	29.2%
Total	\$0.7970	100.0%	\$0.7970	100.0%

Overview – State Requirements

- State law governs property taxes in Texas and ensures that property owners are given notice and have certain rights
 - Requires publication of Effective and Rollback Tax rates before adopting an actual tax rate
 - Public notice of proposed tax rate calculations will be published in Dallas Morning News on Friday, August 22
 - Requires publication of special notices and two public hearings before adopting a tax rate that exceeds lower of rollback rate or effective rate
 - Allows taxpayers to roll back or limit tax increase in certain cases

Effective Tax Rate

- Effective Rate is rate that generates same amount of revenue in new fiscal year on property that was taxed in previous fiscal year
 - New construction not included in calculation
- FY 2014-15 Effective Rate = \$0.7601
 - \$0.0369 decrease from current/proposed rate
- If tax rate were set at Effective Rate, revenues would decrease by \$33.5 million and expenses would need to be reduced by an equivalent amount

Rollback Tax Rate

- Rollback Rate is rate that if exceeded provides voters an opportunity to limit tax rate increase through a citywide Rollback Election
- Rollback Rate is effective general fund rate plus 8%, plus tax rate required to pay debt service
- Rollback Rate divides overall property taxes into two categories
 - General Fund
 - Debt Service
- Rollback Rate includes an 8% increase on general fund taxes

Rollback Tax Rate (continued)

- FY 2014-15 calculated Rollback Rate = \$0.8006
 - \$0.0036 increase above current/proposed rate
- If tax rate were set at Rollback Rate, revenues would increase by \$3.3 million
- If debt service rate changes (as a result of Council amendments to budget), Rollback Rate changes
- If adopted tax rate exceeds Rollback Rate, voters have option to petition for a Rollback Election and limit tax rate increase

Notice and Hearing Rate

- Lower of either Effective (\$0.7601) or Rollback (\$0.8006) rate is referred to as Notice and Hearing rate
- FY 2014-15 Notice and Hearing rate = \$0.7601
- \$0.0369 decrease from current/proposed rate
- If tax rate were set at Notice and Hearing Rate, revenues would decrease by \$33.5 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 Notice and Hearing rate following requirements must be met:
 - Take a record vote for or against consideration of a specific tax rate higher than Notice and Hearing tax rate
 - Publish notice of date and time for 2 public hearings
 - Hold 2 public hearings on tax rate
 - Vote on tax rate
 - Ratify increase in taxes in a separate vote

Tax Rate Recap

- Recap of tax rates
 - Current = \$0.7970
 - Rate adopted for FY 2013-14
 - Proposed = \$0.7970
 - Rate included in City Manager proposed budget for FY 2014-15
 - Effective = \$0.7601 (\$0.0369 or \$33.5m revenue decrease)
 - Generates same amount of revenue in new year as generated in previous year
 - Rollback = \$0.8006 (\$0.0036 or \$3.3m revenue 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 = \$0.7601 (\$0.0369 or \$33.5m revenue decrease)
 - Lower of either Effective or Rollback rate

Schedule – August 20th

- Take record vote to consider a specific tax rate that exceeds Notice and Hearing rate
- Call public hearings on tax rate for Wednesday, September 3rd and Wednesday, September 10th
- If no vote is taken today (August 20th), maximum tax rate is \$0.7601
- If Council wishes to consider a different rate than posted rate, resolution could be amended (from floor) to consider an alternative tax rate

Schedule – August 20th

- Tax rate considered in today's resolution becomes maximum tax rate Council could set on Wednesday, September 17th
- If no action to consider a tax rate is taken today, maximum rate allowed for FY 2014-15 would be \$0.7601
 - Notice and 2 tax rate public hearings are not required to adopt a tax rate below this rate
 - Revenues for FY 2014-15 would decrease by \$33.5 million and expenses would need to be reduced by an equivalent amount

Schedule (continued)

Friday, August 22

Publish *Notice of 2014 Tax Year Proposed Property Tax Rate*

Wednesday, September 3
(9 a.m.)

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

Wednesday, September 10
(1 p.m.)

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

Wednesday, September 17

Vote on Tax Rate

Ratify increase in taxes in a separate vote,
if necessary