

# Memorandum



CITY OF DALLAS

DATE August 14, 2015

TO Honorable Mayor and Members of City Council

SUBJECT Property Tax Rate: State Law Requirements

Your August 19, 2015 briefing agenda includes a presentation on the proposed property tax rate for FY 2015-16 as well as the calculated effective tax rate and rollback tax rate. The briefing materials are attached for your review.

Please let me know if you need additional information.

  
Jeanne Chipperfield  
Chief Financial Officer

## Attachment

c: A.C. Gonzalez, City Manager  
Warren M.S. Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Eric D. Campbell, Assistant City Manager  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager



# Property Tax Rate: State Law Requirements

WEDNESDAY, AUGUST 19, 2015



- ▶ Property tax is single largest source of revenue for City of Dallas and totals \$779.9 million as proposed for FY 2015-16
  - ▶ FY 2015-16 General Fund tax revenue - \$552.5 million
  - ▶ FY 2015-16 Debt Service tax revenue - \$227.4 million
- ▶ 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 25<sup>th</sup> of each year
- ▶ Certified values for tax year 2015 (FY 2015-16) are \$100.3 billion, which is 7.71% more than values certified for FY 2014-15
- ▶ Values are detailed by following types:

Values by Type of Property (\$ in Billion)	FY 2014-15		FY 2015-16		% Growth
Residential	\$41.5	44.5%	\$44.4	44.2%	7.08%
Commercial	\$38.6	41.5%	\$42.7	42.6%	10.42%
Business Personal Property	\$13.0	14.0%	\$13.2	13.2%	1.66%
Total	\$93.1	100.0%	\$100.3	100.0%	7.71%



# 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 2015-16 is \$0.7970 per \$100 of valuation, which is same property tax rate as current year (FY 2014-15)
- ▶ 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

	FY 2014-15 Adopted Rate		FY 2015-16 Proposed Rate	
General Fund	\$0.5646	70.8%	\$0.5646	70.8%
Debt Service	\$0.2324	29.2%	\$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 Tax Rate and Rollback Tax Rate and two public hearings before adopting a tax rate that exceeds lower of Rollback or Effective Tax Rate
    - ▶ Dallas County Tax Office calculates Effective and Rollback Tax rates for City
    - ▶ Public notice of proposed tax rate calculations will be published in Dallas Morning News on Friday, August 21
  - ▶ Allows taxpayers to roll back or limit tax increase in certain cases



# Effective Tax Rate

- ▶ Effective Tax 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 2015-16 Effective Tax Rate = \$0.7599
  - ▶ \$0.0371 decrease from current/proposed rate
- ▶ If tax rate were set at Effective Tax Rate, revenues would decrease by \$36.3 million and expenses would need to be reduced by an equivalent amount



# Rollback Tax Rate

- ▶ Rollback Tax Rate is 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 is effective general fund rate plus 8%, plus tax rate required to pay debt service
- ▶ Rollback Tax Rate divides overall property taxes into two categories (General Fund and Debt Service)
- ▶ Rollback Rate includes an 8% increase on general fund taxes





# Rollback Tax Rate (continued)

- ▶ FY 2015-16 calculated Rollback Tax Rate = \$0.8041
  - ▶ \$0.0071 increase above current/proposed rate
- ▶ If tax rate were set at Rollback Tax Rate, revenues would increase by \$7.0 million
- ▶ If debt service rate changes (as a result of Council amendments to budget), Rollback Tax Rate changes
- ▶ If adopted tax rate exceeds Rollback Tax Rate, voters have option to petition for a Rollback Election and limit tax rate increase

# Tax Rate Adoption

- ▶ In order for a taxing unit to adopt a rate above the lower of the Effective Tax Rate (\$0.7599) or the Rollback Tax Rate (\$0.8041) following requirements must be met:
  - ▶ Take a record vote for or against consideration of a specific tax rate higher than Effective Rate (\$0.7599)
  - ▶ 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

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- ▶ Recap of tax rates
  - ▶ Current = \$0.7970
    - ▶ Rate adopted for FY 2014-15
  - ▶ Proposed = \$0.7970
    - ▶ Rate included in City Manager's proposed budget for FY 2015-16
  - ▶ Effective = \$0.7599 (\$0.0371 or \$36.3m revenue decrease)
    - ▶ Generates same amount of revenue in new year as generated in previous year
  - ▶ Rollback = \$0.8041 (\$0.0071 or \$7.0m 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

# Schedule – August 19th

- ▶ Take record vote to consider a specific tax rate that exceeds the Effective Tax Rate (\$0.7599)
- ▶ If Council wishes to consider a different rate than posted rate, resolution could be amended (from floor) to consider an alternative tax rate
- ▶ Call public hearings on tax rate for Wednesday, September 2<sup>nd</sup> and Wednesday, September 16<sup>th</sup>
- ▶ If no vote is taken, maximum tax rate for FY 2015-16 will be \$0.7599



# Schedule – August 19th

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- Tax rate considered in today's resolution becomes maximum tax rate Council could set on Tuesday, September 22<sup>nd</sup>
- If no action to consider a tax rate is taken, maximum rate allowed for FY 2015-16 would be \$0.7599
  - Revenues for FY 2015-16 would decrease by \$36.3 million and expenses would need to be reduced by an equivalent amount
  - Notice and 2 tax rate public hearings are not required to adopt a tax rate below this rate

# Schedule – continued

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**Friday, August 21**

Publish *Notice of 2015 Tax Year Proposed Property Tax Rate*, if necessary

**Wednesday, September 2**

(9 a.m.)

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

**Wednesday, September 16**

(9 a.m.)

Hold 2nd public hearing – if called  
(City Hall, Room 6ES)

**Tuesday, September 22**

(7 a.m.)

Vote on Tax Rate

Ratify increase in taxes in a separate vote,  
if necessary



# Appendix

# Tax Rate Change Impact

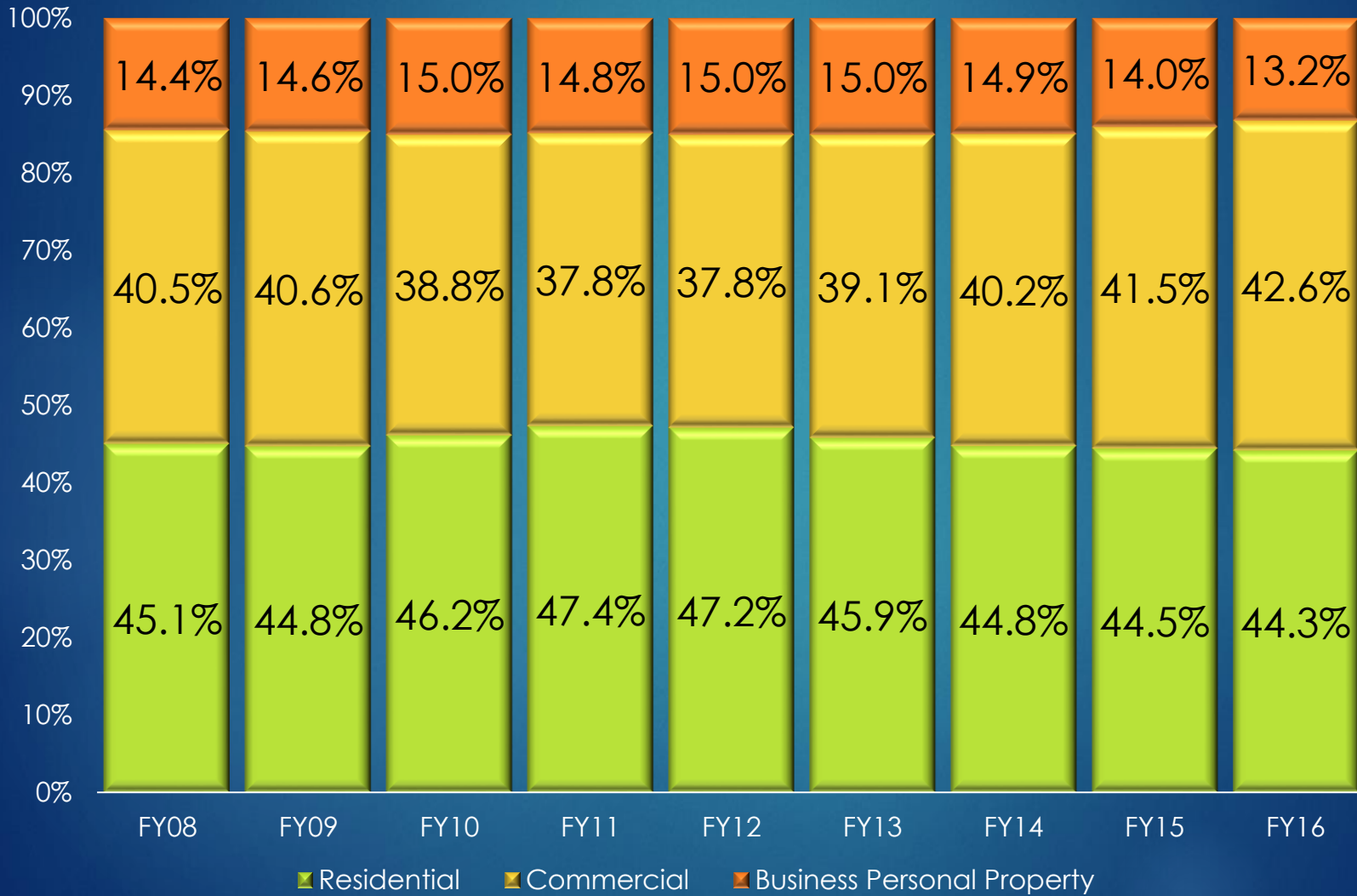
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Tax Rate Change per \$100 Valuation	Revenue Impact	Annual Tax Bill Impact	
		\$100K home with Homestead Exemption	\$218K home (Certified Avg. Value of Homestead)
\$0.01	\$9,786,112	\$8.00	\$17.41
\$0.02	\$19,572,225	\$16.00	\$34.82
\$0.03	\$29,358,337	\$24.00	\$52.22
\$0.0371	\$36,311,370	\$32.00	\$69.63



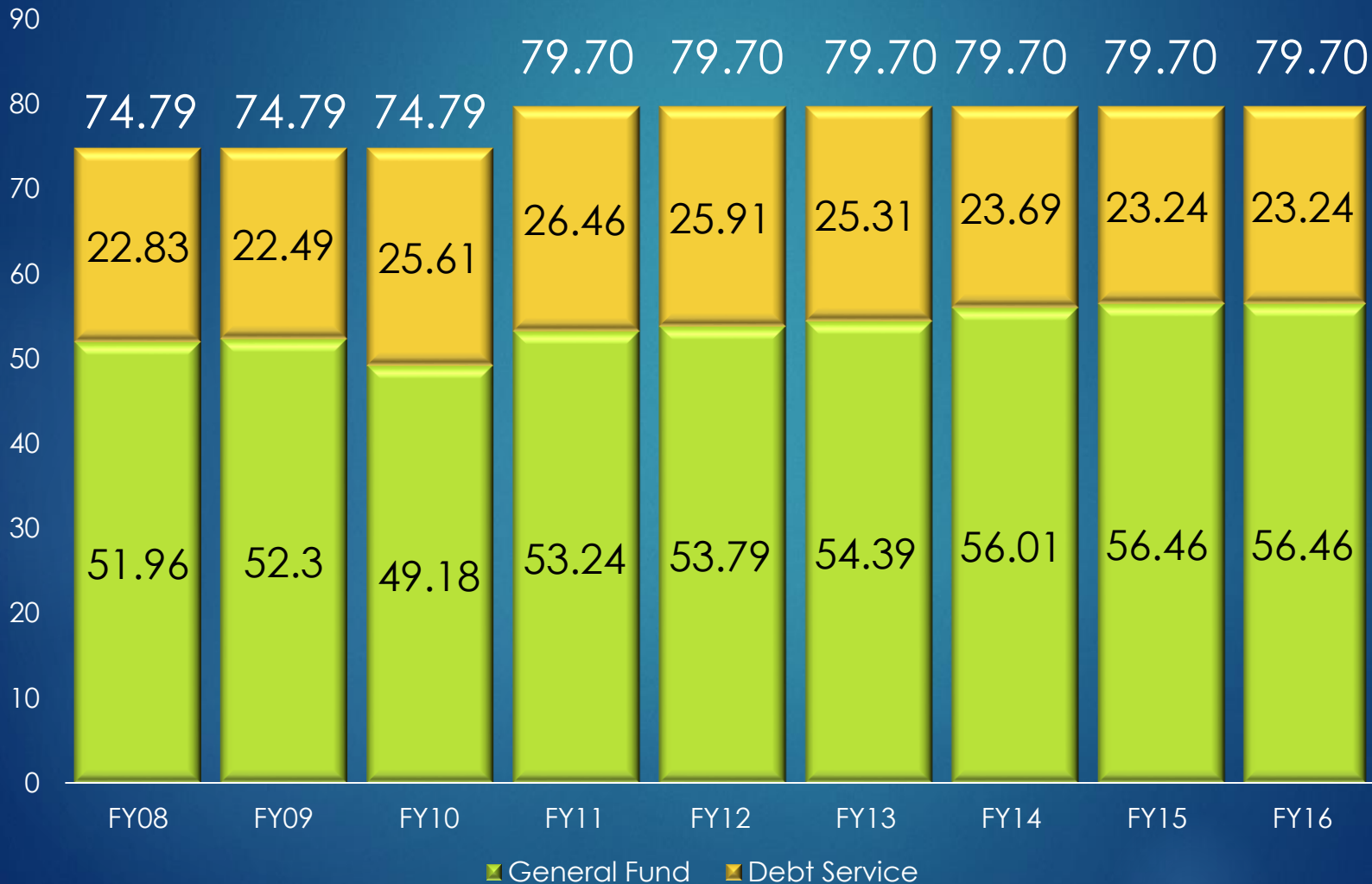


# Historical Tax Base Distribution (% by Category)



# Historical Tax Rate Distribution

(Rate in Cents per \$100 Valuation)



# Historic Tax Rate Distribution

(% Allocation between General Fund and Debt Service)

