

2017 Proposed Tax Rate

Public Hearing
August 22, 2017

Actions on 2017 Tax Rate

- **August 15th Record Vote**
 - Maximum tax rate for consideration \$0.33007
 - Adopted rate can be lower but not higher
- **Scheduled Vote on Tax Rate**
 - September 19, 2017
 - 5:30pm
 - City Hall Council Chamber

Tax Rate Calculations

	Per \$100
Voter Authorized Tax Rate	\$0.33995
Published 2017 Tax Rate	0.33007
Effective Tax Rate +3%	0.32233
2016 Tax Rate	0.31595
Effective Tax Rate	0.31293
Rollback Tax Rate	0.33352

Effective Tax Rate

- **State Law = “Truth in Taxation”**
 - Calculations & Publication Requirements
- **The Effective Tax Rate is a calculation to provide a link between the relationship comparing prior year and current year tax revenue based on a tax rate that would produce the same amount of tax revenue if applied to the same properties taxed in both years**

FMPS Direction on Property Taxes

- **The City Manager will recommend a tax rate that the City finances require in order to operate efficiently, yet effectively, and *meets the city council's expectations of services provided and service levels***
- **As economic conditions permit, the city manager will recommend a tax rate not greater than the effective tax rate plus 3%**
- **Effective Tax Rate +3% unless implementing a voter approved GO bond election**

FY18 Proposed Budget

- **The proposed budget is based on a revenue stream for property taxes that is built around the Council adopted Financial Management Policy Statements (FMPS)**
- **FY18 Proposed Budget based on Effective Tax Rate +3%, consistent with FMPS Direction**

Tax Rate for FY18 Filed Budget

Effective Tax Rate (ETR) + 3% (\$0.32233)

Lower than anticipated assessed values

+ Effective Tax Rate + 3% (\$0.32233)

= Funds FY18 Budget as proposed

- Tax rate offsets lower valuation
- Consistent with FMPS direction

Sales Tax Decline

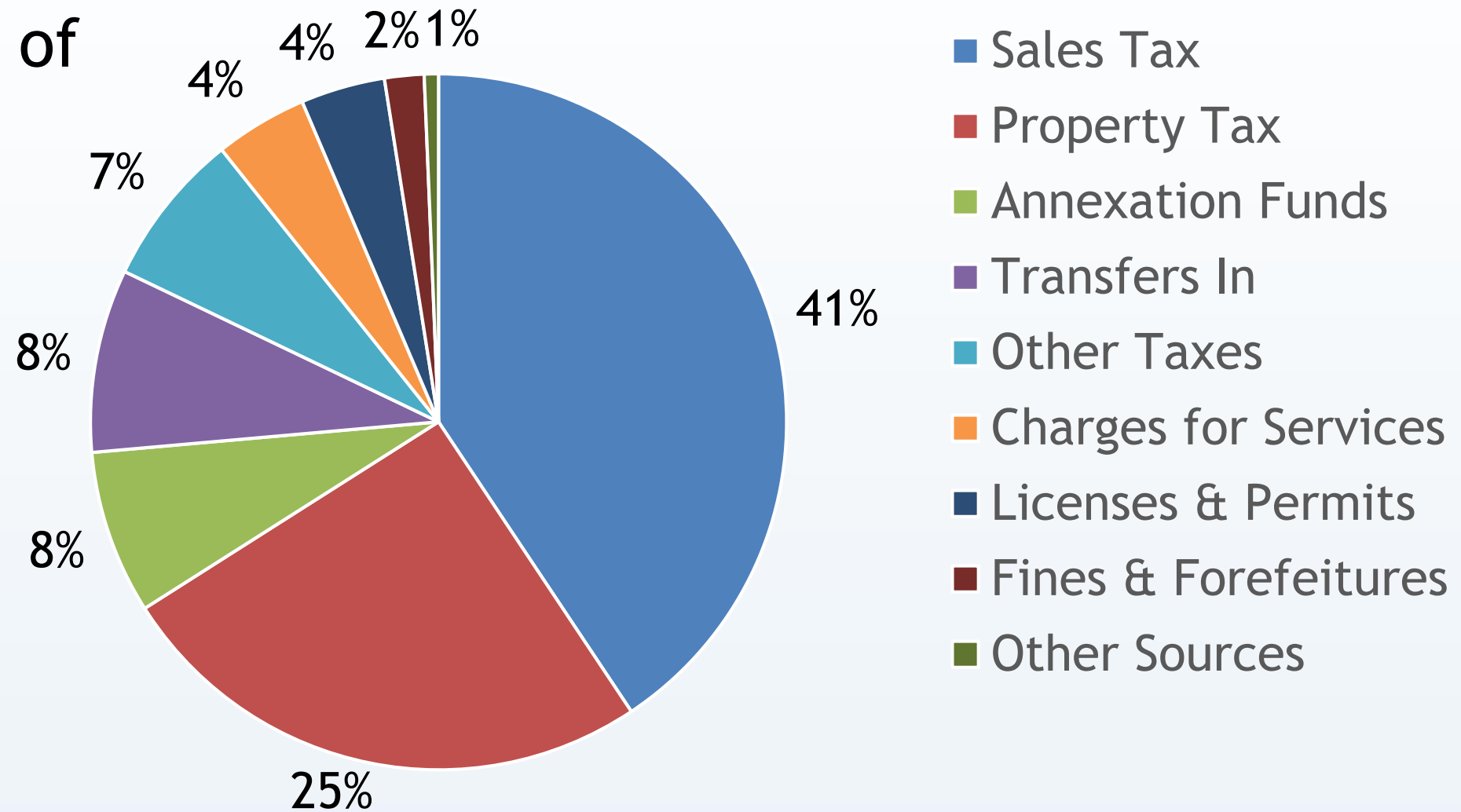
- **FY17 Sales Tax is down ~7.7% Year over Year (thru July)**
- **Equivalent of \$0.00774 on the tax rate**
 - Retail Trade = 43-47% of collections = ~-1% YTD
 - Food & Entertainment = 12-14% of collections = ~+10% YTD
 - Impact of Smart Financial Centre
 - Other sectors = 35-40% of collections ~-9% per sector YTD
 - Impact of Oil Industry
 - Wholesale Trade (purchasing co)
 - Information
- **FY18 sales tax is budgeted with no growth from FY17**

Conservative FY18 Budget

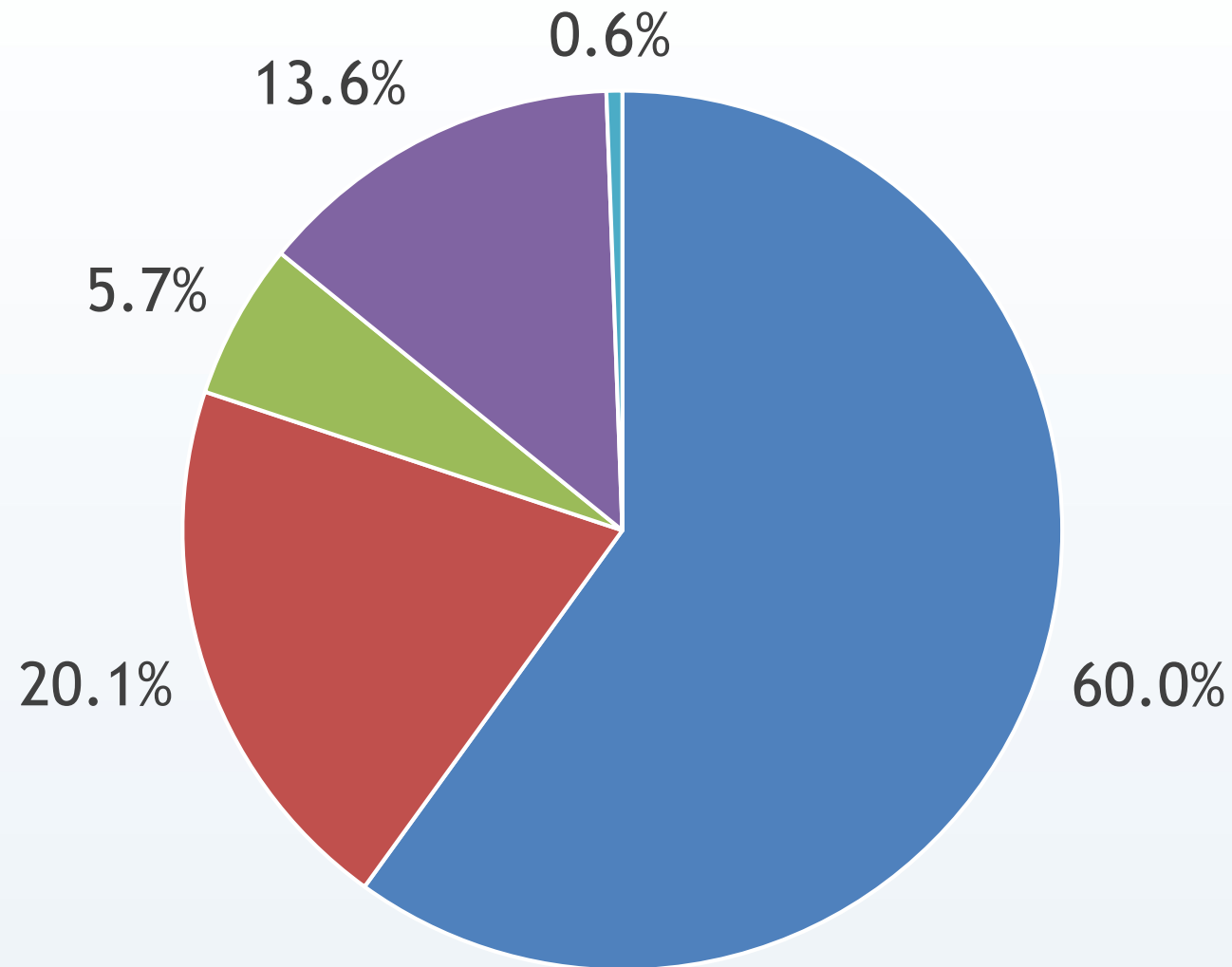
- **FY18 Filed Budget includes:**
 - Moved rehabilitation funding in to General Fund at reduced levels from prior years (\$1.4M vs \$2.8M)
 - Pushed out existing CIP projects from 4yrs to 5 yrs
 - Increased salary savings offset to balance budget
 - Incorporated savings from electricity, fuel, HOA reimbursements
 - Recognition of efficiencies from Departmental Assessments
 - No PAYG CIP funding from sales tax
 - No discretionary additions outside of annexation

General Fund FY18 Revenues

Allocation:
\$0.18392 of
tax rate



Debt Service Fund FY18 Revenues



Allocation:
\$0.13841 of
tax rate

- Property Taxes
- District Tax Levy
- District Fund Balance
- Transfers In
- Other

FY 18 Budget Implications

Adopting less than ETR +3%

- **Recurring budget cuts will be necessary**
 - Reduction in existing staff
 - Reduce / eliminate budgeted merit pool
 - Delay compensation plan adjustments
 - Eliminate or reduce GF services/service levels
 - Eliminate \$3.5M (44%) in General CIP out of \$8M
- **Options to be discussed at Aug 31 workshop**

Long Term Implications

Adopting less than ETR +3%

- **Infrastructure Degradation**
 - Streets, Sidewalks, Drainage, Traffic
- **No funding in the Five Year CIP for:**
 - Ft Bend County Mobility bond projects (City share)
 - Public Safety Training Facility
 - Police & Court Expansion phase II
 - Enterprise software replacement
 - License Plate Recognition Cameras phase II

2013 GO Bond Election

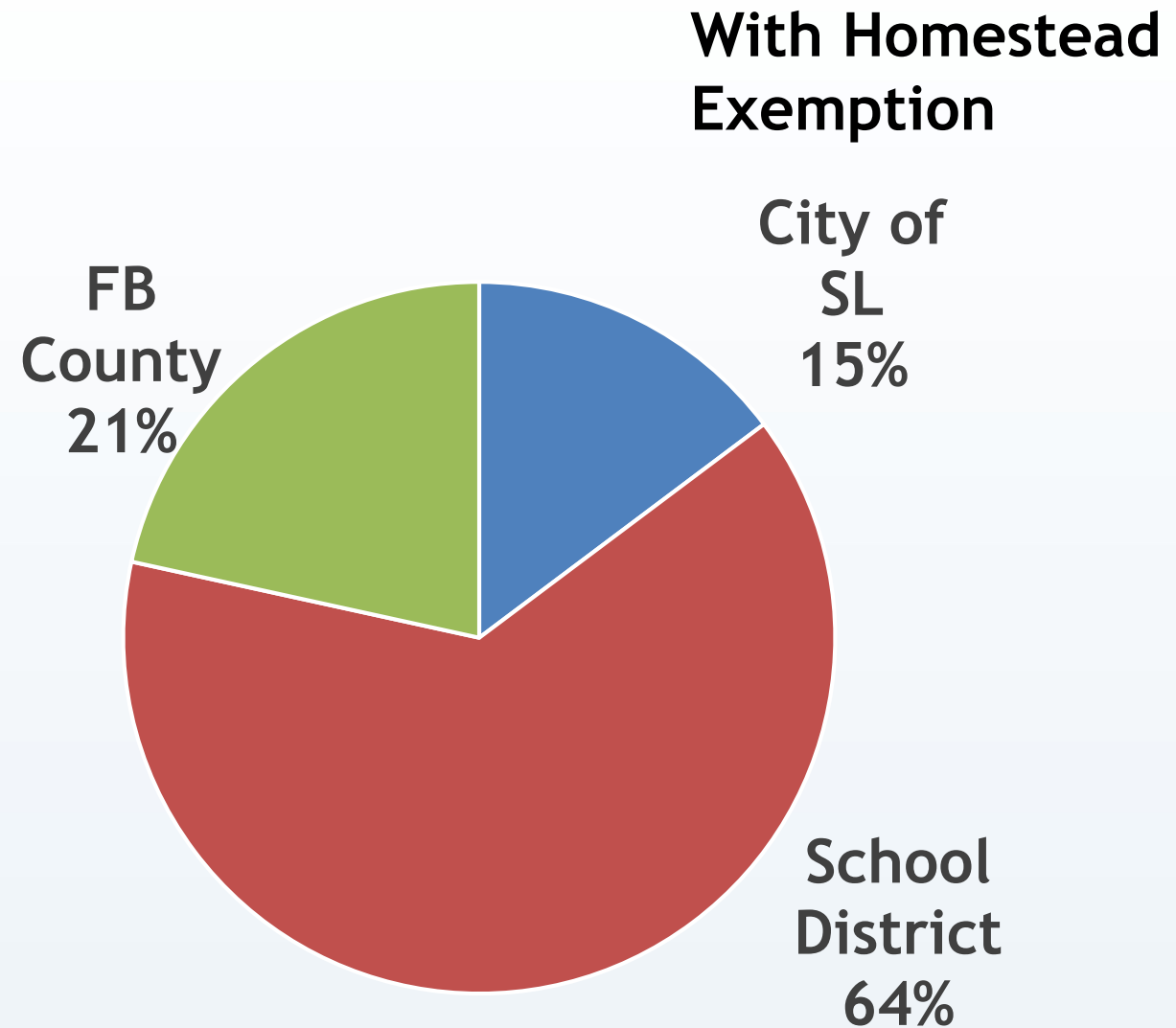
- **Bond election called to give voters a choice to fund wants with a tax increase to avoid cutting into funding for needs**
- **Capital & operational needs can be funded within current capacity under FMPS direction**
 - Financial impact was based on an assumption that we adopt the Effective Tax Rate plus 3% each year
- **\$50M in projects on ballot = 5 cent impact**
- **\$31.5M in projects approved = 3.1 cent impact**
 - To date the tax rate has only increased 0.7 cents due to park bond projects

Other Funding Sources

- **Restricted Funding Sources CANNOT be used to support General Government operations**
 - Economic Development Sales Tax (4A/4B)
 - Tourism Fund (Hotel Taxes)
 - Utility Fund (Water/Wastewater Bills)
- **Spending these funds has ZERO impact on the tax rate**
 - University Blvd Bridge (developer contribution)
 - TSTC and Public Art funding (SL4B & Tourism)
- **Constellation Field and Smart Financial Centre were funded from Restricted Sources (4A/4B/Tourism) not Property Taxes**

Residential Property Tax Bill

- Historically managed growth in residential tax bills to 3% average annual increase
- Homestead Exemption
- Tax Rate = ETR + 3%
- Restricted funding in budget cannot be used to lower tax bills



Residential Tax Bill Impact

Tax Rate:	31.595	32.233	33.007
City Tax Bill	\$1,079.21	\$1,101.01	\$1,127.44
\$ Increase vs 2016	\$ 21.41	\$ 43.21	\$ 69.65
<i>Increase vs 31.595</i>	-	<i>\$ 21.80</i>	<i>\$ 48.24</i>

Based on \$379,530 Home with 10% Homestead

Recommendation

- **Receive and hear all persons desiring to be heard**
- **Next Public Hearing**
 - September 5 at 6pm
- **Action on 2017 Tax Rate**
 - September 19 at 5:30pm