

FY 2017-18 Property Tax Rate State Law Requirements

August 16, 2017

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Outline of Briefing

- Provide overview of property tax
- Review State law requirements
 - Effective tax rate
 - Rollback tax rate
- Review Five-Year Forecast
- Review schedule for adopting a tax rate



Overview

- Property tax is the single largest source of revenue for City of Dallas and totals \$914.5 million as proposed for FY 2017-18
 - General Fund - \$654.5 million
 - Debt Service - \$260 million
- 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 2017 (FY 2017-18) are \$118.3 billion, which is 7.18 percent more than FY 2016-17 certified values

Property Tax Base Value by Type

Values by Type of Property (\$ in Billion)	FY 2015-16		FY 2016-17		FY 2017-18		% Growth
	Value	%	Value	%	Value	%	
Residential	\$44.4	44.3%	\$47.7	43.2%	\$51.9	43.8%	8.8%
Non-residential	\$55.9	55.7%	\$62.7	56.8%	\$66.4	56.2%	6.0%
Total	\$100.3	100.0%	\$110.4	100.0%	\$118.3	100.0%	7.2%

Note: 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 = \$34.5 billion
 - Revenue foregone = \$263.2 million
- City Council approved 20 percent homestead exemption on April 13, 1988 which is the maximum allowed by State
 - Exempt = \$10.2 billion
 - Revenue foregone = \$77.9 million
- City Council approved \$90,000 65/over or disabled exemption on June 28, 2017
 - Exempt = \$4.9 billion (\$1.1 billion, or 30.9 percent, increase in exempt value as a result of Council action increasing exemption from \$64,000 to \$90,000)
 - Revenue foregone = \$37.7 million (\$8.3 million in additional tax relief for seniors/disabled as a result of Council action)

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 2017-18 is 78.25¢ per \$100 of valuation, which is the same tax rate as the current year (FY 2016-17)



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

	FY 2015-16 Adopted Rate		FY 2016-17 Adopted Rate		FY 2017-18 Proposed Rate	
General Fund	56.46¢	70.8%	56.01¢	71.6%	56.01¢	71.6%
Debt Service Fund	23.24¢	29.2%	22.24¢	28.4%	22.24¢	28.4%
Total	79.70¢	100.0%	78.25¢	100.0%	78.25¢	100.0%



State Requirements

- State law governs property taxes in Texas and ensures that property owners are given notice and have certain rights
- If the proposed tax rate exceeds the lower of the Effective Tax Rate and the Rollback Tax Rate then 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 Friday, August 25, 2017
- State law allows taxpayers to roll back or limit tax increase in certain cases

State Requirements

- 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 1st or the 30th day after receiving the certified tax roll, whichever is later
 - Must be posted on website until city adopts a tax rate

PROPERTY TAX RATE FOR CITY OF DALLAS

A tax rate of \$0.782500 per \$100 valuation has been proposed for adoption by the governing body of the City of Dallas. This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

The governing body of the City of Dallas proposes to use revenue attributable to the tax rate increase for the purpose of public safety, infrastructure, quality of life, and general operation and maintenance.

PROPOSED TAX RATE	\$0.782500 per \$100
PRECEDING YEAR'S TAX RATE	\$0.782500 per \$100
EFFECTIVE TAX RATE	\$0.749625 per \$100
ROLLBACK TAX RATE	\$0.788740 per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for the City of Dallas from the same properties in both the 2016 tax year and the 2017 tax year.

The rollback tax rate is the highest tax rate that City of Dallas may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS FOLLOWS:

property tax amount = (rate) x (taxable value of your property)/100

For assistance or detailed information about tax calculations, please contact:

John R. James, JCC, CTA
Dallas County Tax Assessor/Collector
1501 Elm Street, Suite 2600, Dallas TX
214.742.7811
TNTHELP@dallascounty.org
www.dallascounty.org

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: September 6, 2017 at 9:00 am at City Hall, 1500 Marilla St, Room 6ES, Dallas TX.

Second Hearing: September 13, 2017 at 1:00 pm at City Hall, 1500 Marilla St, Council Chambers, Dallas TX.

Effective Tax Rate

- Effective Tax Rate is rate that generates the same amount of revenue in new fiscal year on property that was taxed in previous fiscal year
 - New construction is excluded from this calculation
- FY 2017-18 Effective Tax Rate = 74.96¢
 - 3.29¢ decrease from proposed rate
- If tax rate were set at Effective Tax Rate, proposed revenue for FY 2017-18 would decrease by \$37.98 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 divides overall property taxes into two categories (General Fund and Debt Service)
- Rollback Tax Rate is the effective General Fund rate plus 8 percent, plus tax rate required to pay Debt Service
- Rollback Rate includes an 8 percent increase on general fund taxes



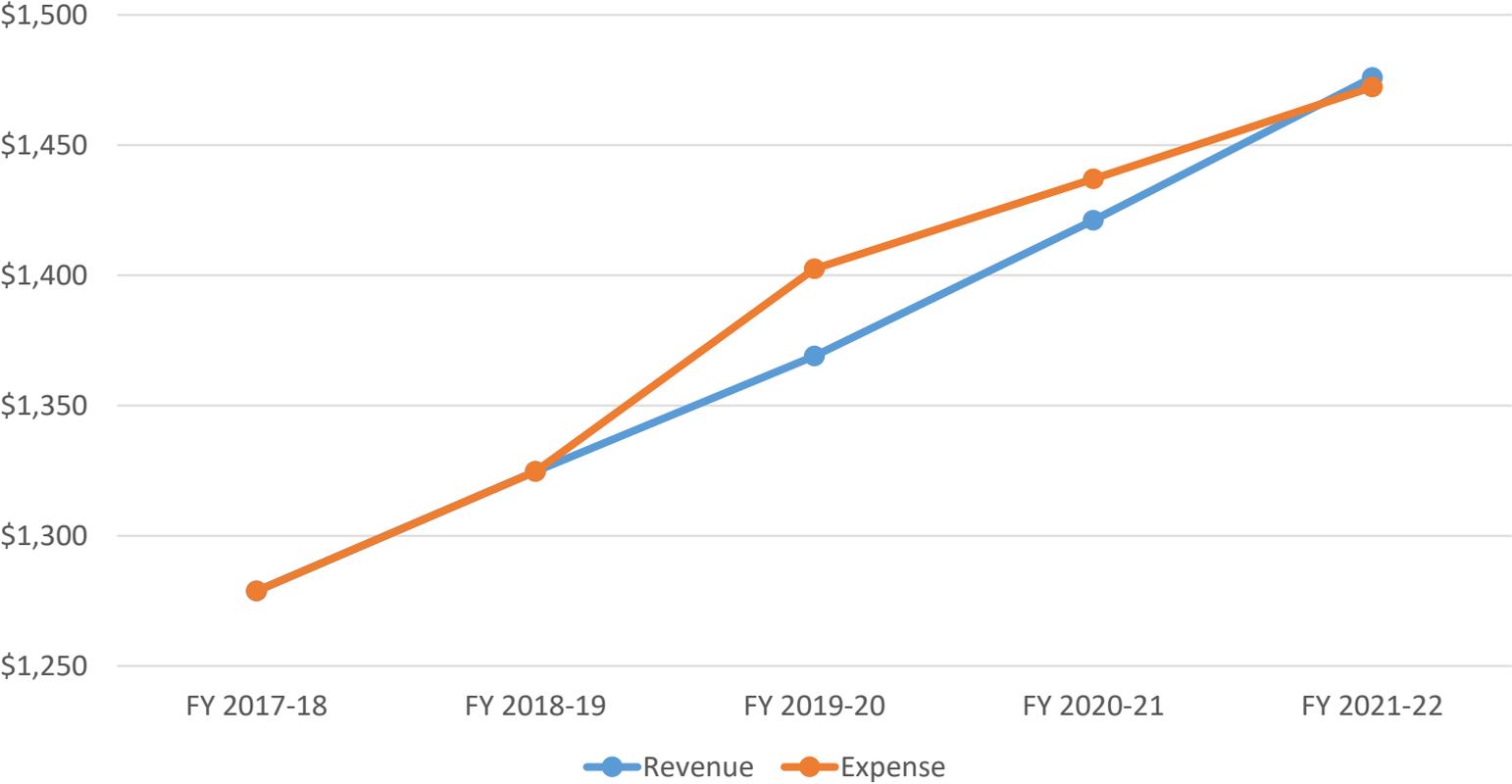
Rollback Tax Rate

- FY 2017-18 Rollback Tax Rate = 78.87¢
 - 0.62¢ increase above proposed rate
- If tax rate were set at Rollback Tax Rate, proposed revenue for FY 2017-18 would increase by \$7.21 million
- If debt service rate changes (as a result of City Council amendments to the 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 (74.96¢) or the Rollback Tax Rate (78.87¢) the following requirements must be met:
 - Take a record vote for or against consideration of a specific tax rate higher than Effective Rate (74.96¢)
 - 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

General Fund Five-Year Forecast (In Million Dollars)



General Fund Five-Year Forecast (In Million Dollars)

	FY 2017-18 Proposed	FY 2018-19 Planned	FY 2019-20 Forecast	FY 2020-21 Forecast	FY 2021-22 Forecast
Property Tax Revenue	\$654.5	\$701.2	\$748.5	\$795.4	\$843.6
Sales Tax Revenue	303.3	314.1	324.1	329.3	335.9
Other Revenues	321.0	309.4	296.4	296.4	296.4
Total Revenue	1,278.8	1,324.7	1,369.0	1,421.1	1,475.9
Total Expenses	1,278.8	1,324.7	1,402.5	1,437.0	1,472.3
Gap between revenue and expenses	-	-	(33.5)	(15.9)	3.6
Ending Fund Balance	\$165.3	\$165.3	\$131.8	\$115.9	\$119.5
Days of Reserve	47.3	45.5	34.3	29.5	29.6

Tax Rate Recap

- Recap of tax rates
 - Current = 78.25¢
 - Rate adopted for FY 2016-17
 - Proposed = 78.25¢
 - Rate included in City Manager's proposed budget for FY 2017-18
 - Effective = 74.96¢ (3.29¢ or \$37.98 million revenue decrease)
 - Generates same amount of revenue in new year as generated in previous year
 - Rollback = 78.87¢ (0.62¢ or \$7.21 million revenue increase)
 - Effective general fund rate plus 8 percent, 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 16th

- Tax rate considered in today's resolution becomes maximum tax rate Council may set on Wednesday, September 20
- Take a record vote to consider a specific tax rate that exceeds the Effective Tax Rate (74.96¢)
- If Council wishes to consider a different rate than the posted rate (78.25¢), resolution can be amended (from floor) to consider an alternative tax rate
- Call public hearings on tax rate for Wednesday, September 6 and Wednesday, September 13
- If no vote is taken, the FY 2017-18 maximum tax rate will be 74.96¢, which will decrease revenues by \$37.98 million and require an equal reduction in General Fund expenses

Schedule

<u>Wednesday, August 16</u>	Take record vote to establish <u>maximum</u> tax rate that can be approved on September 20
<u>Friday, August 25</u>	Publish Notice of 2017 Tax Year Proposed Property Tax Rate
<u>Wednesday, September 6</u> (9:00 a.m.)	Hold first public hearing – if called (City Hall, Room 6ES)
<u>Wednesday, September 13</u> (1:00 p.m.)	Hold second public hearing – if called (City Hall, Council Chambers)
<u>Wednesday, September 20</u>	Vote on tax rate and ratify increase in taxes in a separate vote, if necessary



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**Elizabeth Reich
Chief Financial Officer**

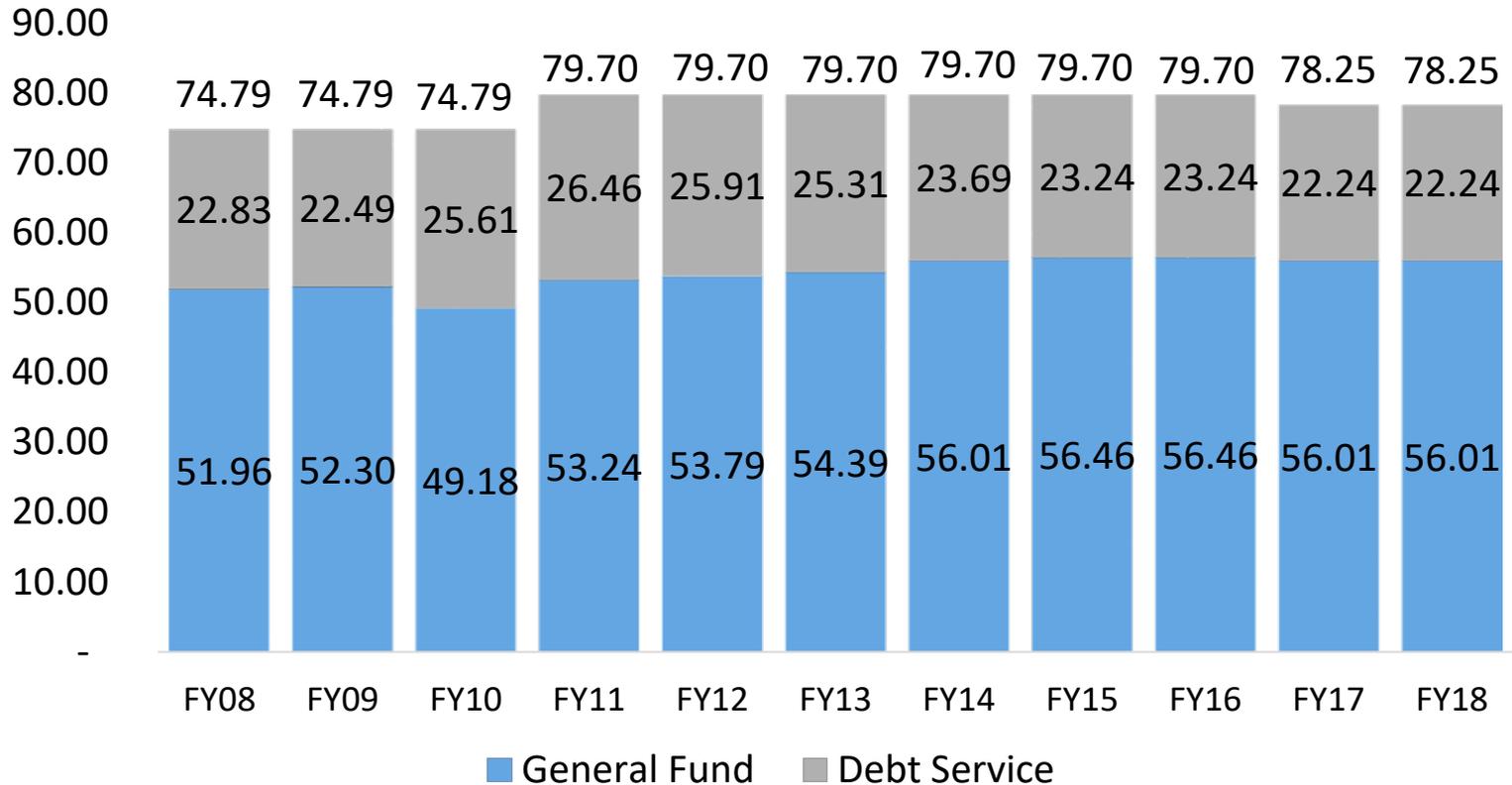
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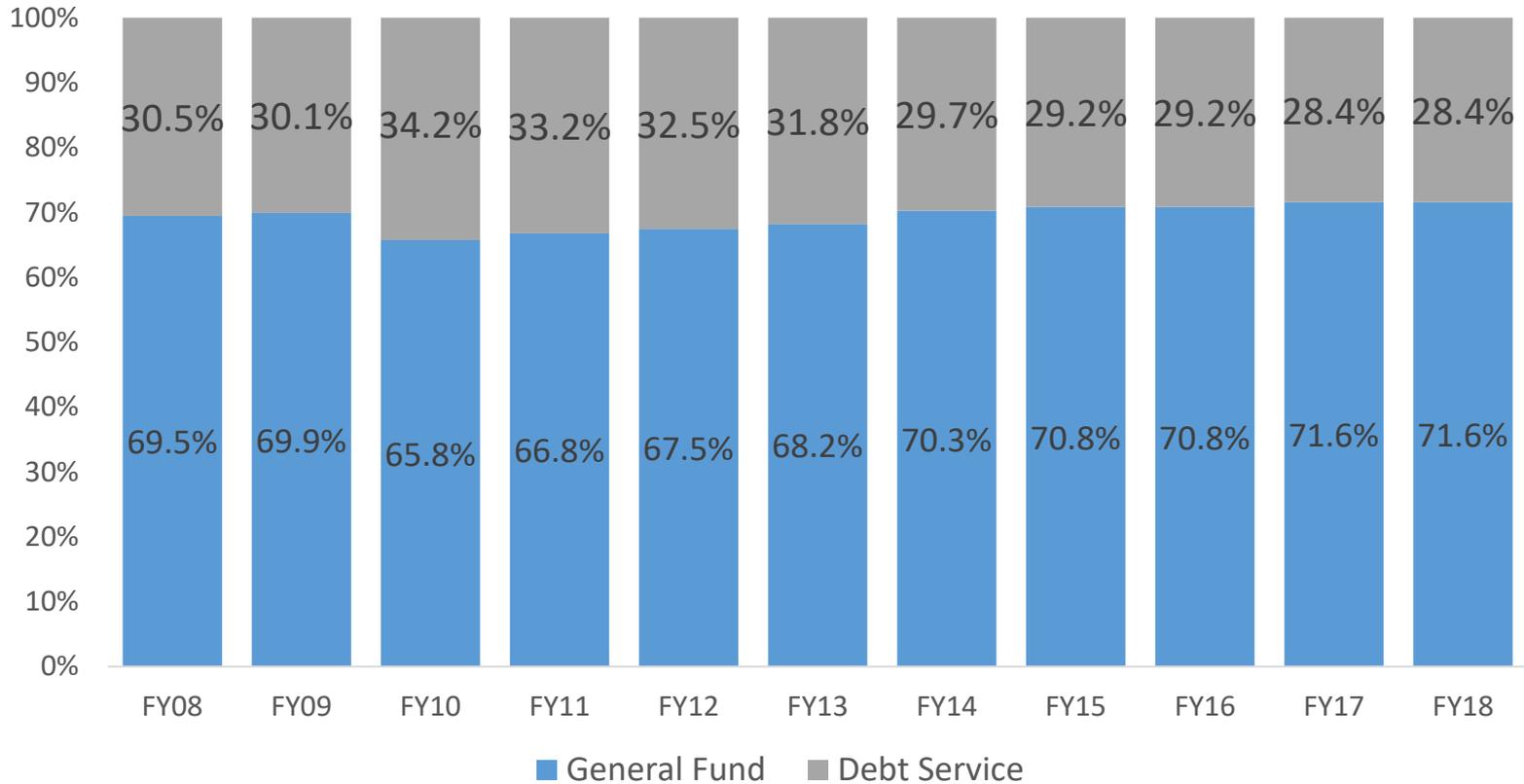
Appendix



Historical Property Tax Rate – Tax Rate Distribution (¢/\$100 value)



Historical Property Tax Rate – Tax Rate Distribution



Tax Rate Change Impact

Tax Rate Change per \$100 Valuation	Revenue Impact	Annual Tax Bill Impact	
		\$100K residential property with Homestead Exemption	\$254K residential property with Homestead Exemption
1¢	\$11,552,245	\$8.00	\$20.32
0.75¢	\$8,664,184	\$6.00	\$15.24
0.50¢	\$5,776,123	\$4.00	\$10.16
0.25¢	\$2,888,061	\$2.00	\$5.08

General Fund Property Tax Revenue Comparison – Potential Impact if State Law Changes

