

Memorandum



CITY OF DALLAS

DATE August 12, 2016

TO Honorable Mayor and Members of the City Council

SUBJECT FY 2016-17 Property Tax Rate State Law Requirements

Your Wednesday, August 17th briefing agenda includes a presentation on the proposed property tax rate for FY 2016-17 as well as the calculated effective tax rate and rollback rate. The materials are attached for your review.

Please let me know if you need additional information.

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

Jeanne Chipperfield
Chief Financial Officer

Attachment

C: A.C. Gonzalez, City Manager
Christopher D. Bowers, (I) 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
Eric D. Campbell, Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Alan E. Sims, Chief of Neighborhood Plus
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager-Mayor & Council



Photo Credit: Stephen Masker

FY 2016-17 Property Tax Rate State Law Requirements

Wednesday, August 17, 2016





Overview

- Property tax is single largest source of revenue for City of Dallas and totals \$841.2 million as proposed for FY 2016-17
 - FY 2016-17 General Fund tax revenue - \$601.7 million
 - FY 2016-17 Debt Service tax revenue - \$239.5 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



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 **tax base values** for tax year 2016 (FY 2016-17) are \$110.4 billion, which is 10.04% more than values certified for FY 2015-16
- Values are detailed by following types:

Values by Type of Property (\$ in Billion)	FY 2015-16		FY 2016-17		% Growth
Residential	\$44.4	44.2%	\$49.1	44.5%	10.61%
Commercial	\$42.7	42.6%	\$47.7	43.2%	11.69%
Business Personal Property	\$13.2	13.2%	\$13.6	12.3%	2.77%
Total	\$100.3	100.0%	\$110.4	100.0%	10.04%



Property Tax Rate

- Each September, City Council sets a property tax rate necessary to support City's annual budget
- Proposed **tax rate** for FY 2016-17 is \$0.7812 per \$100 of valuation, which is \$0.0158 less than property tax rate in current year (FY 2015-16)
- 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 Proposed Rate	
General Fund	\$0.5646	70.8%	\$0.5588	71.5%
Debt Service	\$0.2324	29.2%	\$0.2224	28.5%
Total	\$0.7970	100.0%	\$0.7812	100.0%



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 and posted on City's website on Friday, August 19
 - Allows taxpayers to roll back or limit tax increase in certain cases



State Requirements (continued)

- 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

NOTICE OF 2016 TAX YEAR PROPOSED PROPERTY TAX RATE FOR CITY OF DALLAS

A tax rate of \$0.781200 per \$100 valuation has been proposed for adoption by the governing body of 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 City of Dallas proposes to use revenue attributable to the tax rate increase for the purpose of public safety, quality of life enhancements, and general operation and maintenance.

PROPOSED TAX RATE	\$0.781200 per \$100
PRECEDING YEAR'S TAX RATE	\$0.797000 per \$100
EFFECTIVE TAX RATE	\$0.749077 per \$100
ROLLBACK TAX RATE	\$0.784260 per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for City of Dallas from the same properties in both the 2015 tax year and the 2016 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:

$$\text{property tax amount} = (\text{rate}) \times (\text{taxable value of your property}) / 100$$

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

John R. Ames, PCC, CTA
Dallas County Tax Assessor/Collector
1201 Elm Street, Suite 2600, Dallas TX
214.653.7811
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 7, 2016 at 9:00 am at City Hall, 1500 Marilla, Room 6ES, Dallas TX.

Second Hearing: September 14, 2016 at 1:00 pm at City Hall, 1500 Marilla, Council Chambers, Dallas TX.



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
 - 2016 tax year new construction value not included in calculation
- FY 2016-17 Effective Tax Rate = \$0.7490
 - \$0.0322 decrease from proposed rate
- If tax rate were set at Effective Tax Rate, FY 201617 proposed revenues would decrease by \$34.6 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 = \$0.7842
 - \$0.0030 increase above proposed rate
- If tax rate were set at Rollback Tax Rate, FY 2016-17 proposed revenues would increase by \$3.3 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 (\$0.7490) or the Rollback Tax Rate (\$0.7842) following requirements must be met:
 - Take a record vote for or against consideration of a specific tax rate higher than Effective Rate (\$0.7490)
 - 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 2015-16
 - Proposed = \$0.7812
 - Rate included in City Manager's proposed budget for FY 2016-17
 - Effective = \$0.7490 (\$0.0322 or \$34.6m revenue decrease)
 - Generates same amount of revenue in new year as generated in previous year
 - Rollback = \$0.7842 (\$0.0030 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



Schedule – August 17th

- Take record vote to consider a specific tax rate that exceeds the Effective Tax Rate (\$0.7490)
- 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 7th and Wednesday, September 14th
- If no vote is taken, maximum tax rate for FY 2016-17 will be \$0.7490, which will decrease revenues by \$34.6 million



Schedule – August 17th

- Tax rate considered in today's resolution becomes maximum tax rate Council could set on Wednesday, September 21st
- If no action to consider a tax rate is taken, maximum rate allowed for FY 2016-17 would be \$0.7490
 - Revenues proposed for FY 2016-17 would decrease by \$34.6 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

Friday, August 19

Publish Notice of 2016 Tax Year Proposed Property Tax Rate

Wednesday, September 7
(9 a.m.)

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

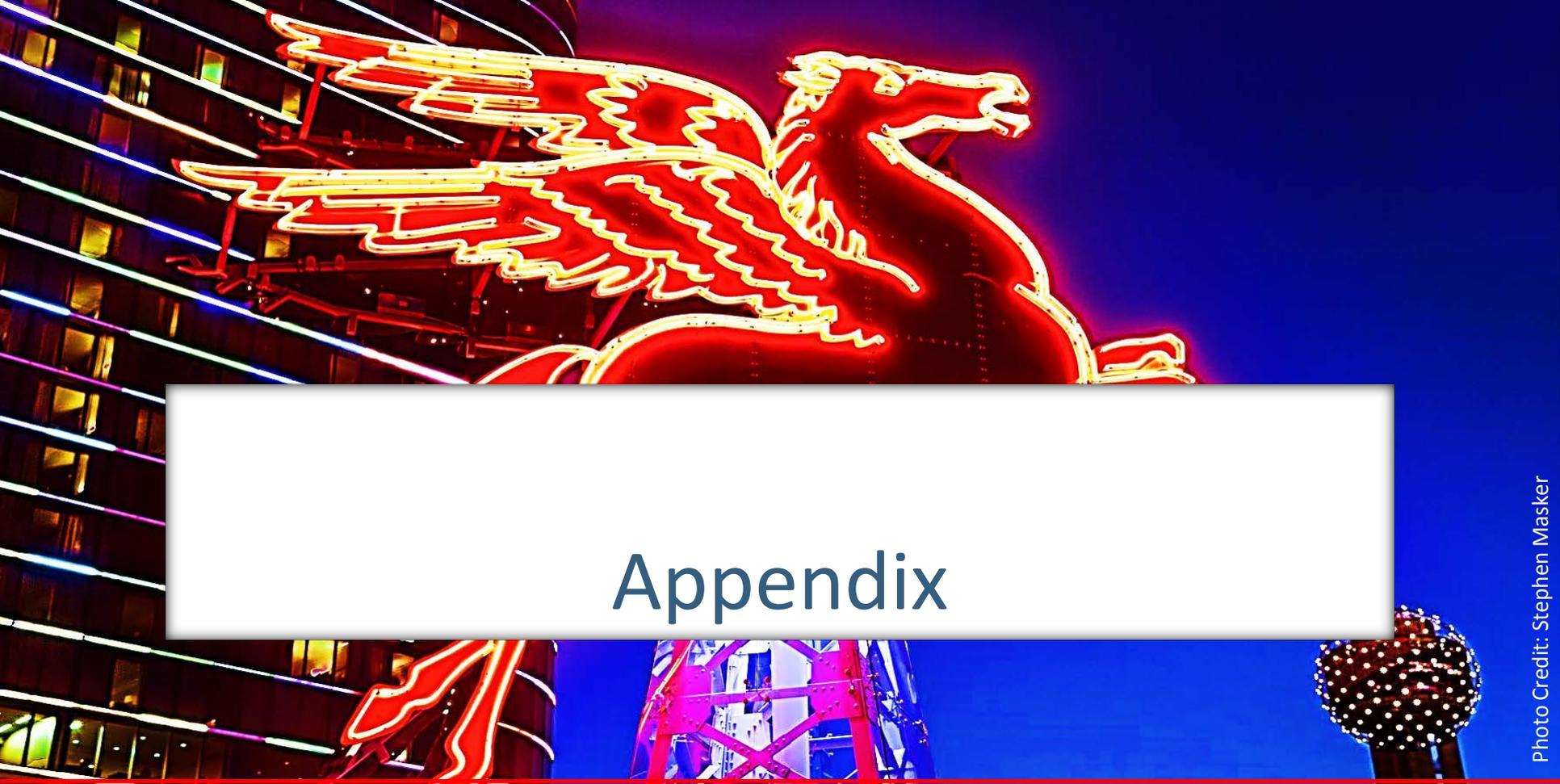
Wednesday, September 14
(1 p.m.)

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

Wednesday, September 21

Vote on Tax Rate

Ratify increase in taxes in a separate vote,
if necessary

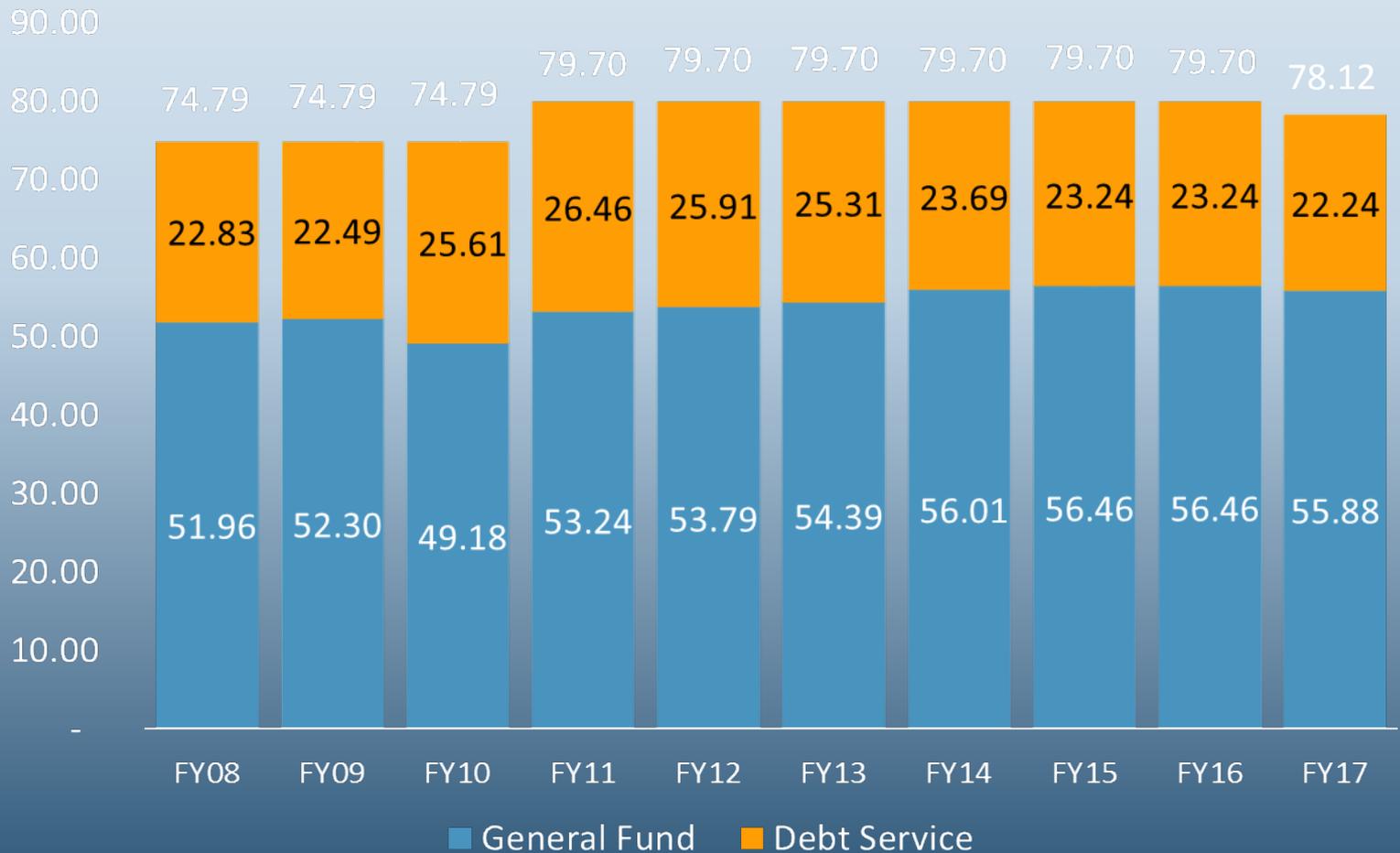


Appendix

FY 2016-17 Property Tax Rate State Law Requirements
Wednesday, August 17, 2016



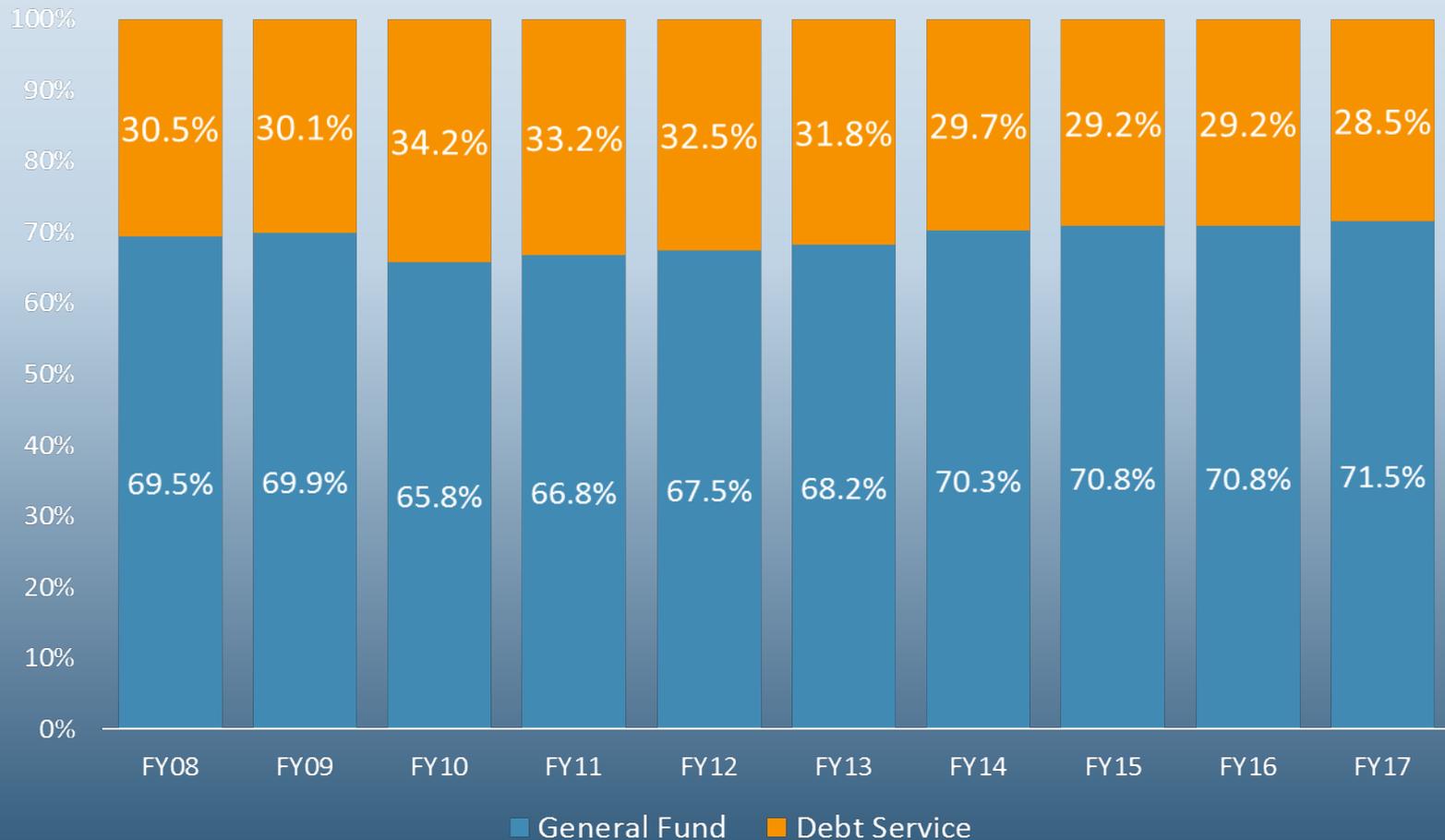
Historical Property Tax Rate- Tax Rate Distribution (¢/\$100 value)



Note: Tax rate has increased or stayed the same since FY99 except for FY07 when there was a 1.25¢ decrease.



Historical Property Tax Rate- Tax Rate Distribution



Note: Percent of tax rate allocated to debt service has steadily decreased since FY10.



Tax Rate Change Impact

Tax Rate Change per \$100 Valuation	Revenue Impact	Annual Tax Bill Impact	
		\$100K home with Homestead Exemption	\$240K home (Certified Avg. Value of Homestead)
\$0.01	\$10,768,313	\$8.00	\$19.22
\$0.02	\$21,536,626	\$16.00	\$38.45
\$0.03	\$32,304,939	\$24.00	\$57.67