

# **TAX RATE RECORD VOTE**

**Maximum Proposed 2017  
Ad Valorem Property Tax Rate  
Considered on September 19, 2017 Agenda**

***Jennifer Brown***  
***Director of Finance***

# 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%

# Proposed Budget

- **Property Tax Revenues**

- The proposed budget is based on a revenue stream for property taxes that is built around the Council adopted Financial Management Policy Statements
- Effective Tax Rate plus 3% unless implementing a voter approved GO bond election

## **Certified Tax Roll**

- **Received after City is required to file proposed budget by Charter**
- **2017 final values are less than those needed to generate tax levy included in the FY18 budget at the 2016 tax rate**

## Budget Workshop Discussion

- **Three options for consideration:**

|                                 |           |
|---------------------------------|-----------|
| 1) Flat Tax Rate                | \$0.31595 |
| 2) Effective Tax Rate +3%       | \$0.32233 |
| 3) ETR +3% + sales tax recovery | \$0.33007 |

# Tax Rate Option #1

## Flat Tax Rate (\$0.31595)

Lower than anticipated assessed values

+ Flat Tax Rate (\$0.31595)

= Inability to Maintain Service Levels

Reductions to the proposed budget will be required to balance the budget

## **Tax Rate Option #2**

**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**



## **Tax Rate Option #3**

### **ETR + 3% + sales tax recovery (\$0.33007)**

Declining Sales Tax = \$0.00774 on tax rate

+ Lower than anticipated assessed values

+ ETR + 3% + ST recovery (\$0.33007)

= Funds FY18 Budget as proposed

+ Enhanced funding for rehabilitation

- **Additional revenue replaces decrease in sales tax**

## Funding Impacts

- **If Tax Rate < ETR+ 3%, budget cuts will be necessary**
  - Reduction in staffing
  - Reduce or eliminate merit increases
  - Delay compensation plan adjustments
  - Eliminate or reduce GF services/service levels
  - Eliminate \$3.5M (44%) in General CIP out of \$8M

## 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 FMPS direction**
- **Voters authorized a 3.1 cent increase for projects**
  - $\$0.30895 + \$0.03100 = \$ 0.33995$

## **GO Bond Implementation**

- **Past councils have been prudent in implementing the voter approved GO bonds with minimal impact to the tax rate**
- **In FY17 funding ~\$2M in Debt and O&M from the GO bond election = 2.1 cents on tax rate**
  - **To Date:  $\$0.30895 + \$0.00700 = \$0.31595$**
- **In 2017, growth has not occurred as we had hoped to be able to implement w/o raising the tax rate**

## 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   |

## **Recommended Action**

- **Maximum tax rate for consideration \$0.33007**
  - Adopted rate can be lower but not higher
- **Place an item on the Sept 19 agenda to adopt an ad valorem tax rate after public input**
- **Set Public Hearings on the proposed tax rate**
  - August 22 at 5:30pm
  - September 5 at 6:00pm

**Questions?**

**CITY OF SUGAR LAND**