

# 2017 Tax Rate Adoption

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Ordinance No. 2114

September 19, 2017

## **Actions on 2017 Tax Rate**

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- **August 15th Record Vote**
  - Maximum tax rate for consideration \$0.33007
  - Adopted rate can be lower but not higher
- **Public Hearings**
  - Aug 22
  - Sept 5
- **Consideration & Adoption of Tax Rate**
  - Sept 19

# Truth In Taxation: Effective Tax Rate

- State Law = “Truth in Taxation”
  - Calculations & Publication Requirements
- Strict timelines that must be followed
- Based on Tax Revenue- not tied to individual tax bills
- Provides zero growth in tax revenue to the City
  - From properties in last year’s tax roll
- Doesn’t allow for increases in the cost of doing business



# Tax Rate Calculations

	Per \$100
<b>Published 2017 Max Tax Rate</b>	<b>0.33007</b>
<b>Effective Tax Rate +3%</b>	<b>0.32233</b>
<b>2016 Tax Rate</b>	<b>0.31595</b>
<b>Effective Tax Rate</b>	<b>0.31293</b>
<b>Rollback Tax Rate</b>	<b>0.33352</b>

## 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%
- Nominal tax rate may go up or down, depending on changes to assessed valuation

# FY18 Budget

- The FY18 budget is based on a revenue stream for property taxes that is built around the Council adopted Financial Management Policy Statements (FMPS)
- Based on Effective Tax Rate +3%



# Conservative FY18 Budget

- **FY18 Budget includes:**
  - Rehabilitation funding in General Fund at reduced levels from prior years (\$1.4 M vs \$3 M)
  - Pushed out existing CIP projects from 4 yrs to 5 yrs
  - Increased salary savings offset to balance budget (\$561k)
  - Incorporated savings from electricity, fuel, HOA reimbursements (\$654k)
  - Efficiencies from Departmental Assessments
  - No PAYG CIP funding from sales tax
  - No discretionary additions outside of annexation

## Tax Rate to support FY18 Budget

- Effective Tax Rate (ETR) + 3% (\$0.32233)
  - Lower than anticipated assessed values
  - + Effective Tax Rate + 3% (\$0.32233)
  - = Funds FY18 Budget
- Tax rate adjustment of 0.638 cents offsets lower than 3% revaluation
  - 1.53% Residential, 3.53% Commercial
- Consistent with FMPS direction



## Recommended CIP Reductions Flat Tax Rate (\$0.31595)

CIP Project Impact	Amount	Note
Debt Service Revenue:	\$ 350,000	Funds \$3.5M in Debt Issuance
<u>Projects:</u>		
Roundabout @ Soldiers Field	100,000	
BRP/Mid Lake Design/Ditch H	600,000	Cancel current design contracts
Pavement Reconstruction	1,900,000	W. Airport, Gillingham, Lexington
Animal Shelter Design	500,000	
Traffic Signal Mgmt/ITS	400,000	
<b>Total Project Funding</b>	<b>\$3,500,000</b>	

## Recommended O&M Reductions Flat Tax Rate (\$0.31595)

General Fund Budget	Amount
GF Sales Tax Revenue	\$- 500,000
GF Property Tax Revenue	-450,000
GF Revenue Reduction	\$ -950,000
Expenditure Reductions	
GF Merit / Salary Structure Adjustments	\$- 1,180,000
Harvey Contingency	230,000
Net GF Reduction	\$ -950,000

## Recommended CIP Reductions Effective Tax Rate (\$0.31293)

CIP Project Impact	Amount	Note
<b>Debt Service Revenue:</b>	<b>\$ 500,000</b>	<b>Funds \$5M in Debt Issuance</b>
<b><u>Projects:</u></b>		
<b>Roundabout @ Soldiers Field</b>	<b>100,000</b>	
<b>BRP/Mid Lake Design/Ditch H</b>	<b>600,000</b>	<b>Cancel current design contracts</b>
<b>Pavement Reconstruction</b>	<b>3,082,000</b>	<b>W. Airport, Gillingham, Lexington</b>
<b>Animal Shelter Design</b>	<b>500,000</b>	
<b>Traffic Signal Mgmt/ITS</b>	<b>750,000</b>	
<b>Total Project Funding</b>	<b>\$5,032,000</b>	



## Recommended O&M Reductions Effective Tax Rate (\$0.31293)

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General Fund Budget	Amount
GF Sales Tax Revenue	\$ -500,000
GF Property Tax Revenue	-680,000
GF Revenue Reduction	-1,180,000
Expenditure Reductions	
GF Merit / Salary Structure	\$-1,180,000
Harvey Contingency	0
Net GF Reductions	\$-1,180,000

## Next Steps

### If recommended tax rate not approved

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- Next Meeting (9/26)- Amend FY18 Budget
- Ordinance to Amend FY18 budget to reflect recommended revisions
  - Revise Income Statements for consistency across funds
  - Revise Five Year CIP to reflect reduced capacity
  - Revise Five Year Forecast to reflect reduced capacity
  - Revise Compensation Plans to remove structure changes
- FY18 Policy Project:
  - FMPS Revisions- make adjustments to reflect change in tax direction by City Council

## Recommendation

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- **Consideration and Action of Ordinance No. 2114**
- **Ad Valorem Tax Rate for 2017 (\$0.32233)**
  - Any tax rate over effective tax rate (\$0.31293) must be adopted by 5 affirmative votes of Council

	per \$100
<b>Maintenance &amp; Operations</b>	<b>\$ 0.18392</b>
<b>Debt Service</b>	<b>\$ 0.13841</b>
<b>Total Tax Rate 2017</b>	<b>\$ 0.32233</b>