

Property Taxes, September 9, 2019

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Overview

- Truth in Taxation
 1. Effective Tax Rate
 2. Rollback Rate
- Proposed Tax Rate
- Property Tax Values

Truth in Taxation

- Effective Tax Rate - Tax rate that would produce the same amount of tax revenue if applied to the same properties that were taxed in the prior year. Reflects the total tax rate, including M&O and debt.
- Rollback Rate – Essentially serves as a cap on property tax increases. Calculated by adding two components:
 1. Tax rate required to raise the same M&O taxes as prior year plus 8% increase, and
 2. Tax rate required to service debt.

Effective Tax Rate

Tax Year 2018 (FY 2019) Taxable Value	\$4,799,244,142
Tax Year 2018 (FY 2019) Tax Rate	\$0.4313/\$100
Computed Tax	\$20,699,140
Statutory Adjustments	\$126,855
Adjusted Tax	\$20,825,994
Tax Year 2019 (FY 2020) Taxable Value of Existing Properties	\$4,731,546,386
Tax Year 2019 (FY 2020) EFFECTIVE Tax Rate	\$0.4401/\$100
Computed Tax	\$20,825,994

Effective Tax Rate – Tax rate that would produce the same amount of tax revenue if applied to the same properties that were taxed in the prior year.

The effective tax rate is *higher* than the prior year tax rate because taxable values on existing properties *decreased*.

Rollback Tax Rate – 1st Component

Tax Year 2018 (FY 2019) Taxable Value	\$4,799,244,142
Tax Year 2018 (FY 2019) M&O Tax Rate	\$0.2781/\$100
Computed M&O Tax	\$13,346,698
Statutory Adjustments	\$81,795
Adjusted M&O Tax	\$13,428,493
Tax Year 2019 (FY 2020) Taxable Value of Existing Properties	\$4,731,546,386
Tax Year 2019 (FY 2020) M&O Effective Tax Rate	\$0.2838/\$100
Computed Tax	\$13,428,493
Tax Year 2019 (FY 2020) M&O Effective Tax Rate times 1.08	\$0.3065/\$100

Rollback Tax Rate – 2nd Component

Debt to be Paid With Property Taxes	\$7,549,787
Tax Collection Rate	99.93%
Tax Levy Required to Pay Debt ($\$7,549,787 \div 99.93\%$)	\$7,555,076
Tax Year 2019 (FY 2020) Taxable Value	\$4,817,269,587
Tax Year 2019 (FY 2020) Required Debt Tax Rate	\$0.1568/\$100
Computed Tax	\$7,555,076

Rollback Tax Rate

Tax Year 2019 (FY 2020) M&O Effective Tax Rate times 1.08	\$0.3065/\$100
Tax Year 2019 (FY 2020) Required Debt Tax Rate	\$0.1568/\$100
Tax Year 2019 (FY 2020) Rollback Rate	\$0.4633/\$100

	Rollback	Proposed	Difference
M&O Tax Rate	\$0.3065	\$0.2972	(\$0.0093)/(3%)
Debt Tax Rate	\$0.1568	\$0.1568	-
Total Tax Rate	\$0.4633	\$0.4540	(\$0.0093)/(2%)

Proposed Tax Rate

Tax Year 2018 (FY 2019) Tax Rate	\$0.4313
Tax Year 2019 (FY 2020) Effective Tax Rate	\$0.4401
Tax Year 2019 (FY 2020) Proposed Tax Rate	\$0.4540
Tax Year 2019 (FY 2020) Rollback Tax Rate	\$0.4633

The tax year 2019 (FY 2020) proposed tax rate is:

1. 5.3% over the prior year rate,
2. 3.1% over the effective tax rate, and
3. 2.0% under the rollback rate.

7.1% Increase v. 3.1% Increase

The fiscal forecast presented at Budget Workshop #3 on August 26 showed a **7.1%** increase in revenues on existing properties based on the proposed tax rate of \$0.4540.

Tax Year 2018 (FY 2019) Projected Property Tax Collections	Tax Year 2019 (FY 2020) Budgeted Property Tax Collections on Existing Properties	Increase \$	Increase %
\$13,162,500	\$14,097,900	\$935,400	7.1%

The proposed tax rate of \$0.4540 is only **3.1%** above the effective rate.

How do those amounts reconcile?

The 7.1% increase in the General Fund fiscal forecast tax revenues includes only M&O taxes and excludes taxes on debt. Taxes on debt increased by a comparatively small amount. Both components of the tax rate (M&O and debt) are included in the effective rate, so the smaller increase in the debt rate brings down the percentage increase.

Property Values

Tax Year 2018 (FY 2019) Taxable Value	\$4,799,244,142
Increase/(Decrease) in Taxable Value on Existing Properties	(\$67,697,756)
Tax Year 2019 (FY 2020) Taxable Value on Existing Properties	\$4,731,546,386
Tax Year 2019 (FY 2020) Taxable Value on Existing Properties	\$4,731,546,386
Tax Year 2019 (FY 2020) Taxable Value on New Properties	\$85,723,201
Tax Year 2019 (FY 2020) Total Taxable Value	\$4,817,269,587