

**AGENDA REQUEST  
BUSINESS OF THE CITY COUNCIL  
CITY OF PEARLAND, TEXAS**

|   |  |
|---|--|
| <b>AGENDA OF:</b> 9/12/2016   | <b>ITEM NO.:</b> Ordinance NO. 1530                    |
| <b>DATE SUBMITTED:</b> 9/8/2016   | <b>DEPARTMENT OF ORIGIN:</b> Finance                   |
| <b>PREPARED BY:</b> Paulette Englund  | <b>PRESENTOR:</b> Cynthia Pearson                      |
| <b>REVIEWED BY:</b> Jon R. Branson  | <b>REVIEW DATE:</b> September 8, 2016                  |
| <b>SUBJECT:</b> Ordinance 1530 - An Ordinance adopting a tax rate of \$0.6812 and levying taxes for the use and support of the Municipal Government of the City of Pearland, Texas, and providing for the interest and sinking fund of the taxable year 2016. |  |
| <b>EXHIBITS:</b> Ordinance No. 1530<br>Powerpoint Presentation  |  |
| <b>EXPENDITURE REQUIRED:</b> N/A<br><b>AMOUNT AVAILABLE:</b> N/A<br><b>ACCOUNT NO.:</b> N/A   | <b>AMOUNT BUDGETED:</b> N/A<br><b>PROJECT NO.:</b> N/A |
| <b>ADDITIONAL APPROPRIATION REQUIRED:</b> N/A<br><b>ACCOUNT NO.:</b> N/A<br><b>PROJECT NO.:</b> N/A   |  |
| <b>To be completed by Department:</b><br><input checked="" type="checkbox"/> Finance <input checked="" type="checkbox"/> Legal <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution  |  |

**EXECUTIVE SUMMARY**

**BACKGROUND**

Tax Code Section 26.05 requires a taxing unit to adopt its tax rate before September 30 or by the 60th day after the taxing unit receives the certified appraisal roll, whichever day is later.

The tax rate as proposed for the City of Pearland for tax year 2016, for fiscal year 2017, is \$0.6812 per \$100 valuation, which is \$0.042 or 6.6% greater than the effective tax rate of \$0.6392, and \$0.0246 or 3.7% greater than the rollback rate of \$0.6566. As such, the City of

Pearland was required to hold two public hearings on the tax rate pursuant to truth-in-taxation requirements. The public hearings were held on August 29 and September 6, 2016.

The tax rate, with property valuations, provides the property tax revenues needed for the payment of debt service obligation and for operating costs for departments such as public safety, parks, public works and general government activities.

### **FINANCIAL INFORMATION**

The tax rate is split into two components; operating and debt service. The proposed operating tax rate is \$0.2412, an increase of \$0.0187 from the current year, and the proposed debt service tax rate is \$0.4400, a decrease of \$0.0428 from the current year. 64.6% of the tax rate is allocated to debt service and 35.4% percent allocated to operations.

The operating component funds public services such as police, fire, streets, traffic, parks, and general government functions. The debt component funds the annual debt payments, similar to a residential mortgage payment, for capital improvements such as roads, drainage, parks and facilities.

In total, the proposed tax rate of \$0.6812 is \$0.0241, 3.4% lower than the current tax rate of \$0.7053. Based on the 2015 estimated residential taxable value of \$187,000 with the \$5,000 homestead exemption, if a homeowner has no increase in value, their city tax bill would decrease by \$49. If a homeowner's value increases by 8%, the tax bill would increase by \$52 for the year, or about 14 cents a day. The 14 cents a day provides for increased public safety with additional police staffing, and an increase in emergency management staff and operations.

### **POLICY/GOAL CONSIDERATION**

Fiscally Responsible – Adoption of the tax rate will provide for payment of debt service and for the program of services for fiscal year 2016-2017.

Property Tax Code: Truth-in-Taxation

### **The motion to adopt the Ordinance must be made in the following form:**

I move that the property tax rate be increased by the adoption of a tax rate of \$0.6812, which is effectively a 6.6% increase in the tax rate.

**The vote must be a record vote.**

### **RECOMMENDED ACTION**

Consideration and approval of Ordinance 1530 adopting a tax rate of \$0.6812 and levying taxes for the use and support of the municipal government of the City of Pearland, Texas, and providing for the interest and sinking fund of the taxable year 2016.

**ORDINANCE NO.1530**

**An Ordinance adopting a tax rate of \$0.6812 and levying taxes for the use and support of the Municipal Government of the City of Pearland, Texas, and providing for the interest and sinking fund of the taxable year 2016.**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS:**

**Section 1.** That there is hereby levied and there shall be collected for the use and support of the Municipal Government of the City of Pearland, Texas, and to provide Interest and Sinking Fund for the Year Two Thousand Thirteen upon all property, real, personal, and mixed within the corporate limits of said City subject to taxation, a tax of \$0.6812 on each One Hundred Dollars (\$100.00) valuation of property, said tax being so levied and apportioned for the specific purpose herein set forth:

- (1) For the maintenance and support of the General Government (General Fund), the sum of \$0.2412 on each \$100 valuation of property, and
- (2) For the Interest and Sinking Fund, the sum of \$0.44.

**Section 2.** All monies collected under this ordinance for the specific items therein named, be and the same are hereby appropriated and set apart for the specific purpose indicated in each item and that the Assessor and Collector of Taxes, the Director of Finance, and the City Manager shall so keep these accounts as to readily and distinctly show the amount collected, the amounts expended, and the amount on hand at any time belonging to such funds. It is hereby made the duty of the Tax Assessor and Collector of Taxes and every person collecting money for the City of Pearland to deliver to the Director of Finance and the City Manager, at the time of depositing of any monies, a statement showing to what fund such deposit should be made, and from what source received. All receipts for the City not specifically apportioned by this ordinance are hereby made payable to the General Fund of the City.

**ORDINANCE NO.1530**

PASSED and APPROVED ON FIRST READING this the \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2016.

\_\_\_\_\_  
TOM REID  
MAYOR

ATTEST:

\_\_\_\_\_  
YOUNG LORFING, TRMC  
CITY SECRETARY

PASSED and APPROVED ON SECOND and FINAL READING this the \_\_\_\_\_ day of \_\_\_\_\_, A. D., 2016.

\_\_\_\_\_  
TOM REID  
MAYOR

ATTEST:

\_\_\_\_\_  
YOUNG LORFING, TRMC  
CITY SECRETARY

APPROVED AS TO FORM:

\_\_\_\_\_  
DARRIN M. COKER  
CITY ATTORNEY

**v \* tr = r**



## CITY OF PEARLAND, TEXAS

FISCAL YEAR  
2016-2017

PROPOSED BUDGET  
**1<sup>st</sup> READING OF  
ORDINANCE TO ADOPT  
TAX RATE**

SEPTEMBER 12, 2016



$$v * tr = r$$



# The Value that Pearland Brings

$$v * tr = r$$

The property and sales value (v) of the community multiplied by the tax rate (tr) brings financial resources (r).

# City Property Tax Rate



- FY 2015/16
  - **Tax Rate = \$0.7053**
- FY 2016/17
  - Effective Tax Rate = \$0.6392
  - Rollback Tax Rate = \$0.6566
  - **Proposed Tax Rate = \$0.6812**

# Tax Rate



## Tax Rate is Adopted in Two Components

O&M – funds public services such as Public Safety, Parks, Streets, Traffic, Engineering, General Government activities

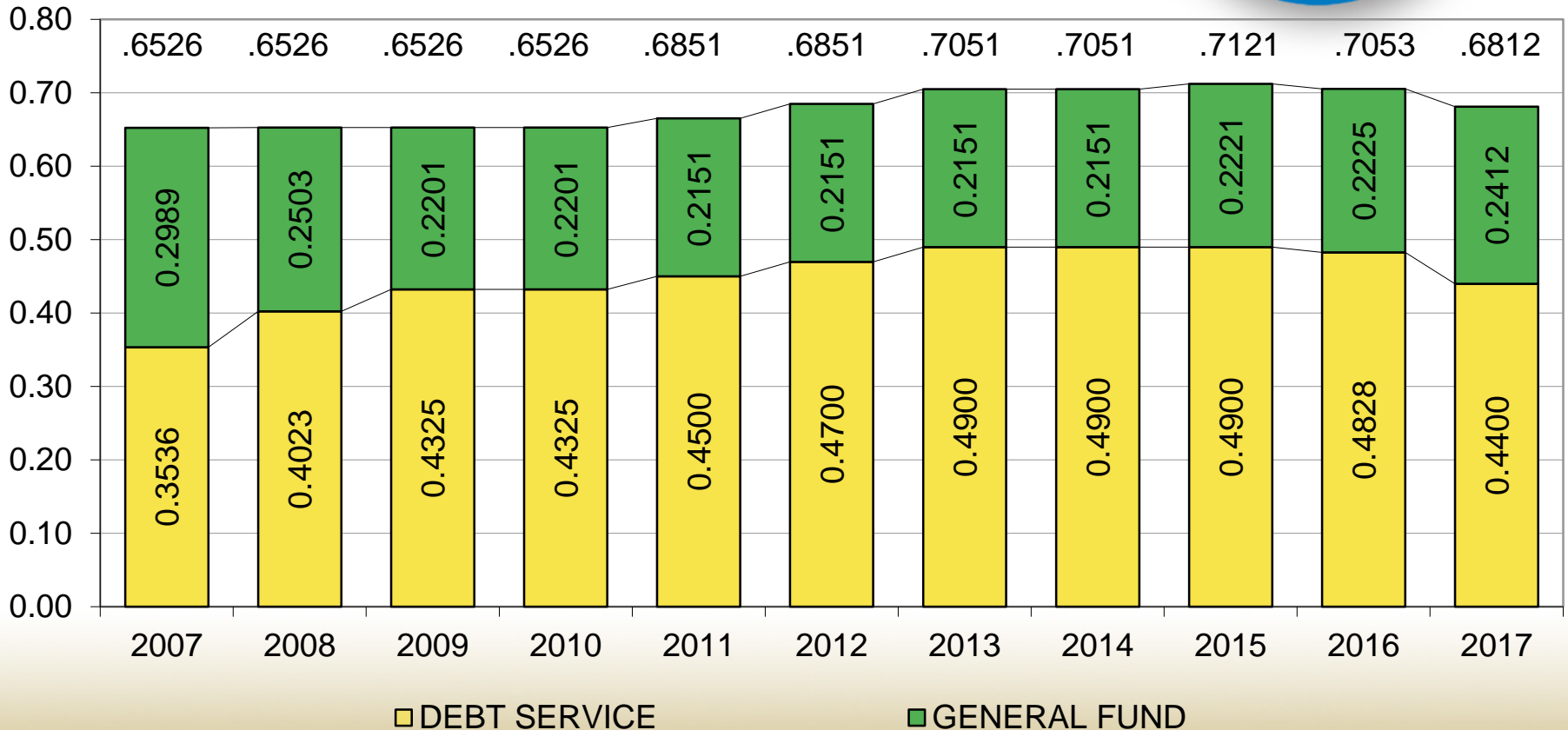
Debt – tax rate needed to fund annual debt service payments for capital improvements



# Historical Tax Rate Allocation FY 2007 – FY 2017



### Tax Rate Distribution



# Proposed Property Tax Rate



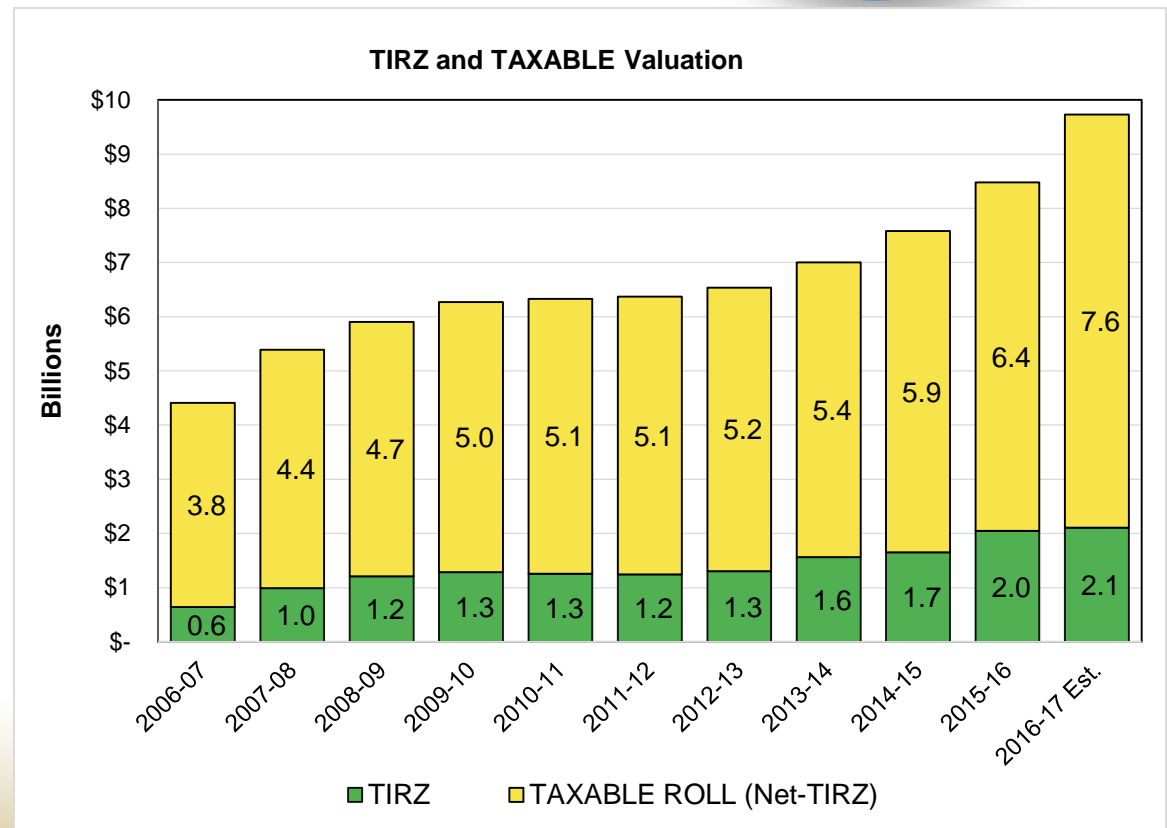
City Council voted on a Proposed Tax Rate of \$0.6812 on August 15<sup>th</sup>, a reduction of \$0.0241 cents from the current tax rate of \$0.7053.

|                    | Previous<br>2015 | Current<br>2016 | Proposed<br>2017 |
|--------------------|------------------|-----------------|------------------|
| O&M                | 0.2221           | 0.2225          | 0.2412           |
| Debt               | <u>0.4900</u>    | <u>0.4828</u>   | <u>0.4400</u>    |
| Total              | 0.7121           | 0.7053          | 0.6812           |
| <br>               |                  |                 |                  |
| % O&M              | 31.2%            | 31.5%           | 35.4%            |
| % Debt             | 68.8%            | 68.5%           | 64.6%            |
| <br>               |                  |                 |                  |
| Effective Tax Rate |                  |                 | 0.6392           |
| Rollback Rate      |                  |                 | 0.6566           |

# Taxable Value



Revaluations in a quality community and new growth have brought the taxable roll (excluding the Shadow Creek Ranch TIRZ) to \$7.6 billion, an 18.6% jump from the prior year. There is definitely positive momentum.



# Residential Tax Bill Comparison Based on Average Residential Value



Based on \$187,000 average residential home value (2015 estimate) and accounting for \$5,000 homestead exemption.

| FY 2016 BILL<br>0.7053 | VALUE<br>CHANGE | 2017 Value | FY 2017 BILL<br>0.6812 | DOLLAR<br>CHANGE<br>'16 to '17 | PERCENT<br>CHANGE |
|------------------------|-----------------|------------|------------------------|--------------------------------|-------------------|
| \$1,289                | 0.0%            | \$ 187,000 | \$1,240                | (\$49)                         | -3.8%             |
| \$1,289                | 2.0%            | \$ 190,740 | \$1,265                | (\$24)                         | -1.9%             |
| \$1,289                | 4.0%            | \$ 194,480 | \$1,291                | \$2                            | 0.1%              |
| \$1,289                | 6.0%            | \$ 198,220 | \$1,316                | \$27                           | 2.1%              |
| \$1,289                | 8.0%            | \$ 201,960 | \$1,342                | \$52                           | 4.1%              |
| \$1,289                | 10.0%           | \$ 205,700 | \$1,367                | \$78                           | 6.0%              |

# Tax Rate Freeze (over 65)



The City of Pearland approved an amendment to City Ordinance 1229

- Starting tax year 2006, a property tax amount freeze, for the city portion, was effective on the amount of property taxes for those property owners who are disabled or age 65 or older as long as the property remains the residential homestead of that person or that person's spouse who is disabled or age 65 or older.



# Tax Rate Freeze (over 65)



- Therefore, City property tax amounts shall **not** increase as long as the property meets this criteria unless the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements.
- Tax rate for fiscal year 2007, which is for tax year 2006, was \$0.6527; \$0.2990 for O&M and \$0.3537 for DS



# Debt Service Fund





# Debt Service Fund

|                                    | Projected FY<br>2015/16 | Proposed FY<br>2016/17 |
|------------------------------------|-------------------------|------------------------|
| <b>Revenues</b>                    |                         |                        |
| Property Tax                       | \$31,045,687            | \$33,532,286           |
| Miscellaneous                      | \$1,289,081             | \$888,736              |
| Transfers In                       | \$730,917               | \$553,766              |
| Bond Proceeds                      | \$29,323,390            | \$0                    |
| <b>Total</b>                       | <b>\$62,389,075</b>     | <b>\$34,974,788</b>    |
| <b>Expenditures</b>                |                         |                        |
| MUD Rebates                        | \$5,497,146             | \$6,687,537            |
| Debt Service                       | \$54,585,454            | \$26,008,322           |
| Defeasance                         |                         | \$1,500,000            |
| Short Term Notes                   | \$929,640               | \$1,911,500            |
| <b>Total</b>                       | <b>\$61,012,240</b>     | <b>\$36,107,359</b>    |
| Revenues Over (Under) Expenditures | \$1,376,835             | <b>(\$1,132,571)</b>   |
| Fund Balance - Beginning           | \$5,033,616             | \$6,410,451            |
| Fund Balance - Ending              | \$6,410,451             | \$5,277,880            |
| Reserve - 10%                      | \$3,085,662             | \$3,460,736            |
| Over Policy                        | \$3,324,788             | \$1,817,144            |



# Debt Service Fund



## Debt Service Tax Rate Projection Without Proposed May 2019 Bond Election

|                   |               |
|-------------------|---------------|
| FY 2015/16        | 0.4828        |
| <b>FY 2016/17</b> | <b>0.4400</b> |
| FY 2017/18        | 0.4400        |
| FY 2018/19        | 0.4400        |
| FY 2019/20        | 0.4400        |

## Debt Service Tax Rate Projection With Proposed May 2019 Bond Election

|                   |               |
|-------------------|---------------|
| FY 2015/16        | 0.4828        |
| <b>FY 2016/17</b> | <b>0.4400</b> |
| FY 2017/18        | 0.4400        |
| FY 2018/19        | 0.4400        |
| FY 2019/20        | 0.4500        |

# Proposed Property Tax Rate



City Council voted on a Proposed Tax Rate of \$0.6812 on August 15<sup>th</sup>, a reduction of \$0.0241 cents from the current tax rate of \$0.7053.

|                    | Previous<br>2015 | Current<br>2016 | Proposed<br>2017 |
|--------------------|------------------|-----------------|------------------|
| O&M                | 0.2221           | 0.2225          | 0.2412           |
| Debt               | <u>0.4900</u>    | <u>0.4828</u>   | <u>0.4400</u>    |
| Total              | 0.7121           | 0.7053          | 0.6812           |
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| % O&M              | 31.2%            | 31.5%           | 35.4%            |
| % Debt             | 68.8%            | 68.5%           | 64.6%            |
| <br>               |                  |                 |                  |
| Effective Tax Rate |                  |                 | 0.6392           |
| Rollback Rate      |                  |                 | 0.6566           |

# Tax Rate/Budget Adoption Calendar



- August 6<sup>th</sup> Budget Discussion #1
- August 15<sup>th</sup> Budget Discussion #2; Record vote to propose tax rate & schedule Public Hearings; Finance notifies Chief Appraiser with proposed tax rate and dates of Public Hearings and Chief Appraiser advertises the notice. If proposed tax rate is above Rollback rate, City must post notice (provided by Chief Appraiser) on the City's website until tax rate is adopted
- August 22<sup>nd</sup> Budget Discussion #3
- August 29<sup>th</sup> Budget Discussion #4; 1<sup>st</sup> Public Hearing on tax rate; Public Hearing on Budget
- Tuesday,  
September 6<sup>th</sup> Budget Discussion #5; 2<sup>nd</sup> Public Hearing on tax rate
- September 12<sup>th</sup> 1<sup>st</sup> reading of Ordinance to adopt tax rate; 1<sup>st</sup> reading of Ordinance to adopt budget and pay plans; 1<sup>st</sup> reading to adopt fee changes
- September 19<sup>th</sup> 2<sup>nd</sup> and final reading of Ordinance to adopt tax rate; 2<sup>nd</sup> and final reading of Ordinance to adopt FY 2016/17 budget and pay plans; 2<sup>nd</sup> and final reading to adopt fee changes; Resolution to adopt Five-Year CIP