



**CITY COUNCIL**  
**CITY OF PEARLAND**  
**SPECIAL COUNCIL MEETING**  
**MONDAY, AUGUST 15, 2016 | 6:30 P.M.**  
**COUNCIL CHAMBERS | PEARLAND CITY HALL | 3519 LIBERTY DRIVE**  
**281.652.1600**

**I. CALL TO ORDER**

**II. PURPOSE OF THE MEETING:**

- 1. Consideration and Possible Action – Resolution No. 2016-147 –**  
A Resolution of the City Council of the City of Pearland, Texas, placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 budget and setting the public hearing on the budget for August 29, 2016.
- 2. Consideration and Possible Action – To vote on Proposed Tax Rate and Tax Revenue Increase:**

**Option 1. Resolution No. R2016-146 –** A Resolution of the City Council of the City of Pearland, Texas, voting on a proposed tax rate of \$0.6812, a property tax revenue increase of 6.670% above the effective tax rate, and placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 tax rate and setting the public hearings on the tax rate for August 29, 2016 and September 6, 2016.

Or

**Option 2. Resolution No. R2016-146 –** A Resolution of the City Council of the City of Pearland, Texas, voting on a proposed tax rate of \$0.6566, a property tax revenue increase of 2.7% above the effective tax rate, and placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 tax rate and setting the public hearings on the tax rate for August 29, 2016 and September 6, 2016.

- 3. Council Input and Discussion:** Discussion #2, Fiscal Year 2016 – 2017 Budget.

**III. ADJOURNMENT**

This site is accessible to disabled individuals. For special assistance, please call Young Lorfing at 281-652-1840 prior to the meeting so that appropriate arrangements can be made.

**All agenda supporting documents are available at [pearlandtx.gov](http://pearlandtx.gov)**

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

<b>AGENDA OF: 08/15/2016</b>	<b>ITEM NO.: R2016-147</b>
<b>DATE SUBMITTED: 08/10/2016</b>	<b>DEPARTMENT OF ORIGIN: Finance</b>
<b>PREPARED BY: Tara Kilpatrick</b>	<b>PRESENTOR: Tara Kilpatrick</b>
<b>REVIEWED BY: Jon R. Branson</b>	<b>REVIEW DATE: August 11, 2016</b>
<b>SUBJECT: Resolution R2016-147 - A Resolution of the City Council of the City of Pearland, Texas, placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 budget and setting the public hearing on the budget for August 29, 2016.</b>	
<b>EXHIBITS: Resolution No. R2016-147 Legal Notices – Options 1 and 2</b>	
<b>EXPENDITURE REQUIRED: N/A</b>	<b>AMOUNT BUDGETED: N/A</b>
<b>AMOUNT AVAILABLE: N/A</b>	<b>PROJECT NO.: N/A</b>
<b>ACCOUNT NO.: N/A</b>	
<b>ADDITIONAL APPROPRIATION REQUIRED: N/A</b>	
<b>ACCOUNT NO.: N/A</b>	
<b>PROJECT NO.: N/A</b>	
<b>To be completed by Department:</b>	
<input checked="" type="checkbox"/> <b>Finance</b> <input type="checkbox"/> <b>Legal</b> <input type="checkbox"/> <b>Ordinance</b> <input checked="" type="checkbox"/> <b>Resolution</b>	

**EXECUTIVE SUMMARY**

**BACKGROUND**

Pursuant to Section 8.06 of the City Charter, the City Council shall cause to be published in the official newspaper, a notice of the hearing setting forth the time, place, and date of such meetings. Pursuant to State Law, the governing body shall set the hearing for a date occurring after the 15<sup>th</sup> day after the date the proposed budget is filed with the municipal clerk but before the date the governing body makes its tax levy. The budget was filed on July 29, 2016. Also, the notice must be published not earlier than the 30<sup>th</sup> or later than the 10<sup>th</sup> day before the date of the hearing.

The public hearing on the budget is scheduled for Monday, August 29, 2016. After the hearing, the City Council may adopt the budget with or without amendment. In amending the budget after the public hearing, the City may add or increase programs or amounts, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus funds available from prior years. The first reading to adopt

the budget is scheduled for September 12, 2016 with the second and final reading on September 19, 2016.

The public notice on the budget must contain required language pursuant to HB 3195, as the fiscal year 2016-2017 budget raises more property tax revenues than generated in the previous year. Based on the two options concerning the proposed tax rate:

- Option 1 - \$0.6812, the budget is estimated to raise more revenue from property taxes than last year's budget by \$6,954,325 or 15.6%, and of that amount \$2,755,487 is tax revenue to be raised from new property added to the tax roll this year.
- Option 2 - \$0.6566, the budget is estimated to raise more revenue from property taxes than last year's budget by \$5,115,425 or 12.4%, and of that amount \$2,656,137 is tax revenue to be raised from new property added to the tax roll this year.

The notice will be sent to the paper and published Thursday, August 18, 2016, as well as put on the City's web-site at [www.pearlandtx.gov](http://www.pearlandtx.gov) and televised on the Pearland Municipal Channel.

### **POLICY CONSIDERATION**

Texas Local Government Code and City Charter  
Council Strategic Priority of Fiscally Responsible

### **RECOMMENDED ACTION**

Consideration and approval of a Resolution of the City Council of the City of Pearland, Texas, placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 budget and setting the public hearing on the budget for August 29, 2016.

**RESOLUTION NO. R2016-147**

**A Resolution of the City Council of the City of Pearland, Texas, placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 budget and setting the public hearing on the budget for August 29, 2016.**

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

**Section 1.** That the agendas of the September 12, 2016 and September 19, 2016, City Council meetings shall include consideration of the proposed Fiscal Year 2016-2017 Budget.

**Section 2.** That the public hearing on the proposed Fiscal Year 2016-2017 Budget is scheduled for August 29, 2016 at 6:30pm in Council Chambers at 3519 Liberty Drive, Pearland, TX 77581

PASSED, APPROVED and ADOPTED 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

**NOTICE OF PUBLIC HEARING ON THE PROPOSED OPERATING BUDGET  
OF  
THE CITY OF PEARLAND FOR THE FISCAL YEAR 2016-2017**

The City Council of the City of Pearland, Texas, will hold a Public Hearing on the operating budget for Fiscal Year 2016-2017, at 6:30 p.m., on August 29, 2016 in the Council Chambers, City Hall, 3519 Liberty Drive, Pearland, Texas.

The budget is estimated to raise more revenue from property taxes than last year's budget by \$6,954,325 or 15.6%, and of that amount \$2,755,487 is tax revenue to be raised from new property added to the tax roll this year.

At said hearing all interested parties shall have the right and opportunity to appear and be heard on the subject.

Young Lorfing, TRMC  
City Secretary

This site is accessible to disabled individuals. For special assistance, please call Young Lorfing at 281.652.1655, prior to the meeting so that appropriate arrangements can be made.

**NOTICE OF PUBLIC HEARING ON THE PROPOSED OPERATING BUDGET  
OF  
THE CITY OF PEARLAND FOR THE FISCAL YEAR 2016-2017**

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The budget is estimated to raise more revenue from property taxes than last year's budget by \$5,115,425 or 12.4%, and of that amount \$2,656,137 is tax revenue to be raised from new property added to the tax roll this year.

At said hearing all interested parties shall have the right and opportunity to appear and be heard on the subject.

Young Lorfing, TRMC  
City Secretary

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

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<b>DATE SUBMITTED: 08/10/2016</b>	<b>DEPARTMENT OF ORIGIN: Finance</b>
<b>PREPARED BY: Tara Kilpatrick</b>	<b>PRESENTOR: Tara Kilpatrick</b>
<b>REVIEWED BY: Jon R. Branson</b>	<b>REVIEW DATE: August 11, 2016</b>
<b>SUBJECT: Resolution 2016-146: A Resolution of the City Council of the City of Pearland, Texas, voting on a proposed tax rate of \$0.6812, a property tax revenue increase of 6.6% or a proposed tax rate of \$0.6566, a property tax revenue increase of 2.7% above the effective tax rate, and placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 tax rate and setting the public hearings on the tax rate for August 29, 2016 and September 6, 2016.</b>	
<b>EXHIBITS: Resolution No. 2016-146 – Option 1 and Option 2 Tax Rate PowerPoint</b>	
<b>EXPENDITURE REQUIRED: N/A</b>	<b>AMOUNT BUDGETED: N/A</b>
<b>AMOUNT AVAILABLE: N/A</b>	<b>PROJECT NO.: N/A</b>
<b>ACCOUNT NO.: N/A</b>	
<b>ADDITIONAL APPROPRIATION REQUIRED: N/A</b>	
<b>ACCOUNT NO.: N/A</b>	
<b>PROJECT NO.: N/A</b>	
<b>To be completed by Department:</b>	
<input type="checkbox"/> Finance	<input type="checkbox"/> Legal
<input type="checkbox"/> Ordinance	<input checked="" type="checkbox"/> Resolution

**EXECUTIVE SUMMARY**

**BACKGROUND**

City Council held its first budget workshop for the 2016-2017 budget on August 6, 2016. The budget as filed included a proposed tax rate of \$0.6612 per \$100 valuation; \$0.4400 for the debt service component of the tax rate and \$0.2212 for the operating component of the tax rate. The proposed tax rate as filed of \$0.6612 is a \$0.0441 cent decrease from the current tax rate of \$0.7053; proposing a \$0.0428 decrease on the debt component and a \$0.0013 decrease on the operating component. The filed budget anticipated that the proposed tax rate would be at the rollback rate.

At the August 6, 2016 City Council meeting, staff received direction to present two tax options; one at the rollback rate and the other at \$0.2412 for O&M making a total tax rate of \$0.6812. In both scenarios the debt service component would stay constant at \$0.4400 while the O&M rate would either be \$0.2212 or \$0.2412.

However, upon receipt of the effective and rollback calculations from the Brazoria County Tax Assessor–Collector, the effective operating tax rate of \$0.2166 was lower than the originally anticipated rate of \$0.2212 (based on preliminary estimates from the Appraisal Districts) and the total proposed rollback rate had been given at 2.4 cents below the total rate for current tax year 2015.

As such, staff is still presenting two options; one at \$0.6812; a little more than two cents below the current tax rate of \$0.7053 and the other at the rollback rate of \$0.6566.

- Option 1: total tax rate of \$0.6812; \$0.4400 for debt service and \$0.2412 for O&M
- Option 2: total tax rate of \$0.6566; \$0.4400 for debt service and \$0.2166 for O&M

Both options generate \$33,242,286 for debt service to meet our obligations. Option 1 generates \$27,337,393 for the general fund while Option 2 would generate \$25,153,176 for the general fund; a \$2,184,217 decrease for general fund operations. The rollback rate is less than estimated in the formally proposed budget meaning a revenue decline of \$613,548 that would have to be removed from the budget. Both options are lower than the current tax rate of \$0.7053; \$0.4828 for debt service and \$0.2225 for O&M.

Based on a residential taxable value of \$187,000, growing the value by 10% and accounting for a \$5,000 homestead exemption, the City of Pearland portion of the taxpayer's property bill would be:

- \$1,351 based on a tax rate at the rollback rate of \$0.6566 or
- \$1,367 based on a tax rate of \$0.6812 which is above the rollback rate

### **Truth-In-Taxation Publication Requirements**

Effective on January 1, 2014, new publication requirements went into effect, with the adoption of Senate Bill 1510. The publication requirement is actually more efficient and replaces the following three notification requirements under Chapter 26 of the Tax Code with one:

Effective and Rollback Tax Rate Publication  
Notice of Public Hearing on Tax Increase  
Notice of Tax Revenue Increase

The proposed property tax rate notice must be published by September 1 and must be published at least seven days before the first public hearing on the tax rate.

The notice of the public hearing states the total tax rate that has been proposed for adoption and compares the proposed rate to the effective and rollback rate. Since the proposed rate exceeds the lower of the effective tax rate or the rollback tax rate, two public hearings are required. The notice provides for the date, time and place of the public hearings. The public hearings are scheduled for Monday, August 29<sup>th</sup> and Tuesday, September 6, 2016 at 6:30pm at

City Hall, 3519 Liberty Drive. The first reading of the ordinance to adopt the tax rate is scheduled for September 12<sup>th</sup>, with the second and final reading on September 19, 2016.

The notice will be published before September 1<sup>st</sup> by the Brazoria County Tax Assessor – Collector in the Pearland Journal. The notice will also be placed on the City’s web-site and municipal channel. The information on the web-site, pursuant to State law, must be posted until the city adopts the tax rate on September 19, 2016.

**Truth-In-Taxation Election to Repeal Increase**

If a governing body adopts a tax rate that exceeds the rollback tax rate, qualified voters of the taxing unit by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

7% of the registered voters of the taxing unit according to the most recent official list of registered voters must sign the petition and it must be submitted to the governing body on or before the 90<sup>th</sup> day after the date on which the governing body adopted the tax rate for the current year.

No later than the 20<sup>th</sup> day after the day a petition is submitted, the governing body shall determine whether or not the petition is valid and pass a resolution stating its findings. If the governing body fails to act within the time allowed, the petition is treated as if it had been found valid.

If the governing body finds that the petition is valid or fails to act within the allotted timeframe, an election shall be held in the taxing unit on a date not less than 30 or more than 90 days after the last day on which it could have acted to approve or disapprove the petition.

If a majority of the qualified voters vote in favor of the proposition, the tax rate for the taxing unit for the current year is the rollback rate. Otherwise, the tax rate for the current year is the one adopted by the governing body.

If the tax rate is reduced by an election after the tax bills are mailed, the assessor shall prepare and mail corrected tax bills. If a property owner paid taxes calculated on the higher tax rate, the taxing unit shall refund the difference between the amount of taxes paid and the amount due under the reduced rate. The City would bear the cost of the election along with expenses incurred by the appraisal district to issue revised tax bills and refunds.

**POLICY CONSIDERATION**

Property Tax Code; the Truth-in-Taxation process.

There must be a motion to propose a tax rate of:

\$0.6812, a 6.6% tax increase above the effective tax rate and schedule two public hearings for public discussion on the tax rate.

or

\$0.6566, a 2.7% tax increase above the effective tax rate and schedule two public hearings for public discussion on the tax rate.

There must be a record vote. *After the proposed tax rate is approved, Council must announce the date, time and place of the two public hearings on the proposed tax increase.*

### **RECOMMENDED ACTION**

Consideration and approval of the Resolution to propose a tax rate of \$0.6812 or \$0.6566, a property tax revenue increase of 6.6% or 2.7% above the effective tax rate, and placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 tax rate and setting the public hearings on the tax rate for August 29, 2016 and September 6, 2016.

Staff recommends to Council Option 1; a total tax rate of \$0.6812.

**RESOLUTION NO. R2016-146**

**A Resolution of the City Council of the City of Pearland, Texas, voting on a proposed tax rate of 0.6812, a property tax revenue increase of 6.6% above the effective tax rate, and placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 tax rate and setting the public hearings on the tax rate for August 29, 2016 and September 6, 2016.**

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

**Section 1.** That the agendas of the September 12, 2016 and September 19, 2016, City Council meetings shall include consideration of the proposed fiscal year 2016-2017 tax rate of \$0.6812 per \$100 valuation, a tax revenue increase of 6.6% above effective tax rate.

**Section 2.** That public hearings on said proposed tax rate are scheduled for August 29, 2016, and September 6, 2016, at 6:30 p.m.

PASSED, APPROVED and ADOPTED 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

**RESOLUTION NO. R2016-146**

**A Resolution of the City Council of the City of Pearland, Texas, voting on a proposed tax rate of 0.6566, a property tax revenue increase of 2.7% above the effective tax rate, and placing on the agendas of September 12, 2016 and September 19, 2016 City Council meetings, consideration of the proposed fiscal year 2016-2017 tax rate and setting the public hearings on the tax rate for August 29, 2016 and September 6, 2016.**

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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

## Property Tax Rate

AUGUST 15, 2016





# 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).

# Follow-Up from August 6<sup>th</sup> Budget Workshop



- Risk Manager
- Addressing Coordinator
- Full Time Traffic Engineer
- Recreation Specialist
- Super Bowl Week Events
- Roof Management Contract
- Water Meter Changeout
- CVB Budget
- Revenue Increase for Enterprise Fund
- Tax Bill Breakdowns
- Parks & Recreation Zones

# Overview



- Tax base value is certified by three Appraisal Districts
- Tax rate is set by Pearland City Council
- Brazoria County and Fort Bend County Appraisal Districts are required to certify values within the City of Pearland by July 25<sup>th</sup> of each year. Harris County is required to certify values by August 30<sup>th</sup>
- Values are detailed by the following types:
  - ✓ Residential
  - ✓ Commercial/Industrial

# Property Tax Base Value



- Brazoria County computes the Effective Tax Rate (ETR) and Rollback Rate (RBR) for the City after Certified Values are received from Brazoria County and Fort Bend County. Which means that the ETR and RBR are not received until August
- The Proposed Budget as Distributed to Council on July 29, 2016 is built on preliminary tax rolls as received from the three Appraisal Districts and preliminary tax rates based on preliminary values
- The preliminary values for tax year 2016 (FY 2016-2017) are \$9.8 billion, which is 15.7% more than the current adjusted roll for FY 2015-16 and inclusive of Tirz #2. The Tirz went down from earlier estimate (\$2.5 billion to \$2.1 billion)



# Property Tax Rate

- Each September, City Council sets a property tax rate necessary to support the City's annual budget
- The tax rate included in the proposed budget for FY 2016-17 was \$0.6612. However, the ETR and RBR as received by Brazoria County in August are slightly **lower** than preliminary; \$0.6391 and \$0.6566 respectively. The 2016 tax year total taxable value including TIRZ# 2 is \$9.7 billion, whereas prior available calculation was \$9.8 billion
- Staff was requested on August 6<sup>th</sup> by Council to present two options for the tax rate; one at the RBR (now \$0.6566) and the other above the RBR (\$0.6812)
- Both are a **lower property tax rate** than the current rate of \$0.7053 and lower than projected in prior year's budget sessions



# Property Tax Rate

The tax rate is split between:

- ✓ General Fund, which supports all essential day-to-day operations
- ✓ Debt Service Fund, which is based on rate needed to pay the City's general obligation long-term debt

	FY 2015/16 Adopted Rate		FY 2016/17 Option #1		FY 2016/17 Option #2	
General Fund	0.2225	32%	0.2412	35%	0.2166	33%
Debt Service	0.4828	68%	0.4400	65%	0.4400	67%
<b>Total</b>	<b>0.7053</b>	<b>100%</b>	<b>0.6812</b>	<b>100%</b>	<b>0.6566</b>	<b>100%</b>



# Property Tax Rate

General Fund and Debt Service Property Tax Rates	FY 2015/16 Actual Rates & Levy	FY 2016/17*			
		Effective Tax Rate	Rollback Rate (8% revenue cap)	Proposed Tax Rate	Current Tax Rate
O&M	0.2225	0.1992	0.2166	0.2412	0.2225
Debt service	0.4828	0.4400	0.4400	0.4400	0.4828
<b>Total</b>	<b>0.7053</b>	0.6392	0.6566	0.6812	0.7053
G.F. Property Tax Revenue + TIRZ Administrative Fee (in millions)	\$13.8 + \$9.2	\$15.0 + \$8.6	\$16.4 + \$8.8	\$18.2 + \$9.1	\$16.8 + \$9.4
	= \$23.1	= \$23.6	= \$25.2	= \$27.3	= \$26.2

\*For FY 2016/17, the rollback scenario in purple is column used in the recommended budget revenue (now updated rate and revenue here). The staff-recommended additional revenue by reducing the current total City property tax levy by 2.41 cents, yet still adds roughly equal 2.46 cents from the rollback to operations and maintenance is shown in green.

Budget Follow-Ups 8/15/2016



# Property Tax Rate

## Option #1 Implications

- With a tax rate of \$0.6812, which is 2.46 cents above the RBR and 2.41 cents below the current tax rate of \$0.7053, the City will see a revenue increase over the **proposed** budget of \$1.5 million. The revenue increase from the actual RBR (\$0.6566) to the Option #1 rate (\$0.6812) would be \$2.1 million.
- The additional revenue can be used for:
  - ✓ Additional fleet improvements
  - ✓ Facilities
  - ✓ Community Development staffing
  - ✓ Fund Balance
  - ✓ Streets and sidewalks



# Property Tax Rate

## Option #2 Implications

- With a tax rate of \$0.6566, the RBR, the General Fund will see a loss in revenue of \$613,548 from the **proposed** budget
- Items that will need to be cut from the budget due to the reduced revenue include:
  - ✓ Additional cuts in streets and sidewalk maintenance
  - ✓ Reduction in funded supplemental requests presented in the proposed budget
  - ✓ Reduction in Fund Balance



# Estimated Fund Balance

## FY2016/FY2017 ESTIMATED ENDING FUND BALANCE

General Fund	FY15 Actuals	FY16 Amended Budget	FY16 Estimated	FY 2017 \$0.6812 Tax Rate
Beginning Fund Balance	\$19,454,501	\$21,354,237	\$21,354,237	\$14,407,779
Revenues	\$65,939,951	\$70,791,421	\$71,273,386	\$73,791,489
Expenditures	<u>\$64,040,215</u>	<u>\$78,359,546</u>	<u>\$78,219,844</u>	<u>\$75,944,035</u>
Net	\$1,899,736	-\$7,568,125	-\$6,946,458	-\$2,152,546
Ending Fund Balance	\$21,354,237	\$13,786,112	\$14,407,779	\$12,255,233
Targeted Fund Balance - 2 months of Recurring Operating Expenditures	\$10,333,520	\$11,168,568	\$11,199,984	\$11,665,004
Amount Over Policy				\$590,229

Revenue increase of \$1,570,669 in revenues and increase of \$1m in expenditures

# 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 the lower of the Rollback Tax Rate or the Effective Tax Rate
  - ✓ Public notice of proposed tax rate calculations and public hearings will be published in the Pearland Journal by the Brazoria County Tax Assessor
- Allows taxpayers to petition for roll back or limit tax increase via an election to repeal the increase

# Effective Tax Rate



- Effective Tax Rate is a rate that generates the same amount of revenue in the new fiscal year on property that was taxed in the previous fiscal year, exclusive of service needs or cost growth
  - ✓ New construction is **not** included in the calculation
- With the new certified rolls from the Assessor, FY 2016-17 Effective Tax Rate = \$0.639151
  - ✓ \$0.0661 decrease from current tax rate of \$0.7053
- If tax rate were set at Effective Tax Rate, the amount dedicated to the general fund operations would decrease by \$2.2 million from the proposed budget with a tax rate of \$0.6612

# Rollback Tax Rate



- Rollback Tax Rate is a rate that if exceeded provides voters an opportunity to limit a tax rate increase through a petition process to call a citywide Rollback Election
- Rollback Tax Rate is the effective General Fund rate plus an 8% increase on General Fund taxes, plus the 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 City property taxes

# Rollback Tax Rate (continued)



- FY 2016-17 calculated Rollback Tax Rate = \$0.6566
  - ✓ \$0.0487 lower than the current rate and \$0.0175 higher than the Effective Tax Rate
- If the tax rate were set at the Rollback Tax Rate, General Fund revenues would decrease by \$613,548 for day-to-day general fund operations and services from the proposed budget
- If the tax rate were set above the Rollback Tax Rate, at \$0.6812, \$0.0246 above the Rollback rate, the General Fund revenues would increase by \$1.6 million for the City's provision of staffing and essential General Fund operations and services from the proposed budget

# Tax Rate Adoption



For a taxing unit to adopt a rate above the lower of the Effective Tax Rate (\$0.6392) or the Rollback Tax Rate (\$0.6566), qualified voters by petition may require a rollback election

- 7% of the voters sign a petition to limit the tax rate within 90 days of the date the City Council adopted the tax rate
- No later than 20 days after receipt of the petition, the governing body must determine whether or not the petition is valid and pass a resolution with the finding. If the petition is valid, an election is to be held not less than 30 or more than 90 days after the last day on which Council could have acted to approve or disapprove the petition
- If the proposition is approved by the voters, the rate will revert to the **rollback rate** otherwise the tax rate will remain the rate adopted by City Council.

# Tax Rate Influence on Property Tax Bill



### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	263,160	270,000	6,840
Homestead Cap Loss	(13,911)	-	13,911
<b>Taxable Value</b>	<b>\$ 249,249</b>	<b>\$ 270,000</b>	<b>20,751</b>

### Scenario A (Total City tax rate decrease of 0.241 from 2015 rate)

Taxing Entity	Tax Year 2015			Tax Year 2016*			Annual \$ Change
	Rate	Amount	% of Total Amount	Rate**	Amount	% of Total Amount	
Alvin Independent School District	1.4170	3,178	39.5%	1.4356	3,517	40.7%	340
City of Pearland	0.7053	1,714	21.3%	0.6812	1,793	20.7%	79
MUD #26	0.6900	1,376	17.1%	0.6900	1,490	17.2%	115
Brazoria County	0.4260	849	10.5%	0.3974	858	9.9%	9
Alvin Community College	0.2040	508	6.3%	0.2040	551	6.4%	42
Brazoria County Drainage District #4	0.1555	310	3.9%	0.1432	309	3.6%	(1)
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	118	1.5%	0.0600	128	1.5%	10
<b>Total</b>	<b>3.6578</b>	<b>8,053</b>		<b>3.6115</b>	<b>8,647</b>		<b>594</b>



# City Tax Rate Recap

- Current FY 2015/16 = \$0.7053
  - ✓ Rate adopted for FY 2015-2016
- Proposed \$0.6812 or option at rollback \$0.6566
- Effective Tax Rate = \$0.639151 (\$2.2 million general fund revenue decrease from proposed budget)
- Rollback Rate = \$0.6566 (\$613,548 General Fund revenue decrease from proposed budget)
  - ✓ Effective General Fund rate plus 8%, plus rate necessary to pay debt service
  - ✓ Rate that if exceeded provides voters the opportunity to limit the tax rate increase through a city-wide Rollback Election

# 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; August 16th 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

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