



## **CITY COUNCIL AGENDA**

CITY OF PEARLAND

**PUBLIC HEARING**

**TUESDAY, SEPTEMBER 6, 2016, 6:30 P.M.**

COUNCIL CHAMBERS | PEARLAND CITY HALL | 3519 LIBERTY DRIVE  
281.652.1600

- I. Call to Order**
- II. Purpose of Hearing** – Public Hearing on the Proposed 2016 Tax Rate for the 2016-2017 Budget.
- III. Staff Review** – Proposed 2016 Tax Rate for the 2016 – 2017 Budget.
- IV. Citizen Comments**
- V. Council/Staff Discussion** – Regarding the Tax Rate and Discussion #5, Fiscal Year 2016-2017 Budget.
- VI. Adjournment**

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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:</b> 9/6/2016	<b>ITEM NO.:</b> Public Hearing
<b>DATE SUBMITTED:</b> 8/31/2016	<b>DEPARTMENT OF ORIGIN:</b> Finance
<b>PREPARED BY:</b> Tara Kilpatrick	<b>PRESENTOR:</b> Tara Kilpatrick
<b>REVIEWED BY:</b> Jon R. Branson	<b>REVIEW DATE:</b> August 31, 2016
<b>SUBJECT:</b> Public Hearing on the Proposed 2016 Tax Rate for the 2016-2017 Budget	
<b>EXHIBITS:</b> John McCarter August 24, 2016 Memo PowerPoint Presentation	
<b>EXPENDITURE REQUIRED:</b> N/A <b>AMOUNT AVAILABLE:</b> N/A <b>ACCOUNT NO.:</b> N/A	<b>AMOUNT BUDGETED:</b> N/A <b>PROJECT NO.:</b> N/A
<b>ADDITIONAL APPROPRIATION REQUIRED:</b> N/A <b>ACCOUNT NO.:</b> N/A <b>PROJECT NO.:</b> N/A	
<b>To be completed by Department:</b> <input checked="" type="checkbox"/> Finance <input type="checkbox"/> Legal <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution	

**EXECUTIVE SUMMARY**

**BACKGROUND**

Pursuant to truth-in-taxation laws, taxing units must hold two public hearings and provide for a publication stating the dates, time and place of the public hearings before adopting a tax rate that exceeds the rollback rate or the effective tax rate, whichever is lower. The proposed City tax rate for the tax year 2016 of \$0.6812 per \$100 valuation exceeds the rollback rate of \$0.6566, yielding a 2.7% increase over the effective rate. As such, the City of Pearland is required to hold two public hearings. The notice of the public hearings was published in The Facts newspaper on August 22<sup>nd</sup> and the Pearland Journal on August 24<sup>th</sup>. The notice was also placed on the City website and municipal channel. The effective tax rate is the tax rate that would be needed to generate the same amount of revenue in the preceding year on the same properties.

The first public hearing was held on August 29, 2016 with the second being held Tuesday, September 6, 2016. The first reading of the ordinance is scheduled for September 12<sup>th</sup>, with the second and final reading scheduled for September 19, 2016.

**POLICY CONSIDERATION**

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

**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 cents over the current year, and the proposed debt service tax rate is \$0.4400, a decrease of \$0.0428 cents below the current year. Sixty-five percent of the tax rate is allocated to debt service and thirty-five percent allocated to operations.

The operating component funds the wide variety of essential public services the City effectively and efficiently provides in a growing community. Public services supported by property taxes include the police, fire, streets, traffic, parks, stormwater management, 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 cents lower than the current tax rate of \$0.7053. A homeowner's property tax bill is based on appraised value and multiple taxing units such as school districts and MUD's that each charge varying tax rates. John McCarter's memo dated August 24, 2016 provides several examples of potential tax bills including the impact this proposed tax rate of \$0.6812 could have for the City of Pearland portion of the citizen's tax bill.

**RECOMMENDED ACTION**

Conduct a public hearing on the proposed 2016 tax rate.



# Memo

To: Clay Pearson, City Manager

From: John McCarter, Management Assistant

CC: Jon Branson, Deputy City Manager  
Trent Epperson, Assistant City Manager  
Cynthia Pearson, Finance Director  
Rick Overgaard, Assistant Finance Director  
Tara Kilpatrick, Budget Officer

Date: August 24, 2016

Re: Sample Tax Bills

The purpose of this memorandum is to outline the purpose and methodology for the attached sample tax bills.

Sample tax bills were compiled by staff in response to a request during the August 6<sup>th</sup> City Council Budget Discussion to see the impact of changes to our tax rate on a typical resident's tax bill. The hope is to provide a full picture of all taxing entities in different areas of the city from the residents' perspective.

Before proceeding, it is important to understand that the information included in the "Tax Year 2016" section of these sample bills is not the certified information that will be included on Tax Year 2016 statements. The Appraised and Taxable values are from the preliminary tax rolls and the rates reflected were changed in cases where staff was able to find the posted Tax Year 2016 rate; in cases where the new rate wasn't posted, it remains at the 2015 level. Many other taxing entities are in the same stage we are, meaning they have not locked in their Tax Year 2016 rates yet.

These sample tax bills are meant to be for illustrative purposes only.

## **The Tax Year Cycle**

When looking at the sample tax bills it is important to understand the steps involved with assessing taxes. Although we are considering the Fiscal Year 2017 tax rate, that tax rate will be applied to the Tax Year 2016 values. Generally, a Notice of Appraised Value is sent to residents in the winter or spring. Over the summer, taxing entities set their rates and statements are sent out in the fall.

As a general rule of thumb, the county's tax year is one year behind our fiscal year. When you see "Tax Year 2016" think "Fiscal Year 2017".

### Tax Bill Calculations

All sample tax bills included in this memorandum have the Homestead Tax Exemption applied. This means these are residential properties with a primary resident living in them full-time who has applied for the exemption.

The Homestead Exemption starts with a baseline cap in taxable value growth at 10%. In short, the **taxable** portion of a Homestead Exempt property cannot increase more than 10% over the previous year.

After the baseline exemption is granted, different taxing entities can apply additional exemptions. For instance the City of Pearland applies a 2.5% deduction in taxable value for homes over \$200,000. For homes under \$200,000, a flat \$5,000 deduction is applied. These deductions vary but the general equation is outlined below.

$$(\text{Taxable Value} - \text{Deductions}) \times \text{Tax Rate} / 100 = \text{Amount}$$

Homestead Tax Bill Example 3 provides a good illustration of the Homestead Exemption in capped years and non-capped years. Looking at Tax Year 2015 in the "Taxable Value Summary" table, the value growth over Tax Year 2014 did not meet the 10% cap, so the Appraised Value (\$132,300) equals the baseline Taxable Value (\$132,300).

In order to calculate the line item amount for each taxing entity, you then have to apply the entity-specific deduction to that baseline taxable value. On this property for the City of Pearland line that would be an additional \$5,000 deduction to the baseline. After that deduction is applied, the remaining taxable value (\$127,000) is applied to the City's Tax Rate (.7053) and divided by 100 to get the Tax Year 2015 line item amount (\$897.85). The full equation is outlined below.

$$(132,300 - 5,000) \times 0.7053 / 100 = \$898$$

In Tax Year 2016, the same property hit the 10% cap on taxable value. The 2016 Appraised Value (160,910) was 21% higher than the Tax Year 2015 Taxable Value (\$132,300). When this happens, the difference between a 21% increase and a 10% increase is subtracted from the Appraised Value. This is called the Homestead Cap Loss (\$15,380). The result is a Taxable Value that is only 10% higher than the Tax Year 2015 Taxable Value. The equation is outlined below.

$$\text{Appraised Value} - \text{Homestead Cap Loss} = \text{Taxable Value}$$

$$160,910 - 15,380 = 145,530$$

We then apply that taxable value to each set of deductions and tax rates to get each line item. The City of Pearland equation for Scenario A is outlined below.

$$(145,530 - 5,000) \times 0.6812 / 100 = \$957$$

All line items deductions applied on each example tax bill are explained at the bottom of the sample bill.

**Data Sources**

The source for most of the data included on these sample tax bills is the County Assessor's Offices in Brazoria, Harris and Fort Bend Counties.

## Homestead Generic Example -- Zero Growth

Address: N/A

Subdivision: N/A

Characteristics:

0% property value growth in 2015 and 2016

### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	187,000	187,000	-
Homestead Cap Loss	-	-	-
2015 Taxable Value	187,000	187,000	-

### 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	Rate**	Amount	
City of Pearland	0.7053	1,284	0.6812	1,240	(44)

# Homestead Tax Bill Example 1

Address: XXXX Seabrough

Subdivision: Shadow Creek Ranch

**Characteristics:**

- Exceeded Homestead Cap in 2015 but not in 2016
- 3% increase in Appraised Value TY15-TY16
- 8% increase in Taxable Value TY15-TY16
- Includes proposed decrease in Brazoria County TY16 rate
- Includes proposed Increase in Alvin ISD TY16 rate
- Includes proposed decrease in Brazoria County Drainage District TY16 rate
- Within MUD boundaries

### 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	41.1%	340
City of Pearland	0.7053	1,714	21.3%	0.6812	1,793	20.9%	79
MUD #26	0.6900	1,376	17.1%	0.6900	1,490	17.4%	115
Brazoria County	0.4260	849	10.5%	0.3974	858	10.0%	9
Alvin Community College	0.2040	508	6.3%	0.1728	467	5.4%	(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>3.5803</b>	<b>8,563</b>		<b>510</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

\*Certified Tax Year numbers are not shared until October. These are based on preliminary numbers on Brazoria, Harris and Fort Bend County Tax Assessor's websites.

\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

- City of Pearland:** 2.5% deduction to Taxable Value
- Brazoria County Drainage District #4:** 20% deduction to Taxable Value
- Brazoria County:** 20% deduction to Taxable Value
- Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value
- MUD #26:** 20% deduction to Taxable Value
- Alvin ISD:** \$25,000 deduction to Taxable Value

## Homestead Tax Bill Example 2

Address: XXXX Pecan Grove Dr

Subdivision: Southwyck

**Characteristics:**

- Exceeded Homestead Cap in both 2015 and 2016
- 19% increase in Appraised Value TY15-TY16
- 10% increase in Taxable Value TY15-TY16
- Includes proposed decrease in Brazoria County TY16 rate
- Includes proposed decrease in Brazoria County Drainage District TY16 rate
- Not within MUD boundaries

### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	139,390	166,260	26,870
Homestead Cap Loss	(3,199)	(16,450)	(13,251)
<b>2015 Taxable Value</b>	<b>136,191</b>	<b>149,810</b>	<b>13,619</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	
Pearland Independent School District	1.4156	1,574	49.2%	1.4156	1,767	50.9%	193
City of Pearland	0.7053	925	28.9%	0.6812	986	28.4%	61
Brazoria County	0.4260	464	14.5%	0.3974	476	13.7%	12
Brazoria County Drainage District #4	0.1555	169	5.3%	0.1432	172	4.9%	2
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	64	2.0%	0.0600	70	2.0%	7
<b>Total</b>	<b>2.7624</b>	<b>3,196</b>		<b>2.6975</b>	<b>3,471</b>		<b>275</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

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\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

- City of Pearland:** \$5,000 deduction to Taxable Value
- Brazoria County Drainage District #4:** 20% deduction to Taxable Value
- Brazoria County:** 20% deduction to Taxable Value
- Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value
- Pearland ISD:** \$25,000 deduction to Taxable Value

## Homestead Tax Bill Example 3

Address: XXXX Meadow Creek

Subdivision: Woodcreek

**Characteristics:**

- Exceeded Homestead Cap in 2016 but not in 2015
- 22% increase in Appraised Value TY15-TY16
- 10% increase in Taxable Value TY15-TY16
- Includes proposed decrease in Brazoria County TY16 rate
- Includes proposed decrease in Brazoria County Drainage District TY16 rate
- Not within MUD boundaries

### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	\$ 132,300	\$ 160,910	28,610
Homestead Cap Loss	\$ -	\$ 15,380	15,380
<b>Taxable Value</b>	<b>\$ 132,300</b>	<b>\$ 145,530</b>	<b>13,230</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	
Pearland Independent School District	1.4156	1,519	49.1%	1.4156	1,706	50.8%	187
City of Pearland	0.7053	898	29.0%	0.6812	957	28.5%	59
Brazoria County	0.4260	451	14.6%	0.3974	463	13.8%	12
Brazoria County Drainage District #4	0.1555	165	5.3%	0.1432	167	5.0%	2
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	62	2.0%	0.0600	68	2.0%	6
<b>Total</b>	<b>2.7624</b>	<b>3,094</b>		<b>2.6975</b>	<b>3,361</b>		<b>267</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

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\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

- City of Pearland:** \$5,000 deduction to Taxable Value
- Brazoria County Drainage District #4:** 20% deduction to Taxable Value
- Brazoria County:** 20% deduction to Taxable Value
- Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value
- Pearland ISD:** \$25,000 deduction to Taxable Value

## Homestead Tax Bill Example 4

Address: XXXX Auburn Trail

Subdivision: Southern Trails

**Characteristics:**

- Exceeded Homestead Cap in 2015 but not in 2016
- 6% increase in Appraised Value TY15-TY16
- 8% increase in Taxable Value TY15-TY16
- Includes proposed Increase in Alvin ISD TY16 rate
- Includes proposed decrease in Brazoria County TY16 rate
- Includes proposed decrease in Brazoria County Drainage District TY16 rate
- Within MUD boundaries

### Taxable Value Summary

	Tax Year 2015		Tax Year 2016*		Annual \$ Change
Appraised Value	\$	234,000	\$	249,000	\$ 15,000
Homestead Cap Loss	\$	(3,000)	\$	-	\$ 3,000
<b>Taxable Value</b>	<b>\$</b>	<b>231,000</b>	<b>\$</b>	<b>249,000</b>	<b>\$ 18,000</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	2,919	36.2%	1.4356	3,216	37.7%	297
MUD #34	0.8200	1,894	23.5%	0.8200	2,042	23.9%	148
City of Pearland	0.7053	1,589	19.7%	0.6812	1,654	19.4%	65
Brazoria County	0.4260	787	9.8%	0.3974	792	9.3%	4
Alvin Community College	0.2040	471	5.8%	0.1728	430	5.0%	(41)
Brazoria County Drainage District #4	0.1555	287	3.6%	0.1432	285	3.3%	(2)
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	109	1.4%	0.0600	118	1.4%	9
<b>Total</b>	<b>3.7878</b>	<b>8,057</b>		<b>3.7103</b>	<b>8,536</b>		<b>480</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

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\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

**City of Pearland:** 2.5% deduction to Taxable Value

**Brazoria County Drainage District #4:** 20% deduction to Taxable Value

**Brazoria County:** 20% deduction to Taxable Value

**Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value

**Alvin ISD:** \$25,000 deduction to Taxable Value

## Homestead Tax Bill Example 5

Address: XXXX Dixie Hollow

Subdivision: Dixie Woods

**Characteristics:**

- Exceeded Homestead Cap in both 2015 and 2016
- 17% increase in Appraised Value TY15-TY16
- 10% increase in Taxable Value TY15-TY16
- Includes proposed decrease in Brazoria County TY16 rate
- Includes proposed decrease in Brazoria County Drainage District TY16 rate
- Within MUD boundaries

### Taxable Value Summary

	Tax Year 2015		Tax Year 2016*		Annual \$ Change
Appraised Value	\$	120,140	\$	140,470	\$ 20,330
Homestead Cap Loss	\$	(4,464)	\$	(13,226)	\$ (8,762)
<b>Taxable Value</b>	<b>\$</b>	<b>115,676</b>	<b>\$</b>	<b>127,244</b>	<b>\$ 11,568</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	
Pearland Independent School District	1.4156	1,284	48.3%	1.4156	1,447	50.1%	164
City of Pearland	0.7053	781	29.4%	0.6812	833	28.8%	52
Brazoria County	0.4260	394	14.8%	0.3974	405	14.0%	10
Brazoria County Drainage District #4	0.1555	144	5.4%	0.1432	146	5.0%	2
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	54	2.0%	0.0600	59	2.1%	6
<b>Total</b>	<b>2.7624</b>	<b>2,656</b>		<b>2.6975</b>	<b>2,890</b>		<b>234</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

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\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

- City of Pearland:** \$5,000 deduction to Taxable Value
- Brazoria County Drainage District #4:** 20% deduction to Taxable Value
- Brazoria County:** 20% deduction to Taxable Value
- Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value
- Pearland ISD:** \$25,000 deduction to Taxable Value

## Homestead Tax Bill Example 6

Address: XXXX Southmere

Subdivision: Southdown

**Characteristics:**

- Exceeded Homestead Cap 2016 but not 2015
- 22% increase in Appraised Value TY15-TY16
- 10% increase in Taxable Value TY15-TY16
- Includes proposed decrease in Brazoria County TY16 rate
- Includes proposed decrease in Brazoria County Drainage District TY16 rate
- Within MUD boundaries

### Taxable Value Summary

	Tax Year 2015		Tax Year 2016*		Annual \$ Change
Appraised Value	\$	161,450	\$	196,310	\$ 34,860
Homestead Cap Loss	\$	-	\$	(18,715)	\$ (18,715)
<b>Taxable Value</b>	<b>\$</b>	<b>161,450</b>	<b>\$</b>	<b>177,595</b>	<b>\$ 16,145</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	
Pearland Independent School District	1.4156	1,932	50.0%	1.4156	2,160	51.6%	229
City of Pearland	0.7053	1,103	28.6%	0.6812	1,176	28.1%	72
Brazoria County	0.4260	550	14.2%	0.3974	565	13.5%	14
Brazoria County Drainage District #4	0.1555	201	5.2%	0.1432	204	4.9%	3
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	76	2.0%	0.0600	83	2.0%	8
<b>Total</b>	<b>2.7624</b>	<b>3,862</b>		<b>2.6975</b>	<b>4,187</b>		<b>326</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

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\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

**City of Pearland:** 2.5% deduction to Taxable Value

**Brazoria County Drainage District #4:** 20% deduction to Taxable Value

**Brazoria County:** 20% deduction to Taxable Value

**Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value

**Pearland ISD:** \$25,000 deduction to Taxable Value

## Homestead Tax Bill Example 7

Address: XXXX Pepper Landing

Subdivision: Highland Glen

**Characteristics:**

- Located in Harris County
- Did not exceed Homestead Cap in 2015 or 2016
- 2% increase in Appraised Value TY15-TY16
- 2% increase in Taxable Value TY15-TY16
- Within MUD boundaries

### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	\$ 279,200	\$ 285,152	\$ 5,952
Homestead Cap Loss	\$ -	\$ -	\$ -
<b>Taxable Value</b>	<b>\$ 279,200</b>	<b>\$ 285,152</b>	<b>\$ 5,952</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	
Pasadena ISD	1.3500	3,055	33.3%	1.3500	3,127	33.6%	72
Mud 28	0.8200	2,289	25.0%	0.8200	2,338	25.2%	49
City of Pearland	0.7053	1,920	20.9%	0.6812	1,894	20.4%	(26)
Harris County	0.4192	936	10.2%	0.4173	952	10.2%	16
San Jacinto Community College	0.1758	482	5.3%	0.1758	492	5.3%	10
Harris County Hospital District	0.1700	380	4.1%	0.1700	388	4.2%	8
Harris County Flood Control	0.0273	61	0.7%	0.0273	62	0.7%	1
Port of Houston	0.0134	30	0.3%	0.0134	31	0.3%	1
Harris County Education Dept	0.0054	12	0.1%	0.0051	12	0.1%	(0)
<b>Total</b>	<b>3.6865</b>	<b>9,165</b>		<b>3.6602</b>	<b>9,296</b>		<b>131</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

\*Certified Tax Year numbers are not shared until October. These are based on preliminary numbers on Brazoria, Harris and Fort Bend County Tax Assessor's websites.

\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

- City of Pearland:** 2.5% deduction to Taxable Value
- Pasadena ISD:** \$52,920 deduction to Taxable Value in TY15. \$53,515 deduction to Taxable Value in TY16
- Harris County:** 20% deduction to Taxable Value
- Brazoria County Flood Control:** 20% deduction to Taxable Value
- Port of Houston:** 20% deduction to Taxable Value
- Harris County Hospital District:** 20% deduction to Taxable Value
- Harris County Education Dept:** 20% deduction to Taxable Value
- San Jacinto:** \$5,000 deduction to Taxable Value

## Homestead Tax Bill Example 8

Address: XXXX Briar Rose

Subdivision: Shadow Creek Ranch

**Characteristics:**

- Located in Fort Bend County
- Did not exceed Homestead Cap in 2015 or 2016
- 2% increase in Appraised Value TY15-TY16
- 2% increase in Taxable Value TY15-TY16
- Decrease in Ft. Bend County Tax Rate
- Within MUD boundaries

### Taxable Value Summary

	Tax Year 2015		Tax Year 2016*		Annual \$ Change
Appraised Value	\$	303,640	\$	339,760	\$ 36,120
Homestead Cap Loss	\$	(29,430)	\$	(38,130)	\$ (8,700)
<b>Taxable Value</b>	<b>\$</b>	<b>274,210</b>	<b>\$</b>	<b>301,630</b>	<b>\$ 27,420</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	
Fort Bend ISD	1.3400	3,339	40.9%	1.3400	3,707	41.6%	367
MUD 1	0.8500	1,865	22.9%	0.8500	2,051	23.0%	186
City of Pearland	0.7053	1,886	23.1%	0.6812	2,003	22.5%	118
Fort Bend County	0.4650	1,020	12.5%	0.4580	1,105	12.4%	85
Fort Bend Drainage	0.0210	46	0.6%	0.0210	51	0.6%	5
<b>Total</b>	<b>3.3813</b>	<b>8,156</b>		<b>3.3502</b>	<b>8,917</b>		<b>761</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

\*Certified Tax Year numbers are not shared until October. These are based on preliminary numbers on Brazoria, Harris and Fort Bend County Tax Assessor's websites.

\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

**Baseline Homestead Exemption**

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

- City of Pearland:** 2.5% deduction to Taxable Value
- Fort Bend County Drainage:** 20% deduction to Taxable Value
- Fort Bend County:** 20% deduction to Taxable Value
- MUD 1:** 20% deduction to Taxable Value
- Fort Bend ISD:** \$25,000 deduction to Taxable Value

## Homestead Senior Tax Bill Example

Address: XXXX Churchill

Subdivision: Sherwood

### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	123,380	126,620	3,240
Homestead Cap Loss	-	-	-
<b>Taxable Value</b>	<b>\$ 123,380</b>	<b>\$ 126,620</b>	<b>3,240</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	
Pearland Independent School District	1.4170	414	63.0%	1.4170	414	62.3%	-
City of Pearland	0.7053	206	31.4%	0.6812	206	31.1%	-
Brazoria County	0.4260	-	0.0%	0.3974	6	0.8%	6
Brazoria County Drainage District #4	0.1555	37	5.6%	0.1432	38	5.7%	1
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	-	0.0%	0.0600	1	0.1%	1
<b>Total</b>	<b>2.7638</b>	<b>657</b>		<b>2.6989</b>	<b>664</b>		<b>7</b>

<sup>2</sup>Road & Bridge Fund is assessed by Brazoria County and included in their overall assessed tax rate of 0.4860 for TY15 and 0.4574 for TY16

\*Certified Tax Year numbers are not shared until October. These are based on preliminary numbers on Brazoria, Harris and Fort Bend County Tax Assessor's websites.

\*\* 2016 tax rates for other entities are not certified. Based either on advertised rates or 2015 rate.

#### Homestead Exemption

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

**City of Pearland:** \$5,000 deduction to Taxable Value

**Brazoria County Drainage District #4:** 20% deduction to Taxable Value

**Brazoria County:** 20% deduction to Taxable Value

**Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value

**Pearland ISD:** \$25,000 deduction to Taxable Value

#### 65+ Exemptions

**City of Pearland:** Tax Ceiling at \$206.31

**Brazoria County Drainage District #4:** \$75,000 deduction to Taxable Value

**Brazoria County:** Full deduction granted last year but not gaurenteed this year. Could increase based on valuation increase

**Road & Bridge Fund (Brazoria County):** Full deduction granted last year but not gaurenteed this year. Could increase based on valuation increase

**Pearland ISD:** Tax Ceiling at \$413.71

Entity	Verified Rate
Alvin Independent School District	Yes
City of Pearland	Yes
MUD #26	No
Brazoria County	Yes
Alvin Community College	Yes
Brazoria County Drainage District #4	Yes
Road & Bridge Fund (Brazoria County) <sup>2</sup>	Yes
Pearland Independent School District	Yes
MUD #34	No
Pasadena ISD	<a href="#">Yes</a>
Mud 28	No
Harris County	No
San Jacinto Community College	No
Harris County Hospital District	No
Harris County Flood Control	No
Port of Houston	No
Harris County Education Dept	<a href="#">Yes</a>
Fort Bend ISD	No
MUD 1	No
Fort Bend County	<a href="#">Yes</a>
Fort Bend Drainage	No

Verified rates are being presented to Governing bodies for consideration and are not certified.

Non-verified rates were carried over from the previous year.

**v \* tr = r**



## CITY OF PEARLAND, TEXAS

FISCAL YEAR  
2016-2017

PROPOSED BUDGET  
SECOND PUBLIC HEARING  
ON THE TAX RATE

SEPTEMBER 6, 2016



$$v * tr = r$$



# The Value that Pearland Brings

$$* tr = r$$

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

# Tax Rate



City Council Voted on a Proposed Tax Rate of \$0.6812 on August 15, 2016, a reduction of \$0.0241 cents from the current tax rate of \$0.7053.

The proposed rate exceeds the effective tax rate and the rollback rate, requiring two public hearings to be held on the proposed tax rate prior to adoption of the tax rate.

The notice of proposed tax rate was published in The Facts and the Pearland Journal and put on the City web-site and municipal channel so that citizens could attend and provide public comment.

# 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

# Rollback Tax Rate



- Rollback Tax Rate divides overall property taxes into two categories (General Fund and Debt Service)
- 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 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

# 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

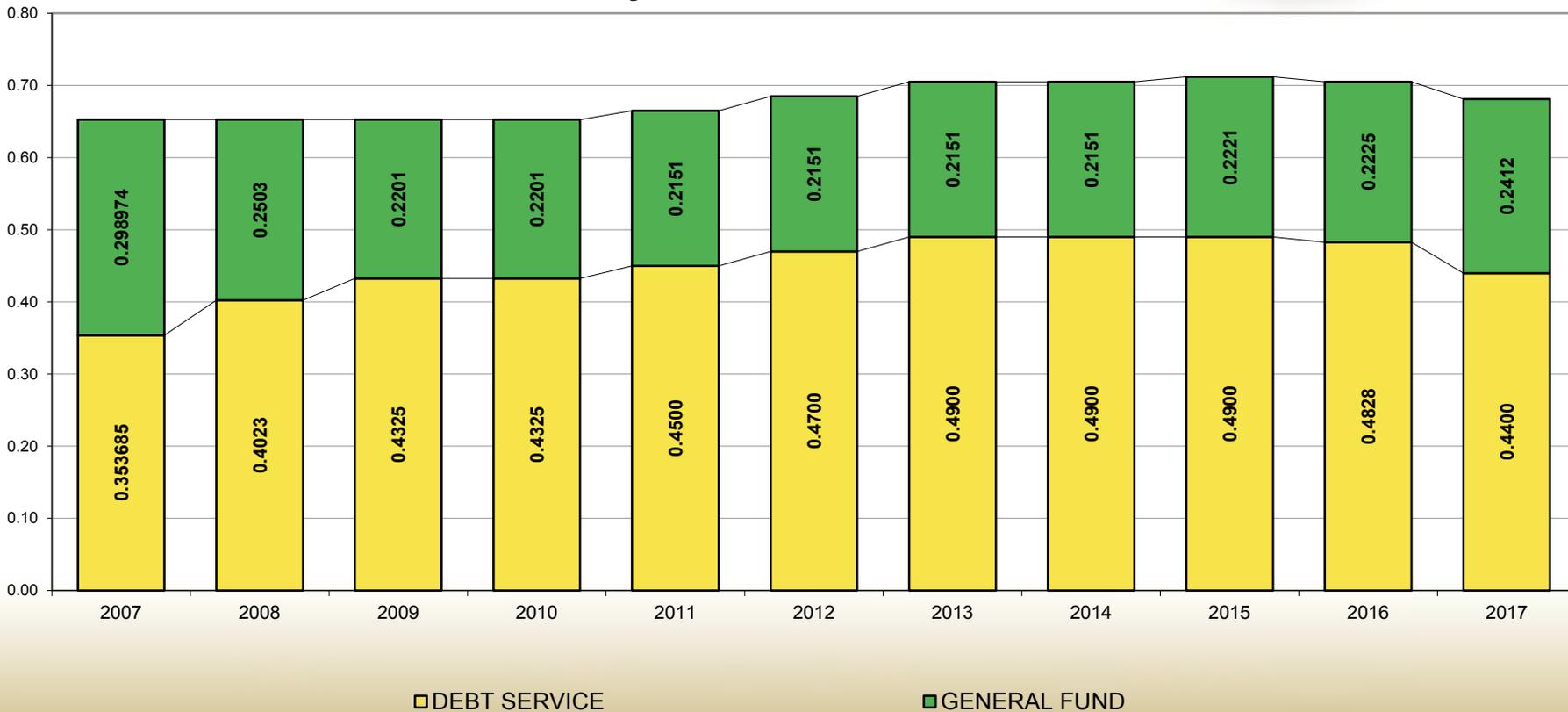
O&M – funds public services such as Public Safety, Parks, Streets, Traffic, Engineering, General Government activities

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

# Historical Tax Rate Allocation FY 2007 – FY 2017



### History of Tax Rate Distribution



# Proposed Property Tax Rate



	Previous 2015	Current 2016	Proposed 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
% Debt	31.2%	31.5%	35.4%
% O&M	68.8%	68.5%	64.6%
Effective Tax Rate			0.6392
Rollback Rate			0.6566

# Tax Rate Coupled with Property Valuation



## General Fund

Accounts for approximately 25% of General Fund revenues

## Debt Service Fund

Accounts for 96% of Debt Service revenues

# 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. Assumes tax rate above rollback rate for FY2016/17

FY 2016 BILL 0.7053	VALUE CHANGE	2017 Value	FY 2017 BILL 0.6812	DOLLAR CHANGE '16 to '17	PERCENT 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



The City of Pearland approved an amendment to City Ordinance 1229

- Starting tax year 2006, a property tax freeze 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



- Therefore, City property taxes 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

# Residential Tax Bill Comparison



Address: XXXX Seabrough  
3% Increase in Appraised Value TY15 – TY16

Subdivision: Shadow Creek Ranch  
8% increase in Taxable Value TY15-TY16

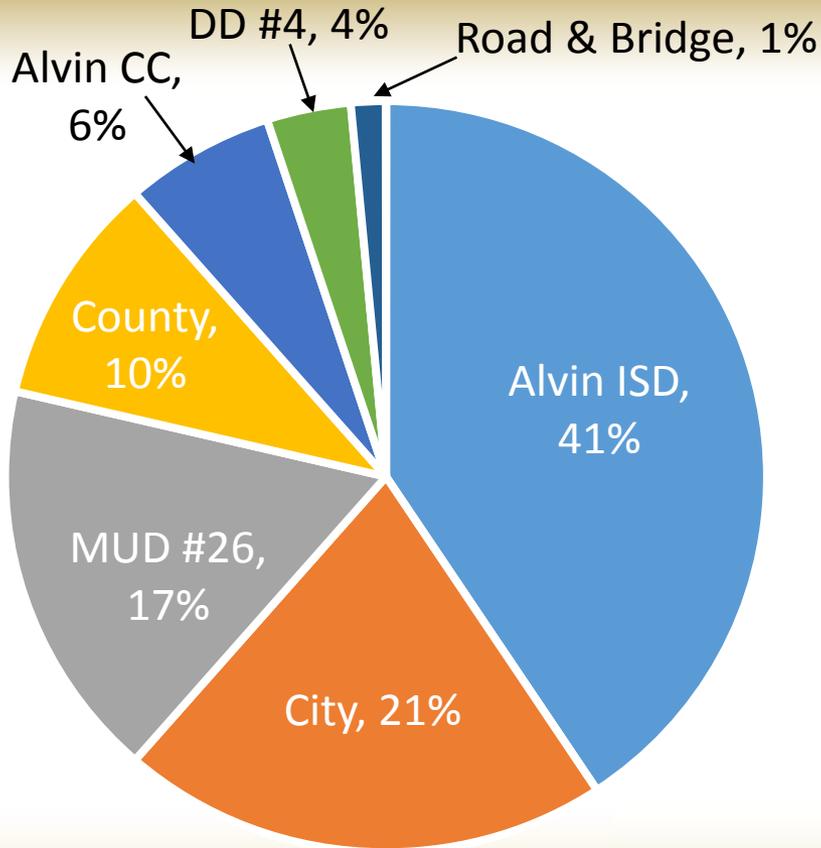
### Taxable Value Summary

	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	41.1%	340
City of Pearland	0.7053	1,714	21.3%	0.6812	1,793	20.9%	79
MUD #26	0.6900	1,376	17.1%	0.6900	1,490	17.4%	115
Brazoria County	0.4260	849	10.5%	0.3974	858	10.0%	9
Alvin Community College	0.2040	508	6.3%	0.1728	467	5.4%	(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>3.5803</b>	<b>8,563</b>		<b>510</b>

# Property Tax Bill Breakout



Percent of Tax Bill

Taxing Entity	Tax Bill
Alvin ISD	\$3,517
<b>City</b>	<b>\$1,793</b>
MUD #26	\$1,490
Brazoria County	\$858
Alvin Community College	\$467
Brazoria County DD #4	\$309
Road & Bridge Fund	<u>\$128</u>
<b>Total Tax Bill</b>	<b>\$8,563</b>

# Residential Tax Bill Comparison



Address: XXXX Auburn Trail  
6% Increase in Appraised Value TY15 – TY16

Subdivision: Southern Trails  
8% increase in Taxable Value TY15-TY16

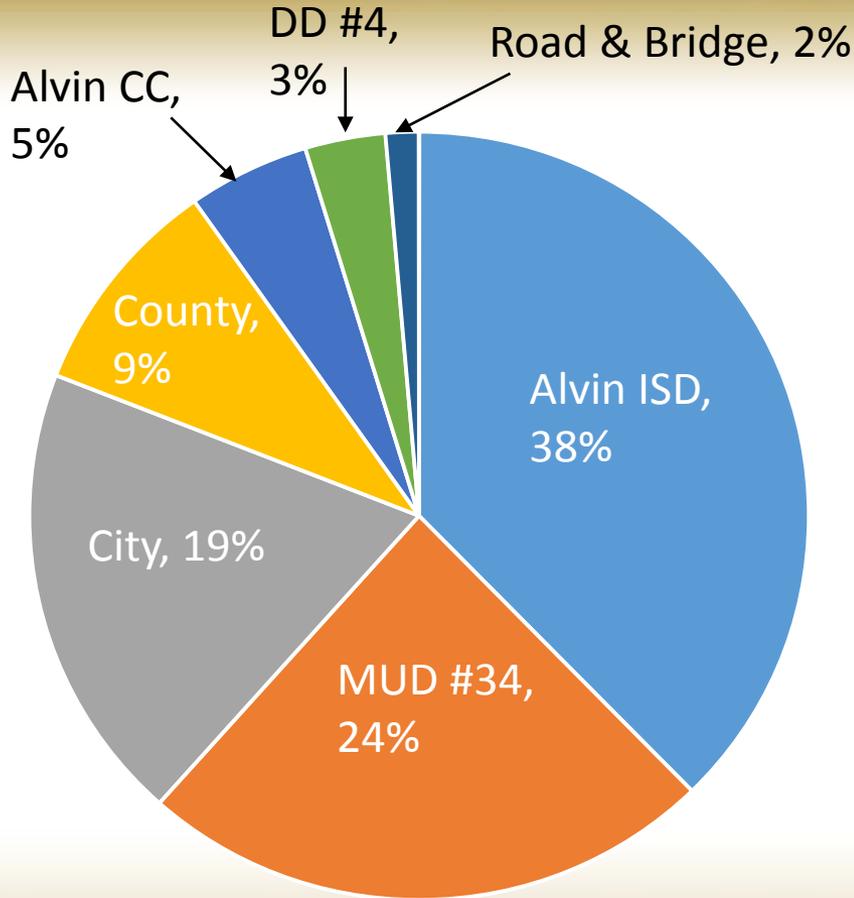
### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	\$ 234,000	\$ 249,000	\$ 15,000
Homestead Cap Loss	\$ (3,000)	\$ -	\$ 3,000
Taxable Value	\$ 231,000	\$ 249,000	\$ 18,000

### 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	2,919	36.2%	1.4356	3,216	37.7%	297
MUD #34	0.8200	1,894	23.5%	0.8200	2,042	23.9%	148
City of Pearland	0.7053	1,589	19.7%	0.6812	1,654	19.4%	65
Brazoria County	0.4260	787	9.8%	0.3974	792	9.3%	4
Alvin Community College	0.2040	471	5.8%	0.1728	430	5.0%	(41)
Brazoria County Drainage District #4	0.1555	287	3.6%	0.1432	285	3.3%	(2)
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	109	1.4%	0.0600	118	1.4%	9
<b>Total</b>	<b>3.7878</b>	<b>8,057</b>		<b>3.7103</b>	<b>8,536</b>		<b>480</b>

# Property Tax Bill Breakout



Taxing Entity	Tax Bill
Alvin ISD	\$3,216
MUD #34	\$2,042
<b>City</b>	<b>\$1,654</b>
Brazoria County	\$792
Alvin Community College	\$430
Brazoria County DD #4	\$285
Road & Bridge Fund	<u>\$118</u>
<b>Total Tax Bill</b>	<b>\$8,537</b>

Percent of Tax Bill

# Residential Tax Bill Comparison



Address: XXXX Meadow Creek  
22% Increase in Appraised Value TY15 – TY16

Subdivision: Woodcreek  
10% increase in Taxable Value TY15-TY16

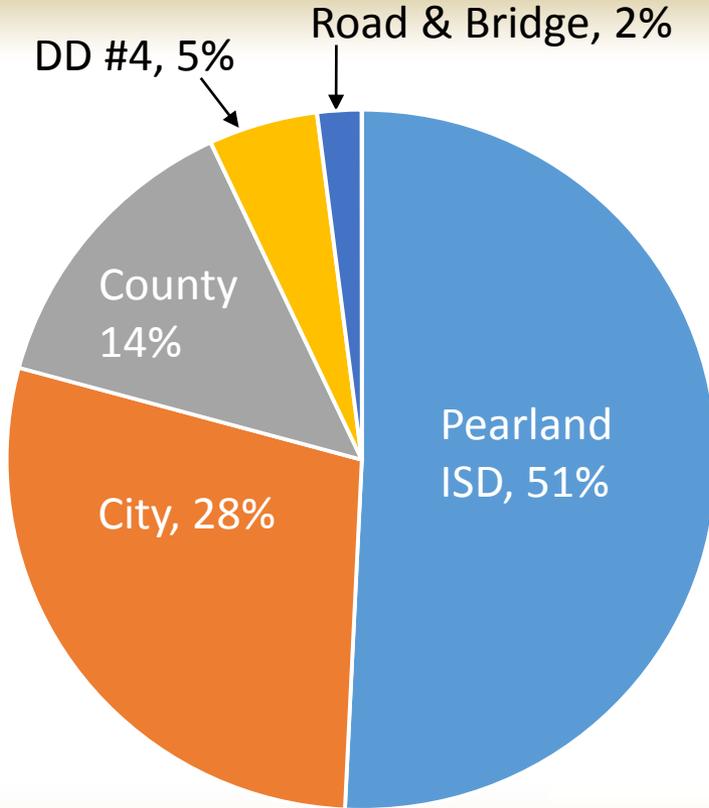
## Taxable Value Summary

	Tax Year 2015		Tax Year 2016*		Annual \$ Change
Appraised Value	\$	132,300	\$	160,910	28,610
Homestead Cap Loss	\$	-	\$	15,380	15,380
Taxable Value	\$	132,300	\$	145,530	13,230

## 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	
Pearland Independent School District	1.4156	1,519	49.1%	1.4156	1,706	50.8%	187
City of Pearland	0.7053	898	29.0%	0.6812	957	28.5%	59
Brazoria County	0.4260	451	14.6%	0.3974	463	13.8%	12
Brazoria County Drainage District #4	0.1555	165	5.3%	0.1432	167	5.0%	2
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	62	2.0%	0.0600	68	2.0%	6
<b>Total</b>	<b>2.7624</b>	<b>3,094</b>		<b>2.6975</b>	<b>3,361</b>		<b>267</b>

# Property Tax Bill Breakout



Percent of Tax Bill

Taxing Entity	Tax Bill
Pearland ISD	\$1,706
<b>City</b>	<b>\$957</b>
Brazoria County	\$463
Brazoria County DD #4	\$167
Road & Bridge Fund	<u>\$68</u>
<b>Total Tax Bill</b>	<b>\$3,361</b>

# Residential Tax Bill Comparison



Address: XXXX Pepper Landing  
2% Increase in Appraised Value TY15 – TY16

Subdivision: Highland Glen  
2% increase in Taxable Value TY15-TY16

### Taxable Value Summary

	Tax Year 2015		Tax Year 2016*		Annual \$ Change
Appraised Value	\$	279,200	\$	285,152	\$ 5,952
Homestead Cap Loss	\$	-	\$	-	\$ -
<b>Taxable Value</b>	<b>\$</b>	<b>279,200</b>	<b>\$</b>	<b>285,152</b>	<b>\$ 5,952</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	
Pasedena ISD	1.3500	3,055	33.3%	1.3500	3,127	33.6%	72
Mud 28	0.8200	2,289	25.0%	0.8200	2,338	25.2%	49
City of Pearland	0.7053	1,920	20.9%	0.6812	1,894	20.4%	(26)
Harris County	0.4192	936	10.2%	0.4173	952	10.2%	16
San Jacinto Community College	0.1758	482	5.3%	0.1758	492	5.3%	10
Harris County Hospital District	0.1700	380	4.1%	0.1700	388	4.2%	8
Harris County Flood Control	0.0273	61	0.7%	0.0273	62	0.7%	1
Port of Houston	0.0134	30	0.3%	0.0134	31	0.3%	1
Harris County Education Dept	0.0054	12	0.1%	0.0051	12	0.1%	(0)
<b>Total</b>	<b>3.6865</b>	<b>9,165</b>		<b>3.6602</b>	<b>9,296</b>		<b>131</b>

# Residential Tax Bill Comparison



Address: XXXX Churchill  
Homestead Senior

Subdivision: Sherwood

### Taxable Value Summary

	Tax Year 2015	Tax Year 2016*	Annual \$ Change
Appraised Value	123,380	126,620	3,240
Homestead Cap Loss	-	-	-
<b>Taxable Value</b>	<b>\$ 123,380</b>	<b>\$ 126,620</b>	<b>3,240</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	
Pearland Independent School District	1.4170	414	63.0%	1.4170	414	62.3%	-
City of Pearland	0.7053	206	31.4%	0.6812	206	31.1%	-
Brazoria County	0.4260	-	0.0%	0.3974	6	0.8%	6
Brazoria County Drainage District #4	0.1555	37	5.6%	0.1432	38	5.7%	1
Road & Bridge Fund (Brazoria County) <sup>2</sup>	0.0600	-	0.0%	0.0600	1	0.1%	1
<b>Total</b>	<b>2.7638</b>	<b>657</b>		<b>2.6989</b>	<b>664</b>		<b>7</b>

# 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

# Proposed Property Tax Rate



	Previous 2015	Current 2016	Proposed 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
% Debt	31.2%	31.5%	35.4%
% O&M	68.8%	68.5%	64.6%
Effective Tax Rate			0.6392
Rollback Rate			0.6566