

FY2024 Property Tax Rate Discussion

David Cooke – City Manager
September 7, 2023

Budget Policies / Philosophy

- Keep a long term perspective
- Reduce the property tax rate over time
- Continued emphasis on infrastructure investment and maintenance of existing infrastructure
- Do not use reserves or one time revenues to balance the operating budget
- Maintain or improve financial ratings
- Resources are finite. Choices and trade-offs are required.

City Council's Strategic Vision Priorities

Quality of Life

**Economic
Development and
Community
Investment**



Community Safety



**Infrastructure,
Responsible Growth
and Fiscal
Responsibility**

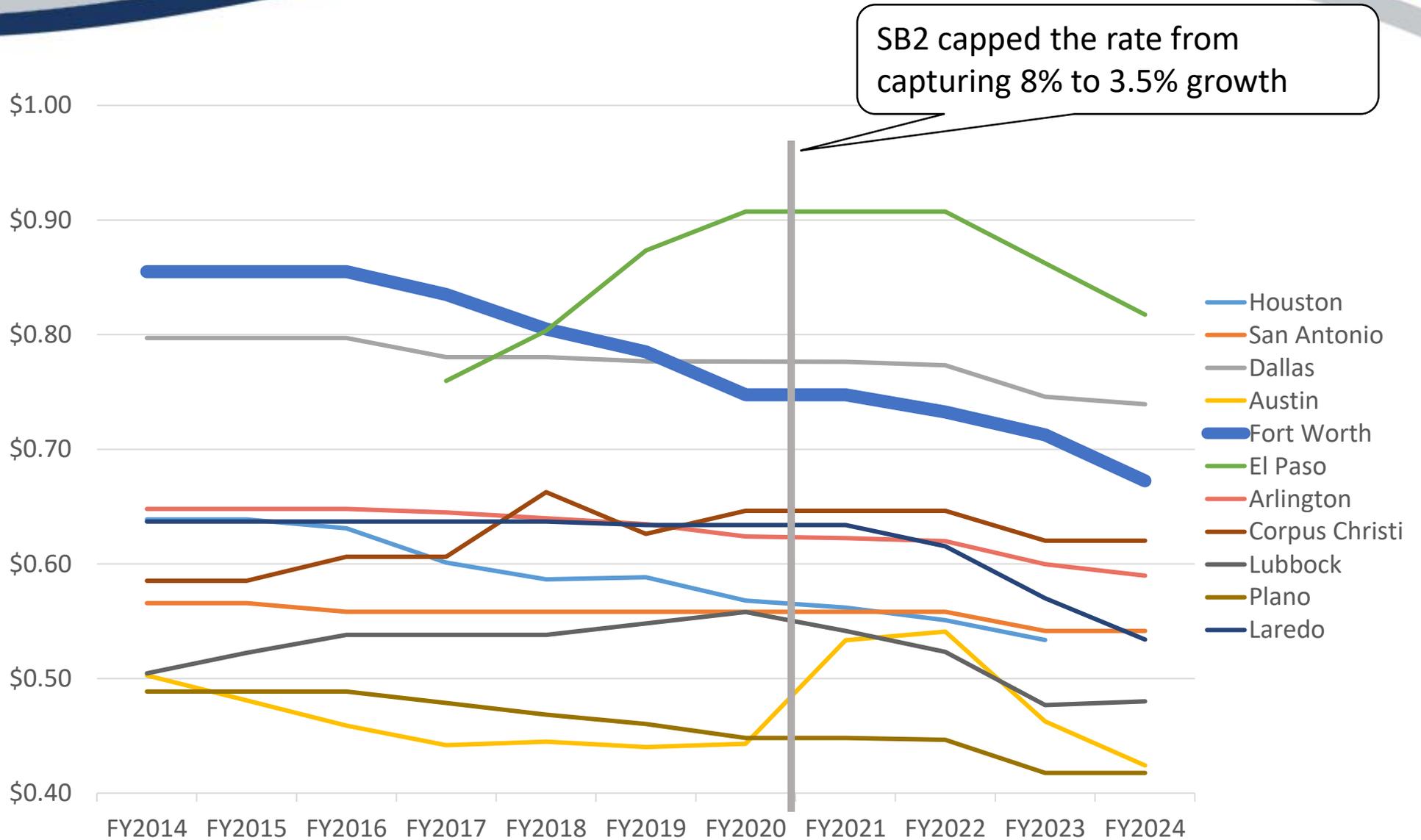


In Alignment with Council's New Strategic Priorities, the FY24 Budget aims to:

- Enhance **public safety**.
- Support **economic development** and plan for **responsible growth**.
- Invest in **community/neighborhoods**.
- Manage and maintain **infrastructure**.
- Ensure **exceptional service**.
- Reduce the **tax rate** while implementing higher elderly/disabled **exemption**.
- Preserve and enhance **green space**.

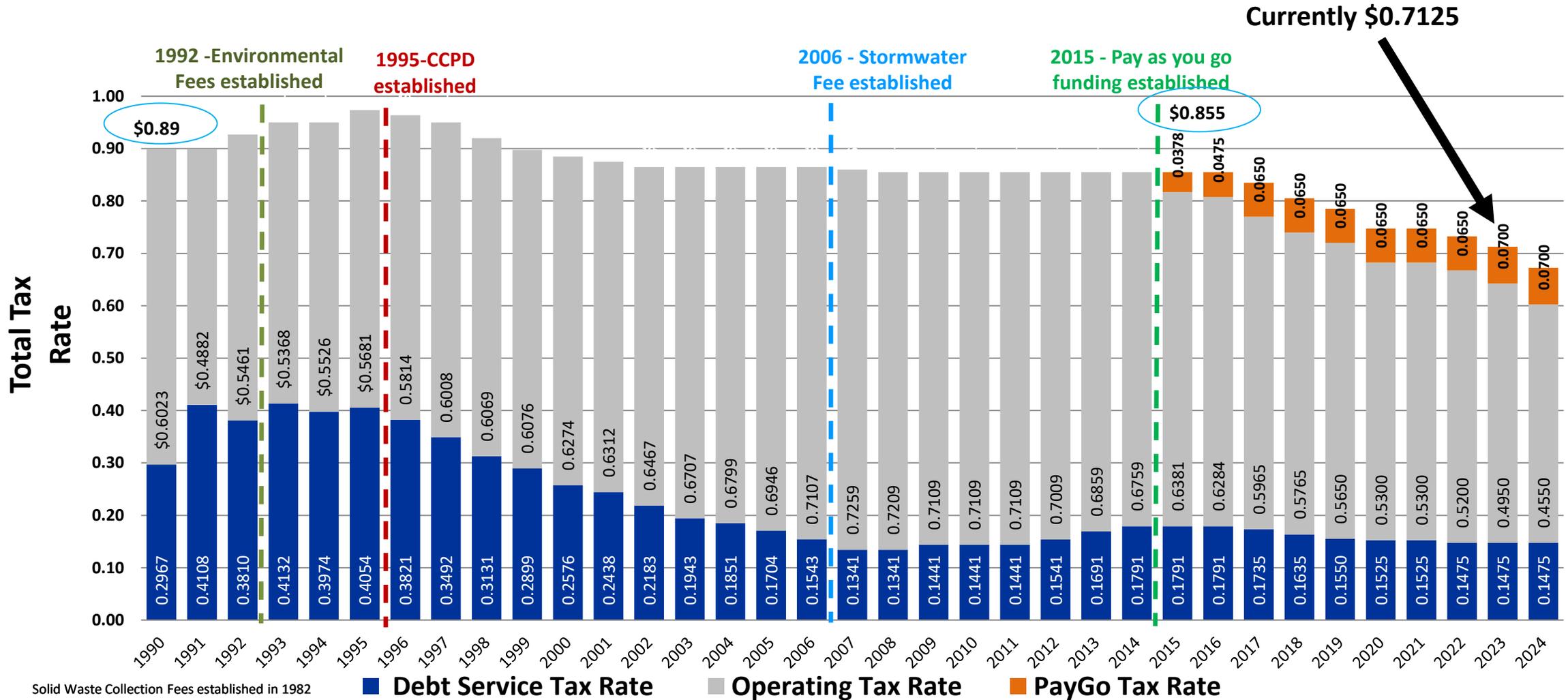


Top 10 Texas Cities by Population



Houston, FY2024 not yet available

Property Tax Rate Allocation



Solid Waste Collection Fees established in 1982

Tax Rate Allocation

		Fiscal Year											Trend
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
in Cents	O&M	67.59	63.79	62.84	59.65	57.65	56.50	53.00	53.00	52.00	49.50	45.50	
	PAYG		3.80	4.75	6.50	6.50	6.50	6.50	6.50	6.50	7.00	7.00	
	Debt	17.91	17.91	17.91	17.35	16.35	15.50	15.25	15.25	14.75	14.75	14.75	
	Total	85.50	85.50	85.50	83.50	80.50	78.50	74.75	74.75	73.25	71.25	67.25	
		2014 Bond Referenda \$292M			2018 Bond Referenda \$399.5M			2022 Bond Referenda \$560M					
Debt & PAYG as a % of Total Tax Rate		20.95%	25.39%	26.50%	28.56%	28.39%	28.03%	29.10%	29.10%	29.01%	30.53%	32.34%	
PAYG as a % of Capital			17.50%	20.96%	27.25%	28.45%	29.55%	29.89%	29.89%	30.59%	32.18%	32.18%	

O&M = Operating and Maintenance | PAYGo = Pay-As-You-Go | I&S = Interest and Sinking (Debt)

No New Revenue Tax Rate

“Enables the public to evaluate the relationship between taxes for the prior year and for the current year based on a tax rate that would produce the same amount of taxes if applied to the same properties that are taxed in both years.”

No New Revenue Tax Rate

FY2023

FY2024

This Year

Next Year

\$100 billion

\$112 billion

71.25 ¢

63.53 ¢

\$713-\$715 million

\$713-\$715 million

12% ↑

No New Revenue Tax Rate

FY2023

FY2024

This Year

\$ 200,000

71.25 ¢

\$1,425

12% ↑

Next Year

\$ 224,800

63.53 ¢

\$1,425

No New Revenue Tax Rate

No Relationship To:

- Service levels and types of services
- Infrastructure costs
- Composition of tax base or change in composition of the tax base
- Inflation or interest rates
- Economic development incentive agreements
- Meet and Confer | Collective Bargaining
- Population growth and new development

Even the State Legislature...

...had to acknowledge real issues.

- Voter Approval Rate = NNR + 3.5%
- New Development is not captured in NNR
- Provision for Unused Increment when approved tax rate is less than VAR

The State-mandated worksheet actually produces two (2) No New Revenue Rates

<p><u>M&O</u></p>	<p><u>Total</u>*</p>
<p>51.36¢</p>	<p>63.54¢</p>

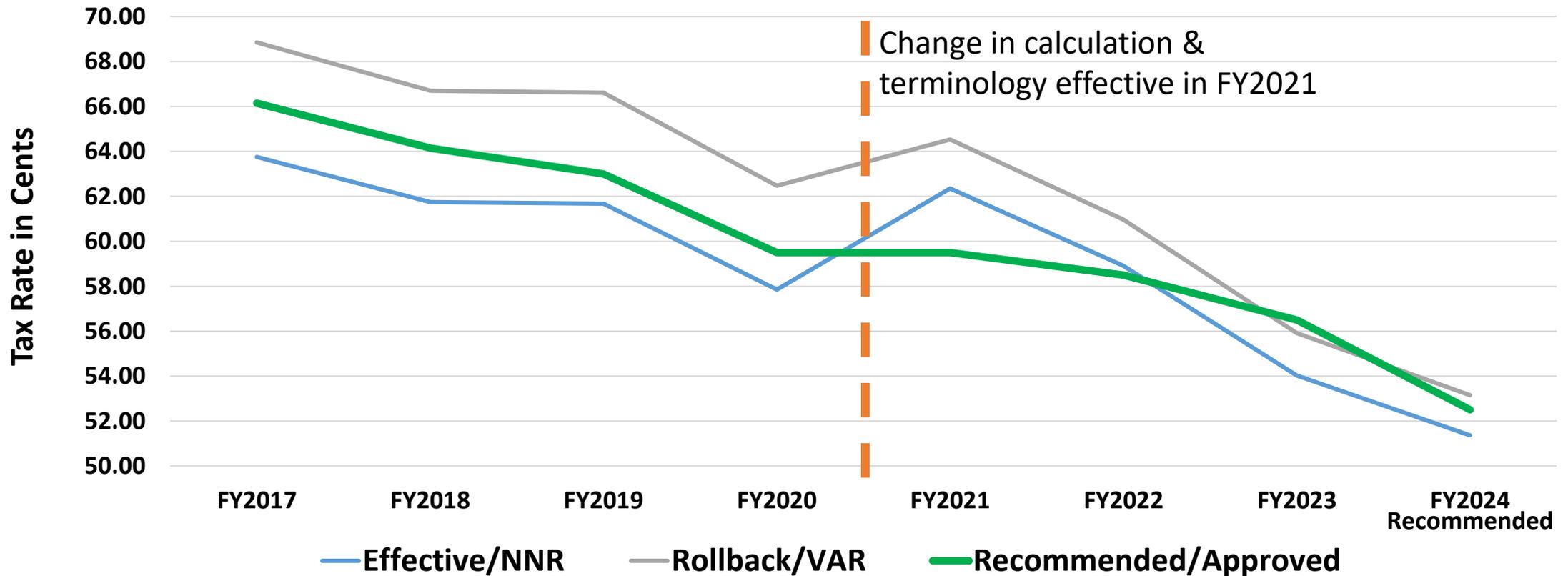
*Required Posting by State Law

M&O No New Revenue Rate vs Total No New Revenue Rate

	FY23 Adopted		FY24 Recommended		FY24 NNR M&O		FY24 Total NNR	
Operating M&O	0.495000	\$ 461,301,426	0.455000	\$ 497,658,063	0.443571	\$ 485,579,372	0.443571	\$ 486,494,320
Operating PayGo	0.070000	\$ 65,234,545	0.070000	\$ 76,562,779	0.070000	\$ 76,629,347	0.070000	\$ 76,773,735
Total Operating	0.565000	\$ 526,535,972	0.525000	\$ 574,220,842	0.513571	\$ 562,208,719	0.513571	\$ 563,268,055
I&S (Debt)	0.147500	\$ 137,458,506	0.147500	\$ 161,328,713	0.147500	\$ 161,468,981	0.121803	\$ 133,589,589
Total Rate	0.712500	\$ 663,994,478	0.672500	\$ 735,549,555	0.661071	\$ 723,677,700	0.635374	\$ 696,857,644

- This table highlights the difference between the Total NNR Rate and the M&O NNR Rate.
- **The total No New Revenue Rate assumes the debt portion of the rate will also drop.** This rate is established using the total rate of 0.7125 to produce the same amount of revenue as the prior year.

Maintenance & Operating Tax Rate

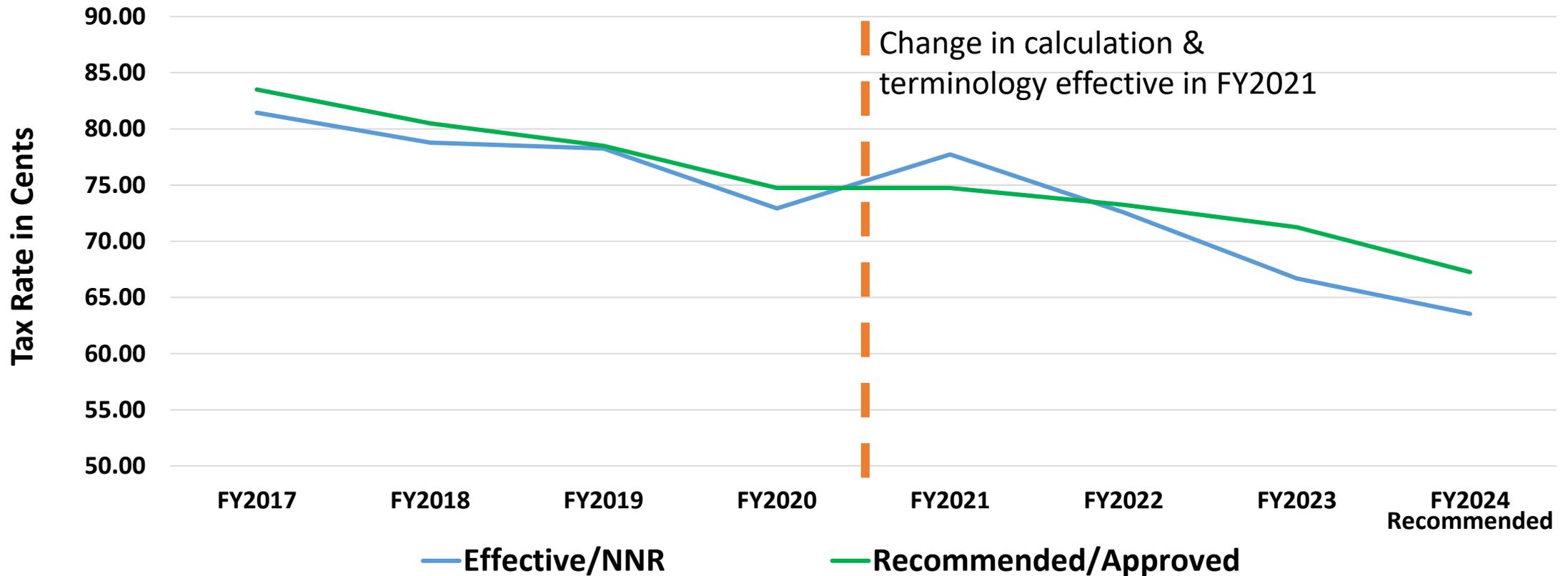


Maintenance & Operating Tax Rate

Fiscal Year	Effective/No-New-Revenue	Rollback/Voter-Approval	Recommended/Approved
FY2017	63.75	68.85	66.15
FY2018	61.75	66.70	64.15
FY2019	61.68	66.61	63.00
FY2020	57.85	62.47	59.50
FY2021	62.35	64.53	59.50
FY2022	58.91	60.97	58.50
FY2023	54.02	55.91	56.50
FY2024 (Recommended)	51.36	53.15	52.50

Change in calculation & terminology effective in FY2021

Total Tax Rate



Total No New Revenue Rate

(compared to FY23 adopted)

	FY 2023 Adopted	FY 2024 Recommended	Change	FY 2024 NNR	Change
M&O	56.50	52.50	-4.00	51.36	-5.14
I&S (Debt)	14.75	14.75	----	12.18	-2.57
Total	71.25	67.25	-4.00	63.54	-7.71

Additional 3.7 cent reduction of tax rate compared to recommended

Values expressed as cents, and rounded

Total No New Revenue

(compared to FY24 recommended)

Portion of Rate	Recommended	Total NNR	↑↓
M&O (+PayGo)	\$ 574,220,842	\$ 563,268,055	↓ \$ 10,952,787
Debt	\$ 161,328,713	\$ 133,589,589	↓ \$ 27,739,124
Total	\$ 735,549,555	\$ 696,857,644	↓ \$ 38,691,911

Options for Total No New Revenue

63.54¢

- Reduce Debt tax rate from .1475 to .1218
- Reduce M&O tax rate from .5250 to .5136

3.7 cents = ~\$39 million

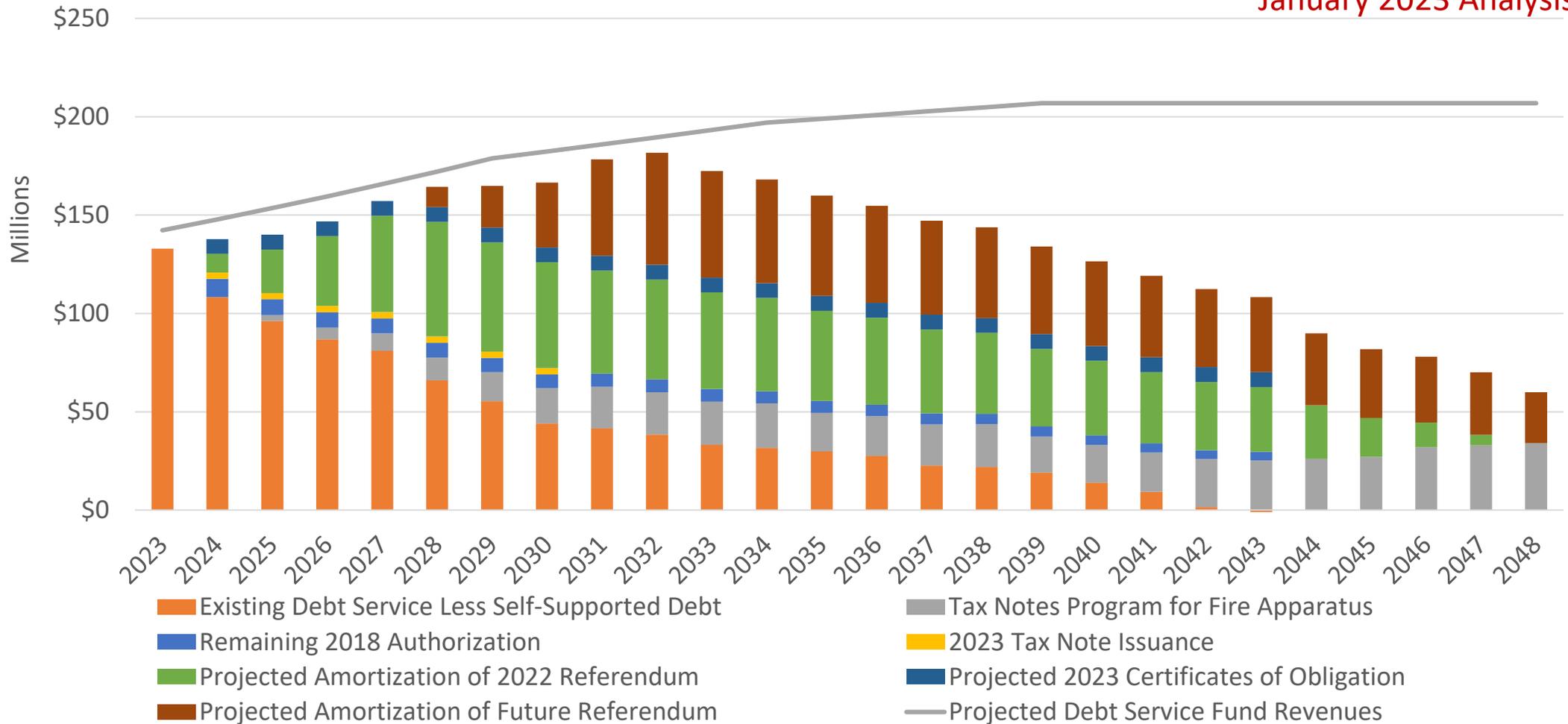
Debt Capacity

	January 2023 Analysis	Scenario A - Standard Growth	Scenario B - No New Revenue
I&S Rate	Flat at \$0.1475	Flat at \$0.1475	Flat at \$0.1218
Property Tax Revenue Growth ⁽¹⁾	4% for tax years 2023 – 2028; 2% for 2029 – 2033; 1% for 2034 – 2038 and flat thereafter	Actual growth 2023 (15.6%), 4% for tax years 2024 – 2029; 2% for 2030 – 2034; 1% for 2035 – 2039 and flat thereafter	Zero growth in tax year 2023, 4% for tax years 2024 – 2029; 2% for 2030 – 2034; 1% for 2035 – 2039 and flat thereafter
Estimated Levy for Tax Year 2023	\$142,956,846	\$161,328,713	\$133,589,589
Estimated Total Bonding Capacity through 2031	\$1.332 Billion	\$1.537 Billion	\$1.127 Billion
Estimated Future Voter Approved Capacity	\$605 Million	\$800 Million	\$530 Million
Excess Capacity	\$130 Million	\$140 Million	\$0

(1) All scenarios share the same Taxable Assessed Value figure for tax year 2022

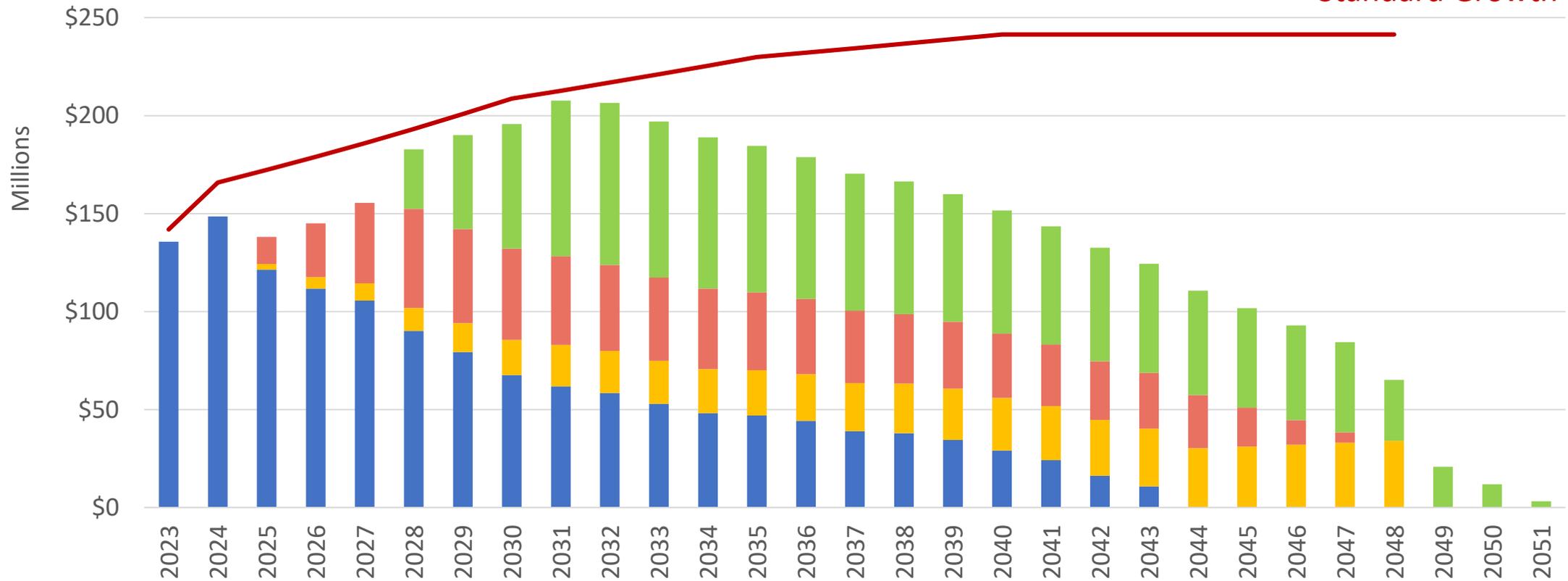
Debt Capacity @ .1475

January 2023 Analysis



Debt Capacity @ .1475

Standard Growth



Existing Debt Service Less Self-Supported Debt

Projected Amortization of 2022 Referendum

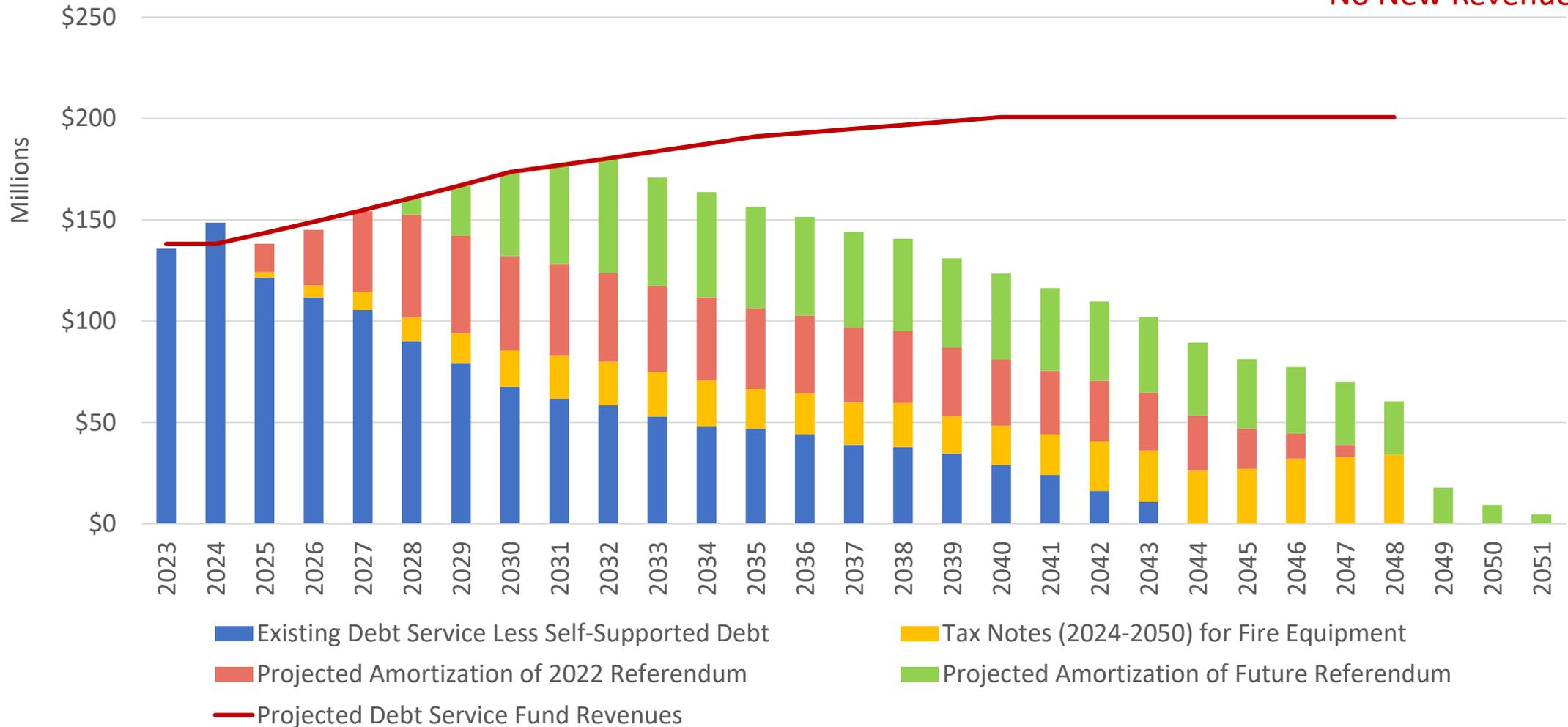
Projected Debt Service Fund Revenues

Tax Notes Program for Fire Apparatus

Projected Amortization of Future Referendum

Debt Capacity @ .1218

No New Revenue



Options for Total No New Revenue

63.54¢

- Reduce Debt tax rate from .1475 to .1218
- Reduce M&O tax rate from .5250 to .5136

3.7 cents = ~\$39 million

The Recommended Budget Supports Increases in Service Delivery and Service Levels

- **Additional Neighborhood** for the Neighborhood Improvement Program
- Additional maintenance for **Parks and Green Spaces**
- Additional funds for Economic Development **Incentives**
- Additional funds for **Priority Repair Program**
- Additional funds for **Homeless Services**
- Additional benefit for **City Employees**
- Increased exemption for **Over 65 and Disabled**

City Council's Strategic Vision Priorities

Quality of Life

Economic Development and Community Investment

Community Safety

Infrastructure, Responsible Growth and Fiscal Responsibility



So Safe | So Clean | So Green

- More **Police Officers**.
- More **Fire Personnel**.
- Additional **Code Staff** .
- An additional **NIP neighborhood**.
- Enhanced **park** maintenance.

- Increased funding for **economic development**
- Opening of a new **library** and a new **community center**.
- Focus on **green space**.

The Taxpayer

	FY2023 Adopted	FY2024 Recommended	FY2024 NNR Total	FY2024 NNR M&O
Assessed Value	\$200,000	\$220,000	\$220,000	\$220,000
20% Homestead	<u>\$(40,000)</u>	<u>\$(44,000)</u>	<u>\$(44,000)</u>	<u>\$(44,000)</u>
Taxable Value	\$160,000	\$176,000	\$176,000	\$176,000
Tax Rate	0.7125	0.6725	0.6353	0.6611
Taxes paid to City of Fort Worth	\$1,140	\$1,184	\$1,118	\$1,163
Annual Increase/(Decrease) from FY23		\$44.00	\$(22.00)	\$23.00
Monthly Increase/(Decrease) from FY23		\$3.67	\$(1.83)	\$1.92
Annual Increase/(Decrease) from FY24			\$(66.00)	\$(21.00)
Monthly Increase/(Decrease) from FY24			\$(5.50)	\$(1.67)

15 of 16 cities above calculated NNR rate.

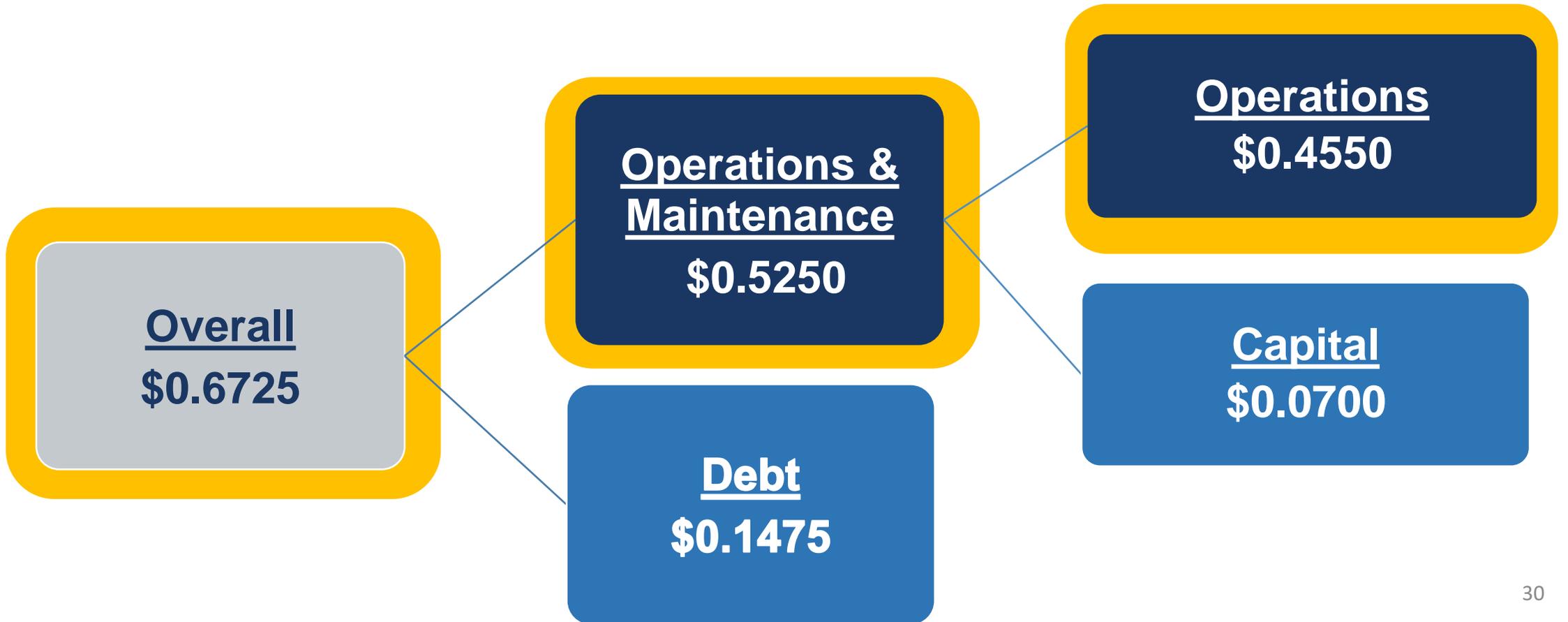


**Large &
Metropolitan
Texas Cities
Proposed vs
NNR**

City	NNR	Proposed	Difference <i>Above</i> NNR	Comments
El Paso	0.8189	0.8189	-	NNR is their proposed rate
Lubbock	0.4654	0.4802	0.0148	
Austin	0.4310	0.4458	0.0148	
McKinney	0.4092	0.4275	0.0183	
Frisco	0.4124	0.4322	0.0198	
Plano	0.3865	0.4176	0.0311	
Laredo	0.4997	0.5339	0.0343	
Fort Worth	0.6354	0.6725	0.0371	
Corpus Christi	0.5539	0.5998	0.0459	Voter-Approval-Rate is their recommended rate
Garland	0.6364	0.6897	0.0534	
Arlington	0.5336	0.5898	0.0562	
Dallas	0.6813	0.7393	0.0580	
San Antonio	0.4780	0.5416	0.0636	
Denton	0.4949	0.5657	0.0708	
Grand Prairie	0.5859	0.6600	0.0741	
Irving	0.4917	0.5891	0.0974	

Note: Houston not reflected as not available

Recommended (FY2024) Tax Rate Allocations



Questions and Discussion