

Item D-1

Discuss Property Tax Rate Calculations and
Homestead Exemption

Tax Rate Components

O&M Rate = Operations and Maintenance Rate

- General Fund
- \$0.3182761/\$100 or 79.6% of total rate

I&S = Interest and Sinking Rate

- Debt Service Fund
- \$0.0816239/\$100 or 20.4% of total Rate

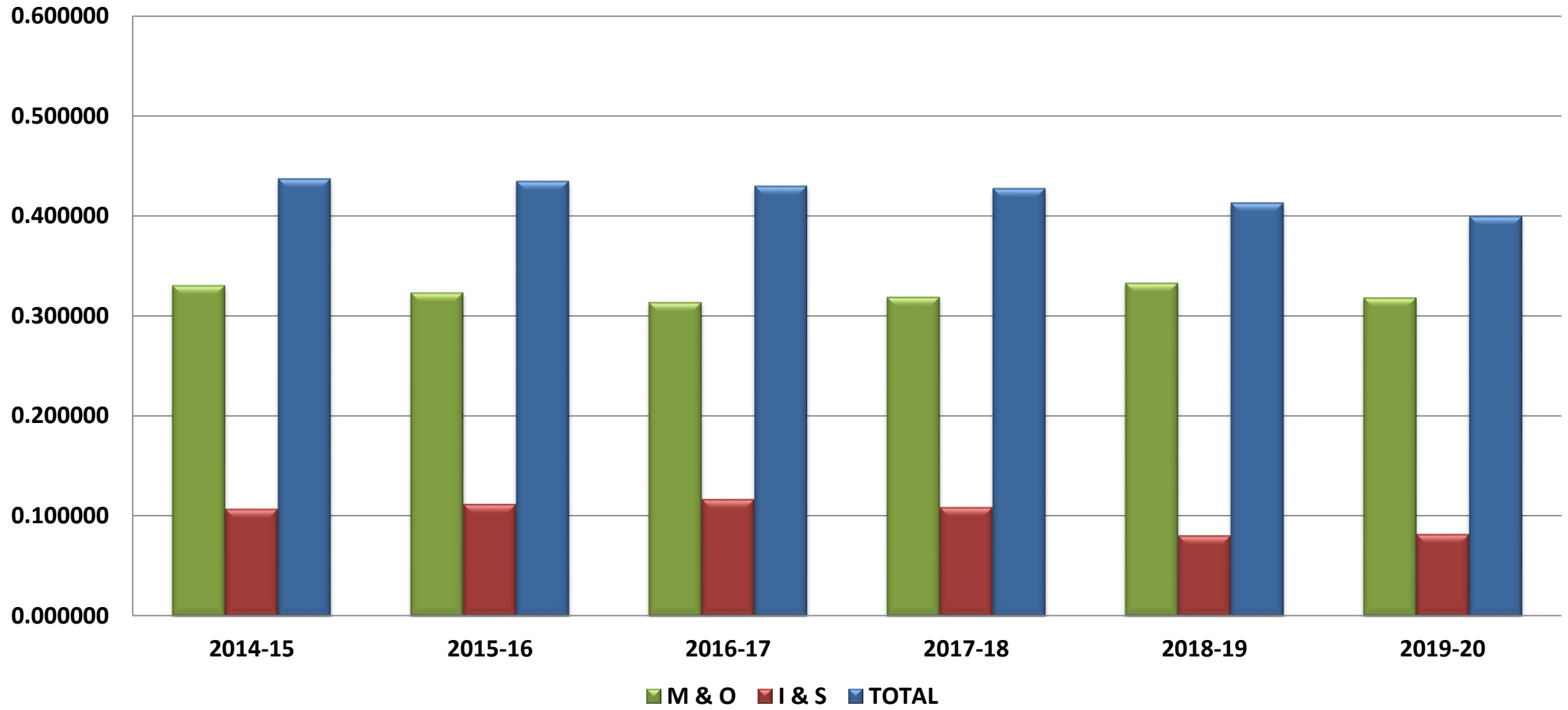
Total Adopted Rate = \$0.39990/\$100

Levy = Value X Rate

- Tarrant Appraisal District determines value
- City adopts rate and exemptions
- Tarrant County collects the levy



Tax Rate Components By Year



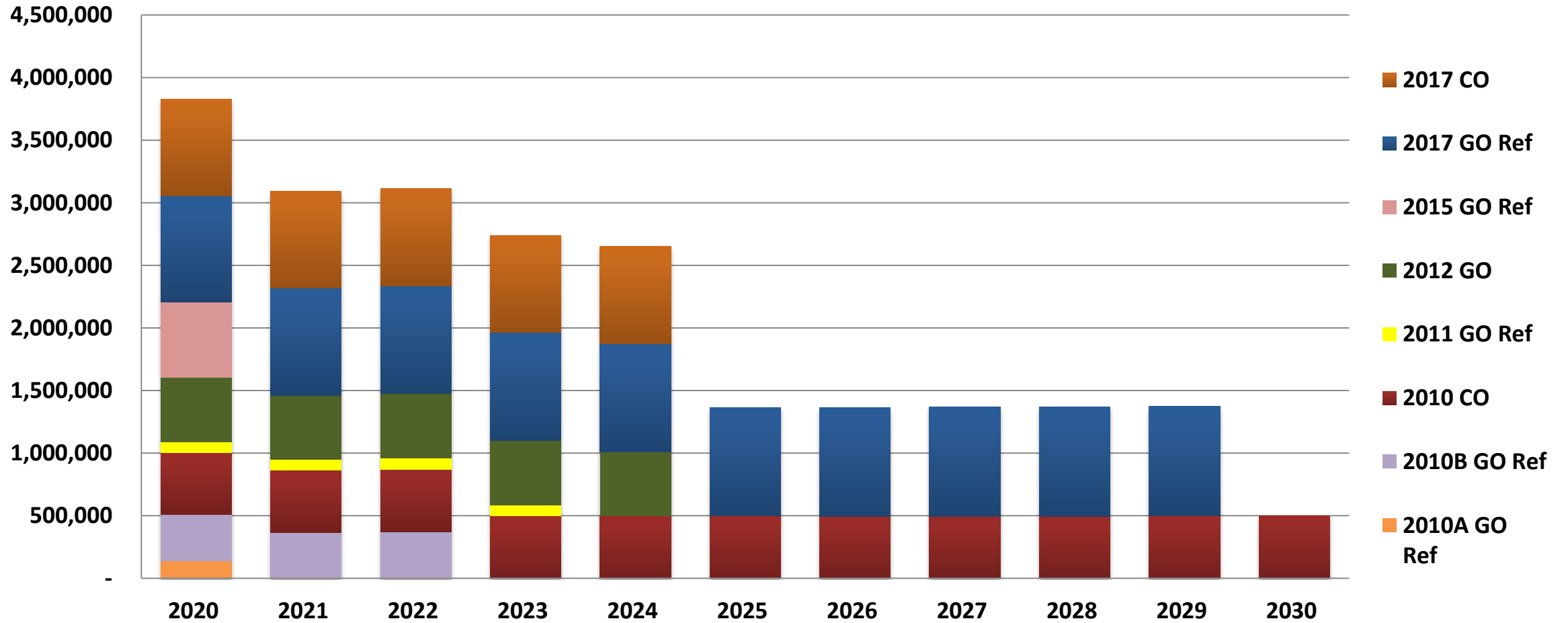
Effective / No New Revenue Rate Calculation

- Rate which creates levy on same properties as prior year
- Value \uparrow = Rate \downarrow **OR** Value \downarrow = Rate \uparrow
- Allows new development to cover service costs
- If exceeding, hold 2 public hearings and ratify increase in budget
- FY 2018-19 Adopted = \$0.41325 & FY 2018-19 Effective = \$0.41328
- FY 2019-20 Adopted = \$0.3999 & FY 2019-20 Effective = \$0.40195

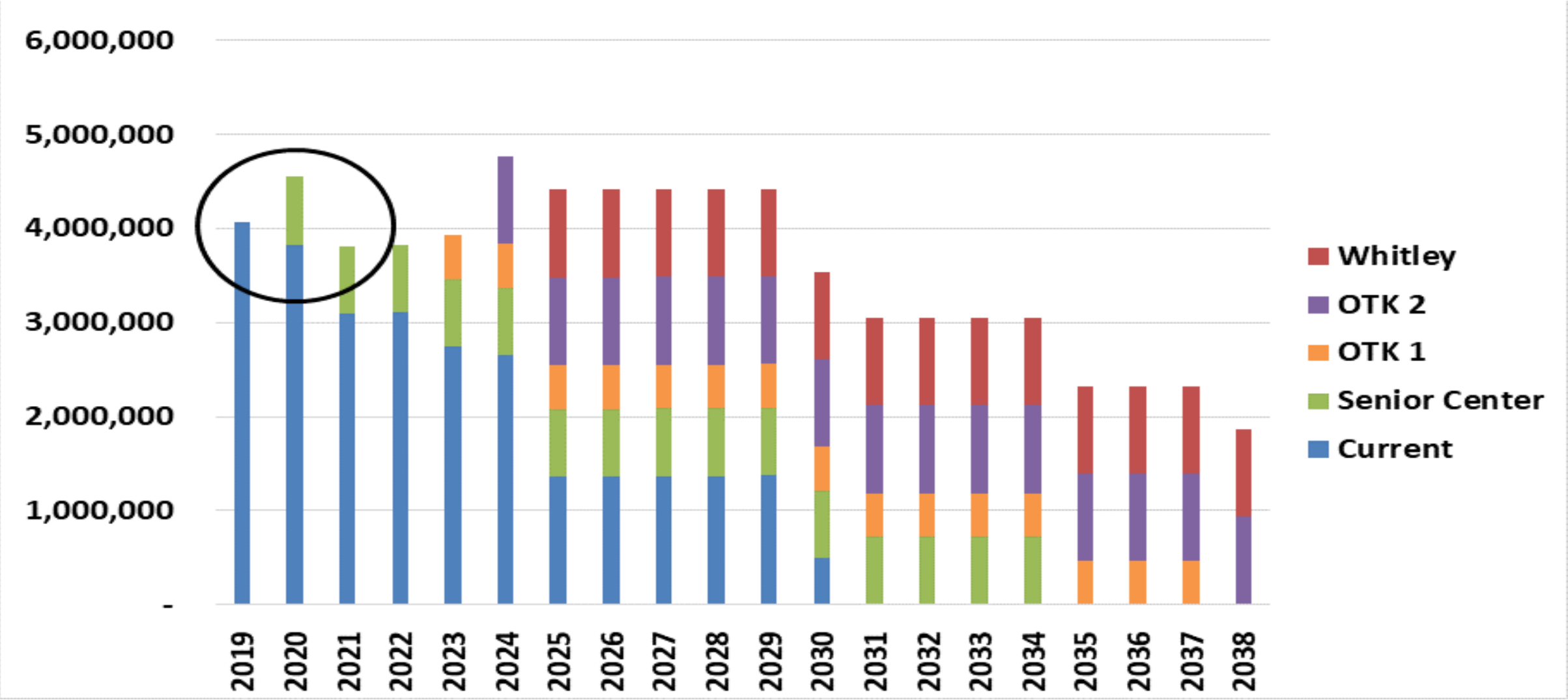
Rollback Tax Rate Calculation

- Effective O&M Rate * **1.035** + I&S Rate
 - 1.08 in prior years
- Allows for service growth and covering debt requirements
- Reducing Debt moves levy to O&M regardless of value
 - Concern for long-term capacity
- Exceeding rate requires voter approval
 - Allowed citizens to petition for vote in prior years
- FY 2019-20 Adopted = \$0.3999 & FY 2019-20 Rollback = \$0.43106

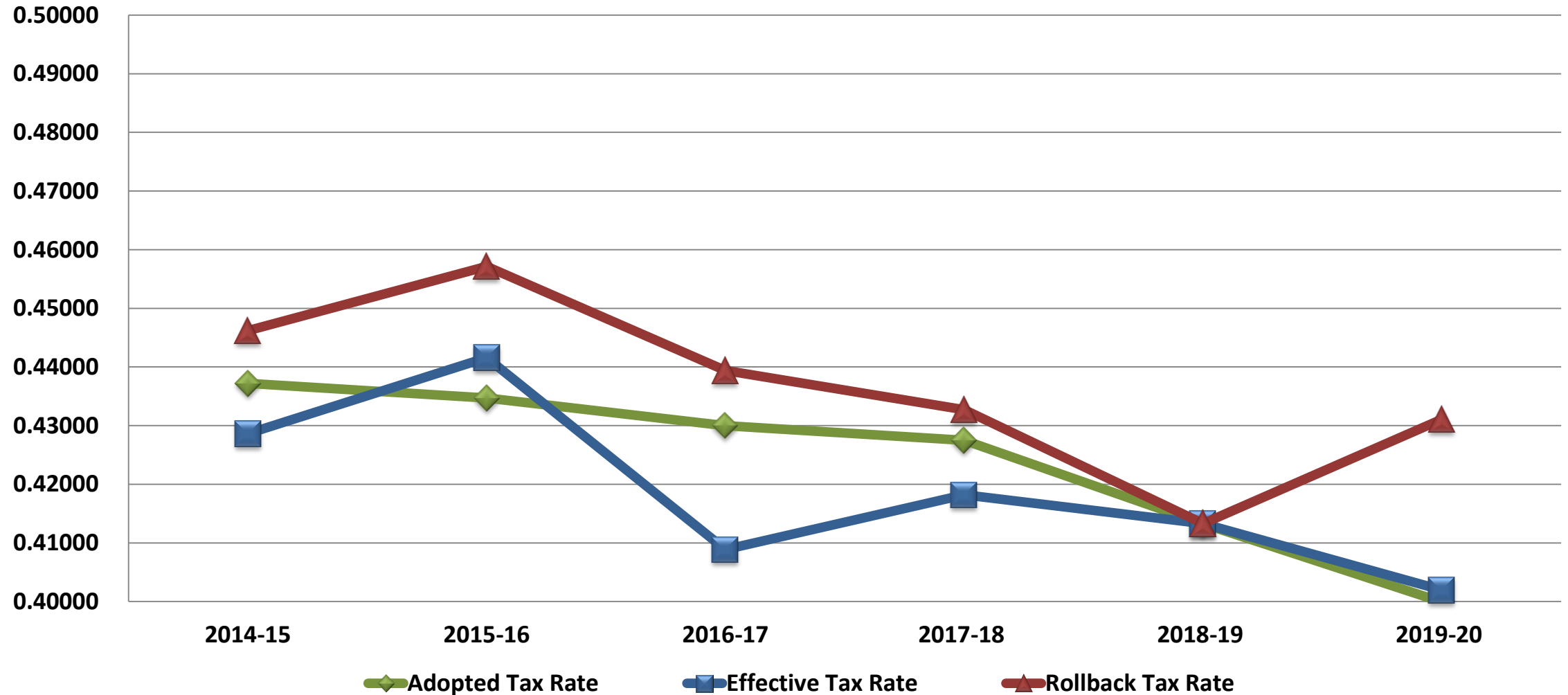
Current Ad Valorem Debt



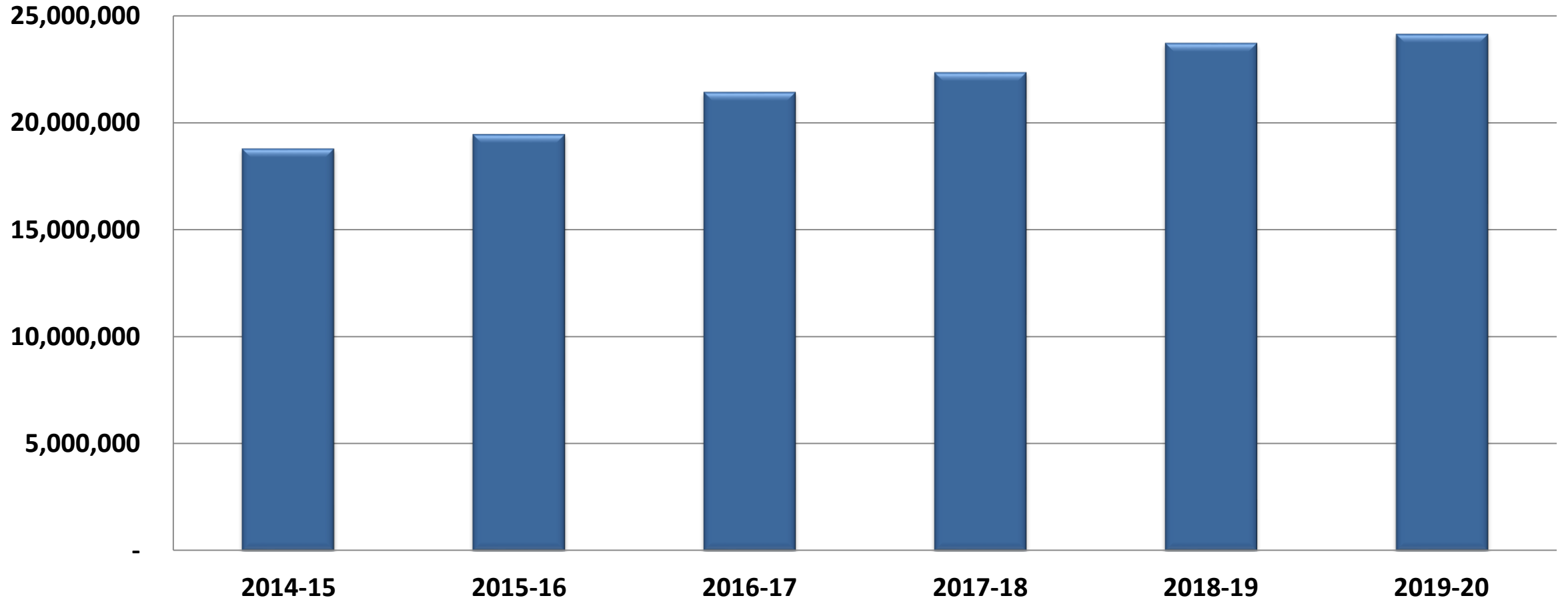
Possible Future Debt Issuance for OTK



Adopted, Effective, and Rollback Rates



Levy Comparisons By Year

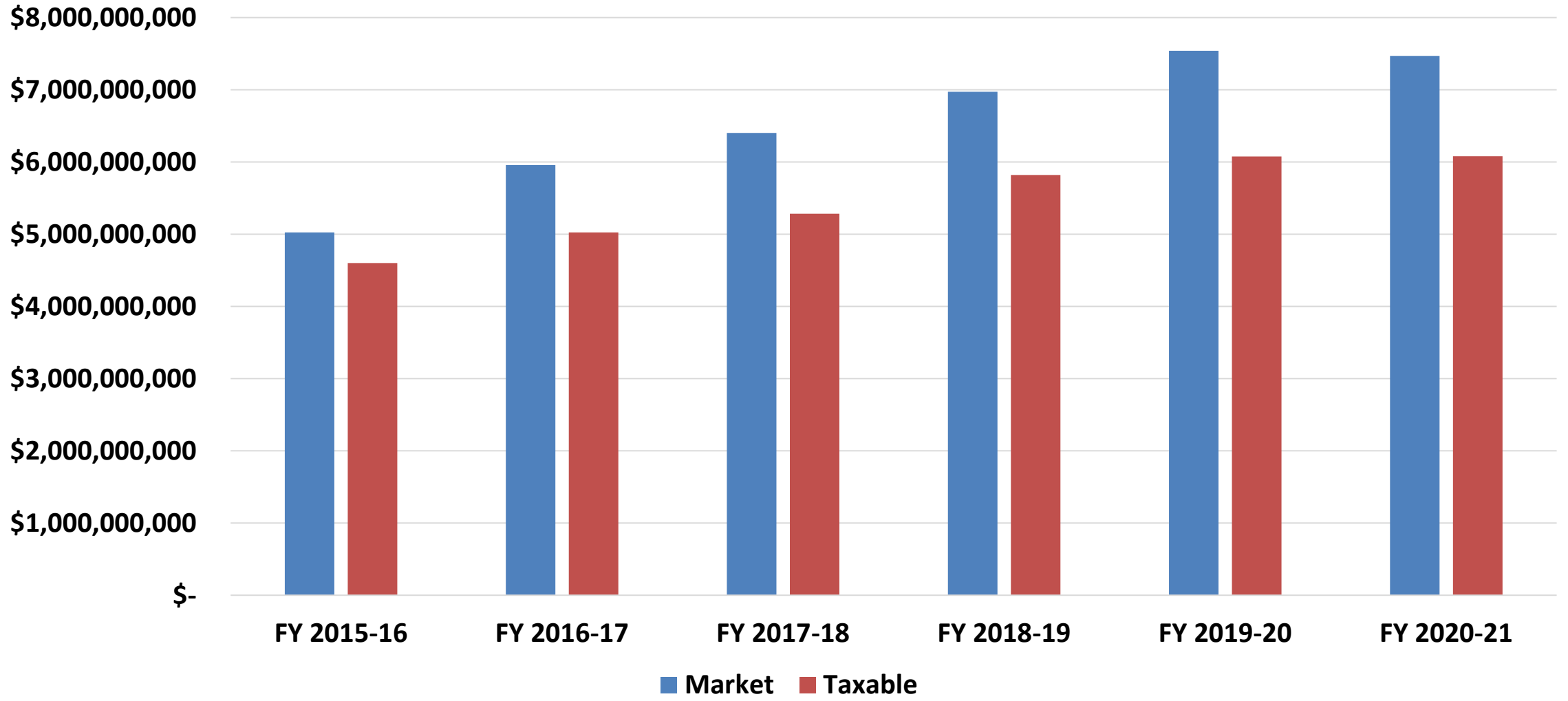


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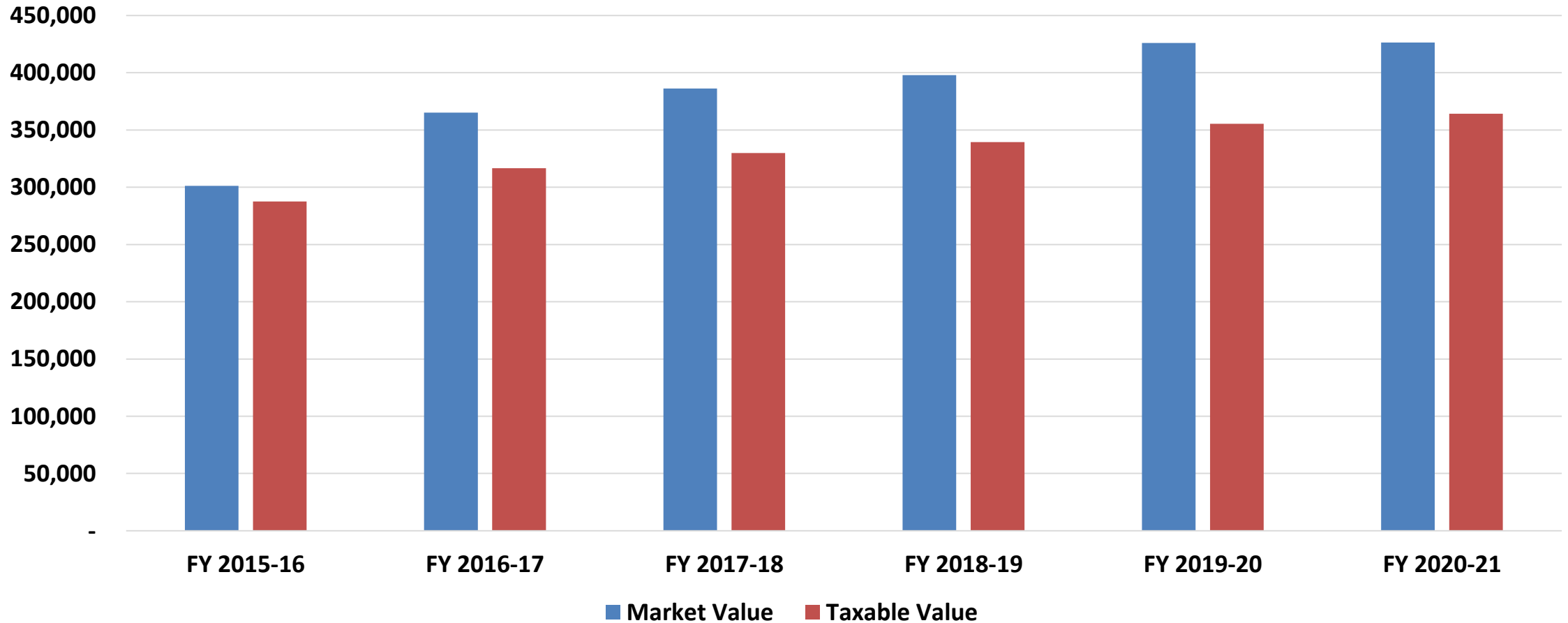
Market vs. Taxable Value

	SF Residential Value	Commercial Value
	Market Value = \$426,314	Market Value
Minus 10% State Homestead Cap	X	
Minus State Vet Disabled Exemption	X	
Minus Senior/Over 65 Ceiling (Freeze)	X	
Minus Over 65 and Disabled Local Options	X	
Minus 10% City Homestead Exemption	X	
Minus Agriculture Exemption	X	X
Minus Abatement		X
Taxable Value	Market – Applicable X's = \$364,215 (\$62,099 or 14.6%)	Market – Applicable X's

Total Market vs. Taxable By Year



Market vs. Taxable Home Value



Current City Exemptions

State Mandated

- 10% maximum annual taxable value increase
- Disabled Veteran = \$5,000 - \$12,000

City Implemented

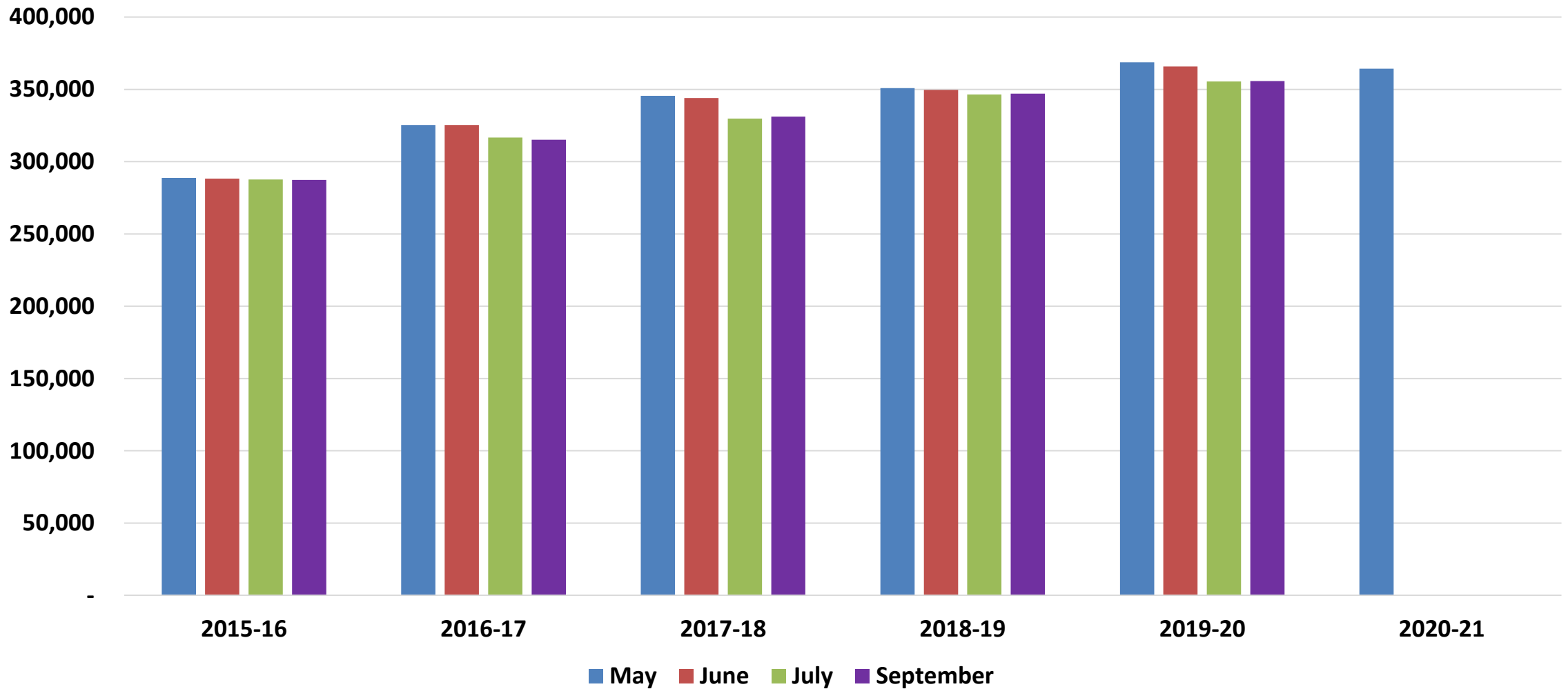
- Local Option Homestead = 12%
- Local Option Over 65 = \$40,000
- Local Option Disabled = \$10,000
- *Over 65 / Disabled Ceiling*

Benchmark Cities - Update

	Keller	Colleyville	Flower Mound	Southlake	Trophy Club	Westlake
Homestead %	12%	0%	2.5%	20%	1%	20%
Over 65	40,000	65,000	100,000	75,000	35,000	10,000
Disabled	10,000	65,000	100,000	75,000	0	10,000
O65/D Ceiling	Y	Y	N	Y	Y	Y
Avg. Home Value	346,378	521,875	404,527	570,003	446,106	1,510,238
Tax Rate	0.3999	0.306807	0.4365	0.41	0.446442	0.16018
Avg. Levy	1,421	1,696	1,797	2,454	2,017	2,583

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Average Taxable Home Value By Update



Tax Mitigation Timeline

- FY 2014-15 – Reduced Tax Rate by \$0.0050 from \$0.44219 to \$0.43719
- FY 2015-16 – Reduced Tax Rate by \$0.0025 from \$0.43719 to \$0.43469
- FY 2016-17 – Reduced Tax Rate by \$0.00469 from \$0.43469 to \$0.4300
 - Increased Homestead Exemption by 3% from 1% to 4%
- FY 2017-18 – Reduced Tax Rate by \$0.0025 from \$0.43000 to \$0.4275
 - Increased Homestead Exemption by 4% from 4% to 8%
- FY 2018-19 – Reduced Tax Rate by \$0.0143 from \$0.4275 to \$0.41325
 - Increased Homestead Exemption by 2% from 8% to 10%
- FY 2019-20 – Reduced Tax Rate by \$0.0143 from \$0.41325 to \$0.3999
 - Increased Homestead Exemption by 2% from 10% to 12%

Tax Mitigation Options

Based upon FY 2019-20	Homestead Exemption	Tax Rate Decrease
Option	2%	\$0.78/100
Homeowner savings (annual)	\$32.30	\$27.79
Homeowner savings (monthly)	\$2.69	\$2.32
Properties Receive	Only Homestead	All Properties
Levy Reduction	\$411,329	\$411,497

FY 2019-20 Levy with Certification

	June Estimate	Certification @ 0.413250/100	Certification @ \$0.39990
Adjusted Value	\$6,119,201,907	\$6,089,788,184	\$6,089,788,184
City Rate	0.413250	0.413250	0.39990
Collection	\$25,097,945	\$24,872,907	\$24,170,415
Vs. FY 2018-19	1,355,076	1,130,038	427,546
New Levy	590,938	544,889	527,287
Existing Levy	764,137	585,149	(99,741)

- Value of \$0.0025/100 = \$151,103

Homestead Exemption Impacts

Homestead %	Homeowner Savings	FY 2019-20 Levy Reduction	% of FY 2019-20 New Growth	Tax Rate Equivalent to Levy Reduction
14%	\$32.30	\$411,329	96.2%	\$0.0078 (FY 15 – FY 16)
16%	\$64.60	\$822,658	192.4%	\$0.0156 (FY 15 – FY 18)
18%	\$96.90	\$1,233,987	288.6%	\$0.0235 (FY 16 – FY 19)
20%	\$129.20	\$1,645,316	384.8%	\$0.0313 (FY 16 – FY 20)

Homestead Exemption Proposal

- Recommending 2% Increase
 - Current = 12%
 - Proposed = 14%
 - Avg. Home Value reduced from \$364,215 to \$356,931 or \$7,284
 - Estimated levy reduction of \$411,329 based upon FY 2019-20
- State code requires Council action by June 30
- Any increase reflected in July Certified Values
- Adjust tax rate with proposed budget



City of **KELLER**
FINANCE DEPARTMENT

Questions?

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