

GFOAT Statewide Regional Meeting & Lessons Learned from SB 2

Wednesday, September 30, 2020

Introductions



Keith Dagen
President, GFOAT



Martie Simpson, CPA
Executive Director, GFOAT



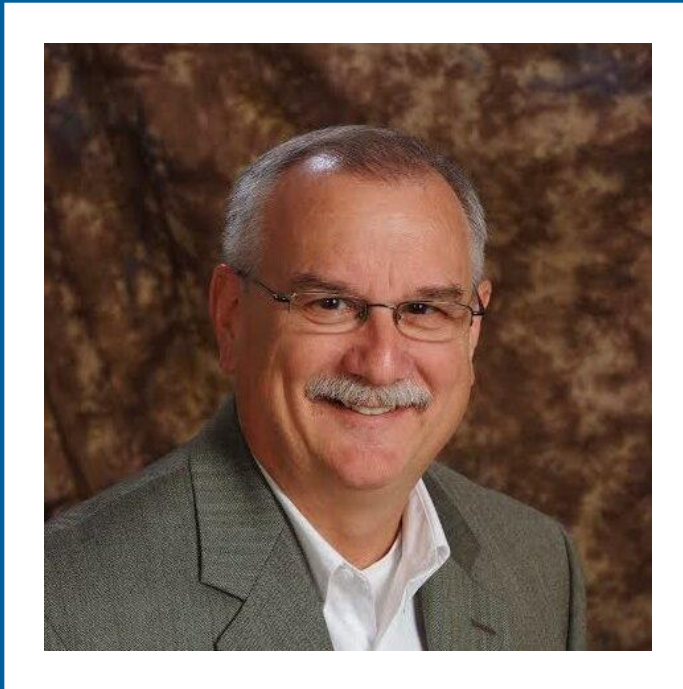
Bill Longley
Legislative Counsel, TML

GFOAT Board – 5 Area Representatives

- Point of contact for networking and GFOAT resources
 - In addition to GFOAT Executive Director and TML
- All areas of the state are represented
 - It's a big state and we all have some different challenges
- All sizes of cities are represented
 - From Perryton – population 8,595
 - To San Antonio – population 1.53 million

DON JENNINGS

Director of Finance, City of Perryton

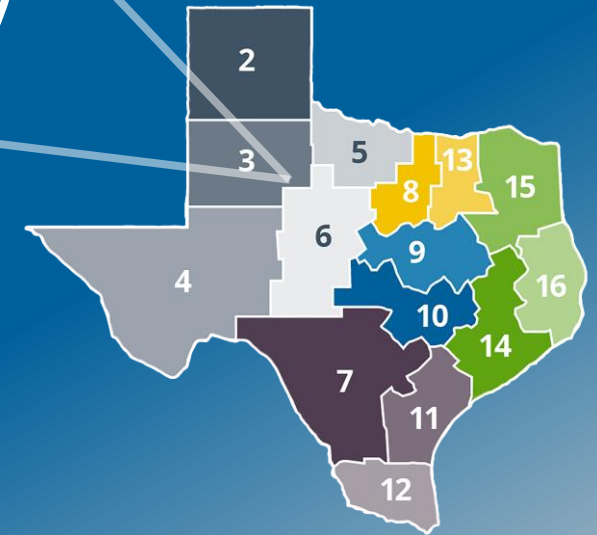


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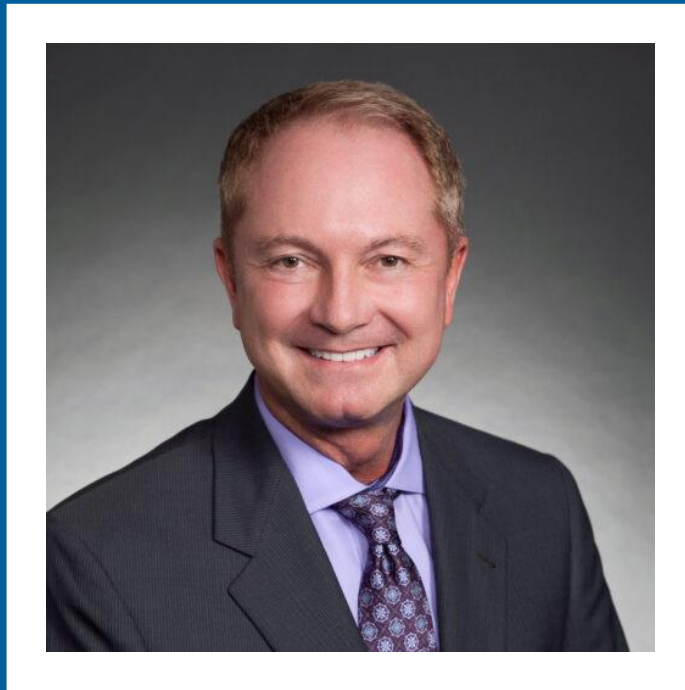


West Region
2, 3, 4, 5 & 6

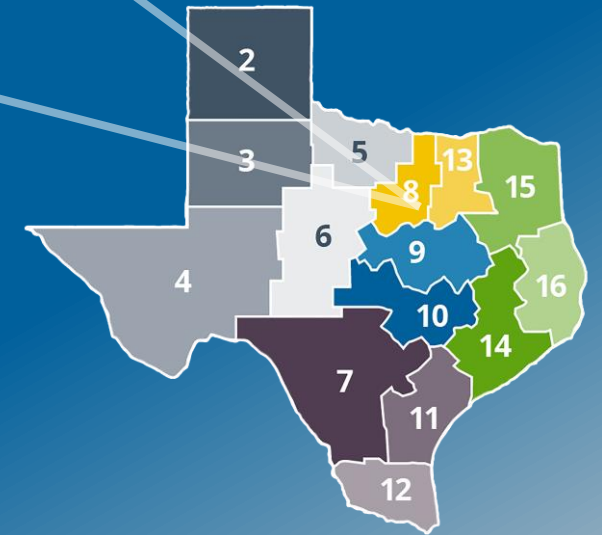


CASEY SRADER

Senior Budget Manager, City of Plano



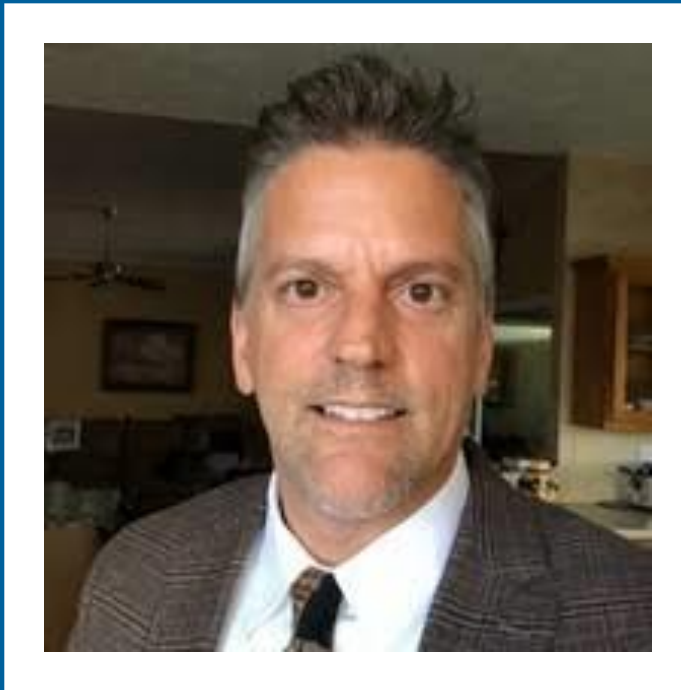
North Region
8 & 13



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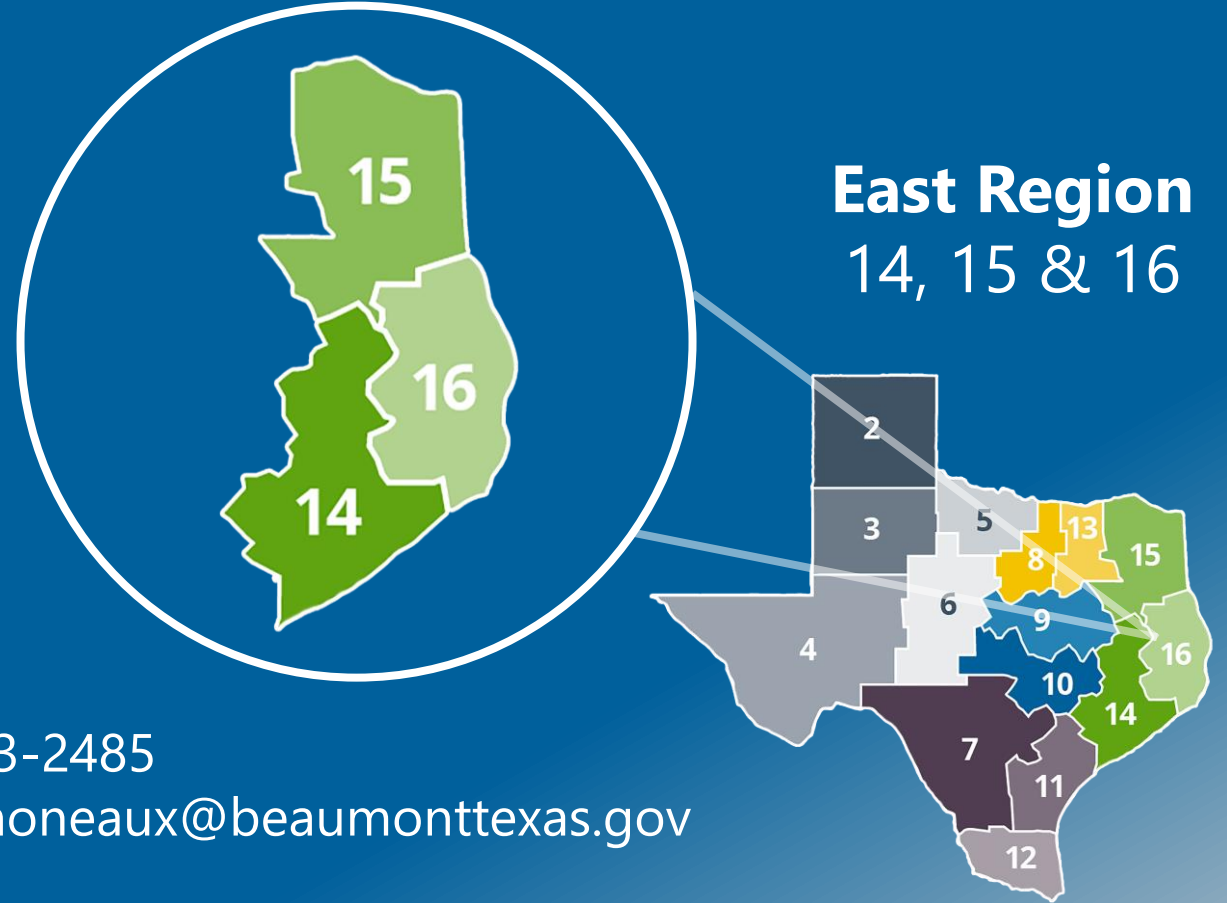
TODD SIMONEAUX, CPA

Chief Financial Officer, City of Beaumont



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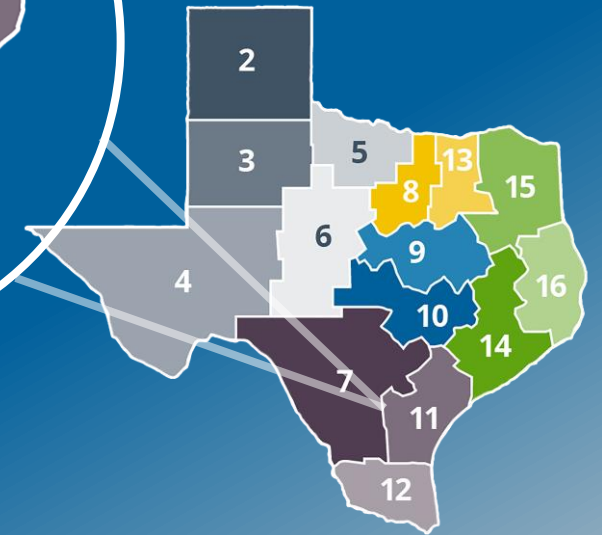
East Region
14, 15 & 16

CLARA SANTOS, CPA, CGFO

Interim Fiscal Operations Administrator, City of San Antonio



South Region
7, 11, & 12

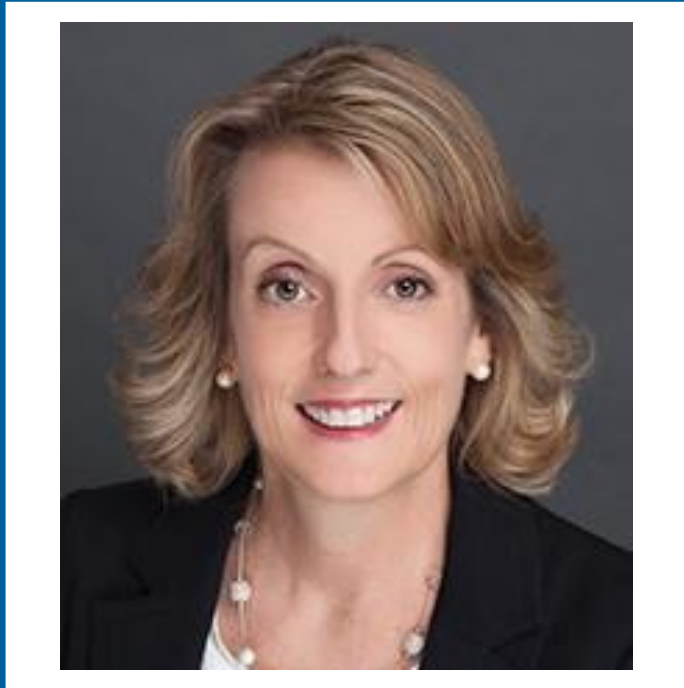


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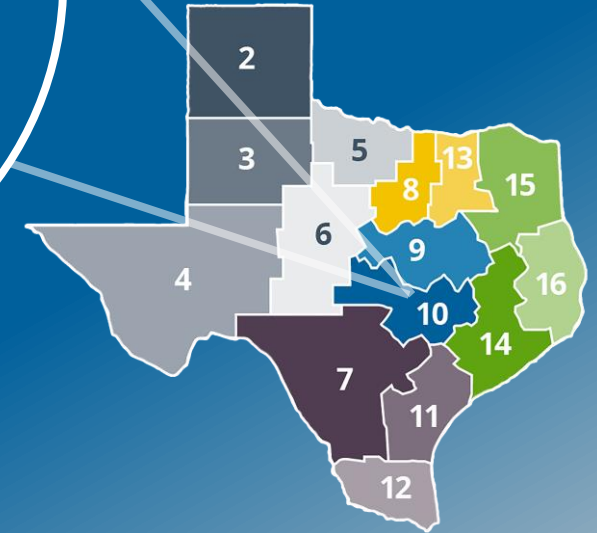
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SUSAN MORGAN, CPA

Chief Financial Officer, City of Round Rock



Central Region
9 & 10



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Polling Question

- What Area do you represent?
 - **West** – Texas Panhandle to El Paso
 - **North** - DFW Metroplex
 - **East** - Houston and Southeast
 - **Central** – Waco, Bryan and Austin areas
 - **South** – San Antonio & Rio Grande Valley



Lessons Learned – Senate Bill 2

- Please use the Q&A box at the bottom of your screen for questions
- Questions will be answered live as time is available

Tax Year 2020 - Unprecedented

- COVID pandemic and related recession
- Oil & gas industry declines

+

- Budget and tax adoption
 - Already enough!
- SB 2 changes
 - Terminology
 - Calculations
 - Reporting and timing

=

A tough budget and tax adoption season for everyone!

General Theme

“Let’s face it – SB 2 just had too many moving parts to anticipate all the different components and unintended consequences for all the players involved. We all had a lot to learn.”

- Everyone involved had challenges and struggles
 - Tax Assessor Collectors (TACs)
 - Central Appraisal Districts (CADs)
 - Comptroller of Public Accounts (CPA)
 - Local government staff and elected officials
 - TML

Voter Approval Rate – Was It a Disaster?

- Use of disaster declaration to exceed the 3.5%
 - TML's most asked question
 - Most cities do not appear to have used it
 - Those that did stayed well below 8.0%

TML Perspective

- If used in 2020, creates options for tax year 2021
- Impact on unused increment rate calculation

Polling Question

- Did your city take advantage of the disaster declaration in your M&O tax rate adoption?
 - No
 - Yes, but stayed at 3.5% or less
 - Yes, and adopted a rate above 3.5% but below 8.0%
 - Yes, and adopted the full 8.0%



Calendars – Timing is Everything

- Required timing
 - Hearings, notices and publications for budget and tax rates now on tighter time frame
- Notices required to be sent out by August 7
 - Top 20 counties did this for 2020 – applies to all in 2021
 - Indirectly requiring tax rate information to be on taxpayer websites **9 business days after certification date**
 - Many cities were not ready with tax and budget data
- Setting proposed tax rate
 - Publication indirectly requires record vote of Council before adoption

Calendars – Tax Rate Election

- Tax rate
 - Must be fully adopted 78 days before election (71 for DMR city)
 - For 2020, August 17 to meet November 3 election deadline
- Probably only one city in Texas
- Timing conundrum
 - How can a city get notices and 2 readings done between July 25 and August 17?
- And remember -
 - Budget must be filed 30 days before adoption per LGC 102.005(a) => that means filing before certification date

Calendars - Perspectives

TML Perspective

City of Round Rock Perspective

- Did not have much change to our adoption timing in 2020
- BUT, the taxpayer websites were a challenge!
 - Each CAD & TAC handles it differently
 - Most taxpayer website votes and comments came in first week after notice was sent out – needed more information out sooner
- Check your ordinances and charter!
 - Round Rock's charter requires budget and tax action take place at REGULAR meetings; no special meetings allowed

Certified Roll vs. Certified Estimate

- Certification requirement
 - 95% tough to meet in COVID conditions
- Certified estimates
 - Had to navigate how to set rate and estimate budgeted revenues

TML Perspective

- What if certified rolls are available after July 25, but before adoption?
- Other issues

Certified Roll vs. Certified Estimate

City of Round Rock Perspective

- WCAD stayed conservative due to COVID
 - Current year taxable values much lower than expected
 - Result => higher NNR than expected
 - Will have to watch value increases closely for 2021
- Certified roll from WCAD – reached 95%
 - Higher than usual properties in ARB also made TAV lower
 - Result => tax levy calculation differing noticeably from tax revenue budget because WCAD ARB always valued at 60%

Cities under 30,000

- First year to calculate and consider the DMR

TML Perspective

- Notice of tax rate hearing for small cities adopting rate exceeding VAR but less than 8.0% VAR & DMR
 - Exceeding VAR still had to be done by August 24
 - Unused increment limited to max of 3.5%
 - Even if no election required

City of Perryton Perspective

Polling Question

- Do you represent a city that was eligible for the de minimus rate?
 - Yes
 - No



NNR Worksheet – Line Surprises

- Changes caught CADs, TACs and cities off guard
 - New to all and very little or no guidance from CPA
- Values in Line 1 included values in Line 6
 - Amount included in line 6 were also included in line 1
 - Result - double counting pending ARB if tax calculation form 50-856 was followed to the letter
- New estimates for last year's levy in Line 6
 - Estimates of amounts still in ARB new for 2020
 - Created significant fluctuations in NNR calculations

2020 Tax Rate Calculation Worksheet

Form 50-856

Taxing Units Other Than School Districts or Water Districts

City of Round Rock Taxing Unit Name	512 218-5400 Phone (area code and number)
221 East Main Street, Round Rock, TX 78664 Taxing Unit's Address, City, State, ZIP Code	www.roundrocktexas.gov Taxing Unit's Website Address

Line	No-New-Revenue Tax Rate Worksheet	Amount/Rate
1.	2019 total taxable value. Enter the amount of 2019 taxable value on the 2019 tax roll today. Include any adjustments since last year's certification; exclude Tax Code Section 25.25(d) one-fourth and one-third over-appraisal corrections from these adjustments. Exclude any property value subject to an appeal under Chapter 42 as of July 25 (will add undisputed value in Line 6). This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing (will deduct taxes in Line 17). ¹	\$ 14,072,359,056
2.	2019 tax ceilings. Counties, cities and junior college districts. Enter 2019 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing unit adopted the tax ceiling provision in 2019 or a prior year for homeowners age 65 or older or disabled, use this step. ²	\$ 0
3.	Preliminary 2019 adjusted taxable value. Subtract Line 2 from Line 1.	\$ 14,072,359,056
4.	2019 total adopted tax rate.	\$ 0.43900 \$100
5.	2019 taxable value lost because court appeals of ARB decisions reduced 2019 appraised value. A. Original 2019 ARB values:..... \$ 581,688,739 B. 2019 values resulting from final court decisions:..... -\$ 539,268,458 C. 2019 value loss. Subtract B from A. ³	\$ 42,420,281
6.	2019 taxable value subject to an appeal under Chapter 42, as of July 25. A. 2019 ARB certified value:..... \$ 668,738,589 B. 2019 disputed value:..... -\$ 214,353,389 C. 2019 undisputed value. Subtract B from A. ⁴	\$ 454,385,200
7.	2019 Chapter 42 related adjusted values. Add Line 5 and Line 6.	\$ 496,805,481
8.	2019 taxable value, adjusted for actual and potential court-ordered adjustments. Add Line 3 and Line 7.	\$ 14,569,164,537



NNR Worksheet – Line Surprises, cont.

TML Perspective

- Be ready for changes in how CADs present Line 6 next year

City of Richardson Perspective

Advice from a Tax Assessor Collector

- Communicate early and often with your TAC!
- Ask a lot of questions of your TAC and CAD, especially on interpreting new laws
 - Again, it was new to all entities. For 2021, be careful about copying what you or another entity did last year
- Check your websites and links for accuracy and clear language
- Be ready for 2021 – the bar is set much higher for taxing units to comply

Advice from a Chief Appraiser

- Communicate early and often with your CAD!
- Line 6 was new for CADs – understand how they will treat them for 2021 tax year
- Taxpayer websites were new and a struggle for 2020
- Make sure your city's website links to the proper URL on the taxpayer website
 - Link to the page illustrating exactly what the funds will be used for
 - Should result in more "yes" votes

Lessons for 2021

- Prepare early! Expect some changes and clarifications for 2021
- Read the tax code and have a check list ready
 - Tax Year 2021 will be more strictly enforced
 - Copy of Round Rock's checklist provided – please share yours
- Talk to your tax assessor collector(s)
- Talk to you chief appraiser(s)
- Reach out to TML and GFOAT with questions
- Check your website, taxpayer website(s) and links before, during and after the adoption process
- Check your charter and ordinance requirements

Questions

Please use Q& A function

- The PowerPoint and City of Round Rock's property tax and budget adoption checklist are available on the GFOAT website
- All questions and responses will be posted to the website
- CPE certificate for the registered attendee will be sent out about one week after the training

Property Tax Numbers

City of Round Rock's overview to Council of all the various publications

Your Property Tax Numbers

- Question: Your numbers don't match up – do you have a spreadsheet error?
- Question: Why are all these numbers different? There you go, trying to confuse the public again!
- *Answer: No errors. Each publication comes from a different section of the statute*
- *Answer: Intent of the legislature is to provide multiple views of the tax rates and revenues*
- *Answer: And, yes, it is still very confusing!*

Required Property Tax Numbers

- **Existing requirements** – not changed by SB 2
- **Motion** – Increase over *no new revenue rate*
“I move that the property tax rate be increased by the adoption of the tax of \$0.439000, which is effectively a **3.2 percent** increase in the tax rate.”
Property Tax Code Sec. 26.05(b)
- **Publication** – Increase in *budgeted revenues*
“This budget will raise more revenue from property taxes than last year’s budget by an amount of \$3,996,863 which is a **6.2 percent** increase from last year’s budget, and of that amount \$1,290,584 is tax revenue to be raised from new property added to the tax roll this year.”
Local Government Code Sec. 102.005(b)

Required Property Tax Numbers, cont.

- **Motion** – Increase over *no new revenue rate*
“I move that the property tax rate be increased by the adoption of the tax of \$0.439000, which is effectively a **3.2 percent** increase in the tax rate.”
Property Tax Code Sec. 26.05(b)

Proposed Tax Rate	\$0.439000
No New Revenue Tax Rate	\$0.425550
PROPOSED INCREASE	1.3 cents
	+ 3.2%

Required Property Tax Numbers, cont.

- **Publication** – Increase in *budgeted revenues*

“This budget will raise more revenue from property taxes than last year’s *budget* by an amount of \$3,996,863 which is a **6.2 percent** increase from last year’s budget, and of that amount \$1,290,584 is tax revenue to be raised from new property added to the tax roll this year.”

Local Government Code Sec. 102.005(b)

3.2% increase over no-new-revenue rate*	\$2,706,279
Revenues from new property	\$1,290,584
TOTAL INCREASE	\$3,996,863
	+ 6.2%

New SB Notice

Notice of Public Hearing on Tax Increase as published

	2019	2020	Change
Total tax rate	\$0.439000	\$0.43900	0% increase
Average homestead taxable value	\$285,872	\$290,918	2% increase
Tax on average homestead	\$1,255	\$1,277	2% increase or \$22
Total tax levy on all properties	\$63,872,539	\$67,421,441	5.6% increase or \$3,548,902

Total Tax Rate

- Presents adopted rates NOT adjusted for change in values
- Compares nominal to nominal
- Median homeowner will experience a 3.2% increase
- Total tax levy on all properties
 - Prior year is based on actual collections
 - LGC 102.005 notice is based on prior year budget
 - Current year levy is as calculated based on strict calculation of levy
 - City of Round Rock budget reflects expected collections on properties still in ARB

Median vs. Average

- The **Median** is the middle value in a dataset
 - Half the homes are higher in value, and half the homes are lower in value
 - Has been standard indicator for taxable home values
- The **Average** is found by dividing the sum of all values by the number of items in a dataset
 - SB 2 now requires use of average in notice publication

	Median	Average
Current Year Value	\$256,347	\$290,918
Prior Year Value	\$255,198	\$285,872
Change from Prior Year	\$1,149	\$5,046
Percent Change	0.5%	2.0%

Total Tax Levy on All Properties

- Prior year - 2019
 - Based on actual collections of 2019 taxes
 - LGC 102.005 notice is based on prior year budget
- Current year – 2020
 - Levy is calculated based on certified and certified estimate roll with no adjustments
 - City of Round Rock budget reflects expected collections on properties still in ARB at July 25, prior year delinquent collections, and penalties