



City of Galveston

FINANCE DEPARTMENT

Michael W. Loftin, Assistant City Manager
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August 12, 2021

To: Brian Maxwell, City Manager
Hon. Mayor and City Council
From: Michael W. Loftin, Assistant City Manager Finance

RE: Conduct a public hearing on the proposed property tax rate of \$0.4985 per \$100 of taxable value for tax year 2021 to receive public comment on the rate.

I. Background

- A. In accordance with State law, the Galveston County Tax Assessor-Collector (TAC), acting as the City of Galveston's TAC received the City's 2021 tax roll as certified by the Chief Appraiser for Galveston County. The TAC provided the No-New-Revenue Tax Rate (ETR) calculation for the 2021 tax roll (see attached) using the information from the Galveston County Appraisal District.
- B. The applicable numbers from this year's ETR are as follows:
- | | |
|---|-------------------------|
| 2021 Certified Taxable Value (TV) | \$8,262,938,900 |
| 2021 Taxable Value Still Under ARB Review* | \$ 482,393,773 |
| 2021 Total Taxable Value Including ARB Review | \$8,745,332,673 |
| 2021 New Property Taxable Value | \$ 141,907,142 |
| 2020 Total Taxable Value Including ARB Review | \$7,252,693,771 |
| 2020 Anticipated Collection Rate | 99.19% |
| No-New-Revenue Tax Rate | \$0.465558 per \$100 TV |
| Voter Approval Rate | \$0.498537 per \$100 TV |
| Proposed Rate | \$0.498500 per \$100 TV |
- *Note: ARB is the Appraisal Review Board.
- C. This year's taxable value including the amount to be certified is 20.62 percent higher than the 2020 taxable roll.
- D. Total new construction amounts to \$141,907,142 in taxable value on this year's tax roll, which is 1.62 percent of the total roll.

II. Current Situation

- A. The proposed rate of \$0.4985 is the rate reflected in the FY 2022 Proposed Budget and all associated documents. This is 10.9 percent or 6.15 cents lower than last year's rate of \$0.56.
- B. The Maintenance and Operations rate is proposed at \$0.446 which includes the \$0.05 rate that is allocated directly to the Library under the City Charter. This is 12.1 percent lower than last year's M&O rate of \$0.5075.
- C. The Debt Service rate is proposed at \$0.0525, which remains unchanged from last year's rate. The rate reflects a budgeted transfer of \$959,038 from the Infrastructure and Debt Service Fund to the Debt Service Fund.





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- D. The proposed rate of \$0.4985 exceeds the \$0.465558 No-New-Revenue Rate. This rate would generate the same amount of revenue as last year if you compare properties taxed in both years.
- E. The total rate of \$0.4985 is less than the Voter-Approval rate of \$0.498537. This rate is the highest tax rate the City can set before the taxpayers can start rollback procedures (petition for a rollback election).
- F. State Tax Code, Section 26.05, requires public hearings on the proposed tax rate if the proposed rate exceeds the lower of the No-New-Revenue rate. Therefore, the City will need to hold a public hearing on the proposed tax rate. In addition to a public hearing, an election is required to finally approve any proposed rate that exceed the Voter Approval Rate. This route is not under consideration at this time.
- G. This year's roll reflects the significant appraisal value increases certified by the Chief Appraiser and approved by the Appraisal Review Board.
- H. The TAC will run the notice in the paper for the public hearing including the disclosures required by State law.
- I. The proposed tax rate is providing the basis for the FY 2022 Proposed Budget.

III. Issues

- A. The FY 2022 Budget must be approved prior to the adoption of the 2021 property tax rate.
- B. State law calls for the final tax rate for 2021 to be adopted by City Council no later than seven days after this public hearing or, in this case September 16. If a tax rate cannot be adopted by September 23, State law calls for the council to ratify the No-New Revenue tax rate (\$0.465558) or last year's rate (\$0.56), whichever is less. In this case, that would be the No-New-Revenue tax rate of \$0.465558.
- C. The City affirmed its existing property tax exemptions in June, 2019, abating a total of approximately \$4.46 million in property taxes this tax year.
- D. The Budget includes property tax revenue as follows:

**PROPERTY TAX REVENUE GROWTH
 PROPOSED FY 2022 BUDGET
 Net of Tax Rebates to TIRZ 13 and MUD 30**

By Fund	FY 2021 Estimate	FY 2022 Proposed	Amount of Increase	Percent Increase Over FY 2021
General Fund Operations	\$31,668,800	\$32,734,000	\$1,065,200	3.36%
Rosenberg Library	\$3,444,100	\$4,114,400	\$670,300	19.46%
Debt Service Fund	\$3,617,400	\$4,317,600	\$700,200	19.36%
Total	\$38,730,300	\$41,166,000	\$2,435,700	6.29%

Note that the Rosenberg Library receives its allocation of five cents of the City's maintenance and operations rate. This means that the entirety of any reduction in the overall rate, such as this year's 6.15 cents comes from the City's General Fund, while the Library receives a 19.46 percent increase in its revenues from last year. Approval of the property tax rate in the budget cannot change this distribution.





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Should City Council wish to adopt a lower rate, such as the No-New-Revenue Rate of \$0.465558, the resulting impact on the Budget would be as follows:

FY 2022 PROPERTY TAX REVENUE ESTIMATED USING THE NO-NEW-REVENUE TAX RATE

By Fund	FY 2021 Estimate	FY 2022 Proposed Rate of \$0.4985	FY 2022 under NNR Rate of \$0.465558	Amount of Change
General Fund Operations	\$31,473,000	\$32,734,000	\$30,205,900	(\$2,528,100)
Debt Service Fund	\$3,587,000	\$4,317,600	\$4,339,300	\$21,700
Rosenberg Library	\$3,418,000	\$4,114,400	\$4,135,000	\$20,600
Total	\$38,478,000	\$41,166,000	\$38,680,200	(\$2,485,800)

The Budget and the property tax rate are, by State law, to correspond to each other. The Budget should provide the operating plan that supports the tax rate. Likewise, the tax rate should be set so as to finance the budget that is adopted prior to the vote on the rate itself.

E. The impact on taxpayers is attenuated by the tax exemptions approved by City Council:

Description	Tax Exemption Basis	Exemption Calculation	Number of Exemptions from Tax Year 2021 Preliminary Roll	Value Exempted from Tax Year 2021 Preliminary Roll	Estimated Tax Break at \$0.498500 Rate	Estimated Tax Break per Exemption
Homestead	20% of Assessed Value or minimum of \$5,000 of Assessed Value	COG at max for % but not minimum amount.	9,662	\$482,359,996	\$2,404,565	\$249
Over 65 Exemption	\$15,000 off Assessed Value	COG at minimum; can be increased	4,788	\$70,427,195	\$351,080	\$73
Disabled Exemption	\$10,000 off Assessed Value	COG at minimum; can be increased	468	\$4,475,000	\$22,308	\$48
Veteran's Exemption	\$5,000 (10%-30%), \$7,500 (30%-50%), \$10,000 (50%-70%), or \$12,000 (70% and over) off Assessed Value based on Disability Rating percentages noted above	COG at what's allowed by State law; no local option to increase exempted amounts	327	\$30,955,089	\$154,311	\$472
Veteran's Survivors Exemption	100% Exempt	State Mandated	21	\$1,669,221	\$8,321	\$396
Over 65 Freeze	N/A	Taxes paid frozen at amount paid at age 65	4,323	\$274,423,270	\$1,368,000	\$316
Disabled Freeze	N/A	Taxes paid frozen at amount paid once disabled	464	\$30,090,271	\$150,000	\$323
			20,053	\$894,400,042	\$4,458,584	\$222





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- F. The Galveston County Appraisal District and the Galveston County Tax Assessor Collector place the taxable value of an average homestead single family home in 2021 at \$202,019 as compared with last year's \$182,902. At last year's tax rate (\$0.56), city taxes on the average homestead totaled \$1,024.25. At this year's proposed tax rate (\$0.56), city taxes would be \$17.19 less, or \$1,007.06, a 1.68 percent decrease. For the average non-homestead single family property, taxable value went from 256,698 to \$331,623, a 29.2 percent increase. Taxes on the average non-homestead property went from \$1,438 to \$1,653, a 15 percent increase.
- G. Owners of other major categories of property who received large percent increases in market value included multifamily properties (up \$144 million or 33.3 percent), commercial real property owners (up \$325 million or 40.5 percent) and vacant lots/land tracts (up \$57.4 million or 21.1 percent). These owners will find their tax bills still increasing, but to a lesser extent because of the 11 percent decrease in the tax rate from \$0.56 to \$0.4985.

