



7286 Dietz Elkhorn · Fair Oaks Ranch, Texas 78015 · (210) 698-0900 · (866) 258-2505

Citizen Town Hall

(August 13, 2018)

FY 2018-2019 Budget

Answers To Questions & Statements

- **I would think the increased property appraisals and annexations would bring in enough new revenue to cover the cost of desired city services. If so, why do we need the additional tax rate increase?**

When broken down by its components, the total increase in revenue to the city of \$839,371 looks like this:

Breakdown of Budgeted Revenue Increase			
Annexations	\$	75,378	9.0%
New Properties: Non-Annexations	\$	170,905	20.4%
Increased Appraisals on Existing Properties	\$	60,397	7.2%
Tax Rate on Existing Properties	\$	532,691	63.5%
	\$	839,371	100.0%

Increased appraisals (as determined by the Appraisal Districts, NOT the City) along with new properties (annexations and new properties built) would not have generated enough to fund the program of services as determined in the City's strategic planning process.

- **Does the proposed tax rate, which is above the rollback rate, require approval by the citizens?**

No, the City Council has the authority to adopt a tax rate, inclusive of a rate that exceeds the rollback rate without citizen approval. However, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback rate.

If a majority of qualified voters voting on the question in the election favor the proposition, the adopted tax rate would rollback to the calculated rollback rate. If tax bills have already been mailed, the tax accessor will prepare and mail corrected tax bills. If tax bills were already paid

using the higher tax rate, the City will refund the difference between the amount of taxes paid and the amount due under the reduced rate if the difference is \$1 or more. If the difference is less than \$1, the City will refund the difference on request of the tax payer.

- **What exactly, are we getting for the proposed \$.0373 property tax increase?**
The Strategic Plan developed by City Council focuses on four main risk areas. The tax increase makes the following investment in each risk category.

<p><u>RESPONSIBLE GROWTH MANAGEMENT PROJECTS</u> <i>Risk #1 – Citizen Investment and Quality of Life</i></p>	
<p><u>Unified Development Code</u></p> <ul style="list-style-type: none"> • Zoning & form-based design guidelines • Master water & wastewater plan • Master stormwater plan • Subdivision Regulations • Infrastructure design guidelines • Sign design guidelines • Sustainability 	<p><u>FM 3351 Expansion</u></p> <ul style="list-style-type: none"> • Owners Representative Consultant • Develop context sensitive design solutions <p><u>Storm Water Feasibility Study</u></p> <ul style="list-style-type: none"> • Funding Source • Capital Improvement Implementation <p><u>Code Enforcement</u></p> <ul style="list-style-type: none"> • Growth Management Administration <p><u>Street and Facility Maintenance</u></p> <ul style="list-style-type: none"> • Protection of Public Investment
<p>Projects require the following resources:</p> <ul style="list-style-type: none"> • Code Enforcement FTE • 3rd Party Contract Planning • 3rd Party Owners Rep. Consultant • 3rd Party Fire Inspections • 3rd Party Stormwater Consultant • Office Space • Computer, desk, & telephone • Campus Renovations 	

<p><u>PUBLIC SAFETY</u> <i>Risk #2 – Citizen Safety and Protection of Property</i></p>	
<p><u>24/7 Full-Service Department and Command Structure</u></p> <ul style="list-style-type: none"> • Patrol availability/Priority-one calls • Criminal investigation services • Community outreach 	
<p>Requires the following resources:</p> <ul style="list-style-type: none"> • Two patrol officers • One Criminal Investigation Sergeant • One Administrative Clerk • Patrol vehicle, camera systems & radios • Officer body armor • Officer Weapons • K-9 services • Community outreach aids 	

GOVERNMENT SERVICE EXPECTATIONS & MANDATES

Risk #3 - Open and Transparent Government and Preservation of Public Infrastructure and Facilities

Full Service Administration and Public Works Services

- City Council, Planning & Zoning, Zoning Board of Adjustment
- Records Management and Retention
- Public Information Act
- Public Relations
- Citizen Committees and Outreach Initiatives
- Street maintenance program
- Drainage maintenance program
- Right-of-way maintenance program
- Stormwater Quality Program
- Public facility maintenance program

Projects require the following resources:

- Street Maintenance/Custodian
- Deputy City Secretary
- Administrative Clerk
- Public Relations/HR Assistant
- Office space
- Computer, desk, & telephones
- Public Works Vehicles & Material
- Campus Renovations

FINANCIAL INTEGRITY AND SUSTAINABILITY

Risk #4: Responsible Stewardship of Public Assets

Financial Management Tool Box (Develop and Administer)

- Budgeting & Financial Reporting
- Asset Management & Replacement
- Internal Controls & Procurement
- Strategic Planning & Forecasting
- IT Infrastructure & Cyber Security
- Accounts Payable & Payroll Administration
- Infrastructure Financial Strategy Support

Requires the following resources:

- Procurement Manager
- Staff Accountant
- IT Manager
- Office space
- Computer, Desk, & telephone
- Campus Renovations

- **Does the City receive sales tax from internet sales?**

The sales tax sourcing rules are complicated. The answer is generally yes, but only if the buyer enters Fair Oaks Ranch as the City as the delivery point/address, inclusive of the proper zip code + 4 (78015-xxxx).

- **Why doesn't the City utilize outside contractors or 3rd party vendors to provide services instead of increasing the number of full time equivalents on the City's payroll?**

The City is extremely cognizant of the need to provide the most “bang for the tax payer buck” when it comes to delivering city services. Accordingly, the City utilizes outside contractors and/or 3rd party vendors when possible if it is cost effective and truly a value-add to the citizenry. Currently, the City provides the following services via outside vendors:

- Emergency dispatch (911)
- Fire & EMS
- Solid and household hazardous waste
- Legal
- Municipal Judge and Prosecutor
- Property tax billing
- Delinquent property tax and municipal court collection
- Food establishment inspections
- Custodial
- Street maintenance
- Stormwater master planning
- Water and wastewater master planning
- Comprehensive planning
- Municipal separate storm sewer systems (MS4's)
- Water and wastewater SCADA (Supervisory Control and Data Acquisition)
- Animal control shelter
- IT
- Jail

Additionally, for the upcoming year, the city will be utilizing external consultants rather than hiring employees for the following projects:

- City Planning Services
- FM 3351 expansion consulting representation
- Internal Controls Risk Assessment and Design
- Civil engineering design

Regardless, Fair Oaks Ranch will continue to experience growth pressure due to its location, availability of undeveloped land and positive community image. As the City moves towards build-out, delivery of service challenges will continue to evolve. These challenges encompass everything from infrastructure (water, wastewater, drainage, mobility, open space, etc.) to police and fire. Accordingly, it is an unrealistic expectation to assume the number of city employees will remain constant as the City's population grows from roughly 9,000 today to approximately 15,000 +/- at build-out.

To successfully deliver desired city services, the focus of the City's program of services must represent the interests of residents and business owners (current and future) relative to the City's ability to respond to changing conditions while maintaining the integrity of an implementation strategy that is coordinated, equitable, predictable, and delivers the most “bang for the buck.”

- **How are the City of Fair Oaks Ranch tax dollars utilized?**

For FY 2018-2019, of the \$.3668 cents for each \$100 valuation of the property, \$.0362 cents are allocated towards debt service (\$7 MM voter approved road and drainage bonds), with the remaining \$.3306 cents being used towards our annual operating budget. This split between debt service and operations is typical for our City, but can change due to local budgetary considerations and governing body decisions related to our tax revenue allocations that take place each fiscal year.

The average appraised home value within the City is \$484,049. Provided below is an example of how Fair Oaks Ranch tax dollars are being used in fiscal year 2018-2019, for a home with the average appraised value of \$484,049:

Budget Breakdown for Average FOR Home		
Home Value	Tax Rate	Amount
\$484,049	\$0.3668	\$1,775
Debt Service		
Roads and Drainage	\$0.0362	\$175
Maintenance & Operations		
Public Safety and Emergency	\$0.1377	\$667
Engineering and Planning	\$0.0358	\$173
Maintenance	\$0.0290	\$140
City Administration	\$0.0258	\$125
Non-Departmental & Shared	\$0.0229	\$111
Finance	\$0.0180	\$87
Capital Improvement	\$0.0144	\$70
Building Codes and Permits	\$0.0113	\$55
City Secretary	\$0.0105	\$51
Municipal Court	\$0.0094	\$45
HR and Communications	\$0.0075	\$36
Equipment Replacement	\$0.0074	\$36
Mayor & Council	\$0.0008	\$4
	<u>\$0.3668</u>	<u>\$1,775</u>

Citizen statements subsequent to the Town Hall meetings

- *At the recent budget town hall meetings, Fair Oaks Ranch made a case for raising the property tax rate by a fraction under 4 cents to help fund the 2019 budget. This is the largest rate increase since its founding.*

This is not an accurate statement. The largest tax increase in the City’s history was just over \$.04 and it occurred in FY 2015-2016. This increase was the result of a \$7 MM voter approved bond election for road and drainage improvements.

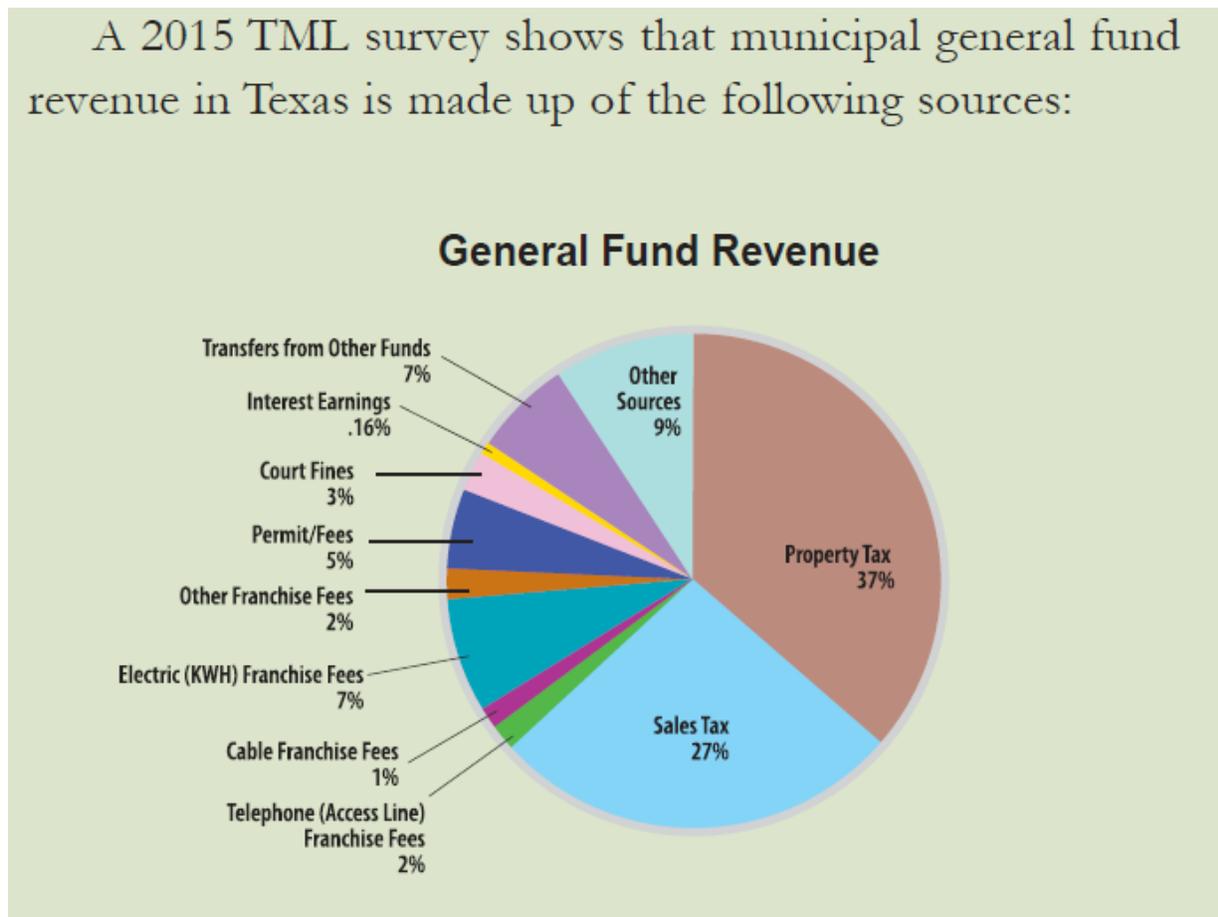
- *As evidence in support of that tax historic increase Fair Oaks Ranch compared itself in various ways with 12 “surrounding” cities. (Alamo Heights, Balcones Heights, Boerne, Cibolo, San Antonio, Live Oak, Olmos Park, Shavano Park, Hollywood Park, Leon Valley, Kerrville, and Marble Falls). Since the city focused on these cities, I looked online to find documentation as to how the taxpayers in those cities had fared in the way of tax rate growth, and exemptions offered to seniors as a comparison. This is what I’ve discovered so far:*

1. *Since the 2015 Tax year, Fair Oaks Ranch has raised the total property tax rate by 10 cents. The 12 others combined have averaged to reduce the total tax rate by a little more than a penny in the same time period.*

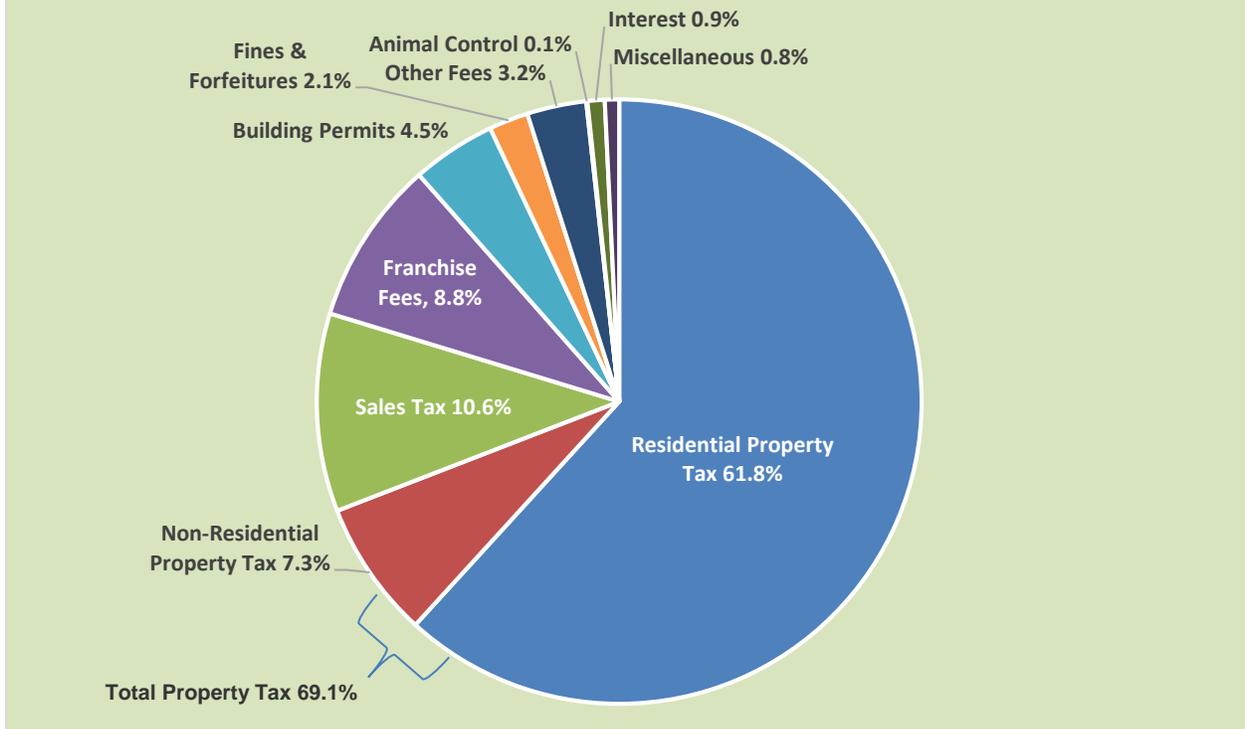
This may be an accurate finding (City did not verify) but it is irrelevant. The predominate citizen directive is to maintain the characteristics of a bedroom community. Accordingly, Fair Oaks Ranch does not have a diversified revenue portfolio like most cities in Texas, yet our citizens expect the same city services (police, fire, streets, drainage, public works, municipal court, engineering, planning, finance, administration, code enforcement, etc.).

By way of background, based on a Texas Municipal League survey 37% of the typical City budget in Texas comes from property tax. In Fair Oaks Ranch, 69% of the City’s budget comes from property tax. Further, Fair Oaks Ranch has limited commercial tax base so the majority of the City’s property tax revenue is borne by single family home owners.

A 2015 TML survey shows that municipal general fund revenue in Texas is made up of the following sources:



FAIR OAKS RANCH REVENUE PORTFOLIO



2. *For 2019 Fair Oaks Ranch is the only city to propose a rate exceeding the rollback rate. The 12 other cities on average propose rates about 3 cents UNDER their respective rollback rates. Exceeding the rollback rate is not done casually as doing so exposes a city to a potential rollback election petition drive and an election to rollback the tax rate if approved.*

Exceeding the tax rollback rate is not done casually. City Council has devoted an enormous amount of time over the past 18 months to developing a Strategic Plan that defines citizen driven service expectations and risk mitigation strategies and directly ties those service expectations with the resources necessary to deliver them in the budget. Accurately reflecting what the residents desire and establishing the cost of those services is much more significant than the relationship to an arbitrary rollback rate.

The assertion made demonstrates a classic FAKE NEWS tactic of cherry picking a specific statistic of a very limited time duration to further a desired narrative. This assertion ignores the fact that Fair Oaks Ranch maintained essentially a flat tax rate for 27 years while other cities were raising theirs. Most importantly, it ignores that even with this tax rate increase above the rollback rate, the resulting tax rate is still the second lowest tax rate in our peer group of suburban cities by a substantial margin (See chart below). It is important to realize that the rollback rate is an arbitrary number set by the state that carries no connotation of malfeasance or mismanagement. Setting our tax rate at the proposed level says that the city council believes our residents are astute enough to understand what they are getting for their money and will support a tax rate that is required to deliver the services they have consistently told us they desire.

- 3. Fair Oaks Ranch's proposed rate is nearly 4 cents above its current rate. Seven of the twelve cities chosen by Fair Oaks Ranch are maintaining the existing rate. Four propose to reduce rates next year. Only one other city, Cibolo, proposes to raise its rate 2 cents up to the rollback rate.*

This assertion may be accurate but it has no relevance to decision making specific to our city. What other cities do in a certain year reflects their priorities, their historical tax rates, and their resident desires, not ours. A simple example of differences is that most of the other cities in the state have had the tools required to manage growth and protect quality of life in place for decades. We are just now creating those tools and there is a cost to put them in place.

- 4. Fair Oaks Ranch's \$20,000 over 65 exemption while good is \$3,167 or 15% lower than the average senior exemption offered by the other cities.*
- 5. Seventy-five percent of the surrounding cities have enacted a tax freeze for seniors approved as a change to the Texas Constitution in 2003.*

The City did not attempt to verify whether the statements above were accurate, however the following table is helpful to understand the relevant concepts. As you can see there is substantial variability in exemptions offered. In general, cities with the highest exemptions and freezes also have the highest tax rates. All of the cities listed below enjoy more diverse sources of revenue (sales tax) than Fair Oaks Ranch and can subsidize property tax exemptions and freezes with these diverse sources.

The question of what level of exemption to grant cannot be adequately addressed without understanding the demographics of the city. Recently, our city council had staff review the possibility of granting an over 65 tax freeze. The conclusion of this review was that granting this relief to our seniors would cause a huge hardship on our younger families. With 69% of our city budget coming from property tax, a significant non-senior subsidy would be required to sustain desired city services. The tax rate would have to be much larger to make up for the lost revenue from providing a senior freeze.

The classic argument for seniors is that they are on fixed incomes, but the countervailing argument for younger families is that they are in some of the highest expense times of their life cycle with children in school. Freezes make more sense from a tax equity standpoint in the case of school districts since seniors do not utilize those services.

Today 27.7% of the homesteads within Fair Oaks Ranch claim the over 65 exemption. Further, we have a much larger percentage of Baby Boomers (55-74) and Silent Generation (75+) than the San Antonio Metropolitan Statistical Area (MSA). Baby Boomers and Silent Generation represent 43.5% of the City's population. This creates a high probability that the percentage of households eligible for an over 65 exemption will rise in coming years. These are the reasons why city council concluded that a tax freeze based on age was not a fair proposition in Fair Oaks Ranch.

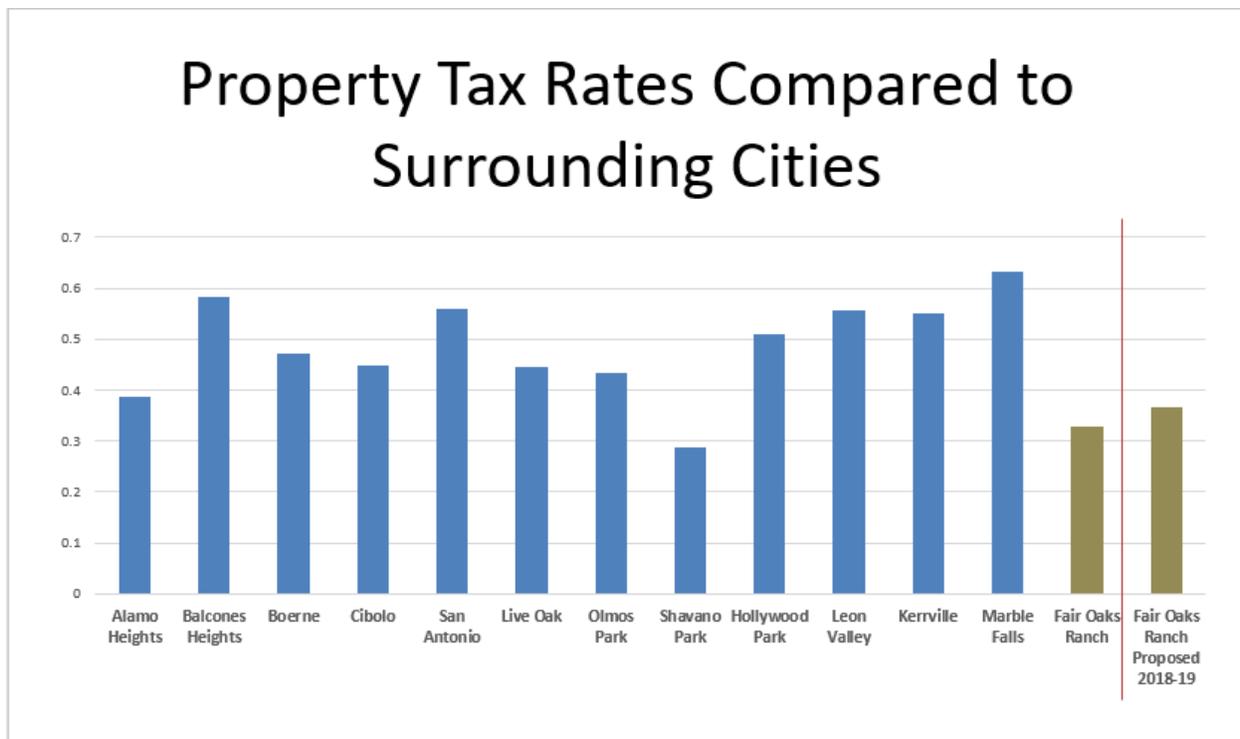
Name	Tax Rate/\$100	Homestead Exemption	Over 65 Exemption	Disabled * Exemption	Over 65 Freeze
Fair Oaks Ranch	\$0.329	\$5,000	\$20,000	No	No
Alamo Heights	\$0.386	No	No	No	Yes
Balcones Heights	\$0.583	\$5,000 or 15%	\$65,000	\$65,000	No
Boerne	\$0.472	No	No	No	Yes
Cibolo	\$0.447	No	No	No	No
San Antonio	\$0.558	No	\$65,000	\$12,500	Yes
Live Oak	\$0.443	\$5,000 or 20%	\$40,000	No	Yes
Olmos Park	\$0.432	No	\$10,000	No	No
Shavano Park	\$0.287	No	\$5,000	No	Yes
Hollywood Park	\$0.510	No	\$5,000	No	No
Leon Valley	\$0.556	\$5,000 or 1%	\$30,000	No	Yes
Kerrville	\$0.551	No	\$3,000	No	Yes
Marble Falls	\$0.634	\$5,000 or 0.025%	\$50,000	No	Yes

Amounts listed are for the most recent tax year available - 2017

*Amounts listed are in addition to the legally mandated exemptions

- *It's true that even with this proposed tax increase the Fair Oaks Ranch tax rate will remain 2nd lowest of the listed cities.*

This is an accurate statement as indicated in the chart below.



- *But it's also true that Fair Oaks Ranch tax rate growth, its decision to exceed the rollback rate, and exemptions offered to seniors compares poorly with the surrounding cities used by Fair Oaks Ranch to partially justify the largest tax rate increase in our city's history.*

This is not an accurate statement. When you have the second lowest tax rate in your relevant peer group it is outright nonsense to claim that anything is being done “poorly.” Again, treating exceeding the state set arbitrary tax rollback rate or the absence of a senior freeze as something that indicates malfeasance or mismanagement is simply another FAKE NEWS tactic. It is clear that our city council has taken great pains to understand what our residents want, to reflect those desires in both a strategic plan and budget, and to evaluate the tax implications of granting senior tax freezes. The council’s thoroughness is in glaring contrast to the over-simplified, one size fits all approach, of the assertion presented.

- *There has been lots of discussion about the necessity of a \$75 increase in FORHA dues.*

FORHA is not affiliated with the City of Fair Oaks Ranch government. Accordingly, the City has no knowledge of the FORHA budget and, therefore, is not qualified to respond to this statement.

- *Seems like a \$181 property tax increase on a home of average value in Fair Oaks Ranch merits discussion, too.*

Your city council members agree that a tax rate increase above the rollback rate is not inconsequential and deserves discussion. Every member of the current council subscribes to the need for transparency and honesty in the governance role. In fact, the desire to create that atmosphere of openness in our city governance has been a major campaign platform over the past three election cycles.

Even more importantly, the current council practices what it preaches. This year, we held two Town Hall meetings to have budget and tax discussions with our residents purely to provide that level of transparency. Neither of these meetings are required by law but they provided a somewhat less structured venue to have some back and forth discussion with our residents.

Similarly, the mayor has routinely discussed the budget and tax issues in significant detail in our monthly “From the Mayor’s Desk” column ever since he took office. Our Finance Department has supported transparency by creating both our City’s first Governmental Finance Officers Association (GFOA) compliant Comprehensive Annual Financial Report (CAFR) and producing budget support schedules that vastly exceed the level of information provided even three or four years ago. All of this is geared to provide the basis for community knowledge, understanding, and participation.

Further, the City will be hosting two public hearings to ensure citizens have an opportunity to be heard. The first public hearing is scheduled for Thursday, September 6th at 9:30 am. The second public hearing is scheduled for Thursday, September 13th at 6:30 pm. Both public hearings will be conducted at City Hall.

All citizens are encouraged to attend and participate.