

2018-2019 BUDGET QUESTION
Response to Request for Information

DEPARTMENT: Financial Services – Budget

REQUEST NO.: 39

REQUESTED BY: Troxclair

DATE REQUESTED: 8/15/18

DATE POSTED: 9/8/18

REQUEST: What is the difference in total projected General Fund revenue at the effective tax rate in comparison with the prior year?

RESPONSE:

The table below displays total budgeted General Fund revenue for fiscal year 2017-18 in comparison with projected General Fund revenue for fiscal year 2018-19 at the effective property tax rate. Please note that Development Services Department revenue has been backed out of the FY18 figures in light of its transition from the General Fund to an enterprise funding model in FY19.

General Fund	FY18 Amended Revenue (DSD backed out)	FY19 Projected Revenue @ Effective Tax Rate	Difference
Property Taxes	\$453,005,643	\$446,034,642	(\$6,971,001)
Sales Tax	\$226,131,769	\$236,150,000	\$10,018,231
Franchise Fees	\$36,936,487	\$35,309,907	(\$1,626,580)
Development Fees	\$1,269,279	\$3,698,489	\$2,429,210
Other Revenue	\$105,817,231	\$112,260,061	\$6,442,830
Transfers In	\$154,914,379	\$157,585,534	\$2,671,155
Total Revenue	\$978,074,788	\$991,038,633	\$12,963,845

Please note that the effective tax rate represents the rate that would generate the same amount of *total* property tax revenue—including both maintenance and operations and debt service property tax revenue—from properties taxed in both years, net of certain adjustments. At this rate, owners of property taxed in both years should experience property tax bills that are approximately equal to the prior year. The effective tax rate will tend to generate additional marginal property tax revenue in comparison with the prior year due to the effect of new property value attributable to construction and improvements and to annexations. For fiscal year 2018-19, the City would be projected to generate an additional \$13.1 million in total property tax revenue at the effective tax rate. However, the City is also in an environment of increasing debt service requirements as a result of the voter-approved 2016 Mobility Bond. The effective tax rate does not hold cities harmless for debt service and therefore, at this rate, increasing debt service requirements have an adverse impact on the remaining property tax revenue available for maintenance and operations. This dynamic is illustrated in the following table:

	FY18 Amended Property Tax Revenue	FY19 Projected Property Tax Revenue @ Effective Tax Rate	Difference
General Fund	\$453,005,643	\$446,034,642	(\$6,971,001)
Tax Increment Financing Funds	\$12,245,449	\$12,310,022	\$64,573
Debt Service Requirement	\$145,082,956	\$165,070,588	\$19,987,632
Total Property Tax Revenue	\$610,334,048	\$623,415,252	\$13,081,204

The effective maintenance and operations tax rate represents the rate that would generate the same amount of *maintenance and operations* property tax revenue from properties taxed in both years, net of certain adjustments. At this rate, owners of property taxed in both years should experience property tax bills for the maintenance and operations portion of their City property tax bill that are approximately equal to the prior year. However, their total property tax bills for fiscal year 2018-19 would increase as a result of the need to fund the City's increasing debt service requirements. This dynamic is illustrated in the following table:

	FY18 Amended Property Tax Revenue	FY19 Projected Property Tax Revenue @ Effective M&O Tax Rate	Difference
General Fund	\$453,005,643	\$460,020,492	\$7,014,849
Tax Increment Financing Funds	\$12,245,449	\$12,592,704	\$347,255
Debt Service	\$145,082,956	\$165,070,588	\$19,987,632
Total Property Tax Revenue	\$610,334,048	\$637,683,784	\$27,349,736