2018-2019 BUDGET QUESTION

Response to Request for Information

DEPARTMENT: Financial Services – Budget

REQUEST NO.: 17

REQUESTED BY: Alter

DATE REQUESTED: 4/26/18

DATE POSTED: 9/6/18

REQUEST: Please explain the projected impact of current debt service requirements to the tax rate. Please also provide specific detail on the impact of debt service requirements from the 2016 Mobility Bond on the tax rate.

RESPONSE:

The table below displays the total approved tax rate for fiscal year 2017-18 and the proposed tax rate for 2018-19 divided into their maintenance and operations (M&O) and debt service components. It also shows the year-over-year increase in the annual debt service requirement for property-tax supported debt.

	Total Tax Rate	M&O Property Tax Rate	Debt Service Property Tax Rate	Property Tax-Supported Debt Service Requirement
FY 2017-18 Approved	$0.4448	$0.3393	$0.1055	$145,082,956
FY 2018-19 Proposed	$0.4385	$0.3290	$0.1095	$165,070,588
Increase (Decrease)	($0.0063)	($0.0103)	$0.0040	$19,987,632

As this table illustrates, the proposed M&O property tax rate represents a decrease from the FY18 Approved M&O rate, although the City would still realize more M&O revenue in FY19 than in FY18 as a result of increasing property values and the impact of new property construction and improvements and of annexations. Even factoring in this increased tax base, however, the debt service rate needs to increase in FY19 from its FY18 level due to a significant increase in debt service requirements. This increase in debt service requirements is entirely attributable to the impact of the 2016 Mobility Bond. As shown in the table below, the increase in the share of the debt service requirement related to the Mobility Bond totals $23.2 million, in comparison with a net $20 million overall increase in the debt service requirement. In other words, were it not for the impact of the Mobility Bond, total debt service requirements for FY19 would have declined by $3.2 million.

	Property Tax-Supported Debt Service Requirement	Mobility Bond-Related Debt Service Requirement	Non-Mobility Bond-Related Debt Service Requirement
FY 2017-18 Approved	$145,082,956	$9,489,879	$135,593,077
FY 2018-19 Proposed	$165,070,588	$32,705,211	$132,365,377
Increase (Decrease)	$19,987,632	$23,215,332	($3,227,700)

The table below displays the total year-over-year property tax bill impact to the typical Austin homeowner divided into its maintenance and operations (M&O) and debt service components.

	Typical Homeowner Assessed Value	Typical Homeowner Total Property Tax Bill	Typical Homeowner M&O Property Tax Bill	Debt Service Property Tax Bill
FY 2017-18 Approved	$305,510	$1,250.20	$953.67	$296.53
FY 2018-19 Proposed	$332,366	$1,311.68	$984.14	$327.55
Increase (Decrease)	$26,856	$61.49	$30.47	$31.02

As the table illustrates, of the total proposed $61.48 annual increase, $31.02, or 50.4%, is attributable to the increase in the debt service component of the property tax bill. The $23.2 million increase in the FY19 debt service requirement attributable to the Mobility Bond represents $0.0154 of the total $0.1095 debt service tax rate, which translates into a $46.07 annual property tax impact for the typical homeowner.