

Tax Rates, Utility Rates and Fees

Implications for Affordability



May 4, 2016 | City of Austin, Texas



Council Policy Work Sessions

Process and Purpose

- Five full-day work sessions planned during May and June
- Basic framework will be a short presentation by staff to frame the issue followed by Council questions and discussion
- Opportunity for staff to highlight key decision points relative to the development of next year's budget
 - Policy questions will be highlighted at various points throughout the presentations
- **Opportunity for Council to delineate its policy priorities in advance of the publication of the Proposed Budget**

Policy Work Session Calendar

May
4

Tax Rates,
Utility Rates,
and Impact on
Affordability

Civilian Wages
and Employee
Benefits

May
11

Funding for
Deferred
Facility
Maintenance

Growing
Information
Technology
Needs

May
18

Zero Waste
Initiatives

Health and
Human
Services
Funding

Other Topic

May
25

Equity and
Affordability

General Fund
Transfer Policy

Other Topic

June
1

Mobility and
Traffic

Public Safety
Staffing Levels

Other Topic

Taxes versus Fees

Definitions and Background

➤ Taxes

- Primary purpose is to *raise revenue*
- City's authority to levy taxes governed and restricted by state law
- Taxes levied by the City include property tax, sales tax, mixed beverage tax, and bingo tax

➤ Fees

- Primary purpose is to *recoup costs*
- State law requires that municipal fees not exceed the costs of providing the services
- The City assesses a broad spectrum of fees for services ranging from electricity provision to development review and inspection to recreation program registration

Types of City Taxes and Fees

Taxes and Fees Included in this Presentation:

Property Tax

Sales Tax

Austin Energy Rates

Austin Water/Wastewater Rates

Austin Resource Recovery Cart Fees

Drainage Utility Fee

Transportation User Fee

Clean Community Fee

Examples of Taxes and Fees Not Included in this Presentation:

Mixed Beverage Tax

Development Fees

Emergency Medical Services Fees

Traffic and Parking Fines

Franchise (Right-of-Way) Fees

Recreation Program Registration Fees

Library Fees and Fines

Health Inspection Fees

Approximately 80% of total City revenues are raised by the taxes and fees under review in this presentation.

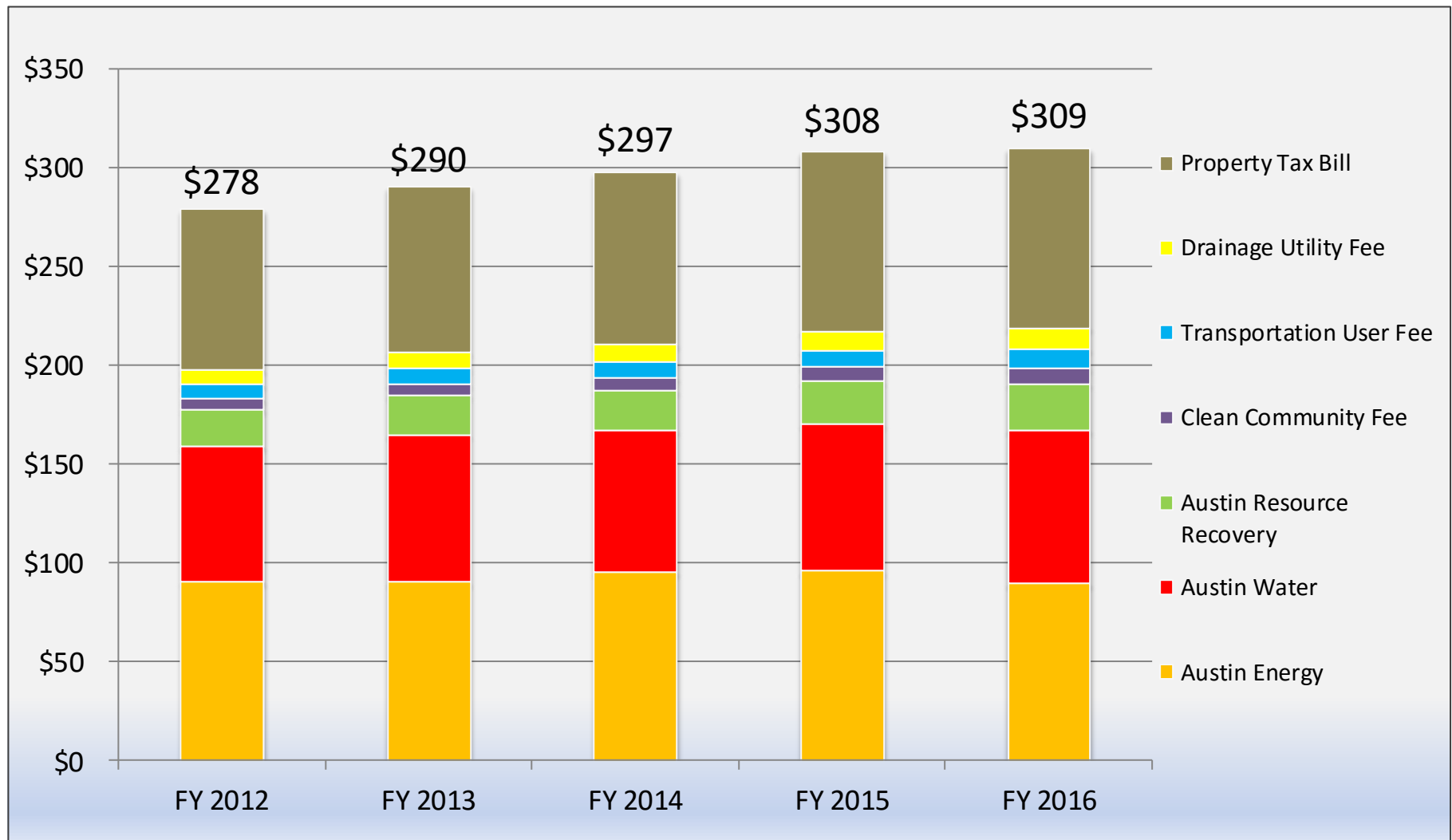
Major Rates and Fees

Estimated City of Austin monthly bill for “typical” resident

Tax, Rate, or Fee	2016 Monthly Rate	Typical rate payer defined as:
Property Tax Bill	\$90.60	<i>FY 2016 median non-senior homestead taxable value of \$236,082</i>
Austin Energy Rate	\$89.31	<i>Projected residential customer usage of 895 Kwh</i>
Austin Water Rate	\$77.71	<i>Projected residential customer usage of 5,600 gallons of water and 4,000 gallons of wastewater</i>
Austin Resource Recovery	\$23.30	<i>Residential customer with a 64-gallon cart</i>
Drainage Utility Fee	\$10.86	<i>Residential customer with 3,100 square feet/37% of impervious cover</i>
Transportation User Fee	\$9.77	<i>Per single-family home</i>
Clean Community Fee	\$7.65	<i>Per single-family home</i>
Total	\$309.20	<i>0.5% increase over FY 2014-15 actuals</i>

Major Rate and Fee Changes Five-Year History

Monthly Fiscal Impact to “Typical” Residential Rate Payer



Median Family Income (MFI)

Budget statistics for a hypothetical monthly budget

➤ Median Family Income in Austin is \$77,800

Budget Category	Monthly Amount	%of Total Income	Notes
Home ownership	\$1,400	21.6%	Median-priced home assuming a 10% down payment, 4% rate, and 30-year term; includes estimated private mortgage and homeowners insurance payments
Transportation	\$963	14.9%	Estimated annual cost of ownership for two four-year-old Toyota Camry sedans
Child Care	\$900	13.9%	Median market rate for MSA assuming one child receiving full-time care and one part-time
Food	\$879	13.6%	Average of Low- and Moderate-Cost plans for family of four, per USDA national data
Health Care	\$616	9.5%	Average of City's PPO and HMO employee & family contribution + family dental coverage
Non-COA Property Taxes	\$338	5.2%	Median assessed non-senior homestead
Major COA Fees	\$219	3.4%	Typical residential customer
COA Property Taxes	\$91	1.4%	Median assessed non-senior homestead

This table is intended to provide representative statistics for various budget categories for a hypothetical median income family of four. Not all possible budget categories are represented so the figures do not add up to 100%.

Key Policy Question

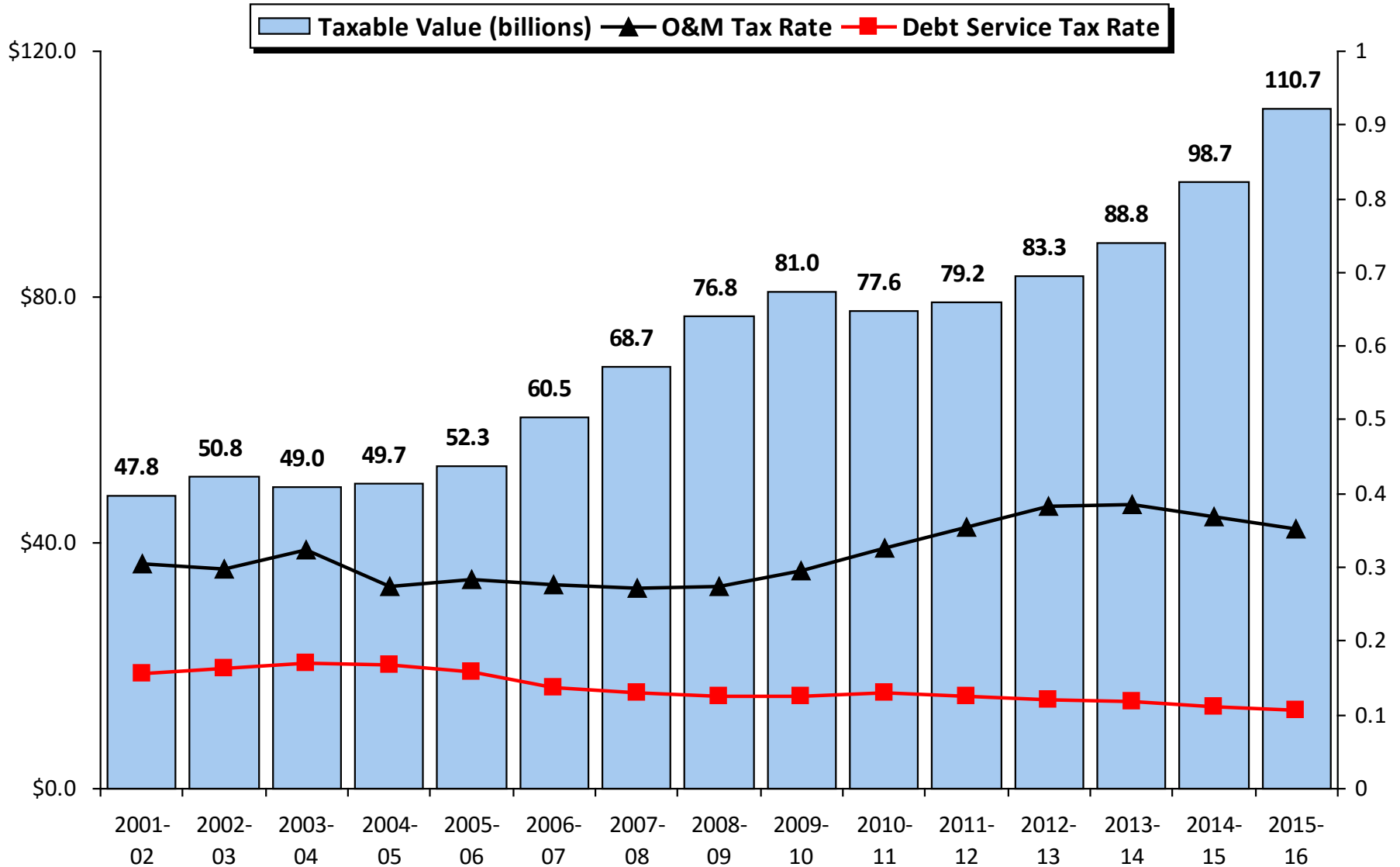
- Does Council have a goal for the overall FY 2017 change in the tax and utility bill for a “typical” City of Austin tax and rate payer?

Property Tax



Property Tax Background

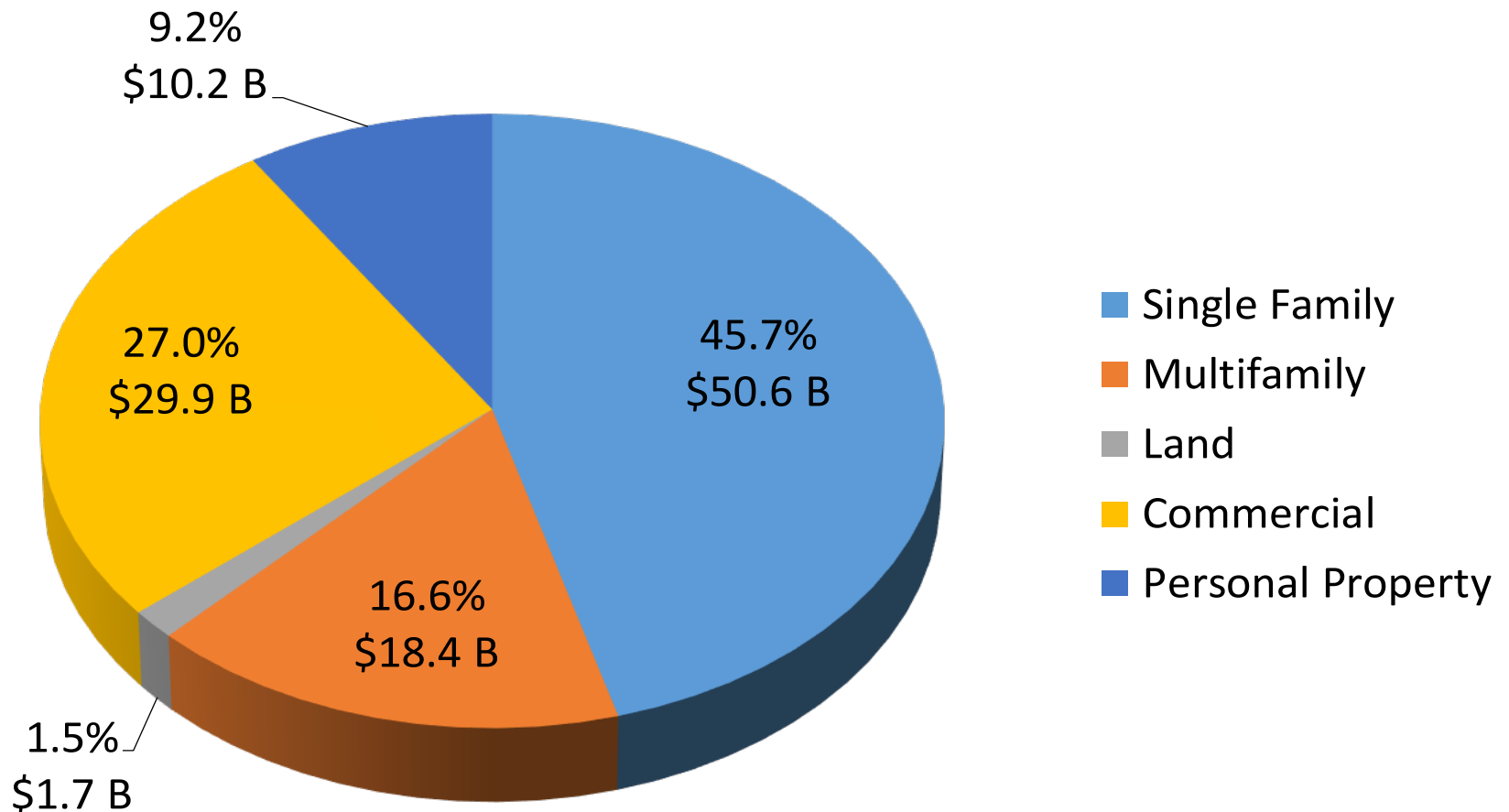
Tax Base and City of Austin Tax Rate History



Property Tax Background

FY 2016 Tax Base by Property Type

Fiscal Year 2015-16 Valuation By Property Type



Summary of Local Property Valuation Exemptions

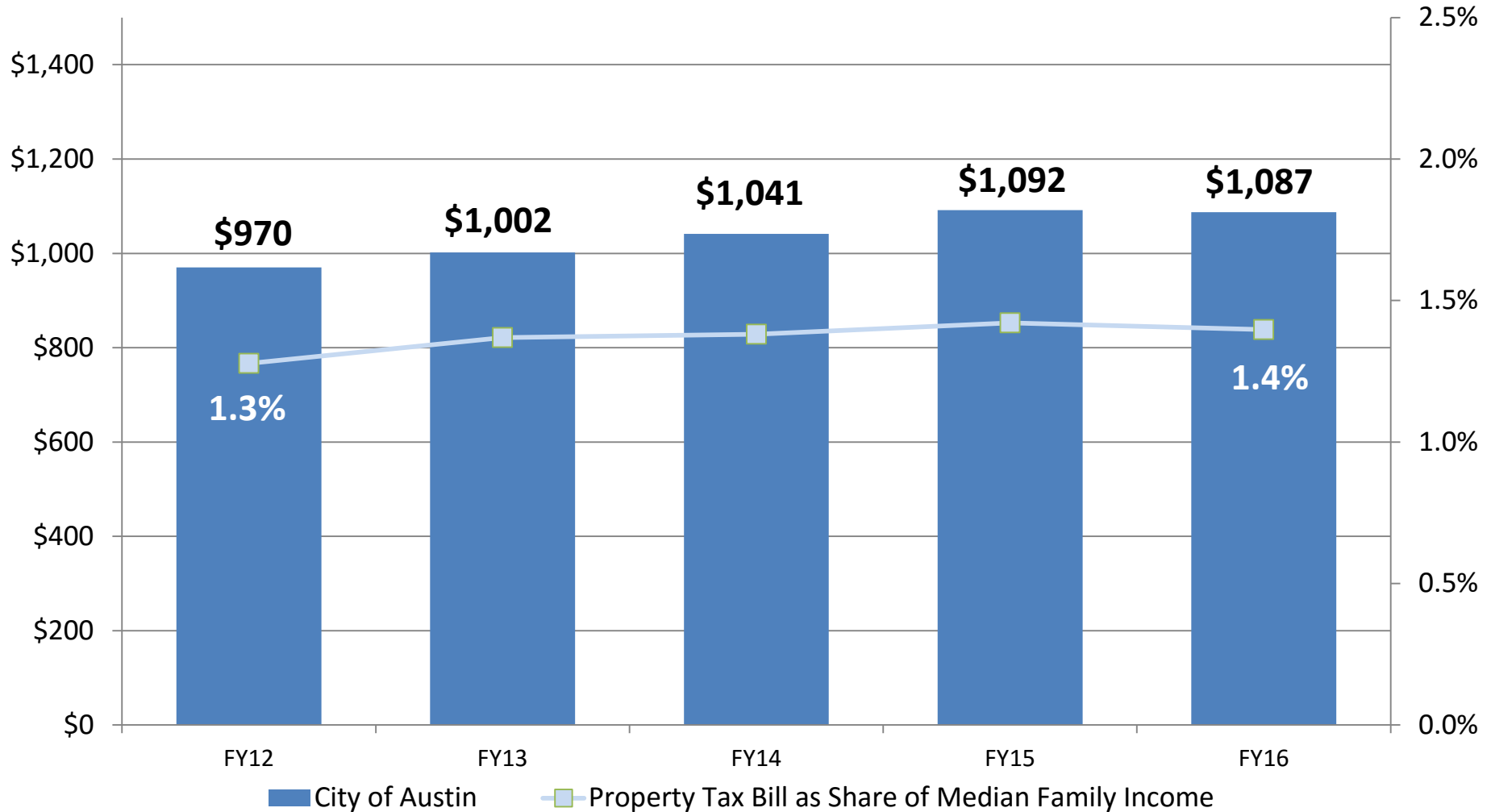
	General Homestead Exemption	Senior/ Disabled Exemption	Other Exemptions
City of Austin	6%, minimum of \$5,000	\$80,000	Historical ¹ , Disabled Veteran ²
Travis County	20%, minimum of \$5,000	\$75,000	Historical ¹ , Disabled Veteran ²
AIISD	\$25,000 (state-mandated)	\$35,000 (senior)/ \$25,000 (disabled) + Tax freeze	Historical ¹ , Disabled Veteran ² Transitional Housing
ACC	1%, minimum of \$5,000	\$135,000	Disabled Veteran ²
Healthcare District	20%, minimum of \$5,000	\$75,000	Disabled Veteran ²

¹Exemptions for historical properties vary in amount but are granted in accordance with a comprehensive application, evaluation, and inspection process.

²State law mandates homestead exemptions for disabled veterans (and their surviving spouses). The level of the exemption is determined by the veteran's disability level.

City of Austin Median Tax Bill History

And as a Share of Median Family Income



Net of homestead exemptions. Median non-senior or -disabled homestead value data from Travis County Appraisal District. Median family income from U.S. Department of Housing and Urban Development.

Estimated Impacts of Increasing Exemption Levels

General Homestead Exemption

Increase Exemption By:	Total Exemption	Projected General Fund Impact
4%	10%	(\$7.7M)
9%	15%	(\$17.3M)
14%	20%	(\$26.8M)

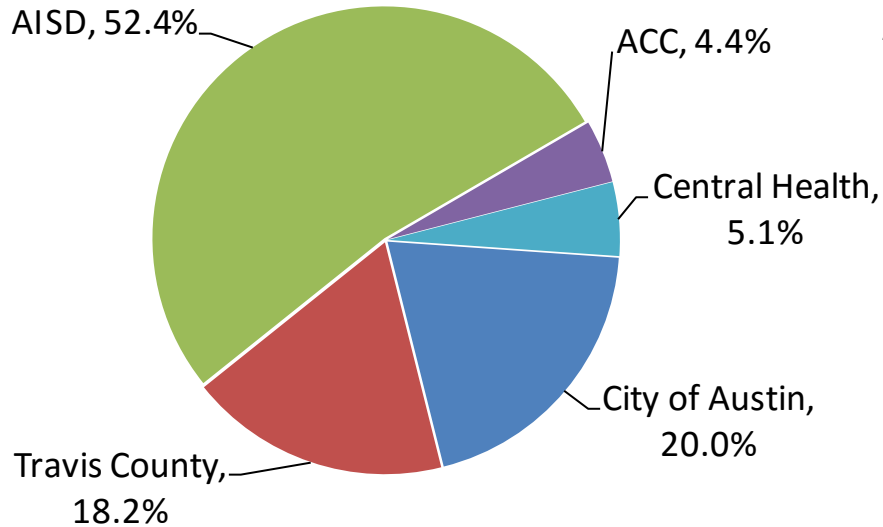
Over 65 and Disabled Persons Exemption

Increase Exemption By:	Total Exemption	Projected General Fund Impact
\$5,000	\$85,000	(\$0.8M)
\$10,000	\$90,000	(\$1.6M)
\$20,000	\$100,000	(\$3.2M)

Overlapping Property Tax Rate and Median Bill

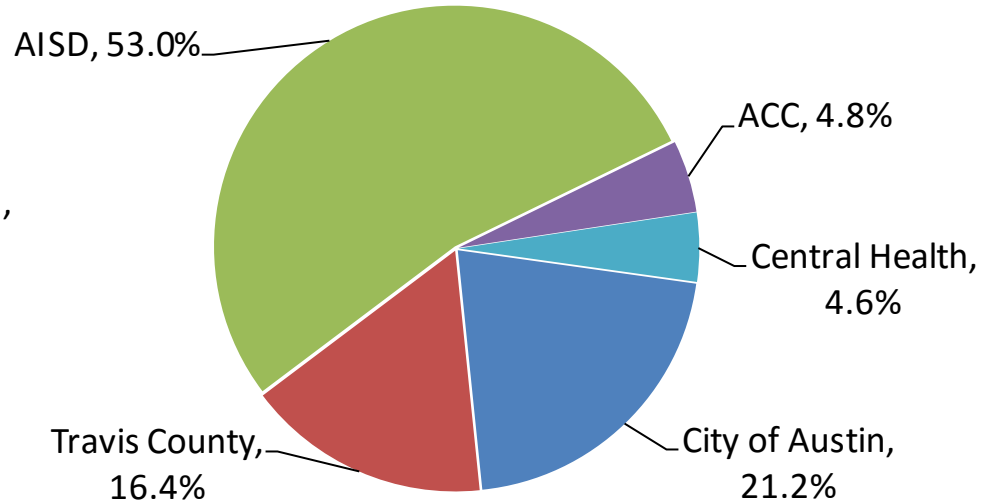
FY 2015 versus FY 2016

SHARE OF FY16 TAX RATE



Jurisdiction	2014-15	2015-16	Variance
City of Austin	0.4809	0.4589	(0.0220)
Travis County	0.4563	0.4169	(0.0394)
AISD	1.2220	1.2020	(0.0200)
ACC	0.0942	0.1005	0.0063
Central Health	0.1264	0.1178	(0.0086)
Total Tax Rate	2.3798	2.2961	(0.0837)

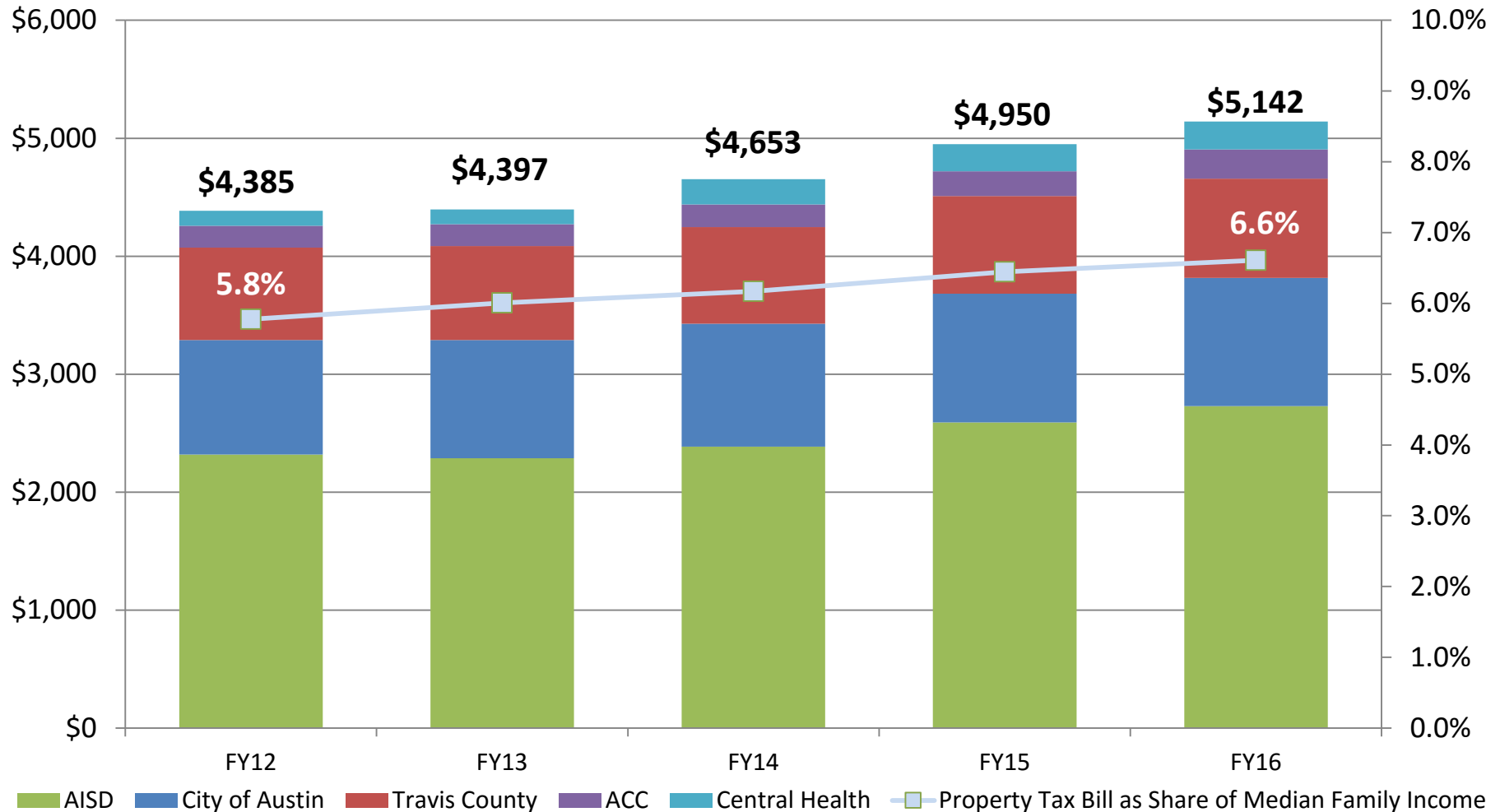
SHARE OF FY16 MEDIAN NON-SENIOR HOMESTEAD PROPERTY TAX BILL



Jurisdiction	2014-15	2015-16	Variance
City of Austin	\$1,092	\$1,087	(\$5)
Travis County	\$829	\$841	\$12
AISD	\$2,591	\$2,729	\$138
ACC	\$209	\$248	\$39
Central Health	\$230	\$237	\$7
Total Tax Bill	\$4,950	\$5,142	\$192

Overlapping Median Tax Bill History

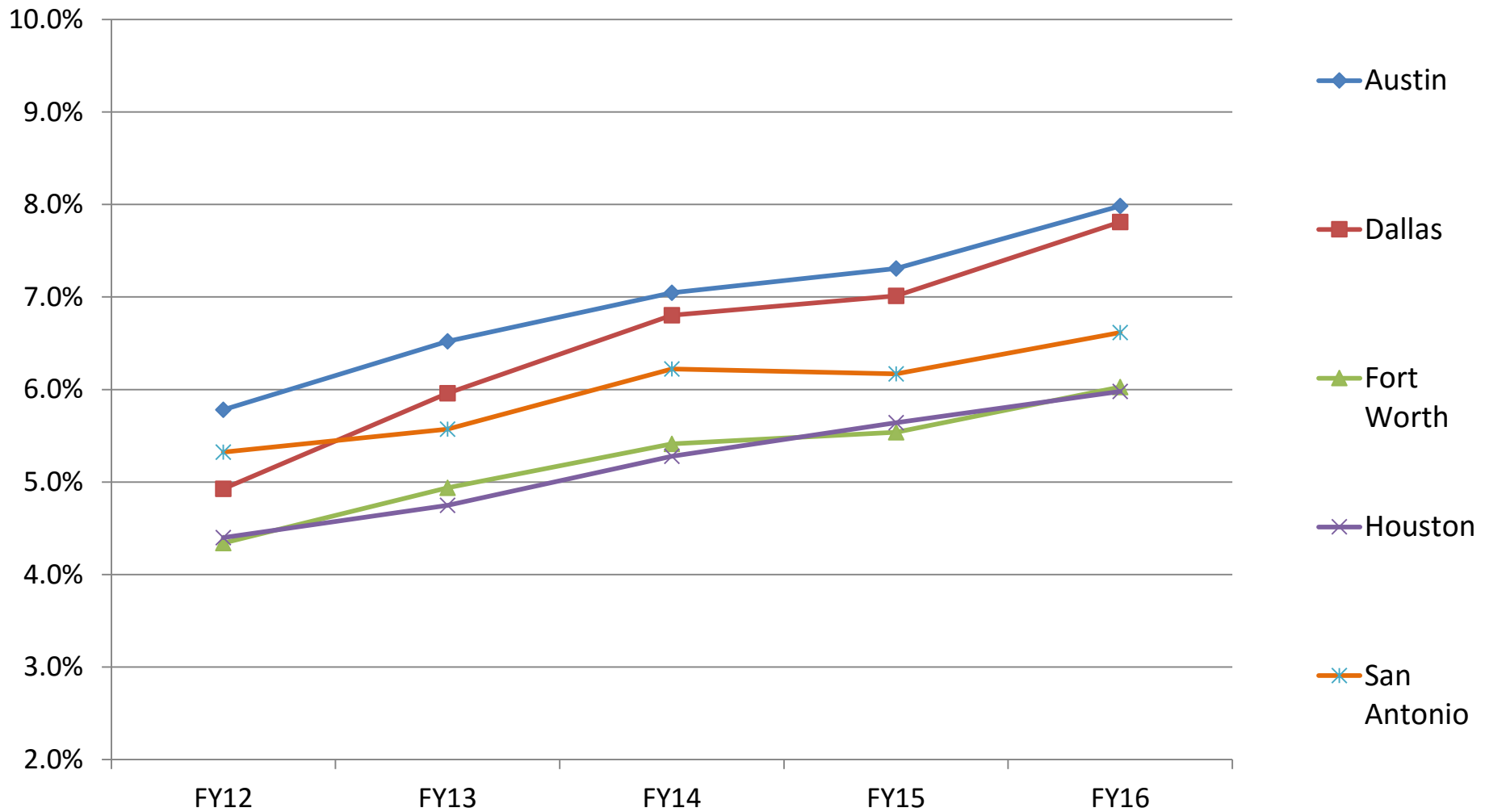
And as Share of Median Family Income



Net of homestead exemptions. Median non-senior or -disabled homestead value data from Travis County Appraisal District. Median family income from U.S. Department of Housing and Urban Development.

Major Texas Cities: Property Tax Bill Comparison

Overlapping Median Property Tax Bill as a Share of Median Family Income



Net of homestead exemptions. Median home sales price data from Texas A&M Real Estate Center. Median family income from U.S. Department of Housing and Urban Development.

Key Policy Questions

- Does Council have any guidelines in regards to the level of the property tax rate for FY 2017?
- What is Council's preference in regards to the percentage level of the general homestead exemption?
- What is Council's preference in regards to the flat dollar amount of the senior/disabled exemption?

Sales Taxes

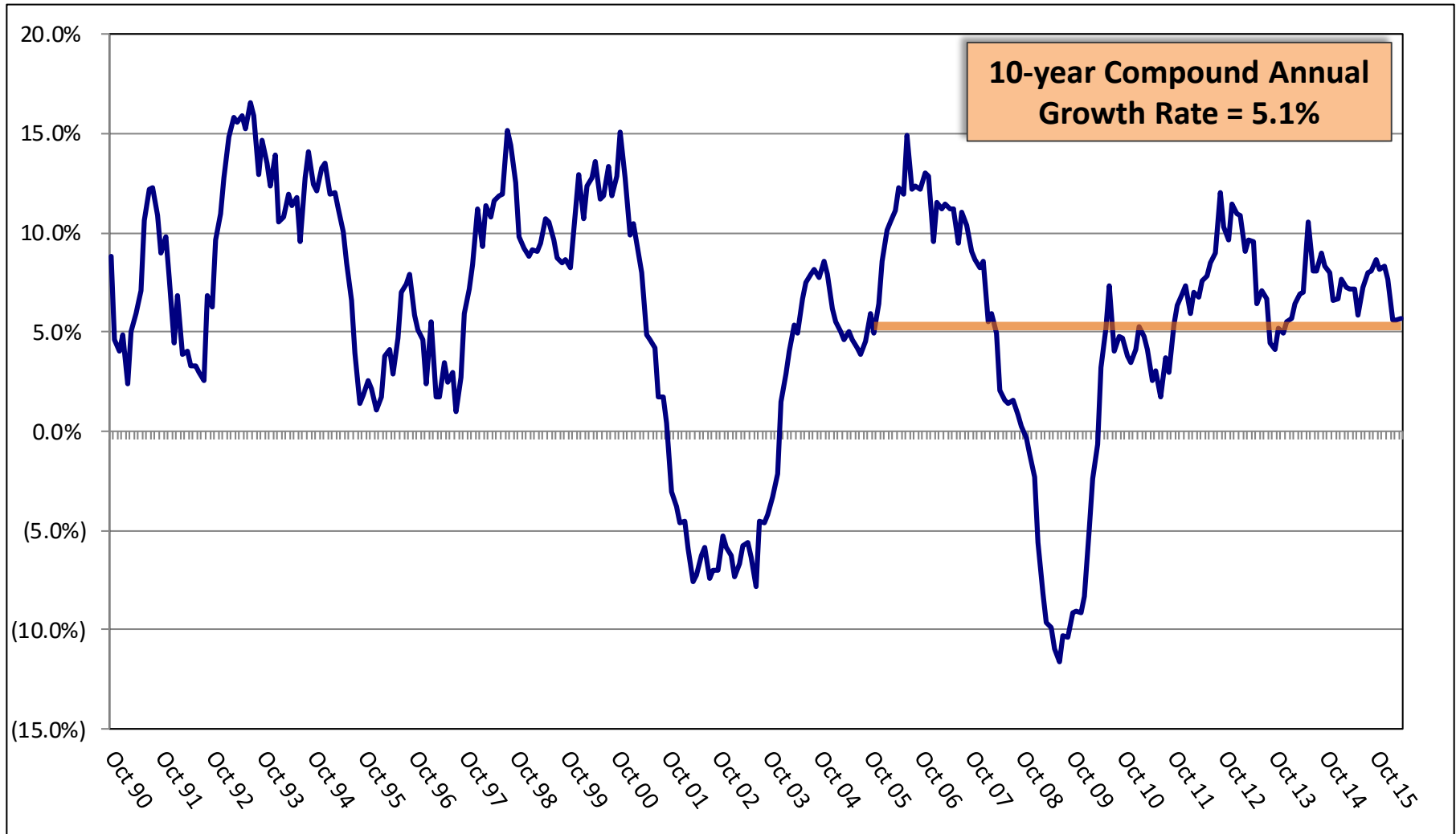


Sales Tax Background

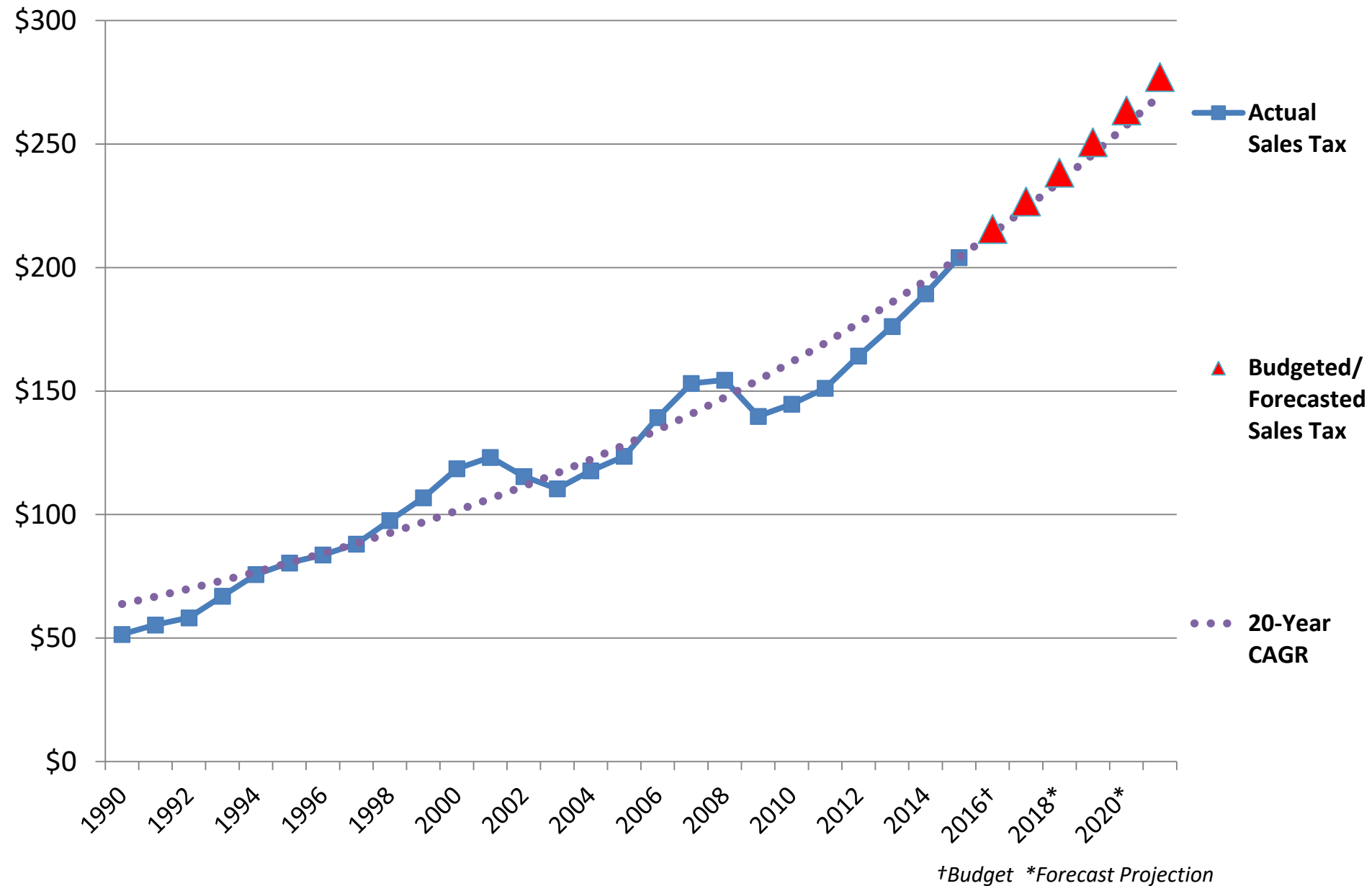
- Combined sales tax rate is 8.25%
 - o State rate = 6.25%
 - o Capital Metro local option rate = 1%
 - o City of Austin local option rate = 1%
- Estimate that 30% of median family income is expended on taxable sales (based on data from Consumer Expenditure Survey)
 - o Total annual sales taxes paid by a median income family at an 8.25% tax rate is estimated at \$1,926
 - o City of Austin's portion estimated at \$187 annually (assumes 80% of all sales remain local)

Historical Sales Tax Growth

Six-Month Moving Average of Monthly Growth



City of Austin Sales Tax Growth Forecast



Key Policy Question

- Key decision in regards to projected sales tax growth

Fiscal Year	Growth
2016 Budget Projection	5.7%
2016 Year-to-Date	5.4%
2017 TXP Estimate	6.5%
2017 Forecast (10-year CAGR)	5.1%

- Would Council prefer that staff project sales tax growth for FY 2017 more or less aggressively than the 10 year compound annual growth rate of 5.1 percent?
 - o Each 1% of projected growth equates to approximately \$2.1 million

Enterprise Rates and Fees



Austin Energy Rates

Typical Residential Customer Bill History (Inside City Customer)

Typical Monthly Bill	FY 2013 Rate	FY 2014 Rate	FY 2015 Rate	FY 2016 Rate
<i>Average kWh per Month</i>	<i>908</i>	<i>915</i>	<i>895</i>	<i>895</i>
Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00
Base Electricity Charge	\$ 37.61	\$ 38.06	\$ 36.78	\$ 36.78
Power Supply Adjustment (PSA)	\$ 30.62	\$ 33.94	\$ 35.31	\$ 24.91
Community Benefit Charge (CBC)	\$ 5.02	\$ 6.08	\$ 5.95	\$ 4.96
Regulatory Charge	\$ 6.61	\$ 7.27	\$ 7.43	\$ 12.66
Total Monthly Bill	\$89.86	\$95.35	\$95.47	\$89.31
CAP Discounted Bill	\$ 70.47	\$ 75.40	\$ 75.54	\$ 69.99

Austin Energy

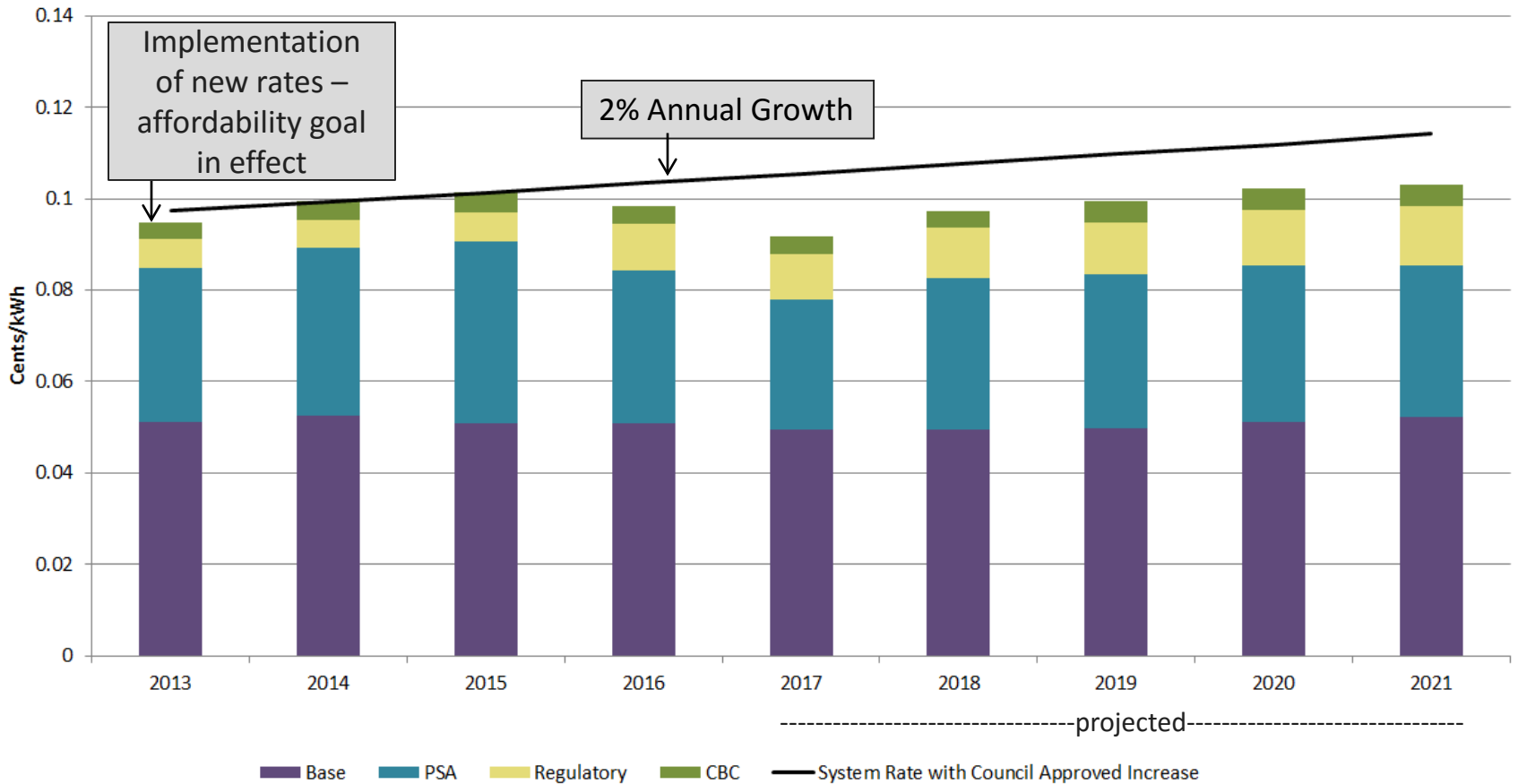
Affordability Goal

- City Council introduced the concept of an affordability goal during discussions about the Austin Energy Climate Protection Plan in February 2011
- The affordability goal has two separate metrics that measure different attributes of AE's rates
 - Affordability Metric: Goal is to maintain the average system rate at or below 2% annual compound growth effective November 2013
 - Competitiveness Metric: Goal is to maintain an average annual system rate which is in the lower 50% of all Texas utilities serving residential, commercial and industrial customers, as measured by published data from the Energy Information Administration

Austin Energy Rates

Affordability Metric

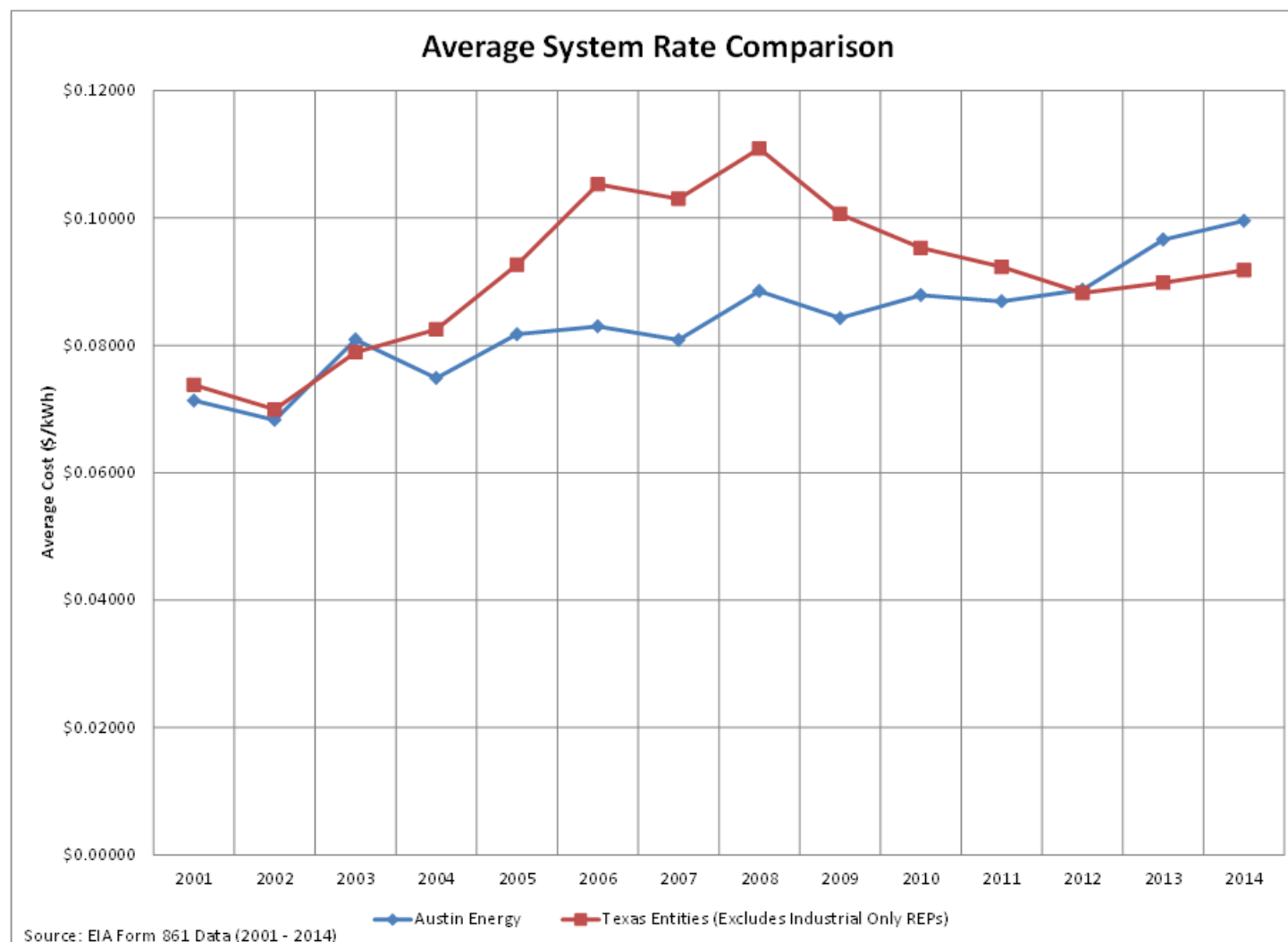
Average System Rates Increase 2% or Less per Year



Austin Energy Rates

Competitiveness Metric

Rates in the Lower 50% of all Texas Utilities



Austin Water Rates

Five-year Monthly Bill Overview

Typical Residential Customer Bill Impact

Typical Monthly Bill	FY 2013 Rate	FY 2014 Rate	FY 2015 Rate	FY 2016 Rate
Water <i>(Average Gallons per Month)</i>	\$33.74 <i>(6,900)</i>	\$33.23 <i>(6,100)</i>	\$37.57 <i>(5,800)</i>	\$37.73 <i>(5,600)</i>
Wastewater <i>(Average Gallons per Month)</i>	\$40.92 <i>(4,500)</i>	\$38.31 <i>(4,200)</i>	\$36.67 <i>(3,900)</i>	\$39.98 <i>(4,000)</i>
Total Monthly Bill	\$74.66	\$71.54	\$74.24	\$77.71
CAP Discounted Bill	\$ 51.10	\$ 48.47	\$ 51.54	\$ 55.48

Austin Water Rates

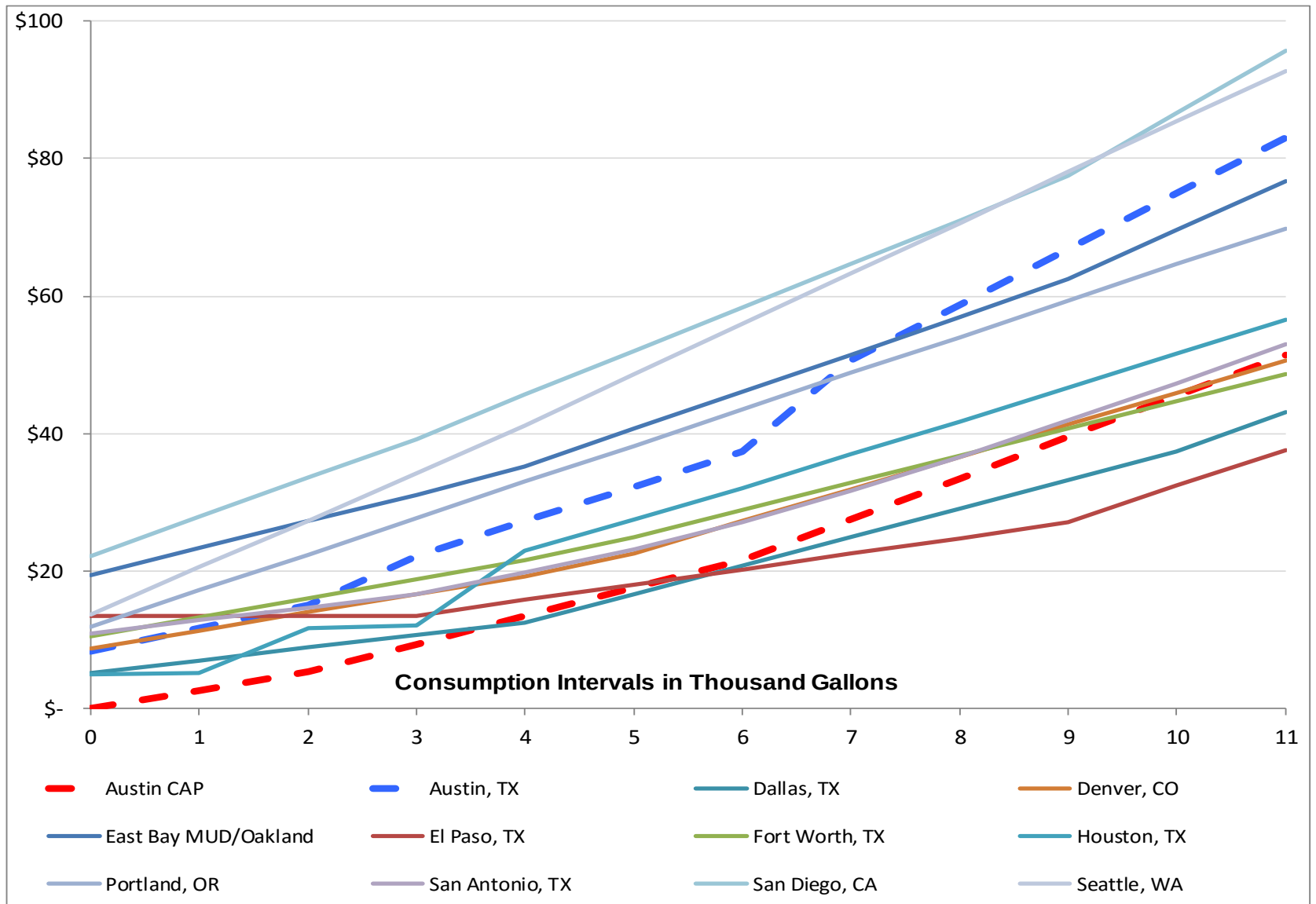
FY 2016 Approved Residential Tiered Rates

Meter Equivalent Minimum Charge

5/8" Meter Minimum Charge			\$7.10
Tier	Gallons	Tiered Minimum Charge	Volumetric Rate Per 1,000 Gallons
Tier 1	0 – 2,000	\$1.20	\$3.16
Tier 2	2,001 – 6,000	\$3.45	\$4.84
Tier 3	6,001 – 11,000	\$8.75	\$7.88
Tier 4	11,001 – 20,000	\$27.35	\$11.90
Tier 5	20,001 - over	\$27.35	\$14.16

Austin Water Rates

2016 National Water Bill Survey

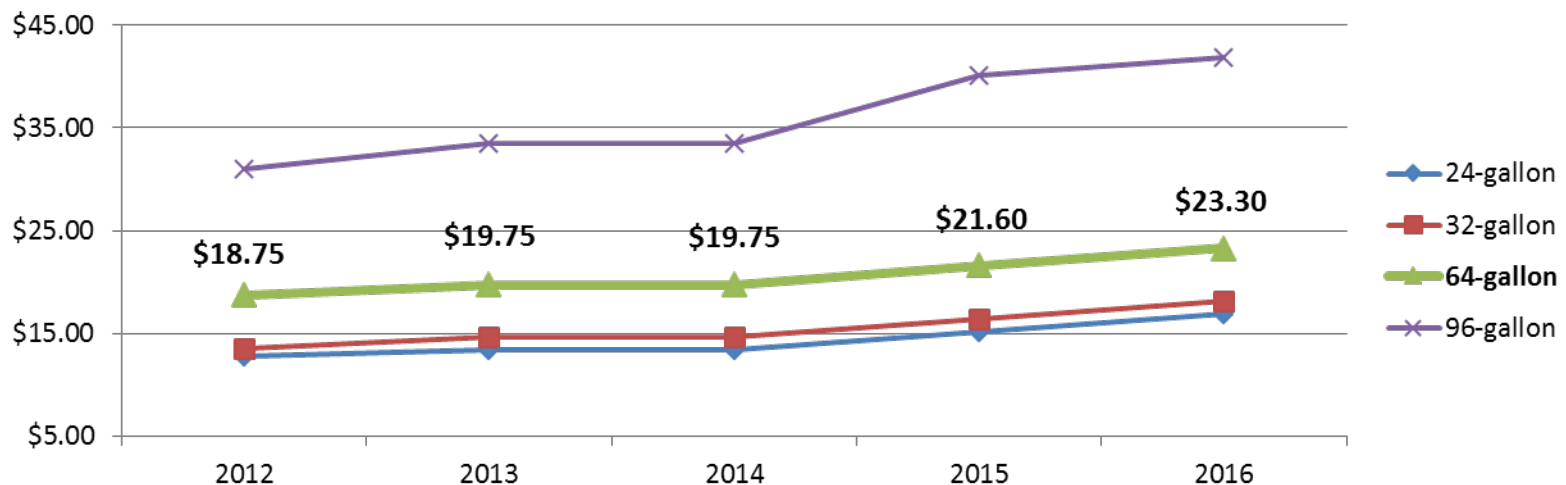


Austin Resource Recovery Rates

Residential Customer Rates

- Base fee for recycling, yard trimmings, brush and bulk collection
 - o FY 2016 base fee is \$13.05 per month
 - Cart fee varies by size of cart
 - o 24 gallon trash cart: \$3.85
 - o 32 gallon trash cart: \$5.10
 - o 64 gallon trash cart: \$10.25
 - o 96-gallon trash cart: \$28.80
- } \$0.16 per gallon
- } \$0.30 per gallon

Combined Fee History by Cart Size



Key Policy Question

- Does Council support the tiered rate structures used in Austin Water and Austin Resource Recovery that incentivize water conservation and recycling respectively but negatively impact revenue stability?

Drainage Utility Fee

- Funds programs in the Watershed Protection Department that reduce the impact of flooding, erosion, and water pollution
- Typical rate payer defined as a residential customer with 3,100 square foot impervious area and 37% impervious cover

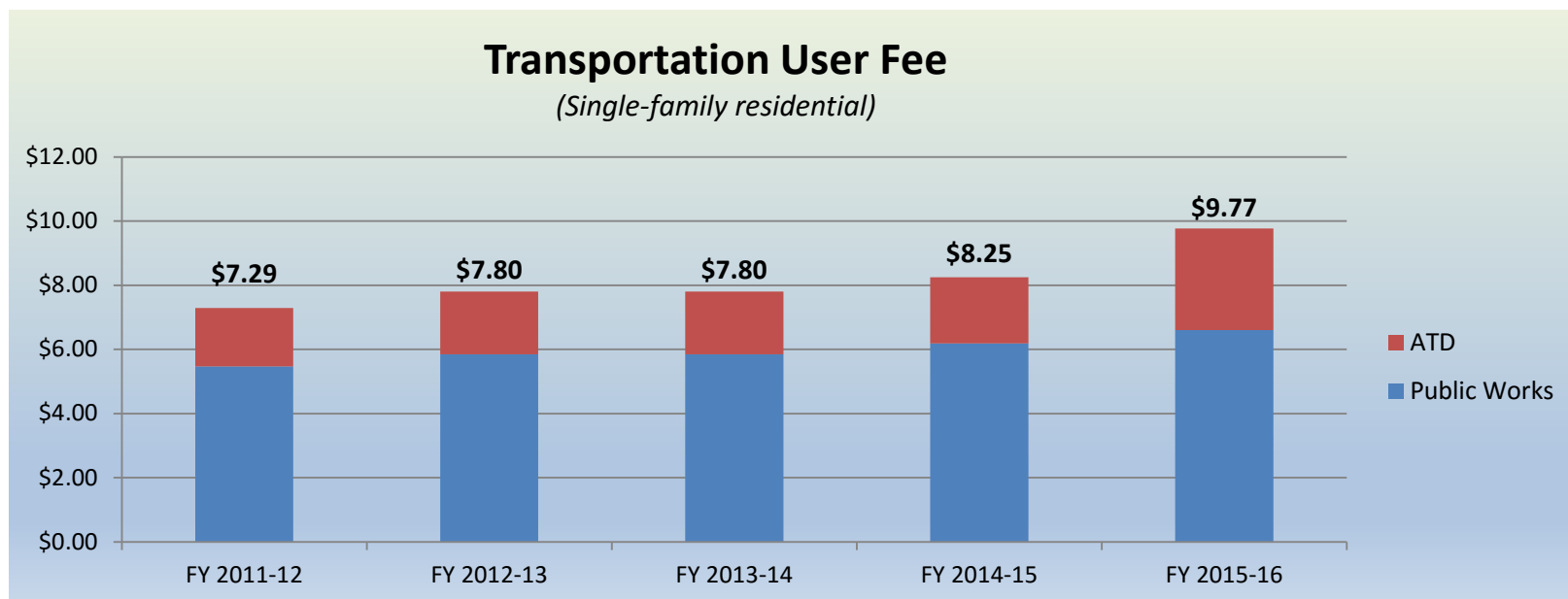
Typical Residential Customer Bill Impact

Typical Monthly Bill	FY 2013 Rate	FY 2014 Rate	FY 2015 Rate	FY 2016 Rate
Residential Drainage Utility Fee	\$8.35	\$9.20	\$9.80	\$10.86

- Single family rate discount set to expire October 1, 2016
- Potential Incentive for Stormwater Controls that exceed minimum development requirements

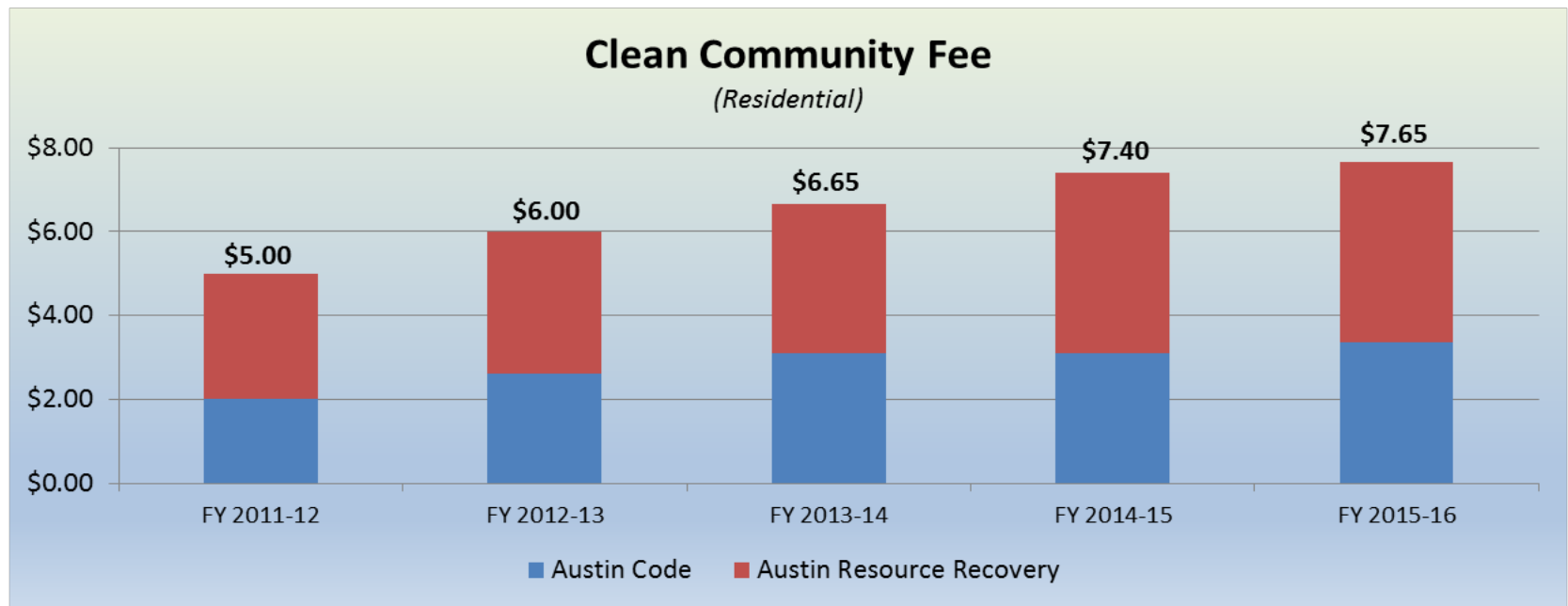
Transportation User Fee

- Funds programs that maintain, manage, operate and improve the City's transportation system and infrastructure
- Revenue supports programs in two departments
 - Public Works' portion is for street, bridge, sidewalk, urban trail, neighborhood partnering program
 - Austin Transportation's portion is for traffic engineering, traffic signals, signs and markings, and bicycle and pedestrian programs



Clean Community Fee

- Supports programs and services in the Austin Resource Recovery and Austin Code departments
- Provides funding for litter and nuisance abatement, street cleaning, household hazardous waste disposal, and the implementation and enforcement of the universal recycling ordinance



Questions/Comments/Discussion

For more information, please visit:

Austin Finance Online

City of Austin - Financial Services

