

## MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Special Meeting

February 9, 1972

4:00 P.M.

COUNCIL CHAMBERS, CITY HALL

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The meeting was called to order with Mayor Butler presiding.

## Roll Call:

Present: Councilmen Dryden, Nichols, Mayor Pro Tem Love, Councilmen Lebermann, Friedman, Handcox, Mayor Butler

Absent: None

Mayor Butler announced that this was a Special Meeting called for the purpose of hearing the Report of the Tax Appeals Policy Committee.

Mr. Joe Crow, Chairman of the Committee, began by delineating the various aspects of their task handled by different members of the Committee. He stated that minority opinions could be presented separately, but that the present report submitted to the Council was approved by a majority of the Committee. He stated that the Committee had limited itself to the technical aspects of appraising, rather than the social aspects of taxation, such as refund contracts. One of their main attempts was to improve equality and uniformity in taxations. He commended the work that had been done by the City Tax Department in light of tremendous growth and rapid increases in real estate prices the past few years.

Mr. Doren Eskew expressed his pleasure in working with the Tax Study Commission. He offered as an example of a technical matter on which recommendations were being made the situation of a homebuyer discovering in November or December that his escrow account to pay taxes, insurance, etc., was in arrears and his monthly payments would be increased immediately to cover it; it would be preferable if this information could be obtained at an earlier date to allow for better budgeting.

Mr. Eskew cited the present tax activity schedule; the last day of February as the deadline for paying the last year's taxes without penalty or interest; April 1 as the deadline for rendering all property, real and personal; June 1

as the date for the appointment of the Board of Equalization to serve until taxes were levied; September 30 as the final date for the passage of the tax levy ordinance; and tax appeals to be heard by the Council after the start of the fiscal year on October 1. In response to Mayor Pro Tem Love's question, he stated that the proposed recommendations had already been seen by the City Manager's Office and the Tax Department. He stated that the proposed timetable was substantially different from the initial schedule after it had been reviewed by the City Departments. He stated that every suggestion that had been made had been taken into consideration although there was one basic philosophical difference on the question of when property should be valued. In response to Councilman Nichols' question, he stated that some recommendations would require change in the City Charter and some would be amendments to the City Code.

Mr. Eskew noted that under the present schedule, most of the activity occurred during the summer of fall; there was no requirement that these things be done early in the year. An example of the recommended timetable change would have the Tax Assessor send out his estimate of property values by February 15, so that a loan company could examine the escrow accounts at that time and notify the homebuyer by March 1 of the need for increased monthly payments. This would require the property owner to render his real property in February rather than in April. The proposed schedule differentiated between real and personal property so that real property would be rendered not later than February 1, giving the Tax Assessor-Collector 15 days to review renditions and to mail out notices of proposed assessments for the year. On the fourth Monday in February, the Tax Assessor would be able to estimate to the Council the value of the tax roll for that year so that fiscal needs could be estimated in advance of the start of the fiscal year. On the first regular Council meeting in March, the Tax Levy Ordinance could be introduced.

Another proposed change would be the appointment of the Board of Tax Equalization, not in June, but before December 31 of even-numbered years for a term of two years. The Board would thus serve for one year during the tenure of the Council which appointed it and the first year of tenure of the succeeding Council. This would make for better continuity and basis for appointments which were often now rushed after the inauguration of a new Council in May.

In response to Mayor Butler's question, Mr. Eskew agreed that in March the loan companies' escrow agents could only know the assessed value for the previous year's tax since the Council might raise the tax rate in September for the following fiscal year. Mr. Eskew distributed to the Council copies of the recommended changes in the City Charter.

In response to Mayor Butler's question, Mr. Jack Klitgaard, Tax Assessor-Collector stated that it would be difficult to review renditions and send out notices in the two week period between February 1 and February 15. In response to Mayor Butler's question, Mr. Eskew stated that the proposed change would eliminate the present month of free grace period, as the present ordinance stating that taxes were delinquent after January 31 was worded in such a way that no penalty and interest was imposed on taxes paid by the last day of February. The proposed change would make the taxes delinquent after January 31.

In Section 2 of the Charter, the Committee proposed that the dollar-a-hundred limit concerning the bond interest rate be deleted. In Section 3, the Committee recommended that all property within the City be valued for tax purposes as of the same date. Mayor Pro Tem Love noted that this latter change was the key item in the many recommendations to be made.

Another change would require rendition of real property by February 1 and personal property by May 1. A new provision would make it mandatory for notices to be sent to property owners (for which there was no requirement at present although it had been a matter of practice), by February 15 on real property and by June 1 on personal property. Another change would add a provision to allow a property owner to have a supplemental assessment reviewed by the Board of Equalization. The change in the terms of office of the Board of Equalization had already been noted. City Manager Andrews noted that the Board of Equalization hearing had been moved up allowing more time for the hearing. In response to Councilman Nichols' question, Mr. Eskew stated that these changes were being proposed to the Council before being submitted to the Charter Study Commission.

The proposed changes would require the Board of Equalization to notify the appellant of the decision reached by August 1 and to report to the Council, certifying the tax roll, by August 15. Another change would delete the appeal from the Board of Equalization to the City Council, making the appeal from the Board directly to the court of competent jurisdiction. Mayor Butler, Mayor Pro Tem Love, and Councilman Nichols all expressed opposition to this change. Another change would change the penalty and interest rate; the interest rate for penalty had been pegged at 6% when the Charter provision was adopted. The proposed change would be for a penalty up to 6% and 8% per annum interest on the unpaid balance. In response to Councilman Nichols' question, Mr. Eskew stated that consideration had been given to encouraging payments ahead of time but that no recommendation for change had been made. Mayor Butler noted that the current 99% collection rate was quite good. Mr. Eskew noted that the penalty and interest in 1953 had averaged out to 11%, and the recommended change was for a 14% total.

Mr. Eskew then distributed copies of the proposed changes in the City Code. The Tax Levy Ordinance would be introduced in March and passage of the ordinance would be required by September 27. Section 32.2 would substitute the term "market value" for the term "full value", because of better definitions of the term. Other changes in the Code would make it consistent with the recommended changes in the Charter.

Mayor Butler asked how the quadrant system currently used, whereby 25% of the property in the City was valued each year in a four-year cycle, would be changed. There was discussion as to whether the proposed change of requiring valuation of all property at the same time was necessary for equality and uniformity. Mayor Butler did not believe that elimination of the quadrant system would solve the problem because a taxpayer was not concerned whether taxpayers in one of the other quadrants were having their assessments raised at the same time as his. Mr. Ken Wendler stated that while the recommendation was for new assessments for all property at one time, the recommendation did not specify the cycle for how often this would be done. In response to Mayor Butler's question, Mr. Klitgaard stated that it would cost about \$500,000 for annual reassessments and about \$200,000 for a two-year cycle. Mr. Clyde Copus did not believe that a two-year cycle would contribute any additional cost to the City. Mr. Klitgaard stated that it would require increased staff and equipment to increase the amount of property appraised every year from the present 25% to an amount double that, which would be required for the two-year cycle. In response to Mayor Butler's question, Mr. Klitgaard stated that the \$200,000 estimate was a gross estimate rather than net figure. Mayor Butler noted that the net expense could be less in that taxes could be collected at a higher level by getting people on the tax roll two years earlier than under the present quadrant

system. Mr. Copus stated that the main problem would be getting everyone on the books for the first time. There was discussion as to whether the proposed change would penalize new construction.

Mr. Bill Arnott stated that he had made a study of the State of California and found that with the use of computers, the costs of making appraisals had dropped from an average of \$7 per person to 88¢ per person, and the number of persons appraised during a given period of time rose from 8.3 to 75. He stated that the Austin computer had the capacity to be programmed for similar appraisal formulas. He further noted that with an appraisal of all property at one time, on a computer-assisted manual basis, there was a tendency for a tax rate decrease and increased revenues, and at the same time there were fewer appeals. He stated that the cost to convert from manual to mechanized operations averaged out to \$1.00 or \$1.25 per person. There was discussion as to how the computer would be programmed to raise valuations.

Mr. Wendler noted that if a four-year cycle were established, annual rate increases might be necessary, although the tax base would remain constant for four years. Mr. Crow believed that the present quadrant system had gotten away from the setting tax rates each year in line with the budget and total appraised value of the City.

Mayor Butler thanked the Committee for their report, stating that they would meet with them again after the Council had time to assimilate it. In the meantime he suggested that the recommendations be presented to the Charter Committee and eventually there should be a public presentation of the recommended changes.

Mayor Butler announced that the Council would now go into Executive Session to complete the naming of hospital appointees.

The Council then adjourned.

APPROVED:

Ray Butler  
Mayor

ATTEST:

Grace Monroe  
City Clerk