

Fiscal Year 2022-2023 Budget Development Update



CITY OF WACO

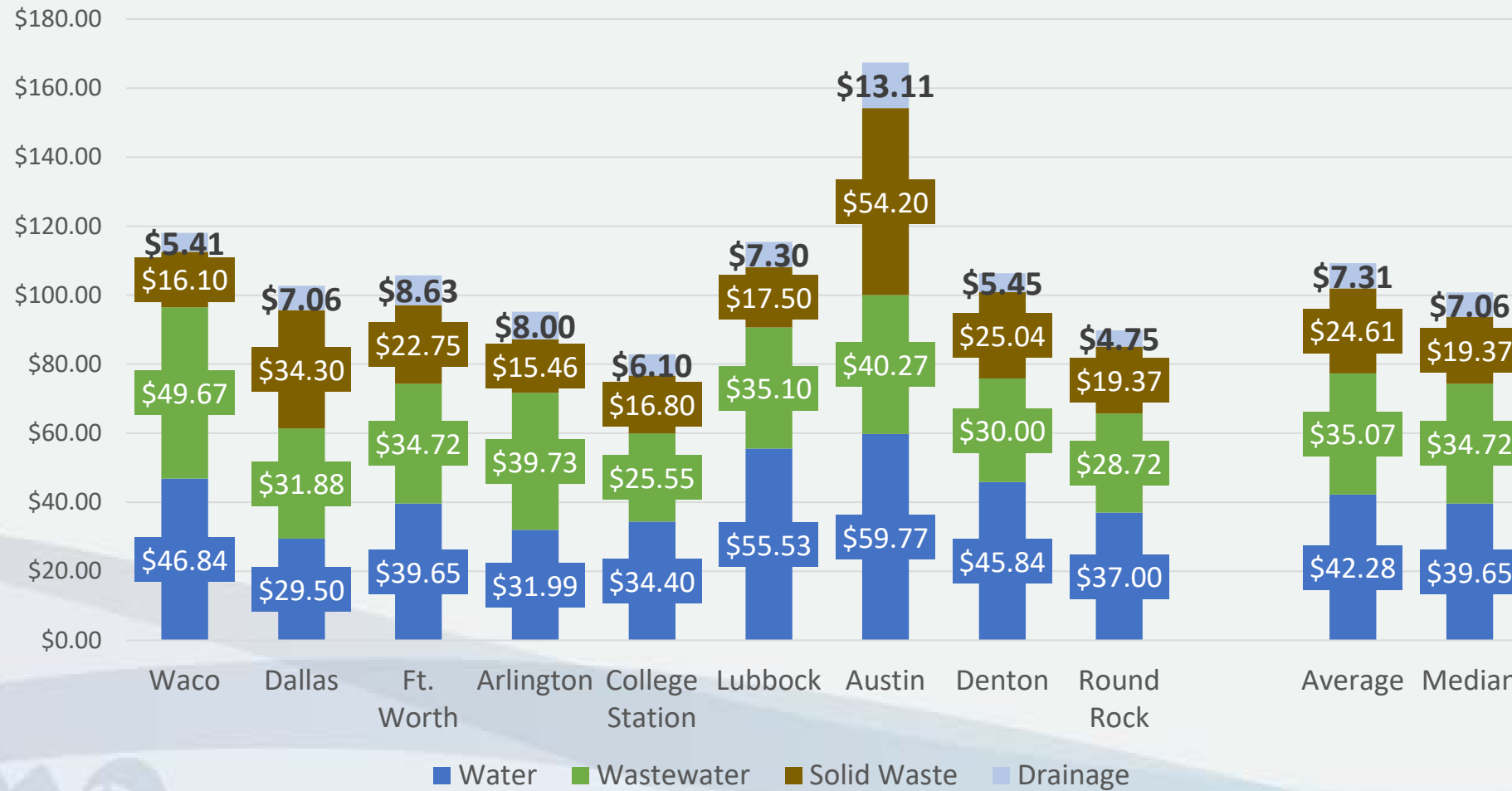
Discussion Topics

- Monthly Ratepayer and Taxpayer Burden
- Property Taxes
- Property Tax Relief Options
- Property Tax Relief Recommendations and Timeline
- Budget Calendar



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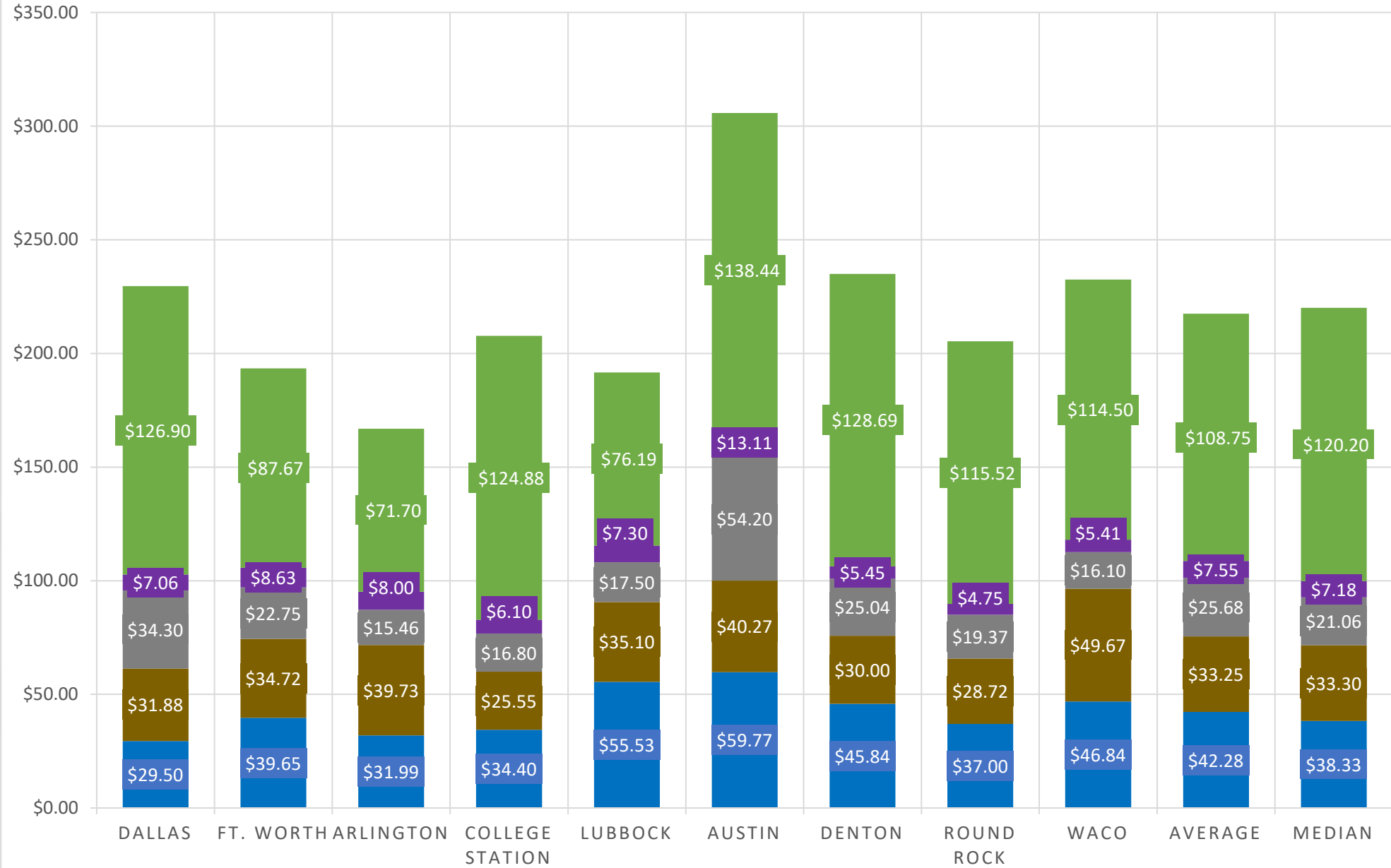
Combined Monthly Utilities Bill



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TYPICAL MONTHLY RESIDENTIAL RATEPAYER

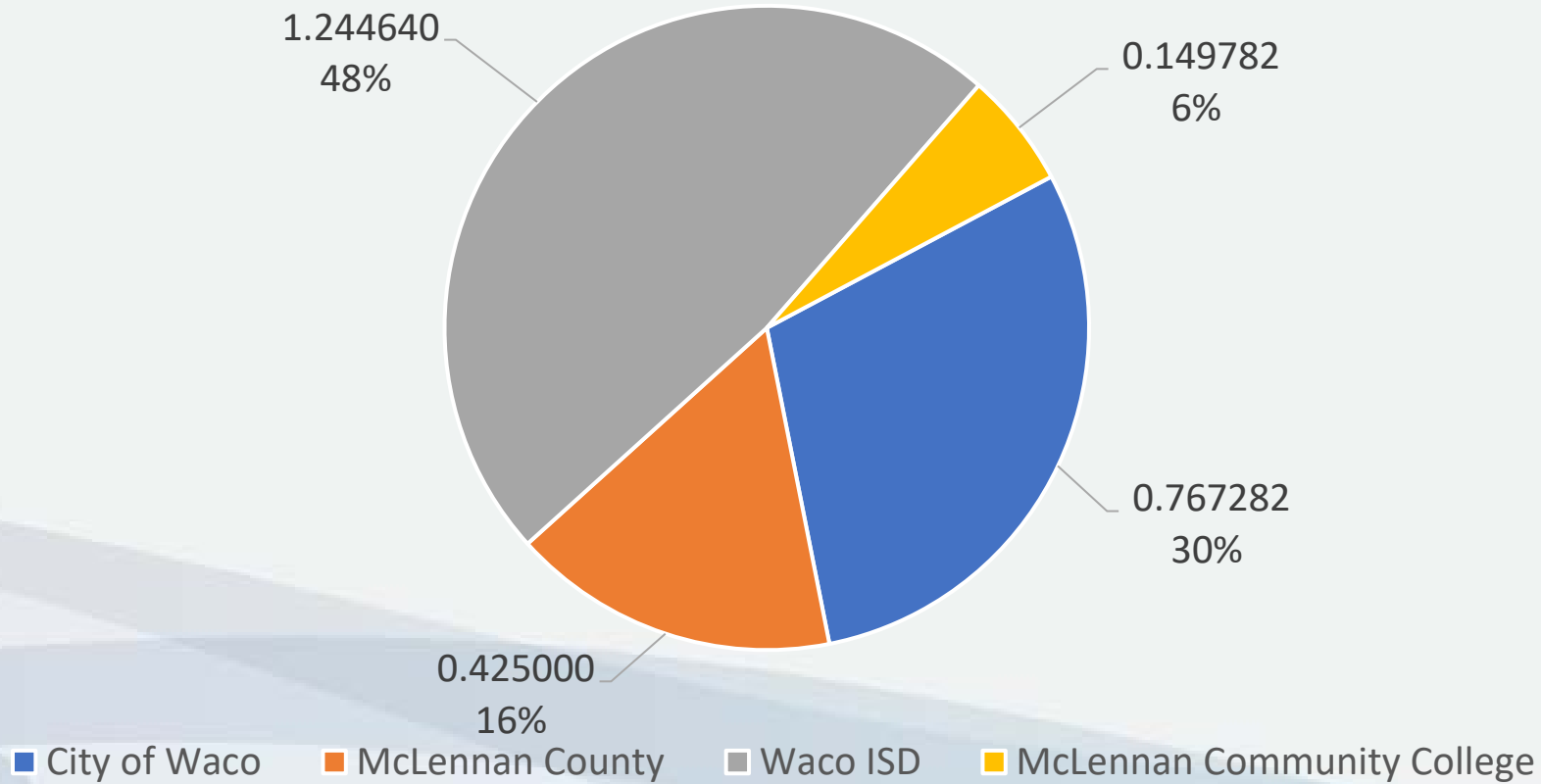
Water Wastewater Solid Waste Drainage Property Tax



Monthly Residential Ratepayer Burden

Average Monthly Residential Bills		
Service or fee	FY 22 rate	Description
Drainage fee	\$ 5.41	5.41 per ERU or 2,633 square feet.
Water	\$ 46.84	Average 8,000 gallons used per month.
Wastewater	\$ 49.67	Average 5,000 gallons used per month.
Solid Waste	\$ 16.10	Base pickup 1X per week
Property Tax	\$ 114.50	Average City only monthly property taxes
Total	\$ 232.52	

FY22 Property Tax Rates



FY22 General Fund Budget Covered by Property Tax Revenue

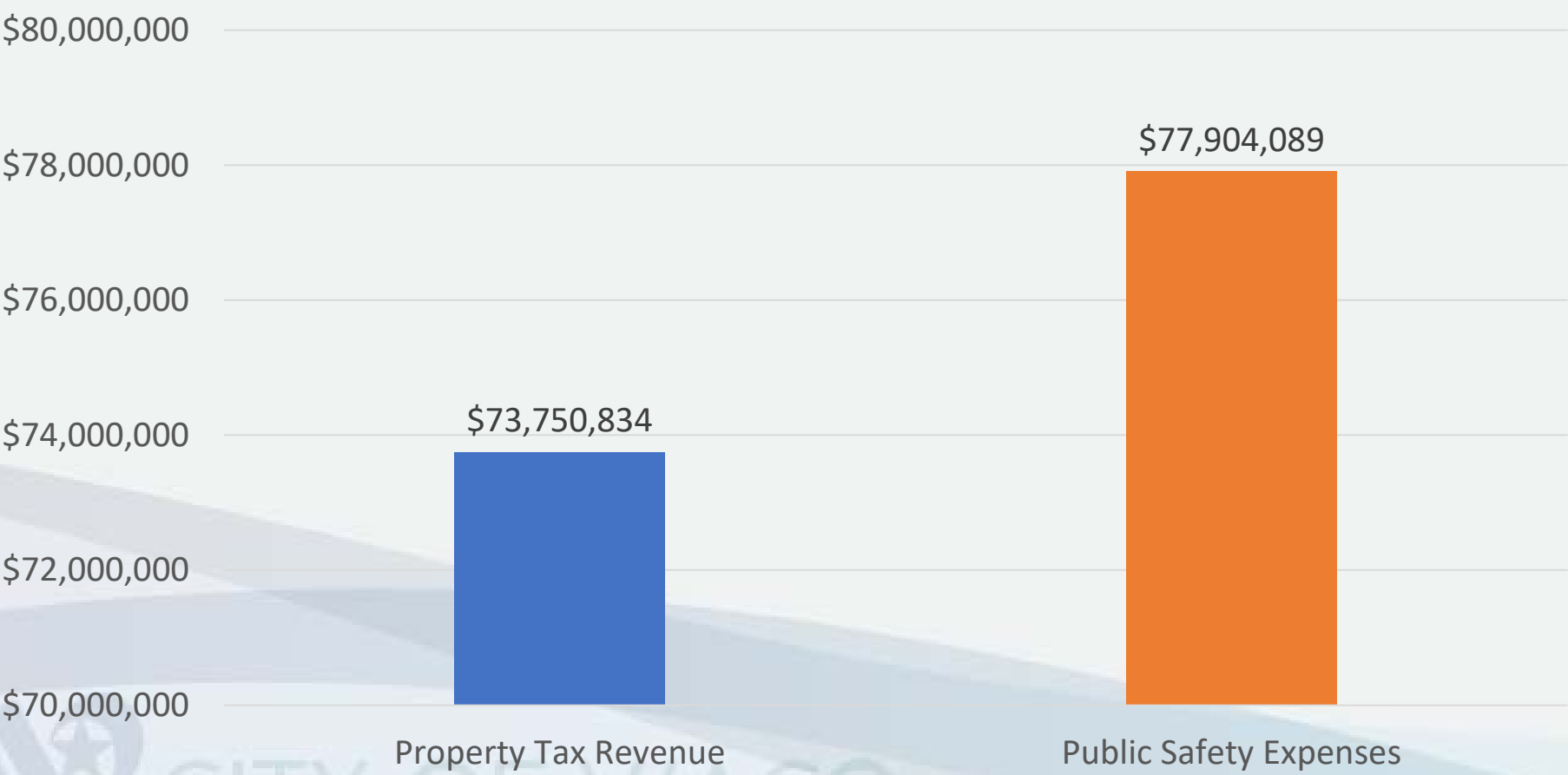


- General Fund Budget Covered by Property Taxes
- General Fund Budget Not Covered By Property Taxes



CITY OF WACO

FY22 Budgeted Property Tax Revenue vs. Public Safety Expenses (General Fund Only)



Public Safety expenses include Police, Fire and Municipal Court.

Truth in Taxation Forecast

	FY21 Adopted	FY22 Adopted	FY23 Preliminary Values
Tax Rate	\$0.776232	\$0.767282	TBD
No-New-Revenue Tax Rate	\$0.783485	\$0.741670	\$0.647878
No-New-Revenue Maintenance and Operations Tax Rate	\$0.676247	\$0.620145	\$0.543047
Voter Approval Tax Rate (with tax increment)	\$0.834000	\$0.833654	\$0.766197
Voter Approval Tax Rate (without tax increment)	N/A	\$0.775886	\$0.699825
Debt Rate	\$0.129503	\$0.126888	\$0.129553

The tax rate cannot exceed the Voter Approval Tax rate with the tax increment without voter approval. Any rate above the voter approval tax rate triggers an automatic election.

Property Tax Relief Options

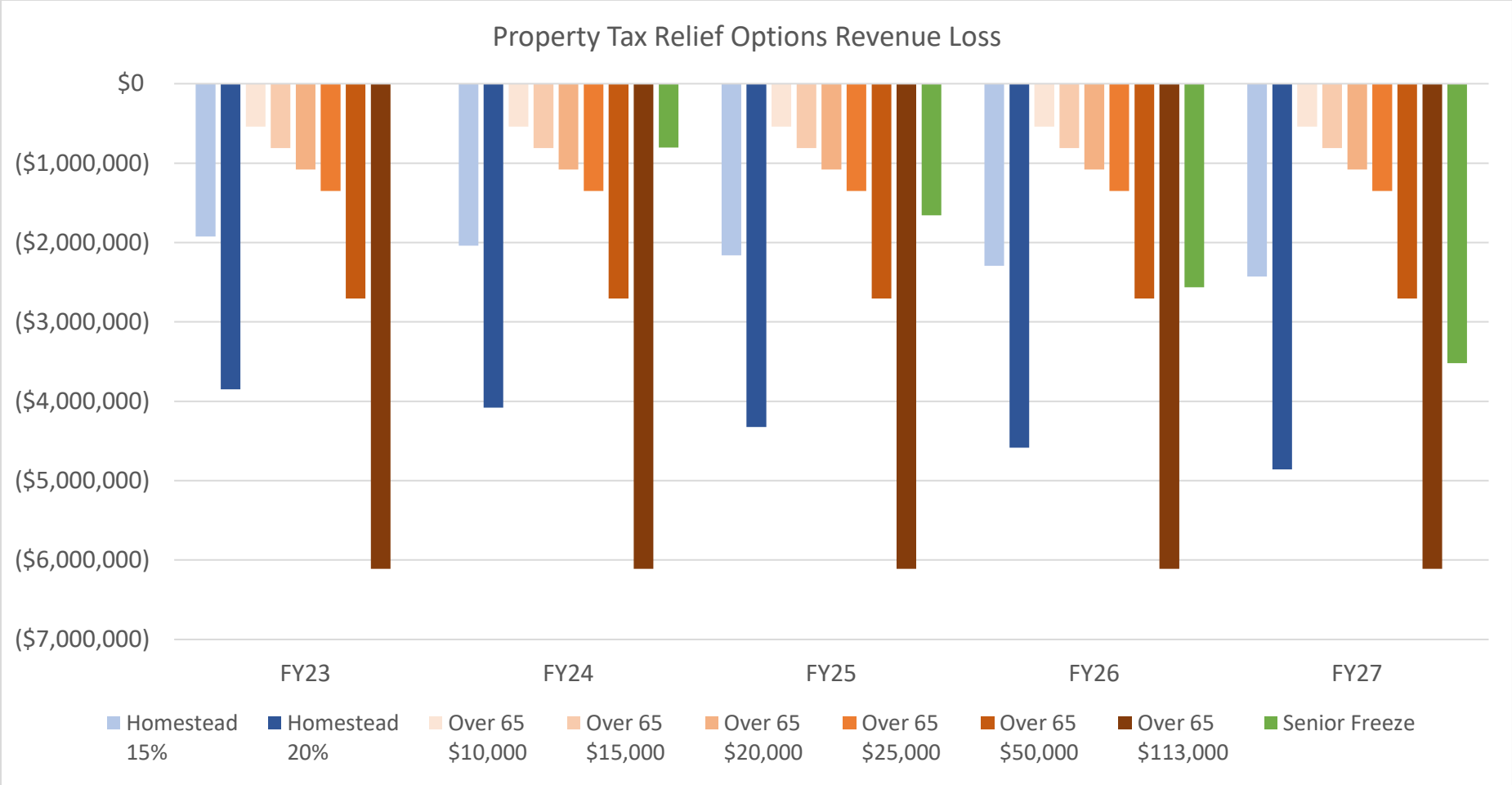
- Primary Exemptions available to the City:
 - Homestead Exemption*
 - This exemption must be adopted via an ordinance by council before July 1st.
 - Over 65/Disabled Exemption**
 - Two methods for establishing or increasing the exemption:
 1. Via an ordinance by council
 2. By a favorable vote of the majority of qualified voters of the city which can be called in two ways:
 1. By council
 2. The council shall call an election on the petition of at least 20% of the number of qualified voters who voted in the preceding election of the city.
- Disabled or over 65 tax limitation, “Senior Freeze”***
 - Two methods for establishing or increasing the exemption:
 1. The tax limitation for over 65 and disabled can be adopted via an ordinance of the Council.
 2. On receipt of a petition of at least 5% of the registered voters in the city, the council shall call an election to determine by majority vote whether to establish a tax limitation

*Tax Code 11.13(n)

**Tax Code 11.13(d)

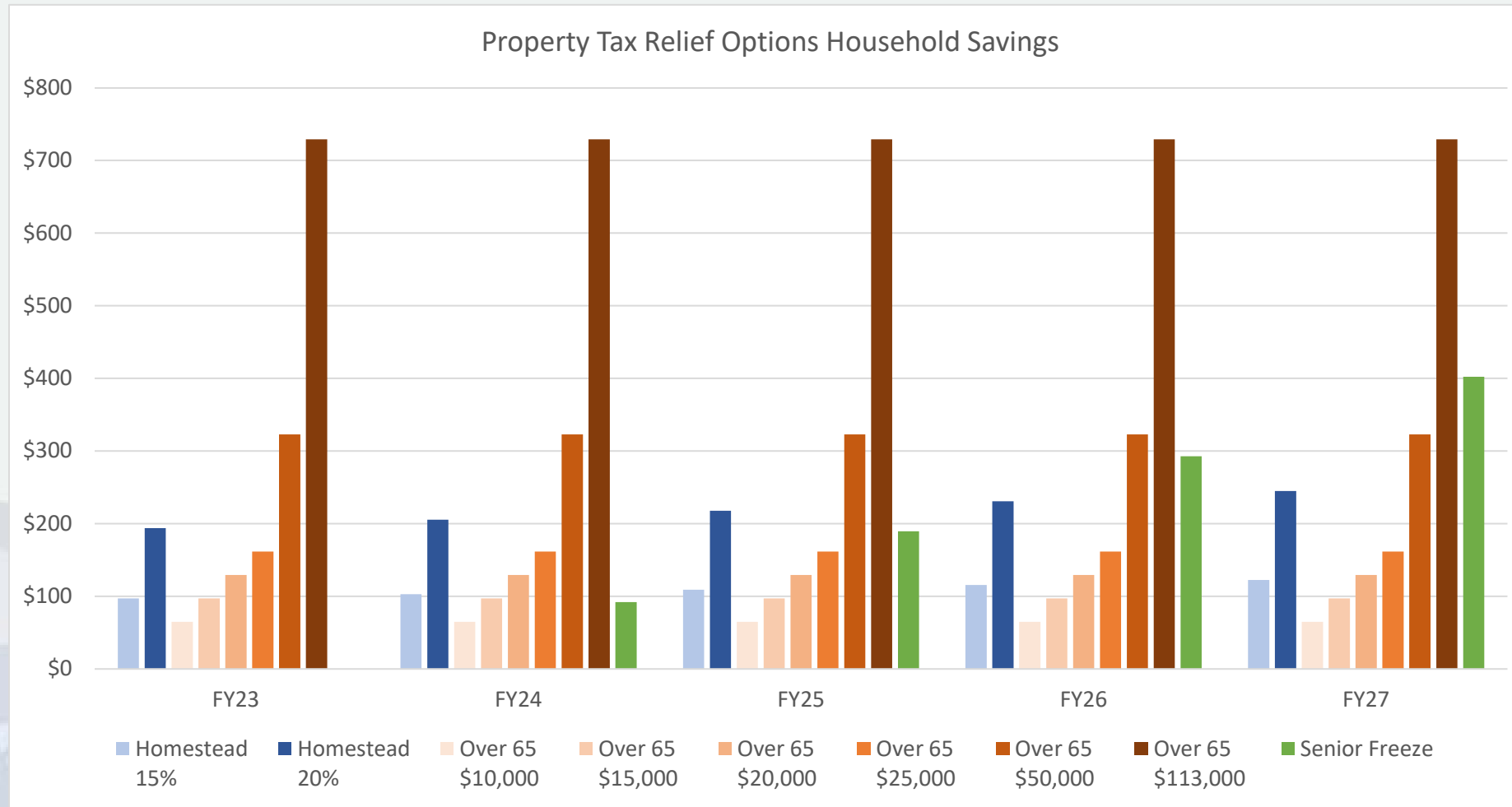
***Tax Code 11.261 & Texas Constitution, Article 8, Sec. 1-b(h)

Property Tax Exemptions Options



The estimates above represent preliminary tax year 2022 (FY23) information.

Property Tax Exemptions Options



The estimates above represent preliminary tax year 2022 (FY23) information.

Property Tax Exemptions Comparison

City	Local Homestead	Avg. Taxable Value	Over 65 Exemption	Over 65 % of ATV	Senior Freeze
Waco	10%	\$179,091	\$5,000	3%	No
Lubbock	0%	\$168,814	\$16,700	10%	Yes
College Station	5%	\$295,070	\$30,000	10%	Yes
Denton	0.5%	\$275,284	\$50,000	18%	Yes
Round Rock	0%	\$315,777	\$22,000	7%	No
Austin	20%	\$389,243	\$113,000	29%	No
Fort Worth	20%	\$224,032	\$40,000	18%	Yes
Dallas	4%	\$245,205	\$107,000	44%	No
Arlington	20%	\$228,996	\$60,000	26%	Yes

Average Comparison City

20%

Over 65 Exemption Needed to Match Average %

\$35,818

The numbers above represent tax year 2021 (FY22) information for all cities.

Property Tax Exemptions Comparison

City	City Population	Over 65 Population	% Over 65
Waco	139,594	17,449	12.5%
Lubbock	260,993	32,102	12.3%
College Station	120,019	8,041	6.7%
Denton	148,146	16,740	11.3%
Round Rock	123,876	11,273	9.1%
Austin	964,177	90,633	9.4%
Fort Worth	935,508	92,615	9.9%
Dallas	1,288,457	136,576	10.6%
Arlington	392,786	41,243	10.5%

The numbers above represent 2021 Census information for all cities.

Property Tax Exemptions Comparison

City	Total Properties	Over 65 Properties	% Over 65 Properties
Waco	55,644	8,379	15.1%
Lubbock	172,739	16,790	9.7%
College Station	33,506	3,900	11.6%
Denton	54,894	8,583	15.6%
Round Rock	39,066	5,233	13.4%
Austin	276,963	40,253	14.5%
Fort Worth	709,300	41,593	5.9%
Dallas	379,919	19,640	5.2%
Arlington	357,884	21,740	6.1%

The numbers above represent 2021 tax year information for all cities, except Waco which is 2022 tax year information. The City of Dallas Over 65 Properties number is an estimate given lack of available information.

Property Tax Exemptions Recommendations

- Increase the Over 65 exemption to \$50,000
 - This is an increase of \$45,000 from current \$5,000 exemption
 - Equals about 28% of the average taxable value of homes in Waco
 - Impacts about 15% of properties
- Establish a Disabled exemption of \$50,000
 - Impacts about 1.2% of properties
- Increase homestead exemption by 5% to 15%
 - Impacts all homeowners
 - 36% of properties are homesteads

Proposed Property Tax Exemptions

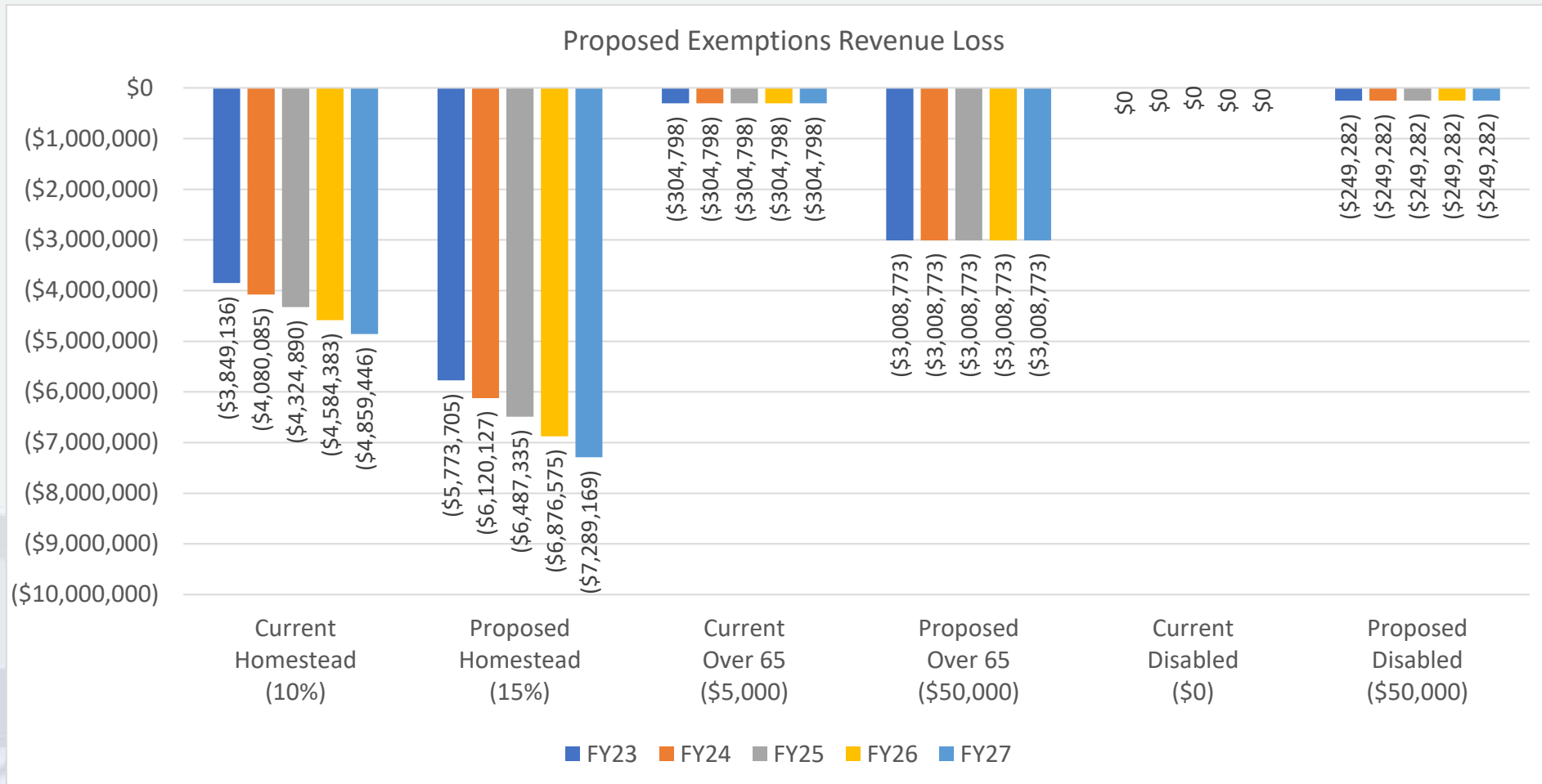
Current					
Exemption	Average Taxable Value (ATV)	Exemption	Exemption Amount	ATV Less Exemptions	Tax Bill at 0.767282
Homestead	\$195,580	10% (\$5,000 min.)	\$19,558	\$176,022	\$1,351
Homestead + Over 65	\$195,580	10% + \$5,000	\$24,558	\$171,022	\$1,312
Homestead + Disabled	\$195,580	10% + \$0	\$19,558	\$176,022	\$1,351

Proposed						
Exemption	Average Taxable Value (ATV)	Exemption	Exemption Amount	ATV Less Exemptions	Tax Bill at 0.767282	Revenue Loss
Homestead	\$195,580	15% (\$5,000 min.)	\$29,337	\$166,243	\$1,276	\$1,924,568
Homestead + Over 65	\$195,580	15% + \$50,000	\$79,337	\$116,243	\$892	\$2,703,975
Homestead + Disabled	\$195,580	15% + \$50,000	\$79,337	\$116,243	\$892	\$249,282

Tax Bill Variance		Equivalent Rate Reduction
Homestead	\$75	4.237 cents
Homestead + Over 65	\$420	24.576 cents
Homestead + Disabled	\$459	26.053 cents

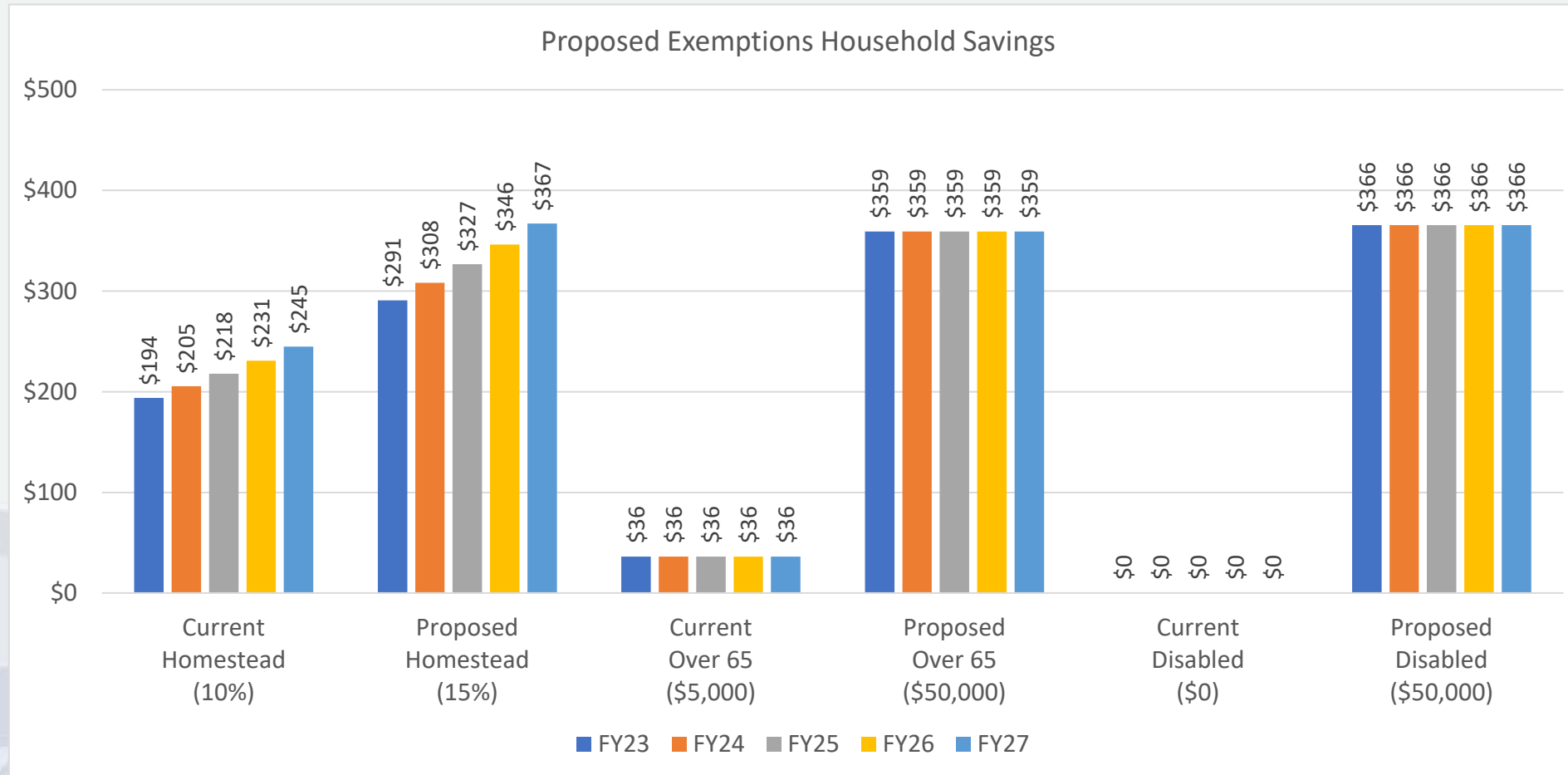
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Current vs. Proposed Property Tax Exemptions



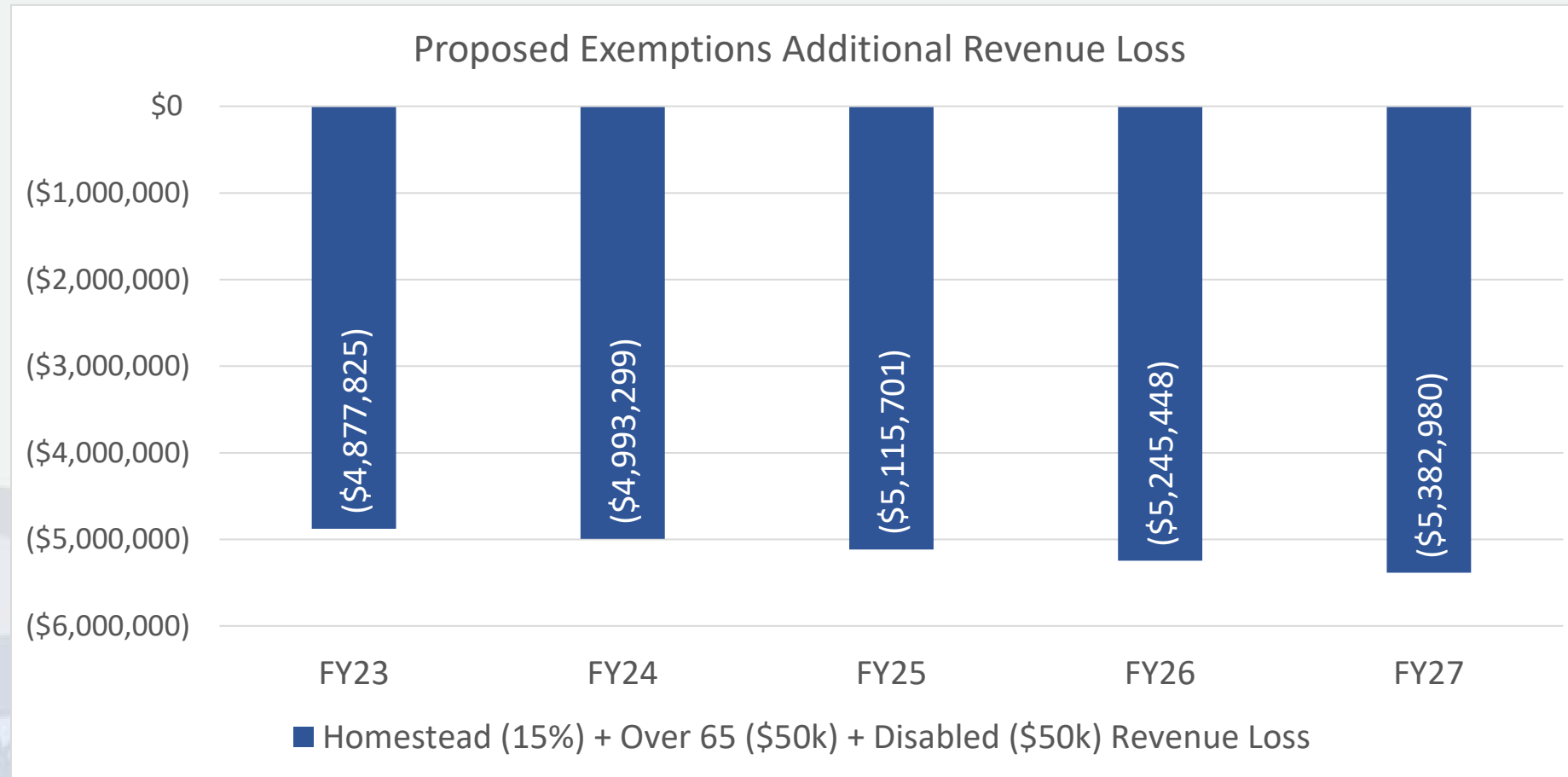
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Current vs. Proposed Property Tax Exemptions



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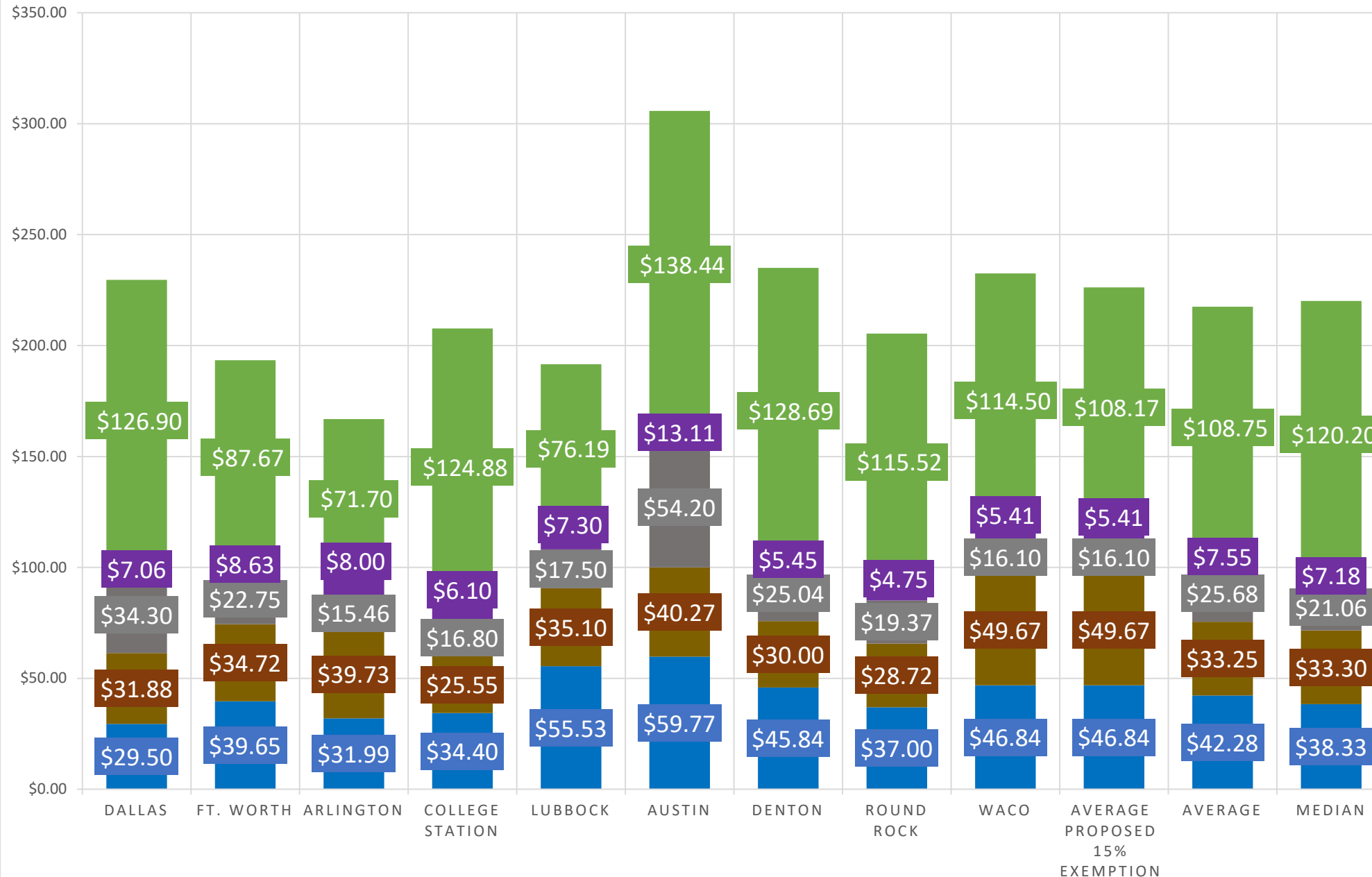
Proposed Property Tax Exemptions Additional Revenue Loss



The estimates above were calculated using preliminary tax year 2022 (FY23) information, the current tax rate, and an annual taxable value growth of 6%.

TYPICAL MONTHLY RESIDENTIAL RATEPAYER

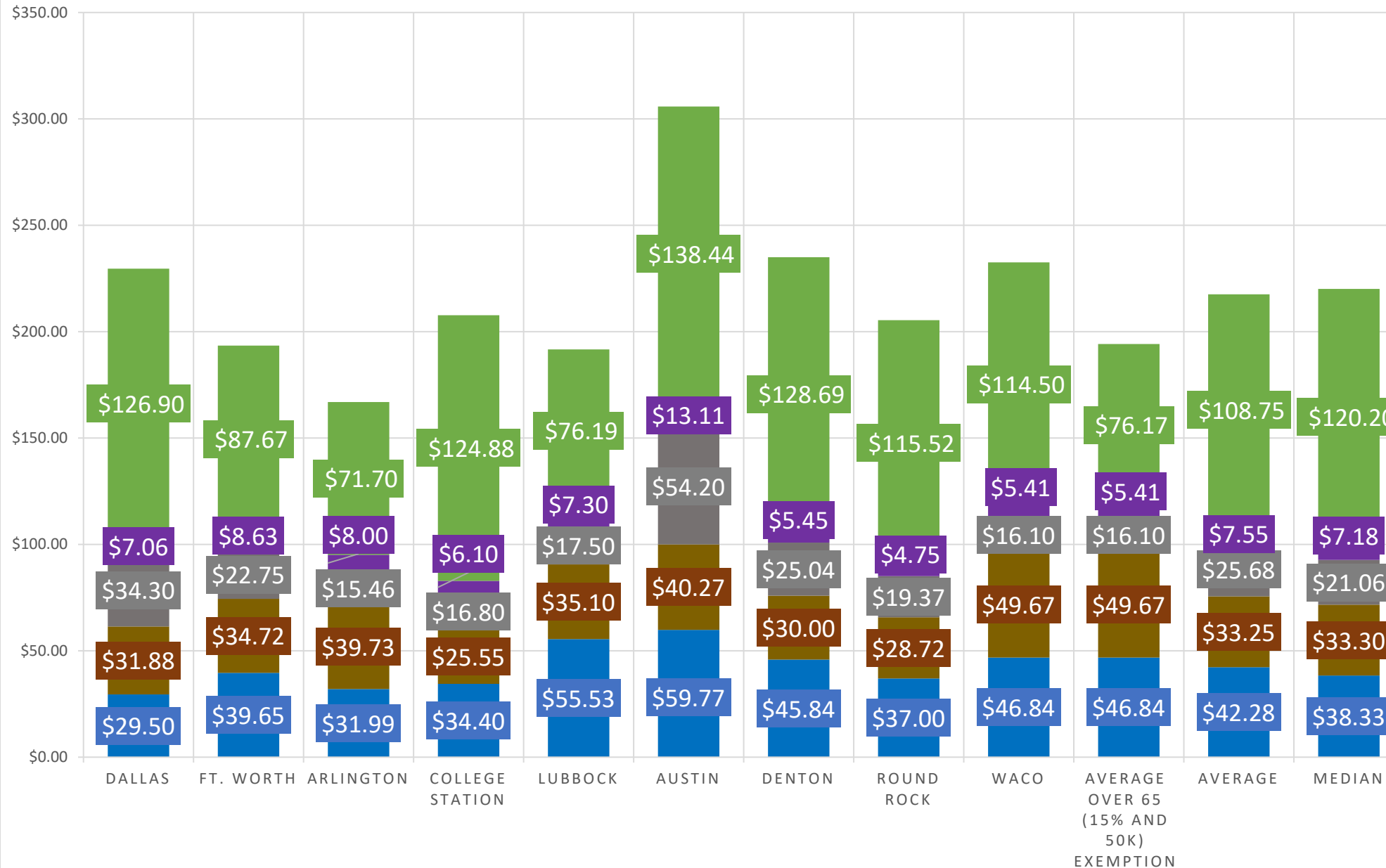
Water Wastewater Solid Waste Drainage Property Tax



- Proposed homestead exemption (15%) using the average taxable value
- Savings \$76 per year

TYPICAL MONTHLY RESIDENTIAL RATEPAYER

Water Wastewater Solid Waste Drainage Property Tax



- Proposed homestead exemption (15%) + over 65 (\$50k) on average taxable value
- Savings \$460 per year

Property Tax Exemptions Tax Rate Implications

	FY21 Adopted	FY22 Adopted	FY23 Preliminary Values	FY23 Preliminary Values with Exemption Updates
Tax Rate	\$0.776232	\$0.767282	TBD	TBD
No-New-Revenue Tax Rate	\$0.783485	\$0.741670	\$0.647878	\$0.679683
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Considerations & Implications

- Risk consideration:
 - Projections based on estimate from preliminary tax roll
 - Exemption decision precedes Certified Roll
 - Value removed from roll forever
- Tax Rate Implications:
 - Proposed exemptions revenue loss = +/- 3.7 cent tax rate reduction
 - FY 23 Budget in development
 - Salary & Wage Inflation
 - General Inflation
 - Service level decisions
 - Needed service enhancements
 - Capital Improvements
 - City Manager's Recommended Budget August 2nd



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Property Tax Exemptions Timeline

- June 14 – Budget and Audit Committee Meeting
 - Additional discussion on recommended exemptions
- June 21 – Ordinance to enact exemptions effective for the 2022 tax year
 - Waive the two readings of ordinance under emergency provision which requires 3/4th council approval to approve ordinance
- June 30 – Deadline to enact or update exemptions for the 2022 tax year

Note: Certified Roll received July 25th

Budget Calendar

- June 14 – Budget and Audit Committee
- June 24 – City Manager's Office Final Review of Budget Requests
- June 28 – Budget and Audit Committee – Financial Management Policy
- July 12 – Budget and Audit Committee – Utility Rates
- July 15 – Planned filing of Budget – operational, capital, and fee schedule
- July 25 – Certified Tax Roll Due from MCAD
- July 29 – Budget Due

Budget Calendar

- **August 2 – Presentation of Filed Budget and Certified Tax Roll**
- **August 2 – Resolution Setting Date for Public Hearing on Budget**
- August 9 – Budget and Audit - Fee Schedule, CIP Plan, and Quarterly Financial Update
- **August 16 – 1st Reading of Ordinance setting Departments**
- **August 16 – Resolution Setting Date for Public Hearing on Tax Rate**
- **August 30 – Public Hearing on Proposed Budget**
- **August 30 – Adoption of the Budget**
- **August 30 – 2nd Reading of Ordinance setting Departments**
- **September 6 - Public Hearing and First and Final Reading of Tax Rate Ordinance**

QUESTIONS?

