



August 2014

A MONTHLY MESSAGE
FROM



MAYOR
TODD GOTTEL



Fiscal Year 2015 Proposed Budget *Frequently Asked Questions*

Rowlett is definitely *On the Move*, and along with celebrating the wonderful growth and economic development opportunities coming our way, I often find myself having to clarify information on complex issues that has somehow been miscommunicated in the community, leading to confusion on the part of our citizens. We are an extremely open and transparent organization, so in an effort to ensure everyone in Rowlett understands these issues, and why the City Council makes the decisions we do, I am going to do a short monthly newsletter addressing one or two topics.

To kick this off, as we are in budget season, this month I would like to provide some information about the proposed tax rate increase that the City Council, as a whole, is very supportive of adopting as part of the Fiscal Year 2015 (FY2015) Budget. Planning the City's annual budget is a strategic year-round process that is ever-evolving, taking into consideration many factors, economic and otherwise. I am very proud of the hard work and extensive research our City staff has put into developing the FY2015 budget. I'm also very grateful to the citizens of Rowlett for providing input to help guide the City Council in the necessary decision whether to raise the tax rate or cut the level of services our community currently enjoys. We have been communicating this "financial wall" since 2011, when the City conducted the first *Rowlett, My Money, My Community, My Choice* campaign. This campaign provided a public venue to talk to our residents about the tough decisions that we saw coming at us in FY2015 and now that time is here. We said then, and today it shows itself to be true, that the President George Bush Turnpike and DART Light-rail would be long-

term investments; therefore, the financial benefit to the City will not be realized for years.

If Rowlett is to become the community that citizens have expressed their desire to be, a tax rate increase will have to occur in FY2015. This increase should come as no surprise as we, the Rowlett citizens, have been paying the same tax rate for the last NINE years! In fact, based on the current year, 2014, we are now paying on average \$118 LESS in property taxes than we were nine years ago. What other service cost in our daily lives has actually *decreased* in the last nine years? Electricity, gas, phone service, cable, the list goes on and all of their costs have gone up, not down. And yet, we expect our City staff to continue providing the same high level of services with resources that have decreased year after year. It is now time for us as a City Council to adopt, and our community to support, this tax rate increase so that we might properly fund the services that you, our residents and customers, have identified as important to you and do not want cut.

This is truly a great time to live in Rowlett! Last year we were named the *Number One Best Small City in America to Move To* and more recently, we've been named the *Tenth Safest City in Texas*. In addition, the adoption of form-based codes has brought high quality development to our City, including the Village of Rowlett downtown project and the Homestead at Liberty Grove. Exciting new business developments are also on the horizon. Our community is closer than ever, over 28,000 Rowlett residents and friends came together for the recent Fireworks on Main event downtown. *Now is the time to continue the positive momentum occurring in our hometown!*

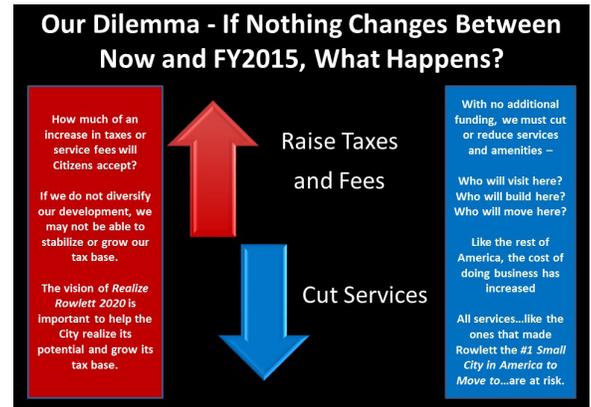
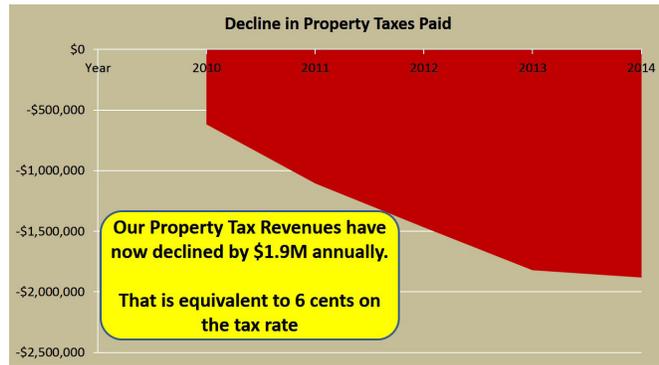


2014 Fireworks on Main

1. Why is the City considering increasing the tax rate?

The simple answer is that we cannot sustain the levels of service we currently provide to our citizens without additional funding. Between FY2010-FY2014, our property tax revenues have

declined \$1.9 million dollars. As you can see from the chart below, that is the equivalent of six cents on our property tax rate.



After holding the line with the property tax rate for nine years, we no longer have the ability to reduce further spending without reducing services. After cutting employees, operating costs and

deferring maintenance over the past six years to accommodate revenue decline, City operations are as efficient as we can get them without impacting the efficient delivery of service.

2. How much of a tax increase is the City considering?

The City is proposing to increase the tax rate by \$0.05 per \$100 of property value from \$0.747173 to \$0.797173. The combination of improved tax values, new growth and additional tax dollars will finally provide an opportunity for the City to fix

structural weaknesses in our budget, address years of deferred maintenance, mitigate difficult challenges and enhance our parks and community amenities.

- a. Three cents to cover the budget shortfall in the General Fund.
- b. One cent to enhance parks maintenance standards and improvements, such as improved turf management, ball field improvements, shade structures for playgrounds and other park features.
- c. One cent for community enhancement programs, such as entrance features, medians, landscaping and screening walls.

3. Explain why the City wants to add one penny to the property tax rate for parks? What value will that add to our community?

The City dramatically decreased budget dollars for our parks and trails system during the Great Recession, and it shows. Playgrounds, ball fields, and other recreational amenities are aging and, in some cases, show extreme wear and tear. This should not be surprising considering the City reduced the budget \$1.1 million dollars between FY2007 and FY2013. While the Great Recession drove much of these decisions, our

park infrastructure and amenities continued to age. Parks are important amenities that business prospects and future residents consider before investing their dollars. If Rowlett wants to change this trend, we now need to reinvest in our parks.



Park Maintenance Standards and Improvements	Proposed FY2015	Proposed FY2016	Proposed FY2017	Total Three Year
Ballfields and turf management	\$70,745	\$101,490	\$207,235	\$379,470
Playground improvements and shade structures	131,658	130,913	80,168	342,739
Lakeside park improvements	75,000	75,000	-	150,000
Springfield park improvements	50,000	20,000	-	70,000
Pecan Grove park improvements			40,000	40,000
Total	\$327,403	\$327,403	\$327,403	\$982,209

4. Explain why the City wants to add one penny to the property tax rate for community enhancements? What types of programs will be considered?

Much like parks, communities are often judged by a myriad of intangibles and first impressions are important. Amenities such as entrance features, medians, landscaping and screening walls go a long way toward creating an expectation of quality. In Rowlett, back-to-back droughts in 2005-2006 and 2011-2014

have wreaked havoc on these amenities and many appear tired and unimaginative. This proposal would add about \$327,403, which would be used for screening walls and fences, median improvements and landscaping, streetscape and signage, neighborhood entry features, etc.

Community Enhancement Programs	Proposed FY2015	Proposed FY2016	Proposed FY2017	Total Three Year
Screening walls & fences	\$81,851	\$81,851	\$81,851	\$245,553
Median improvements & landscaping	81,851	81,851	81,851	245,553
Streetscaping, signage & monuments	81,851	81,851	81,851	245,553
Neighborhood entry features	81,850	81,850	81,850	245,550
Total	\$327,403	\$327,403	\$327,403	\$982,209

5. How much of an increase did the City receive from next year's increased assessed value and how has that impacted the Proposed Budget?

Based on the certified assessed value provided by the DCAD and the RCAD, the taxable assessed valuation for FY2015 will

increase \$157.5 million or 5.1 percent, from \$3.116 billion in FY2014 to \$3.274 billion in FY2015.

Breakdown of Certified Tax Values	FY2014 (,000s)	FY2015 (,000s)	\$ Change (,000s)	% Change
Residential	\$2,509,146	\$2,629,231	\$120,085	4.8%
Commercial	607,353	644,798	37,445	6.2%
Total Taxable Values	\$3,116,499	\$3,274,029	\$157,530	5.1%

The increase assessed value equates to an increase in revenue from property taxes of approximately \$1.2 million. Approximately \$600,000 will be used for the implementation of the compensation study. Public safety is paramount in our community, so once the final certified values indicated we

would have the funding, a next generation 9-1-1 system at the Police Department was also included in the FY2015 budget at a first year cost of \$253,000. The remainder of these funds will allow the City to continue to maintain a 13 percent fund balance reserve.

6. How much will the average homeowner pay if the City increases the property tax rate?

The average taxable value of our residential properties for FY2015 is \$139,800. Based on that value, each penny will add \$13.98 annually, or about four cents a day. For reference, see the table below for the amount of taxes the average homeowner

would pay per penny tax increase. In addition, I've also included approximately how much revenue each penny will generate to the City.

Penny on the Tax Rate	Annual Cost to Average Rowlett Homeowner	Daily Cost to Average Rowlett Homeowner*	Annual Revenue Impact to City
1¢	\$13.98	\$0.04	\$327,403
2¢	\$27.96	\$0.08	\$654,806
3¢	\$41.94	\$0.11	\$982,209
4¢	\$55.92	\$0.15	\$1,309,612
5¢	\$69.90	\$0.19	\$1,637,015

*Note: rounding

7.

Will a tax rate increase affect seniors over 65 years of age?

The answer is no. The City of Rowlett is among seven cities out of 31 in Dallas County that has adopted the *Senior Tax Freeze*. By a constitutional amendment from the State of Texas, any city who adopts this *Freeze* cannot “un-adopt” it later. In addition, the Freeze is based on the amount of annual taxes paid when the senior tax exemption is first awarded. The statute refers to this as the tax “ceiling”. Even if the taxable value increases, seniors who receive this benefit now will “not” pay any additional property taxes to the City beyond the initial tax ceiling they received when they first turned 65.

For example, an individual who is 64 in 2014 and owns a residence with an assessed value of \$139,800 would have a

taxable assessed value of \$134,800 after receiving the Regular Homestead Exemption of \$5,000. Based on that value, they would pay \$1,007 in property taxes to the City of Rowlett. When that individual becomes 65 in 2015, they would receive an *additional* \$67,000 Senior Tax Exemption, reducing the total assessed value to \$67,800. Even with the property tax rate increase, the annual property taxes paid would drop by nearly 50 percent, from \$1,007 to \$540. In the example chart below, since the City of Rowlett adopted the *Senior Tax Freeze*, the amount of property taxes paid would cap at \$540 in the future, even if the market value increases over time. This is because the *Freeze*, or ceiling, is based on the property taxes paid and not the taxable assessed value, as also illustrated in the chart below.

Example Chart

Year	Age	Assessed Value	Taxable Assessed Value (after exemptions)	Annual Property Taxes Paid
2014	64	\$139,800	\$134,800	\$1,007
2015	65	\$139,800	\$67,800	\$540
2016	66	\$139,800	\$67,800	\$540
2017	67	\$142,582	\$70,582	\$540
2018	68	\$142,582	\$70,582	\$540
2019	69	\$142,582	\$70,582	\$540

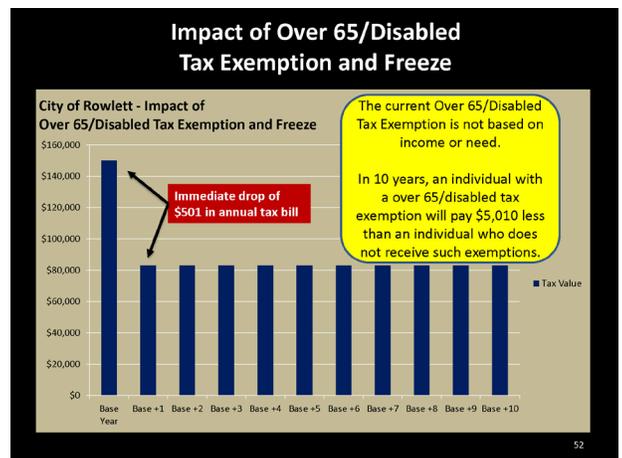
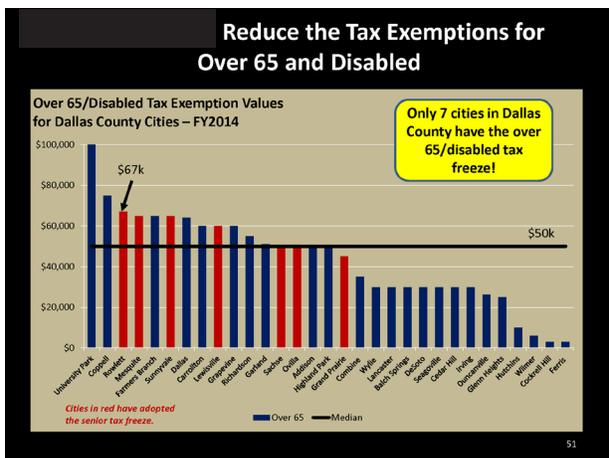
8.

Why is the City considering lowering the over 65/disabled tax exemptions? What impact will this have on existing seniors?

As I’ve previously explained, the City of Rowlett is one of only seven out of 31 cities in Dallas County that has adopted the tax freeze. Well, in addition, Rowlett has the third highest Senior Tax Exemption in the County. For FY2015, the value in lost tax revenue to the City is \$3.8 million or equivalent to 12 cents on the tax rate. For those over 65, the exemption is not based on financial need or hardship, simply on age. While the freeze is permanent for those who already receive it, the exemption can be lowered for future generations. The freeze creates a secondary

benefit in that it cannot be increased, even if the market value increases.

Because the City has the tax freeze, staff’s recommendation is to reduce the over 65 and disabled tax exemption from \$67,000 annually to \$30,000 and \$50,000, respectively. This modification will not affect any taxpayers until FY2016, and those who have the tax freeze in place will see no increase to their City of Rowlett taxes when the reduced exemption is in effect.



9 Why is the City adding a temporary water surcharge?

Ongoing water restrictions continue to plague cities in the north DFW area, Rowlett included. Because the North Texas Municipal Water District (NTMWD) determines “how” cities must comply with the water restrictions (i.e. outside watering once every two weeks), communities such as Rowlett that are primarily residential are more significantly impacted. In FY2014, Rowlett is expected to lose about \$1.9 million in water revenues, which is being covered by a like reduction in our capital projects. For

FY2014, the system will run out of money for improvements.

As a result, the FY2015 Proposed Budget includes a proposal to add a \$6.97 monthly surcharge for water rates in anticipation that Stage 3 water restrictions from NTMWD will remain in place. Staff is further recommending that the surcharge remain in place until the restrictions are lifted.

Reservoir	Conservation Pool Elevation	Current Elevation	Down
Lavon 30%	492.0' (Last full on 5-14-12)	480.21'	-11.79'
Chapman 15%	440.0' (Last full on 4-14-10)	431.85'	-8.15'
Tawakoni 8%	437.5'	427.95'	-9.55'
Texoma 28%	617.0'	611.13'	-5.87'

Newsletter published by NTMWD explaining the reasons why our raw water supply has been impacted. For more information, go to www.ntmwd.com.

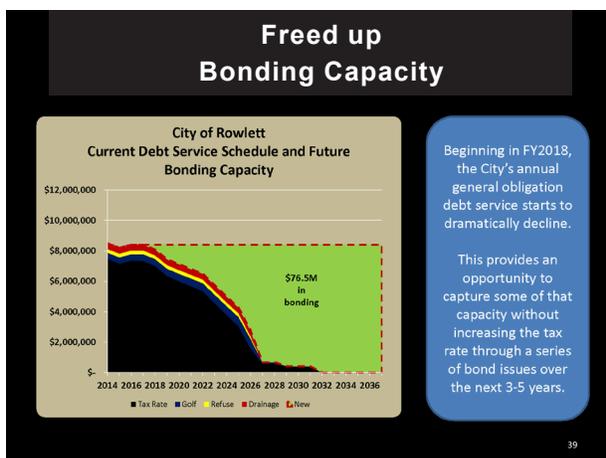
10 Why is the City Council considering a bond election in May of 2015?

Beginning in FY2018, the City’s annual general obligation debt service starts to dramatically decline. This provides an opportunity to capture some of that capacity, without a further increase to the tax rate, through a series of bond issues (about \$20-\$25 million) over the next three years (FY2016-FY2018). This money provides critical dollars to leverage our financial capacity and address our aging streets, alleys and other infrastructure improvements.

However, these funds are not sufficient to pay for the building of new infrastructure or make improvements of our roadways and alleys when they are in such disrepair that they need to be fully reconstructed. General obligation bonds paid over time are the appropriate tool to use for such improvements.

In addition, the City sets aside nearly \$3.0 million a year which is used for capital maintenance projects with a goal to maintain our existing infrastructure and not let it deteriorate further.

Therefore, the City is considering a slightly smaller bond election in May of 2015 in order to take advantage of the freed up bond capacity than has been discussed over the past couple of years and the declining debt service will continue to provide a substantial source of funding for years to come.



11.

Where can I find more information?

Please join us at the City Council FY2015 Budget Work Sessions:

Thursday, August 14 at 6:00 P.M. in the City Council Chambers (4000 Main Street)

Friday, August 15 at 6:00 P.M. in the Annex Conference Room (4004 Main Street)

Saturday, August 16 at 8:30 A.M. in the Annex Conference Room (4004 Main Street)

Please join us at the FY2015 Budget Public Hearings held during the regular City Council Meetings:

Tuesday, August 19 at 7:30 P.M. in the City Council Chambers (4000 Main Street)

Tuesday, September 2 at 7:30 P.M. in the City Council Chambers (4000 Main Street)

Feel free to email your City Council with questions or for more information at citycouncil@rowlett.com!

View the [FY2015 Proposed Budget](#)

[Watch the City Manager's FY2015 Proposed Budget presentation to the City Council](#)

