COMAL COUNTY EMERGENCY SERVICES DISTRICT No. 1
SPECIAL MEETING MINUTES
April 16, 2019

A special meeting of the Board of Commissioners of Comal County Emergency Services District No. 1 was held Tuesday, the 16th day of April 2019, at 30475 Johnson Way Bulverde, Texas 78163. It was a joint meeting with ESD 4, ESD 5 for the primary purpose of meeting with the Comal County Tax Assessor.

AGENDA

1. Citizen comments – No comments for this portion.

DISCUSSION/ACTION ITEMS

1. Discuss taxes and tax rates applicable to the ESDs.

- Representatives of ESDs 1, 4, & 5 were present. Cathy Talcott (Tax Assessor Collector) and Hector Lozano (Chief Appraiser) presented information and slides on their portion of valuing and assessing tax rates

- Appraisal District provides values, assessor calculates rates and publishes notices

- Taxpayers can petition to lower Maintenance and Operations (M&O) vut can't petition to lower debt

- Net Taxable values Projected for 2019 are $4.6 B for ESD 1, $2.67 B for ESD 4, and $1.93 B for ESD 5 (Indicative of property taxes for the ESDs)

  - Projected rate changes between 2018 and 2019 are respectively 116%, 117%, and 115% for the ESDs 1, 4, and 5

  - ESD 1 & 4 projected 5% for new construction, ESD 5 projected 6% for new construction

- County population currently is roughly 141,00 – model predicts that we will have a County population of 350,00 by January of 2021

- TAX code gives a concise definition of "Debt" by taxable entities that includes being secured by a pledge property taxes

- The County Development Council is intent on bringing in new businesses and appear to be successful in that endeavor

- The County Assessor will get preliminary information to ESDs in June of each year, and provide certified values by 25 July each year for taxable values

2. The meeting was adjourned at 6:45 p.m. All present were grateful for the information provided vy the County Assessor and Appraiser.

Richard A. "Tex" Hall, Asst. Treasurer

ESD TAX WORKSHOP   *4/16/19*
ESD 1, 4, & 5

30 Sep Annual
Report due
(Tidd Hale)

A brief overview of the process:

* **Appraisal District** provides value;   *→ should get → prelim.*
                                          info to ESD's
                                          certified values 25 Jul
                                          (as of Jan 1st)

* **Governing Body** drafts budgets;

* **Tax Assessor** calculates rates, publishes notices;

* **Governing body** proposes rate/holds hearings

* **Governing body** adopts tax rate;

* **Tax Assessor** mails bills

Value times Rate equals Levy

If value rises the rate should <u>decrease</u> to create the <u>same levy</u>

For example:

2,000,000,000   X   .0600 /$100   = $1,200,000

EFFE TAX RATE (BASED ON SAME PROPERTIES, NOT NEW CONST

2,000,**900**,000   X   **.059973**   = $1,200,000

The **Adopted Tax Rate** is the tax rate adopted by the governing body of a taxing unit.

The **Maintenance and Operations Rate** is the component of the adopted tax rate of a taxing unit that will impose the amount of taxes needed to fund maintenance and operation expenditures of the unit for the following year.

The **Debt Rate** is the component of the adopted tax rate of a taxing unit that will impose the amount of taxes needed to fund the unit's debt service for the following year.

The **Effective Tax Rate** is the tax rate that would generate the same amount of revenue in the current tax year as was generated by a taxing unit's adopted tax rate in the preceding tax year from property that is taxable in both the current tax year and the preceding tax year.

The **Effective Maintenance and Operations Rate** is the tax rate that would generate the same amount of revenue for maintenance and operations in the current tax year as was generated by a taxing unit's maintenance and operations rate in the preceding tax year from property that is taxable in both the current tax year and the preceding tax year.

The **Rollback Tax Rate** is the highest tax rate a taxing unit may adopt before requiring voter approval at an election. In the case of a taxing unit other than a school district the voters by petition may require that a rollback election be held if the unit adopts a tax rate in excess of the unit's rollback tax rate. In the case of a school district, an election will automatically be held if the district wishes to adopt a tax rate in excess of the district's rollback tax rate.

What is debt or <u>DEBT SERVICE</u>?

ALSO CALLED I+S (INTEREST + SINKING)

ANSWER: This is directly from Tax Code Section 26.012 (7) "Debt" means a bond, warrant, certificate of obligation, or other evidence of indebtedness owed by a taxing unit that is
1. payable solely from property taxes
2. in installments over a period of more than one year,
3. not budgeted for payment from maintenance and operations funds,
4. **and secured by a pledge of property taxes,**

(8) "Debt service" means the total amount expended or to be expended by a taxing unit from property tax revenues to pay principal of and interest on debts or other payments required by contract to secure the debts and, if the unit is created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, payments on debts that the unit anticipates incurring in the next calendar year.

Tax Code 26.05 (f)
"Except as required by the law under which an obligation was created, the governing body may not apply any tax revenues generated by the rate described in Subsection (a)(1) of this section for any purpose other than the retirement of debt." Meaning you can only use debt funds to retire debt.

Effective Tax Rate

The effective tax rate enables the public to evaluate the relationship between taxes for the prior year and for the current year, based on a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years.[9]

Although the actual calculation can become more complicated, a taxing unit's effective tax rate is a calculated rate generally equal to the last year's taxes divided by the current taxable value of properties that were also on the tax roll last year.[10] The resulting tax rate, used for comparison only, shows the relation between the last year's revenue and the current year's values.

$$\left(\frac{\text{LAST YEAR'S TAXES}}{\text{LOST PROPERTY LEVY}} \div \frac{\text{CURRENT TOTAL VALUE}}{\text{NEW PROPERTY VALUE}} \right) \times \$100 = \text{EFFECTIVE TAX RATE}$$

[handwritten notes, right margin:] PERSONAL PROPERTY: MACHINERY, INVENTORY, ETC. (FIRE LOSSES IN HOUSE EFFECTIVE AS OF 1 JAN; LOSS IS TAKEN FOLLOWING YEAR IF AFTER 1 JAN. SAME FOR VET TAX EXEMPTS)

Rollback Tax Rate

The rollback tax rate is a calculated maximum rate allowed by law without voter approval.[11] Most taxing units calculate a rollback tax rate that divides the overall property taxes into two categories - M&O and debt service.[12]

With the exception of school districts, the rollback tax rate provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra eight percent increase for operations and sufficient funds to pay debts in the coming year.[13]

LAST YEAR'S M&O LEVY
÷
CURRENT ADJUSTED TAXABLE VALUE
× $100 =
EFFECTIVE M&O RATE
× 1.08 =
ROLLBACK TAX RATE LIMIT
+
DEBT RATE   *[handwritten:]* $\frac{TL}{DEBT} \big/ \frac{TL}{TA}$ TAXABLE VALUE
=
TOTAL ROLLBACK TAX RATE