

**CITY OF EL PASO, TEXAS  
AGENDA ITEM  
DEPARTMENT HEAD'S SUMMARY FORM**

**DEPARTMENT:** City Manager - Office of Management & Budget  
**AGENDA DATE:** January 23, 2018  
**CONTACT PERSON/PHONE:** Robert Cortinas, Interim Director of Municipal Financial Operations, (915) 212-1092  
**DISTRICT(S) AFFECTED:** All

**SUBJECT:**

Budget Update – Major Revenues

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**BACKGROUND / DISCUSSION:**

Provide management updates on sources of major revenues.

**PRIOR COUNCIL ACTION:**

N/A

**AMOUNT AND SOURCE OF FUNDING:**

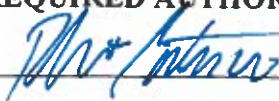
N/A

**BOARD / COMMISSION ACTION:**

N/A

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**DEPARTMENT HEAD:**



**DATE:**





## **Budget Update #3**

# **Major Revenues**

**January 23, 2018**

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# Agenda

- Budget process overview
- Major takeaways from recent updates
- Property taxes
- Sales taxes
- Franchise fees



# Budget Process



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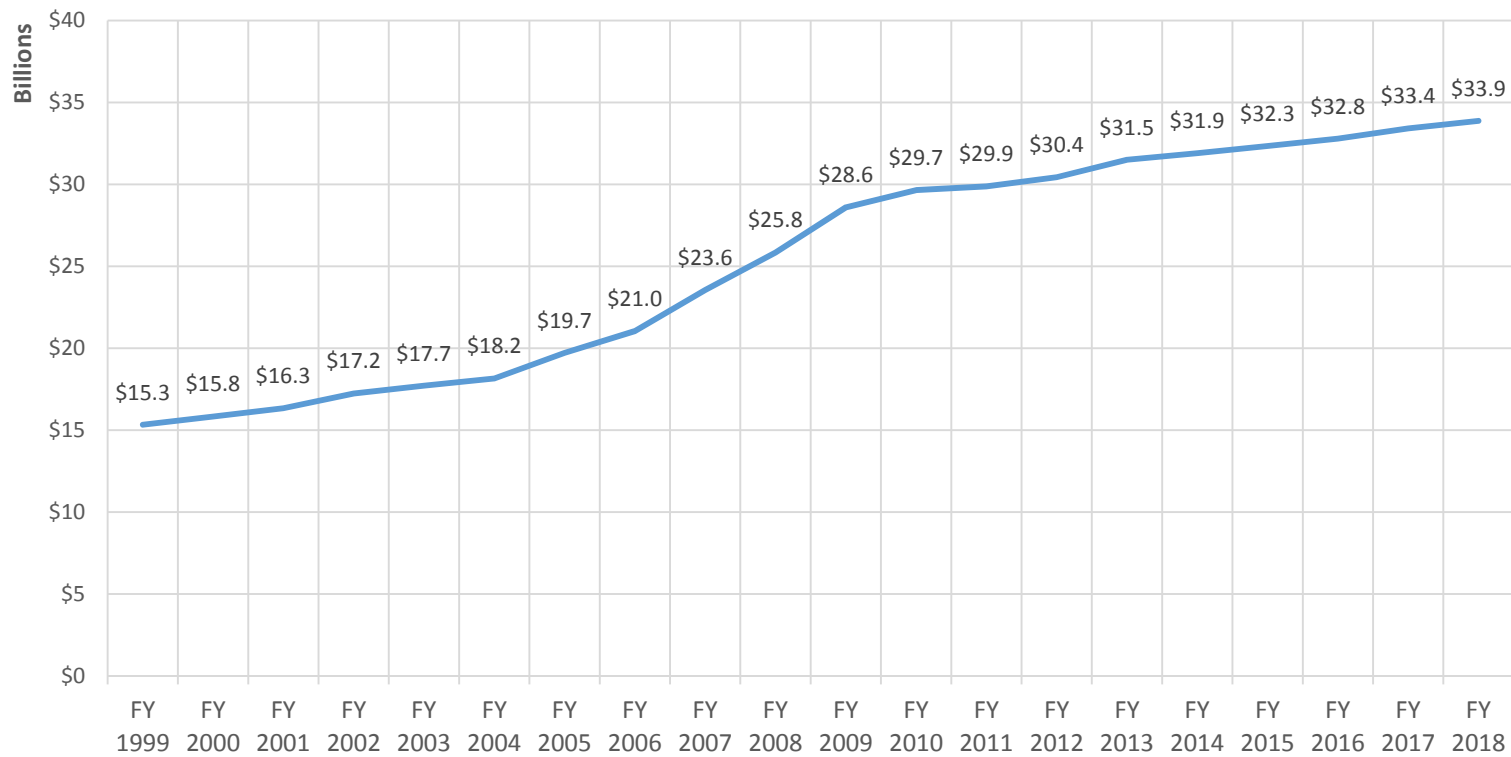


# Property Tax Revenue

- Property values assessed by the Central Appraisal District
- Property tax exemptions set by City Council (ex. homestead, seniors, disabled)
- Property tax rate set by City Council



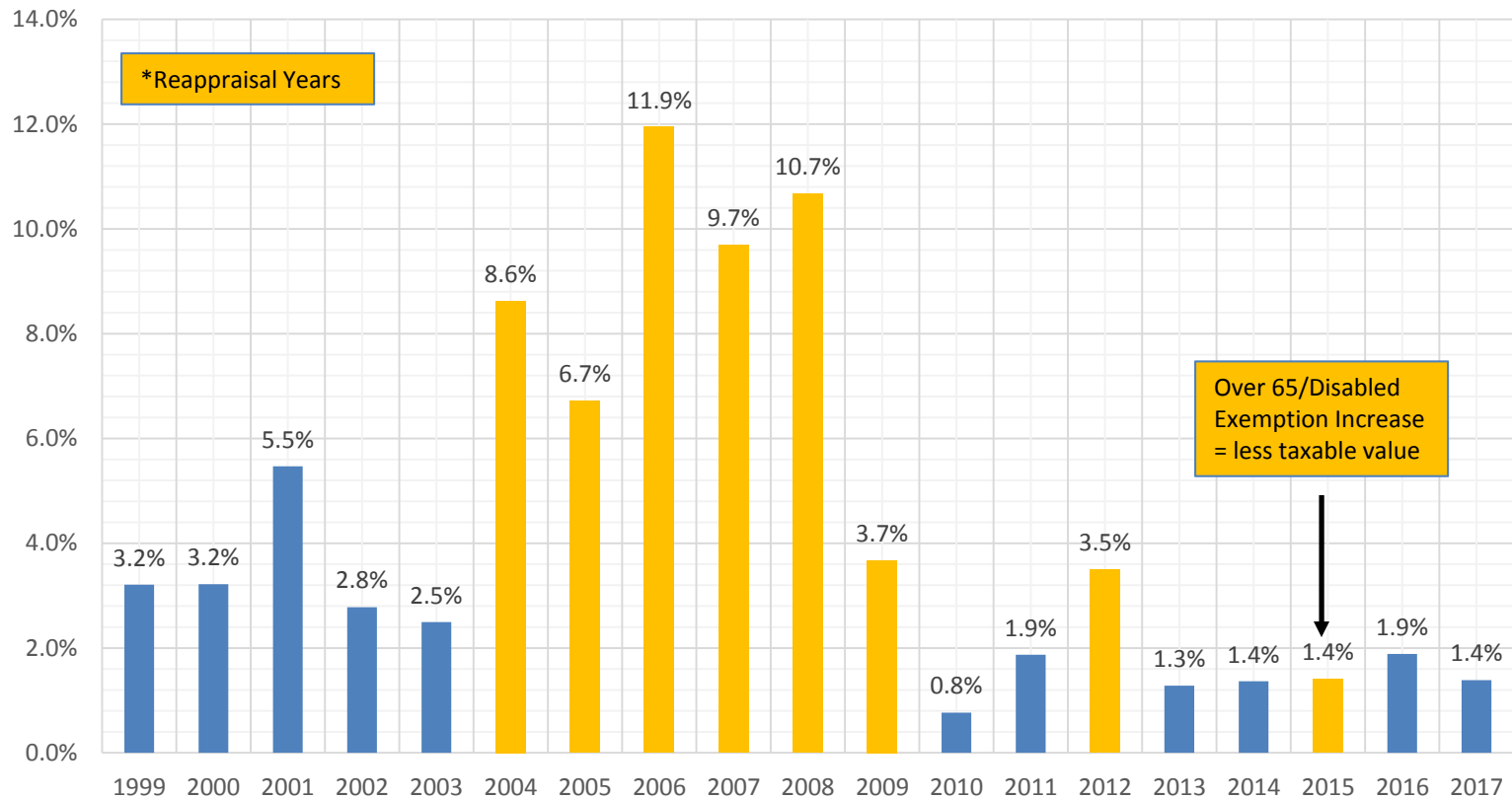
# Taxable Property Valuations



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# % Change in Taxable Property Valuations

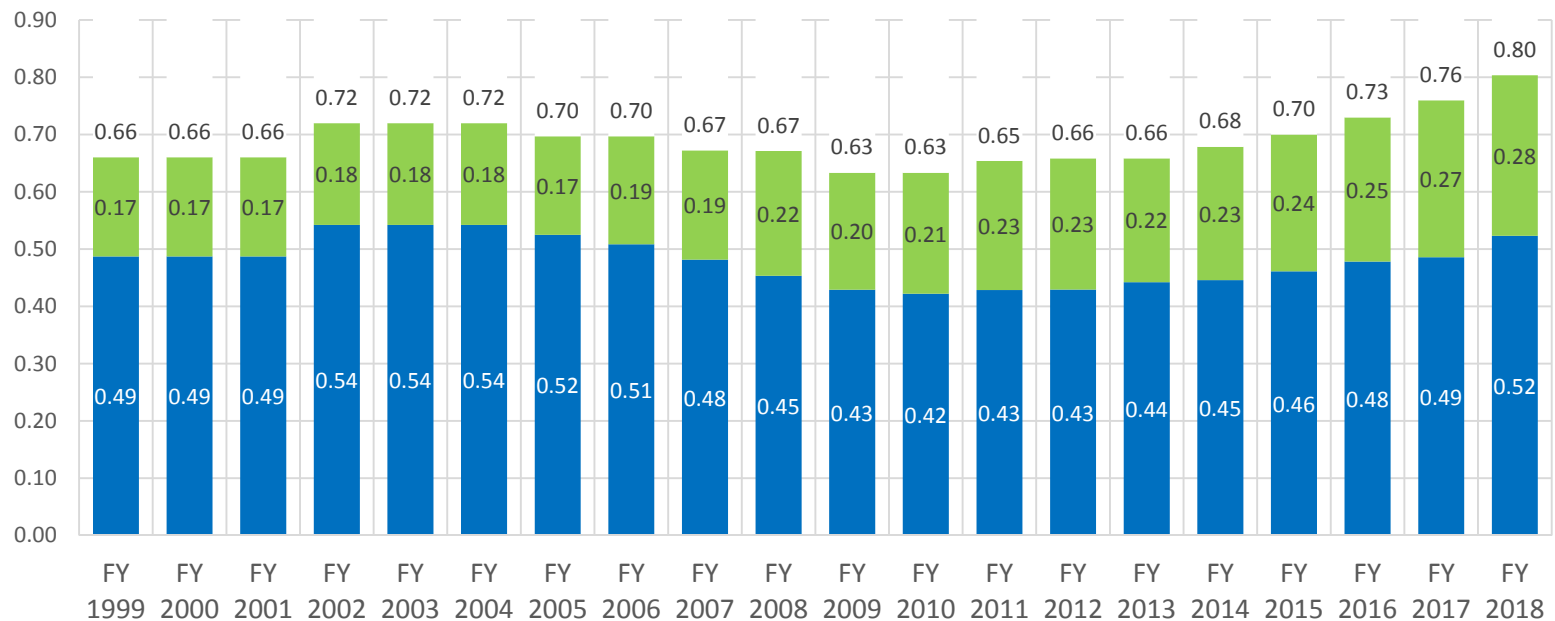


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# Property Tax Rate History

■ M & O ■ Debt Service

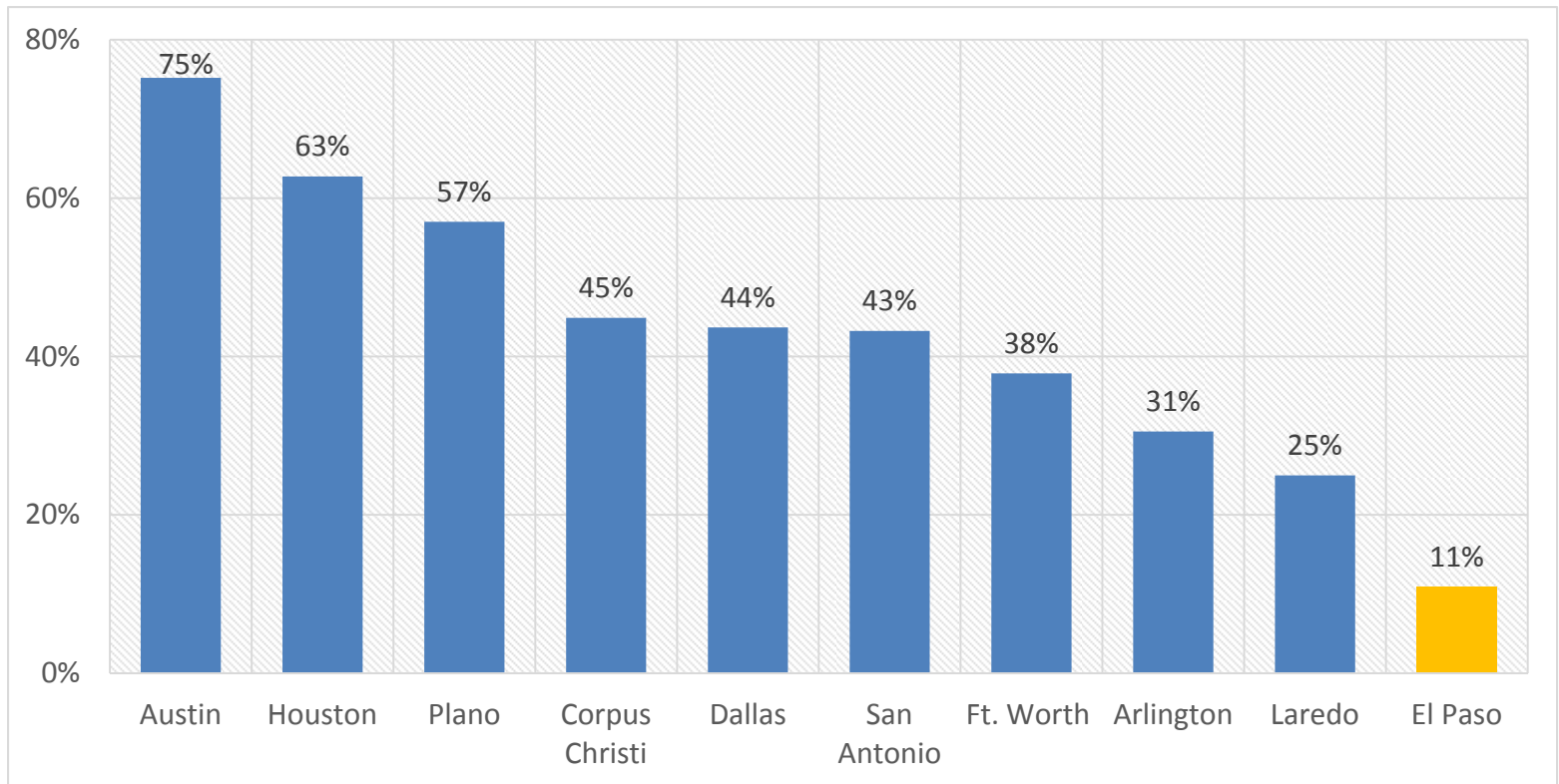


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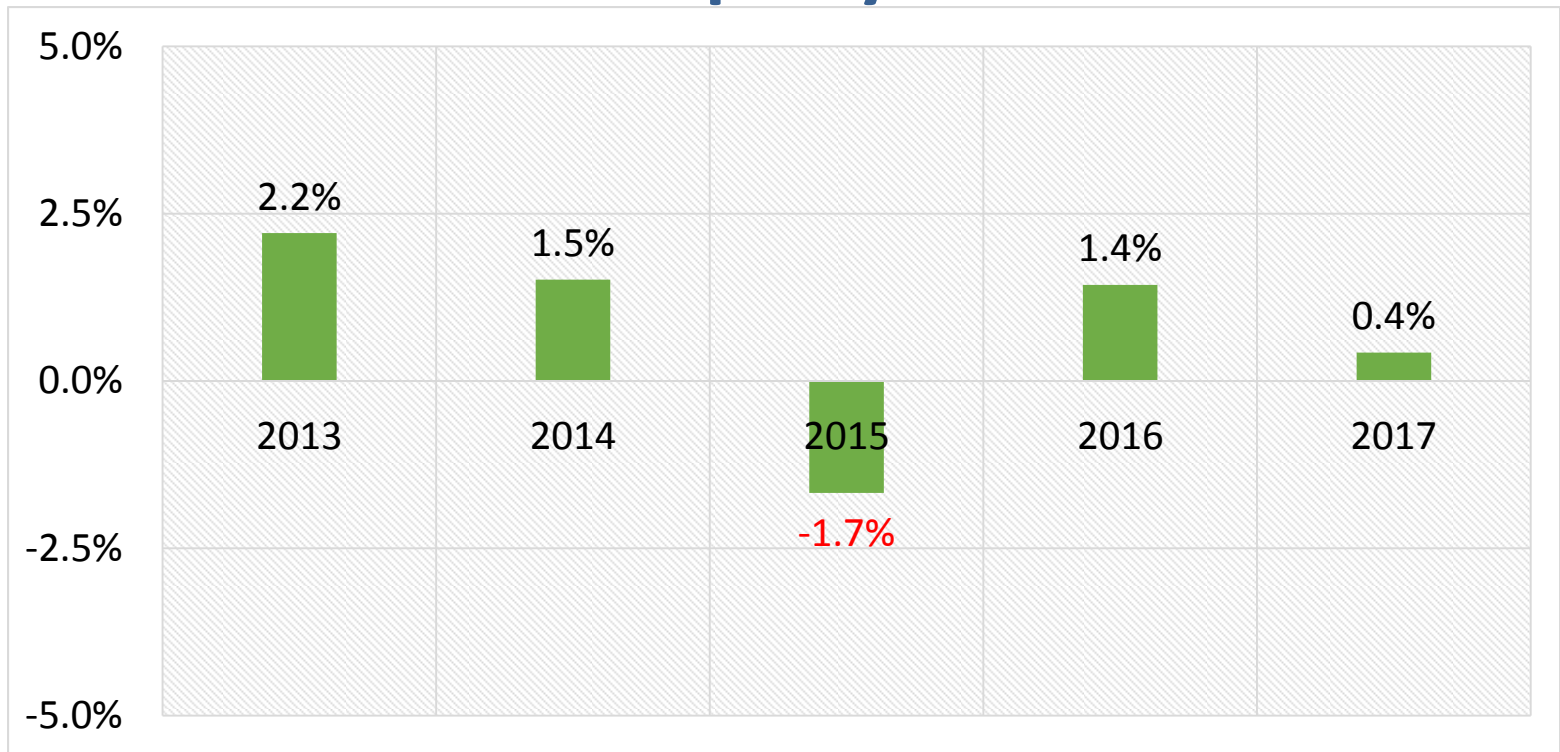
## Cumulative % Change - Taxable Property Valuations (2011 – 2017)



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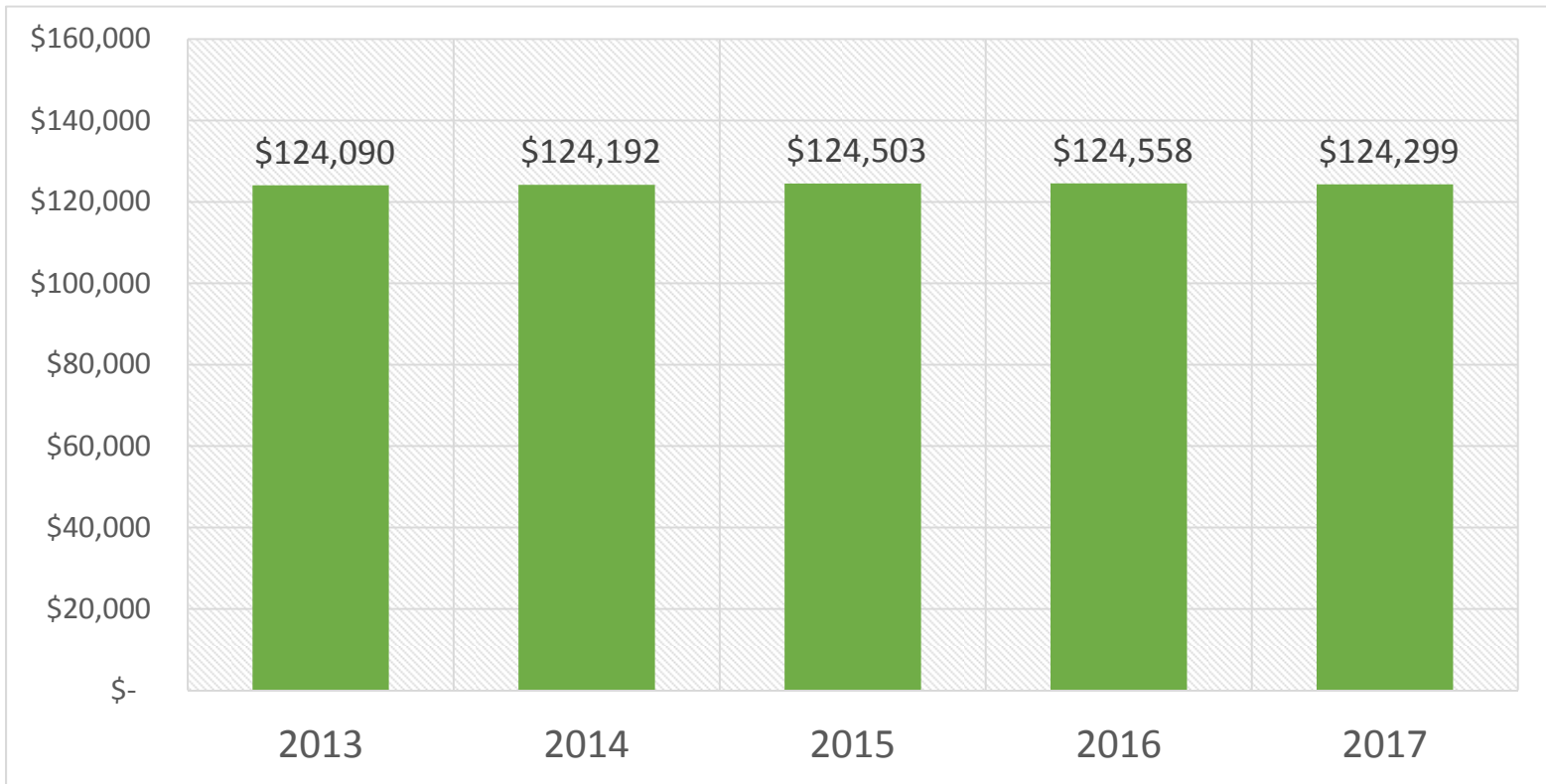
## Single Family Residential Taxable Property Valuations



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## Average Single Family Home (Net Taxable)



Source: El Paso Central Appraisal District

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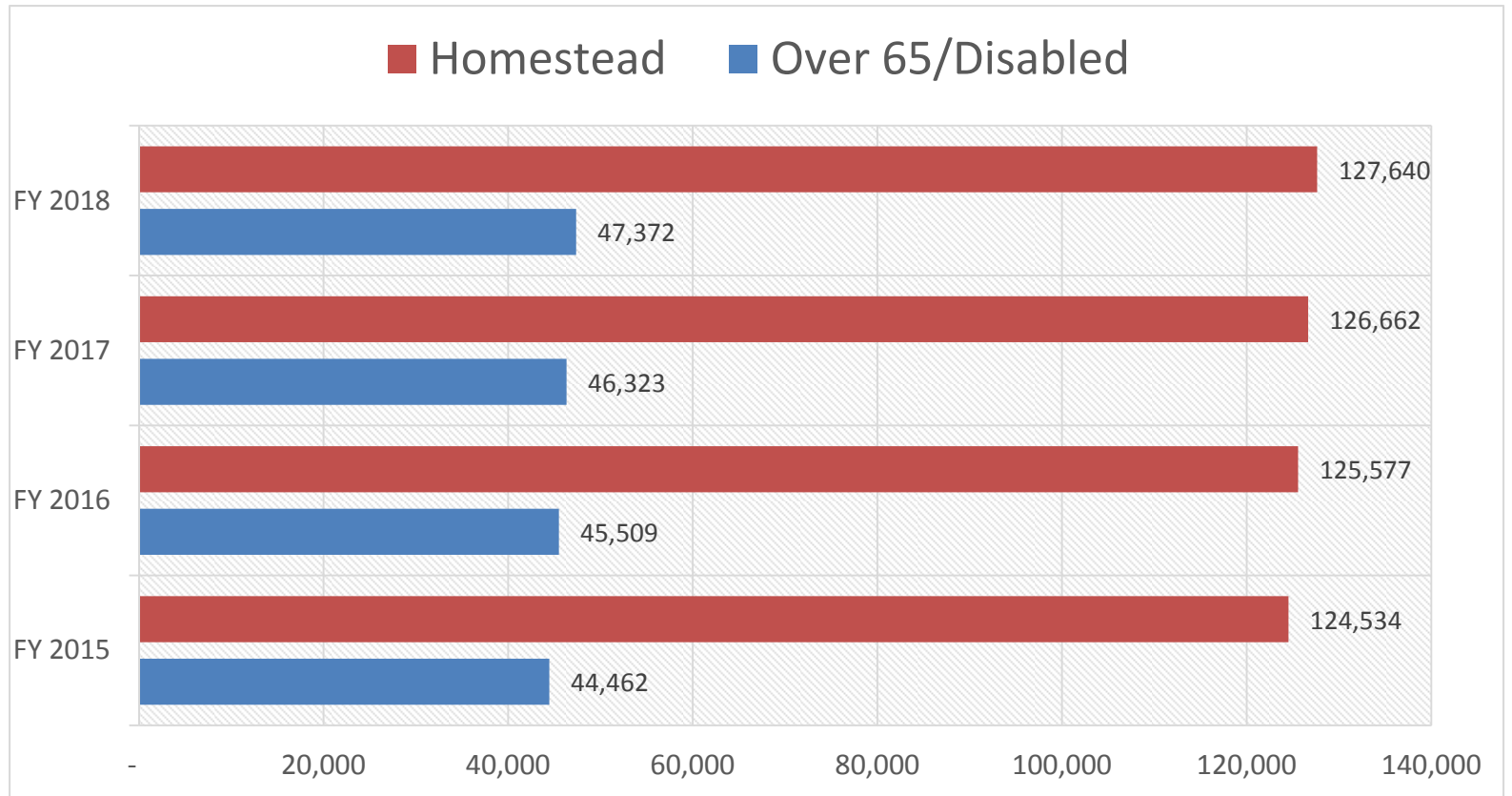


# Property Tax Exemptions

- Homestead Exemption
  - \$5,000 exemption on assessed value of homestead
  - 127,640 exemptions in current year
  - Equates to \$5 million of property tax revenue
- Over 65 / Disabled Exemption
  - \$40,000 exemption on assessed value of homestead (increased by \$10,000 in 2015)
  - 47,372 exemptions in current year
  - Equates to \$14 million of property tax revenue



# Property Tax Exemptions (#)



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# Property Tax Revenue Caps

- Property tax revenue caps has been a top issue for the last few legislative sessions
- Various versions of bills have been filed seeking to reduce the property tax revenue cap (current rollback rate is 8%)
- In the last legislative session, the proposed revenue cap ranged from 4% to 6%
- Thus far, approval of these bills has been unsuccessful
- January 16, 2018 – Gov. Abbott unveils a property tax reform plan establishing a 2.5% cap on property tax revenue increases

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# Gov. Abbott's Property Tax Reform Plan

- Would set a 2.5% cap on property tax revenue increases
- New growth would be exempt from the cap the year it goes on the tax rolls
- Proposed revenue increases in excess of the cap must be for limited purposes
- Any increases above the cap must be approved by a super-majority of two-thirds of the elected officials (to place on ballot) and voters (vote on the increase)
- May include language limiting the use of Certificates of Obligations
- If approved by the legislature, the revenue cap would have an effective date of January 1, 2021

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# Sales Taxes

- More volatile than property taxes
- Dependent upon local economic conditions
- Sales tax rate capped at 8.25% by State
  - 6.25% for State
  - 2.00% for local taxing jurisdictions
- Local Taxing Jurisdiction Uses
  - City
  - Transit Authorities
  - Counties
  - Special Purpose Districts

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# Sales Taxes

- City
  - Legislature first authorized a 1 percent municipal sales tax in 1967
  - El Paso adopted the tax on Jan. 1, 1968
- Transit
  - Authorized in the 1970's to support community transportation needs, primarily bus service
  - 10 transit authorities levy local sales taxes in Texas



# Sales Taxes

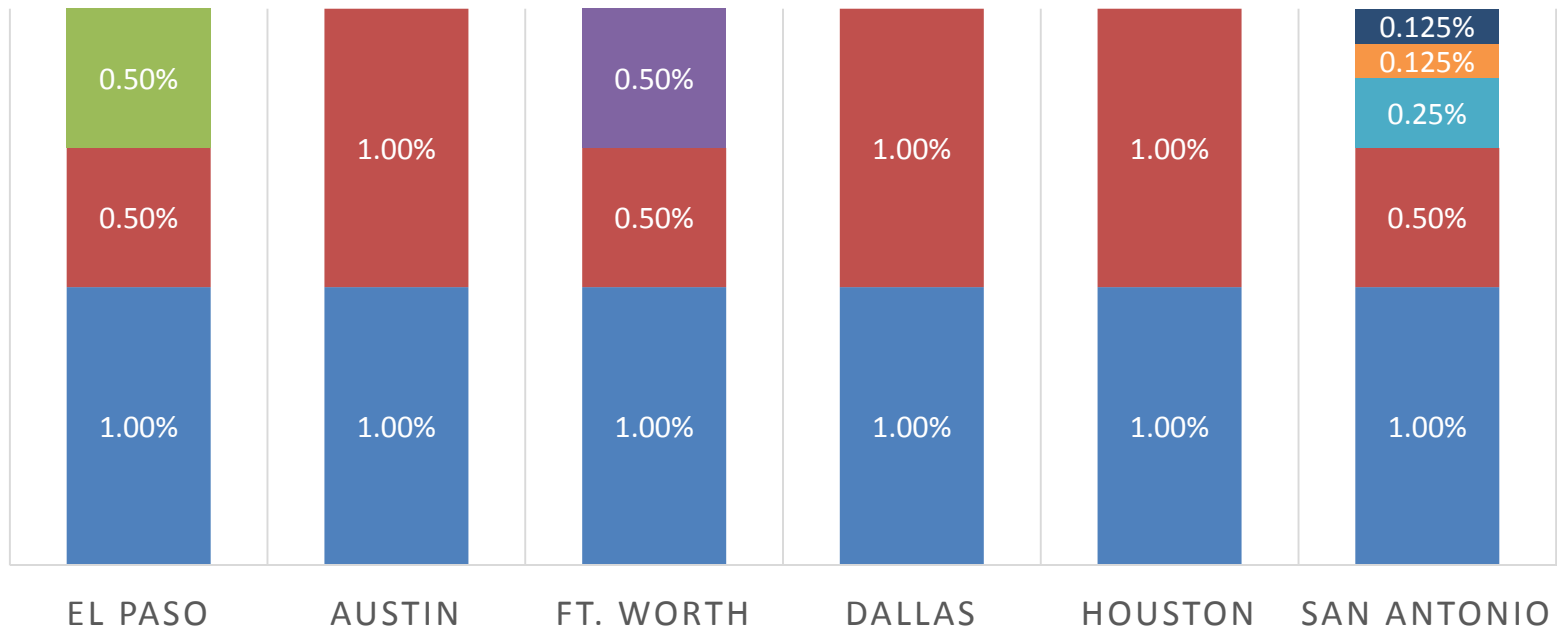
- County
  - Texas county sales taxes were first authorized in 1987, when most city and transit sales taxes were already in place — and many were already at the 2% local entity cap
  - For this reason, most county sales taxes are applied outside metropolitan areas, **with the notable exception of El Paso County**
  - Last year, of the \$501M collected by 124 counties, El Paso County collected \$46.2M or 9%
- Special purpose districts
  - First levied in January 1991
  - Examples of districts include: health or hospital, crime control, emergency services, municipal development, special improvement, economic development

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# Sales Tax Comparison – 2% Local Entities

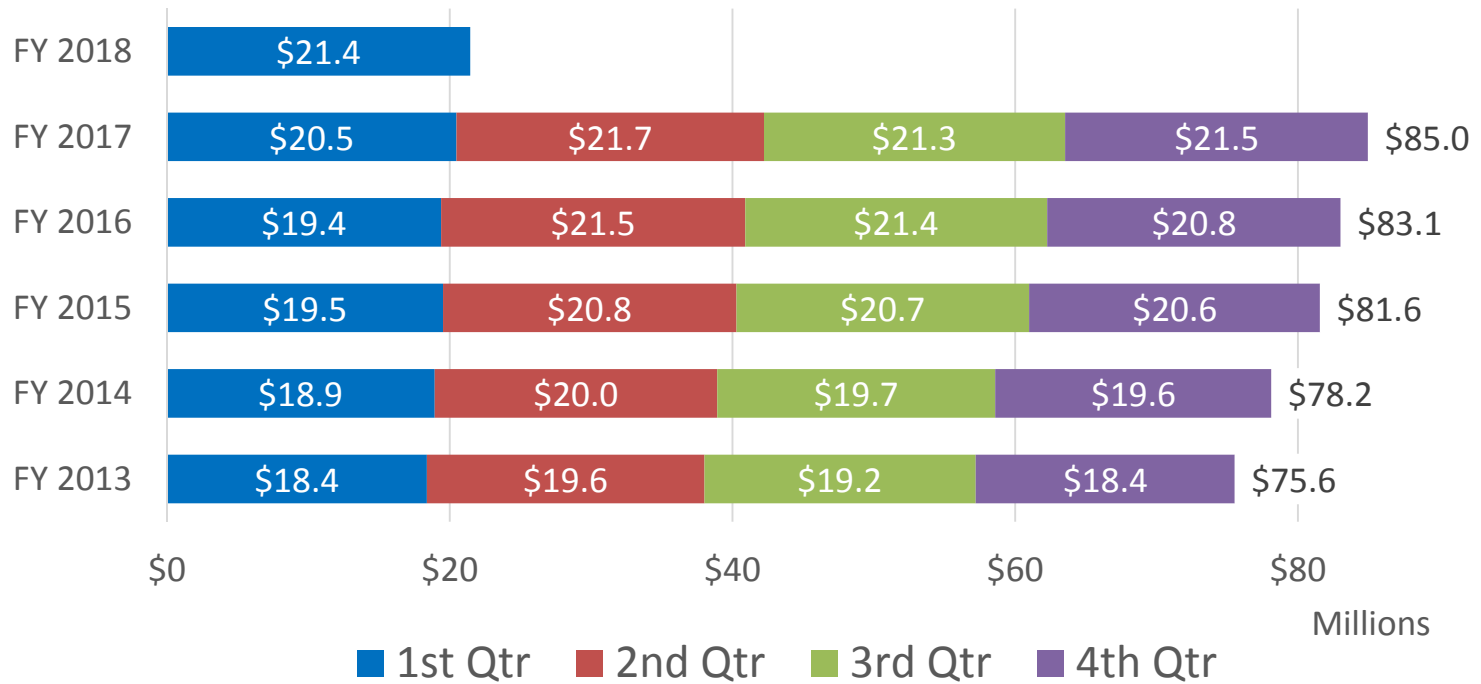
- General Fund
- Transit
- County
- Crime Control District
- Advanced Transit District
- Sport/Community Venue Tax
- Municipal Development Corp.



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# City Sales Taxes



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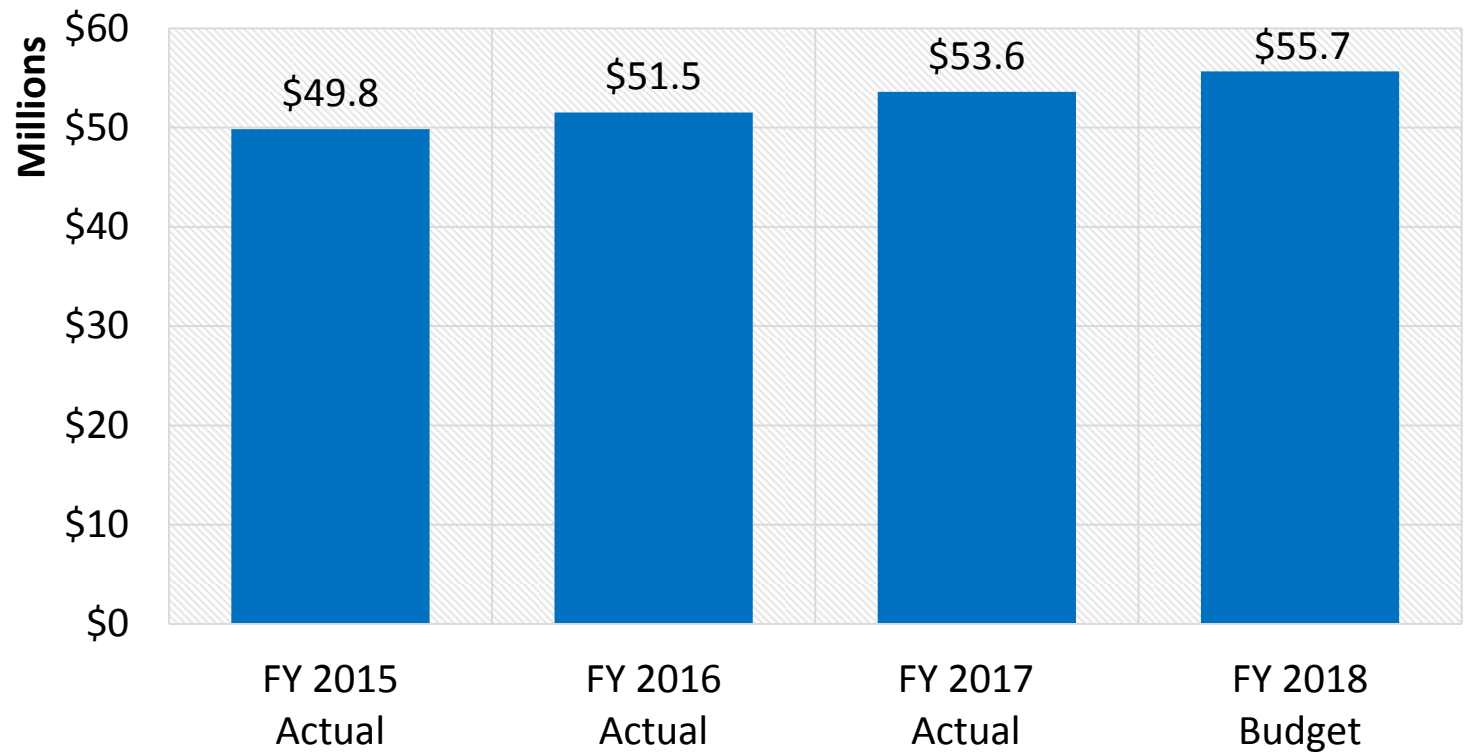


# Franchise Fees

- Franchise fees are collected from both public and private utilities and assessed for the continued use of the public right-of-way
- Electric, gas, telephone, water, cable, and telecommunications are among the utilities included in this source of revenue
- Most fees are calculated as a percentage of sales or gross receipts and are paid quarterly



# Franchise Fees



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# Key Takeaways

- Cost drivers increasing quicker than revenues
- Property tax, sales tax, and franchise fees account for 80% of General Fund revenues
- Property tax base heavily reliant on residential (no change in existing properties and limited new growth)
- City increased property tax exemption to the over 65 and disabled homeowners provide relief (2015)
- City's efforts to increase commercial property tax base and sales tax collections
- Potential legislation limiting property tax revenue growth
- County collecting sales taxes within City limits (inability of City to allocate to a special purpose district)
- Increasing online retail sales resulting in less collections

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