

# State of the City 2020

A discussion of municipal revenue and the impact of state legislation

The City of Deer Park provides a wide range of services to our residents, things like police and fire protection, an array of public works functions including streets, drainage and sanitation services, public parks and recreation facilities and much more.

To pay for the maintenance and operation of these critical – sometimes life-saving – services, the City expends monies from a part of its budget referred to as the General Fund, which is the primary source of funding for local government.

The total General Fund revenue for the current fiscal year 2019-20 is \$45,750,008, which represents 62.19 percent of the total budget. General Fund dollars come from a number of important revenue sources including property taxes, sales taxes and industrial district payments, all of which we'll discuss more in this publication. These three revenue sources account for 75.54 percent of the General Fund. Focusing specifically on property taxes, you may have heard about recent action taken at the state level that will impact the amount you pay each year as a homeowner.

During their most recent session, the Texas Legislature passed S.B. 2 – also known as the Texas Proper-

ty Tax Reform and Transparency Act of 2019 – and that bill became effective January 1, 2020. The bill did not impact the current fiscal year 2019-20 tax process; however, for fiscal year 2020-21, the property tax rate calculation for maintenance and operations (M&O) will be limited to a 3.5 percent increase without voter approval (rather than the current 8.0 percent).

While the bill did not impact services this year, had the legislation been applied to the current year's property tax rates, it would have resulted in a loss of \$669,512 in maintenance and operations as well as \$412,153 in industrial district revenue. Together, the total loss in these significant revenue sources supporting the General Fund would have been \$1,081,665.

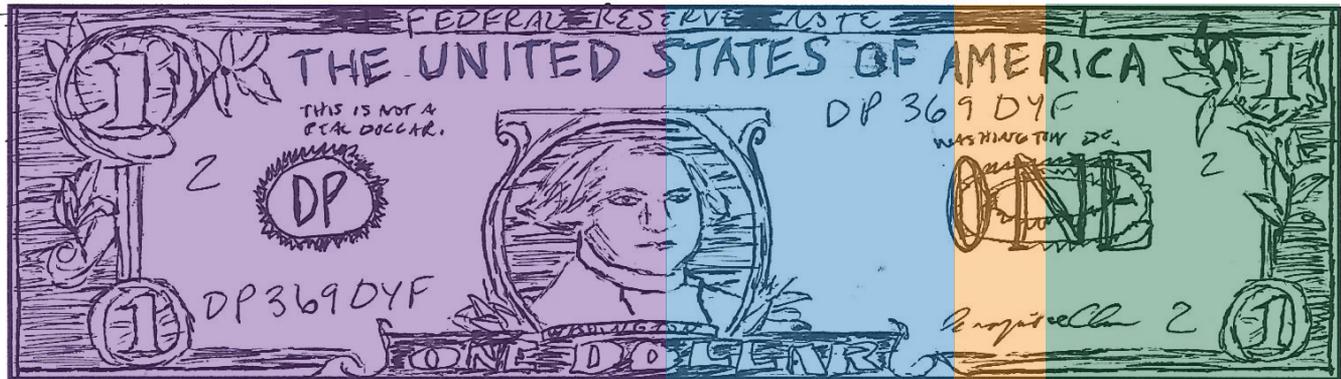
Looking ahead to fiscal year 2020-21, the City will be impacted by this legislation and will face the challenge of providing the services our residents expect while realizing a considerable revenue shortfall.

As you read through this publication, keep the following in mind: Property taxes, sales taxes and industrial district payments represent the vast majority of the General Fund dollars used to pay for critical City services.



Above, the Deer Park Public Works Department addresses street improvements. Top right, Deer Park EMS and Deer Park Police Department representatives at the new EMS Station. Bottom right, the Deer Park Public Works Sanitation division.

# Property Tax: How Deer Park residents' tax dollars are divided among taxing jurisdictions



Deer Park Independent School District - 50.07%

Harris County 20.67%

SJCD\* 5.83%

City of Deer Park 23.43%

\*SJCD denotes the San Jacinto College District

For a resident of Deer Park, the City government is not the only jurisdiction that assesses property taxes. In fact, of the total property tax you pay each year, the City receives only 23.43 percent of that tax. The Deer Park Independent School District (DPISD) collects 50.07 percent (the majority of the total property tax collected), and the San Jacinto College District (SJCD) collects 5.83 percent. The remaining 20.67 percent is collected by Harris County and other county jurisdictions including the Harris County Department of Education, the Harris County Flood Control District, the Harris County Hospital District and the Harris County Port of Houston Authority.

## Property tax calculations for Deer Park residents

When your local government plans the budget for the upcoming fiscal year, part of that process includes setting the property tax rate at a level that will increase the total amount of tax funding raised by no more than a legally allowed percentage. In the past, the amount of property tax collected could increase by eight percent from year to year without voter approval. The property tax rate resulting from the eight percent increase in tax collection was referred to as the rollback rate.

During fiscal year 2019-20, Deer Park residents were assessed a 72-cent per \$100 valuation property tax rate. With a home tax value of \$180,000 and a residential homestead exemption, a resident will pay \$1,036.80 in property taxes to the City of Deer Park, or \$86.40 per month. Had S.B. 2 been in effect for the current fiscal year, limiting the property tax increase to 3.5 percent, residents would likely have been assessed a 69-cent per \$100 valuation rate, resulting in an annual property tax bill of \$993.60, a difference of \$43.20 per year, or \$3.60 per month.

## Impact of property tax exemptions



Do you know how much residential homestead exemptions and senior exemptions impact your property tax bill? Let's say you own a home with a tax value of \$180,000 - with no exemptions, your annual property tax bill from the City would be \$1,296.00. Adding a homestead exemption reduces the taxable value of that home to \$144,000, and your annual tax bill becomes \$1,036.80. With an Over-65 exemption, the taxable value is reduced by another \$50,000, and your tax bill becomes \$676.80.

A majority of homeowners in Deer Park benefit from one or both exemptions, but these result in a significant loss of property tax revenue for the City. For example, Over-65 exemptions will result in \$700,775 less in revenue for Tax Year 2019.

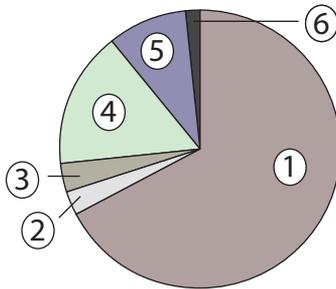
# How does the City utilize General Fund dollars?



The revenue the City of Deer Park receives from property taxes and other General Fund revenue sources fund operating costs for City functions (i.e., maintenance and operations or M&O) and debt service payments (i.e., I&S)\*.

The charts below show a breakdown of how M&O funds are allocated among major functions like public safety, public works and quality of life.

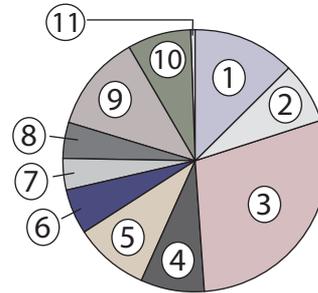
## PUBLIC SAFETY - Total amount \$15,927,954 - 35.38% of M&O



- (1) Deer Park Police Department - \$10,726,803
- (2) Deer Park Animal Shelter and Adoption Center - \$445,314
- (3) Emergency Management - \$521,475
- (4) Deer Park Volunteer Fire Department - \$2,542,208
- (5) Emergency Medical Services - \$1,443,241
- (6) Fire Marshal - \$248,913

The average household contribution (per year) is \$458.

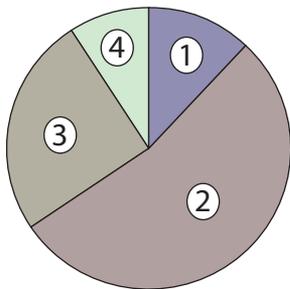
## QUALITY OF LIFE - Total amount \$10,403,547 - 23.11% of M&O



- (1) Planning/Development - \$1,320,597
- (2) Traffic - \$777,057
- (3) Park Maintenance - \$2,994,715
- (4) Recreation - \$819,320
- (5) Athletics & Aquatics - \$939,071
- (6) Senior Services - \$584,646
- (7) After School Program - \$401,775
- (8) Drama (Art Park Players) - \$463,757
- (9) Deer Park Public Library - \$1,253,736
- (10) Administration - \$818,873
- (11) Beautification - \$30,000

The average household contribution (per year) is \$295.

## PUBLIC WORKS - Total amount \$8,118,247 - 18.03% of M&O



- (1) Building Maintenance: \$933,721
- (2) Sanitation: \$4,373,064
- (3) Street Maintenance: \$2,078,193
- (4) Fleet Maintenance: \$733,269

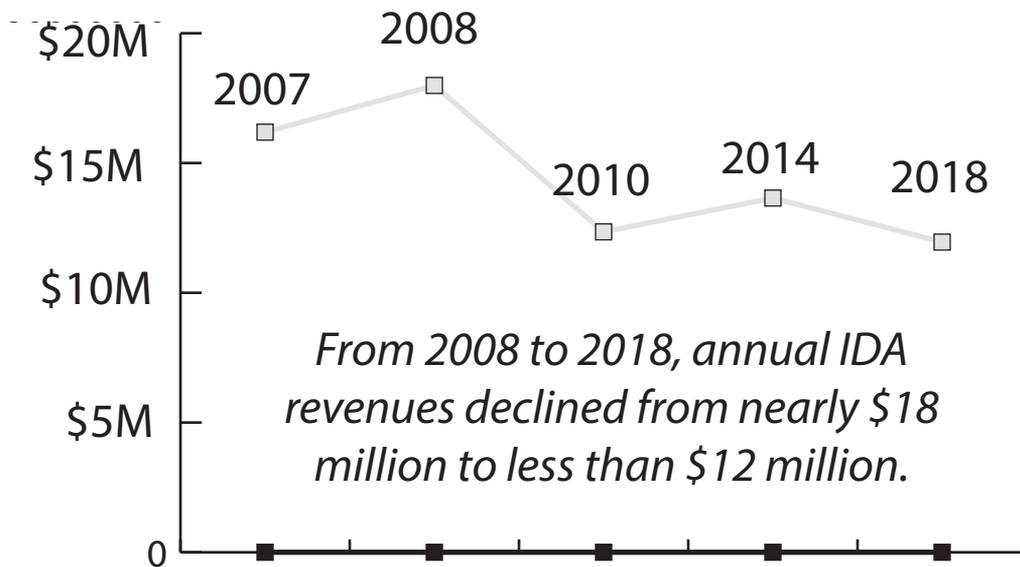
The average household contribution (per year) is \$230.

## All other Departments/functions

- General Government** (Utilities, Insurance, Etc.) - \$5,055,311 or 11.23% of M&O
- Information Technology Department** - \$2,103,492 or 4.67% of M&O
- City Manager Department** - \$1,025,692 or 2.28% of M&O
- Finance Department** - \$715,863 or 1.59% of M&O
- Municipal Court** - \$477,701 or 1.06% of M&O
- City Secretary Department** - \$455,046 or 1.01% of M&O
- Human Resources Department** - \$406,156 or 0.90% of M&O
- Legal Services** - \$175,100 or 0.39% of M&O
- Warehouse** - \$80,541 or 0.18% of M&O
- Mayor & Council** - \$63,650 or 0.14% of M&O
- Boards & Commissions** - \$15,408 or 0.03% of M&O

\*During fiscal year 2019-20, property taxes collected by the City of Deer Park were divided between Maintenance and Operations (78.01%) and Debt Service (21.99%). Debt service dollars fund the City's principal and interest payments on outstanding debt. The funds dedicated to debt service during fiscal year 2019-20 were used for payments on projects for parks (33.3%), water/sewer (27.5%), drainage (17.0%), streets/rehabilitation (11.4%), buildings (6.3%), public safety (2.2%), the Deer Park Animal Shelter and Adoption Center (2.0%) and the Battleground Golf Course (0.3%).

## Industrial District Agreements: Revenue decline since 2007



Industrial District Agreements (IDA) are long-term contract agreements between the City and its industrial partners in which industrial users pay taxes on a reduced property value in exchange for not being annexed by the City. However, IDA revenues have declined significantly over the last several years, as shown in the graph above. Industrial district payments account for \$12,105,000 of the General Fund revenue for fiscal year 2019-20. Changes in the tax rate will result in substantial shifts in the amount of IDA revenue collected by the City. For every one-cent difference in the tax rate, industrial district revenue decreases by approximately \$177,000.

## Sales tax - Breakdown of how the 8.25% is divided

While sales taxes are another noteworthy source of General Fund revenue – approximately \$6,500,000 out of \$45,750,008 – did you know that the vast majority of sales tax collections go back to the State of Texas?

Of the 8.25 percent sales tax collected in Deer Park, 6.25 percent is apportioned to the State of Texas, with only one percent apportioned to the City of Deer Park. The remaining funds are divided between the Type B corporation (the Deer Park Community Development Corporation or DPCDC), which receives 0.50 percent and the special purpose districts, the Crime Control and Prevention District (CCPD) and the Fire Control, Prevention and Emergency Medical Services District (FCPEMSD), which receive 0.25 percent each.

## Closing thoughts - Financial transparency and resources

The residents of Deer Park are served by a fiscally responsible Mayor and City Council, City administration and Finance Department. The information included in this publication - as well as many more detailed reports including annual budget documents, Comprehensive Annual Financial Reports, annual financial and local debt information and background on the City's tax rate - are all available on the City's website, [www.deerparktx.gov](http://www.deerparktx.gov).

Managing the City's budget encompasses oversight for a range of funding sources, with property taxes, sales taxes and industrial district agreement revenues representing only a few. Other important sources of funding include Hotel Occupancy Tax, user fees, permitting fees, ticket sales and investment revenue, all of which must be reviewed and evaluated when planning each fiscal year. We encourage our citizens to stay informed, visit the City's website for more information, attend City Council meetings, and keep an eye on changes made at the state level that can impact the quality of life made possible through local government services.