



## CITY OF SUGAR LAND

OFFICE OF MAYOR  
JAMES A. THOMPSON

May 3, 2016

The Honorable Paul Bettencourt, Chairman  
Senate Select Committee on Property Tax Reform & Relief  
P.O. Box 12068  
Austin, TX 78701-2068

### **RE: Senate Select Committee on Property Tax Reform & Relief**

Dear Chairman Bettencourt,

We are writing on behalf of the City of Sugar Land (City) and would like to thank you for the opportunity to provide you and your fellow committee members with information related to your Select Committee's interim charges. We applaud your efforts and join you in the fight to keep taxes low.

It is safe to say that no one *enjoys* paying taxes. Yet, when the City asked residents in a recent citizen survey how they felt about the overall value received for their City tax dollars, citizens who were satisfied outnumber those who were not 8 to 1. The survey question is an important one because it specifically asks citizens about the *value* of services rather than just "do you want a lower tax bill" or "would you like more services". In the absence of value, cost becomes the only consideration. Since its founding in 1959, the City of Sugar Land has consistently sought to provide its citizens with superior government services at the greatest value; a legacy the City takes pride in to this day.

Here are a few more facts with regard to property taxes in Sugar Land:

- Approximately forty seven percent (47%) of the City's general funds go to Public Safety (see attached ***FY16 General Fund Operating Expenditures by Department***);
- Almost half of all City revenues in FY16 are expected to come from sales taxes (see attached ***FY16 Revenues***);
- The City utilizes twenty five (25%) of local sales taxes for property tax reduction (see attached ***Local Sales Tax Allocation***);
- City taxes make up only 15% of the average Sugar Land resident's tax bill;
- According to a recent citizen survey, eighty three percent (83%) of respondents are satisfied or very satisfied with the quality of the City's government services;
- According to the TML Tax & Debt Survey, Sugar Land has the second lowest tax rate in Texas for a city of similar size; and
- The adoption of the tax rate is the result of a yearlong process consisting of departmental priorities, business planning, capital improvements planning, and extensive public participation.

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During the 84<sup>th</sup> Legislative Session, Senate Bill 182 (SB 182) sought to curb rising property taxes by proposing a "revenue cap" of four percent (4%) on municipalities – a current eight percent (8%) cap exists today before citizens can petition to lower their tax rate. The bill also sought to repeal the current petition requirement. Unfortunately, the bill would not have provided substantial tax relief for Sugar Land residents. Worse, it would have unacceptably deprived the City of revenues needed to finance basic and emergency services.

For example, in 2015, a four percent (4%) decrease of the O&M portion of City taxes would have:

- Only saved the average Sugar Land homeowner approximately \$24 in property taxes,
- Yet the City would have lost approximately \$892,000 in revenue – an equivalent of 12 full-time police officers.

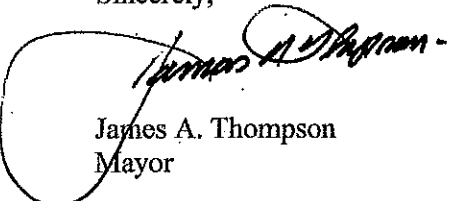
Additionally, the City would have been required to host an election which would have cost the taxpayers approximately \$50,000. With that in mind, it seems that the bill would have resulted in little tax relief, yet city services would have been hit hard.

So, how did the City address rising property valuations in 2015? After careful thought and deliberation, Council approved of an increase to the Homestead Exemption – from seven percent (7%) to eight percent (8%). This approach targeted tax relief directly to homeowners without losing revenues from our commercial taxpayers; an approach guided by our financial management policies.

Recently, many cities have been asked if they would support a revenue cap based on population growth plus inflation. The City would not because, as we near ultimate build-out, most of our future growth will be due to revaluation and commercial development/redevelopment. The City would be prohibited from increasing revenues necessary to accommodate many services not directly impacted by residential growth. For example, as the populations of surrounding cities like Richmond, Rosenberg and Missouri City continue to grow, so too will traffic along U.S. Highway 59, State Highway 6, and U.S. Highway 90A. Should the City find itself needing to increase traffic enforcement, EMS resources or make roadway improvements to accommodate increased traffic loads, it would be unable to do so.

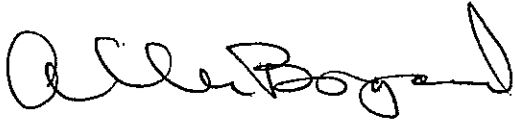
The City encourages the Texas Legislature in finding ways to address rising home valuations, but a one-size-fits all approach is not the answer. The Legislature should consider the impacts to city services before taking drastic actions with many unintended consequences. We pledge the resources of the City to help you and your fellow committee members achieve the goals your interim charges and we look forward to working with you during the 85<sup>th</sup> legislative session.

Sincerely,




James A. Thompson  
Mayor

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Allen A. Bogard  
City Manager

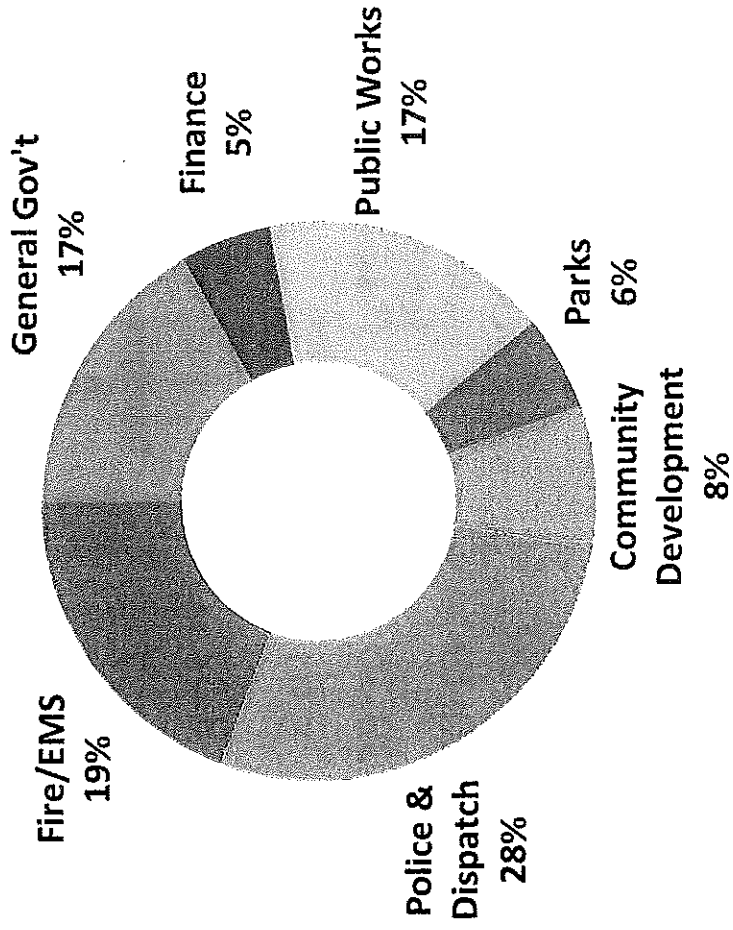


Jennifer L. Brown  
Director of Finance

encl: Projected FY16 General Fund Operating Expenditures  
Projected FY16 Revenues  
Local Sales Tax Allocation

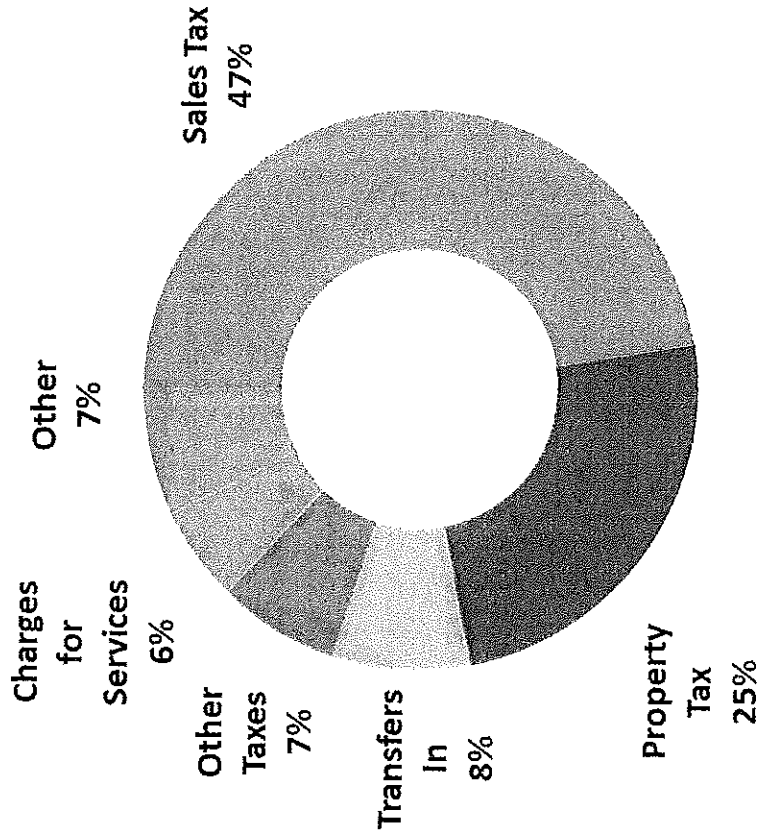
cc: The Honorable Dan Patrick, Lieutenant Governor  
Members of the Senate Select Committee on Property Tax Reform & Relief  
The Honorable Joan Huffinan, State Senator, District 17  
The Honorable Lois Kolkhorst, State Senator, District 18  
The Honorable Rick Miller, State Representative, District 26  
The Honorable Ron Reynolds, State Representative, District 27  
The Honorable Phil Stephenson, State Representative, District 85

# Projected FY16 General Fund Operating Expenditures

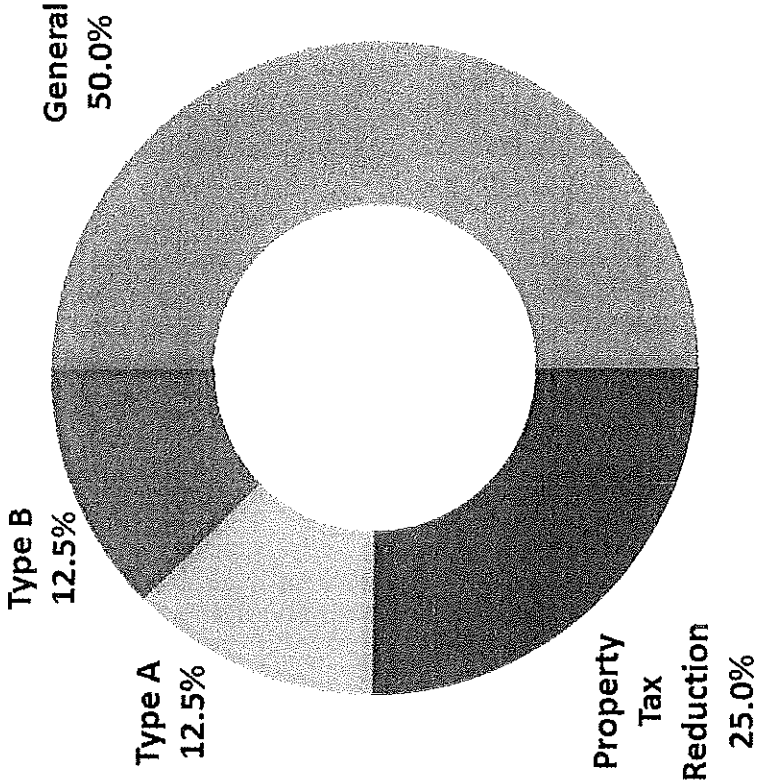


# Projected FY16 Revenues

Millions (\$)	
Property Tax	\$20.19
Sales Tax	39.16
Other Taxes	5.91
License & Permits	3.32
Charges for Services	4.57
Fines & Forfeitures	1.86
Other	0.92
Operating Revenues	75.93
Transfers In	6.67
<b>Total Revenues</b>	<b>\$82.60</b>



# Local Sales Tax Allocation







## CITY OF SUGAR LAND

May 10, 2016

The Honorable Paul Bettencourt, Chairman  
Senate Select Committee on Property Tax Reform & Relief  
P.O. Box 12068  
Austin, TX 78701-2068

**RE: Senate Select Committee on Property Tax Reform & Relief**

Dear Chairman Bettencourt,

We are writing on behalf of the City of Sugar Land (City) and would like to thank you for the opportunity to provide you and your fellow committee members with information related to your Select Committee's interim charges. This letter is intended to complement a May 3<sup>rd</sup> letter included with this written testimony. This letter provides the committee with additional information in regards the Sugar Land's financial management policies and the effect that they have had on property taxes in the City.

The City Council adopted Financial Management Policy Statements direct the City Manager, as economic conditions permit, to recommend a tax rate which is not greater than the effective tax rate plus 3%. The goal is to not exceed an average annual increase in the residential tax bill of 3% unless the voters approve a general obligation (GO) bond referendum. The following are taken into account in managing growth in the average tax bill: property revaluation, tax rate adjustments and/or changes to the residential homestead exemption. The City has been successful in meeting this target over time, with some years coming in above 3% and some below.

For example, in November 2013, Sugar Land voters overwhelmingly approved GO bonds totaling \$31.5 million to fund two parks projects. The approved propositions included the development of 128 acres of new parkland along the Brazos River with an adjacent festival site and a connecting network of nearly 10 miles of hike and bike trails and bridges. The approval of the bond propositions included financial impacts as increased taxes to implement the projects.

Over the last ten years, before the implementation of voter approved parks GO bonds:

- The City averaged an annual increase in the average residential tax bill of 3.4%
- The average home value grew an average of 4.6% annually
- The City was able to manage the growth in the average home value by increasing the local option homestead exemption from 1% to 7% during this period, lowering the change in taxable value to an average of 4.1% annual growth over the 10 year period.
- Over the same 10 year period, the total City tax levy grew an average of 5.8% annually.



- The growth in the tax levy reflects two annexations of developed areas into the City, and significant commercial development.

Additionally, the implementation of the parks GO bonds required an increase in the average tax bill in 2014 and 2015 of over 8%. However, those increases were offset by the minor tax increases in 2011 and 2012 and the tax reductions in 2010 and 2013.

Over the last 5 years, including the implementation of voter approved parks GO bonds:

- The average tax levy grew an average of 5.5% annually,
- While the average tax bill increased only 2.8% annually (see attached **Chart A - Total Tax Levy vs Average Residential Bill 2010 through 2015**).

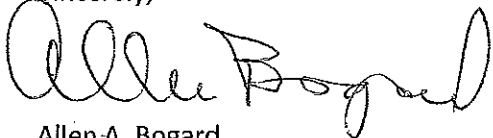
Had a 4% revenue cap been in place, the City would have lost the flexibility necessary to maintain the 2.8% annual increase in the average tax bill over that five year period of time. As you can see, property taxes are a complex issue, and it takes governments closest to the people to make correct decisions.

The Select Committee's representation of local tax levies compared to median personal income is not an accurate representation of the Texas property tax situation. Property taxes are generated at the local level based on assessed valuations. Therefore, cities that attract commercial development should not be penalized for generating economic diversity and building a sustainable local economy. With that, commercial development brings unique challenges to cities; although the population does not increase, cities must provide services, often at a higher service level than required in residential areas. Daytime populations from employment bases in our City balance residential populations in suburban areas that may otherwise commute to more urban areas for employment.

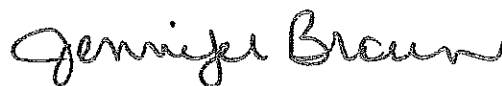
For example, the City of Sugar Land's total tax levy grew 64.8% from 2004-2013, while the cumulative average residential tax bill grew 34.8% during that same period (see attached **Chart B - Cumulative Growth 2004-2013- Total Tax Levy vs Avg Residential Bill**). The difference is due to increased values from commercial properties, which allowed the City to shift some of the tax burden off of residents through the increased homestead exemption.

The Legislature should consider the impacts to city services before taking drastic actions with many unintended consequences. We pledge the resources of the City to help you and your fellow committee members achieve the goals your interim charges and we look forward to working with you during the 85<sup>th</sup> legislative session.

Sincerely,



Allen A. Bogard  
City Manager



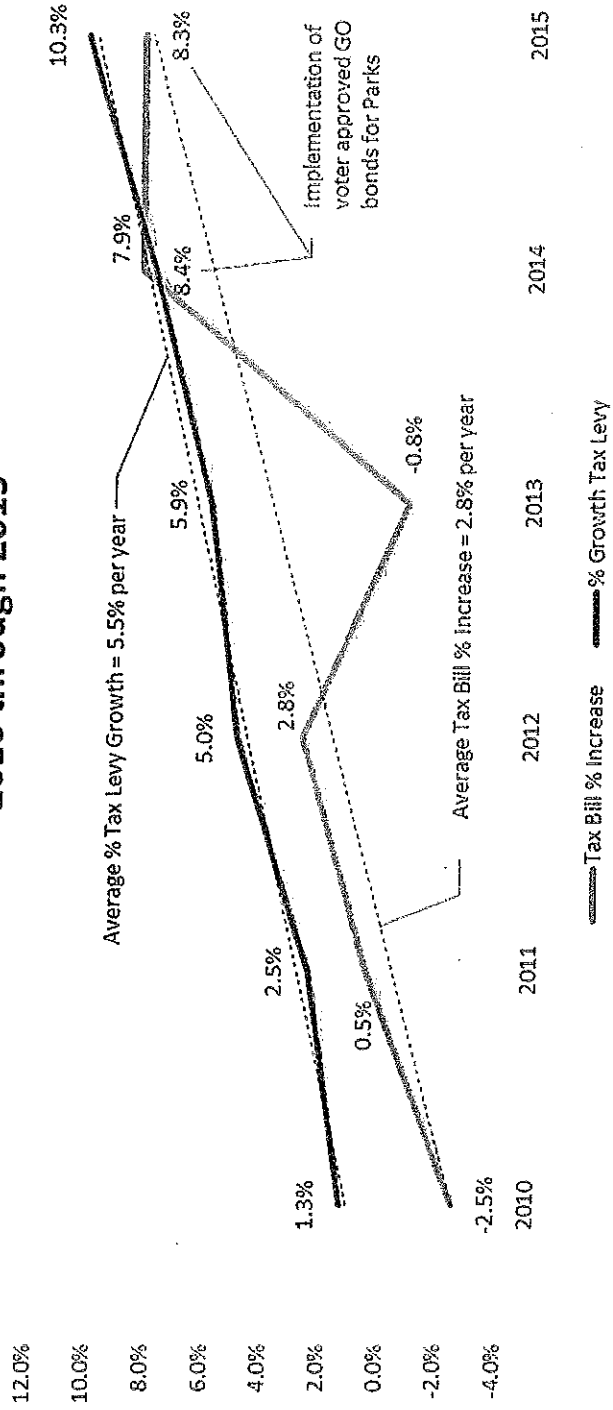
Jennifer L. Brown  
Director of Finance

encl: Chart A - Total Tax Levy vs Average Residential Bill 2010 through 2015  
Chart B - Cumulative Growth 2004-2013 - Total Tax Levy vs Avg Residential Tax Bill

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# Chart A

## Total Tax Levy vs Average Residential Bill 2010 through 2015



# Chart B

## Cumulative Growth 2004-2013 Total Tax Levy vs Avg Residential Bill

