EST. 1955

SPRING VALLEY

VILLAGE

Special Called

City Council Meeting

August 4, 2020

6:00 p.m.

Marcus Vajdos, Mayor
Bo Bothe
Tom Donaho

Allen Carpenter, Mayor Pro Tem
David Dominy
Joy McCormack

EST. 1955
SPRING VALLEY
VILLAGE

Notice is Hereby Given of a Special Called Meeting of the City Council City of Spring Valley Village, Texas, 1025 Campbell Road, Spring Valley Village, Texas, in the Council Chambers, Tuesday, August 4, 2020, beginning at 6:00 p.m., For the Purpose of Considering and Acting upon the Following Items of Business:

In accordance with order of the Office of the Governor issued March 16, 2020, the City Council of Spring Valley Village will conduct the meeting scheduled at 5:00 p.m. on Tuesday, August 4, 2020 in the City Hall Council Chambers, located at 1025 Campbell Road, in part by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Coronavirus (COVID-19).

The meeting agenda and agenda packet are posted online at www.springvalleytx.com.
The video link to this meeting is https://us02web.zoom.us/j/85750466715

The public toll-free dial-in numbers to participate in the telephonic meeting are 1-346-248-7799 (Houston), 1-253-215-8782 (US), and 1-301-715-8592 (US); enter the Meeting ID: 857 5046 6715 and #.

The public will be permitted to offer public comments as provided by the agenda and as permitted by the presiding officer during the meeting.

An audio recording of the meeting will be made, and will be available to the public in accordance with the Open Meetings Act upon written request.

1. **CALL THE ROLL AND ANNOUNCE A QUORUM IS PRESENT**

2. **CONSIDERATION AND POSSIBLE ACTION CONCERNING:** Proposing A Tax Rate Of $0.4450 Per $100 Valuation For The Fiscal Year Beginning October 1, 2020, And Ending September 30, 2021.

3. **EXECUTIVE SESSION**: The City Council Will Now Hold A Closed Executive Meeting Pursuant To The Provision Of Chapter 551, Government Code, Vernon's Texas Codes Annotated, In Accordance With The Authority Contained In:

   3.1 Section 551.074 – Personnel Matter – Discussion to Deliberate the Appointment, Employment, Evaluation, Reassignment, Duties, Discipline, or Dismissal of the City Administrator.

4. **RECONVENE**

5. CONSIDERATION AND POSSIBLE ACTION CONCERNING: Matters Discussed in Executive Session.

6. ADJOURNMENT

Agenda items may not necessarily be considered in the order that they appear. With regard to any item, Council may take various actions, including but not limited to rescheduling an item in its entirety or for particular action at a future date or time.

I certify that a copy of the August 4, 2020 agenda of items to be considered by City Council was posted on or before the 29th day of July, 2020 at 4:30 p.m. pursuant to the Open Meetings Act, Chapter 551 of the Texas Government Code.

Attest: Roxanne Benitez

Roxanne Benitez, TRMC, CPM, CMCC
City Secretary

In compliance with the Americans with Disabilities Act, this facility is wheelchair accessible and accessible parking spaces are available. To better serve attendees, requests for accommodations or interpretive services should be made 48 hours prior to this meeting. Please contact the City Secretary's office at 713-465-8308, Fax 713-461-7969, or Email secretary@springvalleytx.com for further information.

MEETING DATE:	August 4, 2020
TOPIC:	**Proposing A Tax Rate Of $0.4450 Per $100 Valuation For The Fiscal Year Beginning October 1, 2020, And Ending September 30, 2021.**
BACKGROUND:	Due to the complexity of this item, please see the Memorandum provided with this agenda item. When Council proposes the tax rate, it must be a record vote.
RECOMMENDATION:	Staff recommends proposing a tax rate of $0.4450 per $100 Valuation for the Fiscal Year Beginning October 1, 2020 and ending September 30, 2021.
ATTACHMENTS:	• Memorandum Regarding Changes to Certified Estimated 2020 Taxable Value, 2020 Truth-In-Taxation Tax Rates, and Projected Impact of Anticipated Loss of Commercial Property Tax Revenues for Tax Year 2020 • Preliminary 2020 Certified Estimates Received from HCAD Dated April 30, 2020 • 2020 Certified Estimates Received from HCAD Dated July 24, 2020 • Tax Year 2020 Commercial Property Tax Revenue Analysis
FUNDING ISSUES:	☒ Not applicable – no dollars are being spent or received. ☐ Full amount already budgeted in Acct/Project# __________ ☐ Not budgeted, if approved, the following will be included in the next Budget Amendment: ☐ $_______ from Acct/Project# __________ will be transferred to Acct/Project# __________ ☐ $_______ from unassigned fund balance will be used and added to Acct/Project# __________ ☐ $_______ will be added to Revenue Acct# __-____ and $_______ added to Expenditure Acct/Project# __________

FINANCE VERIFICATION OF FUNDING:

SUBMITTING STAFF MEMBER:	**CITY ADMINISTRATOR APPROVAL:**
Julie M. Robinson, City Administrator	

EST. 1955
SPRING VALLEY
VILLAGE

MEMORANDUM

TO: Honorable Mayor and City Council Members

FROM: Julie M. Robinson, City Administrator

DATE: July 29, 2020

SUBJECT: Memorandum Regarding Changes to Certified Estimated 2020 Taxable Value, 2020 Truth-In-Taxation Tax Rates, and Projected Impact of Anticipated Loss of Commercial Property Tax Revenues for Tax Year 2020

There have been several substantive changes since the Council's Budget Workshop on July 14, 2020 of which the Council needs to be aware and that impact the discussion concerning which property tax rate to propose for FY 2021.

Reduction of City's Estimated 2020 Taxable Value by 2.34% from Preliminary Roll Provided on April 30, 2020

Prior to Senate Bill 2, the law required the chief appraiser to submit the certified appraisal roll to the tax assessor for each taxing unit by July 25 since the deadline for appraisal review boards to complete substantially all of their work was July 20. However, for appraisal districts located in counties with populations of one million or more (Harris County) this deadline could be postponed until August 20. Under this provision, historically the City has received its certified appraisal roll after August 20. The certified roll is crucial to providing the City with a level of certainty with regard to the appraised values on which to base its property tax setting decisions and therefore its budgeted property tax revenues. However, Senate Bill 2 has eliminated this certainty.

Senate Bill 2 instead provides chief appraisers an alternative to submitting a certified roll to the tax assessor. If the appraisal review board has not approved the appraisal records by July 20, the chief appraiser shall prepare and certify to the tax assessor for each taxing unit an *estimate* of the taxable value not later than July 25. If a certified estimate is provided instead of a certified appraisal roll, the tax assessor must use the certified estimate in calculating a taxing unit's Truth-In-Taxation Tax Rates.

On Friday, July 24, 2020, the City received the certified estimated 2020 taxable value from HCAD, and the total taxable value was 2.34% less than the preliminary 2020 taxable value provided in April. The preliminary 2020 taxable value is the total taxable value that was used to calculate the property tax revenues for the FY 2021 Proposed General Fund Budget. The City has used the preliminary taxable values for budgeting purposes for many years, and over the last five years it has provided a good basis for property tax

1025 CAMPBELL ROAD • HOUSTON, TEXAS 77055-7495
(713) 465-8308 • FAX (713) 461-7969 • www.springvalleytx.com

revenue estimation. The reduction in the 2020 total taxable value equates to approximately $134,000 less property tax revenue for the General Fund budget and therefore basically a tax reduction of 1 cent. Unfortunately, this may not be the final number. We have been told by the Tax Assessor/Collector that HCAD has not provided them with a new part of the calculation – the Chapter 42 lawsuits. So, the final certified estimated taxable value will more than likely be reduced even further. The City will not receive its certified appraisal roll until the end of August, and the total taxable value may change yet again.

Total Certified Estimate Taxable Value on April 30, 2020	Total Certified Estimate Taxable Value on July 24, 2020	Taxable Difference	Current Tax Rate	Tax Revenue Difference
$ 1,347,530,636.00	$ 1,315,998,820.00	$ 31,531,816.00	0.425	$ 134,010.22

In order to recognize the reduction in property tax revenues resulting from Certified Estimated 2020 Taxable Value received on July 24, 2020, in the FY 2021 Proposed Budget, City Treasurer Michelle Yi and I have reduced the property tax revenues by the $134,000, and, based on the direction received during the Budget Policy Assumptions discussions, any funds needed to balance the budget will be offset by a reduction in the Transfer from the General Fund to the Capital Projects Fund. If there is a revision to the Certified Estimated 2020 Taxable Value and when the City finally receives its actual Certified Appraisal Roll, we will modify the property tax revenues and Transfer from the General Fund to the Capital Projects Fund as needed.

<u>Changes to Truth-In-Taxation ("TNT") Tax Rates Resulting from Senate Bill 2 (Texas Property Tax Reform and Transparency Act of 2019)</u>

Senate Bill 2 changed the names of the previous TNT tax rates and created a new tax rate.

- The Effective Tax Rate is now the No-New-Revenue Rate (NNR). The NNR is the tax rate that would produce the same amount of taxes (no new taxes) if applied to the same properties that are taxed in both years.

- The Rollback Tax Rate is now the Voter-Approval Rate (VAR). The VAR is the highest tax rate that a taxing unit may adopt without holding an election to seek voter approval of the rate. The VAR was reduced from 8% to 3.5% for most cities; however there was also a provision for cities to calculate the VAR at 8% in the event of a disaster. <u>At this time, the direction to the City's Tax Assessor/Collector has been to utilize the 3.5% for calculation of the VAR. However, if Council wishes to utilize the 8% disaster calculation, I can certainly provide that direction to the Tax Assessor/Collector</u>.

- The new tax rate created by Senate Bill 2 is the De Minimis Rate (DMR). The DMR was designed and added to allow smaller cities (those with a population of less than 30,000) some flexibility to adopt a tax rate that generates $500,000 more in property tax revenue than the previous year. The thinking was that applying a 3.5% VAR in some very small communities would unnecessarily restrict revenue growth to sometimes just a nominal amount, and the application of the lowered voter-approval rate created an unfair result for small cities. The cities to which the DMR applies must calculate the DMR. The DMR is defined as the sum of (1) the City's NNR maintenance & operations rate; (2) the rate that when applied to the City's current total value will impose an amount of taxes equal to $500,000; and (3) the current debt rate for the City.

In addition to changes to TNT tax rate names and the addition of a new tax rate, the calculation for the NNR tax rate has been changed. The NNR calculation now includes property values that are not in dispute for Tax Year 2019 and court cases that are still pending (Chapter 42 Lawsuits). The inclusion of undisputed property values in the NNR tax rate is beneficial for the City since we have encountered tax refunds for previous years that have reduced our actual property tax revenue collections by approximately $130,000 (a little less than 1 cent on the tax rate).

Comparison of Current Tax Rate to Calculated TNT Tax Rates

The City's current tax rate is $0.4250, and the FY 2021 Proposed Budget has been developed using the current tax rate. Based on the Truth-In-Taxation Worksheets provided by the Tax Assessor/Collector, our current tax rate is almost 2 cents under the NNR Tax Rate.

Total Certified Estimate Taxable Value	Tax Rate	M&O Rate	Total GF Property Tax Revenue (99%)
$ 1,315,998,820.00	0.425000	0.355715	$ 4,634,393
NNR (No-New-Revenue Tax Rate)	0.444135	0.37485	$ 4,883,691
VAR (Voter-Approval Tax Rate)	0.454061	0.384776	$ 5,013,011
DMR (De Minimis Rate)	0.479043	0.409758	$ 5,338,486

Please Note: The calculated TNT Tax Rates are anticipated to change slightly since the property values associated with the Chapter 42 Lawsuits has not yet been provided by HCAD to the Tax Assessor/Collector. Any changes to the rates that we receive will be provided at the Council Meeting.

Utilizing the current tax rate and the reduced 2020 Certified Estimated Taxable Value, the City is recognizing the property tax revenue loss by reducing the Transfer from the General Fund to the Capital Projects Fund. However, if the City experiences commercial property tax revenue losses for Tax Year 2020, the difference between the current tax rate and the NNR tax rate will increase.

Projected Impact of Anticipated Loss of Commercial Property Tax Revenues for Tax Year 2020

As briefly discussed when HCAD Chief Appraiser Roland Altinger presented to the Council in May and during a couple of Council meetings, the big concern going into next year is what will happen to the commercial property tax base as a result of COVID-19. Right now, commercial and industrial properties make up 15.69% of the City's property tax base, and the revenue associated with those properties this year is a little over $877,719 – approximately 6.667 cents on the property tax rate. That is a significant number for our budget, so Ms. Yi and I spoke with Council Member Dominy concerning possible commercial property tax revenue losses for 2021.

Based on our discussion, Ms. Yi ran three different scenarios for loss of commercial property tax revenues (if the City lost 40%, 30%, and 20% of the revenues) and what the resulting impact to the City's tax rate would be to make up for those losses. A spreadsheet titled "Tax Year 2020 Commercial Property Tax Revenue Analysis" is provided with this agenda item for your review. The spreadsheet only looks at next year, and, the reduction in commercial property tax revenues could potentially extend into following years.

Whatever commercial property tax revenue losses the City actually experiences, we have two options for recouping any losses: (1) increase the tax rate or (2) utilize other funding. Unfortunately, we do not have much time to evaluate different options for recouping any losses.

Since the Council must propose a tax rate on August 4, 2020, in order to submit that rate to the Tax Assessor/Collector for public notice purposes by August 7, 2020, my recommendation to the Council is to propose a tax rate of $0.4450 which will levy the additional 2 cents required to cover commercial property tax revenue losses under the 30% loss scenario.

Total Certified Estimate Taxable Value	Tax Rate	M&O Rate	Total GF Property Tax Revenue (99%)
$ 1,315,998,820.00	0.425000	0.355715	$ 4,634,393
NNR (No-New-Revenue Tax Rate)	0.444135	0.37485	$ 4,883,691
Proposed Tax Rate	0.445000	0.375715	$ 4,894,961
VAR (Voter-Approval Tax Rate)	0.454061	0.384776	$ 5,013,011
DMR (De Minimis Rate)	0.479043	0.409758	$ 5,338,486

This proposed tax rate is slightly higher than the NNR but under the VAR. Please keep in mind that the Council does not ultimately have to adopt the proposed tax rate – proposing a higher tax rate provides the Council with flexibility to adopt a lower tax rate. However, if the Council proposes a lower tax rate, there is no ability to adopt a higher tax rate.

I look forward to discussing all of these issues with you during the Council meeting on August 4, 2020.

DIVIDER PAGE

Harris County Appraisal District

13013 Northwest Freeway
Houston TX 77040
Telephone: (713) 812-5800

P.O. Box 920975
Houston TX 77292-0975
Information Center: (713) 957-7800

CEAA
IAAO
CERTIFICATE OF EXCELLENCE IN ASSESSMENT ADMINISTRATION

Office of Chief Appraiser

April 30, 2020

Honorable Tom S. Ramsey
Mayor
City of Spring Valley
1025 Campbell Road
Houston, TX 77055-7495

Re: 2020 Certified Estimates

Dear Mayor Ramsey:

As required by Texas Tax Code Sec. 26.01(e), we have prepared an estimate of taxable value for the above taxing jurisdiction for 2020. While this estimate is based on information currently available to us, some of the data needed for accuracy is not yet available. For example, in the area of business and industrial personal property, the extended date for property owners to file their annual renditions is May 15, and some will delay their filing until the good cause deadline of June 1.

While we have taken our best estimate of potential hearing loss into account, protests for 2020 are in the process of being received and reductions made in the ARB protest hearing process during the next several months could cause a further reduction in value. Also, if fewer protests are filed, your value could possibly be higher.

Your final taxable value will also be impacted by late-filed exemption applications, late applications for productivity valuation, correction motions under Tax Code Sec. 25.25, and possible post-ARB appeals through binding arbitration, appeals to district court, or appeals to the State Office of Administrative Hearings.

Given these limitations, the estimated 2020 taxable value for the taxing unit identified above is:

$1,347,530,636

The enclosed summary report gives a breakdown of this estimate by property category.

Please do not hesitate to contact your HCAD jurisdiction coordinator or my office if you have questions regarding this estimate or other matters affecting appraisal district operations.

Sincerely,

Roland Altinger

Roland Altinger
Chief Appraiser

City Of Spring Valley
2020 Certified Estimate of Taxable Value

Major Property Category	2019 Taxable Value	Percent Change	Projected 2020 Taxable Value
Residential & Rural Improved	1,096,391,207	2.41%	1,122,801,078
Apartments	1,025,501	-0.04%	1,025,106
Commercial	150,949,991	1.96%	153,906,120
Vacant Land	18,704,306	-2.66%	18,207,538
Industrial	0	0.00%	0
Utility	12,076,421	0.45%	12,130,825
Commercial Personal	35,760,787	4.65%	37,425,094
Industrial Personal	1,880,992	8.18%	2,034,874
All Other Property	0	0.00%	0
Projected 2020 Taxable Value	**1,316,789,205**	**2.33%**	**1,347,530,636**

Projected 2020 Taxable Value Range

Accuracy +/- 5%	**1,280,154,105**	**To**	**1,414,907,168**

Report Date: April 30, 2020
2020 Roll Date: April 03, 2020

Jur: City Of Spring Valley

	2019	2020
Average Market Value of Residences:	$913,424	$929,775
Average Taxable Value of Residences:	$736,822	$752,044

Total Appraised Value of All Property:	$1,739,700,507	$1,780,315,119
Total Appraised Value of New Property:	$35,976,340	$34,075,041
Total Taxable Value of All Property:	$1,316,789,205	$1,347,530,636
Total Taxable Value of New Property:	$27,230,696	$25,791,592

Total Market Value of All Property:	$1,749,358,784	$1,790,198,876

Last Year Losses Due To Substantial Error Corrections	$0

Data as of April 30, 2020

DIVIDER PAGE

Harris County Appraisal District

13013 Northwest Freeway
Houston TX 77040
Telephone: (713) 812-5800

P.O. Box 920975
Houston TX 77292-0975
Information Center: (713) 957-7800

Office of Chief Appraiser

July 24, 2020

Honorable Tom S. Ramsey
Mayor
City of Spring Valley
1025 Campbell Road
Houston, TX 77055-7495

Re: 2020 Sec. 26.01(a-1) Estimate
City of Spring Valley

Dear Mayor Ramsey:

As required by Texas Tax Code Sec. 26.01(a-1), we have prepared an estimate of taxable value for the above taxing jurisdiction for 2020.

While we have taken our best estimate of potential hearing loss into account, 2020 protests are still being received and formal hearings held during the next several months may cause further value reductions. Also, if fewer protests are filed, your value could possibly increase.

Your final taxable value will also be impacted by late-filed exemption applications, late applications for productivity valuation, correction motions under Tax Code Sec. 25.25, and possible post-ARB appeals through binding arbitration, appeals to district court, or appeals to the State Office of Administrative Hearings.

The impact of the COVID-19 pandemic on operations has caused almost daily changes to many of our processes. Protests will continue to be scheduled and rescheduled into the winter of 2020, if not later. Due to social distancing requirements, the ARB capacity has been very limited and COVID-19 issues have occasionally caused changes to schedules. Many temporary disaster exemptions have been received, however the Attorney General's opinion (No. KP-0299) indicated that economic loss not associated with physical damage was not eligible for the exemption. There is still some uncertainty regarding how this may impact your taxable value moving forward.

Given these limitations, the estimated 2020 taxable value for the taxing unit identified above is:

$1,315,998,820

The enclosed worksheet also provides additional estimated values that may be useful in your tax rate calculations.

Please do not hesitate to contact your HCAD jurisdiction coordinator or my office if you have questions regarding this estimate or other matters affecting appraisal district operations.

Sincerely,

Roland Altinger

Roland Altinger
Chief Appraiser

1	2019 taxable value lost to litigation *	
	Original 2019 ARB values	$99,728,893
	2019 values resulting from court decisions	$24,613,652
	2019 value loss	$75,115,241
2	2019 taxable value lost to exemptions	
	Total exemptions (2019 market value)	$0
	Partial exemptions (2020 exemption amount or 2020 percentage exemption times 2019 value)	$826,329
	Value loss	$826,329
3	2019 taxable value lost to ag	
	2019 market value	$0
	2020 productivity or special appraised value	$0
	Value loss	$0
4	certified values	$0
5	total values of properties under protest or not included on certified appraisal roll	
	2020 taxable value of properties under protest	$262,881,171
	2020 taxable value of properties not under protest or included on certified appraisal roll	$1,053,117,649
6	2020 taxable value of OVR & DIS accounts with tax ceilings (ISDs/county/cities/colleges) ∆	$0
7	2020 taxable value of annexed property ◇	$324,184
8	2020 taxable value of new real property improvement	$21,883,917
9	2020 taxable value of personal property improvement	$0
10	Last year losses due to sub error corrections	$0
11	New improvements to the land ‡	$0
12	TNRCC Pollution Control Exemption	$0
13	Certified Residential RES count	0
14	Certified Total RES Appraised CAP Value	$0
15	Certified Average RES Appraised CAP Value	$0
16	Certified Total RES Taxable Value	$0
17	Certified Residential Taxable Value Average	$0
18	Uncertified Residential RES Count	1,337
19	Uncertified Total RES Appraised CAP Value	$1,219,772,286
20	Uncertified Average RES Appraised CAP Value	$912,320
21	Uncertified Total RES Taxable Value	$965,265,599
22	Uncertified Residential Taxable Value Average	$721,964

* Multi location account values are the countywide values which are included in the total values and accounts with jur splits do not report jur specific value - Please see original roll for jurisdiction values

◇ Annexation value may include property added to your jurisdiction as the result of boundary adjustments in the GIS system and/or jurisdiction code corrections. Examples: 1. You may have gained a property that due to a previously unrecognized boundary error was not coded to you. 2. A business located in another district last year moved into your district this year.

‡ Applies to MUD Districts only

∆ HCAD's estimate of accounts with tax ceilings.

DIVIDER PAGE

Tax Year 2020 **Commercial Property Tax Revenue Analysis**															
				If 40% Loss				If 30% Loss				If 20% Loss			
Total Certified Estimate Taxable Value	Total Taxable Value Income Approach Cats (Included Personal)	Commercial Property Tax Revenue	Tax Rate	Tax Revenue	Tax Revenue Loss	Tax Rate Impact	Impact to Average Residence	Tax Revenue	Tax Revenue Loss	Tax Rate Impact	Impact to Average Residence	Tax Revenue	Tax Revenue Loss	Tax Rate Impact	Impact to Average Residence
1,315,998,820.00	*206,522,019*	*877,718.58*	0.425000	526,631.15	**351,087.43**	**0.0266784**	**$ 200.63**	614,403.01	**263,315.57**	**0.020009**	**$ 150.47**	702,174.86	**175,543.72**	**0.013339**	**$ 100.32**
NNR (No-New-Revenue Tax Rate)		*917,236.57*	0.444135	550,341.94	**366,894.63**	**0.0278796**	**$ 209.67**	642,065.60	**275,170.97**	**0.020910**	**$ 157.25**	733,789.26	**183,447.31**	**0.013940**	**$ 104.83**
VAR (Voter-Approval Tax Rate)		*937,735.94*	0.454061	562,641.57	**375,094.38**	**0.0285026**	**$ 214.35**	656,415.16	**281,320.78**	**0.021377**	**$ 160.76**	750,188.76	**187,547.19**	**0.014251**	**$ 107.18**
DMR (De Minimis Rate)		*989,329.28*	0.479043	593,597.57	**395,731.71**	**0.0300708**	**$ 226.15**	692,530.49	**296,798.78**	**0.022553**	**$ 169.61**	791,463.42	**197,865.86**	**0.015035**	**$ 113.07**