Explanation of Tax Rate Calculation

The FY 2020-2021 Budget General Fund projects $10,690,806 in revenue and the Debt Service Fund projects $2,792,028 in revenue. Both funds are supported by property taxes, which is expected to generate $6,745,883. The process for determining the tax rate is governed by the State of Texas and is difficult for most people to follow. The following description, glossary, and table explains the tax rate for FY 2020-2021.

Property taxes-also called ad valorem taxes-are locally assessed taxes. The Aransas County Appraisal District (ACAD) appraises all property in the county to determine their fair market value and is independent of the individual taxing entities. The State of Texas audits ACAD's appraisals every two years and, if the State determines that ACAD's appraisals are out of compliance (i.e. greater than +/-5% off of fair market value) for three consecutive audits, the State withholds funding for the Aransas County Independent School District. The local taxing units set their tax rates and collect property taxes based on those values. The tax rate is comprised of two components – the maintenance and operations rate and the interest and sinking rate. The methodology to calculate the rate is dictated by the State of Texas. The City decides how much money it will spend by adopting a budget and then sets a tax rate that will raise the revenue necessary to fund that budget. The City's tax rate and the taxable value assessed by ACAD determines the total amount of taxes that a person will pay.

The table on the following page summarizes the tax rate calculation and explains each step. The table also shows the impact of the rate on residential properties. The Glossary of Terms below defines some of the terms and abbreviations used in the tax rate calculation table.

Glossary of Terms

1. **M&O** – Maintenance and Operations. This is the part of the tax rate that supports the General Fund portion of the budget and includes personnel, supplies, utilities, and other day-to-day expenses. The annual increase in the M&O rate is generally capped at 3.5 percent; however, the limit is increased to 8.0 percent in tax years following a declared disaster. Instead of the 3.5 percent cap, Rockport's size makes it eligible to use the de minimis rate, which allows the City to increase revenue up to $500,000 more from the year before.
2. **I&S** – Interest and Sinking. The I&S rate pays for the interest and principal on bonds and other debt secured by property tax revenues. The rate equals whatever revenue needed to make the debt payments for that budget year. The rate includes the debt service for the proposed anticipation notes.
3. **NNR** – No-New-Revenue. The NNR 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. This is similar to what was known as the "effective tax rate" in prior years. The NNR rate is the reference point from which the M&O cap is generated.
4. **Collection Ratio** – The Aransas County Tax Assessor-Collector certifies each year what the collection rate is for the year. The revenue projection is adjusted by this amount. Historically the City has collected at least 99 percent of taxes owed but FY 2020-2021 economic conditions demand a more conservative rate.
5. **Average Market Value** – The average market value is the average market value of all homes and does not include any exemptions.
6. **Average Taxable Value** – The average taxable value is the total value of all homes less any exemptions.
7. **Median Taxable Value** – The median value is the value of the home in the middle of the list of all homes sorted by value. In other words, half the homes above this house are valued more and the half of the list below are valued less.
8. **Difference in Tax from NNR Rate** – The difference in dollars between the State determined benchmark No-New-Revenue rate and the proposed rate. This benchmark does not relate to what the taxpayer paid last year.
9. **Difference from Tax Paid Last Yr.** – The actual difference in dollars between the proposed rate and last year's dollars, i.e. the difference in what is actually coming out of the taxpayer's wallet.

Explanation of FY 2020-2021 Tax Rate Calculation

Percentage M & O Increase	Proposed Tax Rate	Calculations	Explanation of Calculation
M & O Tax Rate	$ 0.241668	= 0.241688	Proposed 2020 M&O Tax Rate
I & S Tax Rate	$ 0.179643	= 0.179643	2020 I&S Tax Rate
Total Tax Rate	$ 0.421311	= 0.214668 + 0.179643 = 0.421311	Total Proposed 2020 tax rate
Total Certified Taxable Value	$ 1,400,701,107	= 1,400,701,107	2020 Certified Taxable Value provided by ACAD
Total Tax Levy			
Tax Levy	$ 5,901,312	= 1.400,701,107 * 0.421311 / 100 = 5,901,312	= Certified taxable value, $1,400,701,107 multiplied by the total proposed tax rate $0.421311 divided by 100
Over 65 Frozen Taxes	$ 968,223	= 968,223	Provided by ACAD with Certified Values
Disabled Frozen Taxes	$ 14,019	= 14,019	Provided by ACAD with Certified Values
Total Tax Levy	$ 6,883,554	= 5,901,312 + 968,223 + 14,019	2020 Total Tax Levy = Certified Calculated Taxable Levy + Over 65 Frozen Taxes + Disabled Frozen Taxes
Total Tax Revenue			
Total Tax Levy	$ 6,883,554	= 5,901,312 + 968,223 + 14,019	2020 Total Tax Levy
Collection Ratio	98%	98%	Percentage of collection based on historical collection trends and anticipated conditions
Total Tax Revenue	$ 6,745,883	= 6,883,554 * 0.98 = 6,745,883	2020 Total Tax Revenue based on Proposed Tax Rate
Revenue Allocation by Fund			
M & O General Fund	$ 4,469,104	= 6,745,883 - 2,276,779 = 4,469,104	Total 2020 tax revenue less certified 2020 debt service
I&S Debt Service Fund	$ 2,276,779	= 2,276,779	Certified 2020 debt service (provided by Aransas County Tax Assessor/Collector)
Total Tax Revenue	$ 6,745,883	= 6,883,554 * 0.98 = 6,745,883	Total tax revenue 2020
Revenue Difference			
Additional Revenue	$222,434	= 6,745,883 - 6,523,449	= 2020 No-New Revenue Rate tax revenue ($6,745,883) less proposed 2020 tax revenue ($6,523,449)
% Increase in Revenue	3.3%	= (6,745,883 - 6,523,449) / 6,745,883 = 3.3%	= (Proposed total tax revenue less No-New-Revenue tax revenue)/Proposed total tax revenue

Residential Taxpayer Impact Analysis

Residential Value	Difference in Tax from NNR Rate	Calculations	Explanation
Average Market - $240,077	$38.90	= (0.421311*240077) / 100 - 972.57 = 38.90	= Proposed tax rate ($0.421311)* Average Market Residential Value ($240,077) / 100 less NNR taxes paid on Average market value ($972.57)
Average Taxable - $231,205	$37.47	= (0.421311*231205) / 100 - 936.63 = 37.47	= Proposed tax rate ($0.421311)* Average Taxable Residential Value ($231,205) / 100 less NNR taxes paid on Average Taxable ($936.63)
Median Taxable - $170,860	$27.68	= (0.421311*170860) / 100 - 692.17 = 27.68	= Proposed tax rate ($0.421311)* Median Taxable Residential Value ($170,860) / 100 less NNR taxes paid on Median Taxable ($692.17)

Residential Value	Difference from Tax Paid Last Yr	Calculations	Explanation
Average Market - $240,077	$2.95	= (0.421311*240077) / 972.57 = 2.95	= Proposed tax rate (0.421311)* Average Market Residential Value ($240,077) / NNR taxes paid on Average market value ($972.57)
Average Taxable - $231,205	$2.84	= (0.421311*231205) / 936.63 = 2.84	= Proposed tax rate (0.421311)* Average Taxable Residential Value ($231,205) / NNR taxes paid on Average Taxable ($936.63)
Median Taxable - $170,860	$2.10	= (0.421311*170860) / 692.17 = 2.10	= Proposed tax rate (0.421311)* Median Taxable Residential Value ($170,860) / NNR taxes paid on Median Taxable ($692.17)