

STATUTORY REQUIREMENTS TRUTH-IN-TAXATION

The single most important financial resource of the City is the ad valorem tax, better known as the property tax. It is important for all citizens to fully understand the makeup of the taxes levied against their properties. The following synopsis provides a basic working knowledge of property taxes and how they are determined.

Much of what taxing authorities such as cities, school districts, counties, and special districts are allowed to levy for property taxes is determined by the State of Texas. Several years ago, the state legislature provided for the establishment of county appraisal districts. The purpose of these appraisal districts is to determine fair market values of all taxable property within a specific county. The taxable value of property is determined as of January 1 of each year.

The appraisal district generally notifies taxpayers of their assessed valuations in March and allows for them to challenge the valuations if the taxpayers believe them to be in error. A tax appraisal review board hears all tax protests and determines if the original valuation is correct or in error. On May 25 of each year, the appraisal district is required to provide taxing authorities with a certified estimate of total appraised value. This preliminary estimate is used by the City to help project what revenues will be available in the next fiscal year. The preliminary estimate, while providing indications of an increasing or decreasing tax roll, is subject to fluctuations because of possible tax protests mentioned above.

The most important date relating to the appraisal district is July 25. On that date a certified appraisal roll must be provided to all taxing authorities. This certified roll provides a basis upon which a tax rate can be applied to produce necessary revenues for the operation of City services.

After determination of a tax rate for the upcoming budget year there are several procedures and tests that must be applied to the rate in order for state law to be met. They include:

- ◆ **Calculation and publication of the effective tax rate.**

The effective tax rate is the tax rate that, when applied to the taxable assessed valuation, would produce the same total taxes as last year when properties taxed in both years are compared. The objective of the effective tax rate is to generate equal tax revenues using taxable valuations from different years.

- ◆ **Determination of whether the proposed tax rate is more than 3% over the effective tax rate.**

Texas state law requires that if a taxing authority raises the tax rate more than 3% over the effective tax rate there must be published notices of the increase and a public hearing must be held. This is true even if the tax rate does not change. For example, for FY 2001, the City's tax rate was reduced by \$.005, yet state law required the City to advertise a tax increase because of the growth in the assessed valuation.

◆ **Determination of whether the proposed tax rate is more than 8% over the effective tax rate.**

The 8% rule as set by state law imposes the maximum rate that may be adopted by taxing authorities without being subject to tax rollback procedures. If a taxing authority imposes a tax rate in excess of 8% of the effective tax rate, taxpayers may take measures that could rollback the adopted rate to an 8% increase. Generally, these procedures involve a petition of eligible voters and a rollback election.

Article XI, Section 5 of the State of Texas Constitution states in part:

"...but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

Calculation of Legal Debt Margin - October 1, 2007

Adjusted Tax Base Valuation	\$5,815,838,701
Constitutional Limit	2.5% of assessed valuation
Maximum Constitutional Revenue Available	\$145,395,968
Tax Rate to Achieve Maximum Tax Revenue	\$2.50 per \$100 of valuation
Adopted Tax Rate for 2007-08	\$0.3625 per \$100 of valuation
Available Unused Constitutional Max Tax Rate	\$2.1375

Other requirements relating to the adoption and levying of ad valorem taxes are the publication of the unencumbered fund balances of the General Fund and Debt Service Fund, the 2007-08 debt service requirements, and the 2007 property tax rates in the City of Grapevine.

The State of Texas does not provide for a statutory debt limit for cities. The truth-in-taxation criterion specifies that debt (Interest & Sinking) requirements must be met first, then operations. The property tax rate to meet these needs cannot exceed \$2.50 per \$1 00 valuation.

2007 Property Tax Rates in City of Grapevine

This notice concerns 2007 property tax rates for City of Grapevine. It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's effective tax rate would impose the same total taxes as last year if you compare properties taxed in both years. This year's rollback tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per \$100 of property value.

Last year's tax rate:

Last year's operating taxes	\$6,303,095
Last year's debt taxes	\$13,562,248
Last year's total taxes	\$19,865,343
Last year's tax base	\$5,480,094,621
Last year's total tax rate	0.362500 /\$100

This year's effective tax rate:

Last year's adjusted taxes (after subtracting taxes on lost property)	\$18,353,153
÷ This year's adjusted tax base (after subtracting value of new property)	\$5,320,674,153
= This year's effective tax rate	0.344940 /\$100

(Maximum rate unless unit publishes notices and holds hearings.)

This year's rollback tax rate:

Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, and/or enhanced indigent health care expenditures)	\$6,288,539
÷ This year's adjusted tax base	\$5,320,674,153
= This year's effective operating rate	0.118191 /\$100
x 1.08 = this year's maximum operating rat	0.127646 /\$100
+ This year's debt rate	0.235000 /\$100
= This year's total rollback rate	0.362646 /\$100

Statement of Increase/Decrease

If City of Grapevine adopts a 2007 tax rate equal to the effective tax rate of \$0.344940 per \$100 of value, taxes would decrease compared to 2006 taxes by \$1,242,356.

Schedule A - Unencumbered Fund Balances

The following estimated balances will be left in the unit's property tax accounts at the end of the fiscal year. These balances are not encumbered by a corresponding debt obligation.

Type of Property Tax Fund	Balance
General Fund	\$6,595,000
Debt Service	\$3,233,000

The unit plans to pay the following amounts for long-term debts that are secured by property taxes. These amounts will be paid from property tax revenues (or additional sales tax revenues, if applicable).

Description of Debt	Principal or Contract Payment to be Paid from Property Taxes	Interest to be Paid from Property Taxes	Other Amounts to be Paid	Total Payment
1999 GO/Refunding	\$2,755,000	\$197,247	\$0	\$2,952,247
2000 General Obligation	\$350,000	\$122,585	\$0	\$472,585
2000A General Obligation	\$280,000	\$98,810	\$0	\$378,810
2000A CO	\$260,000	\$75,030	\$0	\$335,030
CO 2000	\$600,000	\$97,125	\$0	\$697,125
2002 Tax Note	\$245,259	\$16,787	\$0	\$262,046
2002 General Obligation	\$255,000	\$258,051	\$0	\$513,051
2003 GO/Refunding	\$1,635,000	\$344,400	\$0	\$1,979,400
2003 CO	\$245,000	\$45,019	\$0	\$290,019
2004 GO/Refunding	\$35,000	\$274,075	\$0	\$309,075
2005 Equipment CO	\$440,000	\$79,238	\$0	\$519,238
2005 GO/Refunding	\$105,000	\$249,222	\$0	\$354,222
2006 General Obligation	\$170,000	\$238,138	\$0	\$408,138
2006 Equipment CO	\$730,000	\$113,325	\$0	\$843,325
2007 Tax Note	\$425,000	\$120,456	\$0	\$545,456
2005A Obligation to CO/ TIRZ Refunding	\$0	\$902,521	\$0	\$902,521
1996 Obligation to CO/TIRZ Paying Agent	\$0	\$918,142	\$0	\$918,142
	\$0	\$0	\$7,000	\$7,000
Total Required for 2007 Debt Service				\$12,687,430
- Amount (if any) paid from funds listed in Schedule A				\$0
- Amount (if any) paid from other resources				\$0
- Excess collections last year				\$0
= Total to be paid from taxes in 2007				\$12,687,430
+ Amount added in anticipation that the unit will collect only 100.00% of its taxes in 2007				\$0
= Total Debt Levy				\$12,687,430

This notice contains a summary of actual effective and rollback tax rates' calculations. You can inspect a copy of the full calculations at 3072 Mustang Drive, Grapevine, Texas 76051.

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