



News Release

CITY MANAGER'S OFFICE

For release: 04/09/2019
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How Does Proposed Senate Bill/House Bill 2 Impact Highland Village?

We have heard our residents and support providing relief to property tax payers. However, the bill Texas legislators are considering will negatively impact the service delivery the City provides to each residential property, commercial development, park property, and city infrastructure in Highland Village.

What is SB 2/HB 2?

- This bill does not provide immediate tax relief to residents. This bill does inhibit the City's ability to provide our current level of service going forward.
- The proposed bills impose a 2.5% cap on the amount of revenue cities can raise from property taxes above the amount received in the prior tax year.
- Based on the City's current tax rate and anticipated fluctuations in property values, this equates to an annual \$.5 million loss in revenue to the City of Highland Village. To put that in perspective, four departments within the City have an annual budget of \$.5 million or less.
- The average household in Highland Village would save only \$85 in City property taxes on their annual property tax bill.
- This bill does not place a cap on increased assessed values on real estate.

Highland Village is dedicated to accountable and conservative fiscal policy. We seek to consistently manage the City's expenses as any business would by maintaining a constant tax rate and manage downturns with multi-year planning of expenditures and use of reserves. For example, this year, the City was able to pay cash for a new fire engine and medic instead of issuing debt, which saved our residents the interest costs.

Could we implement a budget over the 2.5% cap?

- Yes, if approved by voters. However, the US Constitution is premised on representative government. The residents of Highland Village elect a Council to maintain the City. Do Texans want to implement a California model to operate more with public votes of referendums / elections rather than elect City representatives to do this job?
- Conducting elections is expensive. It is certainly merited for large capital projects or initiatives; however, subjecting budget approval for routine operations to annual elections made necessary because of a need to exceed the 2.5% cap in order to avoid cutting services will result in increased voter fatigue. Additionally, the significant redirection of resources to accommodate elections essentially increases cost of operations with accompanying loss of efficiency.

Highland Village offered legislators a compromise solution to provide meaningful property tax relief

- The current rollback rate is set at 8%. The City Council and Staff have proposed to our Legislative delegation that, if enactment of a lower rollback rate is inevitable, a 6% increase over the effective rate would reflect the original intent of providing overall checks on runaway spending rather than forcing a predetermined 2.5% annual increase.
- A primary issue with the lower rollback threshold of 2.5% is that it only considers a single year. Over a 15 year span, half of the years have property valuation growth below the 2.5% threshold, while the other has been above. Highland Village did not increase the tax rate in any of the down years – instead managing expenditures within a multi-year outlook.
- The City’s detailed compromise solution and impacts of the proposed legislation can be found on the City [website](#).

A 2.5% threshold for increased valuation is not sufficient to keep pace with inflation and other factors that affect municipal governments. A mandatory election will be required every year a city elects to maintain the current tax rate to fund needed services when this low threshold is exceeded - historically every other year on average. It is not realistic to expect cities to operate strictly in accordance with an arbitrary threshold that is at or below annual CPI indexes and still satisfy public expectations for public services.

Local government is the most accountable form of government. Residents have the ability to elect Council members that align with how they would like the City managed. SB 2 and HB 2, in their present form, will severely limit the ability of the City of Highland Village to provide the level of service Highland Village residents have come to expect from the City while only providing annual property tax relief roughly equal to the cost of a dinner for four at a moderately priced sit-down restaurant. If you agree with our position on the proposed legislation, please share this message with our legislators.

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