

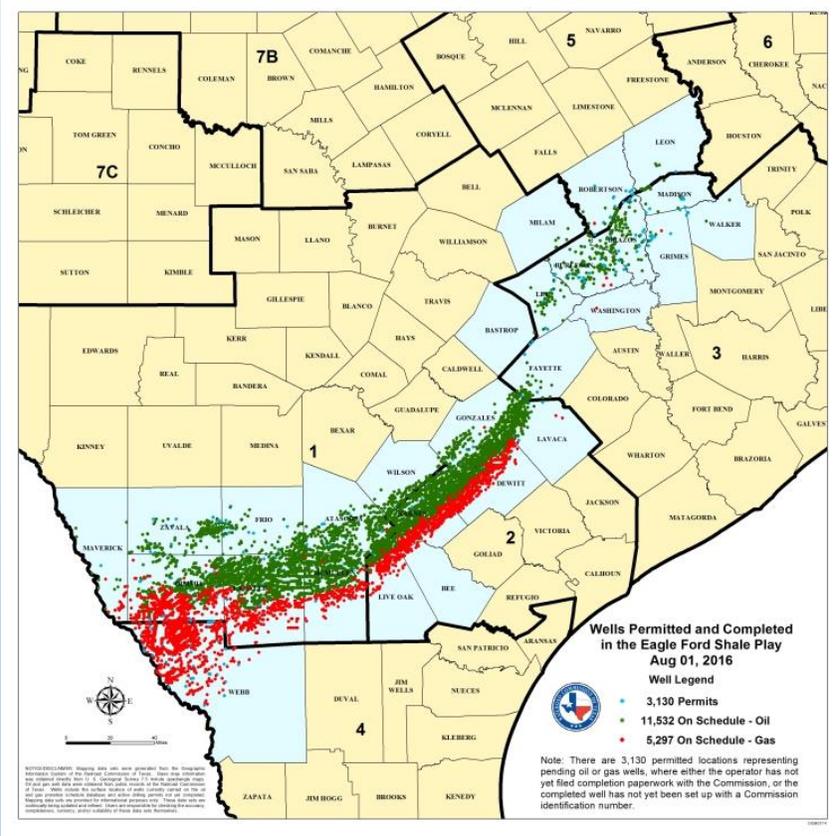
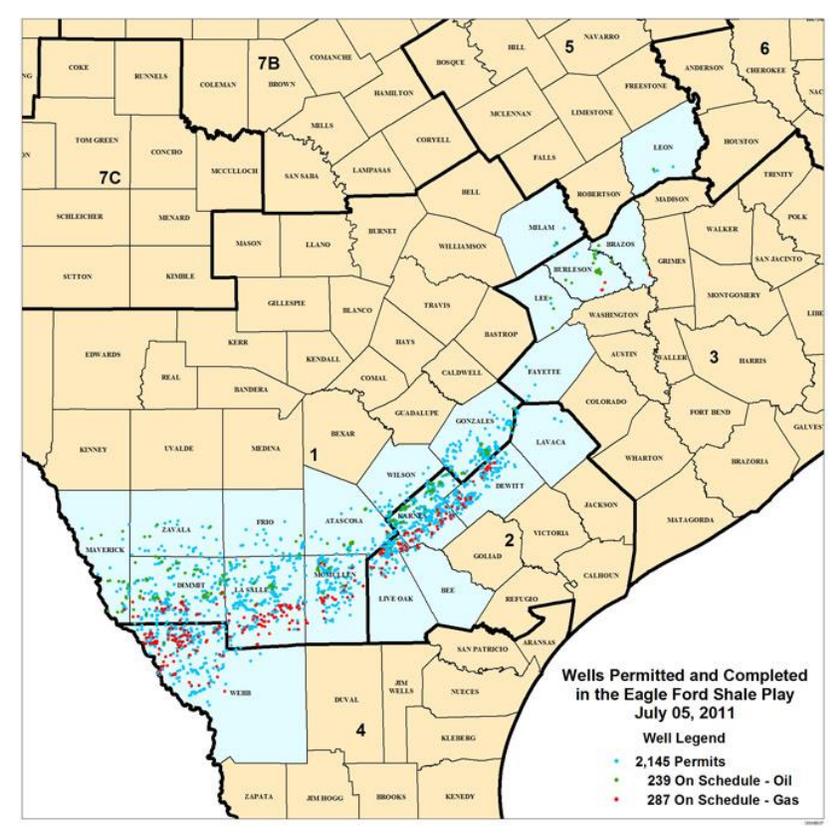
First Public Hearing 2019 Property Tax Rate DeWitt County, Texas

Local Government Code

Section 111.002. COUNTY JUDGE AS BUDGET OFFICER.

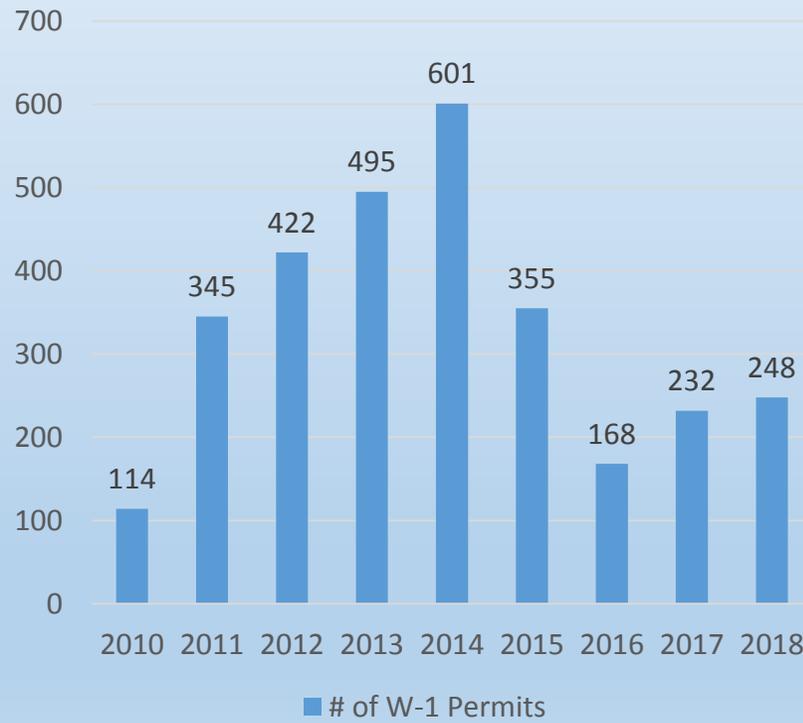
“The county judge serves as the budget officer for the commissioners court of the county.”

Eagle Ford Shale: the game changer since 2010



Drilling activity impacts the tax base

Annual W-1 Permits Approved by Texas RRC



Property Tax Base (Billions)



2019 Certified Appraised Values

- This year's certified taxable value = \$ 6,393,850,282
- Last year's adjusted property value = \$ 4,691,717,370
- Total growth = \$ 1,702,132,912 (+ 36.28%)
- New Improvements (Line 21) = \$ 15,075,640 (less than 1%)
- New Improvements are taxable property assumed to have come on to the tax roll at a cost. Categorization allows for cost recovery by removing the new property from the tax rate equation
- New, Other (mostly New Minerals) = \$ 1,687,057,272 (99.99%)

Excerpts from “*Truth In Taxation: Tax Rate Adoption*”

- The **effective tax rate** is a calculated rate that would provide the taxing unit with about ***the same amount of revenue it received in the year before on properties taxed in both years.***
- If property values rise, the effective tax rate goes down and vice versa.
- Although the actual calculation can become more complicated, a taxing unit’s effective tax rate is a calculated rate generally equal to the last year’s taxes divided by ***the current taxable value of properties that were also on the tax roll last year.***
- The resulting tax rate, used for comparison only, shows the relation between the last year’s revenues and the current year’s values. [Tax Code 26.04 (c)]

Misrepresentations in *Truth in Taxation*

- Even though the oil and gas reservoirs are new, they are treated as if they were part of the previous year's tax base
- The mistreatment unfairly skews the denominator of the tax rate equation
- Inclusion of new minerals in the denominator drives down the tax rate
- A lower tax rate provides a de facto tax abatement to the owners of the minerals
- Abatement is undeserved because road infrastructure is damaged during the creation of the mineral values
- The repair of damages to roads competes with other financial needs of the county

2019 Calculated Tax Rates

Effective Tax Rate (No New Revenue Rate in 2020)

- No new revenue on property taxable in BOTH the prior year and current year
- New improvements are removed from the calculation
- .34029 per \$100
- \$340.29 per \$100,000 of taxable property

Rollback Tax Rate (Voter Approved Tax Rate in 2020)

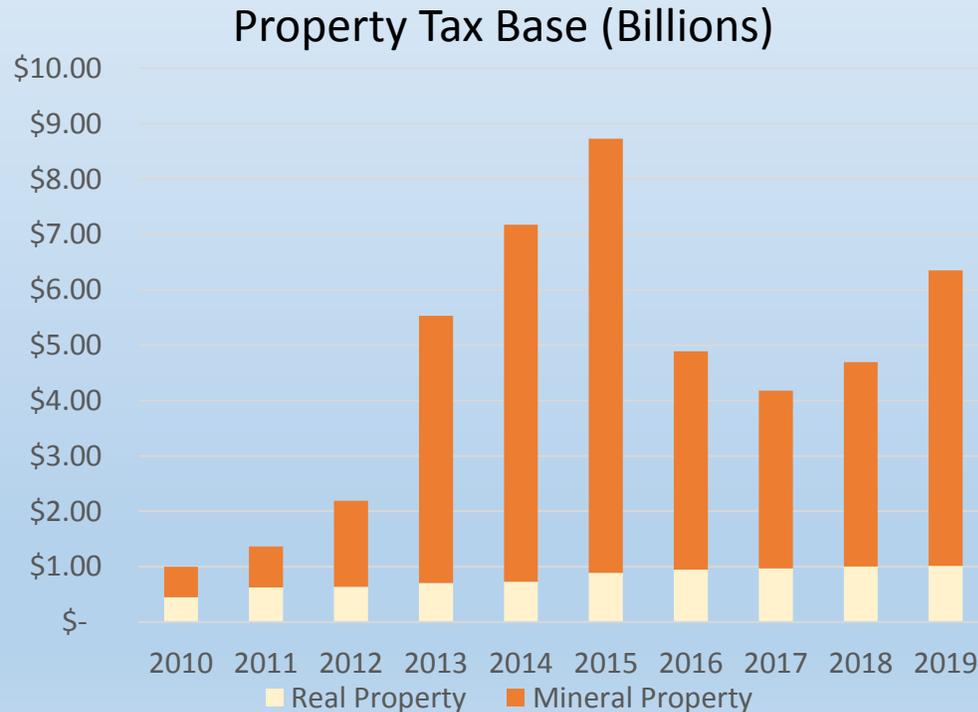
- Provides for an eight percent (8%) revenue increase over prior year on property taxable in BOTH the prior year and current year
- New Improvements are removed
- .36749 per \$100
- \$346.49 per \$100,000 of taxable property

FY2019 Tax Policy

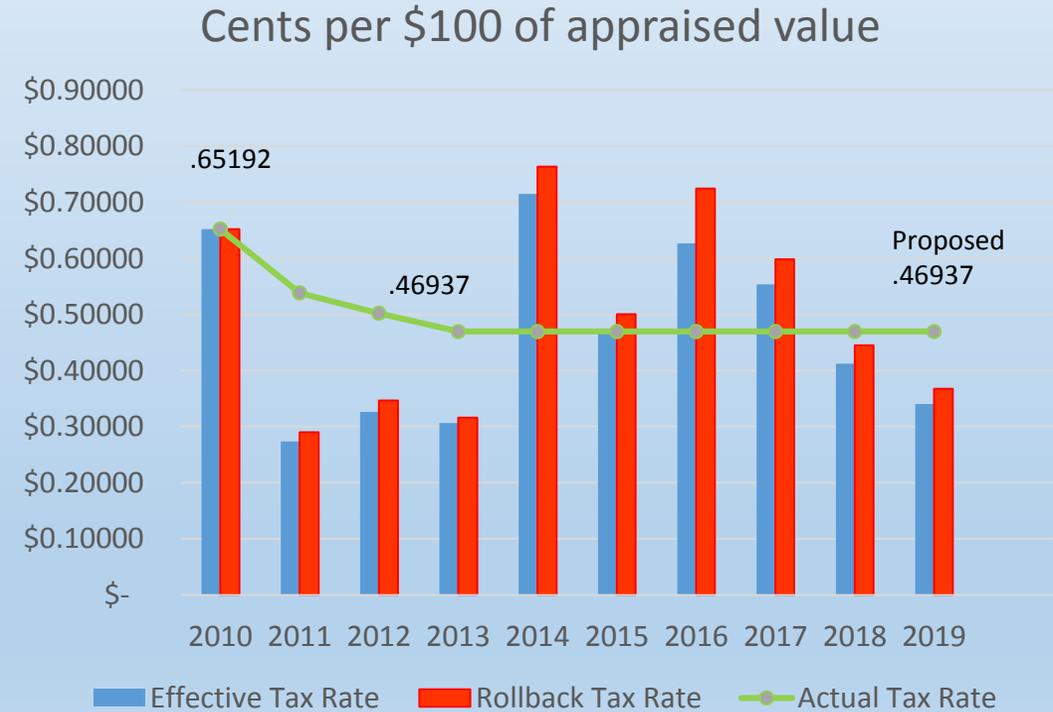
- Recognize that current statutory tax formulas in Chapter 26.04 of the Tax Code provide for a de facto abatement of property taxes on mineral values
- Avoid unwarranted de facto abatement of property taxes
- Recognize that Mineral Values are volatile and have the potential to disrupt county, business, and family budgets
- Adopt tax rates that accurately address the needs of the county and provide cash flow for capital improvement projects
- Adopt tax rates that do not disrupt private-sector business or family budgets

Volatile mineral values lead to volatile tax rates

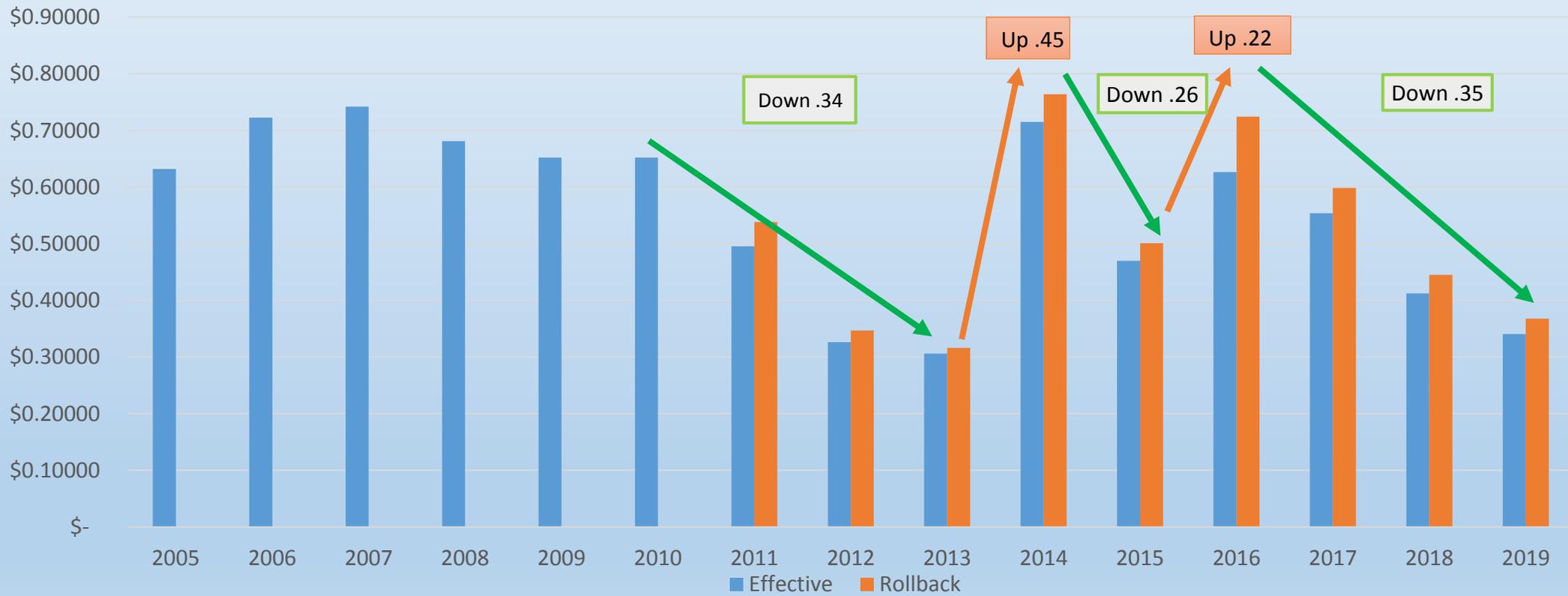
Tax revenue from mineral values is inconsistent



Volatile tax rates can disrupt personal and business budgets

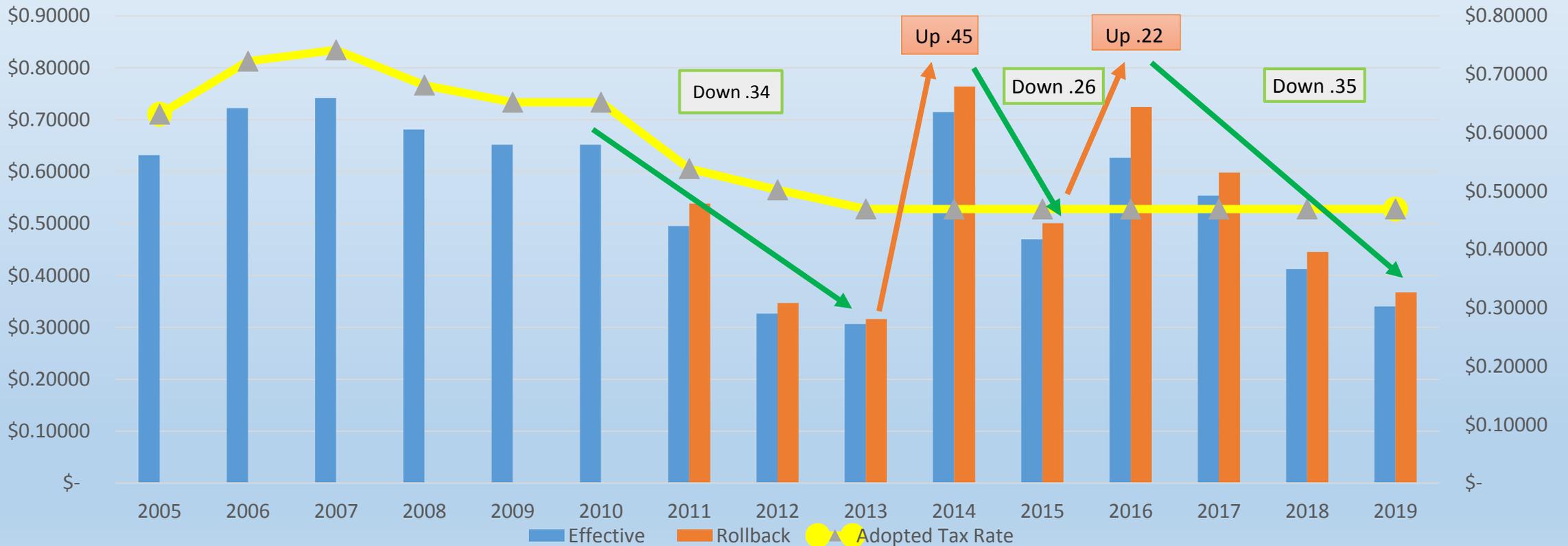


Wildly fluctuating Oil and Gas Reservoir Values (Mineral Values) can disrupt business and family budgets

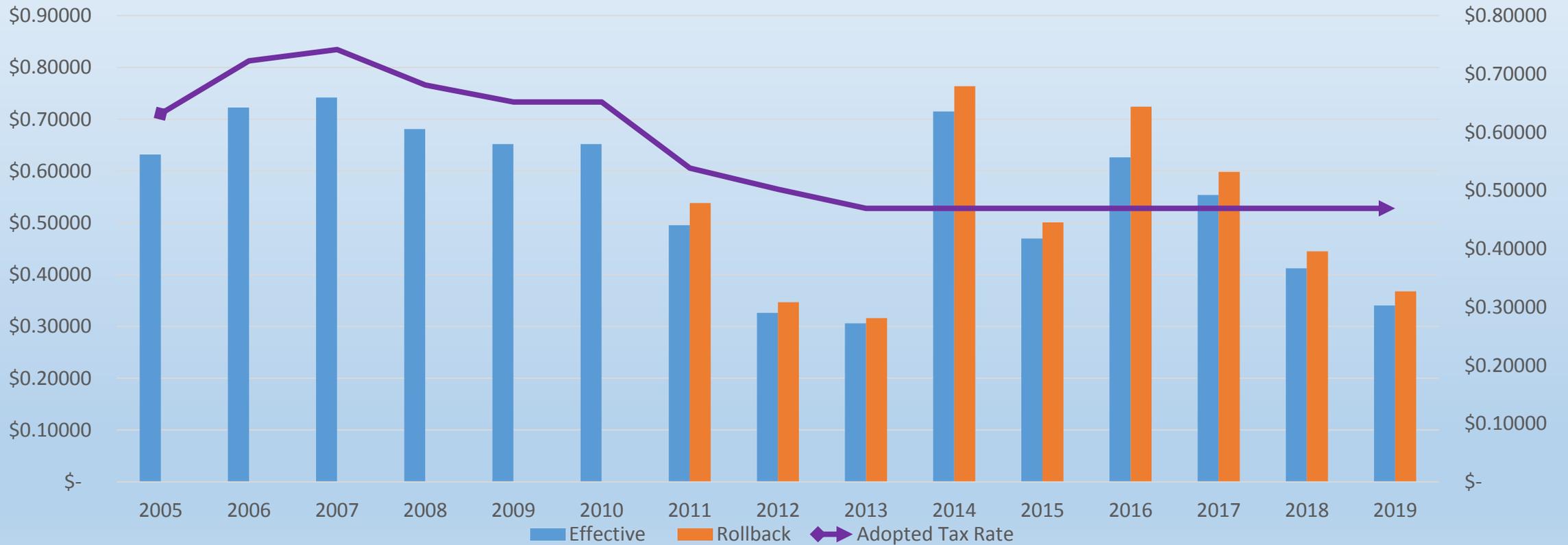


Including New Minerals along with New Improvements stabilizes the calculated tax rates (Line 21 of TNT Worksheet)

In 2013, county officials changed tax policy to stabilize the tax rate at .46937 per \$100



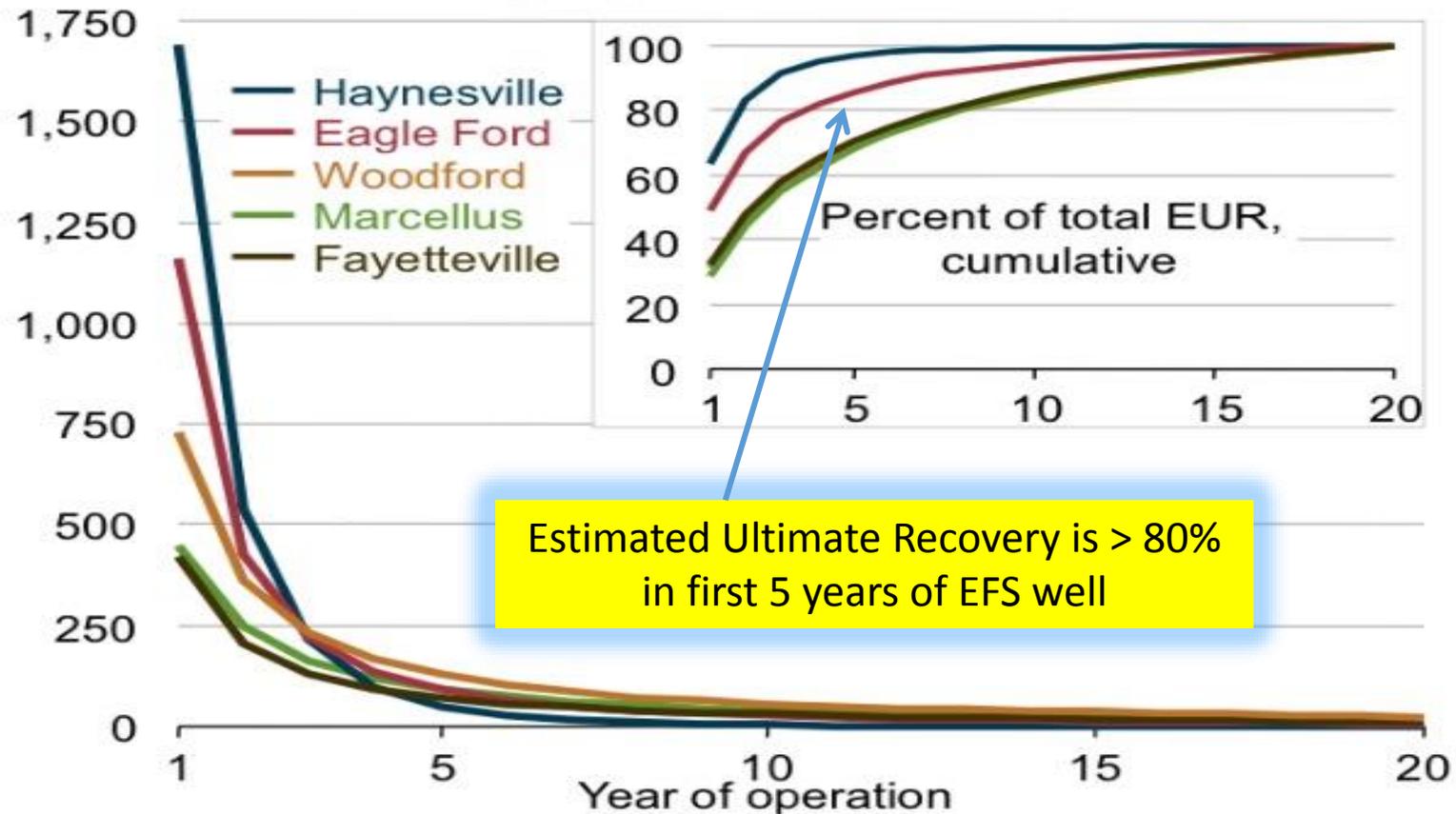
Including New Minerals with New Improvements on LINE 21 of the rate calculation worksheet stabilizes county, business, and family budgets



The Basis of Tax Policy:

Mineral values are predictable – they decline rapidly

Figure 54. Average production profiles for shale gas wells in major U.S. shale plays by years of operation (million cubic feet per year)



Estimated Ultimate Recovery is > 80%
in first 5 years of EFS well

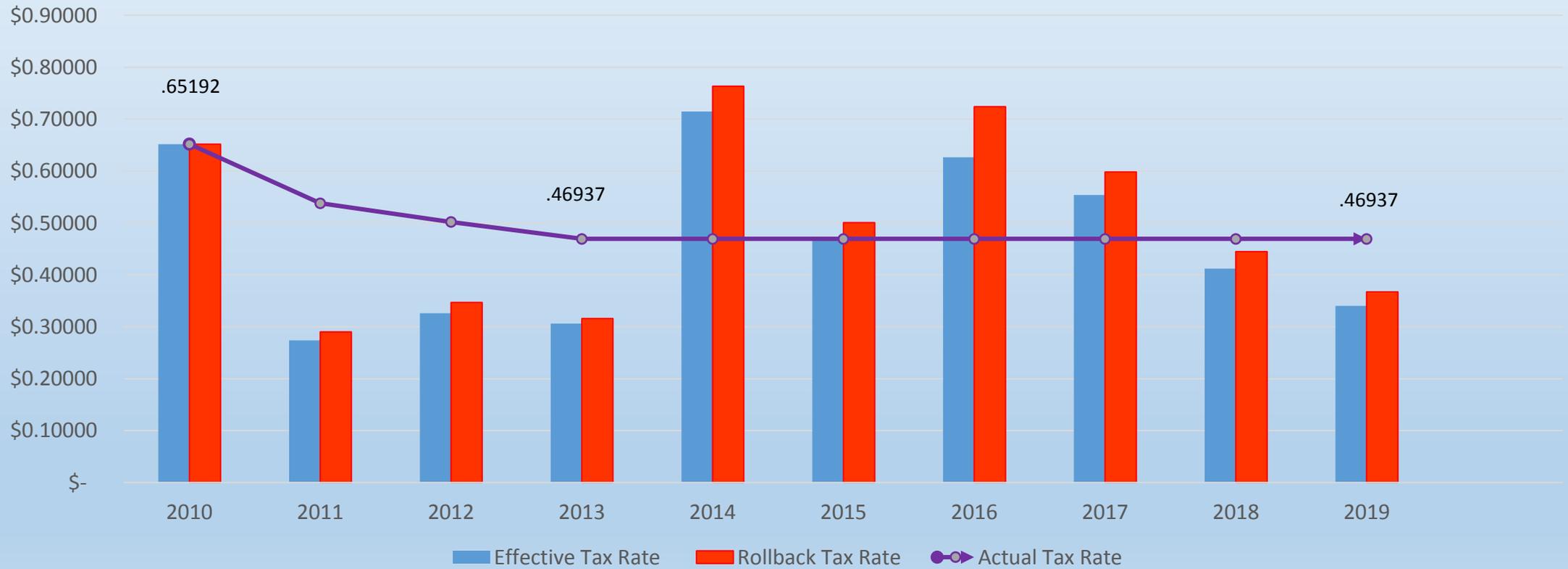
Proposed tax rate for 2019

- .46937 per \$100 of taxable value
- \$469.37 per \$100,000 of taxable property
- 2018 is the same tax rate adopted for six consecutive years
- This tax rate is less than the 1997 tax rate
- This tax rate is 28 percent less than the 2010 tax rate

Proposed Tax Rate for 2019

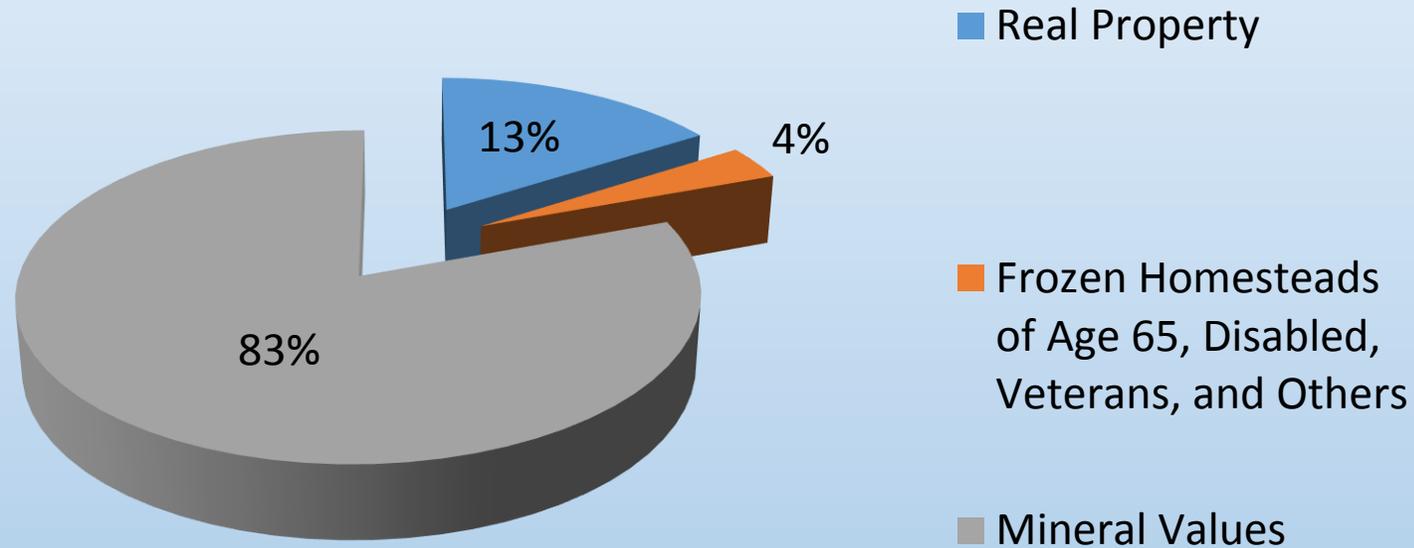
No change since 2013

Tax Rates per \$100 of appraised value during the Eagle Ford Shale Era



2019 Tax Levy distribution

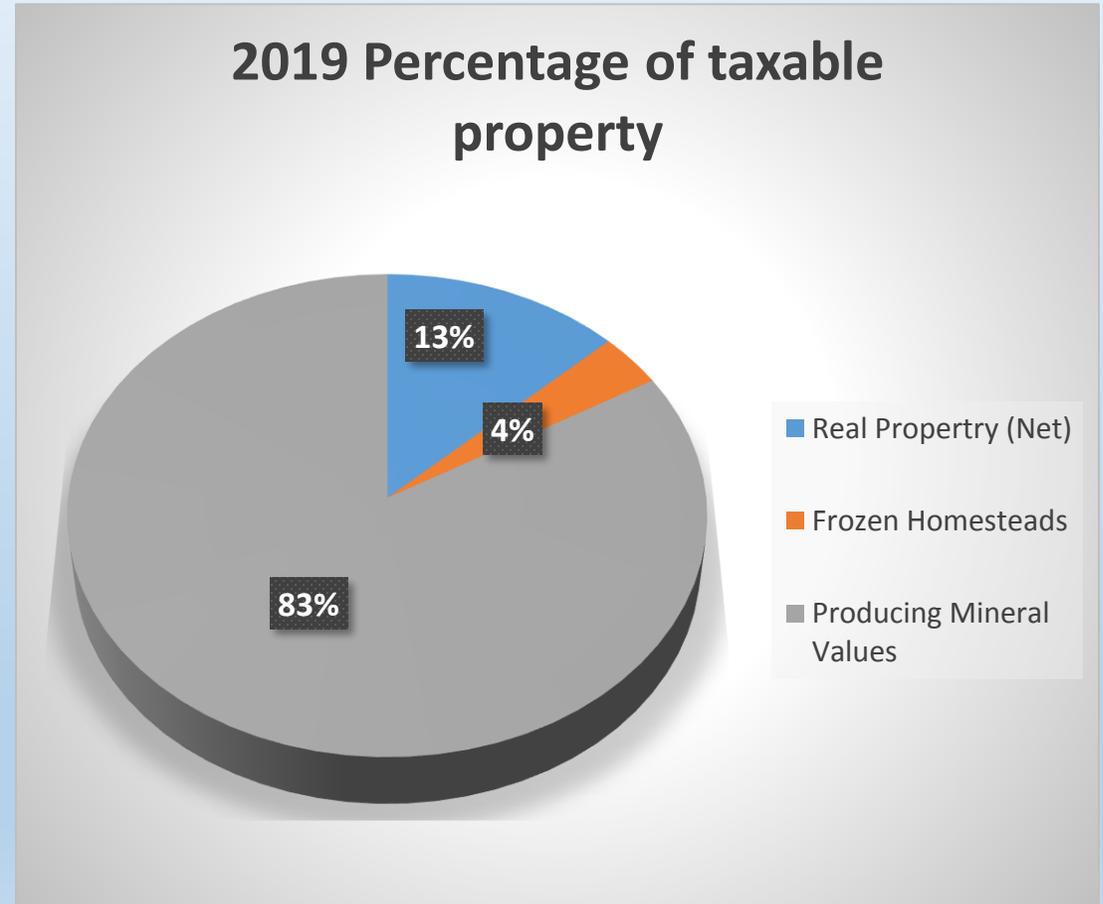
- \$83 of every \$100 will be collected from oil and gas interests based on 80:20 O&G Lease
- \$ 4 of every \$100 will be collected from the Over 65 and, Disabled Veteran/Widowed homesteads
- \$13 of every \$100 will be collected from all other Real Property



Frozen Homesteads of the Over 65 and Disabled, Veterans, Widows and others are provided by the Texas Constitution. Taxes are frozen even if tax rates increase. Improvements to the property may increase the appraised value and the tax levied on the property.

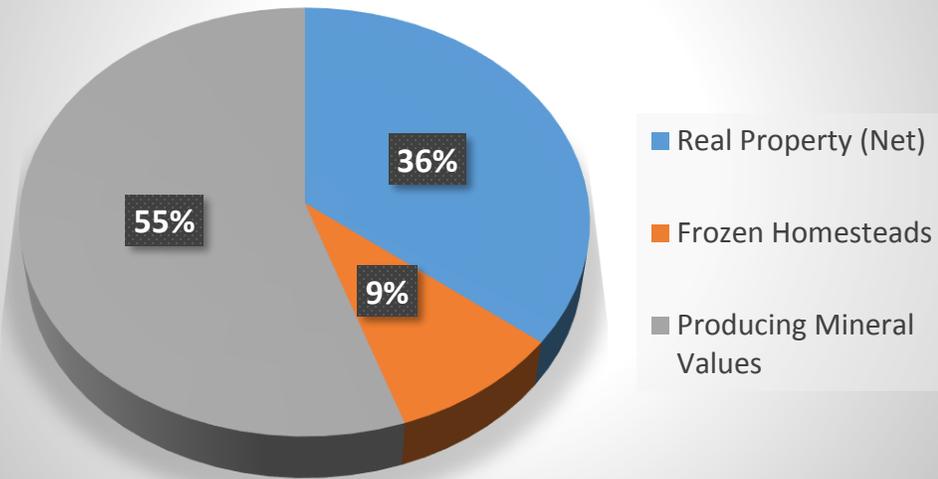
Tax levy per one cent of tax rate: \$639,385

- \$ 25,575 is levied upon classes of property owned by persons with frozen taxes (4%)
- \$ 83,120 is levied upon commercial and residential real property improvements (13%)
- \$530,690 is levied upon producing oil and gas reservoirs (83%)

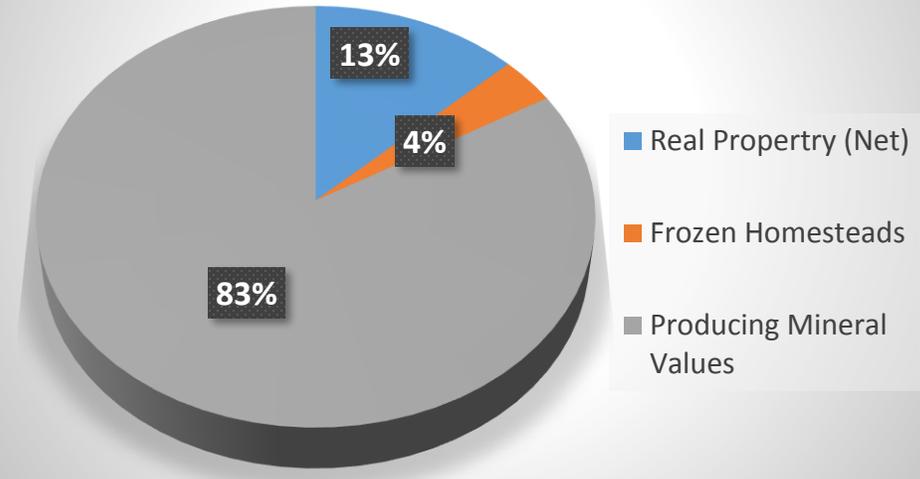


Tax Base Comparison: Eagle Ford Shale Era

2010 Percentage of taxable property



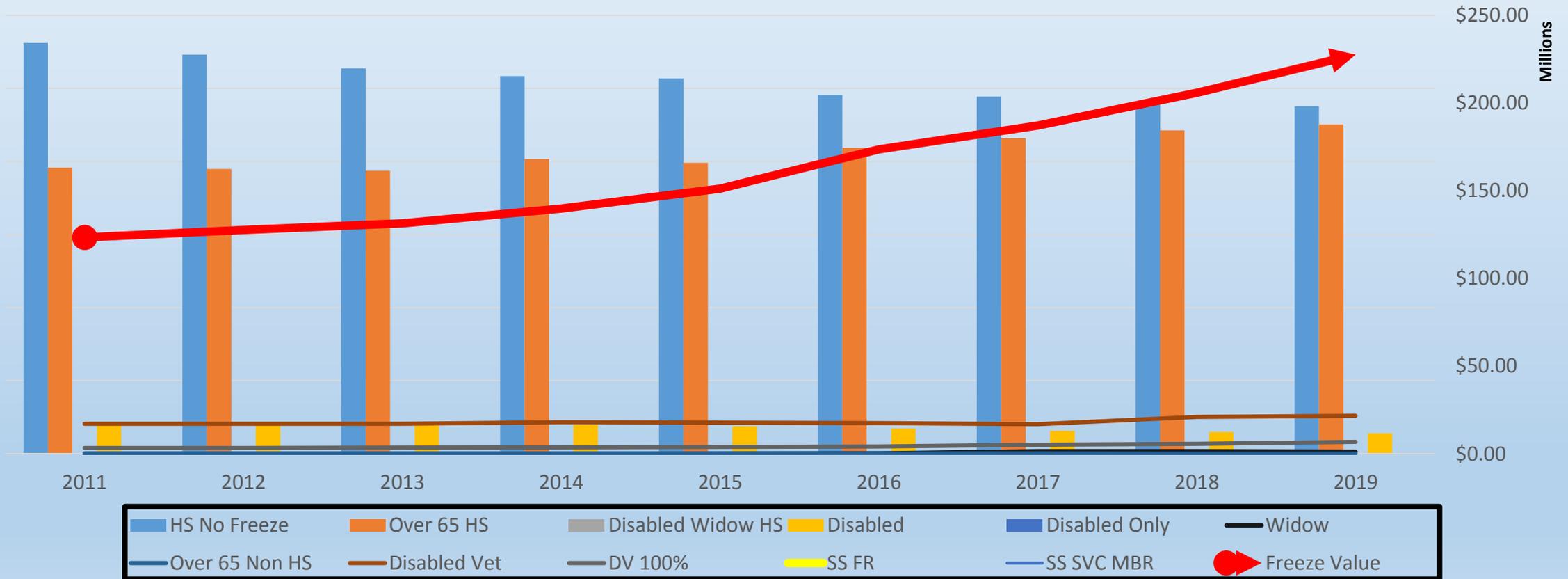
2019 Percentage of taxable property



- \$83 of every \$100 will be collected from oil and gas interests (80:20 O&G Lease)
- \$ 4 of every \$100 will be collected from the Over 65 and Disabled homesteads
- \$13 of every \$100 will be collected from all other Real Property

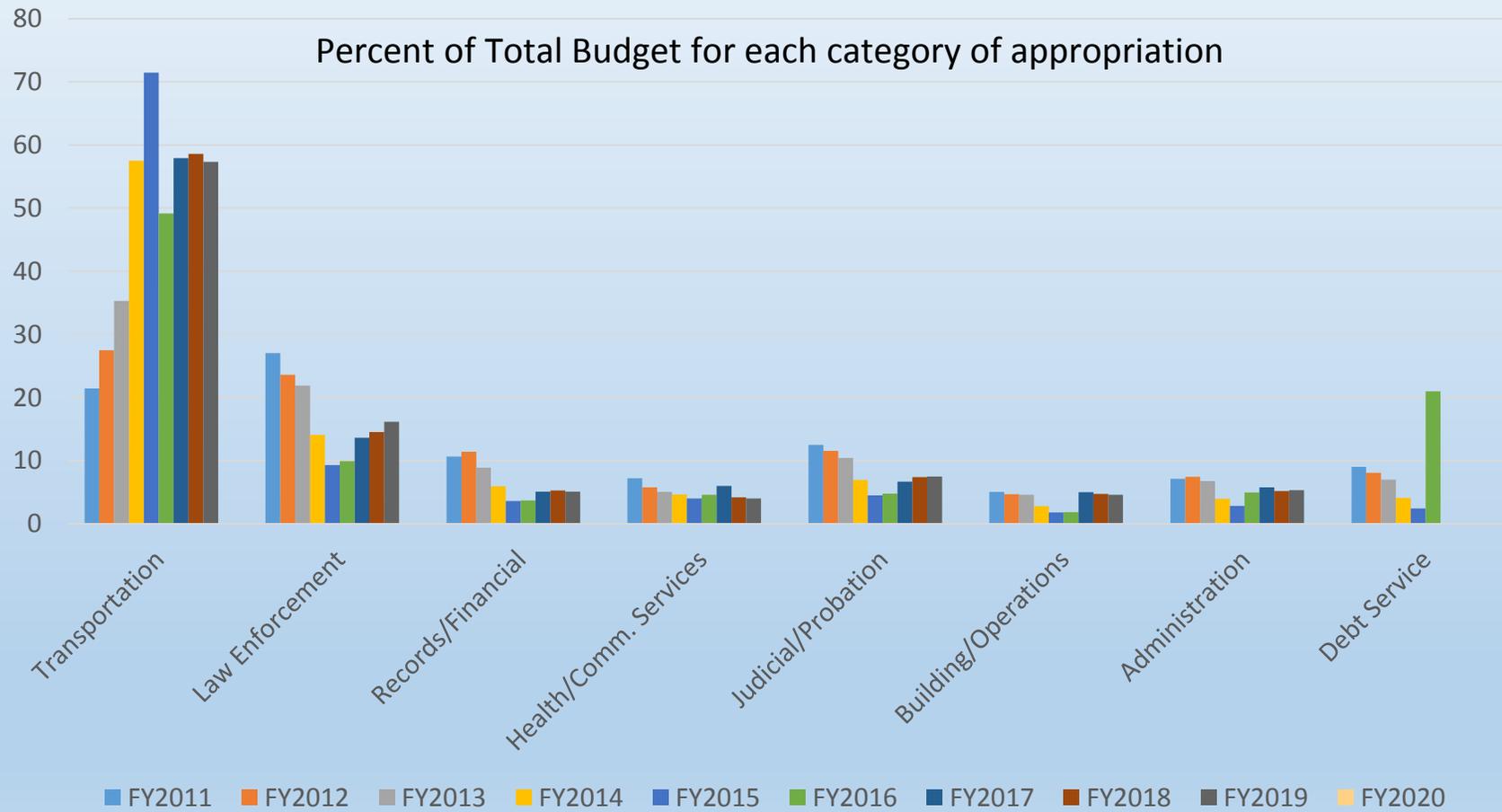
Growing trend: More individuals and groups qualify for a Homestead Tax Freeze

\$123,306,000 to \$227,573,453 in eight years



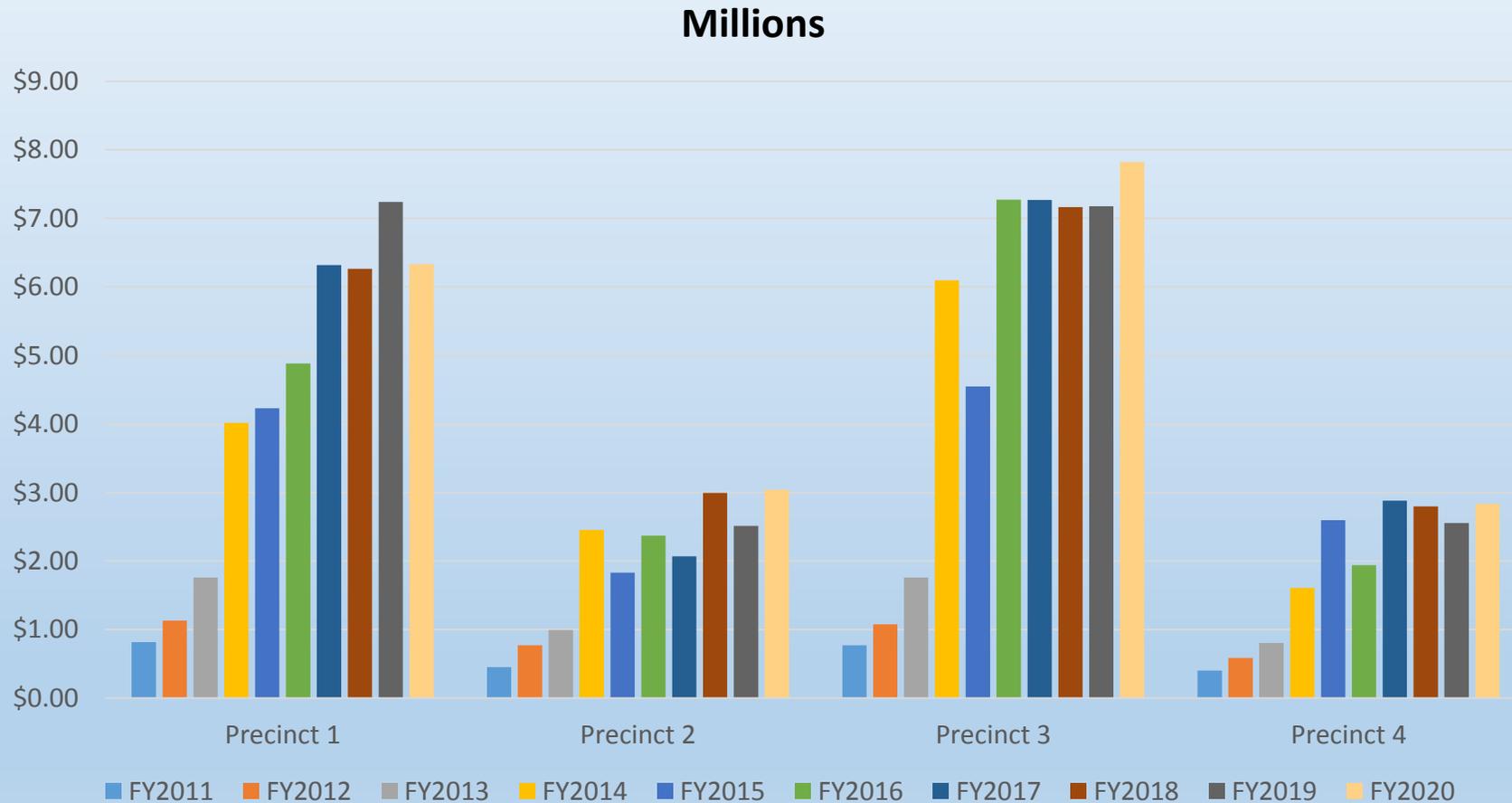
Drilling activity has impacted the Road and Bridge budget

incomplete data (FY2020 not included)



Drilling activity impacts Road and Bridge Budgets

– incomplete data



State vs. Local funding for Road & Bridge Repair

Eagle Ford Shale Era

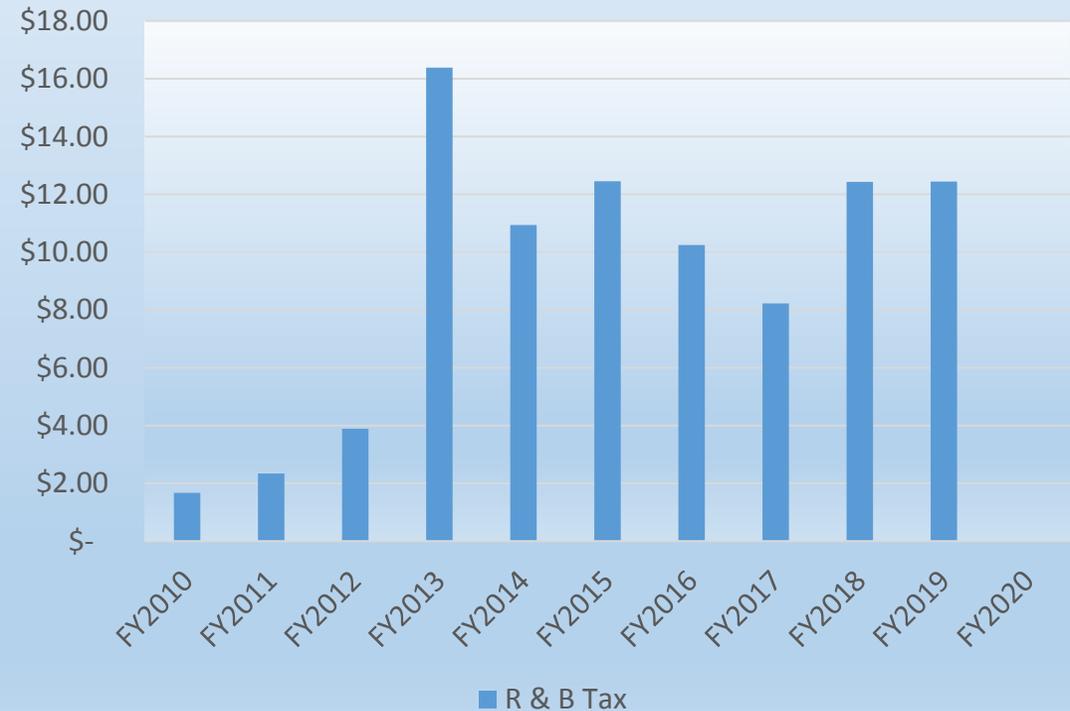
State Funds received = \$10,028,249

Local Property Tax budgeted = more than \$91 million

2014 TIF Grant \$4,957,914



Combined Road and Bridge Taxes (millions)



FY2020 Proposed Budget

Hearing scheduled for September 23, 2019 at 9:00 A.M. in the county courtroom

- 3 percent COLA
- Construction of emergency communication tower project commences
- Construction of new County Annex building commences
- Road reconstruction efforts continue in all four precincts

Important Dates to Remember

- Monday, September 16 at 9:00 A.M. – 2nd Public hearing on the tax rate
- Monday, September 23 at 9:00 A.M. – Public hearing on the budget
- October 1 is the first day of Fiscal Year 2020
- December 23 is the last day to file petitions seeking a tax rollback election