

Thinking



to meet
fiscal
challenges

The facts...

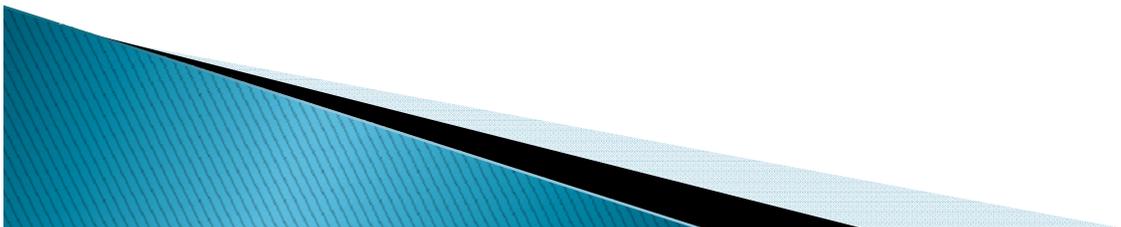
- Our governments are facing budget crises and we (GCAD) are part of the problem (*overestimated budget 8%, 11% and 15% over last three years*)
 - Consolidation provides for economy of scale (*HR, Purchasing, Accounting, IT*)
 - Property Tax Calendar provides overlapping but different efforts. Consolidation provides opportunities to better utilize (*and train*) staff (*taxes are taxes - we work with one another every day on the same accounts*)
 - All of the right people are in place to assist in making this work
- 

GCTO Recent Suggestions

Wait out recovery *Real estate market coming back, properties are being rebuilt, businesses are reopening*

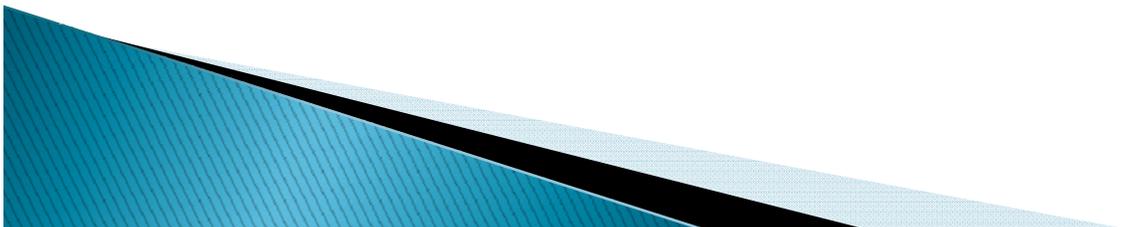
Reduce cost *Become more self sufficient, rely less on consultants, cut unnecessary expenses, limit travel, etc.*

Entertain new partnerships *Currently partnering with Justice Administration to collect unpaid fines, with other governments collecting taxes, software providers developing new systems and State agencies identifying possible partnerships on common efforts (arcade machine stickers)*



GCTO Ways to Reduce Cost

- \$ 4-day work week (*facility savings*)
- \$ Promote job sharing (*reduce benefit costs*)
- \$ Expand tax collection services
- \$ Expand partnerships to collect unpaid funds (*Take next step with scofflaw*)
- \$ Consolidate Santa Fe & Texas City branches (*Saves up to \$40,000/year*)
- \$ Consolidate GCAD & GCTO (\$1M in savings)**



Consolidate GCAD & GCTO

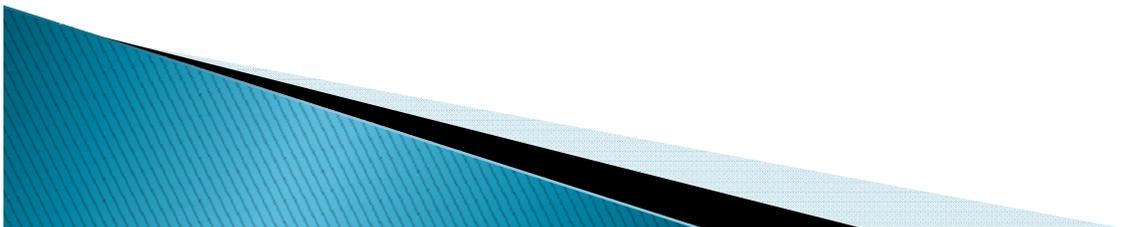


The TX Property Tax Code (*Section 6.05*) allows the CAD Board of Directors to contract with another appraisal district or a taxing unit to perform the duties of the appraisal office (*If a taxing unit performs these duties, the assessor for the unit is the chief appraiser*). It also provides for the board to hire a chief appraiser (*as GCAD has done*).

Section 6.26 allows commissioners (*with consent of the TAC*) to contract with another taxing unit or the appraisal district for assessment and collection services and other services (ETR, billing, etc.) can also be consolidated or ‘swapped out’.

In every case,
the Board retains its full authority over
the financial, appraisal and
administrative practices of the district
(and over the chief appraiser).

Thus, as much as things would
change....they would stay the same.



Going Back In Time...

Cities, schools and counties once appraised their own properties resulting in wide variances in value.

County Commissioners **were** the Board of Equalization (*now the ARB, hired by CAD Board*).

In 1980, voters approved an amendment to the Constitution that removed County Commissioners' Court authority to act as the Board of Equalization. It also required a **single** appraisal of all property.



Going Back In Time...

The ballot read:

*The Constitutional Amendment requiring
a single appraisal and
a single board of equalization within each county
for ad valorem tax purposes.”*

The House Study Group published a Special Legislative Report April 30, 1980 regarding the amendment. The tax assessor collector was not the problem!

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HOUSE STUDY GROUP • TEXAS HOUSE OF REPRESENTATIVES
Room 315-B, Capitol Building, Austin, Texas 78769

REP. JOHN BRYANT, Chairman

(512) 475-6011

HOUSE STUDY GROUP special legislative report

April 30, 1980

Number 57

Constitutional Amendments: 1980

The 66th Legislature proposed 12 amendments to the Texas Constitution. Three were submitted to the voters in November 1979. (See page 35 for the results of that election.) The remaining nine will be on the ballot November 4, 1980.

This report analyzes the nine amendments on this year's ballot. The Secretary of State has not yet conducted the drawing to decide the amendments' order on the ballot. Therefore, this report refers to the amendments only by their resolution number (e.g., HJR 54). When the amendments receive their ballot numbers, we will distribute a revised Table of Contents including that information.

Dan Brody

Dan Brody
Director

Constitutional Amendment Analysis HJR 98

erty tax appraisal

sections of the Constitution give counties the authority appraise property and collect property taxes. Article Section 14, gives the county assessor-collector the duty perform all the duties with respect to assessing property the purpose of taxation and of collecting taxes, as may prescribed by the Legislature." Article 8, Section 18, acts the County Commissioners' Court to act as a board equalization for county taxes.

originally proposed several years ago, Rep. Peveto's erty tax code would have put all property appraising in 1 county into a single, county-wide appraisal office. ver, a 1976 Attorney General's opinion said that Article Section 14, conflicted with this proposal. Therefore, property tax code enacted last year (SB 621) excluded ty taxes from most of its provisions. The code's new appraisal districts would be required to appraise property cities, school districts, and special districts. But ing the appraisal districts was optional for counties. f January 1980, 213 of the state's 254 counties had ided to join their appraisal districts.

resolution amends Article 8, Section 18, by removing County Commissioners' Courts authority to act as a board equalization, and by adding several new provisions. The language mandates a single appraisal of all property in a county, and a single board of equalization. The islatre is required to pass laws implementing these lates.

Property Tax Code passed last session will greatly simplify our tax system. However, the code was unable, because the constitutional language cited above, to cover county appraisals. This amendment is needed to bring counties to the new property tax system.

approving the Property Tax Code, the Legislature was firming its belief in a single appraisal for each piece property. But as the code is written, there will still be two appraisals in some counties: one by the county and by the appraisal district. That kind of duplication as no sense.

There is no reason to retain the County Commissioners' Court's authority to act as a board of equalization. Commissioners' courts have in the past used their equalization duties in a political way, rewarding their friends and punishing their enemies. Further, as long as their power granted by the Constitution, it will be impossible for Legislature to regulate their activities.

ue that this amendment would lead to higher They note correctly that county appraisals below city or school district appraisals of erties. If the counties switched to the higher taxes would soar unless the tax rate were slashed. the Legislature has already taken care of that Truth-in-Taxation law passed in 1978 makes automatics for changes in appraisal policies. If re-reatened to raise taxes, the truth-in-taxation require notice to be mailed to every taxpayer in the newspapers. County commissioners would it pressure to reduce the tax rate to compensate appraisals.

have voluntarily joined an appraisal district. ason to leave a few counties operating on their any state oversight.

property tax system has no justification except power to certain politicians. Survey after that people dislike the property tax because they fairly administered. The best way to make the s to reform the appraisal process. This amendment ant element of tax reform.

thing about county taxes is that they are generally nendment will do nothing but raise taxes. The ation law is so complicated that few tax assessors t. It is naive to assume that this law will pro- rising taxes.

unfair taxes. But the problem is how to make them s proposal may make the situation even worse.

f the present system is that local tax offices are to local residents. A county-wide tax office, domi- n representatives, will not understand conditions ts of the county.

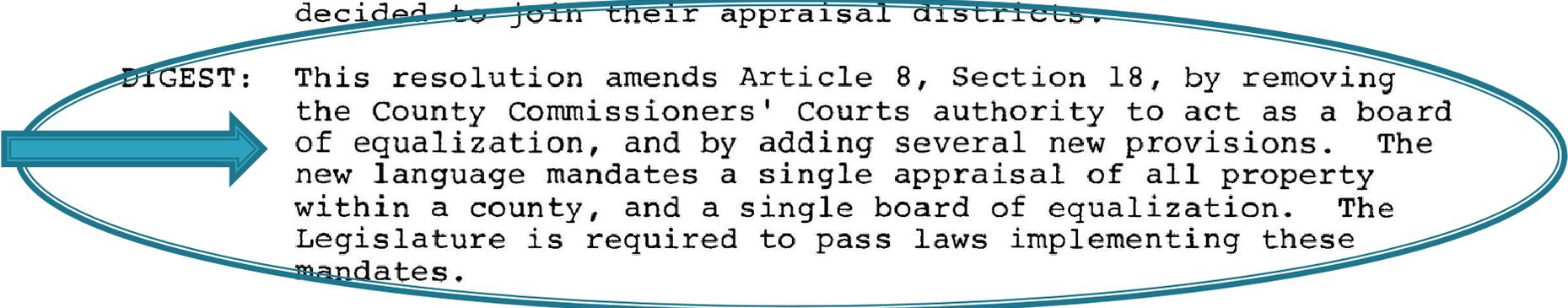
ment passes, many county tax offices will be abo- e others will be merged into the new appraisal dis- expertise of county tax officials will be lost. aisal system has some problems, but this proposal ve them. Let's keep the good parts of the current change the bad parts.

Property Tax Code, takes effect gradually over the a half years. The appraisal districts will not operation until January 1982. If this amendment y the voters, the 67th Legislature could amend Tax Code to give all the appraisal districts the values for county as well as city and school dis-

SUBJECT: Property tax appraisal

BACKGROUND: Two sections of the Constitution give counties the authority to appraise property and collect property taxes. Article 8, Section 14, gives the county assessor-collector the duty to "perform all the duties with respect to assessing property for the purpose of taxation and of collecting taxes, as may be prescribed by the Legislature." Article 8, Section 18, directs the County Commissioners' Court to act as a board of equalization for county taxes.

As originally proposed several years ago, Rep. Peveto's property tax code would have put all property appraising in each county into a single, county-wide appraisal office. However, a 1976 Attorney General's opinion said that Article 8, Section 14, conflicted with this proposal. Therefore, the property tax code enacted last year (SB 621) excluded county taxes from most of its provisions. The code's new appraisal districts would be required to appraise property for cities, school districts, and special districts. But joining the appraisal districts was optional for counties. As of January 1980, 213 of the state's 254 counties had decided to join their appraisal districts.



DIGEST: This resolution amends Article 8, Section 18, by removing the County Commissioners' Courts authority to act as a board of equalization, and by adding several new provisions. The new language mandates a single appraisal of all property within a county, and a single board of equalization. The Legislature is required to pass laws implementing these mandates.

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PRO: The Property Tax Code passed last session will greatly simplify our tax system. However, the code was unable, because of the constitutional language cited above, to cover county tax appraisals. This amendment is needed to bring counties into the new property tax system.

In approving the Property Tax Code, the Legislature was affirming its belief in a single appraisal for each piece of property. But as the code is written, there will still be two appraisals in some counties: one by the county and one by the appraisal district. That kind of duplication makes no sense.

There is no reason to retain the County Commissioners' Court's authority to act as a board of equalization. Commissioners' courts have in the past used their equalization duties in a political way, rewarding their friends and punishing their enemies. Further, as long as their power is granted by the Constitution, it will be impossible for the Legislature to regulate their activities.

This is not a new idea...

Appraisal, assessment and collections are being performed a variety of ways throughout the State. All are reported on and audited by the Comptroller, regardless who does the work.

105 CADs perform all functions

119 CADs appraise and assess (ETR)

13 TACs perform both functions (14 before

Buddy Winn retired in 2008—he served
in both capacities for 26 years
successfully.



Consolidation Saves Money Other Ways

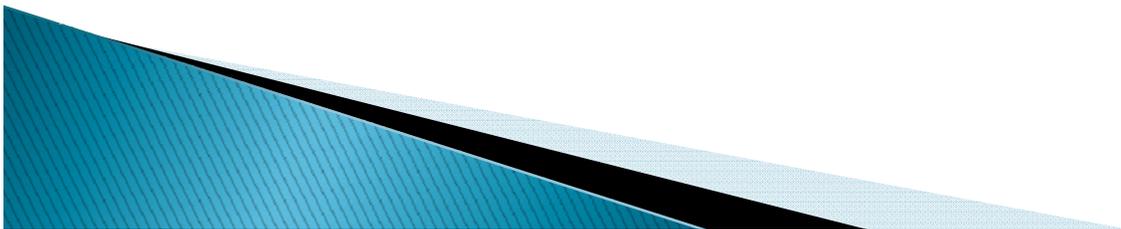
All 13 cities, 5 of 9* school districts, both junior college districts, and 10 of 39 special purpose districts utilize GCTO to assess and collect property taxes.

Consolidation of assessment and collection functions has been found to be mutually beneficial and cost effective resulting in greater government efficiency.



This Consolidation Proposal Saves Money 2 Ways

- Better utilization of staff (*over time reduce 8 positions between both offices*)
- Financial



For example...

Note: Current duties of GCAD Accountant

TITLE:

Accountant

REPORTS TO:

Chief Appraiser

GENERAL DESCRIPTION:

Under the direct supervision of the Chief Appraiser, performs or directs all accounting functions, including maintaining the general ledger, human resources, payroll, accounts payable and accounts receivable.

MAJOR DUTIES:

1. Responsible for the financial, administrative, personnel operations of the District including payroll.
2. Prepares the annual operations budget.
3. Prepares financial reports, including statement of the district's financial position and asset valuation.
4. Maintains a documented system of internal accounting, purchasing and cash management control, policies and procedures.
5. Ensures compliance with all GAAP and requirements of the Texas Property Tax Code.
6. Responsible for updating and maintaining the investment and finance policies of the district.
7. Supervises Taxpayer Information Services department along with the Filing Systems department.
8. Coordinates the annual outside audit.
9. Oversees building maintenance and improvements.
10. Specifies, monitors, and controls employee benefit programs, property and casualty insurance programs, office purchases, and fixed asset purchases.
11. Handles all bids requiring Board of Directors' approval; handles all outside services and vendors.

EDUCATION AND EXPERIENCES:

College degree in Business, Finance, Management, or Accounting, or equivalent in management experience. Ten years experience in financial management. Extensive data processing and accounting experience required.

1. Responsible for the financial, administrative, personnel operations of the District including payroll.

2. Prepares the annual operations budget.

This is only ONE example of how staff will be better utilized in a consolidated office.

3. Prepares financial reports, including statement of the district's financial position and asset valuation.

4. Maintains a documented system of internal accounting, purchasing and cash management control, policies and procedures.

5. Ensures compliance with all GAAP and requirements of the Texas Property Tax Code.

6. Responsible for updating and maintaining the investment and finance policies of the district.

7. Supervises Taxpayer Information Services department along with the Filing Systems department.

8. Coordinates the annual outside audit.

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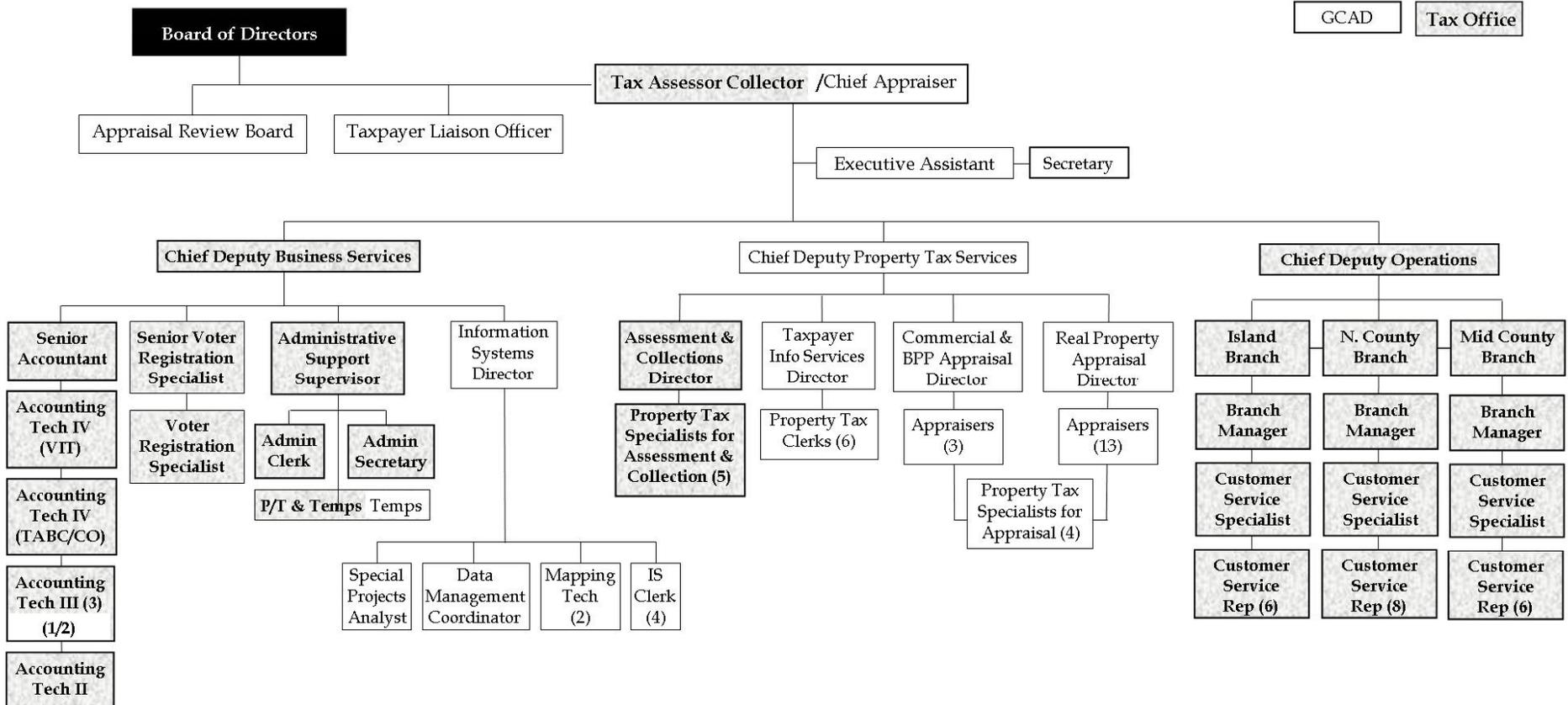
Circled duties not necessary by GCAD staff when consolidated with GCTO!

10. Specifies, monitors, and controls employee benefit programs, property and casualty insurance programs, office purchases, and fixed asset purchases.

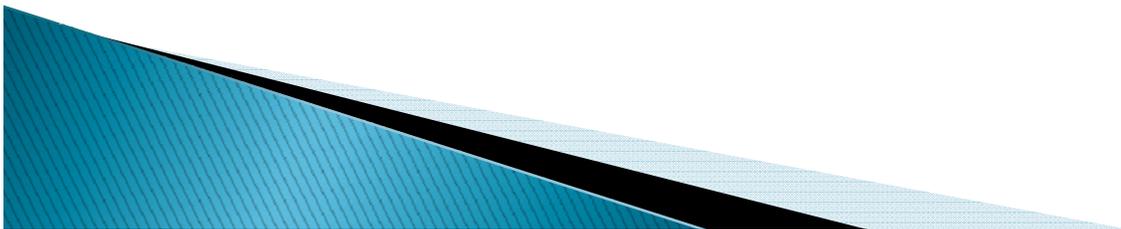
11. Handles all bids requiring Board of Directors' approval; handles all outside services and vendors.

Proposed Future Structure *(see Personnel Tab)*

GCAD Tax Office



Financial Savings



2011 Budgets GCAD vs. GCTO & GCTO 2012 Optimum

Only items adjusted included

	GCAD 2011 Approved	GCTO 2011 Estimates	Est. Optimum (2012)
Salaries (<i>including P/T and Taxpayer Liaison</i>)	1,984,727	1,794,469	1,742,964
Chief Appraiser Expenses	1,500	0	0
Benefit Costs	1,152,863	684,952	679,191
Dues/Books/Subscriptions	16,000	12,800	8,000
Education/Registration	6,500	9,000	9,000
Travel/ Auto Allowance	100,000	75,000	75,000
Forms/Printing	40,000	28,000	28,000
Legal News Notices	15,000	7,500	7,500
Telephone/ Communications	65,000	42,250	42,250
General Office	26,500	11,925	11,925
Mapping Services	31,000	21,700	21,700
Computer Supplies	50,000	35,000	35,000
Maintenance/Equipment	60,000	42,000	42,000
Office Space/Lease (<i>New lease 21,175 sf x \$0.67/SF/Mo or \$170,250/year</i>)	295,000	170,250	154,250
Capital Outlay Note 1	100,000	25,000	25,000
Legal Fees	<u>200,000</u>	<u>82,000</u>	<u>82,000</u>
Total Savings (<i>all not shown here</i>)	\$4,796,840	\$3,625,096	\$3,409,580
Anticipated Savings First Year		\$1,171,744	\$1,387,260
Annual Savings Compared to Current Budget		24.4%	28.9%

Areas With Most Savings Potential

Expense Item	GCAD 2011	GCTO 2011	Savings	%
Salaries (<i>including Tax. Lias. & P/T</i>)	\$1,984,727	\$1,794,469	\$190,258	10%
Benefits	1,152,863	682,420	470,443	41%
Technology, Equipment, etc.	128,500	84,250	44,250	35%
Capital Outlay	100,000	25,000	75,000	75%
Office Space/Lease	295,000	170,250	124,750	42%
Legal Fees	<u>200,000</u>	<u>82,000</u>	<u>118,000</u>	59%
	\$3,861,090	\$2,838,389	\$1,022,701	
Total % Savings These Items				26%



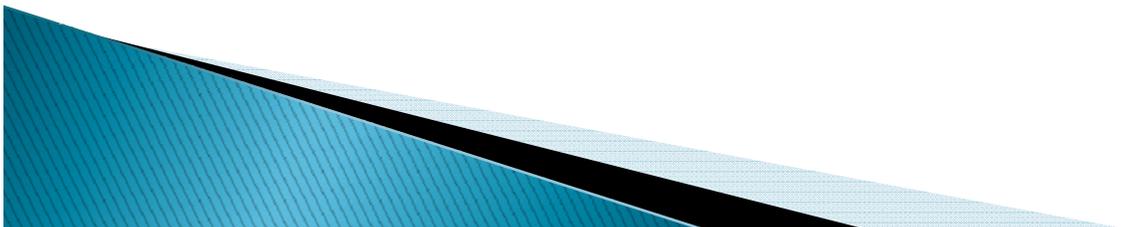
Entity Allocations* 2011 Current vs Partnership Plan

Entities	2009 Levy %	2011 Based on GCAD Budget	2011 Based on GCTO Budget	Potential Savings Under Partnership	Savings as %
Galveston County	21.9502%	\$1,048,306	\$797,033	\$251,274	24.4%
Galveston Co Road & Flood	0.4037%	19,280	14,659	4,621	24.0%
Galveston ISD	8.5974%	410,598	312,180	98,418	24.0%
Dickinson ISD	6.4559%	308,323	234,420	73,904	24.0%
Friendswood ISD	5.0233%	239,905	182,401	57,504	24.0%
High Island ISD	0.1097%	5,239	3,983	1,256	24.0%
Hitchcock ISD	1.3182%	62,955	47,865	15,090	24.0%
La Marque ISD	3.1860%	152,158	115,687	36,472	24.0%
Clear Creek ISD	12.1402%	579,797	440,823	138,974	24.0%
Santa Fe ISD	2.2733%	108,568	82,323	26,245	24.0%
Texas City ISD	9.2651%	468,250	362,188	106,062	24.0%
City of Galveston	0.5759%	27,504	20,911	6,593	24.0%
City of Texas City	0.2596%	12,398	9,426	2,972	24.0%
City of League City	0.1204%	5,750	4,372	1,378	24.0%
City of Hitchcock	0.5762%	27,518	20,922	6,596	24.0%
City of Friendswood	2.4650%	117,724	89,507	28,218	24.0%
City of Kemah	0.1172%	5,597	4,256	1,342	24.0%
City of League City	6.0218%	287,592	218,657	68,934	24.0%
City of Clear Lake Shores	0.0000%	0	0	0	0.0%
City of Santa Fe	0.2891%	13,807	10,497	3,309	24.0%
Village of Tiki Island	0.1063%	5,077	3,860	1,217	24.0%
City of Bayou Vista	0.0935%	4,465	3,395	1,070	24.0%
Galveston College	1.4858%	70,959	53,951	17,009	24.0%
College of the Mainland	3.7326%	178,263	135,534	42,729	24.0%
Remaining Entities Totals	<u>5.5599%</u>	<u>265,532</u>	<u>201,885</u>	<u>63,647</u>	<u>24.0%</u>
	100.0000%	\$4,775,840	\$3,631,096	\$1,144,744	599.7%

24% savings for entities

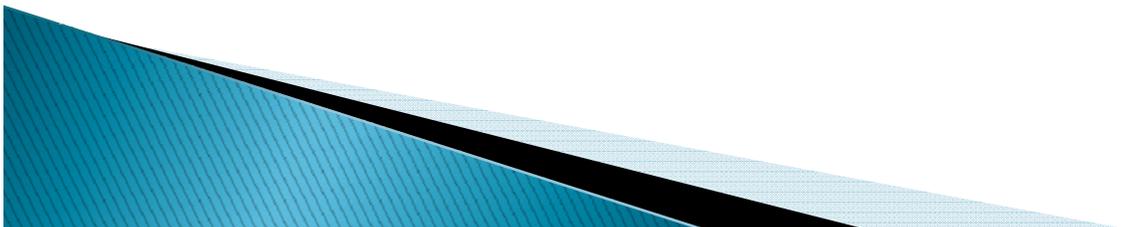
Preliminary Project Plan

- ▶ **Determine optimum implementation**
Now with chief as consultant? At move into Mid-County Annex? Decision should insure smooth transition
- ▶ **Obtain all necessary approvals from Board**
- ▶ **Complete construction of facility; plan for minor plan changes**
- ▶ **GCAD relocates to Mid County Annex and begins 2012 appraisal**
- ▶ **GCTO relocates to Mid County Annex for 2011 tax season**



Policy & Other Decisions to Consider

- ▶ Change Fiscal Year to coincide with County?
- ▶ Staggered terms for Directors?
- ▶ Increase size of Board?
- ▶ Increase involvement of entities in budget process by establishing a budget review committee
- ▶ Develop Equipment Replacement Plan
- ▶ Establish policy regarding Reserve Fund
- ▶ Conduct review of staffing for consistency and equity



Rumors are Rampant

RUMOR#1 This is not legal

➤ Section 6.05(b) of the Texas Property Tax Code allows

RUMOR#2 This is a political power grab with the fox in the henhouse

➤ *This is work not a power grab and is the result of 16 years of experience and efforts. The board maintains authority over the chief appraiser, budget, policy and appraisal practices and the fox in the henhouse is the current board, appointed by the governments and insulated from the people*

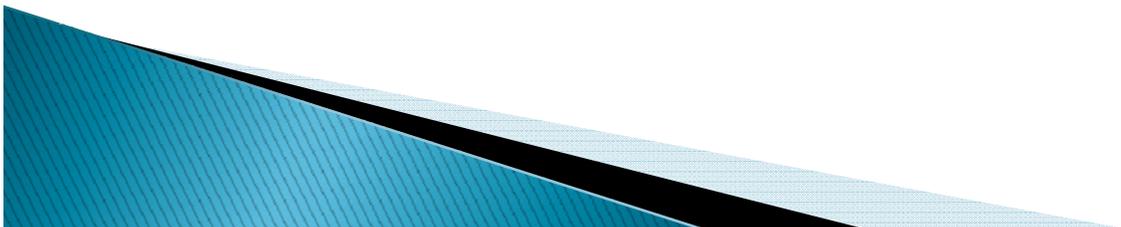


Rumors are Rampant

RUMOR#3 We will return to the 70's with rampant favoritism and corruption

➤ Tax collections are better than ever and no one is receiving illegal tax benefits.

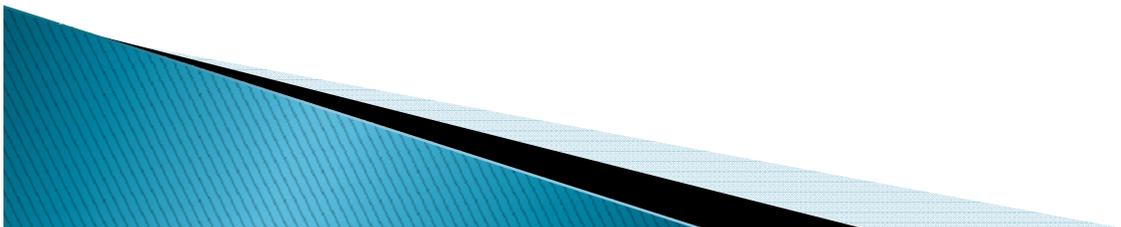
➤ If you trust the tax assessor collector to handle \$1/2B every year, why would you not trust her to oversee the valuing of property?



Rumors are Rampant

RUMOR#4 Market value will not be achieved and schools will lose State funding

- By law, the budget, policies and appraisal practices continue to be established by the Board, the Comptroller performs the MAP Review and ratio study AND Section 41.03 of the Tax Code provides for challenges in value by taxing units. These are processes that provide oversight .



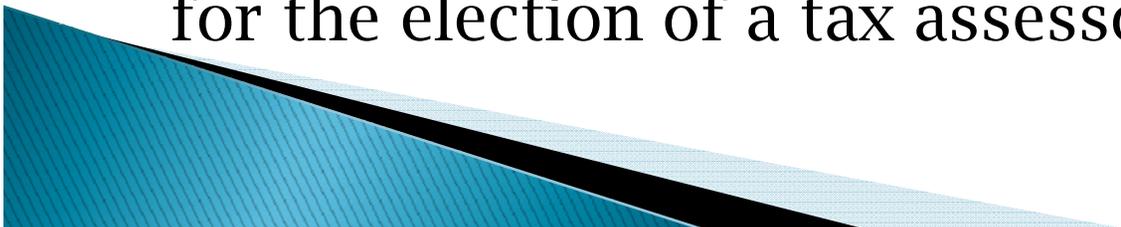
Rumors are Rampant

RUMOR#5 It won't work under different leadership

- We have developed nearly 300 policies & procedures in GCTO that provide clear direction to staff. A structure must be developed that can continue without a single point of failure.

RUMOR#6 You cannot go back

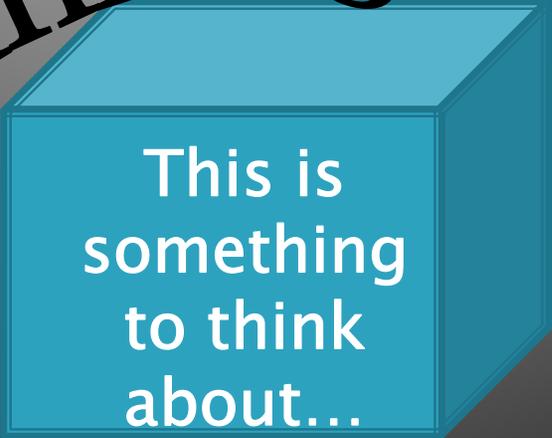
- The contract agreement should have a term. I suggest every four years after an election cycle the provides for the election of a tax assessor collector.



**Together we can accomplish
more for less.**

**Meeting fiscal challenges requires
teamwork, communication, and...**

thinking



**This is
something
to think
about...**