SPECIAL MEETING

AGENDA

CITY OF FREDERICKSBURG CITY COUNCIL
MONDAY, DECEMBER 30, 2013
NOON

CITY HALL, 126 W. MAIN ST.

1. Call to order.
2. Discuss Property Tax Collections Options.
3. Consider Performance Evaluation for City Manager.

EXECUTIVE SESSION

Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), 551.086 (Public Power Utilities), and 551.087 (Economic Development).

4. Executive Session - Personnel - Performance Evaluation for City Manager.

ADJOURNMENT

CITY COUNCIL MEMO

DATE: December 30, 2013

TO: Mayor and City Council

FROM: Kent Myers, City Manager

SUBJECT: Property Tax Collection Options

Summary:

A report on the current status of our property tax collections by the Gillespie County Tax Collector and future options for tax collection services will be discussed at Monday's special City Council meeting.

Recommendation:

It is recommended that the City Council consider this report and provide City staff direction on how to proceed with one or more of the options discussed at the meeting.

Background / Analysis:

Over the past several months, City staff have been involved in several meetings with other local taxing entities to discuss continued concerns with the services provided by the Gillespie County Tax Collector. The accurate and consistent collection of local property taxes is a very important function as we all rely on these revenues to support our basic services. Over the past several months problems with accurate reporting, reconcilation of bank accounts, timely payments of taxes to taxing entities

and other problems have resulted in the City and local school districts taking a serious look at our options for tax collections. At Monday's meeting we will present additional information on the current problems in the tax office and options for addressing these problems.

A number of taxing jurisdictions in Texas are currently contracting with their local appraisal districts for collection of these taxes. In our case, we have a very professsional and efficient Appraisal District and they would be interested in providing these services if local entities wanted to pursue this option. I have attached a copy of a recent proposal made by our appraisal district for your review prior to the meeting. One of the biggest challenges with regard to the Appraisal District providing these services is that they would have to secure another buidling. There are several alternatives for such a building which will be presented and discussed at Monday's meeting.

Following this discussion, we will be seeking Council direction on how you would like staff to proceed with exploring options for tax collection services.

The City of Fredericksburg

126 W. Main St. • Fredericksburg, Texas 78624-3708 • (830) 997-7521 • Fax (830) 997-1861

Gillespie Central Appraisal District
Feasibility Study on Collections

December 17, 2013

Prepared by:
David D. Oehler, RPA
Chief Appraiser

Request:

This report was requested by Dr. Marc Williamson, as Superintendent of the Fredericksburg Independent School District, at a regular meeting of the Gillespie Central Appraisal District Board of Directors on December 5, 2013. Representatives of the Harper ISD, the City of Fredericksburg and Gillespie County were in attendance. Dr. Williamson made a presentation to the Board regarding the possibility of Gillespie CAD contracting the collection of property taxes. The Gillespie CAD Board took action expressing approval of the concept and ordered the chief appraiser to prepare a feasibility study.

Purpose:

The purpose of this report is to analyze the feasibility of the Gillespie Central Appraisal District to contract with the taxing units to collect property taxes.

About the Report:

This report is prepared to inform the reader as to the duties of the appraisal district and tax collector, the licensing and education requirements, the differences in accountability, the legality of contracting collections, budgetary requirements, current costs, and potential funding mechanisms.

Texas Property Tax System:

The Texas Property Tax System comprises of four stages; valuation of taxable property, the appeals process, the setting of tax rates, and collection of the taxes.

Four Stages of Property Tax

Valuation of Taxable Property - *Duty of the Appraisal District*

*Involves the physical appraisal of approximately 33,000 properties located in Gillespie County with a market value of $6.8 billion dollars.
*Administers all property tax exemptions, including ag valuation, disabled veteran's, residential homesteads, charitable and religious exemptions.
*Sends taxpayers Notices of Appraised Value.
*Defends the appraised values in litigation and arbitration.
*Annually prepares and certifies the Appraisal Roll.
*Determines rollbacks on agricultural land that has changed use.
*Prepares supplemental changes to the Appraisal Roll

The Appeals Process – *Duty of the Appraisal Review Board*

*Appointed by the Appraisal District Board of Directors.
*Funded through the Appraisal District Budget.
*Administrated by the Appraisal District staff.
*Conduct hearings on protests regarding decisions of the Appraisal District.

Setting of Tax Rates – *Duty of the Taxing Units*

Collection of Taxes - *Duty of the Assessor/Collector*

*Calculates the Tax Roll, based on the appraisal roll and tax rates.
*Prepares and mails tax statements.
*Calculates rollback taxes on agricultural land that has changed use.
*Collects taxes.
*Prepares and sends changed tax bill due to supplemental changes.

Licensing and Education

Property tax professionals are licensed and overseen by the Texas Department of Licensing and Regulation. The TDLR administers three license paths.

Registered Professional Appraiser (RPA) – Certified Class IV Appraiser
Registered Texas Collector (RTC) – Certified Class III Collector
Registered Texas Assessor/Collector (RTA) – Certified Class IV Assessor/Collector

Persons Required to Register

(a) Those required to register are:

(1) the chief appraiser of an appraisal district, an appraisal supervisor or assistant, a property tax appraiser, an appraisal engineer, and any other person authorized to render judgment on, recommend, or certify an appraised value to the appraisal review board of an appraisal district;

(2) a person who engages in appraisal of property for ad valorem tax purposes for an appraisal district or a taxing unit;

(3) an assessor-collector, a collector, or another person designated by a governing body as the chief administrator of the taxing unit's assessment functions, collection functions, or both; and

(4) a person who performs assessment or collection functions for a taxing unit and is required to register by the chief administrator of the unit's tax office.

Registered Professional Appraiser Requirements

To qualify for an RPA, the applicant must have a minimum of three years of experience and education, including 167 hours of specified education and successfully complete two comprehensive exams.

Continuing education requirements include 30 specific hours within 24 months of renewal.

Registered Texas Collector Requirements

To qualify for an RTC, the applicant must have a minimum of two years' experience and 92 hours of specific education and successfully pass a comprehensive exam.

Continuing education requirements include 10 specific hours within 24 months of renewal.

Registered Texas Assessor/Collector Requirements

To qualify for an RTA, the applicant must have 104 hours of specific education and have minimum of three years' experience. Continuing education requirements include 30 specific hours within 24 months of renewal.

Legislative Changes

The 83rd Texas Legislature changed the Occupations Code in Section 1151.003 so that rules applying to Property Tax Professionals do not apply to a county assessor-collector or her staff. This also dismisses any administrative or disciplinary hearings pending on the effective date. The only requirement is for the county tax assessor (not staff) to have 20 hours of continuing education annually.

With this change the elected County Tax/Assessor is no longer subject to registration, certification, continuing education or enforcement, other than legal remedies for fraud or abuse of office. This is in contrast to an individual taxing unit doing its own collections or an appraisal district contracting collection services. The units or districts must be licensed and overseen by the Texas Department of Licensing and Regulation (TDLR). TDLR has the ability issue disciplinary actions against registrants, including financial fines/penalties and/or removal of license.

Accountability

Below is a comparison of accountability between the County Tax Assessor/Collector's office and the Appraisal District.

Appraisal District	**County Tax Assessor/Collector**
Licensed by TDLR	Not Licensed by TDLR or other body
Certification guidelines set by TDLR	No Certification guidelines
Continuing Education set by TDLR	Continuing education of 20 hrs/year
Collections employees must be registered	Employees are not registered
Collections employees must meet CEUs	Employees have no CEU requirement
Chief Appraiser hired by elected Board of Directors	Elected every 4 years
Chief Appraiser can be fired at will of Board	Must wait for election
Budget approved by taxing units	Budget approved by commissioner's court
Methods and Procedure Audit by Comptroller	No oversight
Annual Financial Audit by outside firm	County Auditor may audit

Authorization

The Texas Property Tax Code, Section 6.24 gives the appraisal district the authority to contract with taxing units to assess and collect taxes. The following is an excerpt of the Property Tax Code 6.240

Sec. 6.24. CONTRACTS FOR ASSESSMENT AND COLLECTION.

(a) The governing body of a taxing unit other than a county may contract as provided by the Interlocal Cooperation Act with the governing body of another unit or with the board of directors of an appraisal district for the other unit or the district to perform duties relating to the assessment or collection of taxes.

(b) The commissioners court with the approval of the county assessor-collector may contract as provided by the Interlocal Cooperation Act with the governing body of another taxing unit in the county or with the board of directors of the appraisal district for the other unit or the district to perform duties relating to the assessment or collection of taxes for the county. If a county contracts to have its taxes assessed and collected by another taxing unit or by the appraisal district, except as provided by Subsection (c), the contract shall require the other unit or the district to assess and collect all taxes the county is required to assess and collect.

(c) A contract entered into under Subsection (b) may exclude from the taxes the other unit or the district is required to assess and collect taxes the county is required to assess and collect under one or more of the following provisions:

(1) Section 23.121;

(2) Section 23.122;

(3) Section 23.124;

(4) Section 23.1241;

(5) Section 23.1242;

(6) Section 23.125;

(7) Section 23.127; or

(8) Section 23.128.

(d) A contract under this section may provide for the entity that collects taxes to contract with an attorney, as provided by Section 6.30 of this code, for collection of delinquent taxes.

This provides that cities, schools and special districts can contract with the appraisal district for collection of property taxes through an interlocal agreement with the consent of the school board, city council or other governing board. The county can contract with the appraisal district only with the approval of the county tax assessor and commissioner's court.

Current Collection's Budget

Gillespie County
Adopted Budget
For the Fiscal Year 2013-14
Expenditures
Tax Assessor-Collector - Department Number 493

Account Number	Account Description	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Adopted	FY 2012-13 Amended as of 8/31/13	FY 2013-14 Adopted
4100	Salaries & Wages					
	Elected Official	$ 53,869	$ 53,869	$ 55,485	$ 55,485	$ 56,872
	State Supplement	-	-	-	-	-
	Hourly Employees	190,528	192,311	203,400	203,400	204,800
4200	Social Security	13,660	13,566	16,050	16,050	16,250
	Group Insurance	54,692	60,423	62,720	62,720	65,840
	Retirement	36,659	36,927	38,830	38,830	39,310
	Worker's Comp	369	542	1,250	1,250	1,300
	Unemployment	182	114	105	105	105
	Travel / Allowance	-	-	-	-	-
	Medicare	3,194	3,173	3,755	3,755	3,800
	Operations					
4300	Office Supply	31,758	24,433	30,689	30,689	41,160
4400	Operating Supply	-	-	-	-	-
4500	Repair & Maintenance	22,820	19,150	21,250	21,250	23,620
4600	Miscellaneous Supply	300	300	550	550	450
4700	Professional Service	6,782	7,273	9,000	9,000	9,000
4800	Communications	726	854	1,000	1,000	1,000
4900	Transportation	3,376	2,199	5,050	5,050	7,000
5000	Advertising & Legal Notices	-	-	100	100	100
5200	Utilities	-	-	-	-	-
5300	Repair & Maintenance Services	-	-	-	-	-
5400	Rentals	10,802	12,101	12,610	12,610	12,610
5500	Aid to Other Governments	-	-	-	-	-
5600	Miscellaneous	370	190	7,040	7,040	3,490
5900	Other Improvements	-	-	-	-	-
6000	Machinery & Equipment	-	-	-	-	-
8000	Other Financing Uses	-	-	-	-	-
Total	Tax Assessor-Collector	$ 430,088	$ 427,426	$ 468,884	$ 468,884	$ 486,707

County Assessor Costs for Property Tax Collections

The County Tax Assessor's office is responsible for Property Tax Collections, Vehicle Registration, Voter Registration and alcoholic beverage permits. In analyzing the adopted budget for the County Tax Assessor, there is no separation of property tax collections, vehicle registration, voter or permitting costs. In interviewing the County Auditor, this was confirmed. With the current county tax assessor budget it is impossible to allocate actual cost per function. According to the FY 2013-14 County Budget the operating expense for the collector is $486,707. It is estimated that at 60-75 percent of the assessor's budget is proportioned to property tax collections. This would indicate a cost for collections of $292,024 to $365,030. For this analysis we will utilize the low end of the estimate at 60%. This is computed as follows;

Total FY 2013-14 Budget	X	% Property Tax	=	Property Tax Collections Budget
$486,707	X	0.60	=	$292,024

Existing Collection Contracts

The Gillespie County Tax Assessor/Collector currently contracts with seven taxing units in addition to collecting the Gillespie County Taxes. According to County budget documents, the actual expenses reimbursed for FY 2010-11 and FY 2011-12 were as follows;

Contracted Taxing Unit	Cost for FY 2010-2011	Cost for FY 2011-2012
City of Fredericksburg	$35,156	$31,304
Doss CCSD	$4,274	$3,769
Fredericksburg ISD	$97,169	$91,758
Harper ISD	$22,032	$20,751
Gillespie WCID	$88	$88
Hill Country UWCD	$6,211	$6,374
Stonewall WCD	$1,687	$1,873
Total Reimbursement	**$166,617**	**$155,917**

This would indicate that the County paid portion of collections at the conservative estimate of 60% is $136,107. This is calculated as follows;

County Tax Assessor Budget	$486,707
Collections portion of TAC Budget	X 0.60
Estimated Portion of TAC Collections	$292,024
Less $ charged to taxing units	-$155,917
Estimated County Cost of Collections	**$136,107**

If the more realistic ratio of 75% were to be utilized, it would indicate that the County paid portion of collections is $209,113.

County Tax Assessor Budget	$486,707
Collections portion of TAC Budget	X 0.75
Estimated Portion of TAC Collections	$365,030
Less $ charged to taxing units	-$155,917
Estimated County Cost of Collections	**$209,113**

In utilizing the most conservative estimated County cost, the following chart indicates the current actual costs of collecting property taxes, as done by the county tax assessor/collector.

Estimate of Actual Costs

Taxing Unit	Levy 2012	2012 Collection Costs	% of Levy
City of Fredericksburg	$3,413,674	$31,304	0.92%
Doss CCSD	$272,146	$3,769	1.38%
Fredericksburg ISD	$27,259,347	$91,758	0.34%
Harper ISD	$2,789,152	$20,751	0.74%
Gillespie County	**$8,979,904**	**$136,107***	**1.52%***
Gillespie WCID	$3,038	$88	2.90%
Hill Country UWCD	$227,881	$6,374	2.80%
Stonewall WCD	$66,875	$1,873	2.80%
Total	**$43,012,016**	**$292,024**	

* Estimated County Collections Cost

In previous contracts the water districts have paid 3% of their Levy for collections.

Budget Estimate for Appraisal District to Collect for All Entities

Payroll	$148,382
Employee Benefits – Insurance	$21,180
Employee Benefits – Retirement	$14,838
Medicare	$1,620
Texas Workforce Commission	$810
Auto Expense	$2,500
Computer Software Maintenance	$18,000
Education Expense	$9,000
Equipment Lease	$3,000
Equipment Purchase	$5,000
Financial Audit	$4,000
Legal Expense	$1,500
Liability Insurance	$4,000
Miscellaneous and Software	$1,500
Office Purchase	$4,599
Office Maintenance	$1,200
Office Utilities	$1,200
Office Supplies	$4,000
Postage	$15,000
Printing and Publications	$7,500
Registration and Dues	$600
Telephone	$2,000
TOTAL Budgeted Expense	**$271,429**

Payroll
The budget estimate for Payroll of $148,382 includes the hiring of three full-time staff members dedicated to Collections, as well as additional payroll for four appraisal district employees dedicating a percentage of work towards Collections. It is expected that a collections manager could be hired for $50,000/year and two full time clerks for $35,000 per year each.

Employee Benefits – Insurance
The Gillespie Central Appraisal District provide health insurance to its employees through the Texas Association of Counties. This expense of $21,180 is to cover the three additional employees.

Employee Benefits – Retirement
The Gillespie Central Appraisal District provides retirement benefits to its employees through the Texas County and District Retirement System. The district recently changed retirement plans and intends to go on-line with TCDRS on January 1, 2014. This budgeted amount of $14,838 includes the district's portion paid at a 10.21% match to the employee's 7%. The district does not pay social security.

Medicare
This line item budgeted at $1,620 covers the district's portion of Medicare tax.

Texas Workforce Commission
This line item budgeted at $810 covers the district's portion of payroll tax to the Texas Workforce Commission.

Auto Expense
The district currently has four vehicles. It is expected that Collections will require trips to education, as well as, increased local travel to banks and taxing entities. This expense is not a monthly mileage stipend to employees, but covers fuel, tires and maintenance of district vehicles.

Computer Software Maintenance
Currently the district has a server for the appraisal district and tax office. Software and databases for both offices reside on the appraisal district server. This server would go with the appraisal district and the district would begin paying maintenance on the collections program. This analysis is based on the district doing collections for all taxing units. If the County would continue some collections, the county tax office would need to make arrangements for its own server and software, as well as maintenance. This is expected to be in the neighborhood of $50,000- $100,000. The line item for computer software maintenance is $18,000.

Education Expense
The chief appraiser believes in educating employees and has implemented a continuing education program at the appraisal district. Required professional registration and education is mandated by TDLR for licensed employees contracting collections (See Licensing and Education). Currently 70% of the appraisal district is licensed by the TDLR. This is in contrast to the county tax office, where none of the employees are licensed or have continuing education requirements. Only the County Tax Assessor has a minimum continuing education requirement. It is believed that lack of employee education is part of the ongoing problem with the county tax office.

The budgeted line item of $9,000 includes training of the three new collections employees, as well as, training "percentage" appraisal district employees. This includes the chief appraiser. It is the intent to have related collections employees to achieve the RTA or RTC professional designation from TDLR as soon as possible.

Equipment Lease
It is expected that the collection's office would lease a copy machine, and credit card/banking equipment. This line item is budgeted at $3,000.

Equipment Purchase
In the first year of operations a collections office would need to set up workstations, chairs, computers and printers. The budgeted line item for Equipment Purchase is $5,000.

Financial Audit
The appraisal district currently has an outside CPA firm conduct an annual financial audit. With the increased responsibility of collections, it would continue this practice. It is budgeted for $4,000.

Legal Expense
It is the desire of the taxing units to have an interlocal agreement with the district that defines all aspects of the work product, such as deposit and reporting schedule, how deposits are made, how refunds are distributed, including cost distribution and other responsibilities. The legal expense is budgeted for $1,500.

Liability Insurance
The district currently has board liability and error and omissions insurance through Texas Municipal League. With the increased responsibility of collections, this is expected to increase. This line item is budgeted for $4,000.

Miscellaneous and Software
This line item is budgeted at $1,500.

Office Purchase/Maintenance/Utilities

The appraisal district is located in the basement of the Gillespie County Courthouse. It is considered to be both dysfunctional and in poor condition. Regardless of having collections or not, the appraisal district is in need of new/different office space. It would be impossible to add collections responsibilities and additional employees in the current space, due to security concerns and increased personnel. In evaluating this line item it is determined that the best case scenario would be for a taxing unit to provide space for both the appraisal district and collections. However, a survey of taxing unit owned property indicates that none of the entities have surplus existing office space. A survey of the local real estate market also indicates that there are very few options for purchase of an existing office building. The only other option is building a suitable office building. This building could be built by a taxing unit and leased to the appraisal district, or built by the appraisal district and funded through annual budget allocation.

The purchase price of land is a major issue in the Fredericksburg area. It is estimated that a suitable location would add $200,000-$300,000 to the cost of construction. A survey of taxing unit owned land reveals very few options. The County has locations available in its business park off of Tivydale Road, potentially at the Old Clinic site, or potentially the location of the current jail. FISD may have a location near its administrative offices. The City has no known locations. Due to the increased walk-in traffic of collections a centrally located site would be most preferable.

An office size of approximately 5,000 square feet would be optimal. It must have a secure area for collections, office space for 13-16 personnel, parking for approximately 25-30 vehicles and a board room for public meetings. Kendall Appraisal District is very comparable to Gillespie in value of accounts, number of accounts and taxpayer walk-in traffic. Kendall CAD also does collections for all entities. Kendall CAD built a new building in Boerne three years ago that is approximately 5,000 square feet. The cost of that building was $550,000 or $110/square foot without land costs.

The building cost estimate used in this budget analysis is as follows;

$500,000 building financed for 20 years at 4% = $35,376 annual debt service

$600,000 building financed for 20 years at 4% = $42,451 annual debt service

$650,000 building financed for 20 years at 4% = $45,989 annual debt service

$750,000 building financed for 20 years at 4% = $53,063 annual debt service

$1,000,000 building financed for 20 years at 4% = $70,752 annual debt service

This study is based on a $650,000 building financed for 20 years at 4%. This equates to an annual debt service of $45,989. This estimate is subject to change depending on what level of participation that the Taxing units contribute regarding land and/or building and actual costs. In this case, the appraisal district would build and operate a building with 10% of the associated costs attributable to the collections budget. The calculation is on the following page.

Annual Building Debt Service	X	10%	=	Collections Portion of Building
$45,989	X	10%	=	$4,599

The budgeted line item is $4,599. The remaining portion of the debt service would be applied to the appraisal district budget in the form of a budget amendment. The appraisal district currently has an Office Rent line item for $21,000 per year. The offset costs are calculated as follow.

Total Annual Building Debt Service	$45,989
Collections Building Cost Allocation	-$4,599
Remaining Debt Service	$41,390
Current Appraisal Office Space Budget	-$21,000
Amount to amend Appraisal Budget	$20,390

In addition to debt service for a building, a line item for Building Utilities and Building Maintenance would also be required. It is estimated in "worst case" that Building Utilities would be approximately $12,000 and Building Maintenance (upkeep, repairs, janitorial, yard service, etc) would also be approximately $12,000. These costs would also be allocated at 10% to the collections budget and the remainder funded through the appraisal budget. A summary of these proposed line items are as follows.

	Appraisal	Collections
Building Debt Service	$41,390	$4,599
Building Maintenance	$10,800	$1,200
Building Utilities	$10,800	$1,200
Totals	$62,990	$6,999

The appraisal costs would then be offset by the current Office Rent Line item of $21,000, leaving an amended budget item increase of $41,990. **As discussed, the Building line item estimates are the most speculative in this report due to building size, type, construction cost, location and taxing unit participation, but a $650,000 building is a reasonable assumption.** A consolidated appraisal and collections office would offer increased customer service to the taxpayers.

Office Supplies

This line item includes basic office supplies, such as paper, toner, envelopes, etc. This line item is budgeted at $4,000.

Postage

This line item includes postage for general correspondence and mailing tax statements to all property owners. This line item is budgeted at $15,000.

Printing and Publications

This line item includes having tax bills printed by a mailing vendor. The appraisal district utilizes IMS in San Antonio for its appraisal notices. The cost savings in having IMS mail with CASS certification saves enough postage over printing "in-house" to pay for printing notices. It is assumed tax bills would see similar savings. This line item is budgeted at $7,500.

Registration and Dues

This line item includes the registration of all collections personnel with the Texas Department of Licensing and Regulation (TDLR). This registration is discussed in full under Licensing and Education. This line item is budgeted at $600.

Telephone

This line item includes local and long distance phone service budgeted at $2,000 per year.

Funding Methods

Currently the collections are funded utilizing a formula based on the Water districts paying 3% of their tax levy and the remaining costs allocated to the remaining entities by number of statements generated. In negotiating a new agreement with the appraisal district there are options regarding allocation methods.

Harper ISD, Doss CCSD and Fredericksburg ISD currently contract with the county tax assessor to also collect for the portion of their school districts that overlap into neighboring counties. These funding estimates do not take into account these additional properties. These methods can be modified if the information is provided to the appraisal district. These methods only take into consideration the Gillespie County located properties.

Estimated Allocation for 2014 Appraisal Budget

The appraisal district is funded by the percentage of levy that each entity collects. The following is the 2014 estimated budget allocation. It is based on 2013 Certified Values as of Supplemental #3 and 2013 adopted tax rates.

As of Certified Totals, Supplemental #3 – 2013 Values and using 2013 tax rates

Gillespie Central Appraisal District 2014 Allocations

ENTITY	2013 Estimated Levy	2014 GCAD Allocation	2014 Estimated % Allocation
GILLESPIE COUNTY	$10,873,171	$186,737.13	23.6861%
CITY OF FREDERICKSBURG	$3,432,085	$58,943.03	7.4765%
HILL COUNTRY UWCD	$248,184	$4,271.25	0.5418%
GILLESPIE WCD	$6,218	$106.78	0.0135%
STONEWALL WCD	$67,368	$1,156.98	0.1468%
DOSS CCSD	$284,184	$4,880.60	0.6191%
HARPER ISD	$2,841,398	$48,798.51	6.1897%
FREDERICKSBURG ISD	$28,152,113	$483,487.72	61.3266%
TOTAL	**$45,905,239**	**$788,382.00**	**100.0000%**
2014 ADOPTED BUDGET	**$788,382**		

Method 1 – Allocation by Levy

A similar method could be applied to the collections budget. By basing the collections budget of $271,429 to entities by tax levy it would approximately as follows.

Allocation by Levy Method

Taxing Unit	2013 Estimated Levy Supplemental 3	2012 Actual County Allocation Costs	Collections Allocation by Levy Method
City of Fredericksburg	$3,432,085	$31,304	$20,293
Doss CCSD	$284,184	$3,769	$1,680
Fredericksburg ISD	$28,152,113	$91,758	$166,458
Harper ISD	$2,841,398	$20,751	$16,801
Gillespie County*	$10,873,171	$136,107*	$64,291
Gillespie WCID	$6,218	$88	$37
Hill Country UWCD	$248,702	$6,374	$1,471
Stonewall WCD	$67,368	$1,873	$398
TOTAL	**$45,905,239**	**$292,024**	**$271,429**

* Gillespie County portion of collections costs are estimated, see Existing Collections Contract Section of this report.

Method 2 – Modified Cost

A modified cost per statement method, such as the current method could be utilized. This method includes the water districts paying 3% of the levy with the remaining entities paying per account. This estimate is as follows.

Modified Cost per Statement Method

Taxing Unit	2013 Estimated Levy Supplemental 3	2012 Actual County Allocation Costs	Collections Allocation by Modified Cost Method
City of Fredericksburg	$3,432,085	$31,304	$32,887
Doss CCSD	$284,184	$3,769	$3,647
Fredericksburg ISD	$28,152,113	$91,758	$95,421
Harper ISD	$2,841,398	$20,751	$15,365
Gillespie County*	$10,873,171	$136,107*	$114,434
Gillespie WCID 3%	$6,218	$88	$187
Hill Country UWCD 3%	$248,702	$6,374	$7,466
Stonewall WCD 3%	$67,368	$1,873	$2,021
TOTAL	**$45,905,239**	**$292,024**	**$271,429**

* Gillespie County portion of collections costs are estimated, see Existing Collections Contract Section of this report.

Method 3 – Flat Rate Method

It is common for collectors to charge by percent of levy, such as 0.5% to 1% of total levy. The Kerr County Tax Assessor charges all entities 0.5% of the levy to contract collections.

A flat rate per levy would also be possible. For the first year it would be the same cost as the percentage of levy method. The current estimated budget divided by the levy would indicate a 0.59 rate. This is calculated as follows.

Estimated Collections Budget	**/**	**Estimated Levy**	=	**Rate**
$271,429	**/**	**$45,941,980**	=	**0.59 Rate**

In future years, a rate, such as 0.60 percent of the levy could be implemented.

Cost Estimate based on 0.60% of Total Levy

Taxing Unit	2013 Estimated Levy Supplemental 3	2012 Actual County Allocation Costs	Collections Allocation by 0.6% Levy Method
City of Fredericksburg	$3,432,085	$31,304	$20,615
Doss CCSD	$284,184	$3,769	$1,705
Fredericksburg ISD	$28,152,113	$91,758	$169,060
Harper ISD	$2,841,398	$20,751	$17,048
Gillespie County*	$10,873,171	$136,107*	$65,288
Gillespie WCID	$6,218	$88	$37
Hill Country UWCD	$248,702	$6,374	$1,493
Stonewall WCD	$67,368	$1,873	$404
TOTAL	**$45,905,239**	**$292,024**	**$275,652**

* Gillespie County portion of collections costs are estimated, see Existing Collections Contract Section of this report.

Summary

In summary, it is feasible and legal for the appraisal district to do collections for all taxing units. The main limitation is the existing office space. The appraisal district collecting taxes has numerous benefits to the taxpayers. These include a potentially more accessible office (without stairs, adequate parking, drive through), a more educated, professional and accountable staff, and a better defined scope of work defined through an individualized interlocal agreement. The current actual costs of collections are unknown due to the structure of the County Tax Assessor's budget. Depending on the funding agreement method the budgeted costs are similar to the existing contract for each entity, with substantial savings to the County. The appraisal district staff has a history of providing good customer service to both the taxing units and the taxpayers. This includes hiring and training of good employees, providing timely and accurate reporting to the entities, as well as making good use of technology to reduce costs and provide better service.

This report was prepared at the request of the Fredericksburg ISD and other taxing units, with the purpose of exploring the possibility of the Gillespie Central Appraisal District collecting property taxes for all entities. If any taxing unit decides not to move collections then this report and budget will need to be modified.

I would like to reiterate that several taxing units requested this analysis and this process was not initiated by the appraisal district. The chief appraiser and Board of Directors work at the pleasure of the taxing units and intend to continue to do the will of the entities. The appraisal district has a current and important mission and will continue to professionally do that mission whether or not the entities opt for the district to take on additional responsibilities, such as tax collections.

Sincerely,

David D. Oehler, RPA
Chief Appraiser