

May 28, 2015

Honorable Mayor Adler and Members of the Austin City Council:

The City of Cedar Park understands the City of Austin's desire to have a certified tax roll that captures the market value of all properties within its jurisdiction in Travis County. The eruption of this issue late in the certification process, however, is problematic for the taxing entities in the County.

Although only 1% of Travis County ad valorem is located in Cedar Park, all of our property owners are impacted, regardless of the county in which the property resides, if the City of Austin makes a unilateral decision that could delay the certification process of the tax roll.

The likely consequences of a challenge to commercial values and a delay in a certified tax roll are:

- Untimely setting of tax rates and delaying the adoption of fiscal 2016 budgets (except school districts);
- Damaging cash flows from the payment of property taxes (school districts are in this category);
- Reducing cash flow from delayed property tax payments requiring the use of fund balances and/or short-term borrowing to fund operating expenses depending on the entity;
- Untimely mailing of final property tax bills, costing a taxing entity and its residents additional expense;
- Reducing revenues from investments in order to maintain liquidity for expenses;
- Increasing risk related to the marketability and sale of bonds, bond rating and interest rates necessary for infrastructure and public safety projects.

The more subtle, but not less significant, impact may be on the actual property tax payers. As discussed at the workshop on May 26, individuals and businesses that do not use escrow agents can pay *estimated* tax bills prior to January 2016, deduct the payments on 2015 federal income tax returns, and manage over-or under-payments at a later time. Individuals and businesses that use an escrow agent will be hit harder. There is no provision requiring agents to pay an estimated tax, and according to Travis Central Appraisal District (TCAD), it is unknown how escrow agents will handle a delayed billing situation. If a final bill is delayed and escrow agents do not have the opportunity to pay taxes prior to the end of the calendar year, such payments **cannot** be deducted on 2015 federal income tax filings. TCAD states that 133,000 out of 276,000, or **48%**, of residential accounts are paid via mortgage escrow accounts; those tax payers may be adversely impacted financially by a delay in tax billing.

Several suggestions have been given, specifically at the May 26 workshop, on alternative ways to address the commercial valuation issue collectively, such as engaging other stakeholders prior to the 2017 legislative session to support statewide reform on the process; delaying the decision until the next fiscal year to allow adequate notification, input, planning and response of the impacted entities; or focusing on less than 5% of the commercial properties to allow for a 95% certification.

Ultimately, the City of Cedar Park supports a decision by the City of Austin in which the **July 2015 tax roll certification deadline is met**. If this cannot be accomplished with a petition submitted by May 30, 2015, we respectfully ask that you not proceed with a challenge to the commercial values in Travis County at this time. We request that you allow for the timely certification of the tax roll for all 117 entities in Travis County and sufficient financial planning to adequately prepare for cash flow, budgeting and bond considerations. Additionally, timely certification and tax billing allows many home and property owners to utilize the tax benefits afforded to them by the federal government.

Thank you for your thoughtful consideration.



Matthew Powell
Mayor



Brenda Eivens
City Manager