

Fellow Citizens:

Currently, the City is in the annual budget approval process. On Tuesday, September 13 at 5 p.m., the City will hold a public hearing for adoption of the tax rate. This year, the tax rate proposed is .58. The tax rate for 2021/2022 was .6519. While the proposed tax rate does drop by a little over seven cents, this budget will raise additional total property tax revenue than last year's budget by \$578,541. \$180,556 of that tax revenue will be raised from new property added to the tax roll. In reviewing the tax rate, those with a homestead exemption on their residence should see a decrease in both their City taxes and their overall taxes. Properties without an exemption will see an increase in their City taxes. I encourage all citizens to visit the following website to learn more about their tax rates and taxes: <https://bell.countytaxrates.com/tax>.

The City's proposed property tax rate of .58 is lower than other area cities (Belton, Killeen, Temple and Copperas Cove). This was a major accomplishment for Council and staff as these cities are either minimally impacted by losses to 100% Disabled Veteran (DV) tax exemptions or are reimbursed by the State for a portion of those losses. Our City is disproportionately impacted and receives no reimbursement from the State. The City continues to work with our local representatives with the end goal of making the City whole, protecting tax exemptions granted to disabled veterans, lowering the overall tax burden to all citizens, and providing the best possible services.

No one enjoys paying taxes. Taxes are a necessary requirement if we desire to maintain our City. Our property taxes provide for the following services: Police, Fire, EMS, Streets, Parks, Library, Pet Adoption/Animal Control, Municipal Court, Finance, Planning, Inspection, Code Enforcement and Administration. A City staff member reviewed their tax bill and made some interesting observations. Their house is homestead exempted so their taxes did decline from last year to this year. Breaking it down to compare with other things they spend money on, their City tax bill represented less than \$5.62 a day. Comparatively, this is less than what they pay for their cellular phone service or their cable/internet/streaming accounts. Our spending reflects what is important to each of us. How much do we value the core services that the City provides? What are we willing to spend to have those services? These are questions that the Council must address each budget cycle.

Can the tax rate be lowered more? Of course, it could be. The better question for us as citizens is what level of service do we desire. The answer to that is what drives the tax rate. The City Council hears from citizens about their needs and desires daily. This budget, as all budgets before, is an attempt to balance those needs and desires against burdening taxpayers.

I'd also like to take this time to answer some questions posed to me by a citizen. I will post these openly for all to see the entire context of my answers. The questions and responses are below.

We have a great City that I am so proud to serve as Mayor. Serving together we will continue to make this City all it can be!

Sincerely,

Spencer H. Smith, Mayor

Why do you need an increase this year if we have reserves well excess to city policy through 2029?

The City will begin to draw down on the “excess” reserves it has over the coming years to lift several large projects without the need for debt funding. Reserves above the three-month policy minimum effectively operate like a savings account that allows the City to fund projects “pay as we go” versus having to issue debt. Projects include Fire Station #3, splash pad at Kern Park, improvements to Summit Soccer Complex, Warriors Path Phase 2 (Pontotoc to FM 2410), Warriors Path Phase 3 (Middle School up to Old Nolanville Road), Millers Crossing repair/improvements, Comanche Gap Road realignment, start of Chaparral Road upgrades, and annual street maintenance in excess of \$1 million each year. All these projects are included over the next six years without the need for new debt.

The issue really is not if reserves can be used to lower the tax rate. Certainly, they could. The question is what service levels we as a City are acceptable with moving forward. Further cutting in this year may not impact the services received in this coming year, but it does have impacts in coming fiscal years. This is the reason that Harker Heights has used a 5-year projection for many years to understand how changes to rates, debt and expenses impact the City for years to come.

We have recently witnessed one local City approve the “no new revenue rate” last budget cycle only to propose a rate this budget cycle that increases their property tax revenues by more than 20% this year.

Again, as shown in this example, changes to a current year have lasting impacts that should be accounted for.

If the city policy is to have three months of operating expenses and we now have over 6 months of reserves, why doesn't Council revise the policy or provide our tax money back to stay in compliance with our city policy?

The City fully complies with the policy of 3-month reserves. Having reserves above the minimum does not place the City “out of compliance.” Reserves greater than minimums operate like a savings account. You can spend them to lower the rate, but you could have much higher tax rates and potential debt in subsequent years to cover citizen expectations of service.

This budget inserted \$4.8M for literally moving Comanche Gap Road starting in two years - what is the matter with it now and is the Comanche Gap Historical Park that will cost another \$3M above the road work the central reason for moving this road? Is this effort really going to cost more than we allocate for all other road repairs through the city? When will this city publicly acknowledge it is putting a park in at the corner of Comanche Gap road and FM2410? Is this the most pressing need this city has?

The moving of Comanche Gap Road to align with Warriors Path at a signalized intersection is being planned for two reasons: first, it is best practice to not have two roads aligned as Warriors Path and Comanche Gap are currently due to conflicts between cars entering and exiting each roadway (this will be made worse as Warriors Path subdivisions continue to build out), second, citizens have requested a signalized intersection (the two roadways are too close to provide two signalized intersections). Comanche Gap Park is not projected to begin in the next five plus years as the hotel/motel tax dollars (restricted funds) accrue to a level that allows for phase one of the historical park's construction (one of the allowable uses of hotel/motel funds). The park's current design shows an entrance onto the current Comanche Gap Road so the new proposed roadway is not needed for the Park. The City did investigate realigning Warriors Path to match with Comanche Gap road, but the cost of that option is much more due to resident relocation costs on top of road construction costs. The City has publicly discussed the

Park since 2014. Most recently, in March of 2022, the City Council held an open meeting (fully announced by agenda) at the Park itself where we toured the land on foot and discussed the future park. In fact, the Killeen Daily Herald ran a full story on this visit to the site. As far as pressing needs, citizens present Council with a wide variety of request and needs. This is one of the weightiest functions of Council: taking citizen needs and desires and determining how to balance them while being a good steward of taxpayer dollars. This project is important in terms of future growth and potential vehicular conflicts between the two roads. Also, as east FM 2410 starts to fill out with subdivisions, traffic stacking at the signal at Warriors Path could become an ingress and egress issue at the current alignment of Comanche Gap Road. Proper planning is needed to ensure that we can head off potential issues of this type.

If you have the ability to bank unused tax rate with this term called Tax Increment Rate, which allows you to take taxes in future years when the city might not take in the full 3.5% increase, then why would we ever have excess reserves - why are you not lowering taxes this year and increasing the tax increment rate for when you might really need it from us?

I believe my prior answers have addressed this question. What you do this year impacts future years. Is lowering the rate this year, and then having to use maximum tax rates or issue new debt the following years a better financial policy? The answer is no.

There is not a single penny in this budget for Impact Fees which were approved by this Council in March for builders up FM2410 toward Belton at \$6,133. Why not? This impact fee was to minimize taxpayers' portion of new wastewater infrastructure costs that would benefit the builders. The city forecasts many others revenue sources but has not even inserted a placeholder here - is the city going to drop this impact fee altogether and further burden taxpayers with new development costs to benefit builders?

Simply put, impact Fees are hard to predict in terms of timing of when fees will be received. Developers have a period before they must start paying them. We will have a better idea of what we can expect as that period expires. Some of the land areas covered by impact fees are not even currently being discussed for development. Many of these will be years out from development, so it is hard to get a feel for just what amount of revenue we can expect and when. To be clear, impact fees lower the impact of infrastructure projects on rate payers. This is a slight difference from “taxpayers.” Utility rates are paid by all users of the system and are paid on your utility bill, not your tax bill. Impact fees help mitigate the cost of infrastructure needed to support an area (in this case wastewater out along E FM 2410) which in turn alleviates the need to raise all utility rate payers bills to cover those costs. The City has not “dropped” impact fees. As stated at our most recent Council meeting, we are going back through the process out of an abundance of caution to include the word “ordinance” in the motion. This is on the advice of legal counsel.