

## 8-9-17 County Judge's Article

### BUDGET AND TAX RATE PROPOSAL SET

This year's budgeting process has been one of making necessary adjustments as we come out of some three years of financial uncertainty caused by the substantial downward adjustment to the valuation of the Luminant property and the negative impact that the anticipated loss in revenue has had on county operations.

Next year 2018 is the one year that we know with relative certainty what our tax revenue will be with the Luminant valuation for 2017 having been set (i.e. at \$280 million) as a part of the settlement of the litigation. However, we have to be prepared for another battle over the valuation again next year; therefore, at budget time next year we may again be faced with having to set the 2019 budget without knowing what revenue to expect. Because of this, we have done some things in this year's budget planning for 2018 in anticipation of being right back into uncertain times again when doing 2019 planning next year. I'll try to explain these features in the community communication meetings and in future articles. I'll also do a video on the budget and post it on the county web site after the community meetings are over.

As I mentioned in a previous article, we do not plan to increase the county tax rate, leaving it at 70 cents per \$100 of valuation. If Luminant's valuation drops significantly next year, we'll have to again be faced with cutting costs and raising the tax rate if the county's tax base continues to drop.

The county's effective tax rate went up to 77.5 cents this year which is the rate that we would have to charge to raise the same amount of ad valorem taxes that the 70 cent rate would have raised last year before the Luminant lawsuit was settled. So as a result of the lower Luminant valuation, our tax rate is 7.5 cents lower than last year in terms of revenue that could have been generated for the county. So in one sense we're lowering the rate this year.

But because of the cost cutting measures and reduced spending over the past three years or so that resulted in the restoration of the county's general fund reserves when Luminant made back payments and penalties after the settlement, we concluded that we could plan to operate successfully in 2018 without a tax increase, even with the reduction in tax base that has occurred.