



WHAT DOES A SENIOR TAX FREEZE MEAN FOR ME?

Hopefully you are aware that the City of Terrell Hills will hold a special election on May 4, 2024 for the sole purpose of determining whether to adopt a “senior tax freeze” in Terrell Hills. As I pointed out in my February article, a senior tax freeze would cap the city property taxes paid by our citizens 65 and older at the amount paid in the year of adoption. While the adoption of a senior tax freeze is certainly a benefit for our older residents, it will not come without a cost to our other tax-paying residents and/or an increased pressure on our first responders and other city departments to deliver the services our citizens have come to expect. The purpose of this article is to provide some factual data for you to consider as you determine how you will vote on this measure.

Consider these numbers:

- 3.9% - the average annual growth rate in City spending over the last 5 years
- 77% - the percentage of City income derived from your property taxes
- 17% - the percentage of your overall tax bill received by Terrell Hills
- 35% - the percentage of tax accounts held by our residents over 65

What do those numbers mean? Simply put:

If the tax freeze is approved:

IF YOU ARE A TAXPAYER 65 AND OLDER: your average projected tax savings in the 5th year of the freeze would be approximately \$612.

IF YOU ARE A TAXPAYER 65 AND YOUNGER: your average projected increase in taxes in the 5th year of the freeze would be approximately \$300.

FOR THE CITY OF TERRELL HILLS: assuming we maintain our average growth in spending rate of 3.9% to keep pace with inflation and levy 3.9% tax increases on under 65 accounts, the projected loss in tax revenue in the 5th year of the freeze would be approximately \$404,000.

If the tax freeze is approved by our voters on May 4, we will be faced with 3 possible scenarios to address the projected loss of property tax revenue that results.

SCENARIO #1 - NO GROWTH the City could freeze its spending at 2024 levels for all years going forward. No new spending would obviate the need for additional revenues. Under this scenario, we would be unable to provide cost-of-living adjustments for our employees, replace our equipment on a

regular basis, hold community events like our 4th of July parade or invest in street repairs at the level we currently do. Olmos Park tried this approach (they even lowered their effective tax rate) but soon realized the difficult financial position this placed them in and now have adopted the highest effective tax rate possible without a mandatory taxpayer election.

SCENARIO #2 - PAY TO PLAY the City could try to minimize the loss of tax revenue through a combination of gentle (but steady) increases in the effective tax rate together with adopting a policy of charging for certain City services like garbage pickup, all security alarm responses, medical assist calls, removing cats from trees, etc. on a use basis. Alamo Heights has adopted a variation of this scenario by charging a monthly fee for garbage pickup. It is quite possible if this scenario is adopted that some of our senior citizens might pay more for these services than they save in property taxes.

SCENARIO #3 - MAX TAX RATE to offset the reduction in property tax revenue, the City could annually adopt the highest effective tax rate permitted short of requiring a mandatory special election. Currently, we are able to adopt the lowest effective tax rate among our neighbors (including AH, OP and COSA) without receiving anywhere near the same sales tax revenue because of our property tax revenue. Under this scenario, the additional tax revenue generated would be borne solely by taxpayers 65 and under, and the additional tax liability in the example provided above would be greatly increased.

If the tax freeze is not approved:

1. Property tax responsibility will continue to be fairly spread *among all our residents and users of City services.*
2. We can continue to enjoy the *lowest effective tax rate* among our neighbors (AH, OP and COSA), which keeps City taxes low *for everybody.*
3. We can fund the City departments that provide first response, public works and administrative services at the level our citizens rightfully expect *without additional charge.*
4. The City property tax burden *will not discourage* younger homebuyers (like our children) from looking to return to Terrell Hills to raise their families.

As you consider the pros and cons of adopting a senior tax freeze, please make sure that the information you consider is not only accurate but relevant. As an example, I have heard comparisons of our situation here in Terrell Hills to that over in Fair Oaks Ranch (which has a senior tax freeze and slightly reduced their effective tax rate). However, such a comparison is completely inappropriate, in that Fair Oaks Ranch has almost 6 times the sales tax revenue we do, as well as revenue generated from the utility services they provide their citizens and other sources. Our situation in Terrell Hills is not readily comparable to other jurisdictions given the residential (non-commercial) composition of our community.

Thank you for your consideration. My hope is that all of our citizens will take the time to educate themselves on this ballot proposition and vote his or her conscience. As a reminder, the regular meeting of the City Council to be held on April 9, 2024 will be devoted to a discussion of the senior tax freeze proposition, and everyone is invited to come and join the discussion. If you are unable to attend in person, a Zoom link will be provided later this week so that you may participate in the meeting from wherever you are. Watch the TH app or your email for this information.

Mayor John Low