

Departments

Government

Residents

Businesses

Visitors

About Us



# The Woodlands Township *Budget Planning Session*

June 22, 2022

[www.thewoodlandstownship-tx.gov](http://www.thewoodlandstownship-tx.gov)

The Woodlands Township • 2801 Technology Forest Boulevard • The Woodlands, Texas 77381

# Budget Planning Session

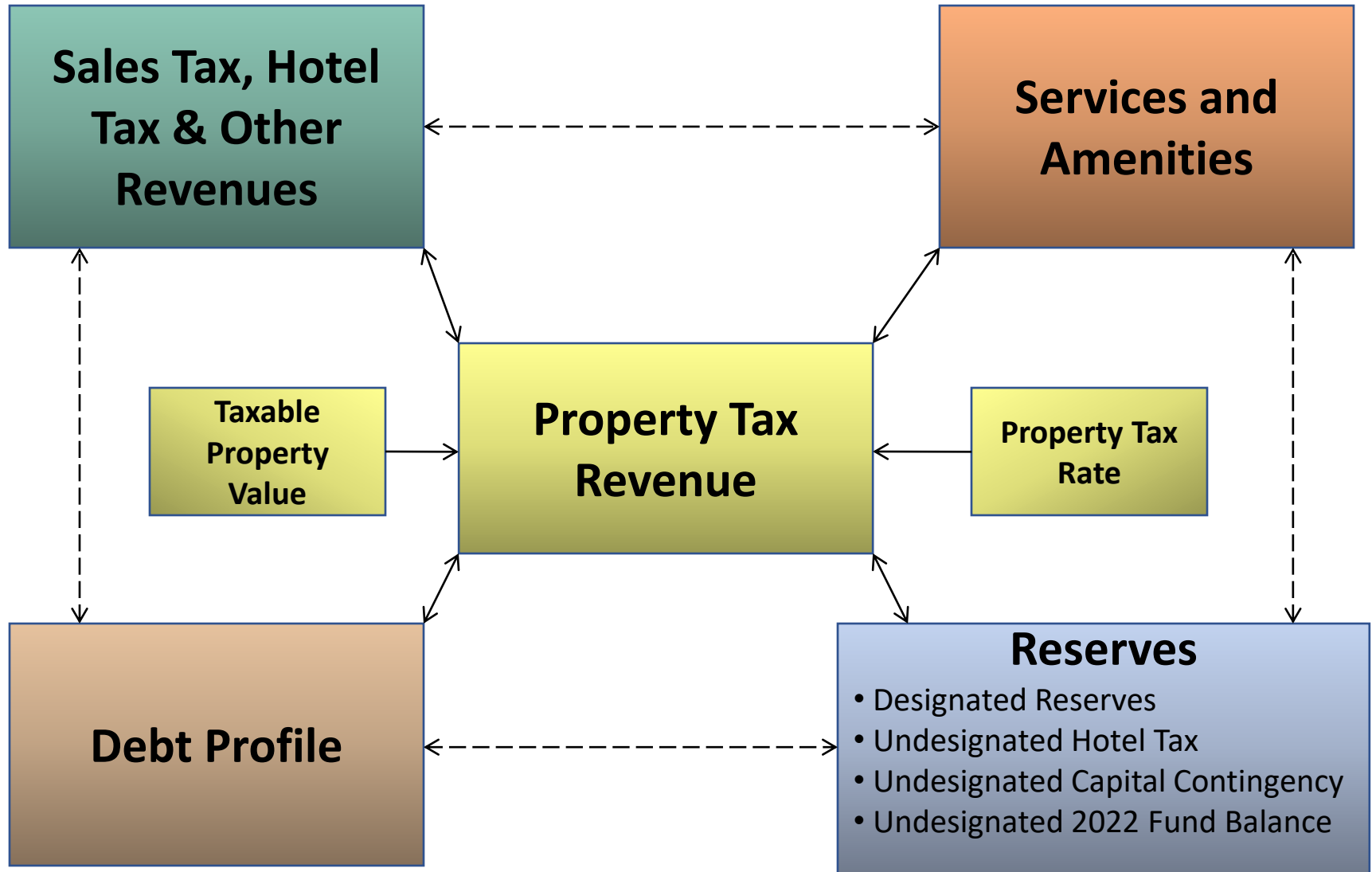
- **Overview of Budget Components**

- ✓ Debt Profile
- ✓ Reserves
- ✓ Expenditures (services and amenities)
- ✓ Sales Tax, Hotel Tax, and Property Tax Revenues

- **Board Discussion**

- ✓ 2023 Budget Initiatives
- ✓ Homestead, 65 and Older, and Disability Exemptions

# Balancing Budget Priorities

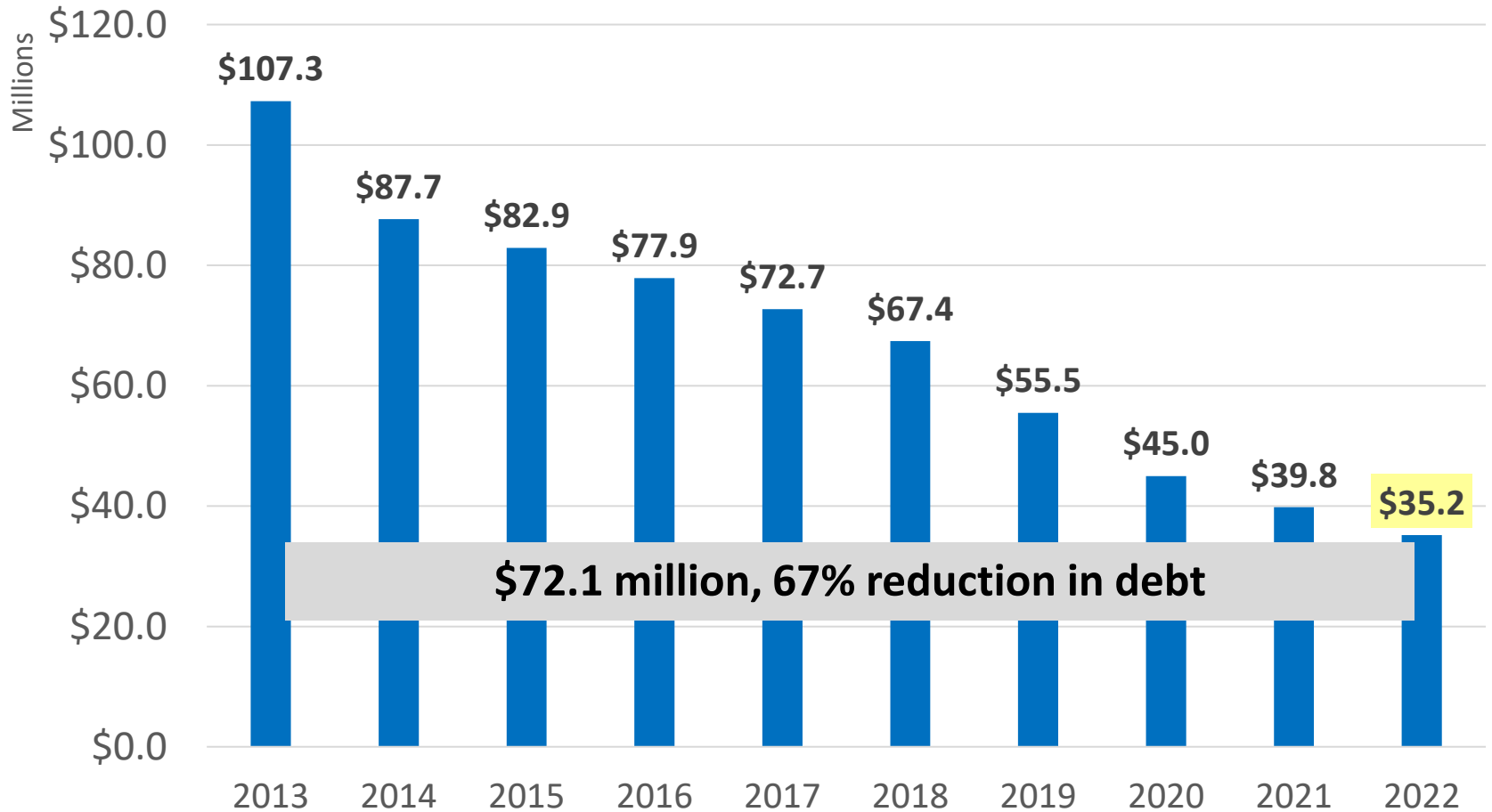


# Debt Profile

# Debt Profile Highlights

- **Paid off \$22.7 million** of debt over past 8 years
  - ✓ \$6.8 million savings in interest expense
- **Refinanced \$46.5 million** of debt over past 6 years
  - ✓ \$5.7 million savings in interest expense
- **Achieved Bond rating of AA+**
  - ✓ Highest bond rating held by a special purpose district
  - ✓ Credit rating agency comments include:
    - Strong fiscal management
    - History of sound reserves
    - Conservative budgeting principles
    - Large and diverse tax base
    - Low debt and post employment benefit burdens

# Outstanding Debt

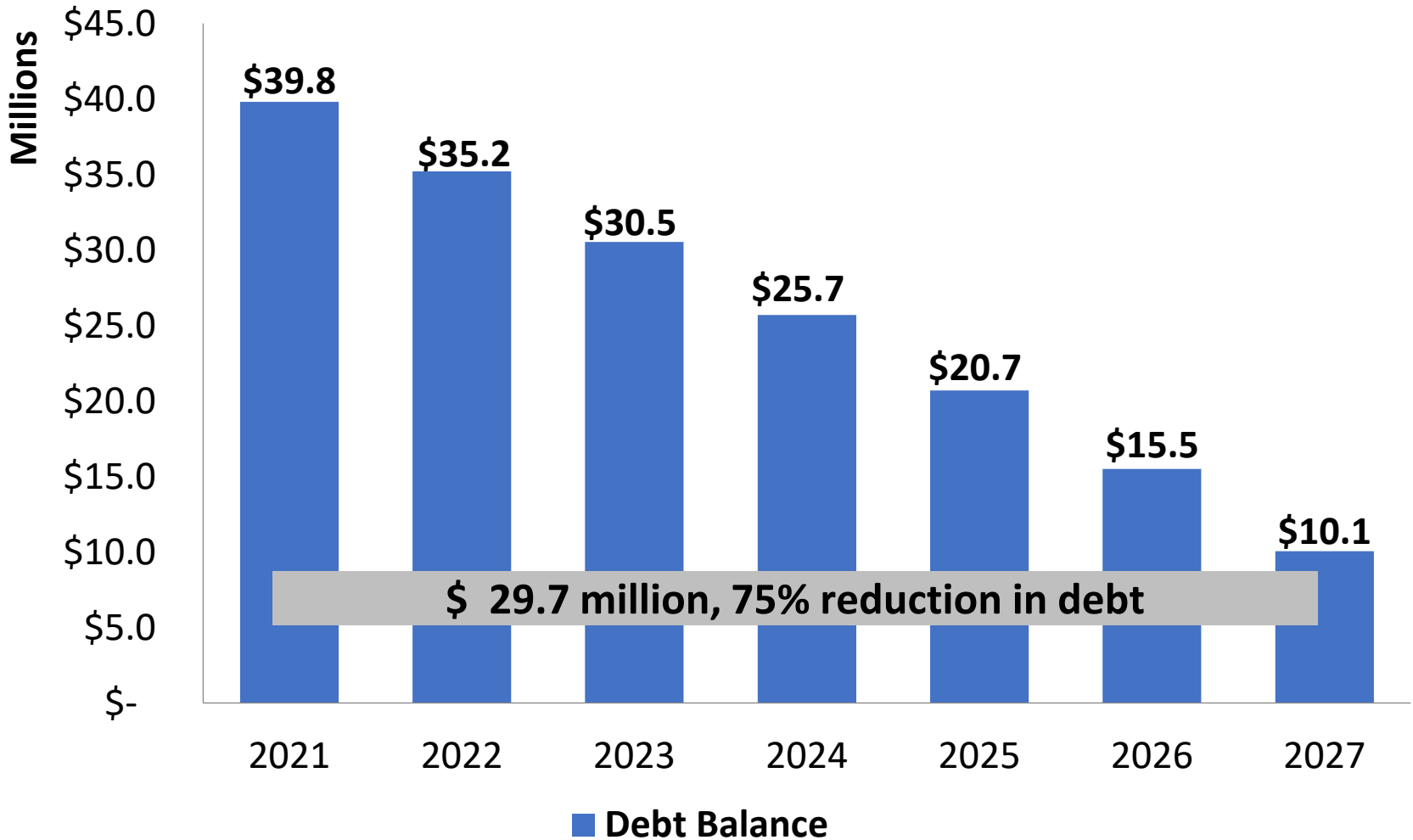


# Debt Summary

Bond Issuance	Outstanding Debt @ 12/31/22	Annual Debt Service	Funding Source
Convention Center	\$12.6 million	\$2.8 million	Base Hotel Tax
Parks & Rec / Fire Dept.	\$22.6 million	\$3.3 million	Property Tax (\$0.0146)
<b>Total</b>	<b>\$35.2 million</b>	<b>\$6.1 million</b>	

- All outstanding debt has been refinanced at historically low rates.
- The bonds are not callable until their respective maturity dates.

# Five-Year Plan Debt Balances (at end of year)

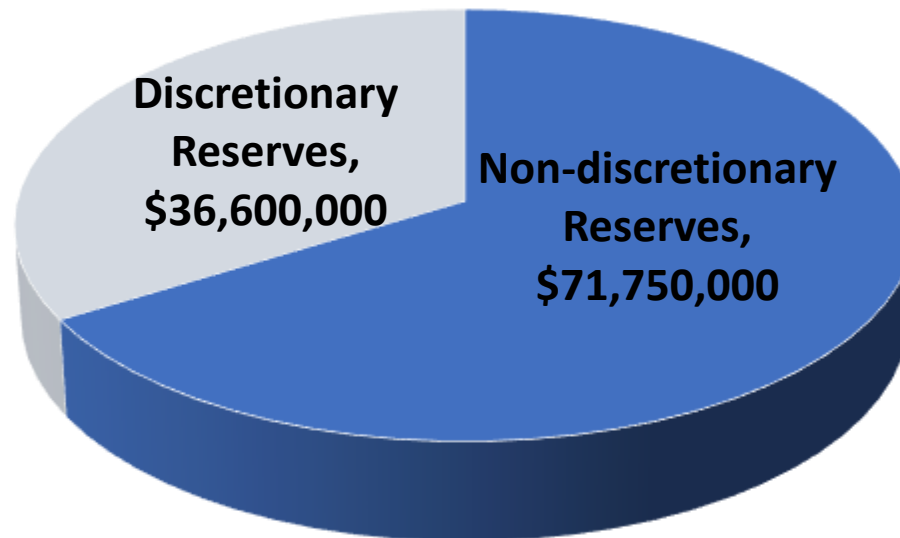




# Reserves

# Reserve Balances

**Projected Total @ 12/31/2022 = \$108.35 million**

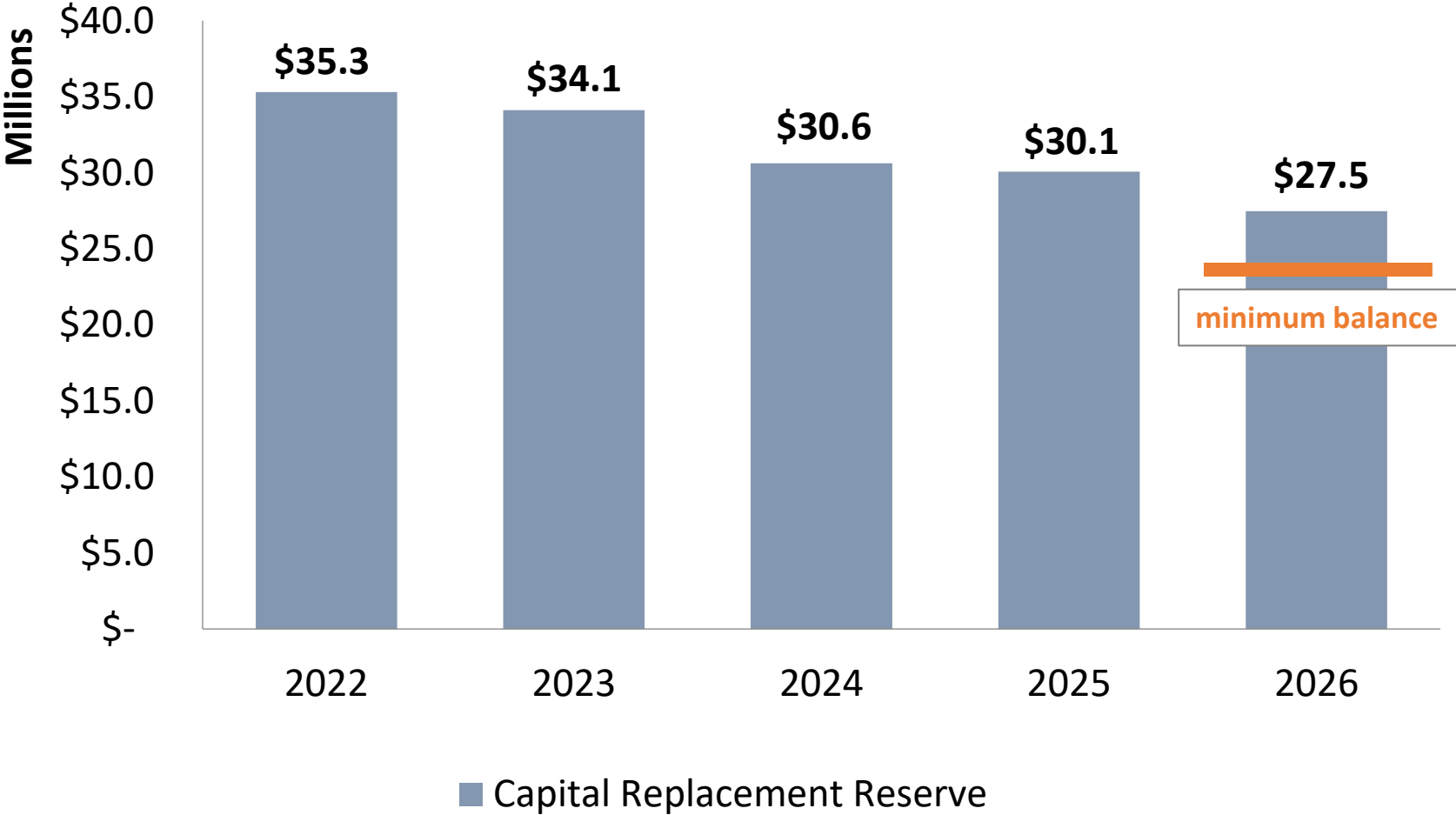


- Allows the Township to maintain or enhance service levels without increasing the tax rate
  - pandemic
  - inflation
  - other unbudgeted costs

- Credit agency requirements
- Contractual requirements
- Debt service requirements
- Actuarial requirements
- Reduce debt requirements

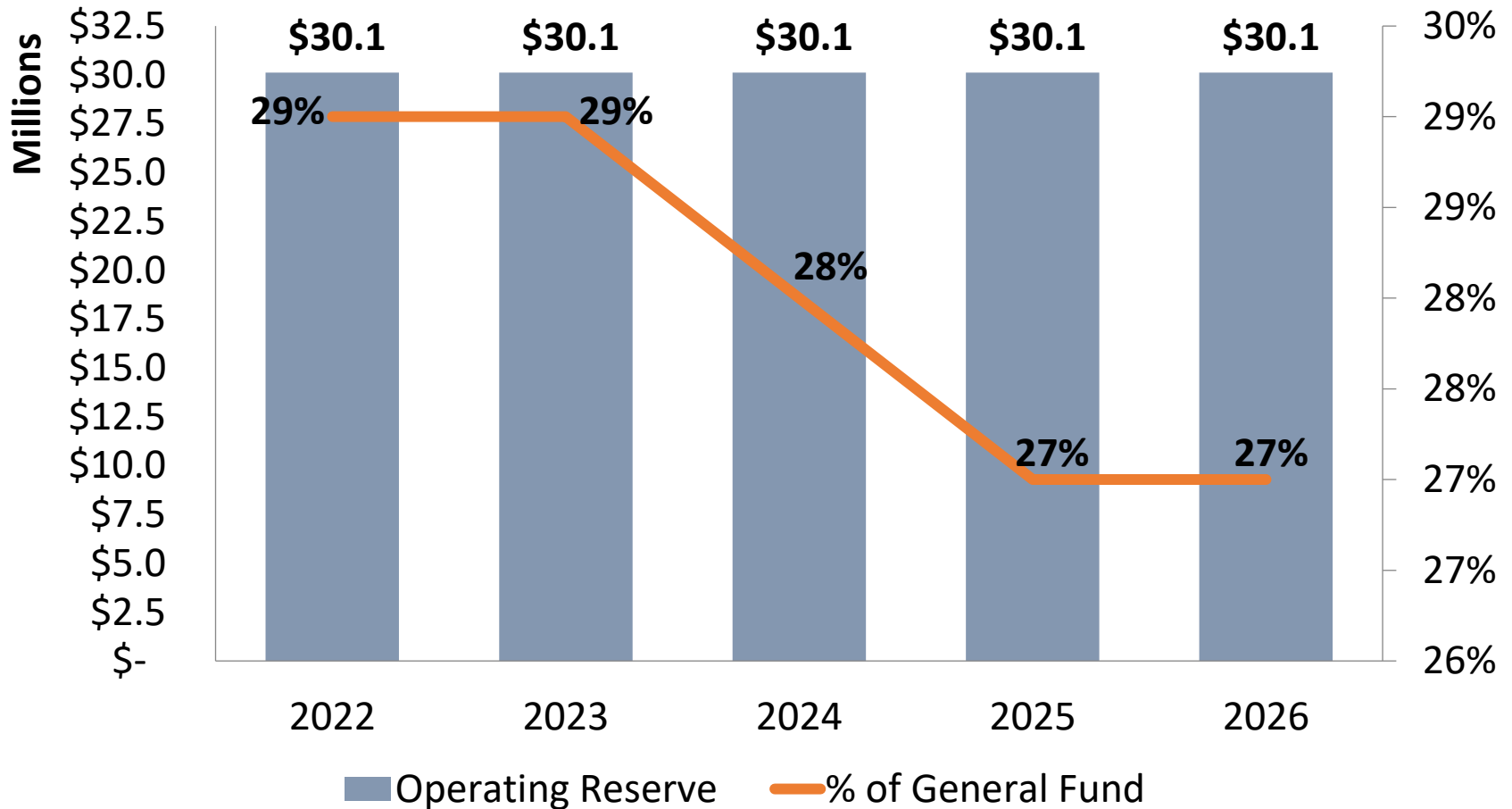
# Capital Replacement Reserve

(projected balance at end of year)



# Operating Reserve

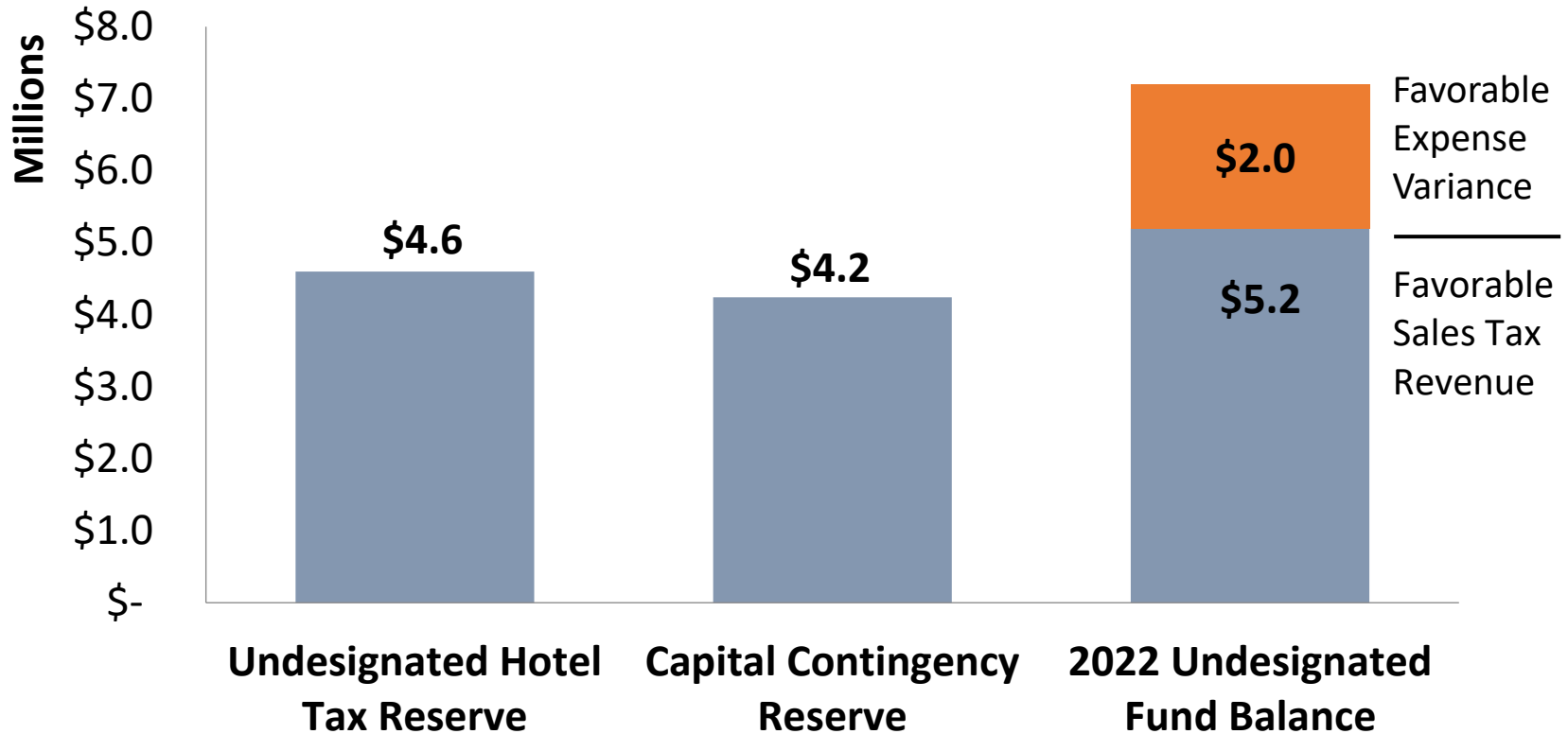
(projected balance at end of year)



**Operating Reserve minimum 20% of General Fund operating expenses**

# Undesignated Reserve Balances

(projected balances at 12/31/2022)

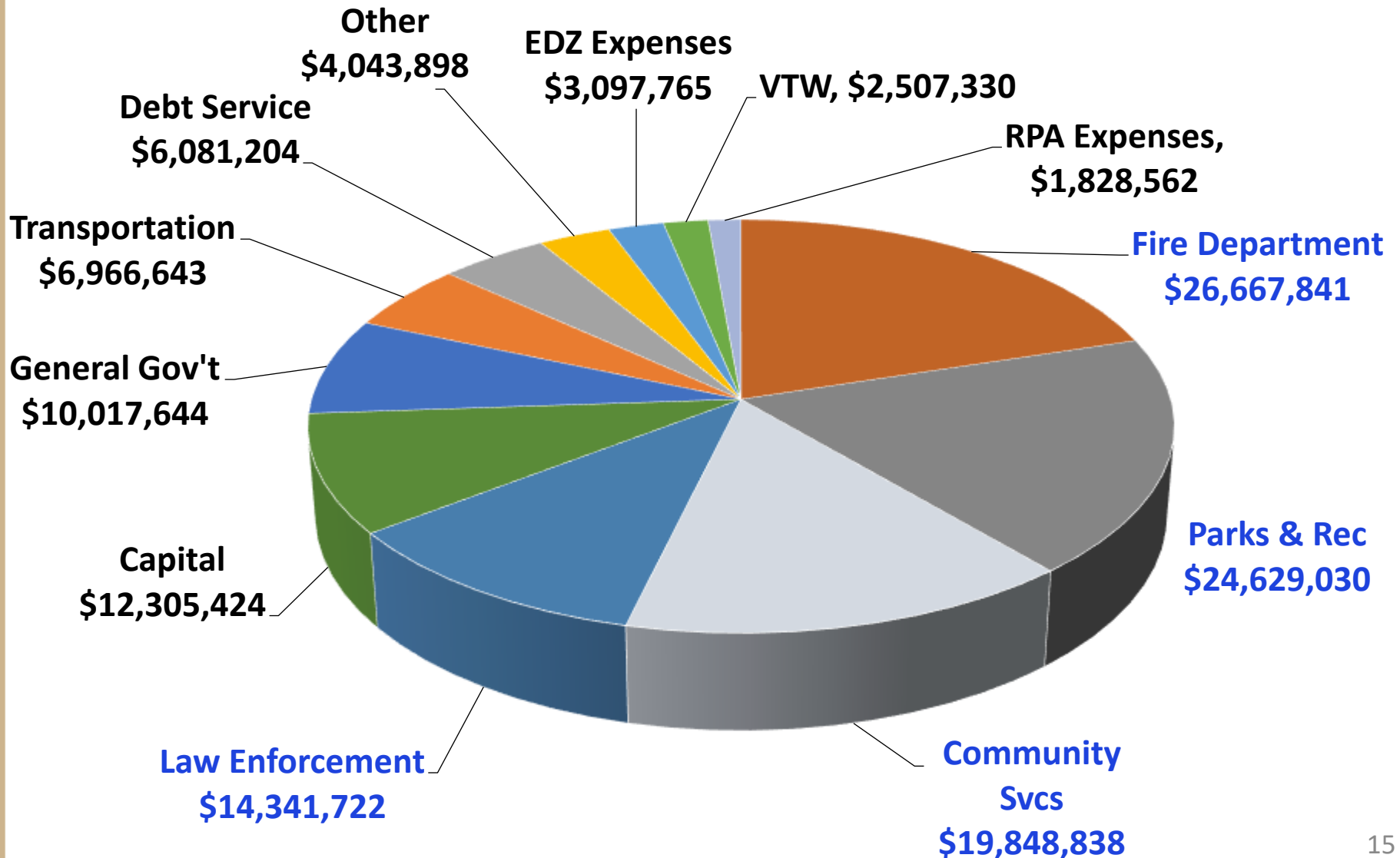


Undesignated reserve balances are used to fund “one-time” expenses such as capital assets; pay off debt; or allocations to designated reserves.

# **Services and Amenities**

# Consolidated Expenditures by Department

## 2022 Expenditures = \$132,335,901



# Services and Amenities

## ➤ 2023 Budget Considerations

### • General

- Inflation impacts on the cost of goods/services
- Services/amenities identified in Resident Survey
- Services/amenities requested by Village Associations
- Economic development initiatives
- Facility build-out/renovations
- New staff requests



# Services and Amenities

## ➤ 2023 Budget Considerations

### • Parks and Recreation

- Assumption of The Woodlands Waterway
- Projects identified in Needs Assessment
- Requests from residents for enhanced services
- Bike and Pedestrian Master Plan
- Texas TreeVentures Phase II
- Town Green Park Improvements
- Facility expansion/improvements
- New staff requests

# Services and Amenities

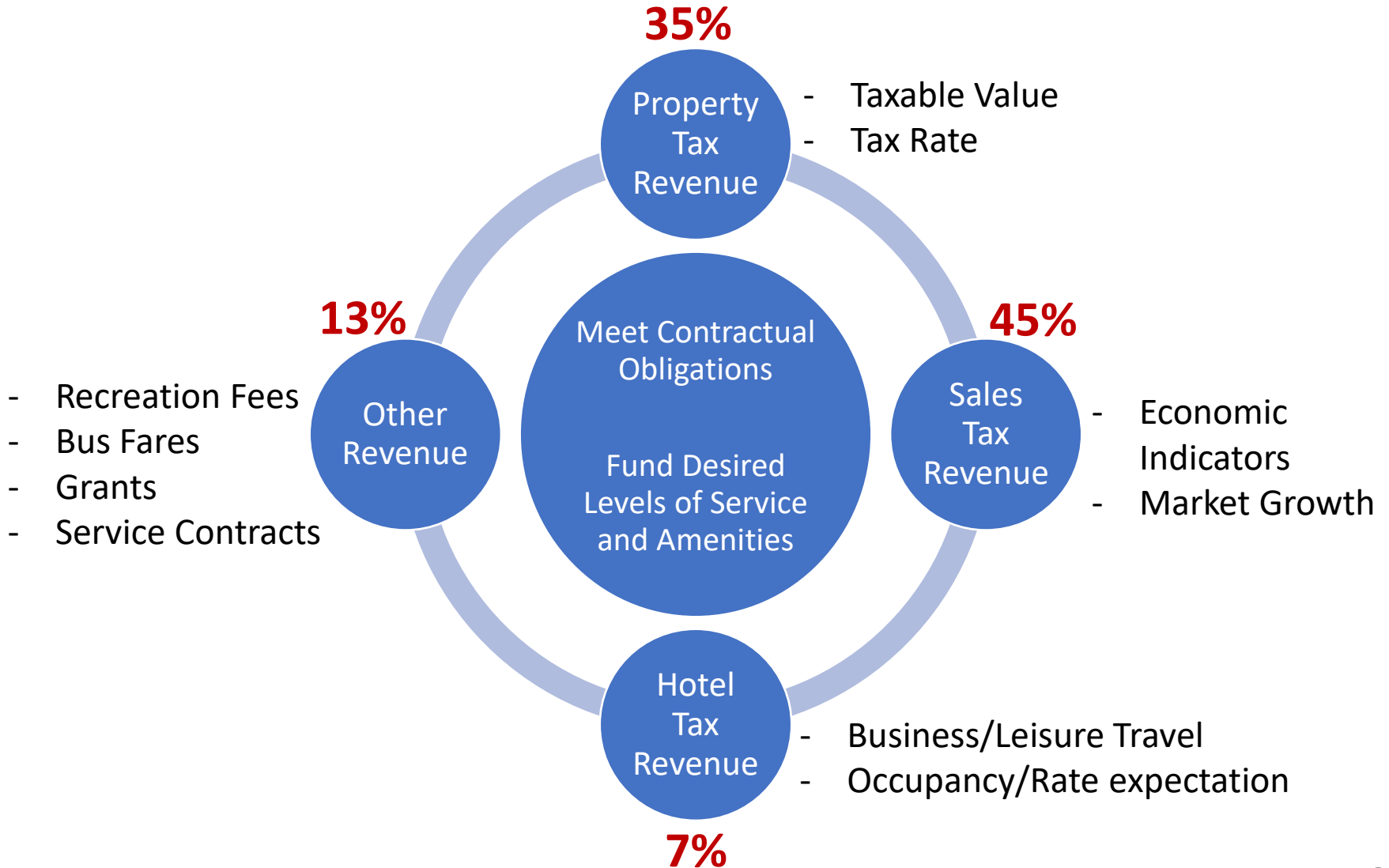
## ➤ 2023 Budget Considerations

### • Fire Department

- Station 5 Rebuild
  - Second Company staffing/equipment
- Station 3 Renovations
- Station 4 Renovations
- Emergency Training Center Renovations
- Vehicle Exhaust System
- New staff requests

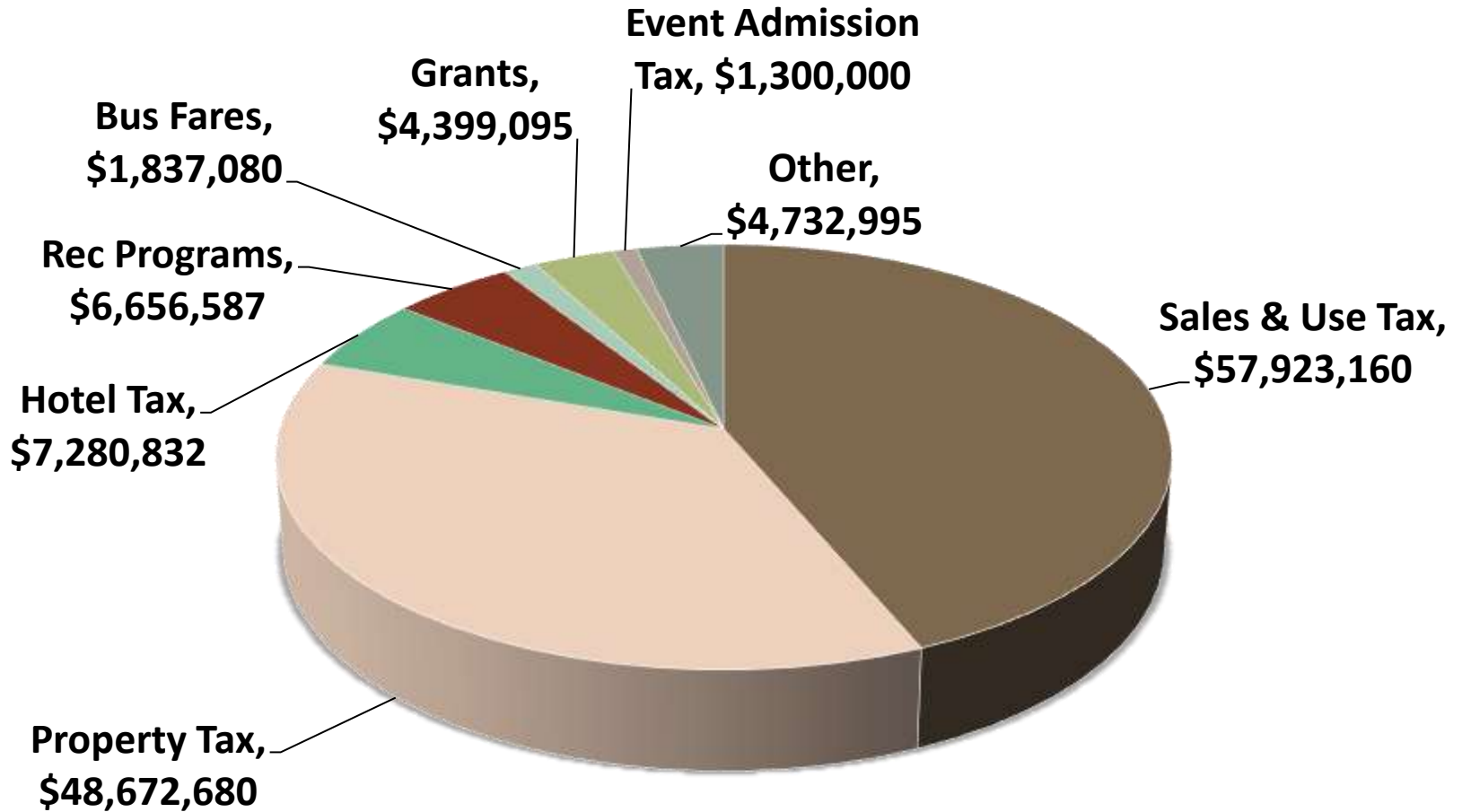
# Revenues

# Revenue Determination

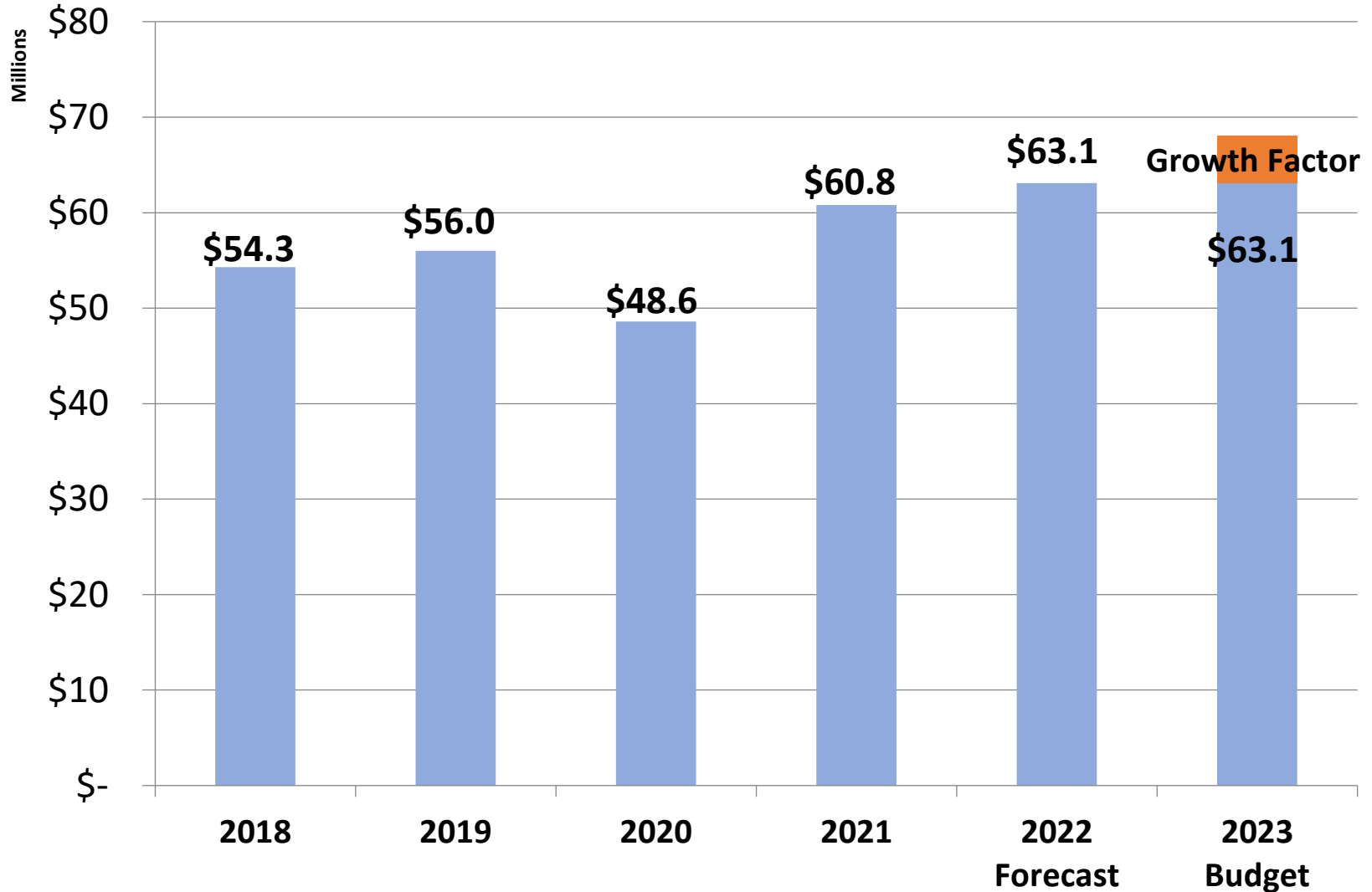


# Revenues by Type

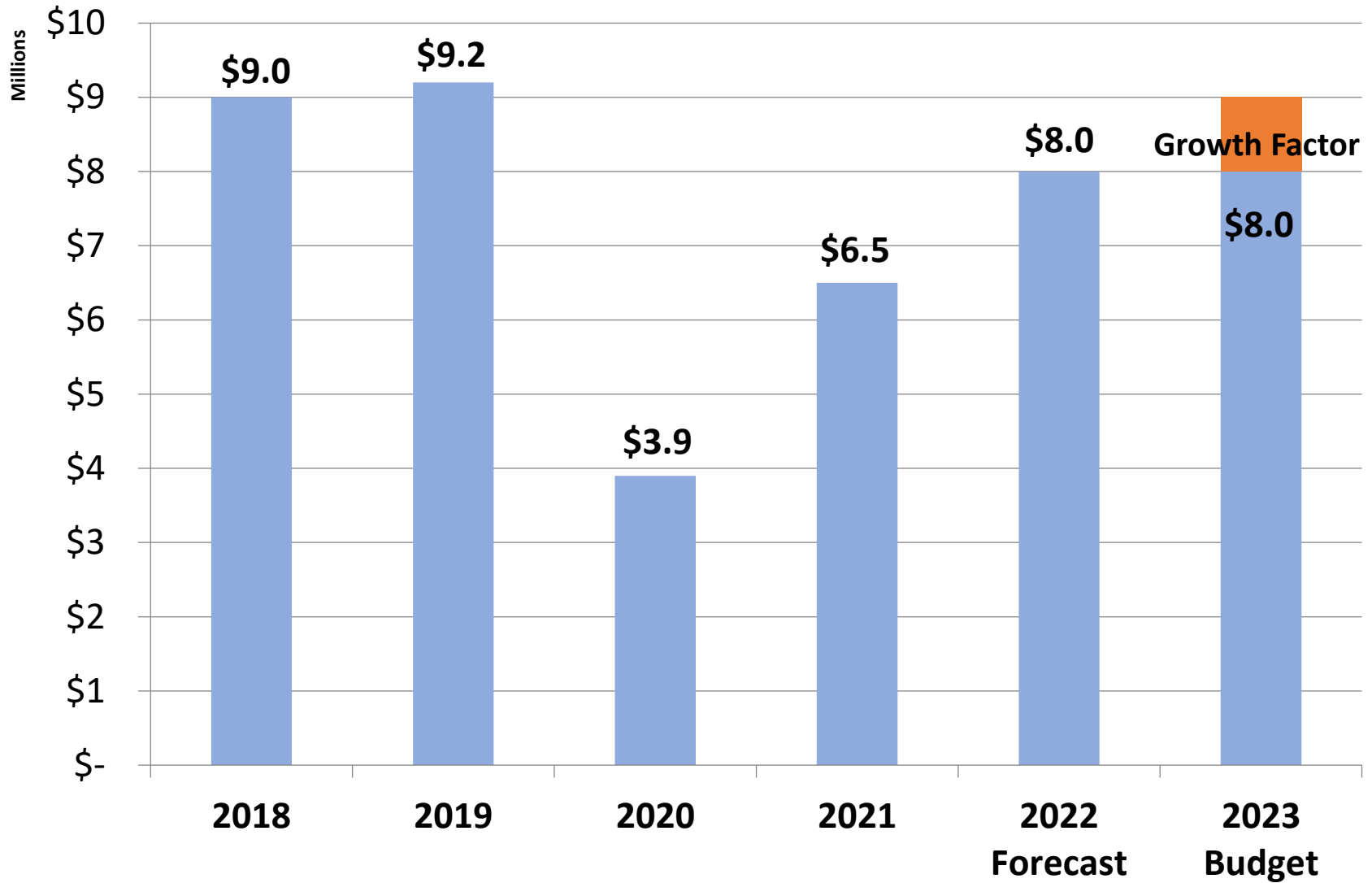
2022 Revenues - \$132,802,429



# Sales and Use Tax Revenue



# Hotel Occupancy Tax Revenue



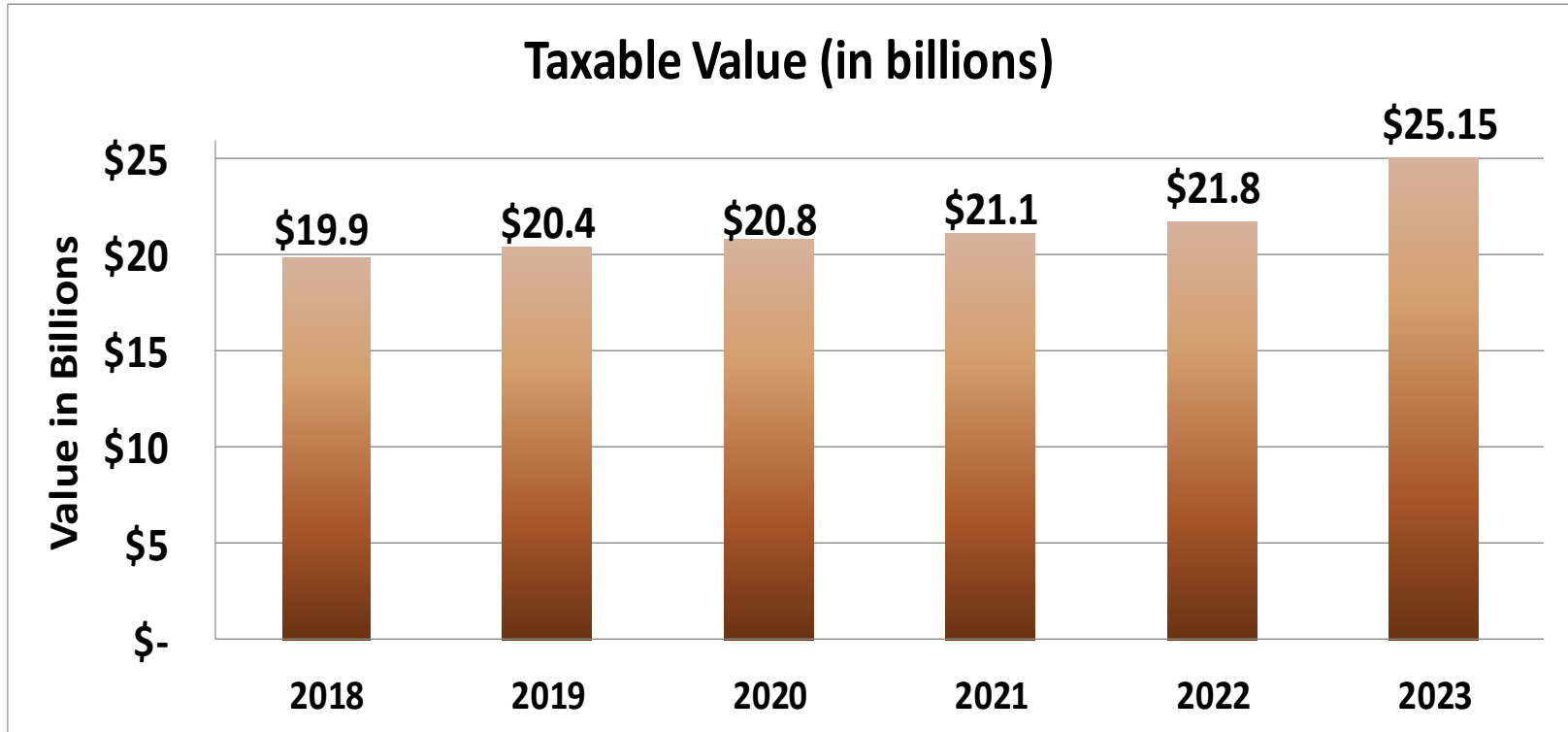
# Components of Property Tax Revenue





# Taxable Property Values

Budget Years 2018 - 2023



	2018	2019	2020	2021	2022	2023 Preliminary
Increase - revaluation	(0.2%)	1.1%	1.1%	0.5%	2.6%	14.4%
Increase - new property	0.9%	1.2%	1.0%	1.1%	1.1%	1.0%

# Limitation on Property Tax Value



2021 Taxable Value (Budget Year 2022)	2022 Preliminary Taxable Value (Budget Year 2023)	Difference (Amount)	Difference (%)
	\$25.80 billion (a)		
	<u>(0.65 billion)(b)</u>		
\$21.80 billion	<b>\$25.15 billion</b>	\$3.35 billion	<b>15.4%</b>

**(a) This figure takes into account a 10% cap on annual growth of property value subject to taxation.**

(b) Estimate of 2.5% reduction from preliminary to certified taxable values due to successful protests.

Certified property values and no-new-revenue and voter approval tax rates will be available from the Tax Assessor's office in early August.

# Limitation on Property Tax Rate

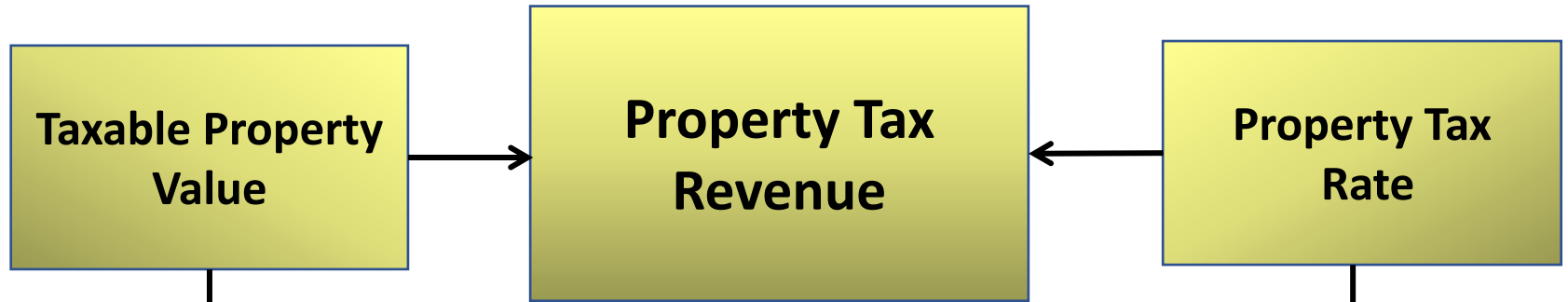
	2022	2023 (Preliminary)	Difference
Taxable Value	\$21,800,000,000	\$25,150,000,000	\$3,350,000,000
<b>Current Tax Rate</b>	<b>\$0.2231/100</b>	<b>\$0.2231/100</b> 	
Tax Revenue	\$48,600,000	\$56,100,000	\$7,500,000 

- **State law limits growth in property tax revenue from maintenance and operations to 3.5% without voter approval.**
- For the Township, the maximum additional property tax revenue that can be generated in 2023 for maintenance and operations without voter approval is approximately \$1.6 million.
- For the owner of a \$500,000 home, the maximum additional property tax levy is approximately \$42.

# Property Tax Freeze

- **As a special purpose district, by state law the Township is not eligible to grant a property tax freeze for seniors.**
- Only cities, counties, junior college districts, and school districts are authorized to offer a property tax freeze.
- This homestead tax ceiling “freezes” the amount of taxes a property owner pays on a homestead residence to the amount paid in the year he or she turned 65.
- The tax amount can decrease if the property value decreases or the taxing jurisdiction adopts a lower tax rate, but the amount cannot increase unless there are substantial improvements to the home.

# Limits on Growth in Property Tax Revenue



## Exemptions

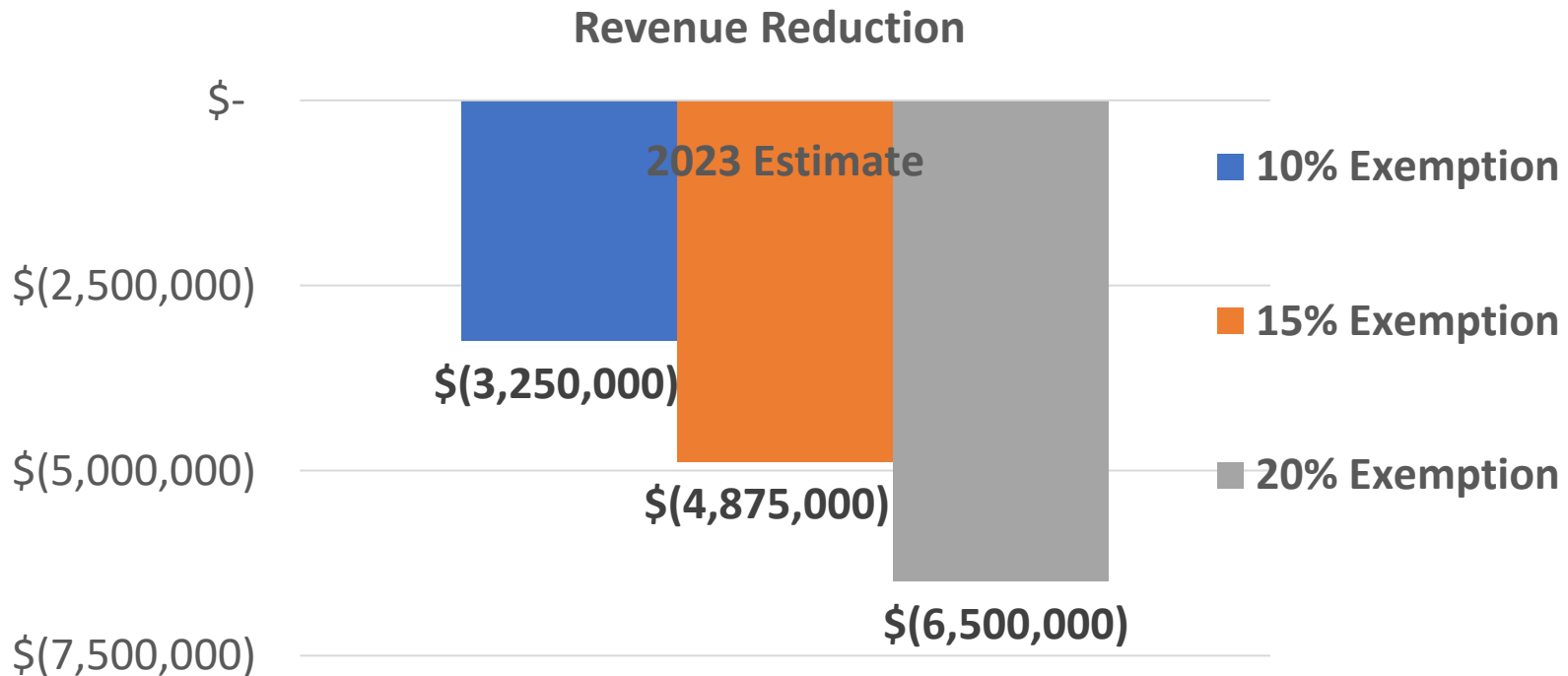
- Voluntary (can be rescinded)
- Impacts targeted groups (residential homestead/aged 65 and older/disabled)
- Deadline to submit is June 30 (prior to budget workshops)
- Township has \$25,000 exemption for persons 65 and older or disabled

## Tax Rate Reduction

- Statutory limits on rate growth
- Impacts ALL taxpayers (residential/commercial)
- Deadline to submit is Sept. 15 (after budget workshops)
- Township Board has lowered the tax rate at or below the no-new-revenue rate for 7 of past 9 years

# Homestead Exemption

- Applies to homestead residential properties only
- Each 5% of exemption = approximately \$1.625 million reduction in revenue for the Township.

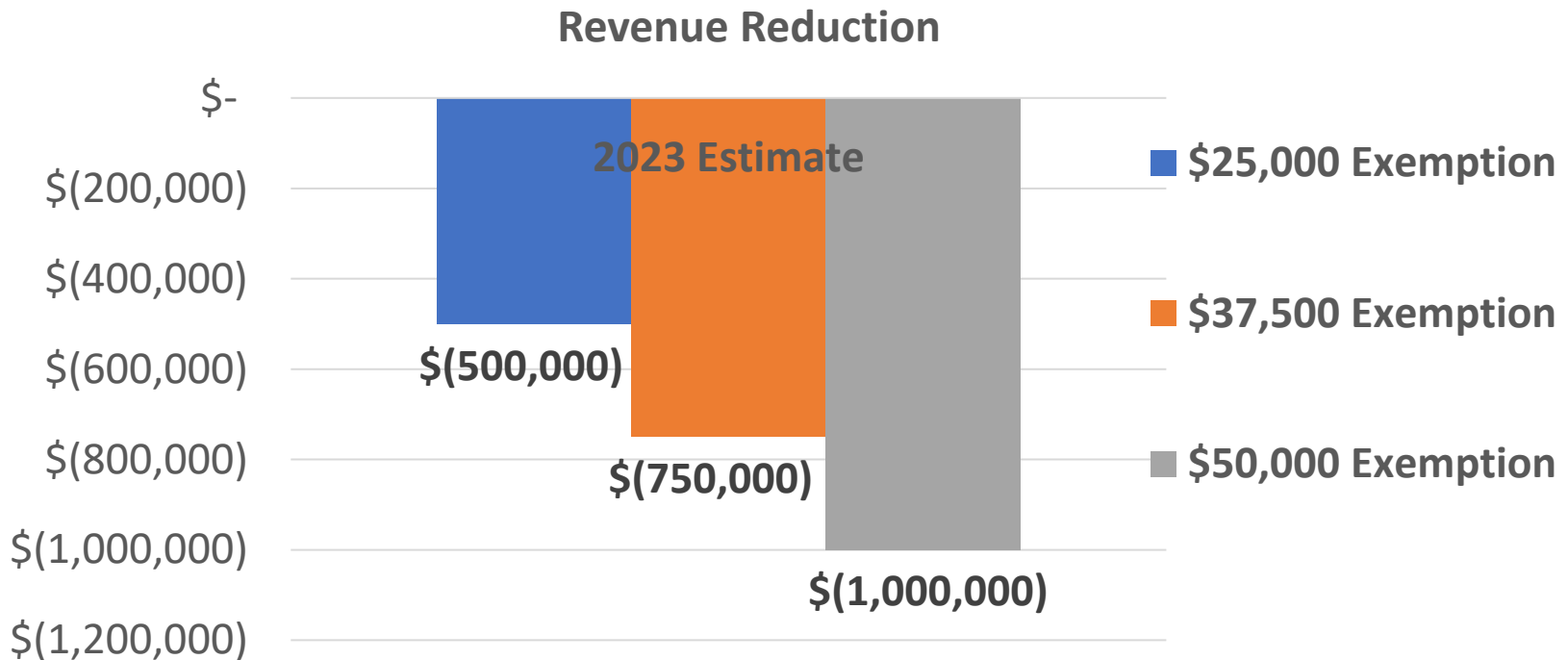


## Exemption for Persons Aged 65 and Older or Disabled

- Since 2011, the Township has granted an Age 65 or Older or Disabled Persons exemption of \$25,000.
- This exemption has resulted in \$4.7 million of property tax savings to qualifying taxpayers since it was implemented.
- For FY 2022, the exemption totaled \$497,959 based on \$223.2 million of exempt property value.

# Exemption for Persons Aged 65 and Older or Disabled

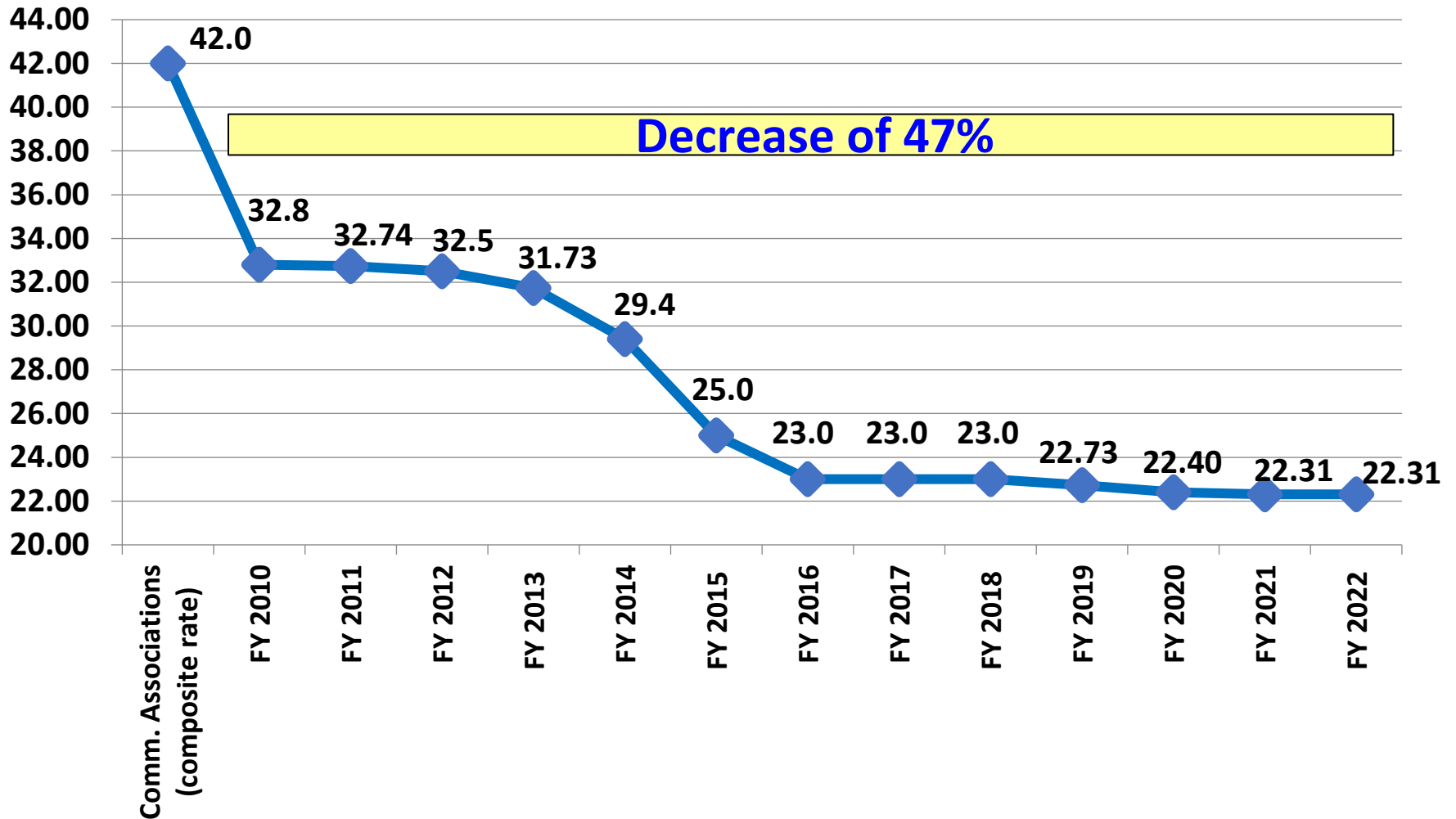
- Current exemption = \$25,000
- Each \$10,000 of exemption reduces Township property tax revenue by approximately \$200,000





# Property Tax Rate

## Tax Rate Per \$100 valuation

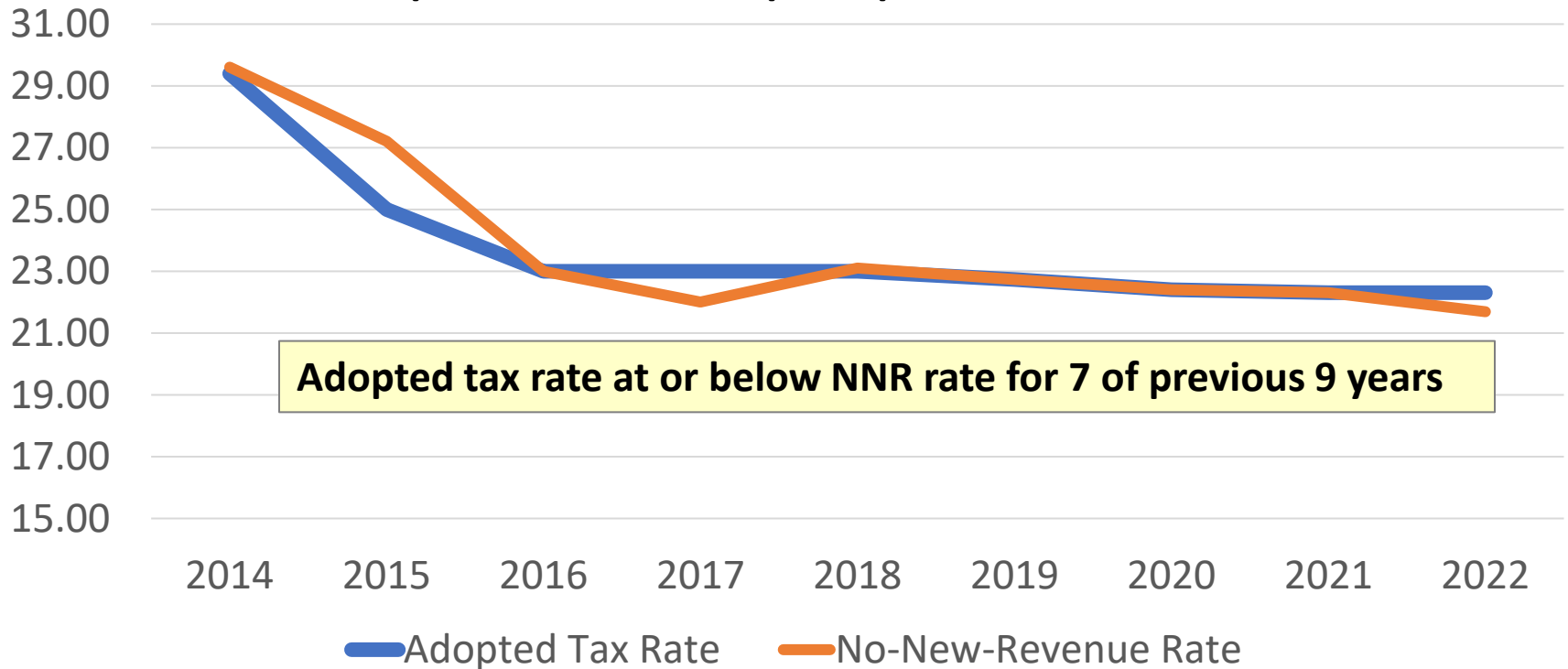


# Property Tax Rate

## No-New-Revenue Rate

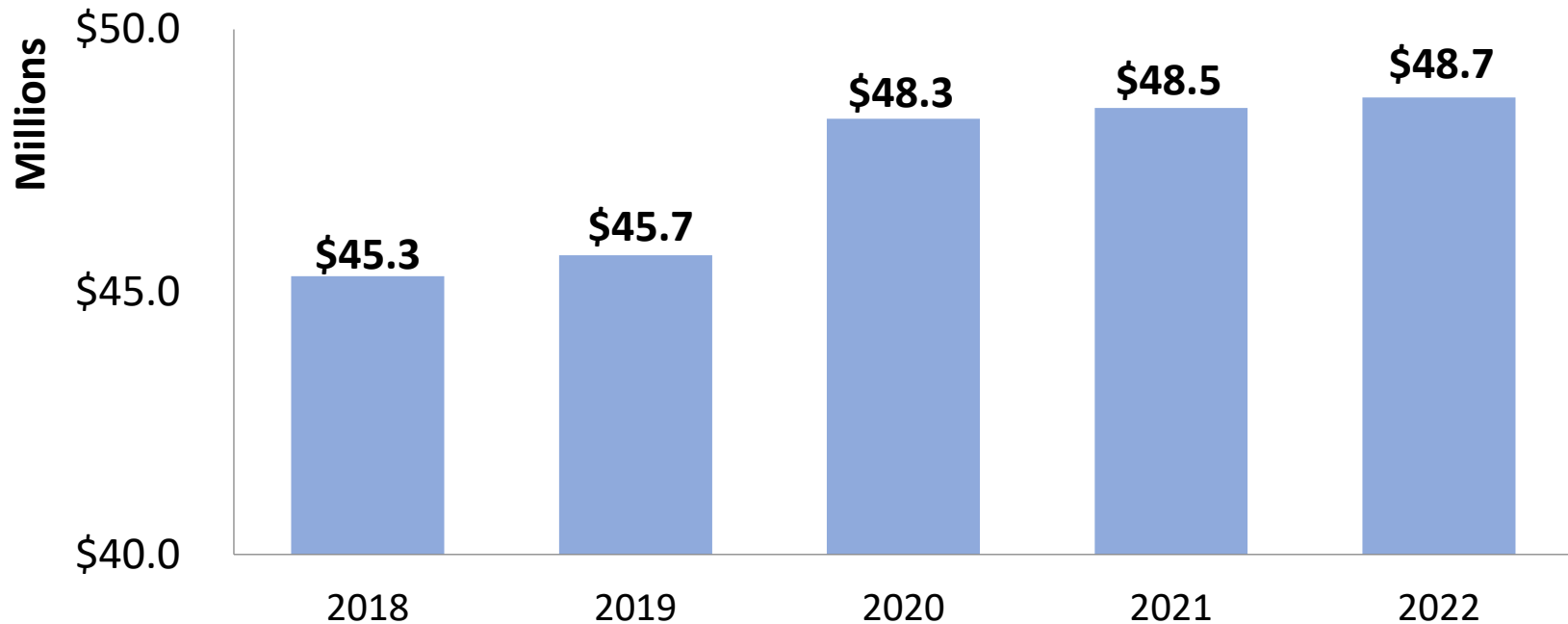
- Tax rate that produces the same amount of revenue for the same properties taxed in both years

Comparison of Township Adopted Rate vs. No-New-Revenue Rate



# Property Tax Revenue

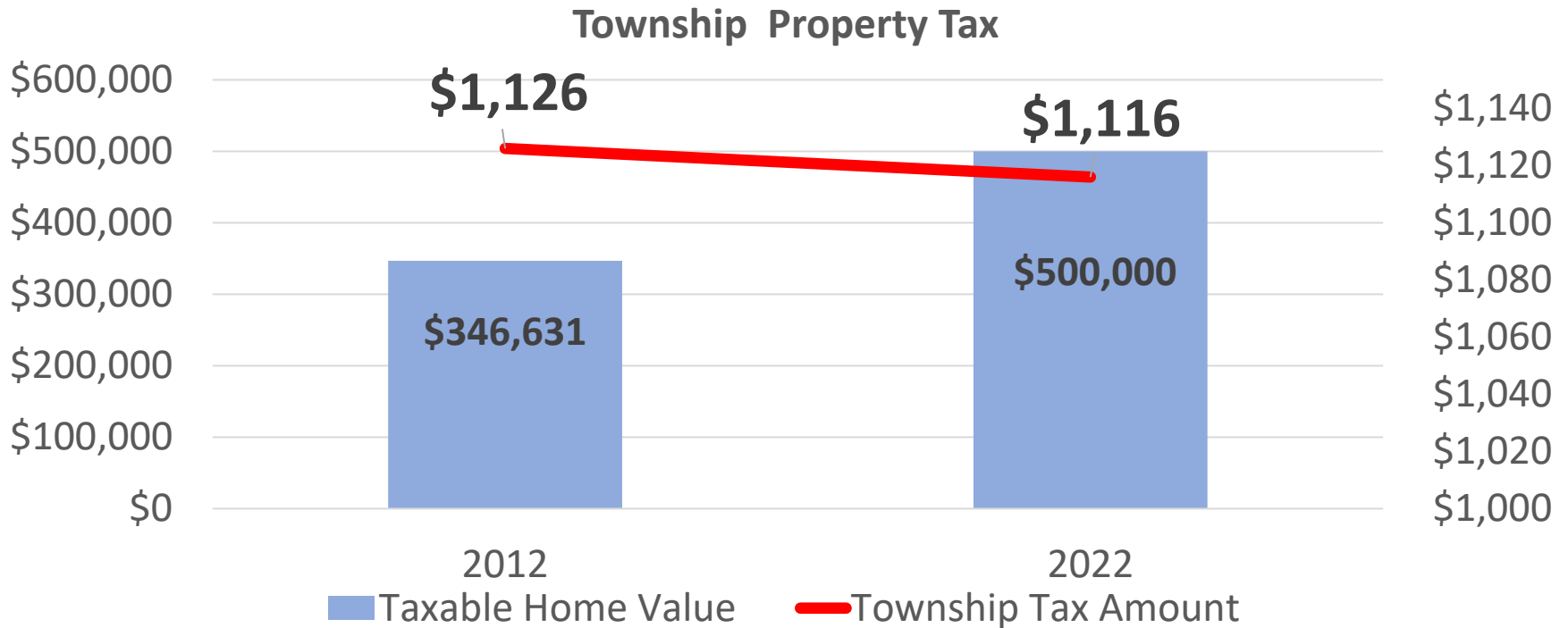
2018-2022



**Growth in property tax revenue due to:**

- Expiration of tax abatements on certain commercial properties
- Development of new residential and commercial properties

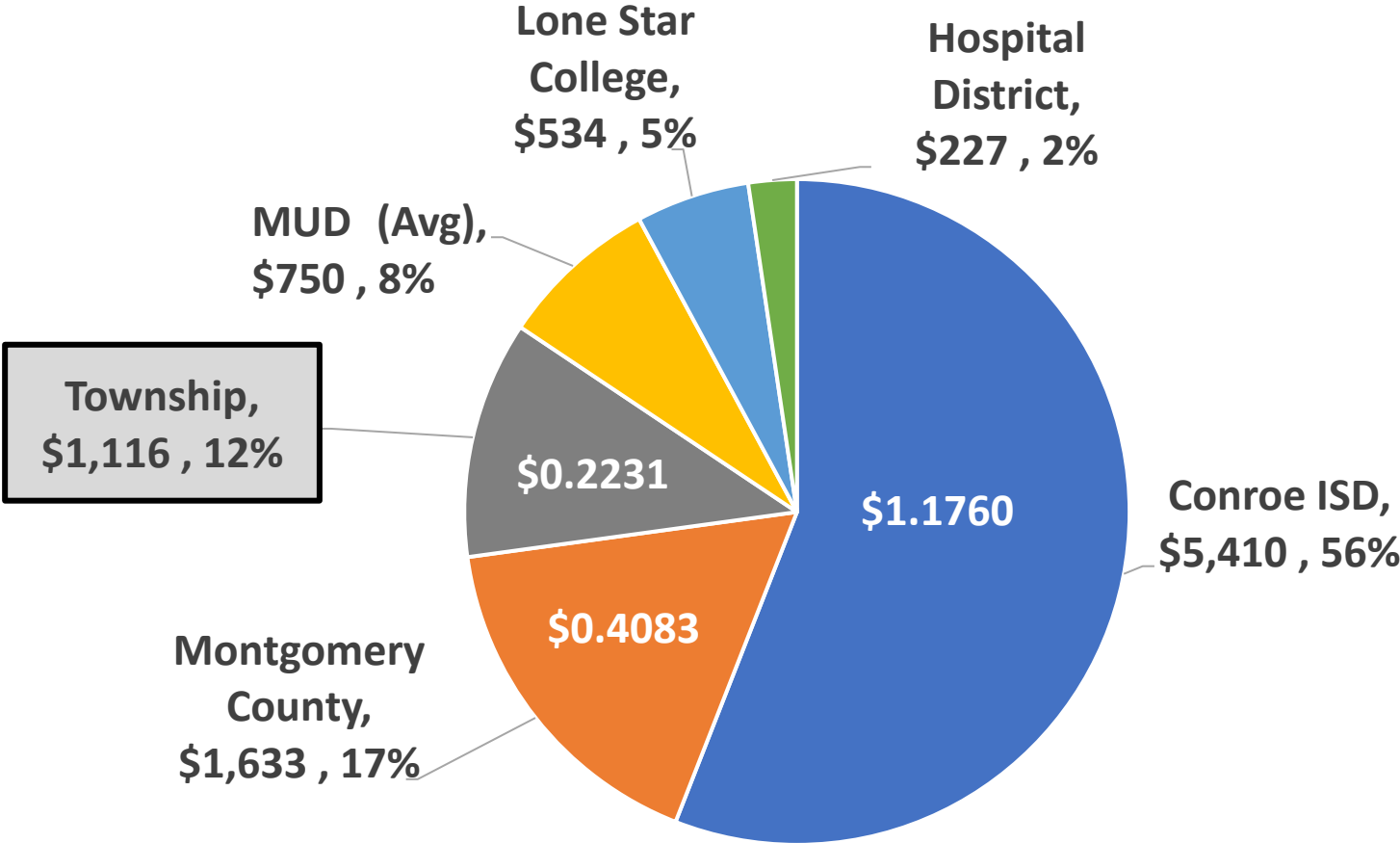
# Property Tax Levy



- As taxable property value increased, the Board lowered the tax rate to manage the tax burden for property owners.
- The Board relied on non-property tax sources of revenue to help fund costs for existing services as well as provide enhanced services in the areas of public safety, parks and recreation, and community maintenance.

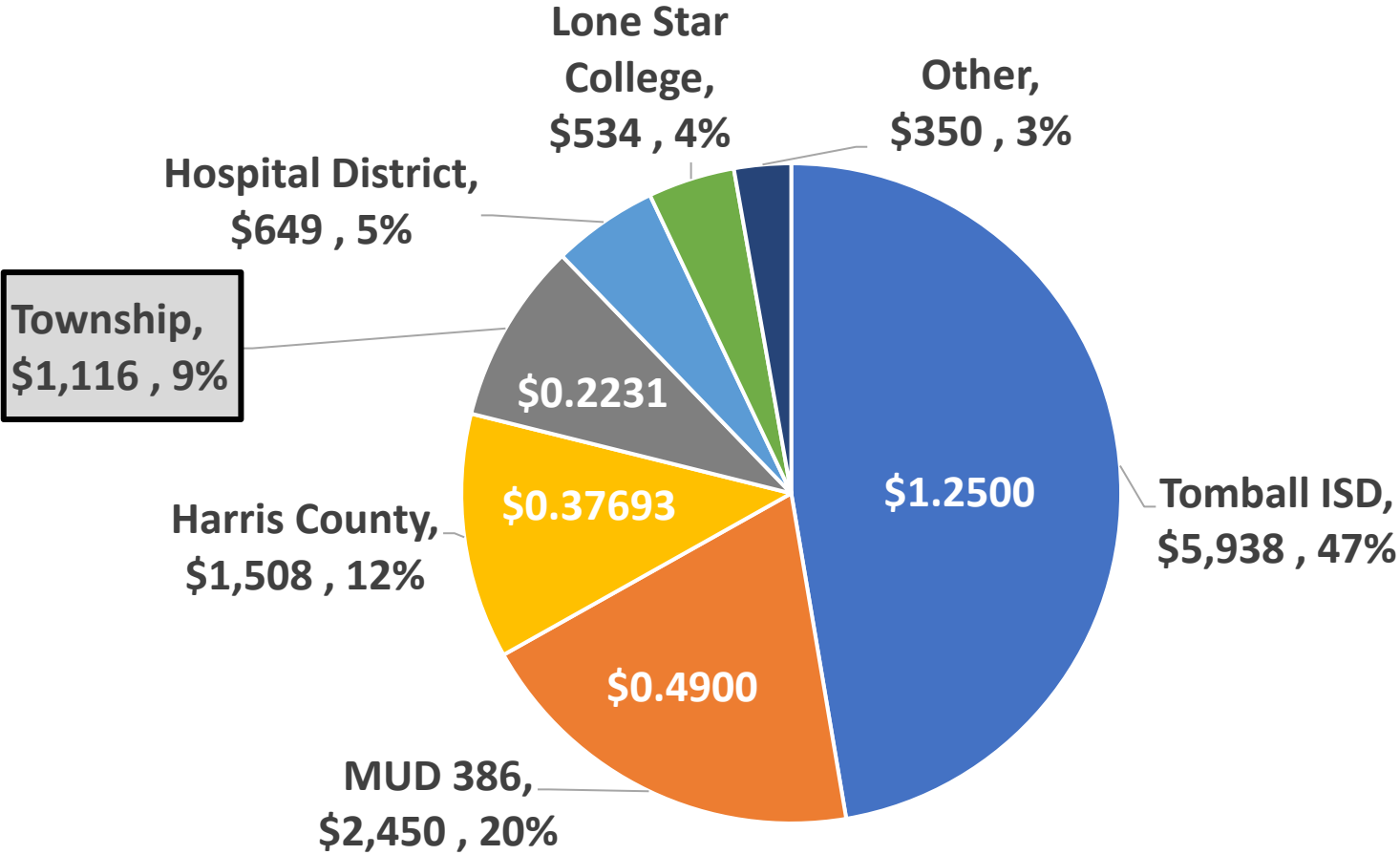
# Allocation of Total Property Tax Levy on \$500,000 Home

## Montgomery County - \$9,670



# Allocation of Total Property Tax Levy on \$500,000 Home

## Harris County - \$12,545



# Board Discussion

---

- **2023 Budget Initiatives  
(or other considerations)**
- **Exemptions**