



**PORT**  
**FREEDPORT IS**  
**GROWING**

**Bigger, Deeper, Wider**

# Setting the 2018 Tax Rate

- Annual rate setting process for debt service (I&S) and maintenance and operations (M&O) tax rates
- Industrial and residential Tax Base in Port Freeport District, updated every year and provided by Brazoria County Tax Office
- Port Commission to consider and adopt tax rate by September 30
- Review homestead exemptions



# Bond Election Approved by Voters – May 5, 2018

## Port Freeport – Proposition A

FOR

”THE ISSUANCE OF \$130,000,000 OF BONDS FOR THE PURPOSE OF IMPROVING, CONSTRUCTING, OR DEVELOPING THE FREEPORT HARBOR CHANNEL IMPROVEMENT PROJECT, AND THE LEVYING OF THE TAX IN PAYMENT THEREOF”

AGAINST



The bond package can be accomplished without an increase in the Port's total tax rate.



# Port Freeport's 2017 and 2018 Proposed Tax Rate - \$0.0401

Maintenance and Operations (M&O)\* – 3 cents



Debt Service\*\* – 1 cent



# Proposed Tax Rate with Bond Package - \$0.0401

Maintenance and Operations (M&O)\* – 1 cent



Debt Service\*\* – 3 cents



\*M&O – Annual operating expenses  
\*\*Debt Service – Annual principal and interest for voter-approved bonds.

# Current Tax Rate

Average Home Value \$155,000

	With Homestead Exemption	Over Age 65 Exemption	Over Age 65 in \$125,000 Home
Market Value	\$155,000	\$155,000	\$125,000
20% Homestead Exemption	\$ 31,000	\$ 31,000	\$ 25,000
Additional Exemption		\$100,000	\$100,000
Net Taxable Value	\$124,000	\$ 24,000	\$0
Port Tax (\$0.0401 per \$100)	\$49	\$9	\$0
	\$4/month	\$0.75/month	

# Top 10 Taxpayers

Entity (\$000s)	2018 Taxable Value	% Total 2018 Taxable Value
Dow Chemical Company	\$2,755,833	20.0%
Blue Cube Operations LLC (Olin)	630,438	4.6%
Phillips 66 Company	571,547	4.1%
Chevron Phillips Chemical Company	523,292	3.8%
BASF Corporation Chemicals Division	313,367	2.3%
Freeport LNG	156,304	1.1%
Lex Lake Jackson LP	128,736	0.9%
Air Liquide Large Industries US LP	115,765	0.8%
Shintech, Inc.	105,807	0.8%
Seaway Crude Pipeline Company LLC	96,083	0.7%
Total	\$5,397,172	39.1%



# Tax Abatements

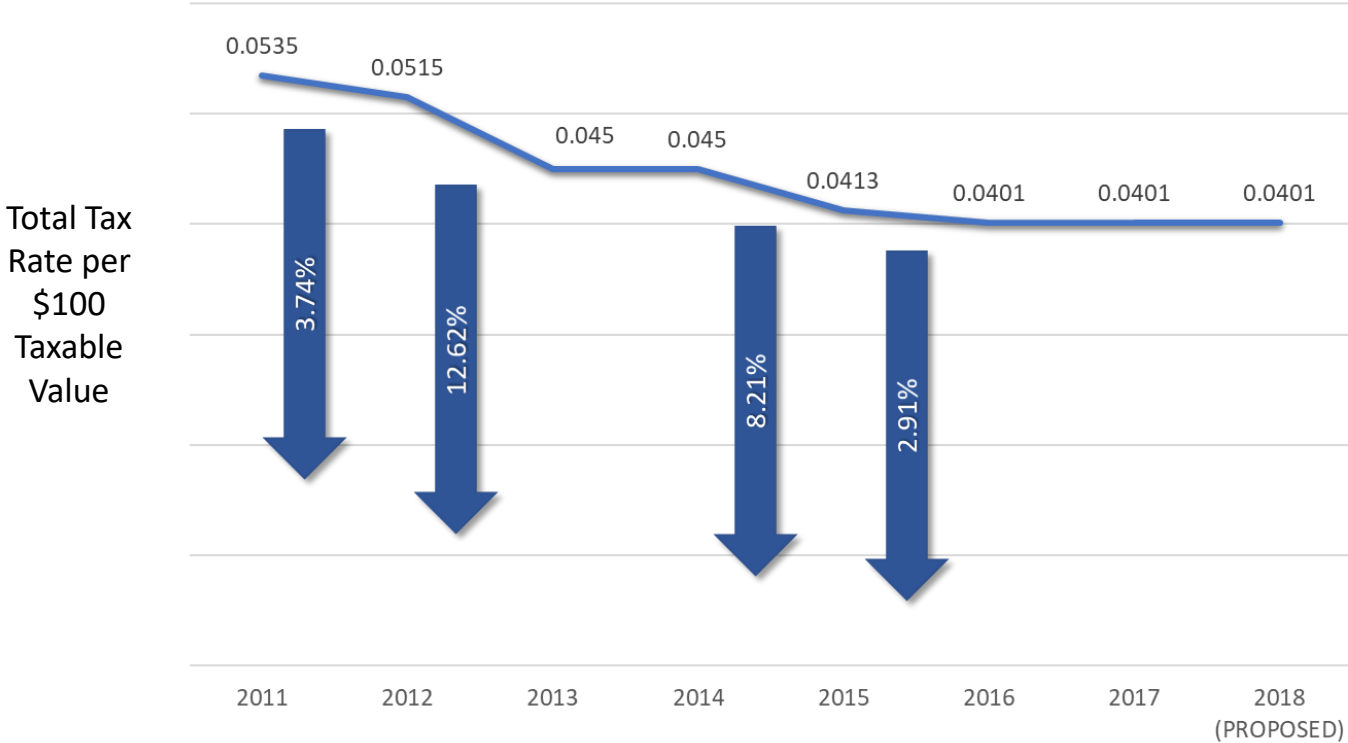
<b>(\$000s)</b>	<b>2018 Taxable Value</b>	<b>% Total 2018 Taxable Value</b>
<b>Total Industrial/Commercial</b>	<b>\$8,623,987</b>	<b>70%</b>
<b>Estimated Value from Expiring Tax Abatements (Comes on tax rolls 2019-2028)</b>	<b>\$10,093,200</b>	



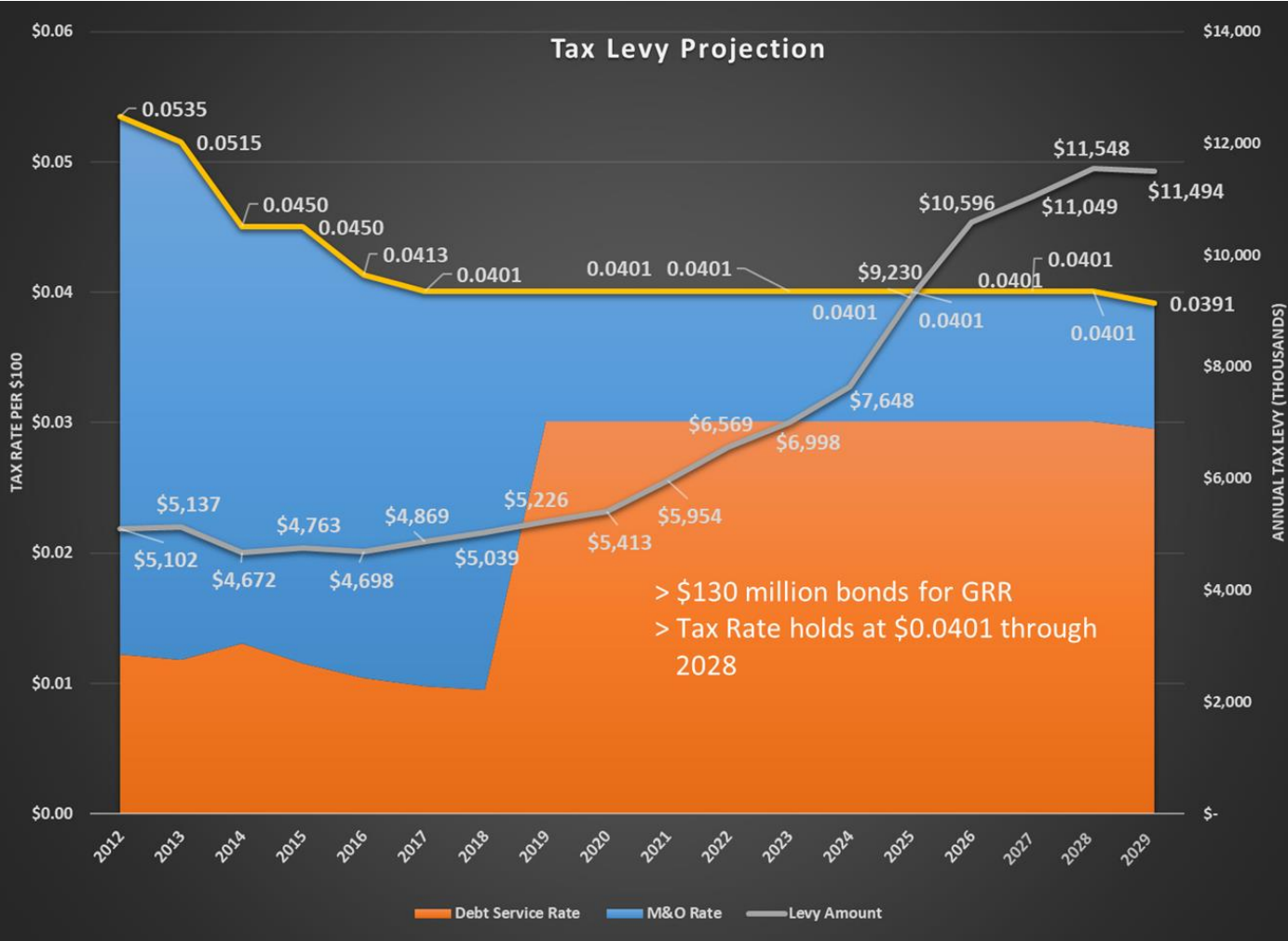


# Tax Rate Reductions

## Reduced Tax Rate 25% Since 2011



# Tax Levy Projection



# 2017 Tax Rate and 2018 Tax Rate Proposed

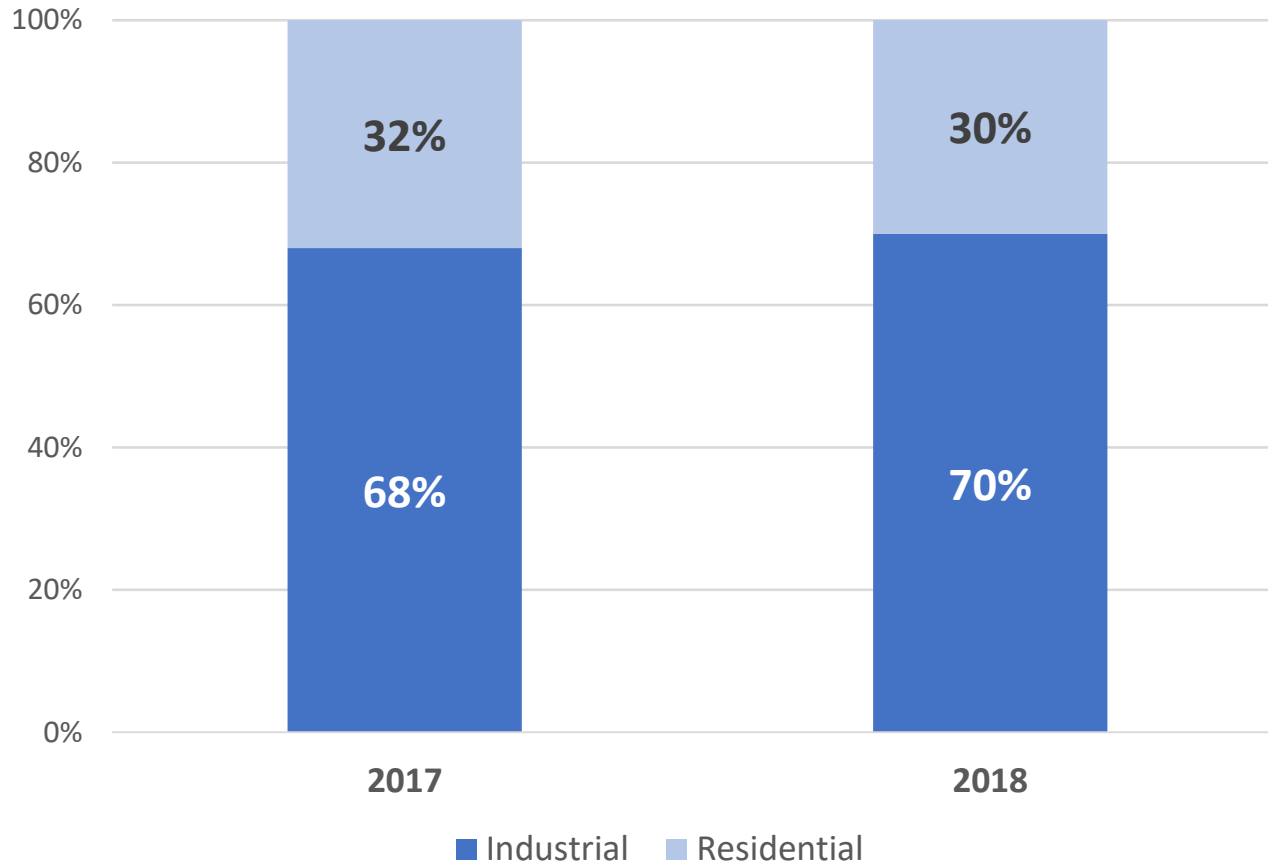
## 2017 Tax

	<u>Levy Amount</u>	<u>Rate per \$100</u>
Last Year's Tax Base	\$12,955,221,945	
Debt Service Tax (I&S)	\$1,188,383	\$0.009173
Operating Tax (M&O)	<u>\$4,006,661</u>	<u>\$0.030927</u>
Total Taxes	\$5,195,044	<b>\$0.040100</b>

## 2018 Tax Proposed

	<u>Levy Amount</u>	<u>Rate per \$100</u>
This Year's Tax Base	\$13,772,985,905	
Debt Service Tax (I&S)	\$1,191,300	\$0.008649
Operating Tax (M&O)	<u>\$4,331,742</u>	<u>\$0.031451</u>
Total Taxes	\$5,523,042	<b>\$0.040100</b>

# Industrial and Residential Mix (Taxable Values)



# Transparency With Taxpayers

After receiving the new tax base from the County Tax Office, Port Freeport calculates and discloses two rates:

- **Effective Tax Rate** is the total tax rate that would provide the same amount of revenue in the year before on properties taxed in both years. Generally equal to last year's taxes divided by the current taxable value of properties that were also on the tax roll last year.
- **Rollback Tax Rate** is the required I&S Tax Rate plus an 8% increase in the adjusted M&O Tax Rate. Maximum rate allowed by law before voters can start rollback procedures.

# Effective Tax Rate

<b>2018 Tax</b>	<b><u>Levy Amount</u></b>	<b><u>Rate per \$100</u></b>
This Year's Tax Base	\$13,772,985,905	
Debt Service Tax (I&S)	\$1,191,300	\$0.008649
This Year's Tax Base	\$13,772,985,905	
Deduct new improvements*	<u>(\$420,389,612)</u>	
This Year's Adjusted Tax Base	\$13,352,596,293	
<b><u>2018 Effective Tax Rate</u></b>		
This Year's Adjusted Tax Base	\$13,352,596,293	
Last Year's Adjusted Total Taxes	\$5,164,674	\$0.038679

\* Items not on the 2017 appraisal rolls

# 2018 Proposed Tax Rate

Port Commission proposed adopting a Total Tax Rate of \$0.0401

- Maintain same Total Tax Rate as in 2017 and 2016
- Since this is above the Effective Tax Rate, the Port is holding two public hearings in August in advance of adopting a rate in September

## 2018 Tax Proposal

<u>Maintain Last Year's Total Tax Rate of \$0.0401</u>	<u>Levy Amount</u>	<u>Rate per \$100</u>
Debt Service Tax (I&S)	\$1,191,300	\$0.008649
Operating Tax (M&O)	\$4,331,742	\$0.031451
Total Taxes at Proposed Tax Rate	\$5,523,042	<b>\$0.040100</b>
Total Taxes at Effective Tax Rate	\$5,327,328	
Incremental Tax Levy	\$195,714	\$0.001421

# Port Reserve for Capital Improvements

Port Commission created a Special Reserve for Capital Improvements in 2015

- Freeport Harbor Channel Improvements
  - Dredging, dredge material placement areas, and other associated work

Contributed \$10,880,744 total in 2016, 2017 and 2018

- Entire balance is available for projects
- Port Commission reviews annually
- Anticipate 2019 contribution



# Port Freeport Ad Valorem Property Tax

## Additional Homestead Exemption for 65 and Over or Disabled Increased to \$150,000

	\$100,000 Additional Exemption (Previously)	\$150,000 Additional Exemption (Currently)
Additional Exemption	\$100,000	\$150,000
Accounts Receiving Exemption	12,667	12,667
Paying No Taxes	6,713	9,903
Paying Taxes	5,954	2,764
% Paying Taxes	47%	22%
Average Tax Levy Per Property	\$24.70	\$22.77
Home Value Threshold for \$0 Tax Payable	\$125,000	\$187,500
2018 Estimated Taxable Value <sup>(1)</sup>	\$366,690,755	\$156,948,367
Value Off Tax Rolls vs @ \$100,000	N/A	\$209,742,388
2018 Estimated Port Tax Levy (\$0.0401 per \$100)	\$147,043	\$62,936
Reduction in Total Levy	N/A	\$84,107

(1) 20% Homestead and 65 and Over / Disability Exemption deducted from Market Values

# 2018 Proposed Tax Rate of \$0.0401

- Same rate as in 2017 and 2016
- Communicated throughout the year, in particular through bond election
- Increase in Taxable Value from Industry
- Holding level year-to-year

**Thank You**