

On August 26<sup>th</sup>, the Court proposed a 2019 tax rate of 50.85. This was a no change rate over the prior year, and the proposal passed 3-2. At this time I thought the rate was below both the effective rate and the rollback rate.

Subsequent to this proposal, 4 days later in fact, we realized that the effective rate was lower than the proposed 50.85. This scenario came about due to a couple of things:

1. The overall county property valuations increased significantly. We have suffered a decade of declining values, primarily as a result of the power plant reductions, so an increase was out of the norm. This increase, however, was not readily apparent. When we compared the 2019 current year valuation with the 2018 prior year valuation, there appeared to be a slight overall decrease. However this was not the case due to item 2.
2. The Luminant valuation lawsuit was settled in late fall of 2018, after the county property valuations and the 2018 Titus County tax rate and budget were filed. The settlement resulted in a \$187 million reduction to the 2018 tax base, and thereby set a new benchmark when comparing to the 2019 valuation. This was essentially a mid year property value adjustment, something that is very unique.

When we compared the 2019 property values to last year's values (from last year's budget notes) we were using an incorrect baseline and missed the significant increase in property values.

Once we realized the error, and compared 2019 values to the Luminant settlement adjusted 2018 value, this produced an effective rate that was lower than last year's tax rate.

Because we don't want to exceed the effective rate, or the rollback rate, we must adjust our proposed rate downward to 47.42. This will require two separate tax rate hearings, one on Thursday evening Sept 12, and another on Sept 16 at 9:00 am.

The good news in all of this is that we will be able to reduce the current rate by over 3 cents. I apologize for the error and the confusion. Perhaps this rate reduction will enable us to have consensus when we vote for the 2019 rate.

The bad news is that we will not collect the additional Maintenance and Operations funds that we had planned to use for the Annex building project. If this project continues to get support from the court, we will likely have to borrow funds in the future.