

February 5, 2019

Dear Senate Property Tax Committee,

The Frisco Chamber of Commerce recognizes the increasing strain of rising property taxes on our residents and businesses. However, we also recognize the conservative principle of free markets. Frisco is a desirable place to live, work, and play. Because of our high standard of public services and public safety, strong residential community, and diverse, growing local economy, the City of Frisco is growing at a rate of 5-7% every year. The free market is well at work in our community.

In maintaining that strong economic growth which is of great importance to our business community, the Frisco Chamber of Commerce recognizes the need for strong public services to be sustainable. In adding over 225 new residents per week to the City of Frisco, it is of great importance the city is able to effectively and efficiently budget for and manage the changing needs in staffing, infrastructure, and services that include public safety, public works, parks, and libraries. Each of our departments are accredited with best practices that require specific staffing ratios regardless of the political swings of voters. Our residents have been outspoken as to their desire to maintain those high standards.

Frisco is a fiscally conservative city. While appraisals have gone up based on market demand, our local city government has worked to maintain an efficient and lean budget with an M&O rate of .29 cents of our .4446 cent tax rate. Our concerns with an arbitrary revenue cap are those of unintended consequences. Concerns include:

- Frisco could lose its Aaa and AAA bond rating (Moody's and S&P). Both bond agencies have stated cities in Texas will be at risk if this specific legislation passes. Frisco has worked to refinance bond debt with our Aaa rating to lower the interest residents pay over time. A downgrade in our rating would lead to higher interest rates resulting in increased cost to residents of approximately 50bps (basis points).
- Under SB 2, Frisco as well as other cities, would be less likely to "pay as you go" to fund projects and increase the reliance upon debt as the primary revenue source would be capped. Budget items that would have been paid out of cash would be forced to save the cash for merit raises and other personnel needs.
- Inability to give the planned 3% merit raise for city staff that are non-public safety officers.
- Unable to hire needed staff until election occurs, placing staffing ratios further behind in a fast growing city because of the length of time it takes to train public safety staff.
- Loss of homestead exemption as the cap and the exemption would be unsustainable in the near future during the high growth period.
- Risk to senior exemption, especially in times of recession.

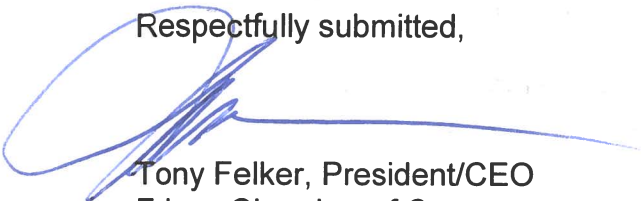
- With the fast growth and increasing strains on personnel ratios, Frisco could lose its ISO #1 rating which could lead to increased residential and commercial insurance rates.
- Not adequately funding current and future needs for our police and fire services would also lead to an increase in emergency services response times.
- Limit our ability to staff a new fire station opening in 2020.

We have worked along-side our local city government for over four decades. We certainly challenge their assumptions, push them for greater accountability, and work for real solutions for our residents and business owners alike. We believe SB 2 will harm those cities working to increase jobs, diversify the state economy, and stabilize the workforce by potentially handcuffing the ability of fast growing cities to attend to fast growth needs. New revenue may not be impacted this year but new residents receive services immediately. So, while the bill, in spirit, attempts to allow for new revenue, it is important to note that fast growing cities are using revenue from the current budget to still increase the staffing ratios to deal with the previous budget year's population growth. In effect, services are always a year behind financially. **It is our strict belief this proposed bill will significantly harm the services in the City of Frisco which will lead to significant harm to the business community as a whole; therefore, we must stand in opposition as the bill is currently written and stand ready to work with the legislature on other solutions.**

The solution is to recognize the efforts made by local government to provide effective tax relief, such as Homestead Exemptions and Senior Exemptions, coupled with a low tax rate, and incentivize those best practices. Furthermore, high-growth cities such as Frisco need the flexibility to react with a policy set by individual city growth rates and inflation. We also recognize the need to stem property tax growth and would recommend measures that are more applicable to individual cities. Revenue caps that recognize growth plus inflation, that are based upon specific local growth and inflation numbers, provide accountability and sustainability in city budgeting and would be appropriate for cities growing at a 3.5% rate or higher.

As meaningful property tax relief can only come in the form of school finance overhaul, we would encourage the legislature to focus on the greater portion of the individual property owner's bill and solve the public school finance issue. The legislature must increase its financial support of our public schools – the source of our future workforce and a major component in the growth of Frisco in order to achieve real reform and relief. To provide reform without relief is just shifting the burdens around.

Respectfully submitted,



Tony Felker, President/CEO  
Frisco Chamber of Commerce