



STAFF REPORT

DATE: September 18, 2018

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Setting the Tax Rate for Fiscal Year 2019.

BACKGROUND AND FINDINGS:

Chapter 26 of the Texas Tax Code requires taxing units to comply with truth-in-taxation laws when adopting their tax rates. In addition, Local Government Code Section 140.010 requires a municipality to provide notice of the proposed property tax rate. The Local Government Code notice exempts the City from the notice and publication requirements of Sections 26.04(e), 26.052, and 26.06 of the Texas Tax Code. The notice required by Local Government Code Section 140.010(d) was published in the Killeen Daily Herald on August 26, 2018.

The City has complied with all provisions of the truth-in-taxation and Local Government Code laws regarding the adoption of the tax rate.

The City Manager's proposed FY 2019 Budget used the current tax rate of 74.98¢ per \$100 valuation. On August 21, 2018, at a City Council meeting, the Killeen City Council set the preliminary tax rate at the rate of 75.75¢ per \$100 valuation. The preliminary tax rate represents the maximum rate that can be adopted for the FY 2019 Budget. The effective tax rate for FY 2019 (2018 tax year) is 74.49¢. The rollback tax rate adjusted for sales tax for FY 2019 (2018 tax year) is 75.75¢.

On September 4, 2018, at a City Council Meeting, the Killeen City Council approved a motion to direct the City Manager to use the current tax rate of 74.98¢ per \$100 valuation. It is now necessary that City Council adopt a final tax rate to support the Fiscal Year 2019 Annual Budget and Plan of Municipal Services. Texas Tax Code requires the vote on an ordinance setting a tax rate that exceeds the effective rate to be a record vote and approved by at least sixty (60) percent of the members of the governing body. In order to set the tax rate above the effective rate of 74.49¢, the ordinance must be approved by at least five (5) members of City Council.

THE ALTERNATIVES CONSIDERED:

- 1) Set the tax rate.
- 2) In accordance with Tax Code Section 26.05(c), if the governing body of a taxing unit does not adopt a tax rate before the date required (before the later of September 30 or the 60th day after the date the certified roll is received), the tax rate for the taxing unit for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. A tax rate established by this subsection is treated as an adopted tax rate.

Which alternative is recommended? Why?

Staff's recommendation is to set the tax rate as presented in the ordinance.

CONFORMITY TO CITY POLICY:

The ordinance complies with truth-in taxation laws set by the Texas Tax Code and Local Government Code.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff recommends City Council approve the ordinance setting the FY 2019 tax rate at 74.98¢ per \$100 valuation.

DEPARTMENTAL CLEARANCES:

Finance
City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Ordinance