



## STAFF REPORT

**DATE:** September 7, 2021  
**TO:** Kent Cagle, City Manager  
**FROM:** Jonathan Locke, Executive Director of Finance  
**SUBJECT:** Tax Rate Public Hearing

### **BACKGROUND AND FINDINGS:**

On August 3, 2021, City Council set the preliminary tax rate at \$0.7169 per \$100 valuation, adopted a resolution setting a public hearing for September 14, 2021 on the preliminary tax rate for the proposed FY 2022 Budget, and scheduling the adoption of the tax rate for September 14, 2021. The preliminary tax rate establishes the ceiling for the FY 2022 Budget. The actual tax rate can be equal to or lower than the preliminary tax rate and not higher.

The proposed FY 2022 Budget was submitted to City Council using a tax rate of \$0.7056. City Council set the preliminary tax rate at \$0.7169 to allow for a potential bond issue for street reconstruction. City Council later decided to use the Street Maintenance Fee to repay the proposed bond issue for street reconstruction. The no-new-revenue tax rate for FY 2022 is \$0.6713 and the voter-approval tax rate for FY 2022 is \$0.8357. Since the preliminary tax rate was set above the no-new-revenue tax rate, Texas Property Tax Code requires a public hearing be held prior to the adoption of the final tax rate.

On September 7, 2021, City Council provided a motion of direction to remove \$374,279 in property tax revenue from the FY 2022 Budget and lower the proposed tax rate from \$0.7056 to \$0.7004.

Senate Bill 2 from the 86<sup>th</sup> Legislature changed the laws regarding public hearings for tax rates. The requirement went from two public hearings to one public hearing. In addition, the allotment of time between the hearing and adoption was shortened. As a result, there was a change allowing the governing body to vote on the proposed tax rate at the public hearing per Property Tax Code Section 26.06(d). If the governing body does not adopt the tax rate at the public hearing, the meeting to vote on the tax increase may not be held later than the seventh day after the date of the public hearing per Section 26.06(e). Due to this change, the City Council will hold the public hearing on the same day as the tax rate adoption.

### **THE ALTERNATIVES CONSIDERED:**

#### **Which alternative is recommended? Why?**

In accordance with Texas Property Tax Code Section 26.05(d), the governing body of a taxing unit other than a school district may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate calculated as provided by this chapter until the

governing body has held a public hearing on the proposed tax rate and has otherwise complied with Section 26.06 and Section 26.065.

**CONFORMITY TO CITY POLICY:**

Meets truth-in-taxation laws as set forth in the Texas Property Tax 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:**

City Council hold a public hearing on the proposed tax rate for the fiscal year beginning October 1, 2021 and ending September 30, 2022.

**DEPARTMENTAL CLEARANCES:**

Finance  
City Attorney

**ATTACHED SUPPORTING DOCUMENTS:**

N/A