



STAFF REPORT

DATE: August 15, 2017

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Setting the preliminary tax rate for the FY 2018 Annual Budget and Plan of Municipal Services and setting the dates to hold public hearings on the proposed tax increase, if a proposed tax increase is approved

BACKGROUND AND FINDINGS:

Truth-in-taxation laws require that a governing body publish notices and hold public hearings if a proposed tax rate exceeds the lower of either the effective tax rate or the rollback rate. The following tax rates per \$100 valuation are relevant to the proposed FY 2018 Budget:

Effective Tax Rate	0.7027
Current Tax Rate	0.7498
Notice and Hearing Tax Rate	>0.7027
Preliminary Budget Tax Rate	0.7498
Rollback Tax Rate, Adjusted for Sales Tax	0.7223

The City Council must set a preliminary tax rate for the proposed FY 2018 Budget. The preliminary tax rate is the maximum tax rate that may be adopted for the FY 2018 Budget. The preliminary tax rate can be lowered when the final tax rate is set.

If the preliminary tax rate is equal to or less than 0.7027, no additional meetings will be required, and the tax rate will be adopted on September 19, 2017.

If the preliminary tax rate exceeds 0.7027, the City Council must take a record vote and schedule two (2) public hearings on the preliminary tax rate. The first publication must run at least seven (7) days prior to the public hearing on the tax rate. The first public hearing will be held on September 5, 2017. The second public hearing may not be held any earlier than the third day after the first hearing. The second public hearing will be held on September 12, 2017. The tax rate is scheduled to be adopted on September 19, 2017. State law requires that the tax rate be adopted no sooner than three (3) days (September 15, 2017), and no later than fourteen (14) days (September 26, 2017) after the second public hearing.

THE ALTERNATIVES CONSIDERED:

Which alternative is recommended? Why?

The preliminary tax rate needs to be set. The tax rate reflected in the City Manager's proposed FY 2018 Budget is 0.7498.

CONFORMITY TO CITY POLICY:

This recommendation 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?

This is a revenue source.

Is this a one-time or recurring expenditure?

This is a revenue source.

Is this expenditure budgeted?

This is a revenue source.

If not, where will the money come from?

This is a revenue source.

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

This is a revenue source.

RECOMMENDATION:

The City Council set a preliminary tax rate of 0.7498 per \$100 valuation. This rate represents the preliminary tax rate set for the FY 2018 Annual Budget and Plan of Municipal Services. Once set, this preliminary tax rate will be the maximum tax rate allowed by law for the FY 2018 Budget. The City Council may elect to lower the preliminary tax rate at a later date; however, it may not be raised.

DEPARTMENTAL CLEARANCES:

Finance
City Attorney

ATTACHED SUPPORTING DOCUMENTS:

None