



STAFF REPORT

DATE: August 20, 2019

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Setting the preliminary tax rate for the FY 2020 Annual Budget and associated public hearing dates

BACKGROUND AND FINDINGS:

Truth-in-taxation laws require that a governing body publish notices and hold public hearings if a preliminary tax rate exceeds the lower of the effective tax rate or the rollback rate. The following tax rates per \$100 valuation are relevant to the proposed FY 2020 Budget:

Effective Tax Rate	0.6788
Current Tax Rate	0.7498
Notice and Hearing Tax Rate	>0.6788
Proposed Budget Tax Rate	0.7498
Rollback Tax Rate, Adjusted for Sales Tax	0.7588

The City Council must set a preliminary tax rate for the proposed FY 2020 Budget. The preliminary tax rate is the maximum tax rate that may be adopted for the FY 2020 Budget. The final tax rate may be equal to or lower than the preliminary tax rate. The final tax rate may not be higher than the preliminary tax rate.

If the preliminary tax rate is equal to or less than 0.6788, no additional meetings will be required, and the tax rate will be adopted on September 17, 2019.

If the preliminary tax rate exceeds 0.6788, the City Council must take a record vote and schedule two (2) public hearings on the preliminary tax rate. The FY 2020 Proposed Budget was prepared using the current tax rate of 0.7498. Setting the preliminary tax rate at the current tax rate of 0.7498 requires two public hearings, since it is higher than 0.6788.

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 3, 2019. 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 10, 2019. The tax rate is scheduled to be adopted on September 17, 2019. State law requires that the tax rate be adopted no sooner than three (3) days (September 13, 2019), and no later than fourteen (14) days (September 24, 2019) after the second public hearing.

THE ALTERNATIVES CONSIDERED:

Setting the preliminary tax rate at:

- 1. Effective rate - 0.6788
- 2. Rollback rate - 0.7588
- 3. Current and Proposed Budget rate - 0.7498

Which alternative is recommended? Why?

Staff recommends that City Council set the preliminary tax rate greater than or equal to the current tax rate of 0.7498. The City Manager’s proposed FY 2020 Budget is predicated on the current tax rate of 0.7498. The chart below illustrates the budget impact of setting the preliminary tax rate at the different alternatives:

	<u>Tax Rate</u>	<u>Total Levy</u>	<u>Difference from Current Rate</u>
Current Rate	\$ 0.7498	\$ 47,920,111	\$ -
Budgeted Rate	\$ 0.7498	\$ 47,920,111	\$ -
Effective Rate	\$ 0.6788	\$ 43,574,751	\$ (4,345,360)
Rollback Rate	\$ 0.7588	\$ 48,470,931	\$ 550,820

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?

Not applicable.

Is this a one-time or recurring expenditure?

Not applicable.

Is this expenditure budgeted?

Not applicable.

If not, where will the money come from?

Not applicable.

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

Not applicable.

RECOMMENDATION:

Staff recommends that City Council set the preliminary tax rate greater than or equal to the current tax rate of 0.7498.

DEPARTMENTAL CLEARANCES:

Finance
City Attorney

ATTACHED SUPPORTING DOCUMENTS:

N/A