



STAFF REPORT

DATE: September 14, 2021

TO: Kent Cagle, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Setting the Tax Rate for Fiscal Year 2022

BACKGROUND AND FINDINGS:

A public hearing required by Section 26.05 of the Property Tax Code may not be held before the fifth day after the date the notice of public hearing is given. The notice required by Property Tax Code 26.06 was published in the Killeen Daily Herald on August 22, 2021.

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

The City Manager's proposed FY 2022 Budget used the tax rate of \$0.7056 per \$100 valuation. On August 3, 2021, at a City Council meeting, the Killeen City Council set the preliminary tax rate at the rate of \$0.7169 per \$100 valuation. This was done to allow the option of issuing bonds for street reconstruction and repay the bonds with property tax. City Council later decided to use the Street Maintenance Fee to repay the bonds for street reconstruction. The preliminary tax rate represents the maximum rate that can be adopted for the FY 2022 Budget. The no-new-revenue tax rate for FY 2022 (2021 tax year) is \$0.6713. The voter-approval tax rate for FY 2022 (2021 tax year) is \$0.8357.

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.

Texas Tax Code requires the vote on an ordinance setting a tax rate that exceeds the no-new-revenue 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 no-new-revenue rate of \$0.6713, the ordinance must be approved by at least five (5) members of City Council.

THE ALTERNATIVES CONSIDERED:

- 1) Set the tax rate for fiscal year 2022 (tax year 2021).

Which alternative is recommended? Why?

Set the tax rate at \$0.7004 per \$100 valuation 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:

City Council approve the ordinance setting a tax rate of \$0.7004 per \$100 valuation, comprised of \$0.5119 for maintenance and operations and \$0.1885 for debt service, for fiscal year 2022 (tax year 2021).

DEPARTMENTAL CLEARANCES:

Finance
City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Ordinance