File #: RS-23-120, **Version:** 1

Consider a memorandum/resolution setting the preliminary tax rate for the FY 2024 Annual Budget and setting the date to hold a public hearing.

DATE: **August 1, 2023**

TO: **Kent Cagle, City Manager**

FROM: **Miranda Drake, Assistant Director of Finance**

SUBJECT: **Setting the Preliminary Tax Rate and Set Date for Tax Rate Public Hearing**

BACKGROUND AND FINDINGS:

Truth-in-taxation laws require the governing body to publish notice and hold a public hearing if a proposed tax rate exceeds the lower of the no-new-revenue tax rate or the voter-approval rate. The following tax rates per $100 valuation are relevant to the proposed FY 2024 Budget:

No-New-Revenue Rate	0.5473
Notice and Hearing Rate	>0.5473
Proposed Budget Rate	0.6208
Current Rate	0.6233
Voter-Approval Rate	0.7075

The City Council must set a preliminary tax rate for the proposed FY 2024 Budget. The preliminary tax rate is the maximum tax rate that may be adopted for the FY 2024 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 0.5473, the City Council must take a record vote and a public hearing on the preliminary tax rate is not required.

If the preliminary tax rate exceeds 0.5473, the City Council must take a record vote and schedule a public hearing on the preliminary tax rate. The City Manager's proposed FY 2024 Budget is predicated on the proposed budget rate of 0.6208. Setting the preliminary tax rate at the 0.6208 requires a public hearing since it is higher than 0.5473.

The Notice of Public Hearing must run at least five (5) days prior to the public hearing on the tax rate. The public hearing is scheduled for September 12, 2023, and the tax rate is scheduled to be adopted the same day. In accordance with State law, the governing body may vote on the proposed tax rate at the public hearing and requires that the tax rate be adopted no later than seven (7) days after the public hearing.

THE ALTERNATIVES CONSIDERED:

Setting the preliminary tax rate at:

1. No-New-Revenue Rate - 0.5473
2. Proposed Budget Rate - 0.6208
3. Current Rate - 0.6233
4. Voter-Approval Rate - 0.7075

Which alternative is recommended? Why?

City Council set the preliminary tax rate equal to the proposed budget rate of 0.6208. The City Manager's proposed FY 2024 Budget is predicated on the proposed budget rate of 0.6208. The chart below illustrates the budget impact of setting the preliminary tax rate at the different alternatives:

	Tax Rate	Property Tax Revenue	Difference from Budgeted Rate
No-New-Revenue Rate	$0.5473	$57,114,830	($7,246,092)
Proposed Budget Rate	$0.6208	$64,360,922	$ -
Current Rate	$0.6233	$64,607,388	$246,466
Voter-Approval Rate	$0.7075	$72,908,354	$8,547,431

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:

City Council set the preliminary tax rate at $0.6208.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

N/A