



AGENDA MEMO

9/4/2018 Agenda

TO: Honorable Mayor and City Council

FROM: Thomas W. Tvardzik, Director of Finance

SUBJECT: Second Public Hearing: on proposed FY2019 tax rate

BACKGROUND:

The Texas Tax Code (Section 26, Truth-in-Taxation) requires the calculation and publication of the effective tax rate (ETR), a number intended to “enable the public to evaluate the relationship between taxes for the preceding year and for the current year, based on a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years” (*2012 Truth-in-Taxation Guide*, Texas State Comptroller). These rates are calculated by the city’s tax collector, the Dallas County Tax Office.

Texas statutes further require that cities provide notice and hold at least two public hearings before adopting an annual property tax rate that exceeds either the ETR or the rollback tax rate (RTR, which is ETR plus 8%).

The applicable tax rates for the 2018 tax year (FY2019) are as follows:

- 2018 ETR = 23.5241 cents per \$100 of taxable value
- 2018 RTR = 25.4060 cents per \$100 of taxable value
- 2017 University Park property tax rate = 24.8761 cents per \$100 of taxable value.

At its meeting of August 7, 2018, the City Council adopted a 2018 maximum proposed tax rate of 24.8761 cents per \$100 of taxable value. As this rate exceeds the ETR, public hearings must be held. Accordingly, notice of the hearings was placed in the August 9, 2018 edition of The Park Cities News, the newspaper of record.

As noted in the published item, the maximum proposed rate should be considered a “not-to-exceed” rate. City Council may adopt a final tax rate at or below (but not higher than) the rate in the notice.

At the first tax rate hearing, City Staff proposed a calculated tax rate of 24.5555 cents per \$100 of valuation. However, after recalculating and correcting a number of items noted during the budget review process, updating revenue estimates for interest and ambulance billing, and deferring some purchase requests to FY20, the revised budget may be supported by a calculated tax rate of 24.5379 cents per hundred.

At its meeting of August 16, 2018, the Finance Advisory Committee reviewed the draft budget as well as a list of significant upcoming projects, and discussed the potential for

legislative action limiting future financial flexibility. As a result, the Committee recommended maintaining the tax rate at 24.8761 cents per hundred, with the provision that revenues attributable to the difference between the calculated rate and 24.8761 be earmarked for transfer to the Capital Projects Fund. Currently, adoption of the higher rate would result in an additional \$273,442 available for transfer.

RECOMMENDATION:

Hold the second public hearing on the proposed tax rate and invite public comments.

At the conclusion of the hearing, inform the public of the date, time and place the final tax rate will be adopted (September 18, 2018).

ATTACHMENTS: Notice of Proposed 2018 Tax Rate and Hearings