



AGENDA MEMO

9/18/2018 Agenda

TO: Honorable Mayor and City Council

FROM: Thomas W. Tvardzik, Director of Finance

SUBJECT: CONTINUATION OF PUBLIC HEARING: FY2019 budget (and overview of related items and procedures)

BACKGROUND

The proposed FY2019 budget has been reviewed and recommended by three Advisory Committees - Employee Benefits, Finance, and Property/Casualty/Liability Insurance. The Capital Projects Committee will review and recommend their FY2019 capital budget and project plan at a later date, after which it will be brought to Council for approval.

City Council held two public hearings on the proposed property tax rate - on August 21, 2018 and September 4, 2018. At the second hearing a revised property tax rate of 24.5379 cents per hundred was proposed. This is the rate that would balance the FY19 General Fund budget. At both hearings, Staff also noted the Finance Advisory Committee recommended the tax rate remain at the FY2018 rate of 24.8761 cents per hundred. By leaving the rate unchanged from FY2018, an additional \$270,000 of revenues would be generated and specifically earmarked for capital projects.

The initial public hearing on the proposed budget was held on September 4, 2018, and was continued over until September 18, 2018. Staff has published the required notices of both the tax rate hearings and the budget hearing in the local newspaper of record and on the City website. Adoption of the budget occurs by ordinance, as does the property tax rate, fee schedule amendments and compensation plan.

LEGISLATIVE REQUIREMENTS FOR ADOPTION

Texas Local Government Code section 102.007 governs the process of municipal budget adoption. The first section, TLCG 102.007(a), specifies that the governing body of the municipality shall take action on a proposed budget at the conclusion of the public hearing. A vote to approve or amend the budget at the conclusion of the hearing will fulfill this requirement.

TLGC 102.007(c) mandates that budgets raising more revenue from property taxes than the previous year also require a separate vote of the governing body to ratify the property tax increase reflected in the budget. This vote is in addition to (and separate from) the vote to adopt the budget - or the vote to set the tax rate.

TLGC 102.007(d) requires a special cover page be affixed to the adopted budget that includes: (a) a specific statement on whether the budget raises more, less or the same amount of property tax revenue compared to the previous year's budget; (b) the record vote of each member of the governing body (by name) voting on the adoption of the budget; (c) the city property tax rates for the preceding and current fiscal years, including the adopted rate, effective tax rate, effective maintenance and operations tax rate, rollback tax rate, and debt rate; and (d) the total amount of city debt obligations secured by property taxes.

RECOMMENDATION

Hold the second half of the public hearing on the FY2019 budget. At the conclusion of the hearing, the budget is ready for further action.

Staff recommends that the Council then take the following actions to approve the FY2019 budget and related items. Each of these items is presented under separate memoranda.

1. **Approve the ordinance adopting the FY2019 budget.** The total budget of \$53,099,375 is 4.3% higher than last year's \$50,893,909 adopted budget. The four budgeted funds are the General, Water and Sewer, Sanitation and Storm Water Funds.
2. **Vote to ratify the \$882,695 property tax increase.** This is a 4.65% increase in property taxes from the prior year. Of this increase, \$282,280 is due to new property added to the tax rolls.
3. **Approve the ordinance adopting the Tax Year 2018 (FY2019) property tax rate of \$0.245379 (24.5379 cents) per \$100 taxable value.** The entire rate is dedicated for maintenance and operations, including budgeted amounts to be transferred to the capital projects fund; there is no debt service. The FY2019 tax rate of 0.245379 is lower than FY2018 rate of 0.248761. The FY2019 Effective Tax Rate is \$0.235241 and is the rate that would raise the same amount of property tax revenue as last year, when applied to the same properties in both years. The FY2019 tax rate of \$0.245379 is 4.3% higher than the ETR.
4. **Approve the ordinance adopting the FY2019 salary plan.** The plan includes a 1% across-the-board market-based salary adjustment as well as additional adjustments for certain Fire Department and Police Department personnel. Although not part of the salary plan, the FY2019 budget does anticipate an additional full-time position in Public Safety Dispatch. Total full-time headcount thus increased to a total of 249 employees.
5. **Approve the ordinance updating TMRS service and transfer service credits, and approving a COLA (cost of living adjustment) for current retirees.** This update last took place as part of the FY2013 budget adoption process. See the TMRS agenda item for further information.

ATTACHMENTS

- Budget Memo
- Budget Summary
- Property Tax Impact Calculation