



## AGENDA MEMO

### 9/18/2018 Agenda

**TO:** Honorable Mayor and City Council

**FROM:** Thomas W. Tvardzik, Director of Finance

**SUBJECT:** CONSIDER AND ACT: on approval of an ordinance levying the Tax Year 2018 (FY2019) property tax rate

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#### BACKGROUND

Like the annual budget, the City's property tax rate is adopted each year in ordinance form by official City Council action. An ordinance has been prepared setting the Tax Year 2018 (FY2019) property tax rate at \$0.245379 (24.5379 cents) per \$100 of taxable value. This tax rate is expected to yield \$19,839,450 when levied against the 2018 certified tax roll.

Section 26.05 of the Texas Property Tax Code requires four specific items relating to a vote to adopt a tax rate: (a) the vote must be a record vote, (b) at least 60% of the governing body must vote in favor, (c) the motion to adopt the rate must adhere to the very specific language, **"I move that the property tax rate be increased by the adoption of a tax rate of 0.245379, which is effectively a 4.31 percent increase in the tax rate"**, and (d) the ordinance, resolution or order setting the tax rate must contain the following specific statement in type larger than the rest of the document:

THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE.

THE TAX RATE WILL EFFECTIVELY BE RAISED BY 4.31 PERCENT AND WILL LOWER TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$3.38.

***It is important to note that the second sentence of this legislatively mandated statement makes absolutely no sense.*** That is because the first half of the sentence refers to the percent by which the ADOPTED City tax rate exceeds the EFFECTIVE tax rate  $(.245379 - .235241) / .245241 = 4.31\%$ , while the second half of the sentence illustrates the difference between the FY2019 tax rate (.245379) and the FY2018 tax rate (.248761) as applied to a fictional \$100,000 home. As the City property tax rate decreased from the prior year, the amount of tax paid will decrease as well.

It is at the discretion of the Council whether or not to mention that the actual rate levied, while 4.31% above the Effective Tax Rate, is actually 1.4% lower than the previous year's rate.

**RECOMMENDATION**

Approve the ordinance levying the 2018 (FY2019) property taxes, using the specific motion language above.

**ATTACHMENTS**

Ordinance levying the 2018 (FY2019) tax rate.