



AGENDA MEMO

9/15/2020 Agenda

TO: Honorable Mayor and City Council

FROM: Thomas W. Tvardzik, Director of Finance

SUBJECT: PUBLIC HEARING: on proposed Tax Year 2020 (FY2021) tax rate

BACKGROUND:

The Texas Tax Code (Section 26, "Truth-in-Taxation") as amended by S.B.2, requires the calculation and publication of a number of tax rates in order to provide the public notice and opportunity to be heard, if a tax rate hearing is necessary. The rates include: the "proposed" tax rate, the "No-New-Revenue" tax rate (NNR), the "Voter-Approval" (VA) tax rate and a "De Minimis" tax rate. (The NNR rate was previously known as the "Effective Rate", while the VA rate was previously called the "Rollback" rate.)

Each of these rates is intended to communicate specific concepts to the public. The "proposed" tax rate is intended to be the maximum rate Council may adopt in relation to the budget. Note that Council may not adopt a rate higher than the (published) proposed rate, without triggering a renewal of the notice and opportunity requirements.

The NNR rate is 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".

While the VA rate is thought to be the NNR plus 3.5%, it is actually 3.5% above the "No-New-Revenue Maintenance and Operations" (NNRMO) rate, a rate which factors out lost property levy. The NNRMO rate is calculated as: prior year adjusted levy / (current total value – new property value). Interestingly, although one needs to calculate the NNRMO to calculate the VA rate (and other disclosures), it is not required to be published.

Finally, the De Minimis rate is a rate that will impose an additional \$500,000 of revenue, above the NNRMO rate.

All of these rates are calculated by the city's tax collector, the Dallas County Tax Office.

Texas statutes require that cities provide notice and hold a public hearing before adopting a property tax rate that exceeds either the NNR or the VA.

At its meeting of August 11, 2020, the City Council adopted a 2020 maximum proposed tax rate of 30.2856 cents per \$100 of taxable value. That rate was based on

ESTIMATES of taxable value provided by the Dallas County Appraisal District available at the time. As the maximum proposed tax rate exceeded the NNR, a public hearing was required.

The following rates were included on the Public Hearing Notice:

- 2020 Proposed rate = 30.2856 per \$100 of taxable value
- 2020 NNR rate = 28.9372 per \$100 of taxable value
- 2020 VA rate = 30.2856 per \$100 of taxable value, and
- 2020 De Minimis rate = 29.9337 per \$100 of taxable value.

Notice of the proposed maximum tax rate and hearing date was placed in the August 14, 2020 edition of the Daily Commercial Record, which is a newspaper of general circulation within Dallas County. As noted in the published item, the maximum proposed rate was to be considered a “not-to-exceed” rate. City Council could adopt a final tax rate at or below (but not higher than) the rate in the notice.

A week after the notice was published, DCAD finalized its numbers and certified the tax rolls.

The applicable FINAL tax rates for the 2020 tax year (FY2021) were recalculated as follows:

- 2020 proposed rate = 26.4750 per \$100 of taxable value
- 2020 NNR rate = 25.5517 cents per \$100 of taxable value
- 2020 VA rate = 26.7626 cents per \$100 of taxable value
- 2020 De Minimis rate = 26.4549 cents per \$100 of taxable value

As the much higher (earlier) rates were included in the hearing notice, there was no need to republish the rates, given their “not to exceed” nature.

RECOMMENDATION:

Hold the public hearing on the proposed tax rate and invite public comments. At the conclusion of the hearing, begin the budget adoption process.

ATTACHMENTS:

- Notice of Proposed Tax Rate and Hearings (cropped and display version)