



## AGENDA MEMO

### 9/15/2020 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 2020 (FY2021) 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 2020 (FY2021) property tax rate at \$0.264750 (26.4750 cents) per \$100 of taxable value. This tax rate is anticipated to yield \$22,160,883 of property tax revenue, when levied against the 2020 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: (1) the vote must be a record vote, (2) at least 60% of the governing body must vote in favor, (3) 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 26.4750 cents per hundred, which is effectively a 3.61 percent increase in the tax rate"**, and (4) 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 2.39 PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$6.

***It is important to note that this legislatively mandated statement is inconsistent with the motion language that precedes it.***

The motion language refers to the percent by which the FY2021 ADOPTED City tax rate exceeds the NO-NEW-REVENUE tax rate  $(.264750 - .255517) / .255517 = 3.61\%$ .

The mandated statement language refers to the percent by which the FY2021 ADOPTED tax rate exceeds the FY2020 "adjusted" tax rate  $(.264750 - .258576) / .258576 = 2.39\%$ .

(Note: the FY2020 “adjusted” tax rate takes into account both adjustments to the taxable value of property in the City during 2019, as well as direct levy adjustments [tax refunds, court decisions, payment errors, etc.] that occurred prior to 2019.)

Finally, the tax increase on a \$100,000 home is simply the difference between the FY2021 ADOPTED tax rate and the FY2020 “adjusted” tax rate  $.264750 - .258576 = .00617 \times (\$100,000/100) = \$6.17$

### **RECOMMENDATION**

Approve the ordinance levying the Tax Year 2020 (FY2021) property taxes, using the specific motion language underlined above.

### **ATTACHMENTS**

Ordinance levying the Tax Year 2020 (FY2021) tax rate.