



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: August 3, 2017

SUBJECT

Consider approval of a resolution of the City Council of the City of Denton, Texas placing a proposal on the September 19, 2017, City Council public meeting agenda to adopt a 2017 Tax Rate that will exceed the lower of the rollback rate or the effective tax rate; calling two public hearings on a tax increase to be held on August 15, 2017, and September 12, 2017 and calling a budget public hearing on the Fiscal Year 2017-2018 Annual Program of Services of the City of Denton to be held on September 12, 2017; requiring publication of notices of the public hearings in accordance with the law; requiring the posting of the notices of the public hearings on the City's Internet website; requiring the posting of the notices on the City's public access channel; and providing an effective date.

BACKGROUND

The Texas Constitution and Texas Property Tax & Local Government Codes require taxing units to comply with specific guidelines in adopting tax rates. The guidelines are related to a concept known as truth-in-taxation. This concept is a way to make taxpayers aware of tax rate proposals and allow taxpayers in certain circumstances, to rollback or limit a tax increase.

The truth-in-taxation guidelines require taxing entities to calculate and publish their effective and rollback tax rates. The effective rate is the calculated rate that would provide the taxing unit approximately the same amount of revenue it received in the previous year on properties taxed in both years. This rate excludes taxes on properties no longer in the taxing unit and also excludes any growth due to new property values. The City of Denton's 2017 effective rate is \$0.637856/\$100 valuation.

The rollback rate divides the total property tax revenue into support for maintenance and operations (M&O) taxes and debt service taxes. It provides approximately an eight percent increase in revenue from the previous year for maintenance and operations expenses, plus the necessary debt service tax rate. If a taxing unit adopts a tax rate higher than the rollback rate, the voters have the option to petition for an election to limit the size of the tax increase. The City of Denton's 2017 rollback rate is \$0.689689/\$100 valuation.

The City Manager's FY 2017-18 Proposed Budget recommended a tax rate of \$0.637856 per \$100 of valuation. In order to allow for flexibility during the budget, staff recommends that the tax rate of \$0.68334 be used for publication purposes. On order for the City Council to consider adopting a tax rate that exceeds the lower of the effective or rollback rate, state law requires the governing body to vote to place a proposal to publish a maximum tax rate on an agenda. In addition, state law requires that two public hearings be held on the proposed tax rate with the meeting to adopt the tax rate occurring three to 14 days after the

second public hearing. Publication of a quarter-page notice (“Notice of Proposed Property Tax Rate”) informing the public of the hearings prior to the adoption of the tax rate is also required.

In addition to the state requirements for the truth in taxation legislation, the City Charter and Chapter 102 of the Texas Local Government Code require the City Council to set a public hearing on the FY 2017-18 Annual Program of Services. In compliance with the City Charter and Chapter 102, we are also required to publish a notice of the public hearing in the *Denton Record Chronicle* not earlier than the 30th day or later than the 10th day before the date of the public hearing. The attached “Notice of Public Hearing on Budget” would need to be published in the *Denton Record Chronicle*. It would also need to be posted on the City of Denton’s website, <http://www.cityofdenton.com> and air on the public access channel.

RECOMMENDATION

Staff recommends approval of the resolution.

ESTIMATED SCHEDULE OF PROJECT

August 15, 2017	Hold First Public Hearing on Tax Rate
September 12, 2017	Hold Second Public Hearing on Tax Rate
September 12, 2017	Hold Public Hearing on the Budget
September 19, 2017	Adopt Tax Rate

STRATEGIC PLAN RELATIONSHIP

The City of Denton’s Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: **Organizational Excellence**
Related Goal: **1.1 Manage financial resources in a responsible manner**

EXHIBITS

1. Agenda Information Sheet
2. Resolution and Notices

Respectfully submitted:
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Director of Finance