



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: September 12, 2017

SUBJECT

Hold a public hearing on a proposal to adopt a tax rate of \$0.637856 with a maximum allowable rate of \$0.683340 per \$100 valuation, which will exceed the lower of the effective or rollback tax rate.

BACKGROUND

The Texas Constitution and Texas Property Tax Code 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 tax payers in certain circumstances, to roll back or limit a tax increase.

The truth-in-taxation guidelines require taxing entities to calculate and publish their effective and rollback tax rates (Exhibit 2 – Notice of Proposed Tax Rate 2017). 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 is adjusted for new exemptions, value loss due to court appeals of taxable values and 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 the same amount of revenue as in the previous year for maintenance and operations expenses, plus an extra eight percent, along with 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 Annual Program of Services recommends a tax rate of \$0.637856 per \$100 of valuation which is the effective tax rate. Since the City of Denton's maximum tax rate to be considered exceeds the effective tax rate, two public hearings are required to take place prior to the budget adoption. In compliance with state law, staff published the Notice of the Proposed Tax Rate in the *Denton Record Chronicle* and the notice was posted on the City's Web site, <http://www.cityofdenton.com> and the public access channel.

ESTIMATED SCHEDULE OF PROJECT

September 19, 2017 Adopt Tax Rate and Approve FY 2017-18 Annual Program of Services

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On August 3, 2017, the City Council was provided with detailed information regarding the FY 2017-18 Proposed Annual Program of Services including the proposed tax rate.

On August 3, 2017, the City Council voted to place a proposal on the September 19, 2017 City Council agenda to consider a tax rate above the effective rate.

On August 8th, 15th and 22nd, 2017 the City Council discussed the proposed budget in work session.

FISCAL INFORMATION

In the FY 2017-18 Proposed Budget, a tax rate of \$0.637856 per \$100 valuation is recommended.

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

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Notice of Proposed Tax Rate 2017

Exhibit 3 – Presentation

Respectfully submitted:
Chuck Springer, 940-349-8260
Director of Finance