



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance
DCM: Bryan Langley
DATE: September 11, 2018

SUBJECT

Hold a public hearing on a proposal to adopt a tax rate of \$0.620477 with a maximum allowable rate of \$0.637856 per \$100 valuation, which will not 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 – 2018 Notice of Proposed Tax Rate). 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 2018 effective rate is \$0.685168/\$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, 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 2018 rollback rate is \$0.729101/\$100 valuation.

The City Manager's FY 2018-19 Proposed Annual Program of Services recommends a tax rate of \$0.620477 per \$100 of valuation which is approximately \$0.065 below the effective tax rate and \$0.017 below the prior years' adopted tax rate. While the City of Denton's maximum tax rate to be considered does not exceed the lower of effective or rollback tax rates, two public hearings are being held prior to the budget adoption. In compliance with state law, staff published the Notice of the Proposed Tax Rate in the 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.

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

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On August 14, 2018, the City Council held the first public hearing on the tax rate.

EXHIBITS

1. Agenda Information Sheet
2. 2018 Notice of Proposed Tax Rate
3. Presentation

Respectfully submitted:
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Director of Finance