



Legislation Text

File #: ID 16-1068, **Version:** 1

Agenda Information Sheet

DEPARTMENT: Finance

ACM: Bryan Langley

Date: September 13, 2016

SUBJECT

Hold a second public hearing on a proposal to adopt a tax rate of \$0.684750 with a maximum allowable rate of \$0.689750 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 1 - 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 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 2016 effective rate is \$0.663366/\$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 2016 rollback rate is \$0.720790/\$100 valuation.

The City Manager's FY 2016-17 Proposed Annual Program of Services recommends a tax rate of \$0.684750 per \$100 of valuation, and this rate is \$0.021384 above the effective rate. Since the City of Denton's proposed tax rate 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 Proposed Tax Rate in the Sunday, August 14, 2016, issue of the *Denton Record Chronicle*. In addition to the newspaper publications, the notice was posted on the City's Web site, <http://www.cityofdenton.com> and the public access channel.

ESTIMATED SCHEDULE OF PROJECT

September 20, 2016 Adopt Tax Rate and Approve FY 2016-17 Annual Program of Services

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On August 4, 2016, the City Council was provided with detailed information regarding the FY 2016-17 Proposed Annual Program of Services including the proposed tax rate.

On August 9, 2016, the City Council discussed the proposed budget and voted to place a proposal on the September 20, 2016 City Council agenda to approve a tax rate above the effective rate.

On August 16, 2016, the City Council discussed the proposed budget in work session.

On August 23, 2016, the City Council discussed the proposed budget in work session and held the first public hearing on the tax rate in regular session.

FISCAL INFORMATION

In the FY 2016-17 Proposed Budget, a tax rate of \$0.68475 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

1. Notice of Proposed Tax Rate 2016
2. Presentation

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

Prepared by:
Antonio Puente, Jr.
Assistant Director of Finance