



# STAFF REPORT

**MEETING DATE:** August 8, 2023

**TITLE:**

Consider action to approve Resolution No. R-2023-116 acknowledging proposed tax rate, no-new-revenue tax rate and voter-approval tax rate for Fiscal Year 2023-2024 (FY 2024), calling for a public hearing on September 12, 2023, and authorizing a public notice.

**AGENDA ITEM SUBMITTED BY:**

Tracy Waldron, Chief Financial Officer

**BACKGROUND/HISTORY:**

Truth-in-taxation is a concept embodied in the Texas Constitution and the Tax Code that requires local taxing units to make taxpayers aware of tax rate proposals. When a proposed tax rate exceeds the voter-approval rate or the no-new-revenue rate, whichever is lower, the taxing unit's governing body must vote to place a proposal to adopt the rate on the agenda of a future meeting as an action item. This vote must be recorded. The proposal must specify the desired rate. A taxing unit cannot vote to adopt a proposal to increase taxes by an unspecified amount. If the motion passes, the governing body must schedule a public hearing on the proposal.

There are four principles to truth-in-taxation:

- Property owners have a right to know about increases in their appraised property value and to be notified of the estimated taxes that could result from the new value.
- A taxing unit must publish its no-new-revenue and voter-approval tax rates before adopting an actual tax rate.
- A taxing unit must publish special notices and hold a public hearing before adopting a tax rate that exceeds the lower of the voter-approval rate or the no-new-revenue tax rate.
- If a taxing unit adopts a rate that exceeds the voter-approval rate, voters may petition for an election to limit the rate to the no-new-revenue rate.

The no-new-revenue rate is a calculated rate that will raise the same amount of property tax revenue from the same properties taxed in both years. If property values rise, the no-new-revenue rate will go down and vice versa. The rate can be affected by lost value from changes in exemptions and court appeals. The voter-approval rate provides the taxing unit the same amount of tax revenue from the previous year for maintenance and operations, plus an extra three and a half (3.5) percent increase for those operations, in addition to sufficient funds to pay debt service in the coming year.

In the FY 2024 Proposed Budget, the proposed M&O rate, calculated from preliminary values, is \$0.3094 plus a debt rate of \$0.1962. On July 24, 2023, the Chief Financial Officer received the certified appraisal rolls along with other values that must be used in the tax rate calculation, which established a No-New-Revenue (NNR) M&O rate of \$0.2985. This is a slight decrease of 1% from

the estimated NNR M&O rate of \$0.3017. With the final certified values and the adjusted M&O rate to \$0.3050, the General Fund will see an increase of about \$30,000 to the final budget.

For the purposes of the public hearing the City Manager is suggesting a tax rate of \$0.5051 including a maintenance and operations (M&O) tax rate of \$0.3089 (3.5% over the NNR M&O rate) and a debt service (I&S) tax rate of \$0.1962 per \$100 in taxable value. This will provide City Council some flexibility as they work through the FY 2024 proposed budget at workshops scheduled for August 15<sup>th</sup> and 16<sup>th</sup>. The City Council can decide to adopt a rate lower than what is proposed but cannot adopt a rate that exceeds this proposed rate.

The NNR tax rate has been calculated by the Bastrop County Tax Assessor Collector to be \$0.4832. The voter-approval rate, which is the maximum rate that can be applied and not be subject to an election to seek voter approval, has been calculated by the Bastrop County Tax Assessor Collector to be \$0.5051. These rates will be published in the local newspaper, the City's website, and the government access cable channel as required by State law.

TAX RATES						
Fiscal Year	Proposed Property Tax Rate	NNR Tax Rate	Voter-Approval Tax Rate	NNR M&O Tax Rate	Proposed M&O Tax Rate	Debt Rate
2023-2024	0.5051	0.4832	0.5051	0.2985	0.3089	0.1962
2022-2023	0.5238	0.4887	0.5238	0.3166	0.3166	0.1962

When a proposed tax rate exceeds the voter-approval rate or the no-new-revenue tax rate, whichever is lower, the taxing unit's governing body must vote to place a proposal to adopt the tax rate on the agenda of a future meeting as an action item. If the motion passes, the governing body must schedule a public hearing on the proposal. The Chief Financial Officer proposes that a public hearing be held on Tuesday, September 12, 2023. These public hearing will be held in the City Council Chambers, located in City Hall at 1311 Chestnut St. Bastrop, TX 78602.

The Notice of Public Hearing on Tax Increase reflects the most up to date average homestead values.

**RECOMMENDATION:**

The City Manager recommends approval of Resolution No. R-2023-116 acknowledging proposed tax rate, no-new-revenue tax rate and voter-approval tax rate for Fiscal Year 2023-2024 (FY 2024), calling for a public hearing, and authorizing a public notice.

**ATTACHMENTS:**

- Resolution R-2023-116
- Notice of Public Hearing on Tax Increase