

City Council Regular Meeting

DEPARTMENT: City Manager's Office
FROM: Martin Avila, Finance Director
MEETING: September 6, 2022

SUBJECT:

Consider approval of an ordinance levying the ad valorem property tax of the City of Burleson for Tax Year 2022 on all taxable property within the corporate limits of the city on January 1, 2022, and adopting a tax rate of \$0.6572 per \$100 of valuation for Tax Year 2022; providing revenues for payment of current municipal maintenance and operation expenses and for payment of interest and principal on outstanding City of Burleson debt; providing for enforcement of collections; repealing conflicting ordinances; providing a savings clause; declaring an effective date; and finding that the at which this ordinance is passed is open to the public. (First Reading) (Staff Presenter: Martin Avila, Finance Director)

SUMMARY:

Adopting a tax rate of \$0.6572 per \$100 of valuation for Tax Year 2022.

On August 4, 2022, the City Council discussed the City Manager's proposed budget for FY 2022-23. During the discussion, the Council requested that staff evaluate possibilities for lowering the tax rate further. Specifically, the Council requested that staff explore the possibility of lowering the tax rate to the maintenance and operation "no new revenue rate" (M&O NNRR). To facilitate this discussion, staff has compiled the below information to show the annual and cumulative impact on revenue if an additional tax rate reduction is proposed.

	Tax Rate	FY 23 Tax Levy (in millions)	FY23-27 Tax Levy (in millions)	FY 23-32 Tax Levy (in millions)
Proposed GF Tax Rate	\$0.4649	\$24.314	\$136.256	\$312.479
Proposed Debt Rate	\$0.1923	\$8.525	\$47.106	\$107.227
Total	\$0.6572	\$32.839	\$183.362	\$419.706
1 Cent Reduction M&O	\$0.4549	\$23.871	\$133.811	\$306.867
Proposed Debt Rate	\$0.1923	\$8.525	\$47.106	\$107.227
Total	\$0.6472	\$32.396	\$180.917	\$414.094
Difference to Proposed Budget	\$0.0100	\$0.443	\$2.445	\$5.612
1.73 Cents Reduction	\$0.6399	\$32.073	\$179.132	\$409.998
Difference to Proposed budget	\$0.0173	\$0.766	\$4.230	\$9.708

As shown, a 1 cent (\$0.01 per \$100) tax rate reduction will reduce revenue by \$443,000 in FY 2023, \$2.445 million over the next five years (FY 23-27) and \$5.612 million over the next 10 years (FY 23-32). Likewise, if the rate is reduced by 1.73 cents (\$0.0173 per \$100), revenue will be reduced by \$766,000 in FY 23, \$4.23 million over the next five years (FY23-27), and \$9.708 million over the next 10 years (FY 23-32). These figures include the impact of compounding the rate of growth over the base year. In other words, the FY 23 values are projected to increase slightly each year as property values continue to grow.

In order to reduce property taxes further, the City Council will need to consider options on reducing costs to match the revenue losses outlined. During the August 4th presentation, the Council asked staff to consider options that would reduce costs tied to the City's proposed Capital Improvement Program.

On August 15, 2022, City Manager presented to Council additional property tax rate reduction options. Council provided staff direction to move forward with the City Manager's proposed tax rate of \$0.6572 per \$100 valuation.

OPTIONS:

Approve or deny ordinance

RECOMMENDATION:

Approve ordinance levying a tax rate of \$0.6572 per \$100 valuation for 2022. (First Reading)

PRIOR ACTION/INPUT (Council, Boards, Citizens):

August 4, 2022 Special Session:

- Council approved minute order setting date and time of the public hearing on the tax rate and budget for FY 2022-2023 for September 6, 2022.
- Council approved a resolution proposing a tax rate \$0.6572 per \$100 value. The proposed rate is subject to final approval by the City Council.

FISCAL IMPACT:

NA

STAFF CONTACT:

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