

CITY OF PORT LAVACA

CITY COUNCIL MEETING: AUGUST 19, 2024

AGENDA ITEM _____

DATE: 8/13/2024
TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS
FROM: BRITTNEY HOGAN, INTERIM FINANCE DIRECTOR 
SUBJECT: CONSIDER PROPOSED TAX RATE FOR 2024-2025 FISCAL YEAR

In accordance with the State of Texas Property Tax Code, the Comptroller of Texas' Truth-in-Taxation rules, the City must calculate a the "No New Revenue" (NNR) and "Voter Approval Rate". The CCAD Tax Assessor/Collector is required to calculate the NNR and VAR rates and publish a Notice in the newspaper and on the City's website.

We have prepared the proposed budget based upon a tax rate of \$0.8000 per \$100 value of property on the tax roll, however, City Council could propose a tax rate up to \$0.8563 without risking a mandatory vote for approval by the citizens.

Debt service requirements for the City of Port Lavaca are currently \$0.1257 of the current proposed property tax rate of \$0.8000. The City has four outstanding debt issues. For Fiscal Year 2025 the total required debt service payment is \$1,829,279 of which \$799,119 is secured by property taxes.

The City issued an additional \$14,000,000 in certificates of obligation in Fiscal Year 2024 which increased the debt service tax rate from \$.0821 to \$0.1257 which is a 53% increase and shifts funds collected and available for Maintenance & Operations to Debt repayment. While the City remains below the voter-approval tax rate the increase in the tax rate effectively provides the same funds for Maintenance & Operations that were collected from last fiscal year's tax rate.

A comparison of the required calculation is as follows:

Property Tax Rate Comparison

	2024-2025	2023-2024
Property Tax Rate:	\$0.8000/100	\$0.7807/100
No-New-Revenue Tax Rate:	\$0.7689/100	\$0.6895/100
No-New-Revenue Maintenance & Operations Tax Rate:	\$0.6897/100	\$0.6387/100
Voter-Approval Tax Rate:	\$0.8564/100	\$0.7808/100
Debt Rate:	\$0.1257/100	\$0.0821/100

The calculation of each of the rates are set by the State Tax Code and must be published in order to provide transparency to the property taxpayers of the City.

The NNR establishes the threshold in which the city can adopt a property tax rate that does not provide additional revenue. If the City chooses to set its tax rate greater then the NNR, it must hold a Public Hearing and advertise that the city is increasing its tax revenue.

The VAR establishes the threshold that, if exceeded, the City must first hold an election and seek the approval of the citizens before it can set the property tax rate at or above the VAR.

The City can increase the tax rate up to \$0.8563 without holding an election if it so chooses.

Currently, the proposed tax rate, which is \$0.0193 more than last year, will generate \$300,615, or 5.81% more revenue for the proposed FY 2025 budget. If Council wishes to propose a tax of \$0.8563, which is .0756 more than last year, it will generate approximately \$685,603 or 13.26% more revenue.

Once City Council votes on the proposed rate, it must publish notices and cannot exceed that rate, however it can lower the rate at any time prior to adoption.

The vote must be a record vote of each member of the governing body by name.