



AGENDA MEMORANDUM

CONTACT: Patricia Ditto, Finance Director

SUBJECT: Record Vote – Tax Rate

SUMMARY: As part of the annual budget and tax adoption process, state law requires the governing body of a municipality to take a **record vote** on the proposed tax rate. This step is critical in establishing transparency and complying with **Truth-in-Taxation** laws under the Texas Tax Code.

WHY A RECORD VOTE IS REQUIRED:

Under **Texas Tax Code Section 26.05**, a record vote is required when a city proposes a tax rate that will result in an increase in revenue compared to the **No-New-Revenue Tax Rate (NNR)**. This vote must be recorded individually by name and made publicly available, ensuring accountability and transparency.

Additionally, the rate approved by record vote becomes the **maximum rate** the Council can adopt later in the budget process. This rate is published in required public notices and used to schedule the public hearing on the proposed tax rate.

WHY VOTE ON THE HIGHEST ALLOWABLE RATE

Although Council may ultimately adopt a lower rate, it is strongly recommended to take the record vote at the highest rate under consideration (also known as the "**proposed rate**"). This approach:

- **Preserves flexibility** during final budget deliberations.
- **Avoids having to re-notice and re-vote** if Council later determines that a slightly higher rate is necessary to meet budget needs.
- **Does not obligate Council to adopt that rate**—only to authorize it for public notice and hearing purposes.

Once the record vote is taken and the rate is published, **Council may adopt any rate equal to or less than the proposed rate, but not higher without restarting the hearing and notice process.**

RECOMMENDATION: Staff recommends that Council approve the proposed tax rate at the **maximum amount allowed under state law** and as calculated by the City's tax assessor. This will ensure all statutory requirements are met and provide Council the full range of options as it finalizes the FY 2026–2027 budget.

Thank you,

Patricia Ditto, Finance Director