



CITY COUNCIL COMMUNICATION

DATE: May 5, 2025

FROM: John Noblitt, City Manager

AGENDA ITEM: Consideration and possible action on the Resolution 2025-05, Relating to Texas House Bill 19 pending in the 89th regular session of the Texas State Legislature.

SUMMARY:

- As previously discussed during the April 11, 2025, a resolution has been prepared in opposition of HB 19 with a recommendation to exclude cities under 25,000.
- For the most part these limitations remain in the committee substitute, though there have been some modifications. Some of the more significant provisions in the committee substitute are summarized below:
 - H.B. 19 generally provides that a city may issue a CO for the following projects: (1) transportation infrastructure; (2) landfills; (3) water and wastewater infrastructure; (4) flood control and drainage projects; and (5) certain public safety facilities, including police stations and fire stations. The bill would expressly prohibit the use of a CO for many projects that are currently allowed, including: (1) parking structures; (2) airports; (3) judicial facilities; (4) administrative office buildings for a city; (5) animal shelters; (6) libraries; (7) parks; and (8) stadiums, arenas, convention centers, and civic centers.
 - However, even though COs could technically be used to finance certain infrastructure and public safety facilities under the bill, a separate provision of the bill would prohibit a city from financing those improvements through the debt service component of its property tax rate. Section 12 of the bill modifies the definition of "debt" for purposes of the debt service property tax rate calculation to provide that non-voter approved debt may not be paid for out of the debt service tax rate. The deletion of the references in Section 12 to debt issued for designated infrastructure, debt issued for renovating buildings, and debt issued for vehicles or equipment would mean that non-voter approved debt, such as COs and tax anticipation notes, would have to be financed from a city's maintenance and operations property tax rate instead of the debt service tax rate. Given the statutory limitations placed on cities' maintenance and operations tax rates, this change would effectively prevent a city from issuing COs and tax anticipation notes for most authorized purposes.
 - H.B. 19 would require an election to authorize general obligation bonds or approve an increase in the property tax rate to be held on the November uniform election date. Stated differently, a city could not hold an election for general obligation bonds or a property tax increase on the May uniform election date.
 - H.B. 19 would prohibit a city from authorizing additional debt if the resulting annual debt service in any fiscal year on debt payable from property taxes issued on or after September 1, 2025 exceeds 20 percent of the amount equal to the average of the amount of property

tax collections for the three preceding fiscal years. The language here is difficult to parse, but it would appear to exclude any property tax supported debt issued before September 1, 2025, from the 20 percent cap. Should H.B. 19 pass, cities would need to account for debt issued after September 1 separately from the currently outstanding debt for purposes of this section.

- H.B. 19 would prohibit a city from authorizing a tax anticipation note to pay a contractual obligation if: (1) a bond proposition to authorize the issuance of bonds for the same purpose was rejected by the voters at an election during the preceding five years; or (2) the amount of the tax anticipation note is greater than five percent of the city's total outstanding bonded indebtedness as of the date of the issuance. The bill would expressly allow a city to issue an otherwise prohibited tax anticipation note in certain emergency situations or when necessary to preserve or protect the public health of residents.
- H.B. 19 would make several other changes relating to the issuance of COs. Among them would be lowering the petition threshold to protest the issuance of a CO from five percent of the registered voters of a city to two percent of the registered voters of a city.
- H.B. 19 would provide that a city council may adopt a debt service tax rate that exceeds the minimum dollar amount required to be expended for debt service only if the higher debt service rate is approved by a specific motion that describes the purpose for which the excess revenue will be used and at least 60 percent of the members of the city council vote in favor of the motion.

FISCAL INFORMATION:

Budgeted: N/A

Amount: \$0.00

GL Account: N/A

RECOMMENDED MOTION OR ACTION:

Approve Resolution No. 2025-05.

ATTACHMENTS:

Resolution No. 2025-05