

City Council Meeting

Agenda Item

Data Sheet

Meeting Date: July 7, 2025

Topic:

Presentation and discussion of the proposed schedule to adopt the FY 2025-2026 budget and tax rate.

Background:

During the 89th regular session of the Texas Legislature, SB 1851 was passed and will go into effect on September 1, 2025. SB 1851 provides that if the attorney general determines that a city has not had its records and accounts audited and an annual financial statement prepared based on the audit or has not filed the financial statement and the auditor's opinion on the statement in the office of the city secretary or clerk before the 180th day after the last day of the city's fiscal year, the city may not adopt a property tax rate that exceeds the city's no-new-revenue tax rate for a tax year until the city has complied with those requirements.

This bill has the potential to impact the City's ability to adopt a tax rate above the no-new-revenue rate as the City accepted its previous audits beyond the 180-day window and the City's proposed budget includes the recommendation to adopt the voter approval tax rate. While the City has not received clear guidance as to when the Attorney General will begin implementing this bill, the potential that implementation could occur in September 2025 would have significant impacts on the City's budget.

An example of the difference in revenues the City would have seen had it adopted the no-new-revenue rate (NNR) instead of the voter approval rate (VAR) in FY 2025 is below.

FY 2025 Tax Rate Example						
	I&S Rate	M&O Rate	Total Tax Rate	Debt Service Revenue	General Fund Revenue	Total Revenue
NNR	0.145703	0.122600	0.268303	\$5,125,460	\$4,312,756	\$9,438,217
VAR	0.145703	0.190662	0.336365	\$5,125,460	\$6,707,004	\$11,832,465
Difference				\$0	(\$2,394,248)	(\$2,394,248)

*The NNR is the rate that would generate the same revenue as the previous year.

*The VAR allows for a 3.5% growth in revenue and allows for increases associated with debt.

Because of the potential similar impacts with the FY 2026 tax rate calculations, City staff is recommending an accelerated budget and tax rate adoption schedule. This accelerated schedule will allow the City to complete its budget and tax rate adoption schedule prior to SB 1851 going into effect on September 1.

At the Council meeting, staff will present an overview of the accelerated schedule and the potential dates for special called meetings to allow the adoption to happen in August.

Origination: City Manager's Office

Recommendation:

N/A

Party(ies) responsible for placing this item on agenda: Jessica Rogers, Assistant City Manager

FUNDING (IF APPLICABLE)

Are funds specifically designated in the current budget for the full amount required for this purpose?

Yes: _____ No: _____ If yes, specify Account Number: # _____

If no, funds will be transferred from account: # _____ To Account: # _____

Signed: Jessica Rogers 6/30/2025 **Approved by:** _____
Staff Member Date City Manager Date