# City of Farmers Branch

## Legislation Text

**File #:** ORD-3395, **Version:** 1

**Consider adopting Ordinance No. 3395 to levy and adopt the tax rate for Fiscal Year 2016-17; and take appropriate action.**

BACKGROUND:
Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value. This is accomplished by following truth-in-taxation requirements to ensure the public is informed of any increases. Truth-in-taxation is a concept embodied in the Texas Constitution and the Tax Code that requires local taxing units make taxpayers aware of tax rate proposals. The City of Farmers Branch has complied with all aspects of the truth-in-taxation process.

DISCUSSION:
On July 29, 2016, City Administration submitted the Proposed 2016-17 Fiscal Year Operating & Capital Budget to City Council, which was developed with no change to the current tax rate. However, discussions were held earlier in the year to consider raising the current tax rate of $0.602267 (per $100 valuation) by 1/3 of one-cent to support debt related to Justice Center improvements bonds issued in May 2016 totaling $2,600,000.

In light of these earlier discussions, City Administration provided a provision to adopt a motion to consider the proposed tax rate increase as the maximum rate to be considered for the 2016 tax year (2016-17 fiscal year). This motion was approved by the City Council on August 2, 2016. Adopting a proposed maximum rate allows the City Council to consider various budget scenarios during its budget work sessions. In adopting the motion to approve a proposed maximum tax rate, it was made clear that the City Council may ultimately adopt a property tax rate that is lower than the maximum rate set out in the notice. The proposed maximum tax rate of $0.6056 was advertised in the Dallas Morning News on August 10, 2016.

City Administration developed and presented a budget maintaining the current tax rate of $0.602267. Adopting this tax rate, will, however, result in an increase to the calculated effective rate (*for maintenance and operations and debt service*) of 1.93%, will raise more taxes for maintenance and operations than last year's effective maintenance and operations tax rate by 2.47%, and will raise more taxes for maintenance and operations on a $100,000 home by approximately $1.37. Under this scenario, a $0.602267 tax rate will be distributed as follows: $0.515267 for general fund maintenance and operations and $0.087 for debt service distribution, per $100 assessed value.

City Administration was also asked to prepare a list of modifications to the budget should the City Council desire to reduce the budget by one cent. These modifications were presented to City Council during budget work sessions held in August. A one-cent reduction in the tax rate will result in an increase to the calculated effective rate of 0.24%, will raise more taxes for maintenance and operations than last year's effective maintenance and operations tax rate by 0.49%, and will lower taxes for maintenance and operations on a $100,000 home by approximately $8.63. Under this scenario, a $0.592267 tax rate will be distributed as follows: $0.505267 for general fund maintenance and operations and $0.087 for debt service distribution, per $100 assessed value.

Property Tax Code Section 26.05(b) and Texas Local Government Code, Chapters 102, 111 and 140, have a

required motion and notice requirement if a proposed property tax rate exceeds the lower of the effective tax rate or the rollback tax rate and requires a specific statement in the ordinance adopting the rate if the tax rate will raise more revenue for maintenance and operations. In addition, Chapter 26.05(b) of the Property Tax Code also contains a legislative change due to approval of Senate Bill 1760, which took effect January 1, 2016. This legislative change requires that the vote on the ordinance setting a tax rate that exceeds the effective tax rate must be a record vote and at least 60% of the members of the governing body must vote in favor of the ordinance.

State law requires that this ordinance be passed after the passage of the City's fiscal year budget and ratification of the property tax revenue increase included in the budget. This ordinance supports the City's guiding principle for financial stewardship.

RECOMMENDATION:
Recommended motion by City Administration that the City Council adopt Ordinance No. 3395 to levy the tax rate for the 2016 tax year (2016-17 fiscal year) at $0.602267 per $100 of assessed value, which represents no change in the current tax rate.

POSSIBLE COUNCIL ACTION:
1. I move to approve Ordinance No. 3395 to levy and adopt the tax rate for 2016-17. In adopting this ordinance, the City Council must state one of the following (the proposed rate may not exceed the advertised proposed maximum rate of $0.6056):

    a) To adopt the current tax rate of $0.602267: **I move that the property tax rate be increased by the adoption of a tax rate of $0.602267, which is effectively a 1.93% increase in the tax rate.**
    b) To adopt the proposed maximum rate of $0.6056: **I move that the property tax rate be increased by the adoption of a tax rate of $0.6056, which is effectively a 2.50% increase in the tax rate.**
    c) To adopt a rate of $0.592267, which represents a 1 cent rate reduction: **I move that the property tax rate be increased by the adoption of a tax rate of $0.592267, which is effectively a 0.24% increase in the tax rate.**
    d) To adopt a rate below the effective rate of $0.590846, no special motion is required.

    (Note: This exact statement is required for Truth in Taxation compliance.)

2. I move to approve Ordinance No. 3395, with modifications. (Note: Any alternate motion made must be made in the same form as Number 1 above. The **alternate rate may not exceed $0.6056** and 60% of the members of the governing body must vote in favor of the alternate rate in order for the ordinance to become effective. *If the proposed rate is at or below the effective rate of $0.590846, no specific motion is required.*) [To calculate the percent of rate increase or decrease for a motion made under this section that exceeds $0.590846, subtract $0.590846, which is the lesser of the calculated effective and rollback rate, from the proposed rate, then divide this difference by $0.590846, then multiply the resulting amount by 100 to determine the percentage increase/decrease. Use this percentage amount to make the motion in the same manner as in number 1 above.]

3. I move to table the issue for further study or take no action.

ATTACHMENTS:

1. Information Memorandum
2. Ordinance No. 3395