



## Recommendation for Action

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**File #:** 21-2663, **Agenda Item #:** 5.

8/13/2021

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### **Posting Language**

Conduct a public hearing and approve an ordinance adopting and levying a property (ad valorem) tax rate for Fiscal Year 2021-2022.

### **Lead Department**

Budget Office.

### **Fiscal Note**

### **Prior Council Action:**

October 15, 2020 - Public hearing set.

June 3, 2021 - Council adopted Resolution 20210603-006 - directing the Chief Financial Officer of the City to calculate the City's proposed voter-approval property tax rate with an increase of 8% above the City's current maintenance and operations rate as allowed by the Texas Tax Code for taxing units located in areas declared a disaster by the Governor of the State of Texas.

July 29, 2021 - Council set the proposed maximum tax rate, the date for the public hearing, and date for approval of the tax rate.

August 11, 2021 - Council is holding the required public hearing on the tax rate.

### **For More Information:**

Kerri Lang, Interim Budget Officer 512-974-2283.

### **Additional Backup Information:**

By this action, Council holds the required public hearing and adopts the actual property tax rate for Fiscal Year 2021-2022. This rate includes the rate needed to generate funds for the City's operating and maintenance costs as well as the rate needed for debt service. Additionally, the ordinance contains statements required by the Texas Tax Code Chapter 26. With this action, Council is also adopting and reaffirming the property tax exemptions for the City for this fiscal year. These exemptions include a partial exemption for historic properties that have met the requirements of Texas Tax Code Section 11.24, the homestead exemption, and the exemption for seniors over 65 years of age and persons with disabilities.

The voter-approval property tax rate is now set by State law as the debt service property tax rate plus the voter-approval maintenance and operations property tax rate. For a municipality, the voter-approval maintenance and operations tax rate is usually required to be calculated by applying a 3.5% increase to the no-new-revenue maintenance and operations rate. In this tax year, due to Winter Storm Uri and the associated declaration of the City as a disaster area, State law permits Council to direct that the voter-approval maintenance and operations property tax rate be calculated by applying an 8% increase to the no-new-revenue maintenance

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and operations property tax rate. Council took action to direct that the voter-approval property tax rate be calculated in this manner on June 03, 2021.

As in all years, if Council adopts a rate that exceeds the voter-approval rate, Council would need to call an election for November 2, 2021, at which voters would decide whether to approve the additional taxes. As a result of the enactment of SB 1438 during the 2021 regular legislative session of the Texas legislature, however, there are further restrictions that apply should the City ultimately adopt a maintenance and operations property tax rate that exceeds the no-new-revenue maintenance and operations property tax rate by more than 3.5% based on the disaster declaration relating to Winter Storm Uri. Under S.B. 1438, if a city adopts a maintenance and operations property tax rate that exceeds this 3.5% increase threshold, in the following year, the voter-approval rate is reduced by the “emergency revenue rate”. The emergency revenue rate is essentially the difference between the previous year’s adopted property tax rate and the voter-approval property tax rate calculated using the standard 3.5% increase factor. As a result, any FY22 funds generated from a property tax increase in excess of 3.5% should be regarded as one-time revenue.

**Strategic Outcome(s):**

Government that Works for All.