



**To the Mayor and Members of the City Council**

**August 13, 2024**

Page 1 of 2

**SUBJECT: TRUTH-IN-TAXATION: SUBMISSION OF 2024 NO-NEW-REVENUE  
AND VOTER-APPROVAL TAX RATES**

This informal report has been prepared to inform the City Council of the tax year 2024 no-new-revenue tax rate (“NNRTR”) and the voter-approval tax rate (“VATR”) for use in the Fiscal Year 2025 budget and financial planning discussions. This is a requirement under the Truth-in-Taxation (TNT) concept, found in the Texas Constitution and the Texas Tax Code.

The NNRTR reflects the rate which would generate the same revenue as the prior year based solely on property that was taxable for both years. Pursuant to the Texas Tax Code, this rate is calculated as shown:

$$\frac{(\text{Last Year's Levy} - \text{Lost Property Levy})}{(\text{Current Total Value} - \text{New Property Value})}$$

The VATR is the maximum tax rate that the City can adopt without an election. The VATR reflects the sum of: (a) a maintenance and operations (M&O) rate of 3.5% above the NNRTR plus, (b) the City’s debt tax rate plus, (c) any unused increment. This concept is expressed mathematically as follows:

$$\text{VATR} = (\text{NNRTR M\&O rate} \times 1.035) + \text{current debt rate} + \text{unused increment rate}$$

The concept of unused increment became effective starting with the 2020 calendar year. Until the current tax year, the available unused increment was the total difference, if any, between the VATR without any unused increment and the adopted rate for each of the three preceding years. In the 2024 tax year, the unused increment is calculated by identifying foregone revenue in each of the past three years, taking the sum (counting any negative amounts as zero), and dividing total foregone revenue by current property values on the TNT worksheet. This results in a smaller unused increment for the current tax year than would have been produced under the previous method.

Property tax rates are comprised of two separate rates: Maintenance & Operation (M&O) and Interest & Sinking (I&S). The M&O rate provides operating revenue for the General Fund while the I&S rate provides resources to repay debt obligations through the General Debt Service Fund.

- The Fiscal Year 2024 adopted tax rate is \$0.672500 / \$100 assessed valuation
- The Fiscal Year 2025 NNRTR is \$0.677346 / \$100 assessed valuation
- The Fiscal Year 2025 VATR without any unused increment is \$0.711669 / \$100 assessed valuation
- The Fiscal Year 2025 VATR with all available unused increment is \$0.738831 / \$100 assessed valuation

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Page 2 of 2

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If the City Council were to adopt a tax rate that exceeds the VATR with all available unused increment of \$0.738831, that rate would need to be adopted before August 19<sup>th</sup> (78 days before the next uniform election date) and would trigger an automatic election. No petition is required. If the election were to fail, the City tax rate would default to the VATR. The August 19<sup>th</sup> deadline will not apply to the City Manager's proposed rate.

The recommended tax rate will be published in accordance with legal requirements, and additional information regarding the NNRT and the VATR will be provided on request. The tax rate is scheduled to be adopted on September 17, 2024, following a public hearing on that same date.

If you have any questions, please contact Christianne Simmons, Chief Transformation Officer of FWLab, at (817) 392-6222.

**David Cooke**  
**City Manager**