



To the Mayor and Members of the City Council

August 12, 2025

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**SUBJECT: TRUTH IN TAXATION: SUBMISSION OF 2025 NO-NEW-REVENUE
AND VOTER-APPROVAL TAX RATES**

This informal report has been prepared to inform the City Council of the 2025 no-new-revenue tax rate ("NNRTR") and the voter-approval tax rate ("VATR") for use in the fiscal year 2026 budget and financial planning discussions. This is a requirement under the truth-in-taxation 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 NNR M&O rate PLUS (b) the City's debt tax rate PLUS (c) any unused increment rate. This concept is expressed mathematically as follows:

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

The unused increment rate is the rate that would need to be applied in the current year to raise the revenue that could have been (but was not) raised in the three preceding years by adopting the VATR in each of those years (instead of the rate actually adopted) and is expressed mathematically as:

$$\text{UIR} = (\text{Y1 Foregone Rev} + \text{Y2 Foregone Rev} + \text{Y3 Foregone Rev}) / \text{Current Total Value}$$

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 current tax rate as adopted in 2024 is \$0.672500 per \$100 assessed valuation
- The 2025 no-new-revenue tax rate is \$0.659126 per \$100 assessed valuation
- The 2025 voter-approval tax rate *without* any unused increment rate is \$0.694171 per \$100 assessed valuation
- The 2025 voter-approval rate *with all available* unused increment rate is \$0.736799 per \$100 assessed valuation

If the City Council were to adopt a tax rate that exceeds the VATR with all available unused increment (\$0.736799), that rate would need to be adopted by August 18th (78 days before the November uniform election date), and an election would have to be called by that same date to approve that tax rate. No petition is required. If the election were to fail, the City tax rate would default to the VATR (including all unused increment rate). Because the City Manager is not



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proposing a rate that exceeds the VATR, the August 18th deadline is not expected to be at issue this year.

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 16, 2025, following a public hearing on that same date.

If you have any questions, please contact Brady Kirk, Assistant Finance Director of FWLab, at (817) 392-8712.

Jesus "Jay" Chapa
City Manager