

**To the Mayor and Members of the City Council****August 3, 2021**

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**SUBJECT: BUDGET AND TAX NOTICE REQUIREMENTS**

This informal report will provide an overview of the statutory requirements the city must comply with when issuing public notices, holding public hearings, considering budgets and setting tax rates during the Fiscal Year 2022 budget and associated ad valorem tax rate adoption process.

**Statutory Requirements**

The statutory requirements for the budget and tax rate process are found in:

**State Law**

- Tax Code Chapter 26 - Assessment – specific requirements for truth-in-taxation (TNT)  
Governs Adoption of Property Tax Rate
  - one public hearing requirement
  - notice at least five days before hearing
  - must vote within seven days of public hearing or re-notice and hold another hearing
  - approval by 60% of Councilmembers (6 members) required via record vote
- Local Government Code Chapter 102 – Municipal Budget
  - one public hearing requirement
  - notice between thirty and ten days prior to hearing

**City Charter**

- Chapter X. The Budget and Financial Procedure Relating Thereto (since the 1924 adoption)
  - City Manager must propose recommended budget on or before August 15th
  - Budget public hearing – one public notice and public hearing requirement
  - Cannot vote on budget at the same meeting as budget hearing
  - Appropriations ordinance - two publication requirements following adoption

The notice for the tax hearing is at least 5 days but the notice for the budget hearing is at least 10 days prior. Notices must be published in the official newspaper prior to the public hearings, and posted on the City's web page and cable channel continuously until votes are held. Where a notice is required under state law, the law generally dictates exactly what information the notice must contain and often requires the City follow form notices published by the State Comptroller's office.

Although only a single hearing each is required for the budget and tax rate, additional public hearings are scheduled to provide further opportunities for public comment. The official budget hearing, which meets all state and local legal requirements, is scheduled for September 14. The official tax revenue/rate hearing is scheduled for September 21. It is anticipated that the City Council will act on the proposed budget and tax revenue/rate on September 21.

**Process**

Once the City Manager's recommend budget has been drafted, the next step in the TNT process is to calculate the no-new-revenue and voter-approval tax rates. The no-new-revenue rate looks at just those properties that are taxable in both the current year and the upcoming year and determines the tax rate that

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is needed to generate the same amount of revenue in both years based on those properties. The voter-approval tax rate is the tax rate that would produce maintenance and operations property tax revenue and is normally 3.5% above the current year from properties taxable in both years. However, the City was declared a disaster area and that triggers an increase in the voter approval rate from 3.5% to 8% above the current year from properties taxable in both years. On August 10, 2021 staff will provide the City Council with an Informal Report outlining the no-new-revenue and voter-approval tax rates.

The tax rate consists of two components which must be identified and approved separately. The components are the maintenance and operations (M&O), and interest and sinking (I&S) rate.

If the City's proposed tax rate exceeds the no-new-revenue tax rate but not the voter-approval rate, the following process is required:

1. Publication of a "Notice of Public Hearings on Tax Revenue Increase," which would occur no later than September 16, 2021; and
2. The City Council will hold an official public hearing on the tax rate/revenue, which would take place on September 21, 2021;
3. The City Council will vote on the tax rate/revenues on September 21, 2021 and must be approved by at least 60% of the Council members; and
4. The City Council will ratify the increased tax revenues through a resolution on September 21, 2021

If the City's proposed tax rate exceeds the voter-approval rate, the process is expedited because of the requirement for an election and therefore the budget and tax rate must be approved by August 17, 2021. In accordance with the City Charter, the caption and penalty provision of the tax rate ordinance would need to be published twice following adoption.

More information may be found on the comptroller's website: <https://comptroller.texas.gov/taxes/property-tax/truth-in-taxation/>

If you have any questions please contact Mark McAvoy, Director of Planning and Data Analytics, at (817) 392-6222.

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