

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

August 11, 2026

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**SUBJECT: TRUTH IN TAXATION: SUBMISSION OF 2026 NO-NEW-REVENUE
AND VOTER-APPROVAL TAX RATES**

This informal report has been prepared to inform the City Council of the 2026 no-new-revenue tax rate ("NNRTR") and the voter-approval tax rate ("VATR") for use in the fiscal year 2027 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 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. The available unused increment is the total difference, if any, between the VATR without any unused increment and the adopted rate for each of the three preceding years.)

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 2025 adopted tax rate is currently \$0.670000 / \$100 assessed valuation
- The 2026 no-new-revenue tax rate is \$0.670416 / \$100 assessed valuation
- The 2026 voter-approval tax rate without any unused increment is \$0.0707594 / \$100 assessed valuation
- The 2026 voter-approval rate with all available unused increment is \$0.773801 / \$100 assessed valuation

If the City Council were to adopt a tax rate that exceeds the VATR with all available unused increment of \$0.773801, that rate would need to be adopted before August 17th (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 17th deadline will not apply to the City Manager's proposed rate.

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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 15, 2026, 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