

**To the Mayor and Members of the City Council****August 9, 2022**

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SUBJECT: BUDGET AND TAX NOTICE REQUIREMENTS

This informal report will provide an overview of the legal requirements the City must comply with during the Fiscal Year 2023 budget and associated ad valorem tax rate adoption process.

Legal Requirements

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

State Law

- Tax Code Chapter 26 – Assessment – contains specific requirements for truth in taxation (“TNT”) and governs adoption of property tax rate which includes:
 - 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; and
 - approval by 60% of Councilmembers (6 members) required via record vote.
- Local Government Code Chapter 102 – Municipal Budget which includes:
 - one public hearing requirement; and
 - notice between thirty and ten days prior to hearing.

City Charter

- Chapter X. The Budget and Financial Procedure Relating Thereto
 - City Manager must propose recommended budget on or before August 15th;
 - Requires at least one public hearing on budget in accordance with state law requirements, including notice;
 - Cannot vote on budget at the same meeting as budget public hearing;
 - Publish caption of appropriations ordinance once following adoption; and
 - Publish caption and penalty of tax ordinance twice following adoption.

Notices must be published in the official newspaper prior to the public hearings on the timeframes outlined above and be posted on the City’s web page and cable channel 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.

The official budget hearing, which meets all state and local legal requirements, is scheduled for September 13. The official tax revenue/rate hearing is scheduled for September 27. It is anticipated that the City Council will act on the proposed budget and tax revenue/rate on September 27.

Process

Once the City Manager’s recommended budget has been drafted, the next step in the TNT process is to calculate the tax rates – the no-new-revenue rate and voter-approval rate. Staff has provided Council with a separate Informal Report that details the calculation process and the concepts it involves.

If City Council does not approve the proposed tax rate on September 27, the tax rate will default to the no-new revenue rate.



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If the City's proposed tax rate exceeds the adjusted voter-approval rate the process would need to be expedited because of the requirement for an election. In that instance, the budget and tax rate must be approved by August 22.

In accordance with the City Charter, the caption and penalty provision of the tax rate ordinance will 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 Richard Zavala, Interim Director of Planning and Data Analytics, at (817) 392-6222.

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City Manager