

To the Mayor and Members of the City Council

September 15, 2023

Page 1 of 4



SUBJECT: BUDGET AND TAX RATE OVERVIEW

This document provides general information for the various activities and requirements for adopting the FY2024 Budget and the Ad Valorem Tax Rate. Also included are action items required by the Council to adopt the budget and tax rate on September 19th.

Although the budget and tax rate are related and often presented in tandem, their respective adoptions are governed by different statutes which create separate processes.

Governance:

There are two main governing authorities providing rules and regulations for adopting the budget and ad valorem tax rate. Fort Worth’s City Charter also provides governance. The relevant statutes are as follows:

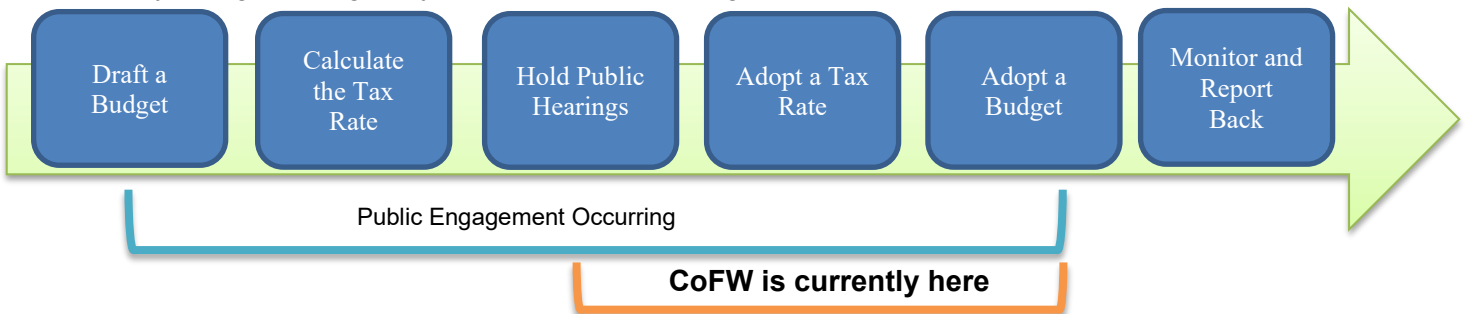
- 1. Texas Property Tax Code Chapter 26 (Tax Code)
- 2. Texas Local Government Code Chapter 102 (LGC)
- 3. City Charter

State law requirements for adoption of the tax rate is often referred to as Truth-in-Taxation Requirements. It essentially requires local governments like Fort Worth to provide transparency in the tax rate setting process. This includes holding a public hearing and publishing notice to property owners of proposed tax rate changes.

The Texas Comptroller provides useful information online: <https://comptroller.texas.gov/taxes/property-tax/truth-in-taxation/index.php>

Process:

Generally, the governing body must take the following actions:



As the City moves through the timeline, items such as budget ordinances, resolutions, and user fees will come up in discussion and require Mayor and Council action.

In the context of the FY2024 Budget and Tax Rate adoption process, ordinances are used to officially adopt the budget, tax rate and user fees. Resolutions are used to propose and ratify the adopted tax rate to meet certain statutory requirements and establish procedural rules for the adoption process, such as designating officers to calculate tax rates. Both ordinances and resolutions are subject to deliberation and voting by the Mayor and Council.

To the Mayor and Members of the City Council

September 15, 2023

Page 2 of 4

**SUBJECT: BUDGET AND TAX RATE OVERVIEW**

Other, more informal, communication tools used during the budget and tax rate process include staff issuance of Informal Reports and Budget Responses to Mayor and Council to communicate both required information or additional information throughout the discussion process.

Timeline of Events:

Many communications and formal actions are taken leading up to approval of the budget and tax rate. Below is a timeline and summary of the FY2024 activities. Each item is partnered with the governing requirement, if applicable, giving more insight or context into why the action takes place.

August 8, 2023

- City Manager, David Cooke, presented the recommended capital improvement plan, ad valorem tax rate, and operating budget.
Required by Chapter X, Section 1, of the Charter of the City of Fort Worth
- Mayor and Council adopted a resolution recommending a tax rate and setting a date for public hearing. One public hearing must occur if the recommended rate is greater than the no-new-revenue rate and voter-approval rate.
Required by Texas Tax Code 26.05
- Mayor and Council adopted a resolution designating a primary and secondary officer or employee to calculate the no-new-revenue tax rate (NNR) and the voter-approval tax rate (VAR).
Required by Texas Tax Code 26.04
- City Staff submitted an Informal Report on Tax Rates.
Required by Texas Tax Code 26.04(e)
- City Staff submitted an Informal Report on Tax Collection Information.
Required by Texas Tax Code 26.04(b)
- City Staff posted Tax Rate Details on the City's home page (www.fortworthtexas.gov).
Required by Texas Tax Code 26.04

August 9, 2023

- City Staff filed the recommended budget with the City Secretary's Office. This must occur at least 15 days before the budget hearing and 30 days before Mayor and Council makes its tax levy.
Required by LGC 102.005; 006; 0065
- City staff made the recommended budget available for public inspection and posted to the City's website.

August 22, 2023

- Mayor and Council approved a resolution setting the proposed tax rate. This was required due to the proposed/recommended rate being greater than the NNR and VAR.
Required by Texas Tax Code 26.06

August 25, 2023

- Tax Hearing Notice for September 19 published in Newspaper, Website, and City TV.
Required by Texas Tax Code 26.06

To the Mayor and Members of the City Council

September 15, 2023

Page 3 of 4

**SUBJECT: BUDGET AND TAX RATE OVERVIEW**

- Budget Hearing Notice for September 12 published in Newspaper.
Required by LGC 102.005; 006; 0065

September 12, 2023

- Mayor and Council held a public hearing on the budget as presented by Christianne Simmons. *LGC 102.006(b)*

Next Steps

On September 19, 2023 at 5:00 pm, Mayor and Council will hold a public hearing on the tax rate, which will be followed by 7 action items related to the budget and rate adoption. It is required to take a separate vote for the budget and the tax rate, along with separate action on fee changes, ratification of the tax revenue increase, civil service staffing ordinances, and utility rates.

- Conduct a **Public Hearing** on the Proposed 2023 Tax Rate (PUBLIC HEARING, a. Report of City Staff: Ashley Clement; b. Public Comment; c. Council Action: Close Public Hearing) *Tax Code 26.06(a)*
- **Ordinance** to Approve Fee Changes *LGC 102.007(c) Ch. X, Sec 2*
- **Ordinance** to Adopt the Budget *LGC 102.007(c) Ch. X, Sec 2*
- **Ordinance** to Adopt the Tax Rate *Tax Code 26.05(b); 26.05(b)(1); LGC 102.007(c) Ch. X, Sec 2*
- **Resolution** to ratify the property tax revenue increase *LGC 102.007(c)*
- **M&C 60RETAIL RATE 2024** (Water Rates)
- **M&C 03FY24 FIRE STAFFING ORDINANCE**
- **M&C 03FY24 POLICE STAFFING ORDINANCE**

It is anticipated that in October Mayor and Council will be requested to approve the Stormwater Fee increase to take effect on January 1, 2024.

Fee changes encompass all of the changing or updated fees across the City. This ordinance provides transparency across the organization to display the rates and fees the City charges customers for the services delivered as well as fees for doing business within the City.

Ordinances to adopt both the budget and tax rate legally and officially adopt the budget and rate for Fiscal Year 2024. Tax Code 26.05 states: "The vote on the ordinance, resolution, or order setting the tax rate must be separate from the vote adopting the budget. For a taxing unit other than a school district, the vote on the ordinance, resolution, or order setting a tax rate that exceeds the no-new-revenue tax rate must be a record vote, and at least 60 percent of the members of the governing body must vote in favor of the ordinance, resolution, or order."

The resolution to ratify the property tax revenue increase is also to comply with Tax Code 26.05, which states: "the following statement: "THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE."; and (B) if the tax rate exceeds the no-new-revenue

To the Mayor and Members of the City Council

September 15, 2023

Page 4 of 4

**SUBJECT: BUDGET AND TAX RATE OVERVIEW**

maintenance and operations rate, the following statement: "THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(Insert amount)."

Mayor and Council will also be provided with M&C's to adopt civil service staffing, in accordance with the Meet and Confer agreement for Police and Collective Bargaining agreement for Fire.

Water and Sewer utility rates, will be provided in the form of an M&C for Mayor and Council's consideration to adopt the increased rates.

While not required, it is important to note that staff held multiple community engagement meetings and budget work sessions with the Mayor and Council in order to provide critical transparency and insight into the budget and tax rate, delivery of services residents receive and how staff are planning for fiscal stability moving forward, and an opportunity for voices and questions to be raised with City leaders.

If you have questions concerning this information, please contact Clay Pearson, Interim Chief Transformation Officer, FWLab, at 817-392-6222.

David Cooke
City Manager

Additional Resources:

Charter of The City of Fort Worth

<https://www.fortworthtexas.gov/files/assets/public/v2/city-manager/documents/charter-of-the-city-of-fort-worth.pdf>

Texas Tax Code Chapter 26

<https://statutes.capitol.texas.gov/Docs/TX/htm/TX.26.htm>

Texas Local Government Code Section 102

<https://statutes.capitol.texas.gov/Docs/LG/htm/LG.102.htm>

Budget and Rate Calendar Provided by Texas Municipal League

<https://www.tml.org/DocumentCenter/View/3582/2023-Budget-and-Tax-Calendar---Tax-Rate-Exceeds-the-Voter-Approval-Rate?bidId=>