



Agenda Item Report

Legislative Board: City Council
Date: September 17, 2024
Contact: Natassa Robbins
Agenda Item ID / Number: 2024-783- / 1.8

ITEM TITLE: Public hearing, deliberation and possible action to consider an Ordinance on first and final reading and to adopt said Ordinance approving and adopting a Tax Rate of \$0.3395 per \$100 of valuation (consisting of two components, the Maintenance & Operation [M&O] Rate of \$0.0899 per \$100 valuation for the 2024 tax year and the I&S rate [also called the Debt Service Rate or Interest & Sinking Fund Rate] of \$0.2496 per \$ 100 valuation for the 2024 tax year, each of which must be approved separately) and levying a tax upon all property subject to taxation within the City of Buda, Texas, for the 2024 Tax Year for the use and support of the municipal government of the City of Buda for the Fiscal Year beginning October 1, 2024, and ending September 30, 2025; appropriating said levy amount of the various funds and items for which revenue must be raised including providing a Sinking Fund for the retirement of the bonded debt of the City; and establishing an effective date (Finance Director Bianca Redmon) [PUBLIC TESTIMONY]

1. EXECUTIVE SUMMARY

In accordance with the Local Government Code, the City must adopt a property tax rate annually. A property tax rate can only be adopted by the governing body. This will be the first and final reading for the adoption of the proposed tax rate of \$0.3395 per \$100 valuation.

2. BACKGROUND/HISTORY

A portion of the City's annual operating budget is supported by property tax revenues. Each year the chief appraiser prepares and certifies to the county's tax assessor/collector for each taxing unit that part of the appraisal roll that lists the property taxable by the unit. The City of Buda received the appraisal roll from the appraisal district on July 23rd. The County's Tax Assessor provided to the City the 2024 tax rate calculation on August 6th. Upon receipt, the City staff determined a proposed tax rate that will be sufficient to fund City operations for the upcoming fiscal year. The proposed tax rate of \$0.3395 per \$100 of value was presented to City Council, and City Council voted on August 15th to approve setting a proposed maximum tax rate to be considered at the meeting to adopt the tax rate.

3. ANALYSIS

The City Manager presented the proposed tax rate, along with the presentation of the City's annual budget, to City Council on August 15th. The City posted all the notices, as required by Truth-In-Taxation laws. The City's proposed tax rate exceeds the lower of the no- new-revenue tax rate and/or the voter-approval tax rate, and therefore, a public hearing was required to be held, per the Property Tax Code. The City held the first public hearing on the tax rate at the September 5th Council meeting. This was a courtesy public hearing to give any taxpayer the opportunity to comment on the proposed tax rate. It was not required by law. The required statutory public hearing on the tax rate will be held at this meeting.

The proposed rate is a slight increase of 0.47% from the current year rate but is *effectively* an increase of 3.10% due to changes in appraised value. Under state law, any rate that exceeds the no new revenue rate is considered a tax rate increase because the assessed taxable value has increased from rising property values and new value added, increasing the total amount of revenue that the City will receive. The 3.10% increase reflects the percentage increase of the proposed rate (0.3395) and the no new revenue rate (0.3293).

4. FINANCIAL IMPACT

The proposed tax rate of 0.3395 will generate a total of \$10,890,662 in total tax revenue to the City (\$0.0899 M&O = \$2,884,465 and \$0.2496 I&S = \$8,006,197).

For a homeowner with an average homestead taxable value of \$349,650 last year compared to an average homestead taxable value of \$383,452 in Tax Year 2024, the average homeowner could have an increase in city property taxes of approximately \$120 for the upcoming tax year. Please note that the average residential market value is \$ 433,231 compared to the homestead taxable value of \$383,452. This difference is due to a rapid increase in the average home price between 2021 - 2022. Due to the 10% residential appraisal cap, the taxable value has not caught up with the increases to market value.

5. STRATEGIC PLAN/GOALS

EXCEPTIONAL CITY SERVICES WITH A LOW TAX RATE

6. STRATEGIC PLAN OBJECTIVES

Maintain a low City property tax rate

7. PROS AND CONS

Not applicable.

8. ALTERNATIVES

The City Council may adopt a tax rate lower than \$0.3395 but may not adopt a rate higher than this rate under state law as the public notices published that the maximum rate that the City Council would consider is \$0.3395. If a lower rate is adopted, the City Council will need to modify the Fiscal Year 2025 Budget to reflect the reduced revenue.

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Staff recommends the adoption of a tax rate for the 2024 tax year. All 3 motions must be passed to adopt the Tax Rate ordinance. The motion to adopt a tax rate that exceeds the no-new-revenue rate must be made precisely as follows: I move to approve a debt service tax rate of \$ 0.2496 per \$100 valuation for the 2024 tax year. I move to approve a maintenance and operations tax rate of \$0.0899 per \$100 of valuation for the 2024 tax year. I move that the property tax rate be increased by the adoption of a tax rate of \$0.3395 per \$100 valuation, which is effectively a 3.10 percent increase in the tax rate, and to approve the ordinance as presented. Because the tax rate will exceed the no-new-revenue tax rate, the vote on the ordinance setting the tax rate must be a record vote and must be approved by at least 60 percent of the members of the city council. TEX. TAX CODE Â§ 26.05(b).

Attachments:

[Ordinance Adopting Tax Rate FY 2025](#)

[2024 Tax Rate Calculation Worksheet_Final](#)

[BUDA - Notice of Public Hearing on Tax Increase - August 2024](#)