



City of Keller

Keller Town Hall
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Legislation Text

File #: 16-418, **Version:** 1

To: Mark R. Hafner, City Manager

From: Aaron Rector, Director of Finance

Subject:

Consider a resolution of the City Council of the City of Keller, Texas, to consider a proposal to adopt a tax rate that will exceed the lower of the effective tax rate or the rollback rate; calling two (2) public hearings to be held at 7:00 p.m., on September 5, 2017, and 6:00 p.m., on September 12, 2017, at Keller Town Hall, 1100 Bear Creek Parkway, Keller, Texas; requiring publication of a notice of public hearing, in accordance with Chapter 26.06 of the Texas Tax Code; requiring a record vote; and providing an effective date.

Action Requested:

Consider approval of the proposed resolution to set a maximum tax rate for publication and set public hearings dates related to the tax rate.

Background:

The Fiscal Year 2017-18 proposed budget was prepared based on a total tax rate of \$0.427500. The proposed rate is a decrease of \$0.002500 from the current rate and is the fourth rate decrease in a row. However, the proposed rate exceeds the effective tax rate and, therefore, the Texas Tax Code requires the City Council to hold two (2) public hearings prior to ratifying the proposed rate.

Generally, the effective tax rate is the tax rate that would generate the same total amount of property tax revenue as last year, when comparing properties taxed in both years. The FY 2017-18 effective rate is \$0.418194. The rollback tax rate is defined as the sum of the maximum effective maintenance and operations rate, and the debt service rate. The rollback tax rate is \$0.432694.

The proposed rate for FY 2017-18 is \$0.42750, which is a decrease of \$0.0025 from the current rate of \$0.43000. With the proposed rate decrease, the tax rate will have decreased by \$0.014690 over four years. In addition, Council approved an increase of the homestead exemption from 4% to 8%, which doubles the exemption approved during FY 2016-17.

In addition to the two (2) public hearings, notice and hearing requirements must be published in the newspaper, on the City's cable channel and website.

Budget Impact:

The proposed rate would create a levy of \$23,132,822. With the levy, the General Fund fund balance would be at 136 days and minimum policy requires 70 days. The Debt Service Fund fund balance would be 56.4% of bond payments, and policy requires a minimum of 10%. If the effective rate were adopted, the total levy would be \$22,682,565 and General Fund fund would be out of balance by

\$458,268 based upon proposed expenditures.

Financial Considerations:

Adopting the effective rate would result in approximately \$450,257 less revenue from property taxes.

Citizen Input/Board Review:

Texas Tax Code requires two public hearings if the City Council plans to consider a proposed tax rate that exceeds the lower of the rollback or effective tax rates. The dates and times of these public hearings must be advertised in the newspaper, as well as on the city's cable channel and website. Staff has recommended that these public hearings occur at 7 p.m. September 5, 2017, and 6 p.m. September 12, 2017, at Keller Town Hall.

Legal Review:

Not Applicable.

Alternatives:

City Council has the following alternatives:

- Approve as submitted
- Approve with changes
- Denial

Council Action:

Consider approval of the proposed resolution as presented.