



## AGENDA MEMORANDUM

Second Reading Ordinance for the City Council Meeting of September 6, 2022

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**DATE:** August 9, 2022

**TO:** Peter Zanoni, City Manager

**FROM:** Heather Hurlbert, Director of Finance and Procurement  
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Second Reading Ordinance to Set the  
Fiscal Year 2023 Ad Valorem Tax Rate

**CAPTION:**

Ordinance setting an Ad Valorem Tax Rate for FY 2023 of \$0.637864 per \$100 valuation which is effectively an 10.2% increase over the no-new-revenue tax rate.

**SUMMARY:**

The State Property Tax Code requires that one public hearing be held when a taxing unit proposes a tax rate that exceeds either the no-new-revenue tax rate or the voter-approval tax rate, whichever is lower. The public hearing and first reading ordinance were held on Tuesday, August 30, 2022 at which time the City Council voted to lower the property tax rate by \$0.0084 from \$0.646264 per \$100 valuation to \$0.637864 per \$100 valuation. This agenda item is the second reading and adoption of the FY 2023 ad valorem tax rate.

**BACKGROUND AND FINDINGS:**

The City of Corpus Christi proposed a tax rate of \$0.646264 per \$100 valuation for Fiscal Year (FY) 2023. This tax rate was the same as the FY 2022 tax rate. After the public hearing on August 30, 2022, the City Council voted to lower the tax rate by \$0.0084 from \$0.646264 per \$100 valuation to \$0.637864 per \$100 valuation. This agenda item is the second reading and adoption of the FY 2023 ad valorem tax rate.

Section 26.05 (b) of the Tax Code states that the vote on the ordinance setting a tax rate that exceeds the no-new revenue 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. For the City of Corpus Christi, this equates to six (6) City Councilmembers who must vote in favor of the property tax rate.

Section 26.05 (c) of the Tax Code goes on to say that if the governing body of a taxing unit does not adopt a tax rate before the date required, the tax rate for the taxing unit for that tax year is the lower of the no-new-revenue rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding year. For the City of Corpus Christi, if the tax rate is not approved by September 6, 2022, then the no-new-revenue rate of \$0.578740 would be adopted for FY 2023. This would result in reductions of over \$12 million in the General Fund.

**ALTERNATIVES:**

Adoption of a tax rate by September 6, 2022 is required to be in compliance with the Truth-in-Taxation requirements.

**FISCAL IMPACT:**

The proposed FY 2023 property tax rate is anticipated to generate \$158,550,815 of property tax revenue recorded in the following funds:

Fund 1020	General Fund (M&O)	\$ 97,711,858 **
Fund 2010	Debt Service Fund (I&S)	55,496,581
Fund 1111	Reinvestment Zone #2	3,884,967
Fund 1112	Reinvestment Zone #3	1,253,905
Fund 1114	Reinvestment Zone #4	201,704
Fund 1115	Reinvestment Zone #5	1,800
TOTAL		<u>\$158,550,815</u>

\*\* Of this amount, \$9,788,021 will be transferred to Fund 1042 Residential Street Reconstruction Fund for residential streets.

**RECOMMENDATION:**

Staff recommends approval of the ordinance setting the FY 2023 Ad Valorem Tax Rate at \$0.637864 per \$100 valuation.

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance  
Tax Code – Section 26.05