



AGENDA MEMORANDUM

Action Item for the City Council Meeting of October 25, 2022

DATE: September 29, 2022
TO: Peter Zaroni, City Manager
FROM: Heather Hurlbert, CPA, CGFO, Director of Finance & Procurement
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Approval of 2022 Tax Levy

CAPTION:

Motion approving the 2022 Property Tax Levy of \$163,012,950.99 based on the adopted property tax rate of \$0.620261 per \$100 valuation, in accordance with Section 26.09(e) of the Texas Tax Code.

SUMMARY:

Approval of the certified tax levy by the governing body is required by the Texas Tax Code and is the last step in complying with the “Truth-in-Taxation” guidelines as it relates to the adoption of a property tax rate and the assessment of property taxes.

BACKGROUND AND FINDINGS:

The Texas Tax Code establishes rules for approval of the property tax levy. Section 26.09(e) of the Code requires the tax assessor to submit the unit’s tax levy to the governing body for approval. The tax levy is the amount of current property taxes to be collected for the fiscal year (FY), which is derived by applying the adopted property tax rate to the certified appraisal roll.

The property tax levy for 2022 that is based upon a property tax rate of \$0.620261 per \$100 valuation and a taxable value of \$27,428,723,365 is as follows:

<u>Tax Levy</u>	<u>Component</u>
\$109,526,183.84	Supporting the City’s maintenance and operations (\$0.399312)
<u>60,603,489.99</u>	Supporting the City’s debt service (\$0.220949)
\$170,129,673.83	
180,860.46	Add: Net Late Rendition Penalty – Personal Property Accounts
(7,288,699.21)	Less: Over-65/Disabled Homestead Frozen Levy Loss
(9,043.02)	Less: 5% of Late Rendition Penalty to the Appraisal District
<u>158.93</u>	Plus: Late Ag Penalty
<u>\$163,012,950.99</u>	2022 Ad Valorem Tax Levy

Additional revenue for a late rendition penalty on personal property accounts is considered in the computation of the tax levy. The Chief Appraiser may impose a penalty on a person who fails to timely file the required rendition statement or property report on all tangible personal property used for production of income that the person owns or manages and controls as a fiduciary. The tax assessor shall then add the amount of the penalty to the amount of tax imposed on the property and include that amount on the individual's tax bill. Another penalty assessed by the Chief Appraiser is the late agricultural penalty. This penalty is assessed for a late rendition on land that is designated as agricultural use. Additionally, the over-65/disabled homestead tax freeze is an important factor in the computation of the tax levy. The FY 2022-2023 tax levy loss of \$7,288,699.21 is 13.46% greater than the prior year.

Property tax revenue budgeted in the FY 2022-2023 budget is based on net appraised property values reported by the Nueces County Appraisal District (NCAD) for properties in the city limits of three counties: Nueces, San Patricio, and Kleberg. The certified values that the City of Corpus Christi received in July 2022 from NCAD totaled \$27,251,513,262 and were made up of 100% of the values of the properties not under protest and 85% of the values of the properties under protest. The total taxable values certified by the Nueces County Tax Office of \$27,428,723,365, however, include 100% of the values of the properties not under protest and 100% (versus 85%) of the properties under protest. This accounts for an increase of \$177,210,103 in assessed values certified by the Nueces County Tax Office.

The FY 2022-2023 operating budget adopted by the City Council on September 6, 2022, included total property tax revenue of \$156,764,152 budgeted in the following funds: General Fund, Debt Service Fund, Reinvestment Zone No. 2, Reinvestment Zone No. 3, Reinvestment Zone No. 4, and Reinvestment Zone No. 5. When comparing budgeted property tax revenue with the certified ad valorem tax levy of \$163,012,950.99, the collection rate certified for the year must be considered. The collection rate certified by the Nueces County Tax Office for FY 2022-2023 is 100%, but a more conservative collection rate of 97.5% was used in the calculation of property tax revenue in the City's operating budget. By applying a 97.5% collection rate to the certified levy, the resulting net levy is calculated to be \$158,759,709.15 – which is \$1,995,557.15 more than the total ad valorem tax revenue adopted in the FY 2022-2023 budget. This variance is due to the fact that the budgeted property tax revenue for each of the reinvestment zones was approved by the respective boards prior to the final certified values being received in July 2022. The final certified values were higher than the preliminary values included in the proposed budget. The variance, however, is slightly above one percent, and so no budgetary adjustments are being recommended.

ALTERNATIVES:

Not applicable

FISCAL IMPACT:

The fiscal impact of this motion will generate total property tax revenue of \$87,923,837 for the General Fund; \$53,709,918 for the Debt Service Fund; \$9,788,021 for the Residential Streets Reconstruction Fund; \$3,884,967 for Tax Increment Reinvestment Zone No. 2; \$1,253,905 for Tax Increment Reinvestment Zone No. 3; \$201,704 for Tax Increment Reinvestment Zone No. 4; and \$1,800 for Tax Increment Reinvestment Zone No. 5.

FUNDING DETAIL (REVENUE):

Fund: 1020 General Fund
Organization/Activity: 11020 General Government Revenue
Mission Element: 888 Revenue
Project # (CIP Only): N/A
Account: 300010 Ad valorem taxes - Current
Amount: \$87,923,837 (net)

Fund: 2010 Debt Service Fund
Organization/Activity: 11020 General Government Revenue
Mission Element: 888 Revenue
Project # (CIP Only): N/A
Account: 300010 Ad valorem taxes - Current
Amount: \$53,709,918

Fund: 1042 Residential Street Reconstruction Fund
Organization/Activity: 12440 Residential Street Reconstruction
Mission Element: 888 Revenue
Project # (CIP Only): N/A
Account: 352000 Transfer from General Fund Property Tax
Amount: \$9,788,021

Fund: 1111 Reinvestment Zone No. 2 Fund
Organization/Activity: 11020 General Government Revenue
Mission Element: 888 Revenue
Project # (CIP Only): N/A
Account: 300020 RIVZ current taxes - City
Amount: \$3,884,967

Fund: 1112 Reinvestment Zone No. 3 Fund
Organization/Activity: 11020 General Government Revenue
Mission Element: 888 Revenue
Project # (CIP Only): N/A
Account: 300020 RIVZ current taxes - City
Amount: \$1,253,905

Fund: 1114 Reinvestment Zone No. 4 Fund
Organization/Activity: 11020 General Government Revenue
Mission Element: 888 Revenue
Project # (CIP Only): N/A
Account: 300020 RIVZ current taxes - City
Amount: \$201,704

Fund: 1115 Reinvestment Zone No. 5 Fund
Organization/Activity: 11020 General Government Revenue
Mission Element: 888 Revenue
Project # (CIP Only): N/A
Account: 300020 RIVZ current taxes - City
Amount: \$1,800

RECOMMENDATION:

Staff recommends approval of the Tax Year 2022 Property Tax Levy of \$163,012,950.99 based on the adopted property tax rate of \$0.620261 per \$100 valuation.

LIST OF SUPPORTING DOCUMENTS:

Tax Levy for the Tax Year 2022