

Fiscal Year Change City Council Presentation

December 17, 2013

Problem

- Tax Rate – Final property tax information is not received prior to submittal of the proposed budget to City Council or even prior to adoption of the final budget.
- Grants – The City's fiscal year and grant years do not currently coincide making the accounting for grants challenging.

Top Twenty Texas Cities

- Cities with fiscal year end other than September 30th:
 - Corpus Christi – July 31st
 - Houston – June 30th
 - El Paso – August 31st
- Cities with fiscal year end of September 30th:

– Abilene	Amarillo	Arlington
– Austin	Beaumont	Brownsville
– Dallas	Fort Worth	Garland
– Grand Prairie	Irving	Laredo
– Lubbock	Mesquite	Pasadena
– Plano	San Antonio	

City of Corpus Christi's Fiscal Year

- The City of Corpus Christi's current fiscal year is from August 1st through July 31st.
- Article IV. Administration, Section 2(a) of the City Charter states: "The city's fiscal year shall be set by ordinance, but shall not be changed more often than every four years except by two-thirds vote of the council."
- Ordinance #1027, dated November 23, 1939, established the City's fiscal year as August 1 through July 31st. (Previously, it was March 1 through February 28th.)

Benefits to Changing the Fiscal Year

- The proposed budget submitted to City Council would contain property tax revenue information based on final assessed valuations.
- Corpus Christi will be comparable to most other Texas cities.
- The City is currently in the process of changing its software applications, and so the change of fiscal year can be built into the implementation upfront which saves money.
- Changing the fiscal year would align the City's fiscal year with the state and federal fiscal years.

Why September 30th?

- **Property Tax Code, Section 26.01. SUBMISSION OF ROLLS TO TAXING UNITS.** (a) By July 25, the chief appraiser shall prepare and certify to the assessor for each taxing unit participating in the district that part of the appraisal roll for the district that lists the property taxable by the unit.
- **Property Tax Code, Section 26.05. TAX RATE.** (a) The governing body of each taxing unit, before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, shall adopt a tax rate for the current tax year and shall notify the assessor for the unit of the rate adopted.
- **Local Government Code, Section 102.009.** The governing body of the municipality may levy taxes only in accordance with their budget.

Why September 30th?

Because a municipal property tax levy cannot take place later than September 30th as per Property Tax Code, Section 26.05 and because a municipality must levy taxes only in accordance with their budget as per Local Government Code, Section 102.009, and the budget must be adopted prior to the adoption of the tax rate, **September 30th** is the deadline for municipalities to approve their budgets and is the effective latest date for a municipal fiscal year-end.

Financial Impact of Change

Fund	Estimated Costs for Aug and Sept 2014		Estimated Beginning Fund Balance at July 31, 2014
<u>OPERATIONAL FUNDS:</u>			
General Fund	\$ 3,500,000		\$ 40,334,038
Gas	\$ 500,000		\$ 5,614,630
	<u>\$ 4,000,000</u>		
<u>DEBT PAYMENTS:</u>			
Packery Channel TIF	\$ 1,100,000	*	\$ 5,684,708
Seawall	\$ 1,225,000	*	\$ 27,308,134
Arena	\$ 1,780,000	*	\$ 17,670,041
Bus & Job Dev	\$ 980,000	*	\$ 14,393,282
GO Debt	\$ 6,350,000	*	\$ 13,508,055
	<u>\$ 11,435,000</u>		

- - These costs represent debt payments that occur in September. For the 14-month fiscal year, two debt payments would be made from the fund balance in each respective fund.

Minimizing the Financial Impact to the General Fund

- \$1.5 million can be rebated back to the General Fund from General Liability and Workers Compensation Funds
- \$2.0 million can be appropriated from the unreserved fund balance of the General Fund.

Other Approvals Needed

- **Packery Channel TIF**
 - Island Strategic Action Committee (courtesy approval)
 - Reinvestment Zone No. 2 Board of Directors
 - The North Padre Island Development Corporation Board of Directors
- **Seawall, Arena, and Business and Job Development Funds**
 - Corpus Christi Business and Job Development Corporation Board of Directors

Additional Resources

• Temporary Staffing for Financial Services	\$26,000
• Temporary Staffing for Office of Management and Budget	<u>\$67,000</u>
TOTAL	<u>\$93,000</u>

Recommendation

Staff recommends changing the fiscal year-end to September 30th beginning in 2014.

QUESTIONS