



## AGENDA MEMORANDUM

Future Item for the City Council Meeting of October 20, 2015  
Action Item for the City Council Meeting of October 27, 2015

**DATE:** October 5, 2015  
**TO:** Ronald L. Olson, City Manager  
**THRU:** Wes Pierson, Assistant City Manager  
**FROM:** Constance P. Sanchez, Director of Financial Services  
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### Certification of 2015 Tax Levy

#### **CAPTION:**

Motion approving the 2015 Property Tax Levy of \$108,611,685.39 based on the adopted property tax rate of \$0.606264 per \$100 valuation, in accordance with Section 26.09 (e) of the Texas Property Tax Code.

#### **PURPOSE:**

Approval of the certified tax levy by the governing body is required by the Texas Property 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 Property 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 2015 that is based upon a property tax rate of \$0.606264 per \$100 valuation and a taxable value of \$18,405,761,524 is as follows:

<u>Tax Levy</u>	<u>Component</u>
\$69,354,013.77	Supporting the City's maintenance and operations (\$0.376806)
<u>42,233,492.28</u>	Supporting the City's debt service (\$0.229458)
\$111,587,506.05	
289,373.71	Add: Net Late Rendition Penalty – Personal Property Accounts
<u>(3,265,194.37)</u>	Less: Over-65/Disabled Homestead Frozen Levy Loss
<u>\$108,611,685.39</u>	2015 Ad Valorem Tax Levy

As can be seen above, 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.

Additionally, the over-65/disabled homestead tax freeze is an important factor in the computation of the tax levy. Fiscal year 2015-2016 reflects the effect of the ninth year of implementation of the over-65/disabled homestead tax freeze. The loss of tax levy due to the tax freeze as compared to prior years is reflected in the following table:

<b>Fiscal Year</b>	<b>Levy Loss</b>
FY 2015-2016	\$ 3,265,194.37
FY 2014-2015	\$ 2,246,329.44
FY 2013-2014	\$ 1,579,763.73
FY 2012-2013	\$ 1,225,650.00
FY 2011-2012	\$ 1,508,251.05
FY 2010-2011	\$ 1,663,133.81
FY 2009-2010	\$ 1,740,803.00
FY 2008-2009	\$ 1,500,521.56
FY 2007-2008	\$ 1,210,235.01
FY 2006-2007	\$ 650,650.57
FY 2005-2006	\$ 396,701.13

It should also be noted that property taxes budgeted in the FY 2015-2016 budget were based on the net appraised property values certified by the Nueces County Appraisal District of \$18,344,955,055 – 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 \$18,405,761,524 include 100% of the values of the properties not under protest and 100% (versus 85%) of the properties under protest. This accounts for the \$60,806,469 increase in assessed values certified by the Nueces County Tax Office.

In the FY 2015-2016 budget adopted by the City Council on September 22, 2015, the total property tax levy budgeted in all funds (General Fund, Debt Service Fund, Reinvestment Zone #2, and Reinvestment Zone #3) was \$106,106,000. When comparing this figure to the certified ad valorem tax levy of \$108,611,685, the collection rate certified for the year must be considered. The collection rate certified by the Nueces County Tax Office for FY 2015-2016 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 \$105,896,393 – which is \$209,607 less than the total ad valorem tax revenue adopted in the FY 2015-2016 budget of \$106,106,000, a difference of less than 0.2%. Therefore, no budgetary adjustments for the FY 2015-2016 ad valorem tax revenue are needed at this time.

**ALTERNATIVES:**

Not applicable

**OTHER CONSIDERATIONS:**

Not applicable

**CONFORMITY TO CITY POLICY:**

This item conforms to City policy.

**EMERGENCY / NON-EMERGENCY:**

Not applicable

**DEPARTMENTAL CLEARANCES:**

- Office of Management and Budget
- City Attorney's Office

**FINANCIAL IMPACT:**

☐ Not Applicable   ☐ Operating Expense   ☒ Revenue   ☐ CIP

<b>FISCAL YEAR:</b>	<b>Project to Date Exp. (CIP Only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Budget	-	\$ 106,106,000	\$ -	\$ 106,106,000
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$ -	\$ -	\$ -
<b>BALANCE</b>	-	\$ 106,106,000	\$ -	\$ 106,106,000
FUND(S): 1020 "General Fund"		\$ 64,800,000		
2010 "Debt Service Fund"		\$ 39,350,000		
1111 "Reinvestment Zone #2"		\$ 1,586,000		
1112 "Reinvestment Zone #3"		\$ 370,000		

**COMMENTS:**

Not applicable

**RECOMMENDATION:**

Staff recommends approval of the motion as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Certification of Tax Levy for the Tax Year 2015