



AGENDA MEMORANDUM

Future Item for the City Council Meeting of October 16, 2018
Action Item for the City Council Meeting of October 23, 2018

DATE: September 28, 2018
TO: Keith Selman, Interim City Manager
THRU: Sylvia Carrillo-Treviño, Assistant City Manager
FROM: Constance P. Sanchez, Director of Financial Services
ConstanceP@cctexas.com
(361) 826-3227

Approval of 2018 Tax Levy

CAPTION:

Motion approving the 2018 Property Tax Levy of \$126,930,210.19 based on the adopted property tax rate of \$0.626264 per \$100 valuation, in accordance with Section 26.09 (e) of the Texas Tax Code.

PURPOSE:

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 2018 that is based upon a property tax rate of \$0.626264 per \$100 valuation and a taxable value of \$21,023,693,312 is as follows:

<u>Tax Levy</u>	<u>Component</u>
\$85,525,645.81	Supporting the City's maintenance and operations (\$0.406806)
46,138,176.87	Supporting the City's debt service (\$0.219458)
<u>\$131,663,822.68</u>	
152,860.78	Add: Net Late Rendition Penalty – Personal Property Accounts
<u>(4,886,473.27)</u>	Less: Over-65/Disabled Homestead Frozen Levy Loss
<u>\$126,930,210.19</u>	2018 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.

Additionally, the over-65/disabled homestead tax freeze is an important factor in the computation of the tax levy. Fiscal year 2018-2019 reflects the effect of the fourteenth 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:

Fiscal Year	Levy Loss	Change from Prior Year
FY 2018-2019	\$ 4,886,473.27	11.22%
FY 2017-2018	\$ 4,393,399.99	11.52%
FY 2016-2017	\$ 3,939,600.86	20.65%
FY 2015-2016	\$ 3,265,194.37	45.36%
FY 2014-2015	\$ 2,246,329.44	42.19%
FY 2013-2014	\$ 1,579,763.73	28.89%
FY 2012-2013	\$ 1,225,650.00	-18.74%
FY 2011-2012	\$ 1,508,251.05	-9.31%
FY 2010-2011	\$ 1,663,133.81	-4.46%
FY 2009-2010	\$ 1,740,803.00	16.01%
FY 2008-2009	\$ 1,500,521.56	23.99%
FY 2007-2008	\$ 1,210,235.01	86.00%
FY 2006-2007	\$ 650,650.57	64.02%
FY 2005-2006	\$ 396,701.13	

It should also be noted that property taxes budgeted in the FY 2018-2019 budget were based on the net appraised property values certified by the Nueces County Appraisal District of \$21,008,504,927 – 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 \$21,023,693,312 include 100% of the values of the properties not under protest and 100% (versus 85%) of the properties under protest. This accounts for the \$15,188,385 increase in assessed values certified by the Nueces County Tax Office.

In the FY 2018-2019 budget adopted by the City Council on September 18, 2018, the total property tax levy budgeted in all funds (General Fund, Debt Service Fund, Reinvestment Zone #2, and Reinvestment Zone #3) was \$124,013,598. When comparing this figure to the certified ad valorem tax levy of \$126,930,210, the collection rate certified for the year must be considered. The collection rate certified by the Nueces County Tax Office for FY 2018-2019 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 \$123,638,615 – which is \$374,983 less than the total ad valorem tax revenue adopted in the FY 2018-2019 budget of \$124,013,598, a difference of less than 0.03%. Therefore, no budgetary adjustments for the FY 2018-2019 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

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget	-	\$ 124,013,598	\$ -	\$ 124,013,598
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$ -	\$ -	\$ -
BALANCE	-	\$ 124,013,598	\$ -	\$ 124,013,598
FUND(S): 1020 "General Fund"		\$ 78,516,438		
2010 "Debt Service Fund"		\$ 42,356,947		
1111 "Reinvestment Zone #2"		\$ 2,412,597		
1112 "Reinvestment Zone #3"		\$ 727,616		

Comments:

The revenue reflected in the Financial Impact table represents the property tax revenue that was included in the FY 2018-2019 adopted budget and varies from the amount listed in the motion language due to the reasons listed on the previous page. No budget amendment is needed at this time.

RECOMMENDATION:

Staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Tax Levy for the Tax Year 2018