

## CITY COUNCIL MEMORANDUM

**FROM:** The Office of the City Manager    **DATE:** September 26, 2016

**SUBJECT:** Consider Ordinance No. 3428, adopting the tax rate for Tax Year 2016.

**PRESENTER:** Mark Mills, Budget Director

**SUMMARY:**

The City Council is requested to consider the adoption of an ordinance setting the maintenance and operations (M&O) tax rate for Tax Year 2016 at 34.8083¢ and the debt service tax rate (I&S) at 26.1917¢, for a combined total tax rate of 61¢ per \$100 of valuation.

**GENERAL DESCRIPTION:**

The proposed Tax Year 2016 (Fiscal Year 2016/2017) property tax rate for the city of North Richland Hills is 61¢ per \$100 of valuation. This tax rate exceeds the effective tax rate of 58.3909¢ but remains below the rollback rate. The proposed tax rate is distributed into two components as follows:

- 34.8083¢ for the purpose of maintenance and operations; and
- 26.1917¢ for the purpose of tax supported debt principal and interest payments.

Adopting Ordinance No. 3428 would set the tax rate for Tax Year 2016 at 61¢ per \$100 of valuation. If adopted, this would be the fifth consecutive year that the combined tax rate was set at 61¢.

State law requires specific language to be included in the ordinance adopting the tax rate if the ordinance sets a tax rate that will impose an amount of taxes for maintenance and operations that exceeds the taxes imposed for that purpose in the preceding year. If adopted, the 61¢ tax rate would impose more total property taxes for the purpose of maintenance and operations, which makes the additional language mandatory.

Since the proposed tax rate of 61¢ exceeds the effective tax rate of 58.3903¢, new legislation requires 60% of the members of the City Council to vote in favor of the ordinance setting the property tax rate for it to pass. Although only voting in the cast of a tie, the Mayor counts toward Council membership in regard to calculating the required 60%. In order for the ordinance pass, 5 members of the City Council must vote in favor



of the ordinance. If Council chooses to adopt the proposed tax rate of 61¢, staff requests the following three motions be made, each followed by a Council vote:

1. "I move that the property tax rate for Maintenance and Operations be set at 34.8083 cents per \$100 of valuation"
2. "I move that the property tax rate for Interest and Sinking be set at 26.1917 cents per \$100 of valuation"
3. "I move that the property tax rate be increased by the adoption of a tax rate of 61 cents, which is effectively a 4.468 percent increase in the tax rate."

**RECOMMENDATION:**

Vote to set the Maintenance and Operations component of the tax rate at 34.8083 cents, vote to set the Interest and Sinking component of the tax rate at 26.1917 cents, and approve Ordinance No. 3428, setting the combined Tax Year 2016 tax rate at 61 cents.