

ORDINANCE NO. 2142

AN ORDINANCE OF THE CITY OF SUGAR LAND, TEXAS, LEVYING A PROPERTY TAX RATE FOR THE YEAR 2018; AND DIRECTING THE TAX ASSESSOR-COLLECTOR TO ASSESS, ACCOUNT FOR, AND DISTRIBUTE THE PROPERTY TAXES AS HEREIN LEVIED.

WHEREAS, Section 26.05 (a) of the Tax Code requires taxing authorities to adopt a property tax rate before the later of September 30 of each year or the 60th day after the date of receipt of the certified appraisal roll; and

WHEREAS, Section 26.05 (a) of the Tax Code requires the property tax rate be approved separately in two components: (1) Maintenance and Operations; and (2) Debt Service; and

WHEREAS, Section 26.05 (b) of the Tax Code requires that the vote on the ordinance setting a tax rate that exceeds the effective tax rate must be a record vote; and

WHEREAS, Section 26.05 (b) of the Tax Code additionally requires that a motion to adopt an ordinance setting a tax rate that exceeds the effective tax rate must be made in the following form:

"I move that the property tax rate be increased with the adoption of a tax rate of \$0.31762, which is effectively a 2.63 percent increase in the tax rate"; and

WHEREAS, Section 26.05 (b) of the Tax Code further requires that if the ordinance sets a tax rate that, if applied to the total taxable value, will impose an amount of taxes to fund maintenance and operation expenditures of the taxing unit that exceeds the amount of taxes imposed for that purpose in the preceding year, the taxing unit must include in the ordinance in type larger than the type used in any other portion of the ordinance the following statement:

"THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE"; and

if the tax rate exceeds the effective maintenance and operations rate, the following statement:

"THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(Insert amount)"; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY COUNCIL
OF THE CITY OF SUGAR LAND, TEXAS:**

Section 1. That the property tax rate per \$100.00 valuation for the City of Sugar Land for tax year 2018 is adopted as follows:

Maintenance and Operations	\$0.18131
Debt Service	\$0.13631
Tax Rate	\$0.31762

Section 2. THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE.

Section 3. That the record vote of the City Council adopting this ordinance is:

Council Members voting FOR adoption:

Joe R. Zimmerman, Himesh Gandhi, Amy Mitchell, Carol McCutcheon, Jennifer Lane

Council Members voting AGAINST adoption:

Steve R. Porter, Bridget R. Yeung

Council Members absent:

None

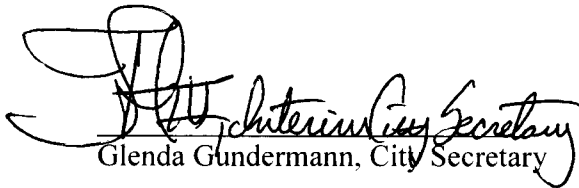
Section 4. That this ordinance is adopted upon one reading in compliance with Section 6.03 of the City Charter.

APPROVED on September 18 2018.




Joe R. Zimmerman, Mayor

ATTEST:



Glenda Gundermann, City Secretary

APPROVED AS TO FORM





City Council Agenda Request

SEPTEMBER 18, 2018

AGENDA REQUEST NO: V.B.

AGENDA OF: City Council Meeting

INITIATED BY: *Jennifer Brown, Director of Finance*

PRESENTED BY: *Jennifer Brown, Director of Finance*

RESPONSIBLE DEPARTMENT: Finance

AGENDA CAPTION:

FIRST AND FINAL CONSIDERATION: Consideration of and action on **CITY OF SUGAR LAND ORDINANCE NO. 2142**: AN ORDINANCE OF THE CITY OF SUGAR LAND, TEXAS, LEVYING A PROPERTY TAX RATE FOR THE YEAR 2018; AND DIRECTING THE TAX ASSESSOR-COLLECTOR TO ASSESS, ACCOUNT FOR, AND DISTRIBUTE THE PROPERTY TAXES AS HEREIN LEVIED.

RECOMMENDED ACTION:

Approve first and final reading of Ordinance No. 2142 adopting a property tax rate for 2018.

EXECUTIVE SUMMARY:

Property Taxes

As a leader in financial stewardship across the state and nation, the City has intentionally focused on the development of resiliency initiatives and innovative constraint in response to the uncertainty of the regional economy in recent years. These efforts are a major part of how the City is able to maintain the second lowest tax rate in the State of Texas among cities of our size. Accomplishments include:

- Sugar Land has lowered its property tax rate over 18 cents since 1993 and now boasts the second lowest tax rate in the State among cities of our size.
- Over the last 15 years, the average value home has increased by about 5% annually, while the average tax bill has only increased by about 3% annually over the same time period.
- The City of Sugar Land makes up only 15% of the average residential tax bill.

The adoption of the City's property tax rate is governed by Chapter 26 of the Tax Code. This chapter sets strict timelines and processes that must be followed each year by the City to set the annual tax rate and levy the property taxes- which are a substantial portion of the City's revenue stream each year.

Based on the certified taxable values and other reports received, the Fort Bend County Tax Office has calculated the City's effective tax rate for 2018, which is the tax rate that generates the same amount of revenue for FY19 as was generated in FY18 based on the properties that were taxed in both years. The effective tax rate for 2018 is \$0.30948.

As recommended by the City Manager, the proposed FY19 budget and CIP can be funded with a flat tax rate of \$0.31762, which is 2.63% above the effective tax rate.

Notice of Proposed Tax Rate and Public Hearings

The City Council voted on August 9th to publish a Notice of 2018 Proposed Tax Rate of \$0.32762, which would fund the budget as proposed plus allow City Council to consider adding the remaining park bond projects to the FY19 budget. The City published the tax rate notice on August 15, 2018. Two public hearings were held on the proposed tax rate: August 28 and September 4, and the Council received input from the public on the published rate. The tax code requires adoption of the tax rate no sooner than 3 days and no later than 14 days after the second public hearing.

Based on the Certified Tax Roll, the tax rate necessary to fund the budget as filed and amended through workshop discussions is \$0.31762, which is the effective tax rate plus 2.63%.

Tax Rate Adoption

Based on City Council feedback on the FY19 budget and tax rate, staff has prepared three options for City Council consideration to adopt a 2018 tax rate:

- Option 1- \$0.31762: a flat tax rate to fund the City Manager's filed and recommended budget; this rate is 2.63% over the effective tax rate.
- Option 2- \$0.32262: a half-cent increase to fund a portion of the remaining voter-approved parks bond projects; this rate is 4.25% over the effective tax rate.
- Option 3- \$0.32762: a one-cent increase to fund the remaining voter-approved parks bond projects; this rate is 5.86% over the effective tax rate.

The Council-adopted Financial Management Policy Statements direct the City Manager to prepare a proposed budget based on revenue from the effective tax rate plus 3 percent, unless implementing a voter approved GO bond. All three tax rates listed above are consistent with that policy direction.

The tax rate is adopted in 2 parts: Maintenance and Operations and Debt Service.

The three tax rate and allocation options are shown below and correlate with the budget options for consideration by City Council. If budget option 1 is approved, then the tax rate to support it is option 1, budget option 2 = tax rate option 2, and budget option 3 = tax rate option 3. If the budget option that is adopted includes all or part of the park bond projects, and the tax rate to support it does not receive the required 60% approval by City Council, the FY19 budget will be amended in the future to remove the park project funding.

Tax Rate To Fund FY19 Budget & CIP Options	Option 1: Flat Tax Rate	Option 2: Park Bonds- Trails	Option 3: Park Bonds- All
Maintenance & Operations	\$0.18131	\$0.18166	\$0.18371
Debt Service	\$0.13631	\$0.14096	\$0.14391
Total	\$0.31762	\$0.32262	\$0.32762

The state has required language for the motion to adopt the tax rate and verbiage that must be included in the ordinance. The motion to adopt the tax rate for each option must be stated as follows:

- Option 1- "I move that the property tax rate be increased by the adoption of a tax rate of \$0.31762, which is effectively a 2.63 percent increase in the tax rate."
- Option 2- "I move that the property tax rate be increased by the adoption of a tax rate of \$0.32262, which is effectively a 4.25 percent increase in the tax rate."
- Option 3- "I move that the property tax rate be increased by the adoption of a tax rate of \$0.32762, which is effectively a 5.86 percent increase in the tax rate."

Section 26.05 (b) of the Tax Code further requires that if the ordinance sets a tax rate that, if applied to the total taxable value, will impose an amount of taxes to fund maintenance and operation expenditures of the taxing unit that exceeds the amount of taxes imposed for that purpose in the preceding year, the taxing unit must include in the ordinance in type larger than the type used in any other portion of the ordinance the following statement:

"THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE"; and

Additionally, if the tax rate exceeds the effective maintenance and operations rate, the following statement:

"THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(Insert amount)";

The proposed maintenance & operations tax rate does not exceed the effective maintenance & operations tax rate of \$0.18682 (due to complex calculations regarding Sales Tax for Property Tax Reduction), so the second statement is not required in the ordinance.

Staff recommends approval of Ordinance No. 2142 adopting a property tax rate for the 2018 tax year. For reference, three versions of the ordinance are included with this item to ensure that the correct ordinance language is captured depending on the tax rate adopted.

Since the flat tax rate, which is sufficient to fund the City Manager's filed budget, exceeds the effective tax rate - as well as each of the options being considered by the City Council to fund voter-approved parks bond projects, an affirmative vote by 60% of the Council is necessary for approval under the Texas Tax Code.

BUDGET**EXPENDITURE REQUIRED:****CURRENT BUDGET:****ADDITIONAL FUNDING:****FUNDING SOURCE:**

ATTACHMENTS:

	Description	Type
D	<u>Ordinance No. 2142- Option 1</u>	Ordinances
D	<u>Ordinance No. 2142- Option 2</u>	Ordinances
n	<u>Ordinance No. 2142- Option 3</u>	Ordinances