



**AIR-21-457  
AGENDA REQUEST  
BUSINESS OF THE CITY COUNCIL  
CITY OF PEARLAND, TEXAS**

<b>AGENDA OF:</b>	City Council Regular Meeting - Sep 27 2021		
<b>DATE SUBMITTED:</b>	Sep 02 2021	<b>DEPT. OF ORIGIN:</b>	Finance Department
<b>PREPARED BY:</b>	Kristen Woolley		
<b>SUBJECT:</b>	<b>Consideration and Possible Action – Second Reading of Ordinance No. 1606 -</b> An Ordinance adopting a tax rate of \$0.708250 and levying taxes for the use and support of the Municipal Government of the City of Pearland, Texas, and providing for the interest and sinking fund of the taxable year 2021.		
<b>ATTACHMENTS:</b>	<a href="#">1606-Tax Rate.1606</a> <a href="#">FY22 Tax Rate Ordinance Presentation 2nd Reading</a>		
<b>FUNDING:</b>	<input type="checkbox"/> Grant	<input type="checkbox"/> Developer/Other	<input type="checkbox"/> Cash
	<input type="checkbox"/> G.O. Bonds To Be Sold	<input type="checkbox"/> G.O. Bonds - Sold	<input type="checkbox"/> Rev. Bonds to Be Sold
	<input type="checkbox"/> Rev. Bonds - Sold	<input type="checkbox"/> C.O.'s To Be Sold	<input type="checkbox"/> C.O.'s - Sold

**EXECUTIVE SUMMARY**

**BACKGROUND**

Tax Code Section 26.05 requires a taxing unit to adopt its tax rate before September 30 or by the 60th day after the taxing unit receives the certified appraisal roll, whichever day is later.

The tax rate as proposed for the City of Pearland for tax year 2021, for fiscal year 2022, is \$0.708250 per \$100 valuation, which is below the No-New-Revenue and Voter-Approval tax rates. As the \$0.708250 rate is a tax cut, the City of Pearland did not hold public hearings on the tax rate pursuant to truth-in-taxation requirements. The tax rate, with property valuations, provides the property tax revenues needed for the payment of debt service obligation and for operating costs for departments such as public safety, parks, public works and general government activities.

## **SCOPE OF CONTRACT/AGREEMENT**

## **BID AND AWARD**

## **SCHEDULE**

## **POLICY/GOAL CONSIDERATION**

As the City of Pearland is proposing a tax rate below the No-New-Revenue and Voter-Approval tax rates, a motion to adopt the ordinance setting the tax rate does not require any specific language about the proposed tax rate. This is in contrast to previous years where specific language was required.

**A majority must vote in favor of the tax rate ordinance by a record vote.**

## **CURRENT AND FUTURE CIP FUNDING/FINANCIAL IMPACTS/DEBT SERVICE**

The property tax rate is split into two components; operating and debt service. The proposed maximum operating tax rate is \$0.316250, an increase of \$0.011250 cents over the current year, and the proposed debt service tax rate is \$0.392000, a decrease of \$0.023000 over the current year. 55.35% of the tax rate is allocated to debt service and 44.65% allocated to operations.

The operating component funds the wide variety of essential public services the City effectively and efficiently provides in a growing community. Public services supported by property taxes include the police, fire, streets, traffic, parks, stormwater management, and general government functions. The debt component funds the annual debt payments, similar to a residential mortgage payment, for capital improvements such as roads, drainage, parks and facilities.

The City's debt service rate is utilized to pay the principle and interest on debt, but also pays for In-City MUD rebates. In FY22, MUD rebates are budgeted to cost \$7,591,760 - an increase of \$475,544 from FY21.

In total, the proposed maximum tax rate of \$0.708250 is \$0.011750 lower than the current tax rate of \$0.720000. A homeowner's property tax bill is based on appraised value and multiple taxing units such as school districts and MUD's that each charge varying tax rates.

## **O&M IMPACT INFORMATION**

### **Recommended Action**

Approval of Second Reading of Ordinance No. 1606 - An Ordinance adopting a tax rate of \$0.708250 and levying taxes for the use and support of the Municipal Government of the City of Pearland, Texas, and providing for the interest and sinking fund of the taxable year 2021.

**ORDINANCE NO.1606**

**An Ordinance adopting a tax rate of \$0.708250 and levying taxes for the use and support of the Municipal Government of the City of Pearland, Texas, and providing for the interest and sinking fund of the taxable year 2021.**

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

**Section 1.** That there is hereby levied and there shall be collected for the use and support of the Municipal Government of the City of Pearland, Texas, and to provide Interest and Sinking Fund for taxable year 2021 upon all property, real, personal, and mixed within the corporate limits of said City subject to taxation, a tax of \$0.708250 on each One Hundred Dollars (\$100.00) valuation of property, said tax being so levied and apportioned for the specific purpose herein set forth:

- (1) For the maintenance and support of the General Government (General Fund), the sum of \$0.316250 on each \$100 valuation of property, and
- (2) For the Interest and Sinking Fund, the sum of \$0.392000.

**Section 2.** All monies collected under this ordinance for the specific items therein named, be and the same are hereby appropriated and set apart for the specific purpose indicated in each item and that the Assessor and Collector of Taxes, the Chief Financial Officer, and the City Manager shall so keep these accounts as to readily and distinctly show the amount collected, the amounts expended, and the amount on hand at any time belonging to such funds. It is hereby made the duty of the Tax Assessor and Collector of Taxes and every person collecting money for the City of Pearland to deliver to the Chief Financial Officer and the City Manager, at the time of depositing of any monies, a statement showing to what fund such deposit should be made, and from what source received. All receipts for the City not specifically apportioned by this ordinance are hereby made payable to the General Fund of the City.

**ORDINANCE NO.1606**

PASSED and APPROVED ON FIRST READING this the 13<sup>th</sup> day of September, A.D., 2021.

\_\_\_\_\_  
J. KEVIN COLE  
MAYOR

ATTEST:

\_\_\_\_\_  
CRYSTAL ROAN, TRMC, CMC  
CITY SECRETARY

PASSED and APPROVED ON SECOND and FINAL READING this the 27<sup>th</sup> day of September, A. D., 2021.

\_\_\_\_\_  
J. KEVIN COLE  
MAYOR

ATTEST:

\_\_\_\_\_  
CRYSTAL ROAN, TRMC, CMC  
CITY SECRETARY

APPROVED AS TO FORM:

\_\_\_\_\_  
DARRIN M. COKER  
CITY ATTORNEY



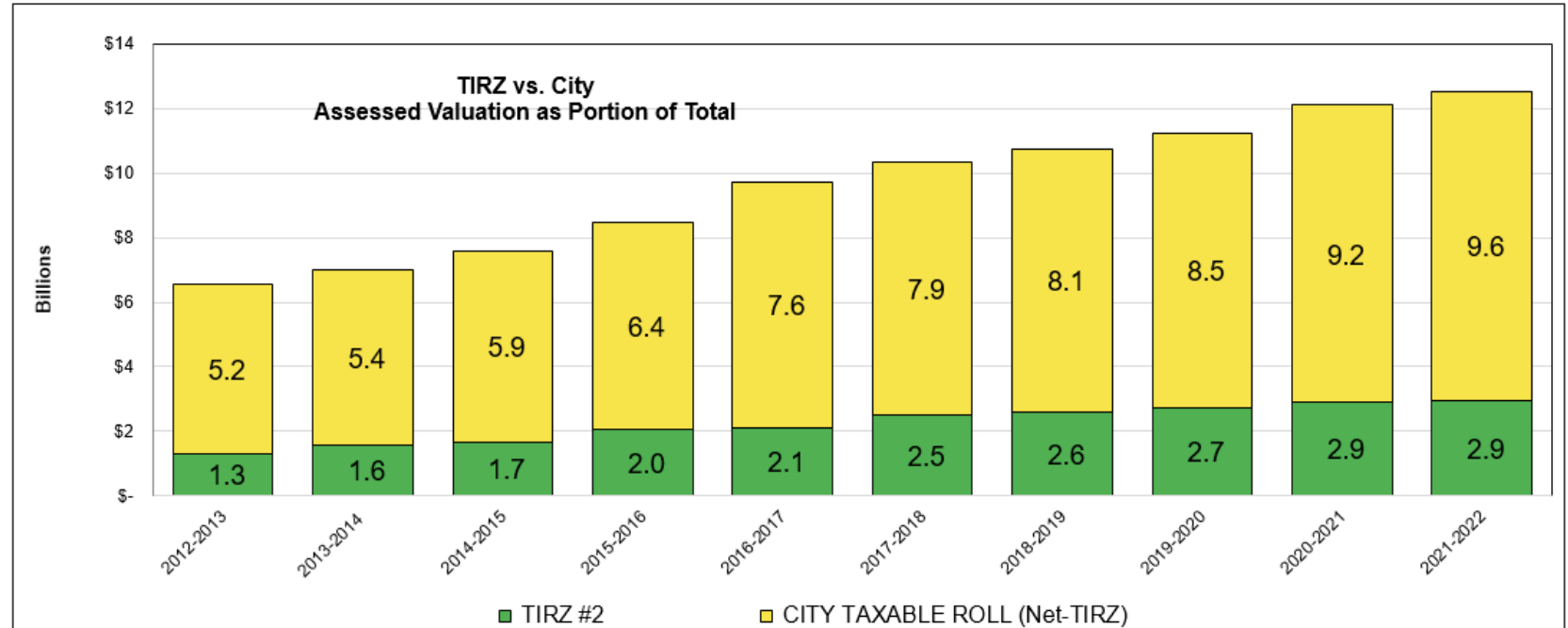
# City of Pearland FY22 Proposed Budget “Adapting to Change”



# Taxable Value

- Revaluations and growth in our high-quality community have increased the *taxable* roll (excluding the Shadow Creek TIRZ) to \$9.6B, an 4.3% increase from the year prior.
- The FY 22 budget is based upon values received from Brazoria County (includes Harris and Fort Bent Counties) on 8/2.
- Thank you to Brazoria County for their assistance as we continue to adapt to SB2's changes to tax laws.

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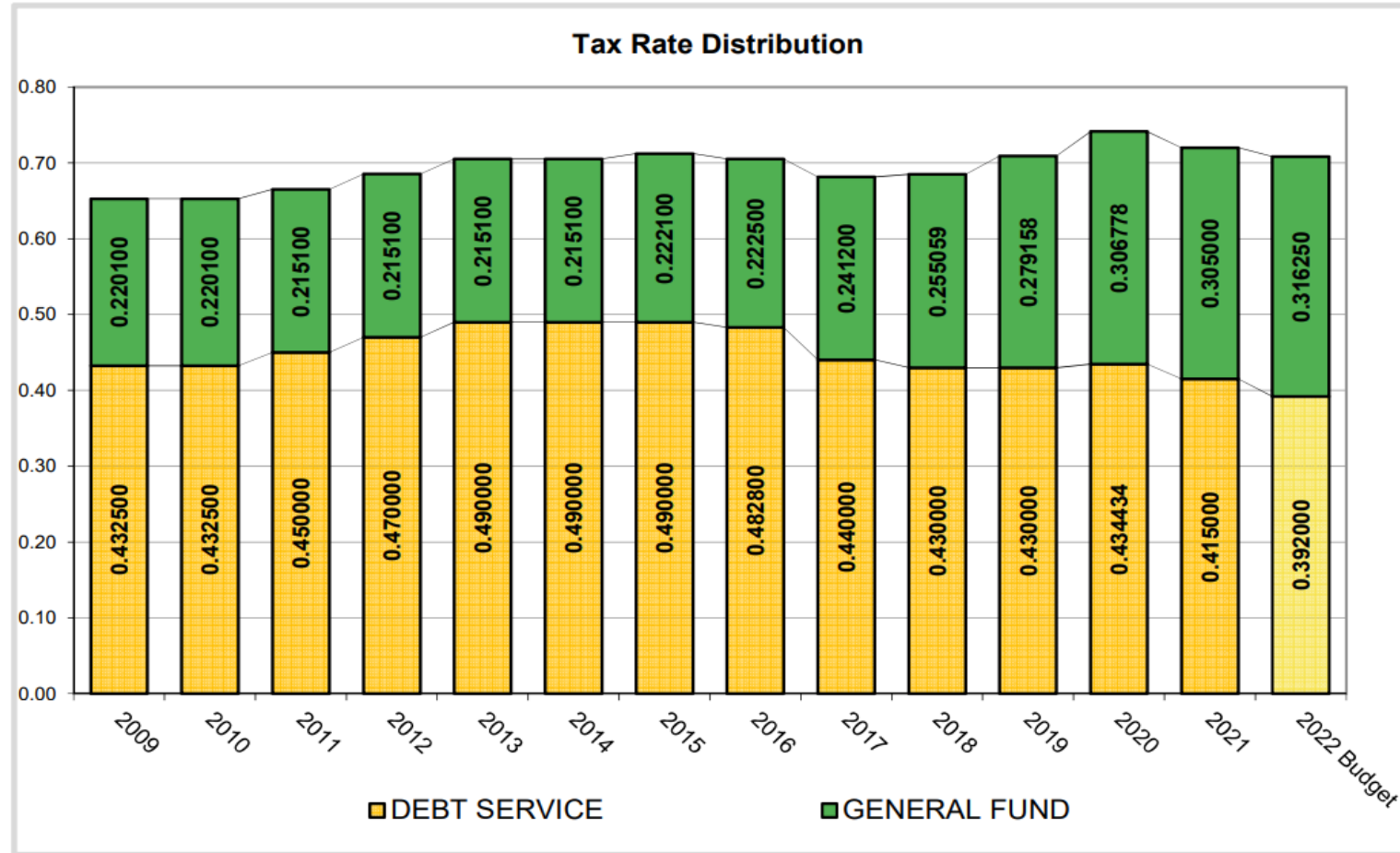
# Property Tax Revenue

- A 1.175 cent *decrease* in total rate from FY21.
- This is the second year in a row Pearland has proposed a budget *below* the no-new-revenue rate (a property tax revenue cut according to State's required worksheet).

\$27M in current collection to the General Fund; \$34M to Debt Service Fund.

As recently as FY13 and FY 14 the debt rate was 71% of the levy, leaving only 30.5% available for operations. **Debt rate includes the subsidy incentive for in-City MUD rebates** which has grown by \$475,544 since FY21 to a total of \$7.7M.

- FY 22 makes 45% available for operations, which is a 2.7% increase from FY21.





# Property Tax Decreases Since FY20

Year	No-New-Revenue Tax Rate	City Adopted / Proposed Rate	Difference between No-New-Revenue Rate and City Rate
FY21	0.737640	0.720000 (adopted)	0.017640
FY22	0.735485	0.708250 (proposed)	0.027235
		<b>Difference</b>	<b>0.044875</b>





# Proposed Property Tax Rate for FY22

$$\begin{array}{ccc} 0.316250 & + & 0.392000 & = & 0.708250 \\ \text{Maintenance \& Operations} & & \text{Debt Rate} & & \text{Total Proposed Property} \\ \text{Rate} & & & & \text{Tax Rate} \end{array}$$



# Council Discussion: Lowering the Property Tax Rate and Revenue

- A property further tax rate cut is not recommended by staff as a cautious move to provide flexibility and meet future needs and commitments
- If Council wishes to further lower the property tax rate the following amendment must be made:
  - “proposing an amendment to reduce the property tax rate from a total of 0.708250 to 0.701416 – a difference of 0.006834 to be removed from the O&M portion of the rate.”
    - This will reduce property tax revenue by \$678,266 and TIRZ Administration revenue by \$73,370 – a total of \$751,636.
    - The total effect on the General Fund will be a reduction in revenue from a total of \$100,353,728 to \$99,602,092” – a reduction of \$751,636.



# FY22 Property Tax Rate (City portion)

- Questions on tax rate?
- Next Step: Vote on proposed tax rate (Second & Final Reading)