



AIR-22-436
AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF: City Council First Public Tax Hearing & Budget Discussion #3 - Aug 29 2022
DATE SUBMITTED: Aug 23 2022 **DEPT. OF ORIGIN:** Finance Department
PREPARED BY: Eric Roche

SUBJECT: Public Hearing on FY23 Proposed City Property Tax Rate

ATTACHMENTS: [96 - Notice of Public Hearing on Tax Increase](#)
[Maximum Tax Rate FY23](#)

FUNDING:

<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

FY23 Proposed Property Tax Rate

A tax rate of 0.628765 per \$100 in valuation has been proposed by the governing body of the City of Pearland. As passed in resolution R2022-179 (attached) on August 8th, 2022 the City Council of Pearland, Texas set the maximum property tax rate the City is legally allowed to levy for Fiscal Year 2023 at 0.628765 - matching the proposed rate.

Rate Type	Rate	O&M Rate	Total Fund Revenue from Tax and TIRZ	General Revenue from Property Taxes	Fund from TIRZ Admin Fee Revenue
FY22 Adopted Tax Rate	0.701416	0.309416	\$42.8M	\$30.1M	\$12.7M
FY23 Proposed Tax Rate	0.628765	0.285000	\$49.9M	\$36.7M	\$13.2M
FY23 No New Revenue Tax Rate	0.543044	0.199279	\$35.8M	\$25.6M	\$10.2M
FY23 Voter Approval Rate	0.633611	0.289846	\$50.6M	\$37.3M	\$13.3M

In all scenarios above the proposed FY23 Debt Service Rate is 0.343765.

Impact on Residents

Each year, the same set of ten homestead property tax examples are created to show the actual effect of the proposed tax rate (0.628765) on homestead residents. A property owner pays property taxes to various taxing entities, including school districts, Municipal Utility Districts (MUDs), a counties, etc. The governing body of each entity sets their property tax rates independently of one another - the City of Pearland can only affect its own property tax rate.

For the upcoming year, in **all** examples that staff looked at, a homestead property will see a dollar amount *decrease* in the City's portion of their property tax bill.

Sample Homestead Property Tax Bills Projected for 2022 Tax Year (for FY 2023 Budget)

		Zero Growth		Homestead Example 1		Homestead Example 2		Homestead Example 3		Homestead Example 4
TY21 Actual City Tax Bill		\$ 2,069		\$ 1,766		\$ 1,293		\$ 1,206		\$ 1,206
TY21 Taxable Value		\$ 300,000		\$ 258,200		\$ 189,353		\$ 176,900		\$ 176,900
% Increase (Decrease)		0.0%		10.0%		10.0%		10.0%		10.0%
TY22 Taxable Value		\$ 300,000		\$ 284,020		\$ 208,288		\$ 194,590		\$ 194,590
City Scenario	Proposed TY 2022 City Rate	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount
	0.6288	\$ 1,855	(214)	\$ 1,741	\$ (25)	\$ 1,277	\$ (16)	\$ 1,192	\$ (14)	\$ 1,192
Total Tax Bill		\$ 6,627		\$ 6,950		\$ 4,292		\$ 3,975		\$ 3,975
City of Pearland % of Total		28%		25%		30%		30%		21%
Total Tax as % of Taxable Value		2.2%		2.4%		2.1%		2.0%		2.9%
		Homestead Example 6		Homestead Example 7		Homestead Example 8		Homestead Example 9		Homestead Example 10
TY21 Actual City Tax Bill		\$ 1,473		\$ 2,213		\$ 3,166		\$ 2,133		\$ 2,133
TY21 Taxable Value		\$ 215,370		\$ 323,525		\$ 463,000		\$ 311,880		\$ 311,880
% Increase (Decrease)		10.0%		10.0%		10.0%		10.0%		10.0%
TY22 Taxable Value		\$ 236,907		\$ 355,877		\$ 509,300		\$ 343,068		\$ 343,068
City Scenario	Proposed TY 2022 City Rate	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount	Change from Prior Year Actual	TY 2022 Amount
	0.6288	\$ 1,452	\$ (21)	\$ 2,182	\$ (31)	\$ 3,122	\$ (44)	\$ 2,103	\$ (30)	\$ 2,103
Total Tax Bill		\$ 4,955		\$ 11,507		\$ 14,430		\$ 8,235		\$ 8,235
City of Pearland %		29%		19%		22%		26%		28%
Total Tax as % of Taxable Value		2.1%		3.2%		2.8%		2.4%		2.2%

Debt Service Fund

The Tax-Backed Debt Service Fund is funded via the debt service portion of the property tax rate. In FY23 the debt service rate is proposed at 0.343765. Below is an income statement for the Debt Fund which shows the estimated amount of revenues, expenditures, and projected fund balance.

As always, the total property tax revenue collections are an estimate, and could come in different than budgeted. MUD rebate totals are also estimated, and may cost more or less than expected. In the event that the Debt Service Fund falls below its target fund balance the City would need to transfer money from the General Fund balance to the Tax Backed Debt Fund to make the fund whole.

There will be more discussions tonight on the desired property tax rate for debt service component and background is being supplied to the City Council for that discussion.

	FY 2021 ACTUAL	FY 2022 ORIGINAL BUDGET	FY 20 YEAR AMEN
REVENUES			
Property Taxes	\$ 38,374,500	\$ 39,350,712	\$ 38,47
Miscellaneous	763,893	747,205	75
Transfers	2,530,075	3,074,369	3,07
Bond Proceeds (Refunding)	32,622,641		
TOTAL REVENUES	74,291,110	43,172,286	42,30
EXPENDITURES			
MUD Rebates	7,116,217	7,591,760	7,28
Bond Payment	67,450,250	36,834,004	36,83
TOTAL EXPENDITURES	74,566,467	44,425,764	44,12
REV OVER/(UNDER) EXP	(275,357)	(1,253,478)	(1,82
BEGINNING FUND BALANCE	6,162,589	6,200,953	5,88
ENDING FUND BALANCE	\$ 5,887,231	\$ 4,947,475	\$ 4,06
Reserve 10%	\$ 7,456,647	\$ 4,442,576	\$ 4,41
Over Policy	\$ (1,569,416)	\$ 504,899	\$ (34
Funds Committed *	\$ 8,395,925	5,444,092	

SCOPE OF CONTRACT/AGREEMENT

BID AND AWARD

SCHEDULE

There will be an additional Tax Rate Public Hearing on 9/26/22.

POLICY/GOAL CONSIDERATION

CURRENT AND FUTURE CIP FUNDING/FINANCIAL IMPACTS/DEBT SERVICE

O&M IMPACT INFORMATION

Recommended Action

Conduct the Public Hearing on the City's Property Tax Rate for upcoming FY 23.

NOTICE OF PUBLIC HEARING ON TAX INCREASE

A tax rate of \$0.628765 per \$100 valuation has been proposed by the governing body of CITY OF PEARLAND.

PROPOSED TAX RATE	\$0.628765 per \$100
NO-NEW-REVENUE TAX RATE	\$0.543044 per \$100
VOTER-APPROVAL TAX RATE	\$0.633611 per \$100

The no-new-revenue tax rate is the tax rate for the 2022 tax year that will raise the same amount of property tax revenue for CITY OF PEARLAND from the same properties in both the 2021 tax year and the 2022 tax year.

The voter-approval rate is the highest tax rate that CITY OF PEARLAND may adopt without holding an election to seek voter approval of the rate.

The proposed tax rate is greater than the no-new-revenue tax rate. This means that CITY OF PEARLAND is proposing to increase property taxes for the 2022 tax year.

A PUBLIC HEARING ON THE PROPOSED TAX RATE WILL BE HELD ON August 29, 2022 AT 6:30 PM AT the City Hall Council Chambers, 3519 Liberty Dr., Pearland, Texas 77581.

The proposed tax rate is not greater than the voter-approval tax rate. As a result, CITY OF PEARLAND is not required to hold an election at which voters may accept or reject the proposed tax rate. However, you may express your support for or opposition to the proposed tax rate by contacting the members of the City Council of CITY OF PEARLAND at their offices or by attending the public hearing mentioned above. YOUR TAXES OWED UNDER ANY OF THE RATES MENTIONED ABOVE CAN BE CALCULATED AS FOLLOWS:

$$\text{Property tax amount} = (\text{tax rate}) \times (\text{taxable value of your property}) / 100$$

FOR the proposal:
Tony Carbone
Alex Kamkar
Layni Cade
Woody Owens

Joseph Koza
Adrian Hernandez
Jeffrey Barry

AGAINST the proposal:

PRESENT and not voting: Mayor Kevin Cole

ABSENT:

Visit [Texas.gov/PropertyTaxes](https://www.texas.gov/PropertyTaxes) to find a link to your local property tax database on which you can easily access information regarding your property taxes, including information about proposed tax rates and scheduled public hearings of each entity that taxes your property.

The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.

The following table compares the taxes imposed on the average residence homestead by CITY OF PEARLAND last year to the taxes proposed to be imposed on the average residence homestead by CITY OF

PEARLAND this year.

	2021	2022	Change
Total tax rate (per \$100 of value)	\$0.701416	\$0.628765	decrease of -0.072651, or -10.36%
Average homestead taxable value	\$281,753	\$299,794	increase of 18,041, or 6.40%
Tax on average homestead	\$1,976.26	\$1,885.00	decrease of -91.26, or -4.62%
Total tax levy on all properties	\$59,169,396	\$69,616,955	increase of 10,447,559, or 17.66%

For assistance with tax calculations, please contact the tax assessor for CITY OF PEARLAND at 979-864-1320 or taxoffice@brazoria-county.com, or visit <https://www.brazoriacountytx.gov/departments/tax-office> for more information.



**AIR-22-365
AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS**

AGENDA OF: City Council Regular Meeting- Aug 08 2022
DATE SUBMITTED: Jul 20 2022 **DEPT. OF ORIGIN:** Finance Department
PREPARED BY: Amy Johnson

SUBJECT: **Consideration and Possible Action - Resolution No. R2022-179** - A Resolution of the City Council of the City of Pearland, Texas, proposing a tax rate not to exceed 0.628765, which represents a property tax revenue increase of 15.79% above the No New Revenue Tax Rate, and placing on the agendas of September 12, 2022 and September 26, 2022 regular City Council meetings, consideration of the proposed fiscal year 2022-2023 tax rate and setting a public hearing on the tax rate for August 29, 2022 at 6:30 pm.

ATTACHMENTS: [179-Tax Rate.179](#)

FUNDING:

<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
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EXECUTIVE SUMMARY

BACKGROUND

For the purposes of the required publications before the budget review begins, the "proposed" tax rate is \$0.628765 per \$100 valuation; \$0.343765 for the debt service component of the tax rate and \$0.285000 for the operating component of the tax rate. The proposed tax rate is a \$0.072651 cent decrease from the current tax rate for FY 22 of \$0.701416. The proposed tax rate generates \$44,245,343 for debt service to meet the City's obligations. The proposed tax rate generates \$36,681,811 in property tax revenue for the General Fund operations and maintenance. The City Council will hold its first budget workshop for the 2022-2023 budget on Saturday, August 13, 2022.

The "proposed tax rate" cited above is a legally required term for a tax ceiling which City Council cannot exceed once advertised. City Council can reduce the rate from this amount. Legal requirements are that we publish the rates within certain timelines (see below), and staff structured the tax rates to provide City Council with the flexibility to discuss and propose funding for a variety of strategic initiatives as they see fit. The notice will be run in the August 17th issue of the Reporter News as well as put on the City's web-site at www.pearlandtx.gov and televised on the Pearland Municipal Channel.

Truth-in-Taxation Publication Requirements

The Tax Rate Public Hearing is mandated for all entities exceeding either the No New Revenue Tax Rate or the Voter Approval Tax Rate (whichever is lower). Because the City is proposing a tax rate that exceeds the No New Revenue Tax Rate but is below the Voter Approval Tax Rate, a public hearing is required to be held before considering the adoption of the tax rate. The first reading of the tax rate ordinance will be on September 12, 2022 and the second reading will be on September 26, 2022.

Voter Approval Tax Rate

The Voter Approval Tax Rate is a calculated maximum rate allowed by law without voter approval. The rate is sum of three components: the no-new-revenue maintenance & operations rate, the debt service rate, and any unused increments from the prior three years. The no-new-revenue maintenance & operations rate has a revenue increase cap at 3.5%.

Truth-in-Taxation Election to Repeal Increase

If a governing body adopts a tax rate that exceeds the Voter Approval Tax Rate of \$0.633611, an election will automatically be held to determine whether or not the voters are in favor of the rate adopted by the governing body. The proposed tax rate of \$0.628765 is below the Voter Approval Tax Rate, thus if Council chooses to move ahead with the proposed tax rate, the requirements in this section are not applicable.

Calendar Items

August 5, 2022 - Proposed Budget filed

August 13, 2022 - Budget Discussion #1 (Workshop)

August 17, 2022 - Advertisement of Proposed Tax Rate

August 22, 2022 - Budget Discussion #2

August 29, 2022 - Public Hearing on Budget/Public Hearing on Proposed Tax Rate/Budget Discussion #3

September 6, 2022 - Tentative Meeting on Budget/Tax Rate if needed

September 12, 2022 - First Reading on Budget/First Reading of Tax Rate Ordinance

September 26, 2022 - Second/Final Reading on Budget/Budget Adoption/Second Reading of Tax Rate Ordinance

SCOPE OF CONTRACT/AGREEMENT

BID AND AWARD

SCHEDULE

POLICY/GOAL CONSIDERATION

CURRENT AND FUTURE CIP FUNDING/FINANCIAL IMPACTS/DEBT SERVICE

O&M IMPACT INFORMATION

Recommended Action

Consideration and approval of the Resolution of the City Council of the City of Pearland, Texas, voting on a proposed tax rate not to exceed \$0.628765, and placing on the agendas of September 12, 2022 and September 26, 2022 City Council meetings, consideration of the proposed fiscal year 2022-2023 tax rate and setting the public hearing on the proposed tax rate on August 29, 2022.

RESOLUTION NO. R2022-179

A Resolution of the City Council of the City of Pearland, Texas, proposing a tax rate not to exceed 0.628765, which represents a property tax revenue increase of 15.79% above the No New Revenue Tax Rate, and placing on the agendas of September 12, 2022 and September 26, 2022 regular City Council meetings, consideration of the proposed fiscal year 2022-2023 tax rate and setting a public hearing on the tax rate for August 29, 2022 at 6:30 pm.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS:

Section 1. That the regular City Council meetings of September 12, 2022 and September 26, 2022, shall include consideration of the proposed fiscal year 2022-2023 tax rate not to exceed \$0.628765 per \$100 valuation, which represents a property tax revenue increase of 15.79% above the No New Revenue Tax Rate.

Section 2. That the meetings to consider the proposed fiscal year 2022-2023 tax rate will be conducted at 6:30 PM in the City Council Chambers at 3519 Liberty Drive, Pearland, TX 77581.

Section 3. That the August 29, 2022 public hearing to consider the 2022-2023 Tax Rate will be conducted at 6:30 PM in the City Council Chambers at 3519 Liberty Drive, Pearland, TX 77581.

PASSED, APPROVED and ADOPTED this the 8th day of August, A.D., 2022.

J. KEVIN COLE
MAYOR

ATTEST:

FRANCES AGUILAR, TRMC, MMC
CITY SECRETARY

APPROVED AS TO FORM:

DARRIN M. COKER
CITY ATTORNEY