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**DEPARTMENT MEMO**

**DEPARTMENT:** Legal  
**FROM:** Matt Ribitzki, Deputy City Attorney  
**MEETING:** July 6, 2020

**SUBJECT:**

Consider approval of a resolution directing the city manager to prepare a calendar for the orderly adoption of the property tax rate and annual operating budget for Fiscal Year 2020-2021 assuming a property tax rate that does not exceed the voter-approval rate. *(Staff Contact: Matt Ribitzki, Deputy City Attorney)*

**SUMMARY:**

S.B. 2, also known as the Texas Property Tax Reform and Transparency Act of 2019, passed during the 2019 Texas legislative session, made significant changes to the property taxation system.

Prior to S.B. 2, a city's "rollback rate" was the rate necessary to raise precisely eight percent more maintenance and operations tax revenue as the year before after taking into account appraisal fluctuations. S.B. 2 lowered the multiplier used in the rate calculation from 8 percent to 3.5 percent for most cities, and changed the terminology from "rollback rate" to "voter-approval rate." Additionally, generally speaking, S.B. 2 now requires a city to automatically call an election to be held in November if the city adopts a rate that exceeds the voter-approval rate. Prior to S.B. 2, any rate adopted that exceeded the 8 percent rollback rate triggered the ability of citizens to petition to hold an election to "roll back" the tax rate to the rollback rate. An election was possible, but it was not automatically required.

From a timing perspective, S.B. 2 significantly modifies the deadline by which a taxing unit must adopt a tax rate that exceeds the voter-approval rate. This is chiefly because adopting a rate that exceeds the voter-approval rate also requires the calling of an election. Under the Election and Tax Codes, an election must be called seventy-eight days prior to the uniform election date in November, which is the first Tuesday in November. Therefore, if the City Council wanted to adopt a tax rate exceeding the voter-approval rate, it must do so by August 17, 2020. Adopting the tax rate by mid-August leads to absurd deadlines, too. For example, the Local Government Code requires that the budget be on file with the City Secretary for 30 days prior to adopting the tax rate, which would mean by July 17, 2020. Unfortunately, the appraisal district is not required to deliver the certified tax rolls until July 27, 2020. So, if the City wanted to adopt a tax rate above the voter-approval rate, it would be forced to file a budget 10 days before it actually received the certified appraisal rolls on which the budget and tax rate is (or should be) based!

Fortunately, adopting a property tax rate that does not exceed the voter-approval rate does not require a hyper-accelerated and absurd adoption schedule.

In the proposed resolution, the City Council directs the City Manager to prepare a tax and budget calendar assuming a property tax rate that does not exceed the voter-approval rate. Such a calendar will lead to the public hearings and adoption of the budget and tax rate to occur in early September instead of mid-August.

**OPTIONS:**

- 1) Approve the resolution directing the city manager to prepare a calendar for the orderly adoption of the annual operating budget and property tax rate assuming a property tax rate that does not exceed the voter-approval rate.
- 2) Do not approve the resolution.

**RECOMMENDATION:**

Approve the resolution directing the city manager to prepare a calendar for the orderly adoption of the annual operating budget and property tax rate assuming a property tax rate that does not exceed the voter-approval rate.

**PRIOR ACTION/INPUT (Council, Boards, Citizens):**

None.

**FISCAL IMPACT:**

No Fiscal Impact

**STAFF CONTACT:**

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