



City of Galveston

FINANCE DEPARTMENT

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September 9, 2021

To: Brian Maxwell, City Manager
Hon. Mayor and City Council Members

From: Michael Loftin, Assistant City Manager for Finance

RE: Consider for action a motion ratifying the property tax increase reflected in the FY 2022 Budget.

I. Background

- A. "The FY 2022 Budget includes property tax revenue that exceeds last year's total by \$2,435,700 or 6.29 percent, and of that amount, \$707,000 is tax revenue to be raised from new property added to the tax roll this year." This is based on an estimated 20 percent increase in the overall taxable value, and a proposed decrease in the total tax rate from \$0.56 to \$0.4985, a 6.15 cents decrease.
- B. According to Section 102.007(c) of the Local Government Code in State law, the increase in tax revenue requires a separate vote of City Council to ratify this increase. The language required by the Budget Law also requires that the entirety of the additional revenue raised be characterized as a property tax increase.
- C. State law also requires that the Proposed Budget include a specific message on "a cover page" in "18-point or larger type." The message for the City of Galveston can be found in the FY 2022 Proposed Budget on the first page in the budget document. The language above in section A that is set off by quotation marks provides the text for this compliance step.
- D. This language was included in the public notice announcing the Budget Hearing that is also scheduled to have taken place on September 9th prior to the vote on the Proposed Budget itself.

II. Current Situation

The amounts used in the ad and in the Budget are calculated using total property taxes (i.e. General Fund, Debt Service and Library shares). They are calculated as the difference between the estimated current year property tax revenue in the FY 2021 Estimated column of the Budget and the FY 2022 Proposed column of the budget. See page CW-15 of the Budget Summary section. See also pdf page 52 in the online FY 2022 Proposed Budget document posted on the web page at:

<https://www.galvestontx.gov/DocumentCenter/View/12727/FY2022-Proposed-Budget>





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This approach parallels that used in the No-New-Revenue and Voter Approval tax rate calculations that measures the growth from the prior year based on the most recent tax roll and resulting collections amount for FY 2021. That amount is the current estimated actual and not the original Budget itself.

**PROPERTY TAX REVENUE GROWTH
PROPOSED FY 2022 BUDGET
Net of Tax Rebates to TIRZ 13 and MUD 30**

By Fund	FY 2021 Estimate	FY 2022 Proposed	Amount of Increase	Percent Increase Over FY 2021
General Fund Operations	\$31,668,800	\$32,734,000	\$1,065,200	3.36%
Rosenberg Library	\$3,444,100	\$4,114,400	\$670,300	19.46%
Debt Service Fund	\$3,617,400	\$4,317,600	\$700,200	19.36%
Total	\$38,730,300	\$41,166,000	\$2,435,700	6.29%

Should this motion pass, the State Budget Law requires that the Adopted Budget include the following language on its cover page in 18-point or larger type:

“This Budget will raise more revenue than last year’s budget by an amount of \$2,435,700 which is a 6.29 percent increase from last year’s budget. The property tax revenue to be raised from new property added to the tax roll this year is \$707,000.”

The State Budget Law also requires that the cover page of the adopted budget include the “record vote of each member of the governing body by name voting on the adoption of the budget, as well as the following:

Rate Category	FY 2021	FY 2022
Property Tax Rate	\$0.560000	\$0.498500
No-New-Revenue tax rate	\$0.535631	\$0.465558
No-New-Revenue maintenance and operations tax rate	\$0.483131	\$0.413058
Voter Approval Rate	\$0.563158	\$0.498537
Debt Rate	\$0.052500	\$0.052500

The cover page of the Adopted Budget also has to identify the total amount of municipal debt obligations secured by property taxes as defined under Section 1201.002 of the Government Code. That amount for the City as of September 30, 2021 is \$76,833,633, including principal and interest.

III. Recommendation

Make, second and approve a motion by a record vote worded as follows:

“I move that we ratify the property tax increase reflected in the FY 2022 Budget.”

