

**CITY OF SAN ANTONIO
OFFICE OF MANAGEMENT & BUDGET AND FINANCE DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Peter Zanoni, Management & Budget Director
Milo D. Nitschke, Finance Director

SUBJECT: SECOND AD VALOREM TAX RATE PUBLIC HEARING

DATE: September 8, 2005

**PUBLIC HEARING
TIME CERTAIN
6:00 PM**

SUMMARY

On Thursday, September 8, 2005, at 6:00 PM, the *second Ad Valorem Tax Rate Public Hearing* will be held for the Proposed FY 2006 Tax Rate for the FY 2006 Proposed Budget and the tax year beginning on January 1, 2005 and ending December 31, 2005. The Proposed Tax Rate is 57.854 cents per \$100.00 of taxable valuation. Interested citizens and groups can sign-up to speak on the proposed tax rate beginning at 8:00 AM on September 8, 2005. The Tax Rate Public Hearing will be in the City Council Chambers. **Under Senate Bill 18 passed in the 79th State Legislative Regular Session, the governing body is required to announce either at the beginning or conclusion of the Public Hearing the date, time, and place of the meeting at which City Council will vote on the FY 2006 Adopted Tax Rate.**

BACKGROUND INFORMATION

On August 18, 2005, City Council adopted the Proposed FY 2006 Ad Valorem Tax Rate for the tax year beginning on January 1, 2005 and ending December 31, 2005. The City Council held the First Tax Rate Public Hearing on Thursday, September 1, 2005 at 6:00 PM in City Council Chambers.

The Proposed Tax Rate for FY 2006 is 57.854 cents per \$100.00 of taxable valuation and is the tax rate recommended in the City Manager's Proposed Budget. This is the same tax rate adopted for the current fiscal year. The proposed tax rate includes 36.704 cents per \$100.00 of taxable valuation for Maintenance and Operations and 21.150 cents per \$100.00 of taxable valuation for Debt Service.

Property tax values are determined by the Bexar Appraisal District (BAD) in conformance with State law. Values for the City of San Antonio recently reported by BAD for FY 2006 show an increase in total taxable value of approximately \$3.727 billion, or 8.02% above last year. Included in this total is \$1.473 billion for new improvements which equates to real growth of 3.17% over last year's total appraised value. Total appraised value less new improvements yields base valuation growth. The increase in the base valuation from last year is \$2.254 billion or 4.85%.

The FY 2006 rollback tax rate is 59.177 cents per \$100 taxable valuation and the effective tax rate is 55.500 cents. The FY 2006 proposed tax rate of 57.854 cents per \$100 taxable valuation is 2.354 cents or 4.24% higher than the effective tax rate. **Since the proposed tax rate exceeds the effective tax rate (55.500 cents), the City Council is required to hold two (2) public hearings and publish notices pursuant to Truth-In-Taxation guidelines.**

Finally, under Senate Bill 18 passed in the 79th State Legislative Regular Session, the governing body is required to announce either at the beginning or conclusion of the Public Hearing the date, time, and place of the meeting at which City Council will vote on the FY 2006 Adopted Tax Rate. The FY 2006 Budget Calendar sets September 15, 2005 at 10:00 AM as the date and time for consideration of the FY 2006 Budget and FY 2006 Ad Valorem Tax Rate. The planned location for the vote is City Council Chambers.

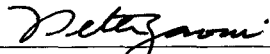
POLICY ANALYSIS

The Proposed Tax Rate approved by City Council on August 18, 2005 is consistent with the tax rate included within the FY 2006 Proposed Budget. Approval of the Proposed Tax Rate did not eliminate the option for City Council to decrease or increase the overall tax rate below or above the proposed tax rate. A lower tax rate may be adopted any time until the time when City Council votes on the final tax rates. However, should the City Council wish to adopt a higher proposed tax rate, there would be notice and public hearing time constraints mandated by Truth-In-Taxation guidelines to consider making this option difficult to satisfy.

The City Council will adopt the final tax rates (Maintenance & Operations and Debt Service tax rates) in separate ordinances scheduled for September 15, 2005 beginning at 10:00 AM in the City Council Chambers.

COORDINATION

Coordination of the Tax Rate Public Hearing and notification of the hearing has been conducted between the Office of Management & Budget, the Finance Department, the City Attorney's Office, the City Clerk's Office, and the Office of External Relations.



Peter Zanolli
Director, Office of Management and Budget



Milo Nitschke
Director, Finance Department



Erik Walsh
Assistant to the City Manager



Melissa Byrne Vossmer
Assistant City Manager