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TEXAS
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MEMORANDUM

To: City of Seguin Mayor and Council

From: Andy Quittner, City Attorney

Date: June 9, 2020

Re: Resolution directing Director of Finance to calculate special district voter approval tax rate

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During the 2019 legislative session a number of changes under the guise of property tax reform were made to cities ability to raise tax funds for maintenance and operation expenses. Most notably was a 3.5% cap on the increase in revenue from ad valorem taxes. Increases above this amount would require an election. This cap is known as the "voter approval tax rate."

Recognizing that disasters – particularly hurricanes which can destroy substantial amounts of property value – occur the Legislature provided that whenever an area is under a declaration of disaster, they can elect to raise the voter approval tax rate (*i.e.* revenue cap) to 8% (the maximum rate in existence before the 2019 legislative session). Increasing the revenue cap grants a municipality the flexibility to raise funds necessary to make up for those lost in a disaster.

The disaster surrounding COVID-19 pandemic created substantial economic losses for many cities – albeit not necessarily from decreased property values. Although such losses were probably not contemplated by the Legislature during the 2019 session, they occurred during a disaster declared both by the President of the United States and the Governor. As a result, most cities desiring flexibility in budgeting can increase the voter approval tax rate to a maximum of 8%.

Once adopted, the new voter approval tax rate can be maintained for a maximum of three years; however, in the COVID-19 case it is likely, absent another unforeseen set of circumstances, that property tax revenue (at the current tax rate) will exceed this years revenue thereby limiting the time period to two years.

The Resolution under consideration directs that the voter approval tax rate be calculated that the higher level. The only effect this has on the eventual budget is one of flexibility. The resolution does not require that revenue greater than 3.5% be incorporated into the next budget – but only the flexibility to do so should the need arise.