



City of San Marcos

Setting the Maximum Proposed Tax Rate for Fiscal Year 2026 in Accordance with State Law

August 19, 2025



How the Tax Rate Gets Decided

In accordance with State Law

- City Council sets the maximum proposed tax rate the City can charge
 - August 19, 2025
- Public Hearings where residents can share their thoughts
 - September 2, 2025
 - September 16, 2025
- City Council sets the final FY 2026 tax rate
 - September 16, 2025
 - May be lower, but not higher, than the maximum proposed tax rate set on August 19th

Property Tax Rate Definitions and Computations



- Current Rate = 60.30¢ per \$100 of property value: the tax rate used for the current fiscal year and three previous fiscal years
- No-New-Revenue Rate (NNR) = 62.78¢: This tax rate will produce the same amount of money as last year on the same properties, even with property value changes.
 - Exceeding this rate requires approval from 5 Council members
 - This was rate used to prepare the FY 2026 Proposed Budget
- Long-Term Focused Rate = 64.96¢: **Staff recommends this tax rate** to meet current and future needs; this rate was shared with City Council as the estimated NNR at the time of the June Budget Workshop
- Voter-Approval Rate = 70.47¢: Tax rate any higher than this rate requires an automatic election. It increases the operation component of the NNR by 3.5%*, plus the debt rate, plus any unused increment from the prior 3 years

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* Percent could be reduced to 2.5% if Texas Senate Bill 9 is approved.

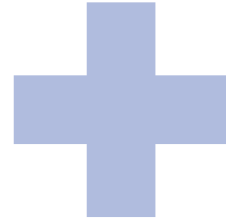
Where Does Property Tax Money Go?



Operations

Tax Rate
(45.25¢)

Revenue
\$39.4M



Debt

Tax Rate
(17.53¢)

Revenue
\$15.2M



Total

Tax Rate
(62.78¢)

Revenue
\$54.6M



City Services – such as Parks and Recreation, Library, Police, and Fire

City Council's Strategic Goals

Investing in Employees



Capital Projects – roads, flood control, facilities, such as fire stations

Trends in Property Values



Fiscal Year*	Tax Rate ¢	Net Taxable Value	Amount Change	Percent Change
2017	53.02	\$ 4,070,926,640	\$ 446,970,443	12.3%
2018	61.39	4,541,868,065	470,941,425	11.6%
2019	61.39	4,986,623,791	444,755,726	9.8%
2020	61.39	5,699,438,272	712,814,481	14.3%
2021	59.30	6,273,273,068	573,834,796	10.1%
2022	60.30	6,683,498,400	410,225,332	6.5%
2023	60.30	8,133,292,822	1,449,794,422	21.7%
2024	60.30	9,663,403,949	1,530,111,127	18.8%
2025	60.30	10,127,338,788	463,934,839	4.8%
2026	62.78	10,187,792,206	60,453,418	0.6%

*2014-2026 Certified Tax Rolls

Average Annual Change

Period	Amount	Percent
Three-year:	\$ 684,833,128	8.1%
Five-year:	\$ 782,903,828	10.5%
Ten-year:	\$ 656,383,601	11.0%

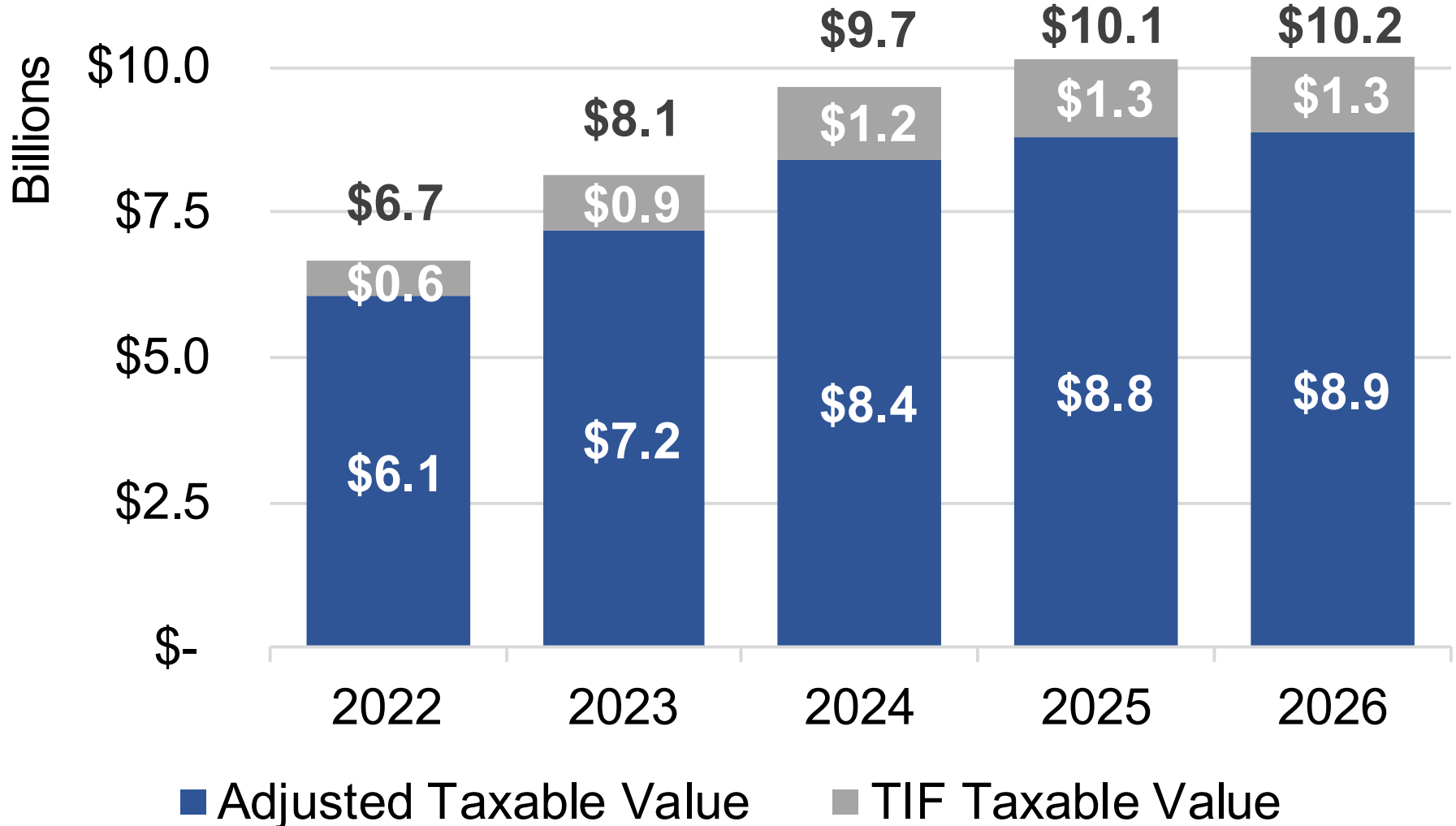
If the 3 Housing Finance Corporations are removed:

Net Taxable Value	Amount Change	Percent Change
10,087,792,206	(39,546,582)	-0.4%



Taxable Value Trend

- 2025 valuations represent the first year of decreases to existing single-family home values.
- The current environment of high interest rates and high home prices is making housing unaffordable, which likely means there will be zero growth or further decline of existing single-family home values for future years.
- The trend is concerning for services funded through the General Fund.



Impact of Designating Sales Tax for Property Tax Relief



Sales Tax	Percent	Amount**			
General Purpose	1.0%	\$25.7M	Current - With 0.5% Sales Tax	Without 0.5% Sales Tax	Difference
Property Tax Relief	0.5%	\$12.8M			
Total	1.5%	\$38.5M			
Average Single Family Taxable Value			\$ 312,457	\$ 312,457	\$ -
Tax Rate			62.78¢	77.63¢	14.85¢
Annual Tax Bill for City*			\$ 1,962	\$ 2,426	\$ 464
Monthly Cost			\$ 163	\$ 202	\$ 39

*Taxable Value / 100 x City Tax Rate = City Taxes Paid

**Sales tax between July 2024 and June 2025

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Source: Hays Central Appraisal District - Certified Roll



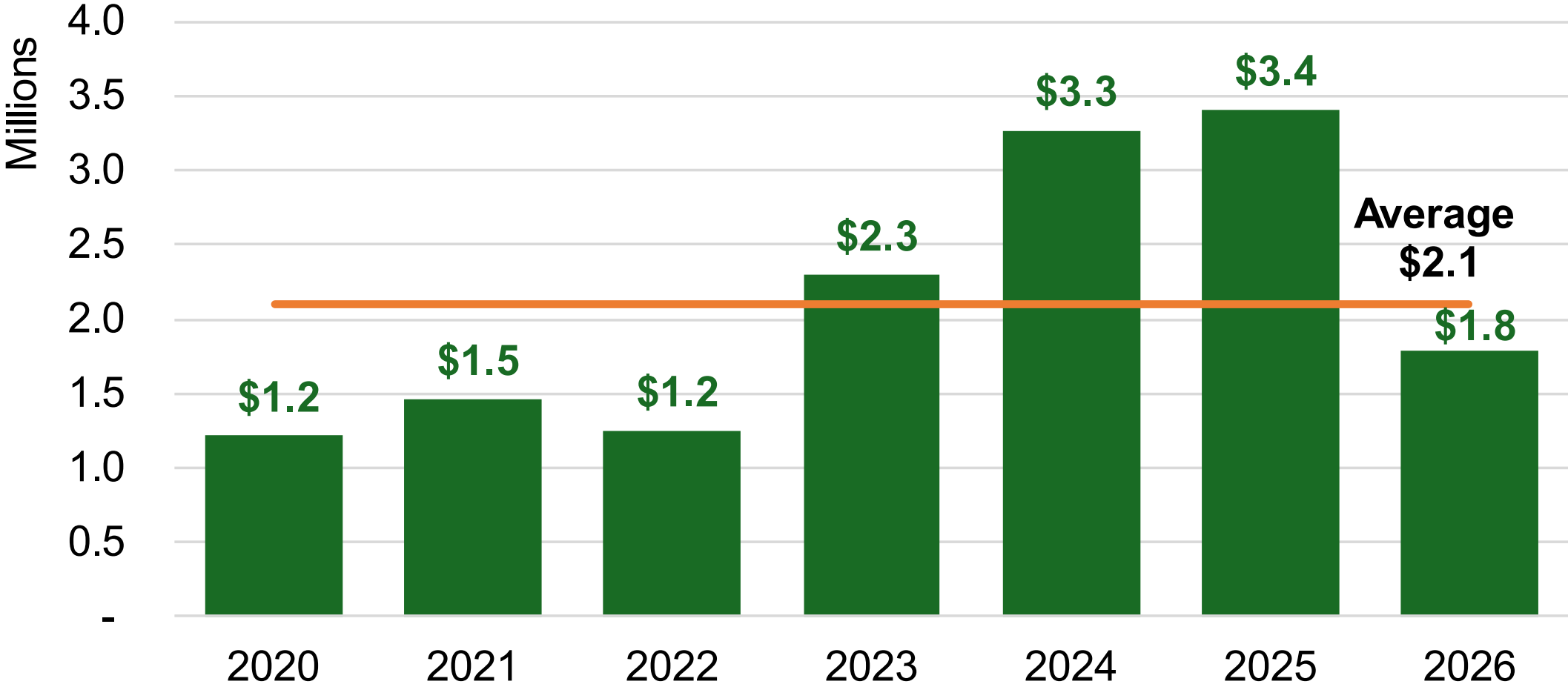
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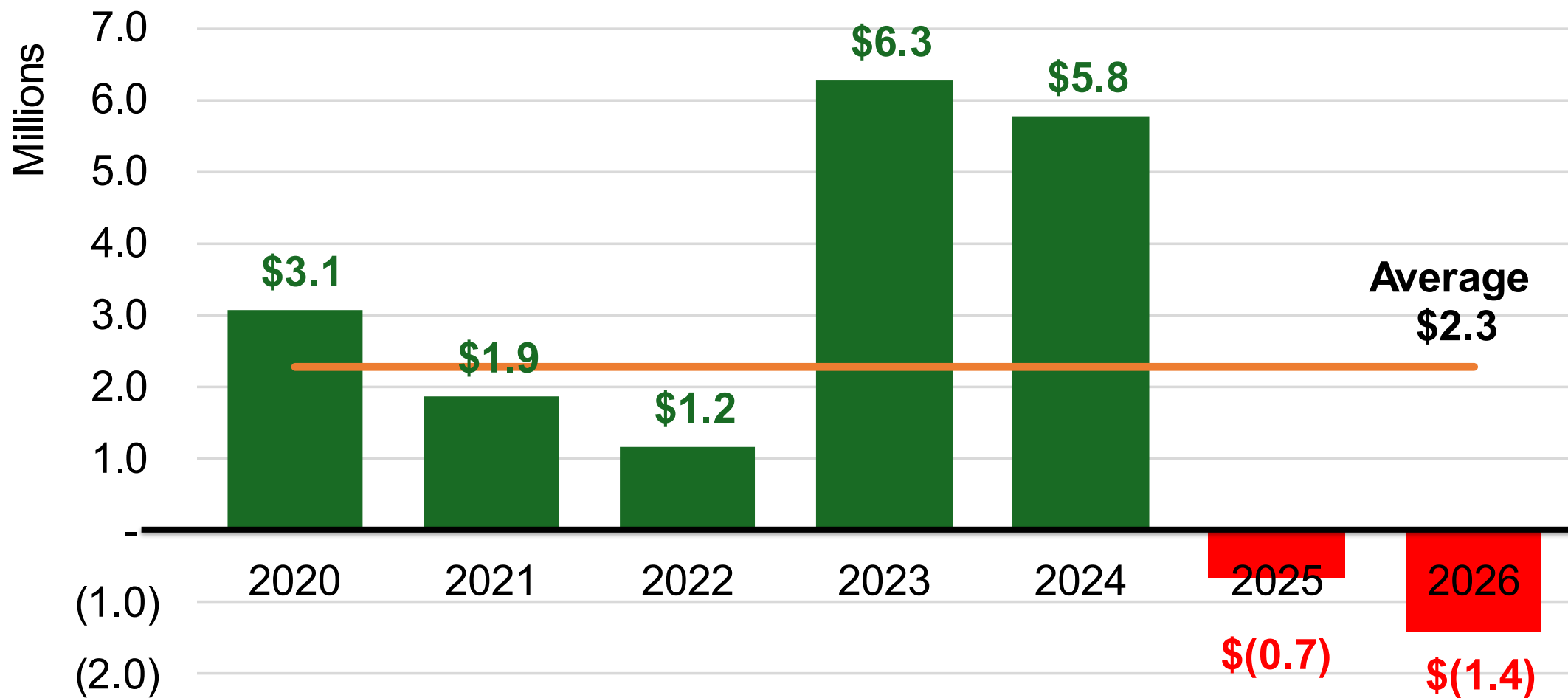
\$350,000
\$300,000
\$250,000
\$200,000
\$150,000
\$100,000
\$50,000
\$-



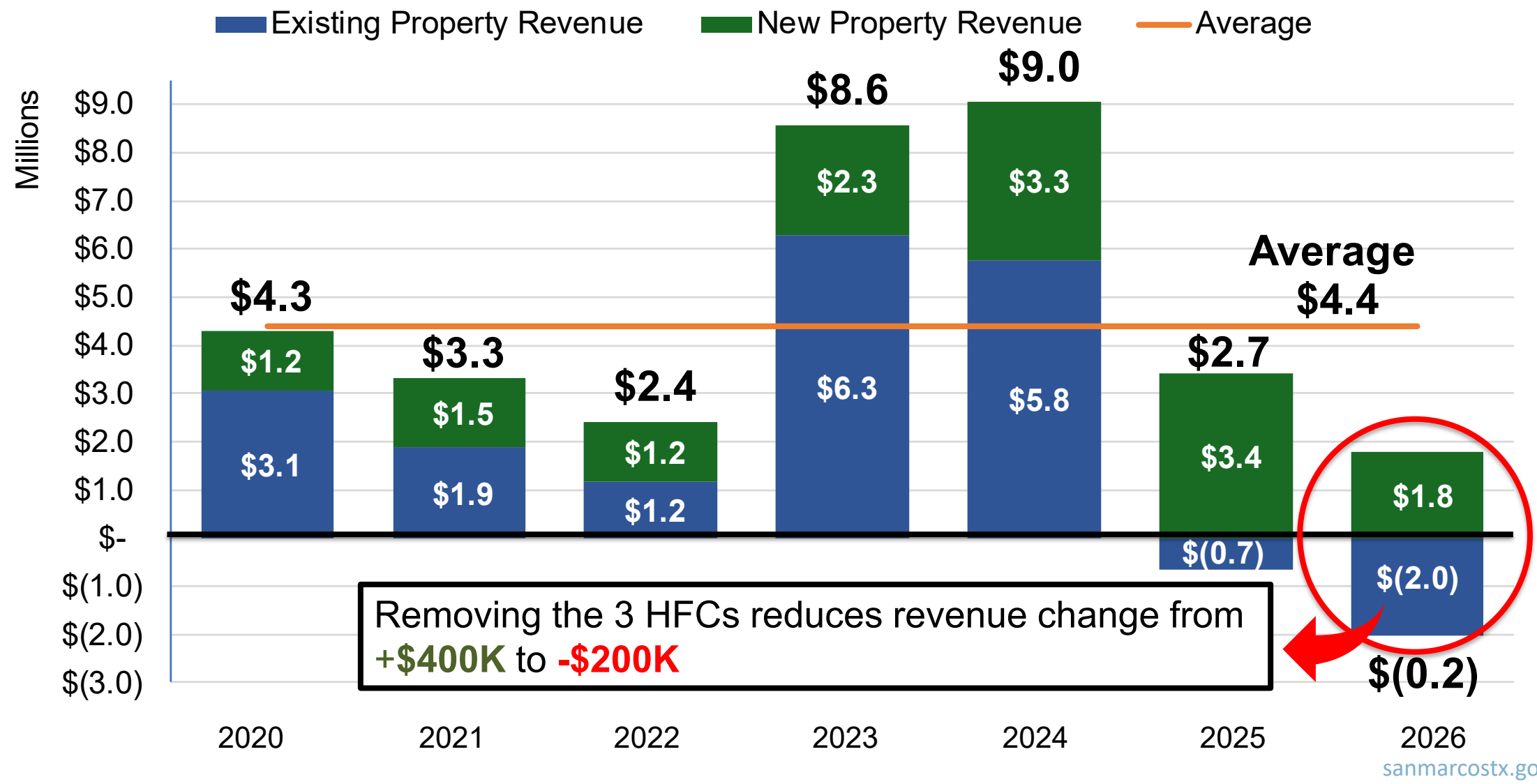
Annual Revenue Change from New Development



Annual Revenue Change from Existing Property



Combined Annual Revenue Change



Property Tax Rate Comparison



	<u>Tax Rate</u>	<u>Property Tax Revenue*</u>	<u>Difference from Budgeted Rate</u>
Current Rate	60.30¢	\$ 52,459,782	\$ (2,155,810)
Proposed Budget - No-New-Revenue (NNR) Rate	62.78¢	\$ 54,615,592	\$ -
Recommended - Long-Term Focused Rate	64.96¢	\$ 56,513,888	\$ 1,898,296
Voter-Approval Rate	70.47¢	\$ 61,305,041	\$ 6,689,449

*Does not include tax increment financing zones

Annual Tax Bill Comparison – 62.78¢



	FY 2025		FY 2026		Difference
Average Single Family Taxable Value	\$	314,416	\$	312,457	\$ (1,959)
Tax Rate		60.30¢		62.78¢	2.48¢
Annual Tax Bill for City*	\$	1,896	\$	1,962	\$ 66
Monthly Cost	\$	158	\$	163	\$ 5

*Taxable Value / 100 x Tax Rate = City Taxes Paid

Tax Rate Comparison – 62.78¢ vs 64.96¢



	<u>FY 2026</u>		<u>FY 2026</u>		<u>Difference</u>
Average Single Family Taxable Value	\$	312,457	\$	312,457	\$ -
Tax Rate		62.78¢		64.96¢	2.18¢
Annual Tax Bill for City*	\$	1,962	\$	2,030	\$ 68
Monthly Cost	\$	163	\$	169	\$ 6

*Taxable Value / 100 x Tax Rate = City Taxes Paid

General Fund Forecast Assumptions



Assumptions used for FY 2027 – FY 2029

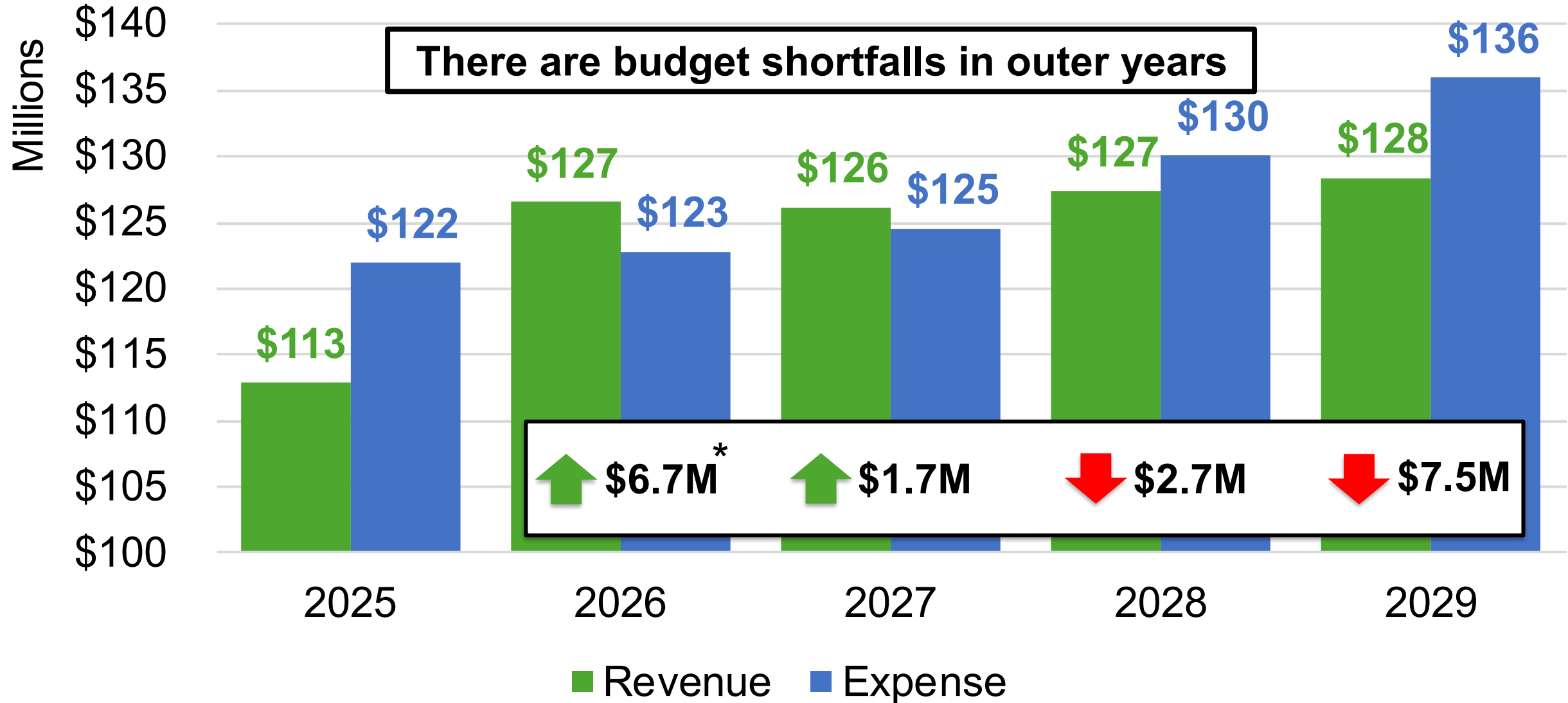
Revenues

- Annual property tax valuation change – 0%
- Average sales tax growth – 1.8%

Expenses

- Annual personnel – 3-5% (contractual increases for Meet & Confer)
- No new positions
- Annual operations – 3% for inflation
- No operational budget for paying for a new City Hall
- Expiring Federal funding: \$1.1M (FY27 \$928K, FY28 \$201K)
- Engine #7 staffing – \$2.2M (1/3 over FY27-FY29)
- Citywide software allocation – \$1.0M (1/4 over FY27-FY30)

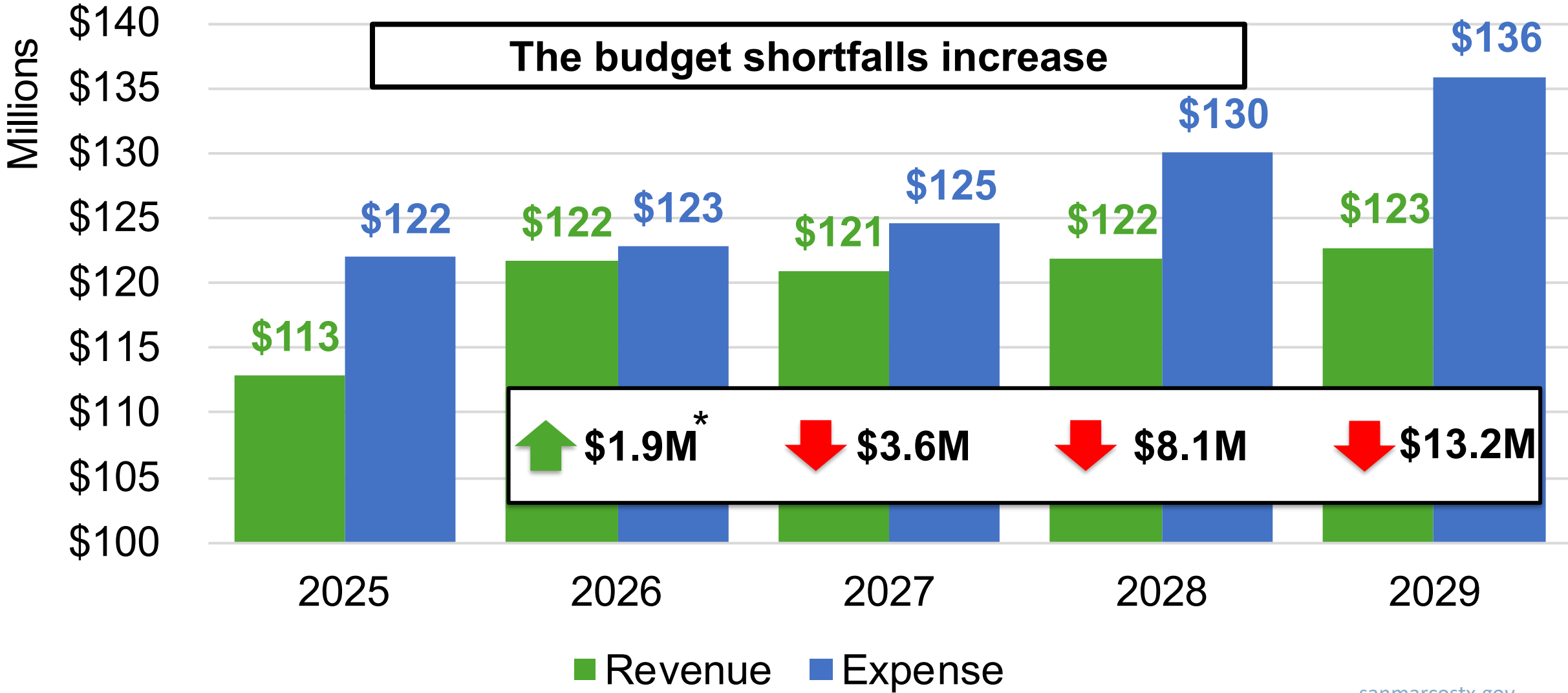
Voter-Approval Tax Rate 70.47¢



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*Adjusted for \$3M planned use of fund balance in excess of 25%

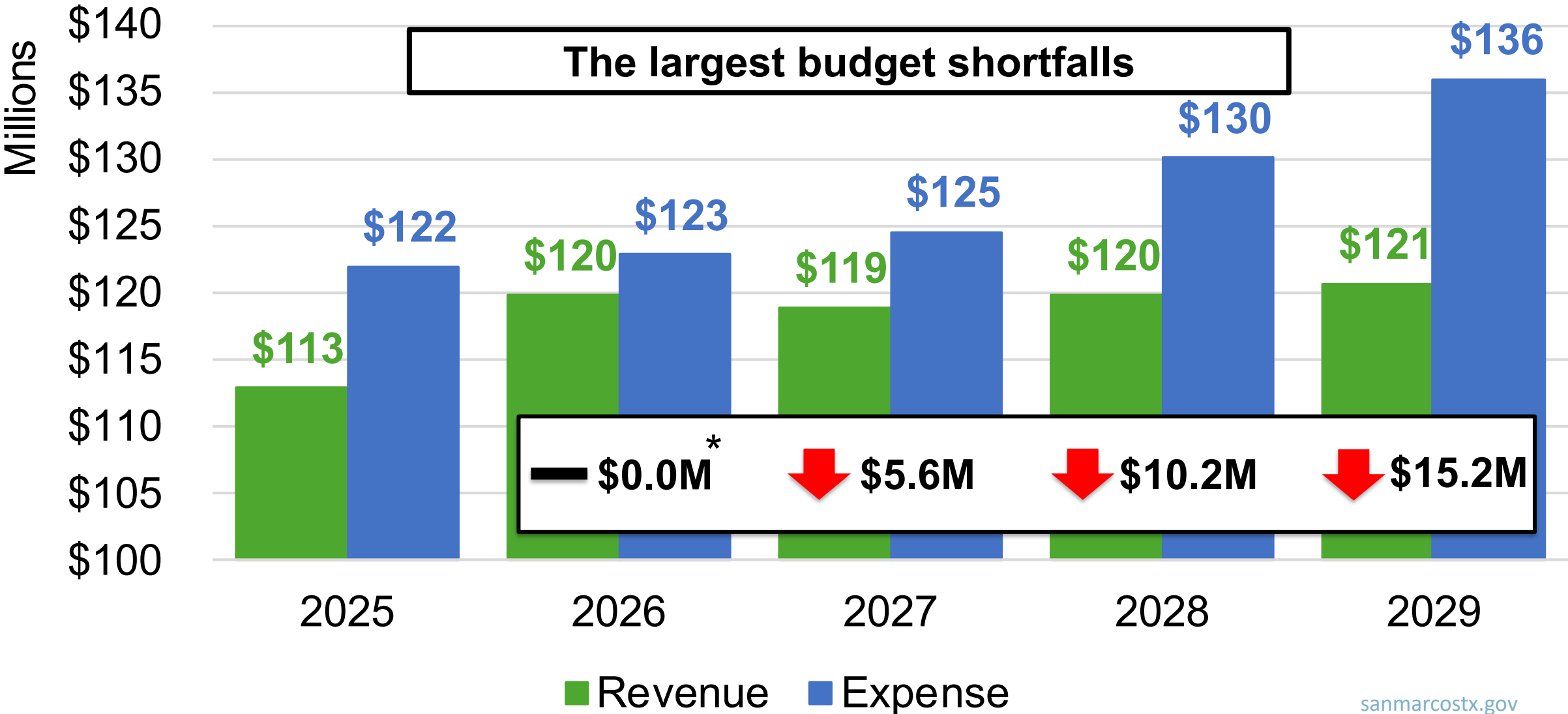
Long-Term Focused Tax Rate 64.96¢



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*Adjusted for \$3M planned use of fund balance in excess of 25%

No-New-Revenue Tax Rate 62.78¢



*Adjusted for \$3M planned use of fund balance in excess of 25%

Tax Rate Summary



Description	No-New-Revenue Rate 62.78¢	Long-Term Focused Rate 64.96¢	Voter-Approval Rate 70.47¢
Structurally balanced budget	✓	✓	✓
HSAB increased by \$200K	✓	✓	✓
Office of Community Support & Resource Navigation	✓	✓	✓
FY 2026 Equipment replacement cash funded	✓	✓	✓
Department Supplemental Requests	\$100K	\$100K	\$100K
FY 2026 Shortfall	\$0	\$0	\$0
FY 2026 Available to address current & future needs	\$0	\$1.9M	\$6.7M
FY 2027 Forecasted results (positive/negative)	\$5.6M	\$3.6M	\$1.7M

Staff Recommendation



- Set the maximum tax rate at the Long-Term Focused Rate of 64.96¢ or higher to preserve options until the tax rate is adopted.
- This gives the City a stronger ability to meet both current and future needs for our community
- Schedule the dates of September 2nd and September 16th to hold public hearings on the tax rate