



City of San Marcos

FY 2026 Tax Rate Adoption

September 16, 2025

Property Tax Rate Definitions



- 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 provides enough ongoing revenues to be structurally balanced and will produce the same amount of money as last year on the same properties, even with property value changes; does not provide funding for current and future needs
 - Exceeding this rate requires approval from 5 Council members
 - This was rate used to prepare the FY 2026 Proposed Budget
- Tax Rate Option #1 = 64.96¢: this rate provides enough ongoing revenues to be structurally balanced and goes a step further by providing some funding for current and future needs; rate shared with City Council as the estimated NNR at the time of the June Budget Workshop
 - **Requires approval from 5 Council members**

Property Tax Rate Definitions



- Tax Rate Option #2 = 67.69¢: **Staff recommends this tax rate** to provide more funding for current and future needs; this rate was set by City Council as the maximum proposed tax rate on August 16th
 - **Requires approval from 5 Council members**
 - **This is the maximum tax rate Council can adopt for FY 2026**
- If City Council does not adopt a tax rate, the tax rate for FY 2026 will be the lower of the NNR (62.78¢) or current rate (60.30¢)
 - **Tax rate would be 60.30¢, requiring a \$2.2M cut from the proposed budget and \$0 funding for current and future needs**
- Voter-Approval Rate = 69.41¢: Tax rate any higher than this rate requires an automatic election. Council cannot adopt this rate since the maximum tax rate was set at 67.69¢
- Note: Senate Bill 10 stalled during the second special session, unknown if and/or when a third session would be called

Setting the Tax Rate (Net of TIRZ)



Tax Rate Component	Tax Rate	Budgeted Revenue
Operations	51.22¢	\$44,572,279

Tax Rate Component	Tax Rate	Budgeted Revenue
Debt	16.47¢	\$14,327,569

Tax Rate Component	Tax Rate	Budgeted Revenue
Total Tax Rate	67.69¢	\$58,899,848

General Fund Forecast Assumptions



Assumptions used for FY 2027 – FY 2036

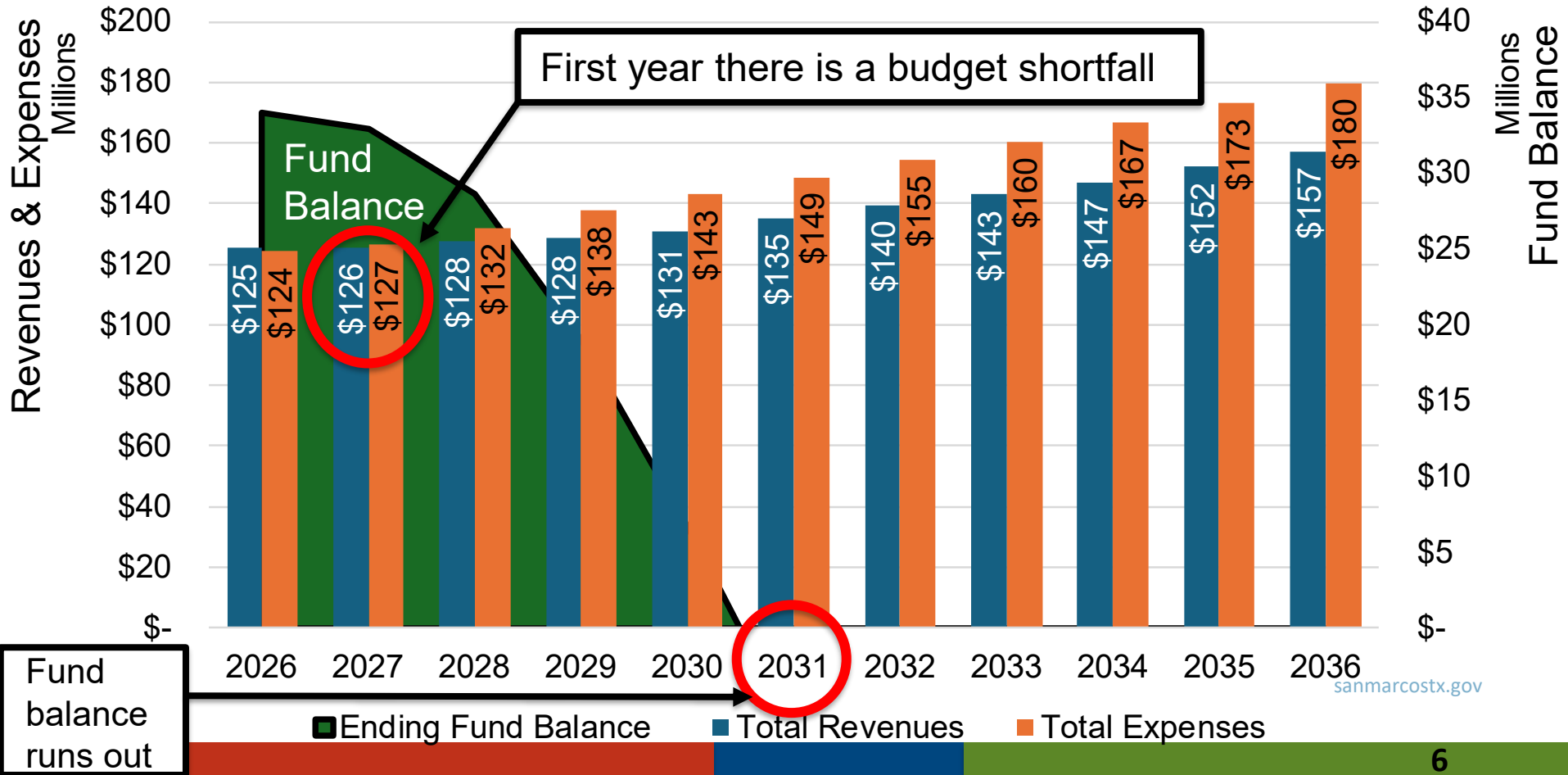
Revenues

- Annual property tax valuation change – 2.5% (tax rate = 67.69¢)
- 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)
- Emergency Medical Services – \$2.0M annually beginning in FY26

Recommended Tax Rate 67.69¢





Setting the Tax Rate

- **Property Tax Code 26.05(b)**
 - Sets forth the following requirements if the tax rate exceeds the no-new-revenue rate:
 - Record vote
 - Approved by at least 60 percent of City Council (5 members)
 - Motion to approve the ordinance must be made with specific language:

“I move that the property tax rate be increased by the adoption of a tax rate of 67.69¢, which is effectively a 7.8* percent increase in the tax rate.”

*The formula set by State law is to show the percent increase from the No-New-Revenue Tax Rate

Tax Rate Public Hearing and Vote



- Hold a public hearing on the tax rate
- After the public hearing, motion as follows:
 - I move that the property tax rate be increased by the adoption of a tax rate of 67.69 cents, which is effectively a 7.8 percent increase in the tax rate
- Record vote on tax rate
 - Motion made with specific language
 - Requires a minimum of five votes for approval



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Thank You