

## Section 1. - Taxation.

In each tax year beginning in tax year 2005:

- (a) The City Council shall not, without voter approval, levy ad valorem taxes at combined rates expected to result in total ad valorem tax revenues for the then current fiscal year that exceed the lower of (i) the allowable ad valorem tax revenues increased by the rate of inflation (based on the change in the Designated Index for the preceding calendar year) plus the rate of growth in the City's population (based on the published estimates of the U. S. Census Bureau for the most recently available twelve month period), but not less than zero (the "indexed ad valorem tax revenues"), or (ii) the amount of total ad valorem taxes, both current and delinquent, actually collected during the prior fiscal year, increased by 4.5% of that amount and, as to the calculations in (a)(i) and (a)(ii) hereinabove, excluding ad valorem tax revenues required by state law to be deposited in a tax increment fund and adding those attributable to each annexation occurring after July 1, 2005, for the first year after such annexation. The allowable ad valorem tax revenues for fiscal year 2006 shall be the actual total ad valorem tax revenues, both current and delinquent, collected during the fiscal year ending June 30, 2005. In each subsequent fiscal year, the allowable ad valorem tax revenues shall be the prior fiscal year's indexed ad valorem tax revenues. In any fiscal year for which the voters have approved an increase in total ad valorem tax revenues above the limit set forth in this subsection, the total ad valorem tax revenues authorized by the voters for such fiscal year or a future fiscal year shall become the amount to be adjusted in (a)(i) and (a)(ii) hereinabove for the fiscal year succeeding the authorized increase; and
- (b) The City Council shall provide for a minimum annual increase through the 2008 tax year of 10% in the amount of the exemption from all ad valorem taxes levied by the city on the appraised value of residence homesteads of persons, married or unmarried, including those living alone, who are under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors and Disability Insurance, or its successor, or of married or unmarried persons 65 years of age or older, including those living alone. The amount of such exemption in the 2008 tax year shall be maintained thereafter unless increased by the City Council.

The inflation rate calculation in subsection (a) of this section shall be based on the change in the Designated Index for the preceding calendar year which shall mean the United States Consumer Price Index for All Urban Consumers (also known as the CPI-U) for the Houston-Galveston-Brazoria, Texas Metropolitan Area (1982-1984=100), as published by the Bureau of Labor Statistics, U.S. Department of Labor. If such index is subject to adjustment later, then the later adjusted index, together with any correlation factor necessary to relate the later adjusted index to the earlier index, as published by the entity publishing the index, shall be used, or if such publication is discontinued, the Designated Index shall then refer to comparable statistics on changes in the cost of living for urban consumers as the same may be computed and published, on the most frequent basis available, by an agency of the United States or by a responsible financial periodical of recognized authority, which agency or periodical shall be selected by the City.

The limitation on annual increases in ad valorem tax revenues provided in subsection (a) of this section shall not apply to additional revenues necessitated by city expenditures related to the inclusion of the city in any declaration of an emergency or disaster by federal or state authorities,

provided that such additional revenues shall not be included in computing the allowable ad valorem tax revenues in any succeeding fiscal year.

City Council may adopt procedures as necessary to implement this section.

The City Council shall have full authority to assess and collect any and all revenues of the city without limitation, except as to ad valorem taxes and water and sewer rates.

If for any cause the City Council shall fail or neglect to pass a tax ordinance for any one year, levying taxes for that year, then, in that event, the tax levying ordinance last passed shall and will be considered in force and effect as the tax levying ordinance for the year for which the City Council failed to pass a tax levying ordinance, and the failure so to pass such ordinance for any one year shall in no wise invalidate the collection of the tax for that year. (Act of 1905; amended October 15, 1913, August 14, 1982, November 2, 1999; November 2, 2004)