**PARIS CITY COMMISSION**
**WORKSHOP MEETING AGENDA**
525 High Street Paris, KY 40361
Commission Chambers – Room 121
Friday, August 22, 2025 - 1:30 PM

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **DISCUSSION**
   A. Workshop on Enacting FY 2026 Property Tax Rates
4. **ADJOURNMENT**

# PARIS CITY COMMISSION AGENDA ITEM

Commission Meeting Date: August 22, 2025

---

**AGENDA ITEM:** Workshop on Enacting FY 2026 Property Tax Rates
**DEPARTMENT:** Finance

---

**RECOMMENDED MOTION:** For discussion and informational purposes only - no action required.

---

**DESCRIPTION:** The City is required to set a local property tax rate that generates revenue to fund General Fund services such as Police/Dispatch, Fire/EMS, Public Works, and General Administration. The amount is calculated based on property values provided by the Bourbon County Property Valuation Administrator (PVA), who is responsible for determining property values and is a separate entity from the City. The City does not have authority over the PVA.

There are a few requirements that are notable when adopting a tax rate:

- Rates must be established through ordinance and require two readings.
- The Commission may use what is known as the “compensating tax rate” when setting ad valorem tax (this is the rate that, when applied to the current year’s assessments, exclusive of new growth, produces a revenue approximately equal to that produced in the preceding year. A “Substitute Rate” is also calculated which can be taken under the same parameters as the compensating tax rate and is used as the “new” compensating rate when the minimum revenue limit is not met by the standard compensating rate.
- If the City chooses to establish a tax rate that exceeds the “compensating tax rate” or “substitute rate”, the City publishes a notice for two consecutive weeks in the newspaper and holds a public hearing.
- Any portion of a proposed new property tax rate that would produce in excess of (4%) of the revenues of the compensating tax rate may be subject to voter recall.
- In 1991, the Commonwealth eliminated the tax rate limit on personal property. KRS now provides that a City may levy a tax rate applicable to personal property that will produce the same percentage increase in revenue from personal property as the percentage increase in revenue from real property.
- Tax rates levied on vehicles may not exceed the rate that could have been levied on January 1, 1983, for motor vehicle assessment.
- The Bourbon County PVA provides the City with “Certified” tax rolls (tax rolls that the Commonwealth of KY has certified to be accurate). The City received the certified tax rolls on July 22, 2024, and those numbers are utilized in all calculations. A workbook published by the Commonwealth is used to calculate the applicable rates (see attached).
- Cities have no authority to forego this statutory requirement and must levy taxes on all property located within its jurisdiction that is not specifically exempt from local taxation.

Attached are schedules summarizing revenues and expenses from FY 2021 through FY 2025.

Some highlights are as follows:

- Property values have grown **42.8%** from 2021 to 2026, strengthening the city's tax base.
- Property tax revenues are projected to rise **55%** (from $713K in 2021 to $1.1M in 2026).
- The City has consistently outperformed budget forecasts, with actual revenues exceeding both budgeted and estimated amounts.
- Compound annual growth of **13.9%** provides fiscal strength, but sustainability depends on balancing expenditures.
- Total expenditures have grown **77.9%** from 2021 to 2025—outpacing revenue growth (44.6%).
- **53.6% increase** in payroll and benefits, with retirement and health insurance costs growing at nearly twice the rate of salaries
- **Benefit cost escalation** (healthcare and retirement) is a structural challenge.

Considerations when enacting tax rates:

- The 4% rate provides for an additional projected revenue of approximately $57,550 over the substitute compensating value. This additional amount is needed to fund the increase in operational costs, as well as to continue to fund the transition to Hazardous Duty Retirement for Police and Fire/EMS.
- The projected revenue at the compensating rate would not provide sufficient revenue to meet the budgeted revenue in this Fiscal Year's budget. The Budget Message and CIP can be found online to outline some of the additional expenses in the current fiscal year.

---

**REQUESTED BY:**

Name: Brad Oberlander, Finance Director