

# Budget Work Session

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April 29, 2025

# Opening Remarks

# Recap of FY25 Budget

- Flat Tax Rate
- Sustained Pay-Go capital funding
- Increased funding for street maintenance and EMS
- Position reductions to balance the budget



# FY25 Operating Budget

	FY2024 Adopted	FY2024 Adjusted	FY2025 Rec.	Chg from PY Adopted	
				Amount	%
<b>Operating Funds</b>					
General Fund	\$1,013,812,390	\$1,018,628,707	\$1,062,507,450	\$48,695,060	4.8%
Debt Service Funds	320,255,259	432,060,103	344,369,404	24,114,145	7.5%
Special Revenue	263,406,949	274,348,072	294,111,661	30,704,712	11.7%
Special Revenue Projects	4,674,491	4,551,410	11,284,933	6,610,442	141.4%
Gas Lease/Endowment		3,830,087	3,931,615	3,931,615	0.0%
Enterprise Service Funds	741,088,137	781,709,357	795,571,795	54,483,658	7.4%
Internal Service Funds	220,781,889	243,484,139	246,642,849	25,860,960	11.7%
Fiduciary Funds	35,495,700	35,995,700	35,964,317	468,617	1.3%
<b>Total Operating Funds</b>	<b>\$2,599,514,815</b>	<b>\$2,794,607,575</b>	<b>\$2,794,384,024</b>	<b>\$194,869,209</b>	<b>7.5%</b>

## Alignment with Strategic Priorities

The FY25 budget includes:



**Community Safety**

- EMS Services beginning at optimized service levels in July 2025
- Year 1 funding of a new Meet and Confer contract
- Enhanced Police presence in key areas
- Firefighter gear replacement

# Alignment with Strategic Priorities

The FY25 budget includes:



**Infrastructure**

- Increased funding for street maintenance
- Ongoing infrastructure maintenance
- Preparing for 2026 bond program
- Continued broadband build-out
- Continued investment in pavement markings, traffic systems, bridges, sidewalks, and cast iron replacement

## Alignment with Strategic Priorities



**Community Investment**

The FY25 budget includes:

- Neighborhood Improvement Program
- New Northwest Community Center
- High Impact Pilot to reduce homelessness
- Re-opening of Meadowbrook Golf Course

## Alignment with Strategic Priorities

The FY25 budget includes:



**Economic Development**

- Small business development in partnership with local Chambers
- Continued support for the Economic Development Initiatives Fund
- Expansions with higher education partners

# Alignment with Strategic Priorities

The FY25 budget includes:



**Responsible Growth**

- Continued investment in the 2050 Comprehensive Plan
- Focus on open data and public information transparency
- Continued focus on growth through long-range planning

## Workforce Highlights

- **Raised entry wage** to \$16.07 in October and \$18.00 in February
- **Adjusted pay ranges** for all city jobs by 4%
- Funded a Comprehensive **Classification and Compensation Study** to review job duties and requirements, pay structures and market competitiveness
- Adjusted classification or compensation for a number of general employees in Development Services, Library, Finance and Police
- Increased the city's contribution to Health Savings Accounts and added a **Child Care Concierge** service
- Implemented free **parking for employees**



## FY25 Budget Balancing Strategies

- Departments were asked to **absorb CPI increases**, finding reductions in existing operating and maintenance accounts
- FWLab changed methodology for budgeting **salary savings**, reducing margins in Salary and Benefits in each department
- **Long term vacancies** were analyzed and eliminated where there was a low likelihood of filling them in FY2025
- Departments were **encouraged to reclassify** existing positions rather than request new positions



## Council Requested Revisions (after recommended budget)

1. Reduce Property Tax Rate to 67.25 cents	\$5.4M
2. Maintain Public Safety Investment	No change*
3. Maintain Enhanced Street Maintenance	No change*
4. Adjust Entry Level Wage to \$18/hour in Feb 25	\$800,000
<b>Total Additional Cost</b>	<b>\$6.2M</b>

# How Requests were Funded

**Total Additional Cost   \$6.2M**

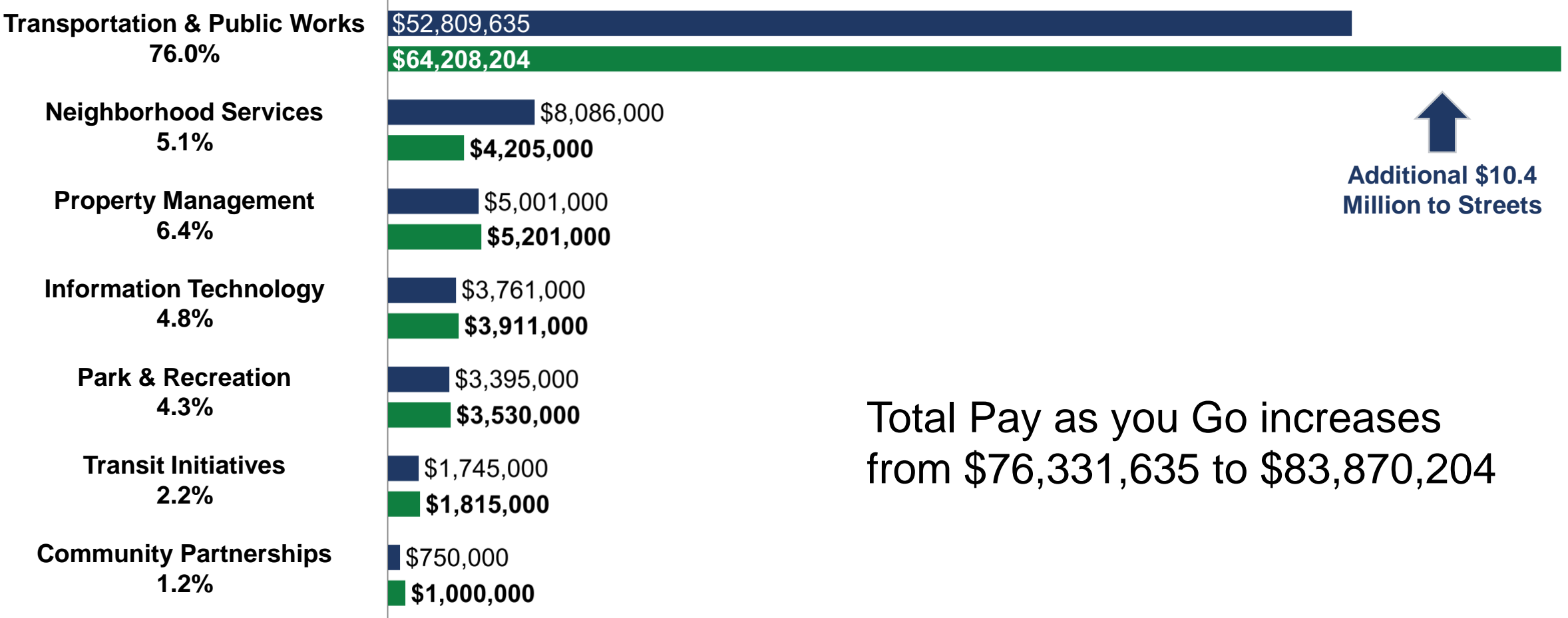
	Recommendation	Reduction
1	Eliminate 10-15 additional long term vacancies	(\$1M)
2	Reduce Vehicle and Equipment Replacement Funding	(\$1M)
3	Increase Salary Savings by reducing Non-Departmental Contingency	(\$1M)
4	Adjust PayGo from 7.5 cents to 7.25 cents <ul style="list-style-type: none"><li>• Eliminate one Neighborhood Improvement Program Area (\$4.2M)</li><li>• Increase Street Maintenance \$1M</li></ul>	(\$3.2M)
	<b>TOTAL</b>	<b>\$6.2M</b>

# Recommended 2025-2029 CIP

CIP Plans	FY2025	FY2026	FY2027	FY2028	FY2029	Total
Water	\$ 536,443,915	\$ 672,651,236	\$ 332,256,836	\$ 246,631,716	\$ 258,108,012	\$ 2,046,091,715
General	\$ 157,660,776	\$ 158,709,456	\$ 155,612,102	\$ 157,086,233	\$ 160,234,197	\$ 789,302,764
Public Events	\$ 71,251,547	\$ 544,500,000	\$ 4,000,000	\$ 2,000,000	\$ 2,000,000	\$ 623,751,547
Aviation	\$ 24,210,232	\$ 48,187,154	\$ 24,368,807	\$ 41,375,696	\$ 11,286,753	\$ 149,428,642
Stormwater	\$ 23,447,703	\$ 62,702,685	\$ 22,705,128	\$ 23,280,812	\$ 46,218,266	\$ 178,354,594
Environmental Services	\$ 1,018,610	\$ 2,792,194	\$ 3,300,696	\$ 2,764,291	\$ 2,621,866	\$ 12,497,657
<b>Total</b>	<b>\$ 814,032,783</b>	<b>\$ 1,489,542,725</b>	<b>\$ 542,243,569</b>	<b>\$ 473,138,748</b>	<b>\$ 480,469,094</b>	<b>\$ 3,799,426,919</b>



# Pay As You Go Distribution



Additional \$10.4  
Million to Streets

Total Pay as you Go increases  
from \$76,331,635 to \$83,870,204

# Updates on FY26 Process

# Budget Calendar

## February

Prior Year  
Commitments  
(PYCs)

PBB Program  
Inventories  
developed

## March

Set Budget  
Targets

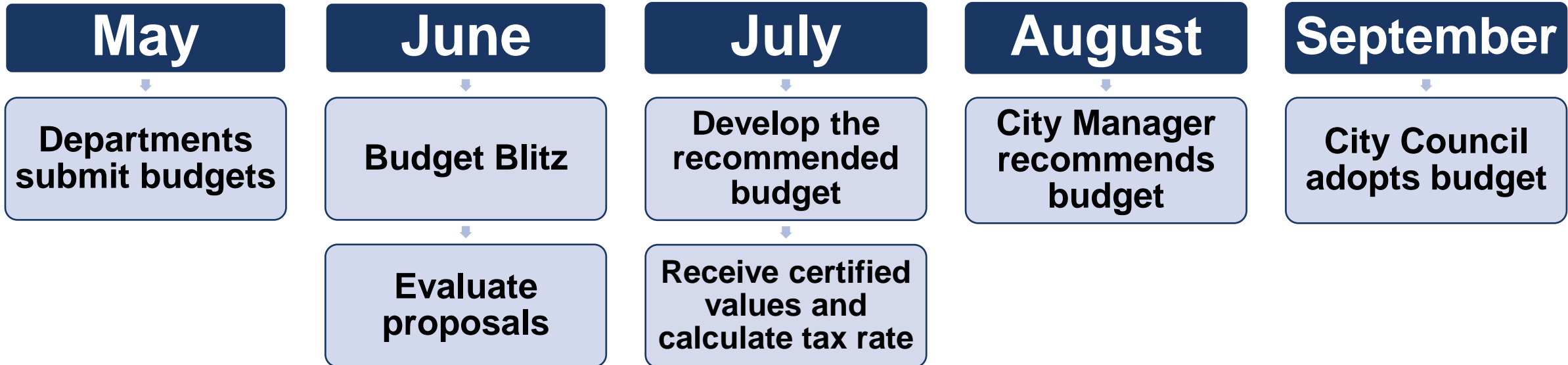
## April

Budget Kickoff

Budget  
Development  
Begins



# Budget Calendar



# Budget Calendar

**February**

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PBB Program  
Inventories  
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**March**

Set Budget  
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**April**

Budget Kickoff

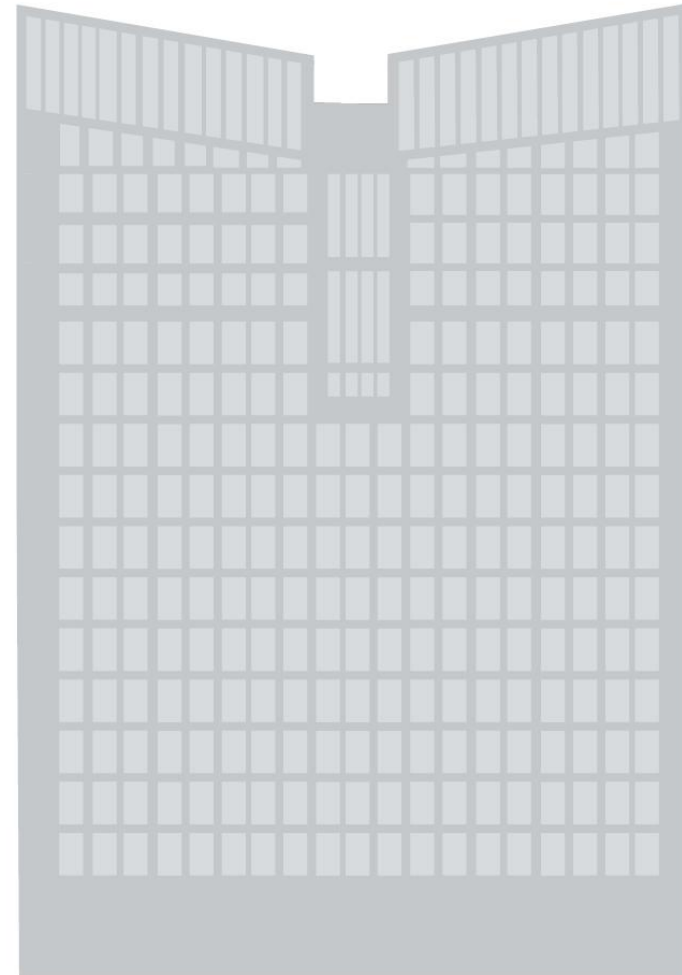
Budget  
Development  
Begins



# What is a Target Budget?

Gives departments a  
maximum budget number

Includes several layers of  
pre-determined costs from  
the prior year



## Layer 1: Adopted Budget

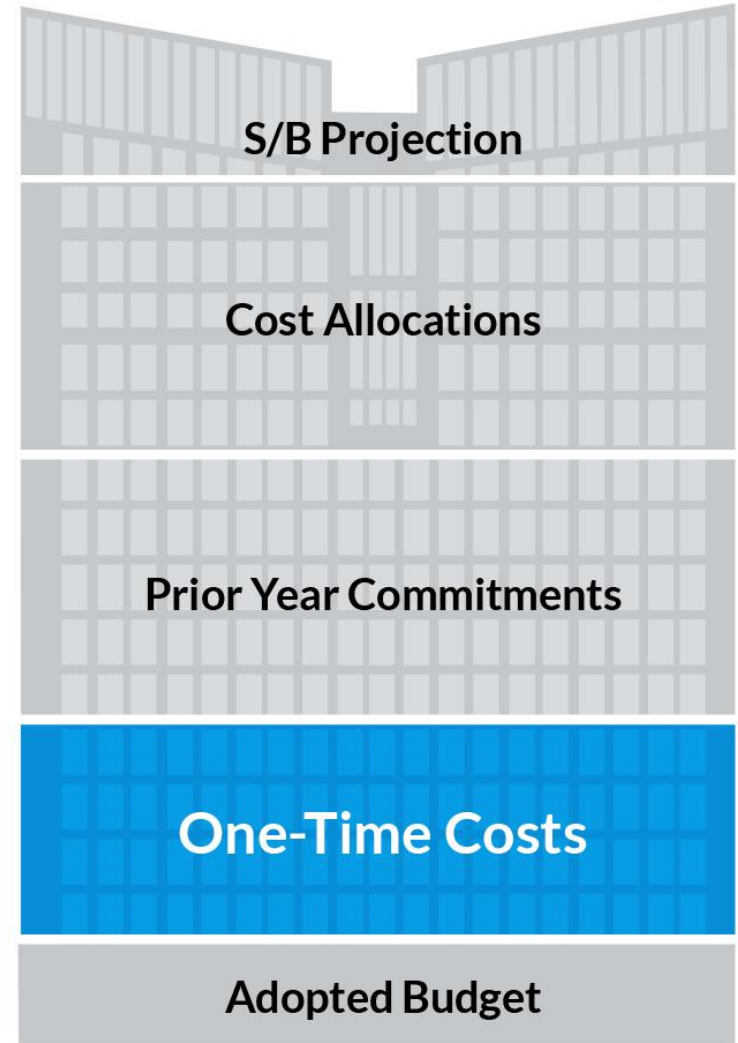
The prior-year Adopted Budget is the starting point for every operating department and fund each new fiscal year.



## Layer 2: Prior Year One-Time Costs

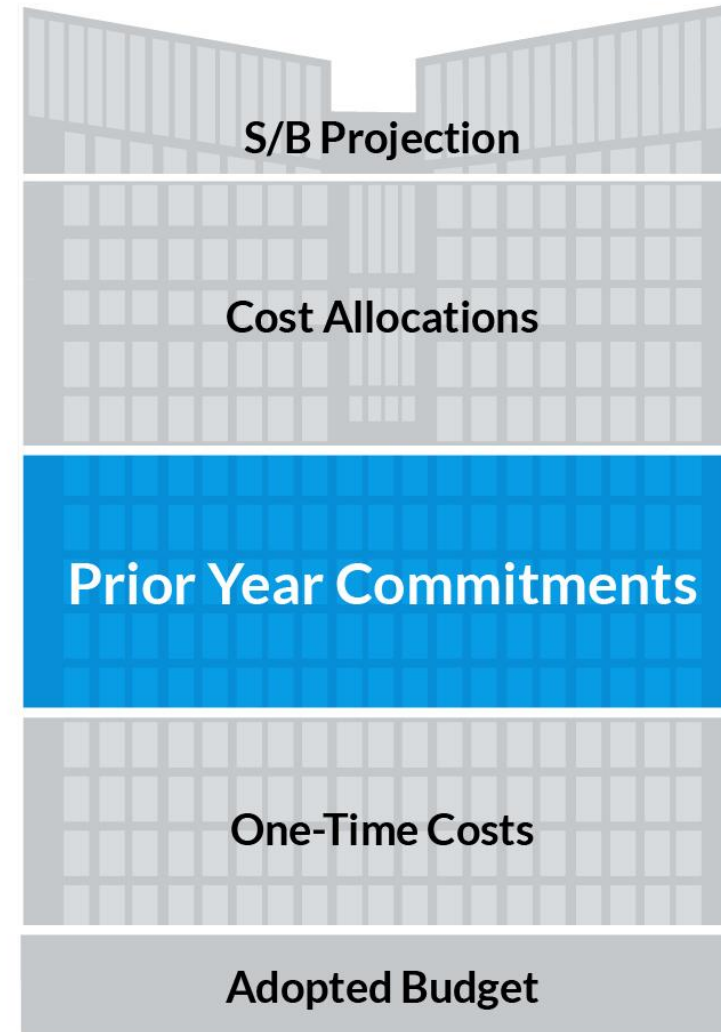
One-Time Costs are expenses that were incurred in the prior year that do not require more funding in the new fiscal year.

These costs are reduced from the budget.



## Layer 3: Prior Year Commitments

Prior Year Commitments are budget items that impact a department's upcoming fiscal year budget that were agreed upon in the previous fiscal year.



## Layer 4: Cost Allocations

Allocating indirect costs to departments

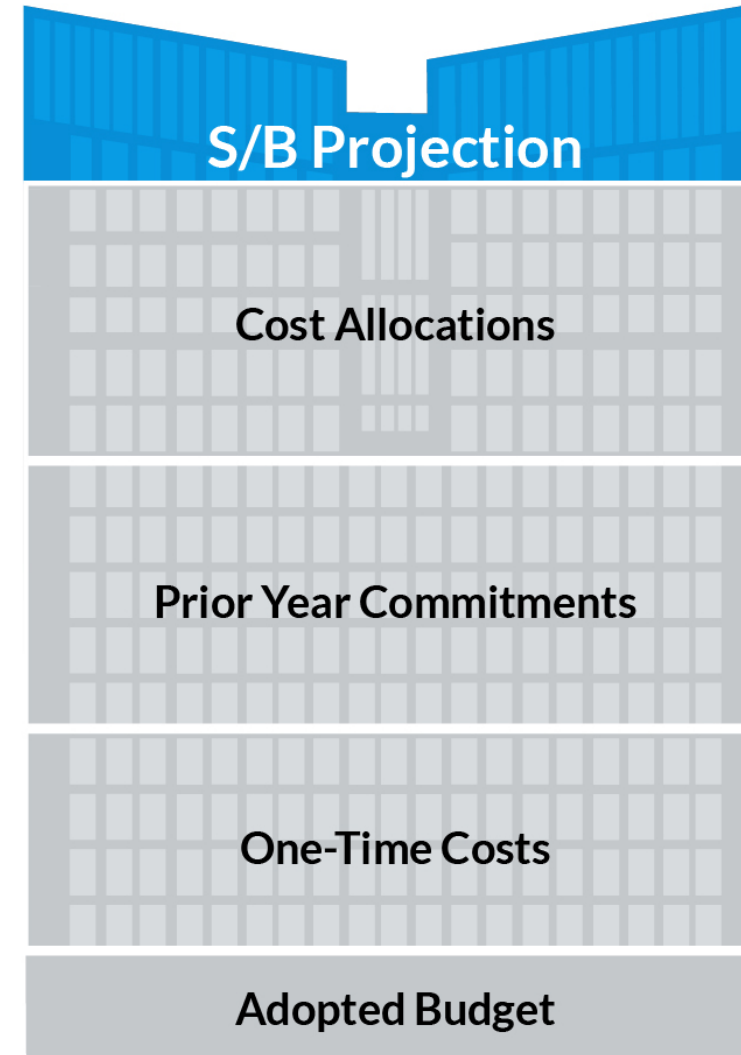
This includes IT services, fleet costs and risk management costs

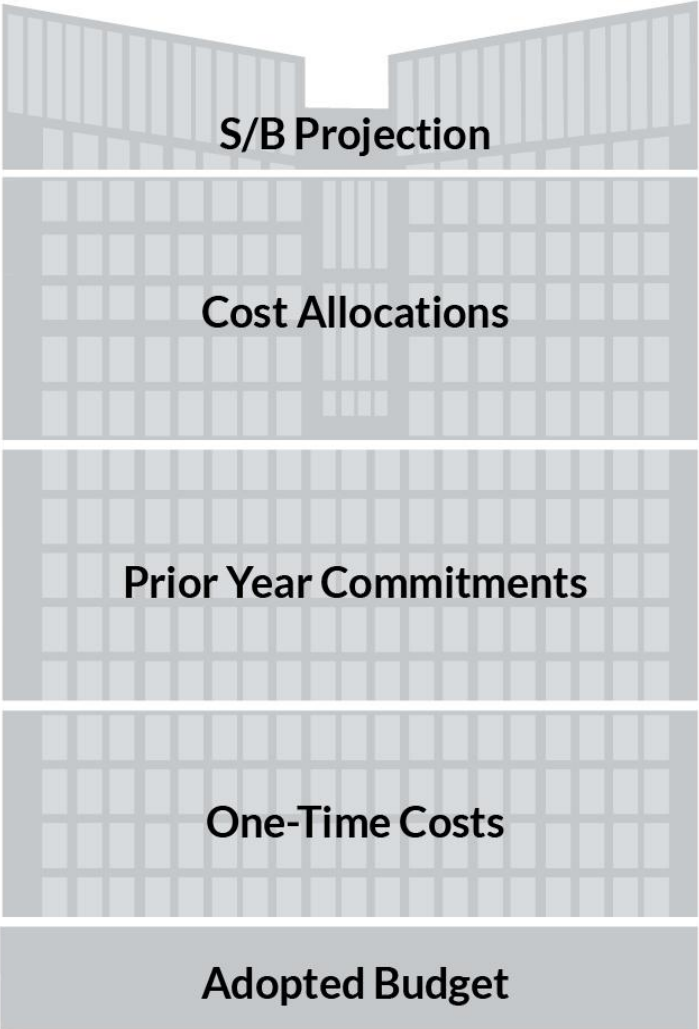


## Layer 5: Salary & Benefit Projections

Salary & Benefit increases are added to the target budgets.

Includes retirement, health insurance, and Pay-for-Performance increases





**= Target Budget**



# General Fund Target Summary

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FY 2025 Adopted Budget	1,057,175,646
FY 2026 Target Budget	1,097,417,797

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<b>Amount Difference</b>	<b>40,242,151</b>
<b>Percent Growth</b>	<b>3.81%</b>

# Target Budget Reductions

- Target budgets calculated and then reduced by 1%
- Target reduction generated \$7.6M in savings
- Needed to balance growing costs with slower revenue growth

## 1% General Fund Target Reduction

# FY26 General Fund Target Reductions

Department	<sup>1</sup> FY2025 Adopted	Reduction	Reduction Amount
002 - City Manager	16,307,236	1.00%	(155,288)
003 - FWLab	12,672,222	1.00%	(79,847)
006 - Development Services	30,030,510	1.00%	(266,924)
007 - Comm & Pub Engagem	6,196,254	1.00%	(55,936)
008 - Divers & Inclusion	2,863,536	1.00%	(26,012)
010 - City Auditor	2,413,014	1.00%	(22,383)
011 - City Secretary	2,898,839	1.00%	(26,731)
012 - City Attorney	12,013,794	1.00%	(114,221)
013 - FMS	16,777,673	1.00%	(152,094)
014 - Human Resources	7,999,360	1.00%	(72,009)
017 - Economic Development	40,430,745	1.00%	(27,881)
019 - Neighborhood Services	11,303,181	1.00%	(99,556)
020 - TPW	41,270,629	1.00%	(334,728)
021 - Property Mgmt	24,696,708	1.00%	(211,745)
022 - Environmental Services	4,669,998	1.00%	(41,270)
023 - Code Compliance	27,155,751	1.00%	(234,311)
034 - EMC	18,496,342	1.00%	(184,963)
035 - Police Department	309,051,872	1.00%	(2,634,796)
036 - Fire Department	218,912,708	1.00%	(1,955,255)
038 - Municipal Court	15,844,977	1.00%	(137,330)
080 - PACS Department	72,262,111	1.00%	(467,730)
084 - Library	29,523,625	1.00%	(263,364)
<b>Total</b>	<b>923,791,085</b>	<b>1.00%</b>	<b>(7,564,374)</b>

\*FY25 total excludes certain categories

# Proposed Reductions

- General Fund departments asked to submit proposals to reduce another 3% of their budget
- Smaller reductions requested from Police & Fire (excluded Civil Service)
- Proposals will provide options if cuts are necessary to balance expenses to slower growing revenues

# Long-Term Forecast

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# FY25 General Fund Forecast

	Adopted Budget	Adj. Budget	FM05 Forecast	Variance: Forecast to Adj. Budget	
				\$	%
Revenue	1,057,175,646	1,062,543,874	1,055,965,123	(6,578,751)	(0.62) %
Expenses	1,057,175,646	1,074,485,445	1,062,594,851	(11,890,594)	(1.11) %
Contribution (use of) fund balance	—	(11,941,571)	(6,629,728)	5,311,843	

- Planned to use **\$11.9M** of fund balance
- Forecast to use **\$6.6M** of fund balance
- Forecasted performance is **\$5.3M better than adjusted budget** (including use of fund balance)

# General Fund Revenue

	Adopted Budget	Adj. Budget*	FM05 Actuals	FM05 Forecast	Variance: Forecast to Adj. Budget	
					\$	%
General Property Tax	613,085,967	613,085,967	597,725,724	605,735,967	(7,350,000)	(1.20) %
Sales Tax	252,700,000	252,700,000	123,743,755	253,700,000	1,000,000	0.40 %
Other Tax	62,635,580	62,635,580	29,584,030	60,998,689	(1,636,891)	(2.61) %
License & Permits	24,554,040	24,554,040	11,472,931	23,386,679	(1,167,361)	(4.75) %
Intergovernmental	595,641	595,641	217,879	597,899	2,258	0.38 %
Charge for Services	37,556,499	37,556,499	28,082,913	38,114,065	557,566	1.48 %
Fines & Forfeitures	6,541,792	6,541,792	3,384,935	6,533,215	(8,577)	(0.13) %
Use of Money	2,131,433	7,131,433	1,183,580	6,801,317	(330,116)	(4.63) %
Other Revenue	2,809,481	2,809,481	3,630,169	4,771,567	1,962,086	69.84 %
Non Operating	1,252,000	1,252,000	592,231	1,625,459	373,459	29.83 %
Transfer In	53,313,213	53,681,441	53,180,027	53,700,266	18,825	0.04 %
<b>Total</b>	<b>1,057,175,646</b>	<b>1,062,543,874</b>	<b>852,798,174</b>	<b>1,055,965,123</b>	<b>(6,578,751)</b>	<b>(0.62) %</b>

# FY2025 Property Tax Collections

- Collections follow broad trends, but with variability
  - Between 76% and 92% of total collected through January over last decade
  - Between 96% and >100% collected through February
- Recent taxpayer trends toward paying later in the year
  - Just before deadline
  - Taking advantage of split/quarterly payments
- Collections through end of January FY2025 firmly on track to meet budgeted amount
- February collections showed YOY growth but slowed pace set through January
- Meeting with Tarrant County Tax Office led to analysis of monthly tax reports

# FY2024 Tax Report Analysis

	Value	Exemption	Taxable
<b>Assumption for Budget</b>	<b>\$ 155,936,572,617.00</b>	<b>\$ 40,205,930,492.50</b>	<b>\$ 115,730,642,124.50</b>
<b>Start</b>	<b>\$ 152,437,805,504.00</b>	<b>\$ 39,263,268,353.00</b>	<b>\$ 113,174,537,151.00</b>
October	\$ 154,829,592,892.00	\$ 39,685,775,421.00	\$ 115,143,817,471.00
November	\$ 155,186,453,456.00	\$ 39,822,467,517.00	\$ 115,363,985,939.00
December	\$ 155,596,968,409.00	\$ 39,981,085,331.00	\$ 115,615,883,078.00
January	\$ 155,694,401,890.00	\$ 40,057,735,900.00	\$ 115,636,665,990.00
February	\$ 155,836,630,152.00	\$ 40,134,635,834.00	\$ 115,701,994,318.00
March	\$ 156,107,326,509.00	\$ 40,156,293,985.00	\$ 115,951,032,524.00
April	\$ 155,675,392,880.00	\$ 40,241,353,628.00	\$ 115,434,039,252.00
May	\$ 155,409,072,068.00	\$ 40,304,166,062.00	\$ 115,104,906,006.00
June	\$ 155,120,645,807.00	\$ 40,415,596,814.00	\$ 114,705,048,993.00
July	\$ 154,845,603,006.00	\$ 40,480,399,886.00	\$ 114,365,203,120.00
August	\$ 154,673,158,942.00	\$ 40,523,000,693.00	\$ 114,150,158,249.00
September	\$ 154,571,135,087.00	\$ 40,548,094,782.00	\$ 114,023,040,305.00

Taxable value peaked in March at <0.2% difference from value used in budgeting

- TAD sends monthly detail to TC Tax Office
- Values increased throughout winter
- Subsequent \$1.93B value decline due to late-filed protests, ARB decisions, litigation, late-granted exemptions

# FY2025 Tax Report Analysis

	Value	Exemption	Taxable
Assumption for Budget	\$ 165,700,461,389.00	\$ 43,777,425,332.75	\$ 121,923,036,056.25
Start	\$ 159,854,184,359.00	\$ 41,803,902,344.00	\$ 118,050,282,015.00
October	\$ 161,495,490,777.00	\$ 42,174,043,733.00	\$ 119,321,447,044.00
November	\$ 164,710,215,734.00	\$ 42,884,060,523.00	\$ 121,826,155,211.00
December	\$ 164,465,341,921.00	\$ 43,024,588,212.00	\$ 121,440,753,709.00
January	\$ 164,330,489,347.00	\$ 43,058,040,322.00	\$ 121,272,449,025.00
February	\$ 164,456,780,152.00	\$ 43,599,353,804.00	\$ 120,857,426,348.00
March	\$ 164,317,542,467.00	\$ 43,761,333,034.00	\$ 120,556,209,433.00

Taxable value peaked in November at <0.1% difference from value used in budgeting

- FY2025 values peaked earlier before beginning to fall
- Current value decline of \$1.27B from peak
- Total levy based on current taxable value is \$1M greater than FY2025 budget
- Forecast must capture **growing trend** of post-certification value loss

# FY2025 Forecast Scenarios

## Conservative

- \$9.3M under budget in current property tax collections
- Assume March-September value loss will be equal to FY2024 total loss

## Realistic

- \$5M under budget in current property tax collections
- \$1.1B additional value loss by year-end
- Total property tax performance of \$7.350M under budget including shortfall in delinquent collections

## Recommended

# General Fund Expenses

	Adopted Budget	Adj. Budget	Month 5 Actuals	FM05 Forecast	Variance: Forecast to Adj. Budget	
					\$	%
Salary & Benefits	709,422,889	709,384,574	291,400,585	704,417,752	4,966,822	0.70 %
O&M	236,430,008	246,671,230	90,434,972	239,747,457	6,923,773	2.81 %
Debt Service	1,950,000	1,950,000	975,000	1,950,000	—	— %
Transfers	109,372,749	116,479,642	43,926,398	116,479,642	—	— %
<b>Total</b>	<b>1,057,175,646</b>	<b>1,074,485,445</b>	<b>426,736,955</b>	<b>1,062,594,851</b>	<b>11,890,595</b>	<b>1.11 %</b>

# Recap: FY25 General Fund Forecast

	Adopted Budget	Adj. Budget	FM05 Forecast	Variance: Forecast to Adj. Budget	
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Revenue	1,057,175,646	1,062,543,874	1,055,965,123	(6,578,751)	(0.62) %
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Contribution (use of) fund balance	—	(11,941,571)	(6,629,728)	5,311,843	

- Planned to use **\$11.9M** of fund balance
- Forecast to use **\$6.6M** of fund balance
- Forecasted performance is **\$5.3M better than adjusted budget** (including use of fund balance)

# Long-Term Forecasting Methodology

## Previous Method

- Grow budget categories (revenues, expenses, salaries, etc.) at standard rates
- Show balanced budget in all future years

## New Method

- Grow budget categories at anticipated actual rates
- Include known future commitments such as bond projects
- Show forecasted net position

## Additional Context

- Fort Worth will always adopt balanced budgets
- Some growth assumptions are more conservative than historical averages, given economic uncertainty
- Upon adoption of FY2026 bond, operating impacts will be included in LT forecast
- Assumptions in place for impact of minimum wage compression and structural pay study



# Seven-Year Summary

	2026	2027	2028	2029	2030	2031	2032
<b><u>Fund Performance</u></b>							
Total Revenues	\$1,098,508,570	\$1,137,061,155	\$1,185,159,605	\$1,227,849,955	\$1,282,500,886	\$1,327,955,103	\$1,386,194,353
Total Expenses	\$1,101,227,019	\$1,152,753,401	\$1,203,930,602	\$1,249,388,682	\$1,296,585,304	\$1,345,587,629	\$1,396,465,431
<b>Surplus (Deficit)</b>	\$ (2,718,449)	\$ (15,692,246)	\$ (18,770,997)	\$ (21,538,726)	\$ (14,084,418)	\$ (17,632,525)	\$ (10,271,078)

<b><u>Major Revenue Growth</u></b>							
<b><u>Assumptions</u></b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
Property Tax	3.50%	3.50%	5.00%	3.50%	5.00%	3.50%	5.00%
Sales Tax	4.73%	3.60%	3.09%	4.00%	4.00%	4.00%	4.00%

\*TAD biennial reappraisals begin in FY2028

# Balanced Through FY2027

	2026	2027	2028	2029	2030	2031	2032
<b><u>Fund Performance</u></b>							
Total Revenues	\$1,098,508,570	\$1,137,061,155	\$1,185,159,605	\$1,227,849,955	\$1,282,500,886	\$1,327,955,103	\$1,386,194,353
Total Expenses	\$1,098,508,570	\$1,137,061,155	\$1,187,500,201	\$1,232,301,064	\$1,278,814,182	\$1,327,105,662	\$1,377,244,186
<b>Surplus (Deficit)</b>	\$ -	\$ -	\$ (2,340,595)	\$ (4,451,109)	\$ 3,686,704	\$ 849,442	\$ 8,950,168

## **Major Revenue Growth**

<b><u>Assumptions</u></b>	2026	2027	2028	2029	2030	2031	2032
Property Tax	3.50%	3.50%	5.00%	3.50%	5.00%	3.50%	5.00%
Sales Tax	4.73%	3.60%	3.09%	4.00%	4.00%	4.00%	4.00%

\*without changing revenues, reducing total expenses to balance sets better baseline for future years

# Key Questions in Long-Term Forecast

## State Policy Changes and Economic Trends

- Various ad valorem bills under consideration
  - Adjustments to homestead appraisal caps (various)
  - Mandated adoption of No-New-Revenue rate or similar (various)
  - Increase to business personal property exemption (various)
  - Limits on debt issuance (HB19)
  - Limit total budget growth to rate of inflation and population growth (HB5267)
  - Mandated annual reappraisals (HB2786 and HB3235)
- Growth in protesting activity and commercial support thereof

## National Policy Impacts

- Direct impact of tariff policy, federal spending changes
- Indirect impact of uncertainty
- Interest rate impact on housing market and development

# Additional Data Coming

## Property Tax

- Official estimates due April 30
- First look at TAD reappraisal plan impact
- New vs. existing growth, remaining homestead cap loss, growth in other CADs all of interest
- Forecast erosion similar to TY2024 and review assumptions for growing protest activity

## Sales Tax

- Strong growth in October-January allocations (received Dec-Mar)
- February allocation (received Apr) was lowest for this fiscal month since 2022
- March allocation will double the available data on economic response to new policy environment

# FY2026 Revenue Budget: Key Dates

**April 30:** Appraisal districts deliver tax year 2025 value estimates

**July 9:** Receipt of May sales tax allocation (final payment before CM's proposed budget)

**July 25:** Certified values received

**August 7:** Publication of Truth In Taxation worksheet and benchmark tax rates

**August 12:** Presentation of City Manager's proposed budget to Mayor and City Council

**September 16:** Budget and tax rate adoption

# **Future Agenda Items/Discussion**

Next Budget Work Session: May 13