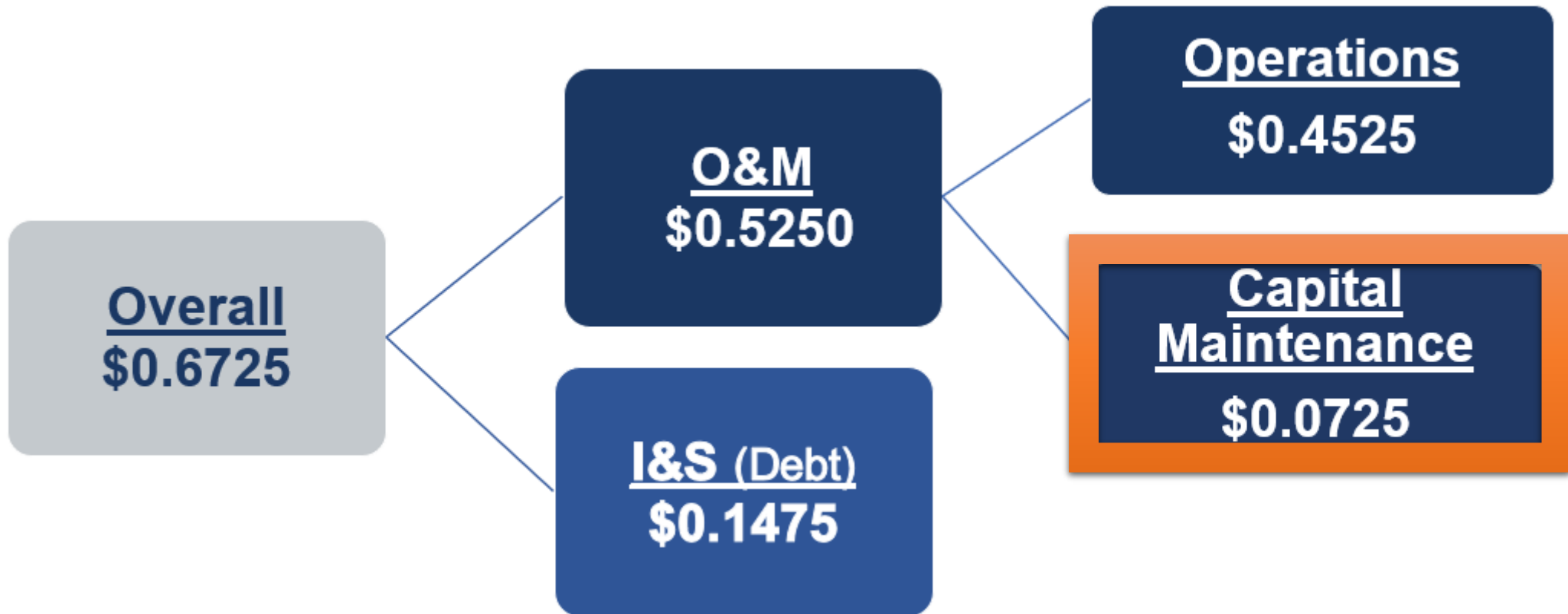


# Budget Work Session

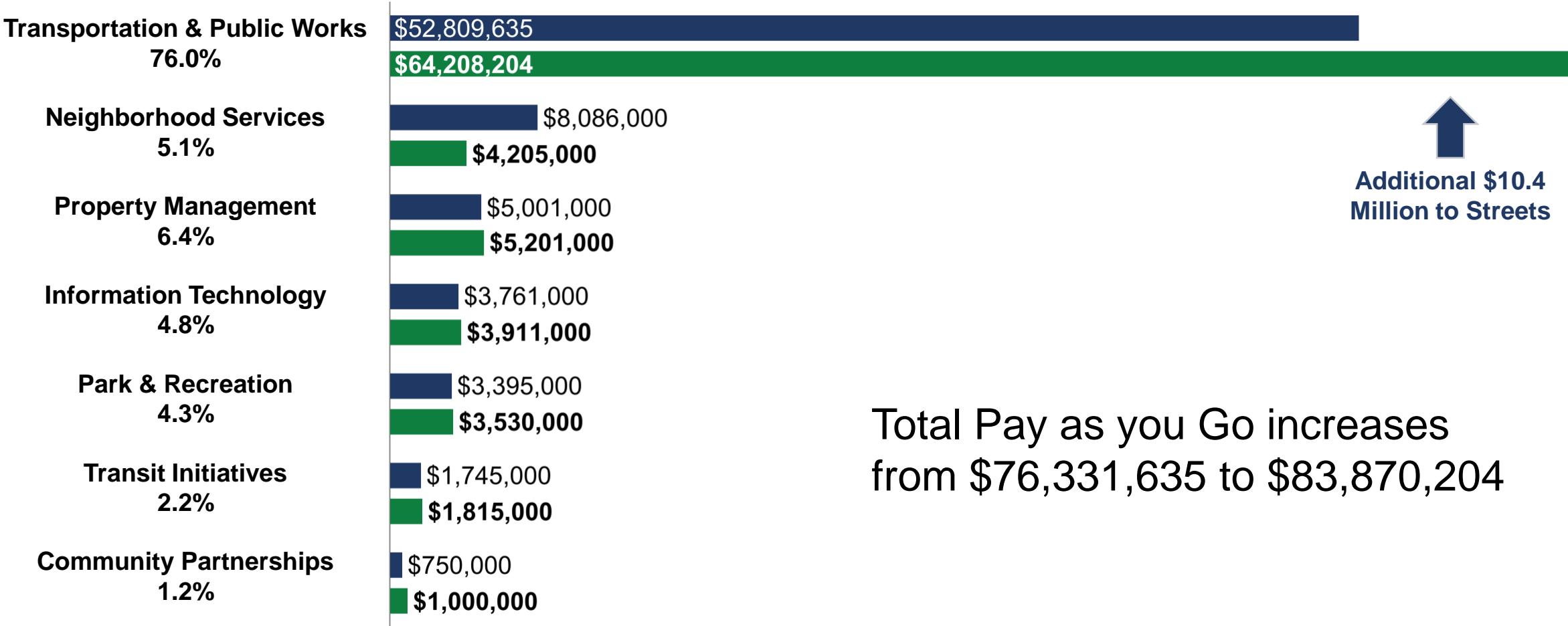
FWLab

May 13, 2025

# FY25 Adopted Tax Rate Allocations



# FY25 PayGo Distribution



↑  
Additional \$10.4  
Million to Streets

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

# FY26 PayGo Budget

Assumes 3.5% growth

Dept/Project	FY25	FY26
TPW	\$64,208,204	\$66,489,661
Transit	\$ 1,815,000	\$ 1,879,000
Property Management	\$ 5,201,000	\$ 5,383,000
Neighborhood Services	\$ 4,205,000	\$ 4,352,000
PARD	\$ 3,530,000	\$ 3,654,000
IT	\$ 3,911,000	\$ 4,048,000
Community Partnerships	\$ 1,000,000	\$ 1,000,000
<b>Total</b>	<b>\$83,870,204</b>	<b>\$86,805,661</b>

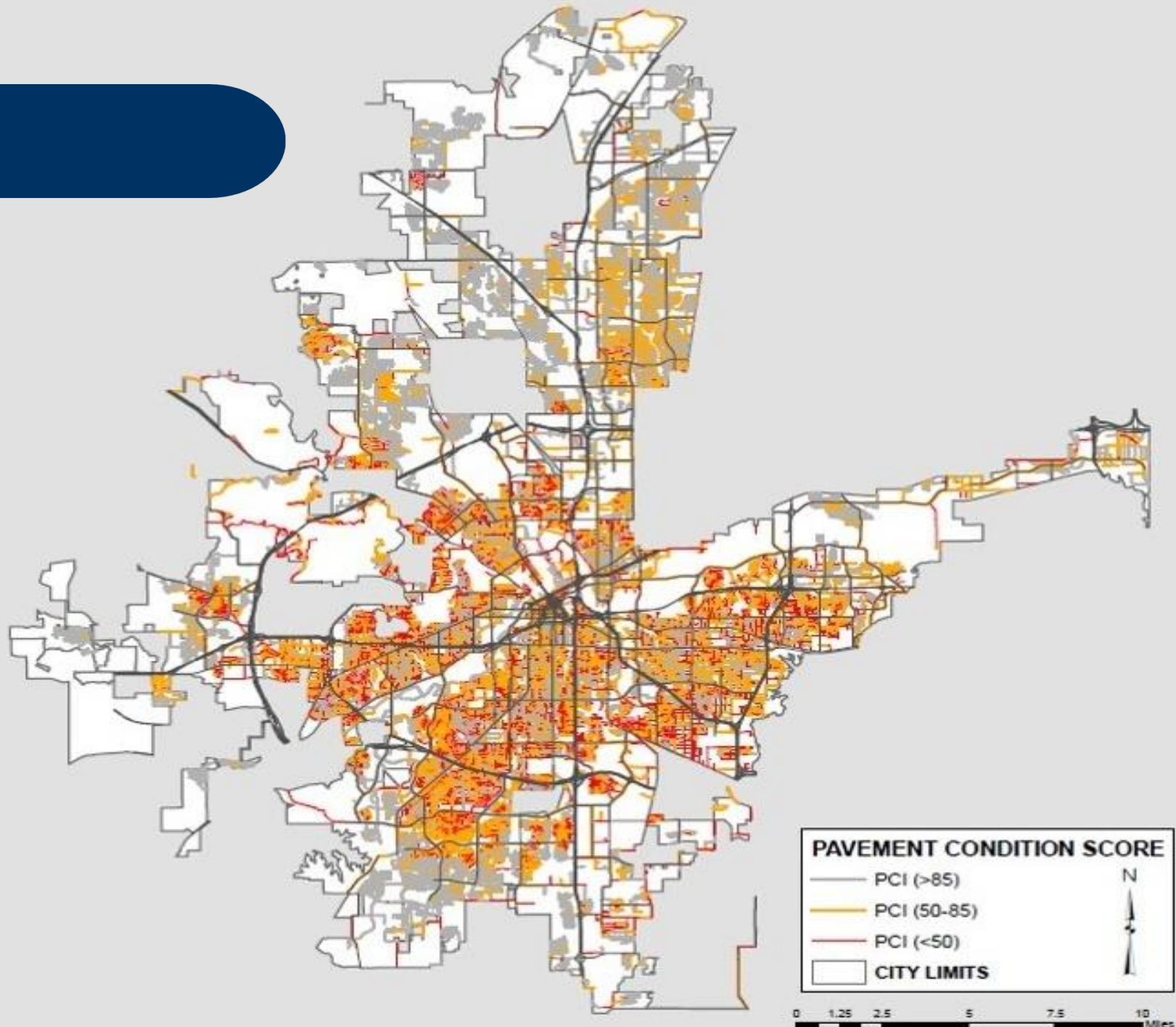
# Street Maintenance Funding

FY26 Budget Options

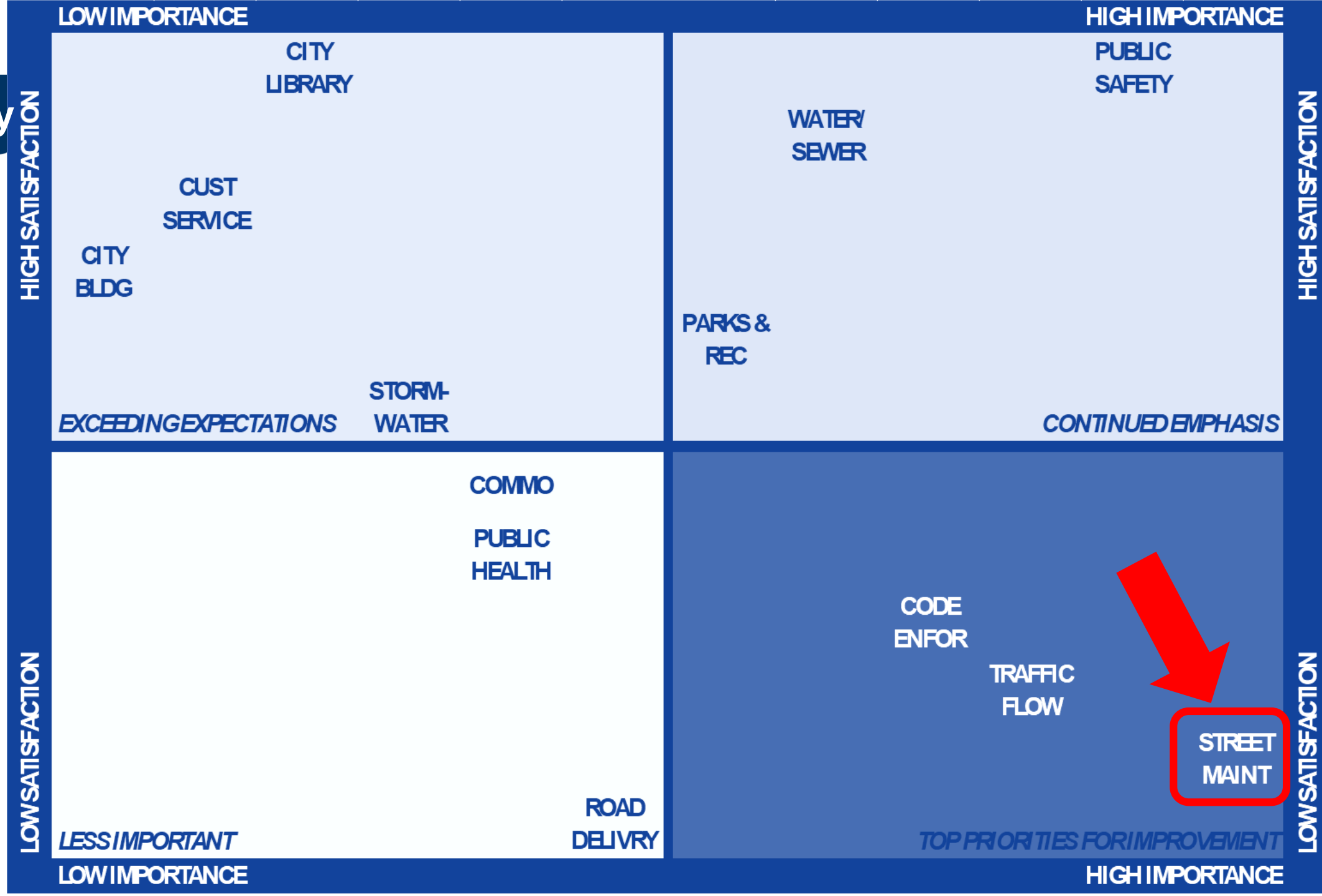
May 13, 2025

# Outline

- Background and Funding Plan
- FY25 Results
- FY26 Approach
- A-La-Carte Funding Options
  - PayGo Contracted
  - General Fund In-House



# Background Citizen Survey





# Analysis Overview

- Need Analysis Independently Verified (Staff & FNI)
- Only “Vital” Segments are Included to Reduce the Cost of Deferring Maintenance

A Funding Plan to Incrementally Increase Funding was Created in FY24 and Partially Funded in FY25		
FY25 PayGo Funding	Requested	\$18.9M
	Received	<b>\$10.4M</b>
Estimated Future Bond Reconstruction Savings from FY25 Received Funding		\$74.8M

## 2024 FUNDING ANALYSIS

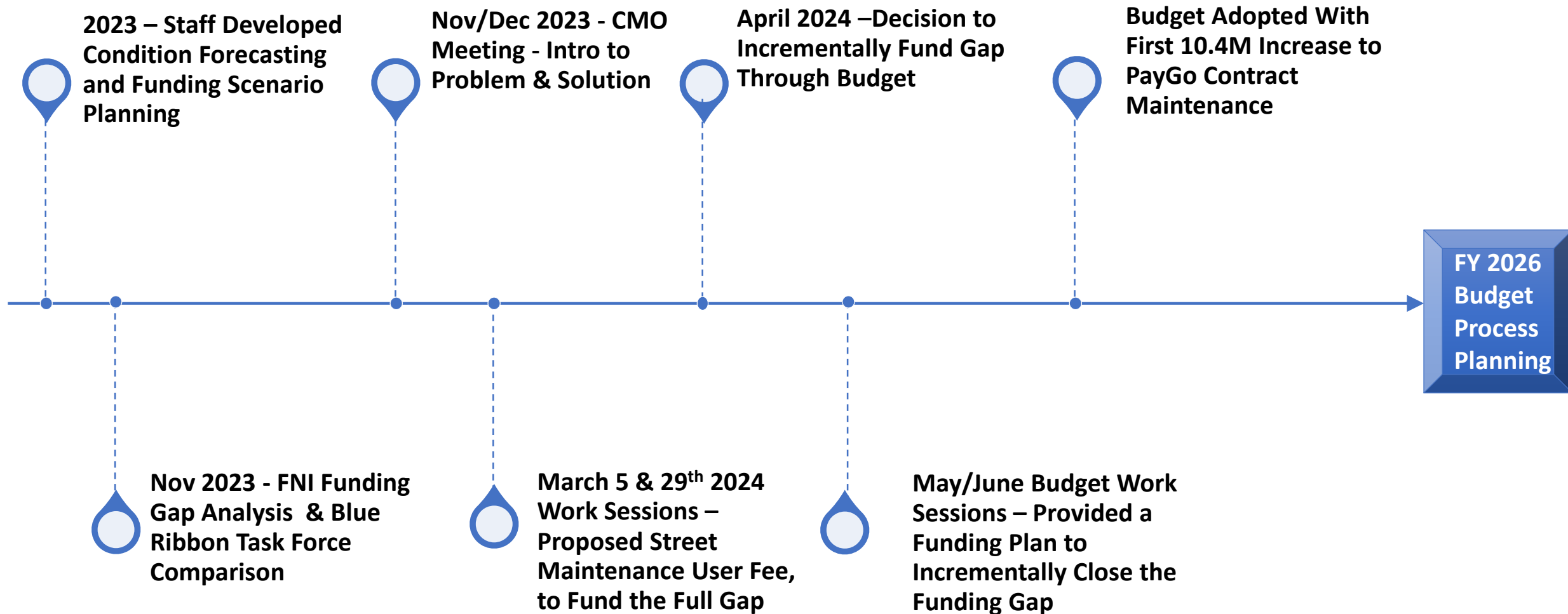
Average Maintenance Need Vital Segments*	Average Remaining Funding Need (2024)
\$98 M/Yr	\$66.1M/Yr

	2024	2025	2026	2027	2028
EXPENSES (\$M)					
MAINTENANCE ACTIONS					
Preservation Need	\$5.6	\$6.0	\$5.2	\$5.4	\$5.9
Heavy Maintenance Need	\$82.1	\$87.0	\$104.0	\$91.2	\$95.8
Total Maintenance Funding Need*	\$87.7	\$93.0	\$109.2	\$96.6	\$101.7
REVENUES (\$M)					
PayGo Funding	\$28.3	\$30.3	\$31.5	\$32.7	\$34.0
Additional Funding Need (Gap = Expenses - Revenues)	\$59.4	\$62.7	\$77.7	\$63.9	\$67.7

\* Reconstruction not addressed through maintenance funding.



# History & Timeline

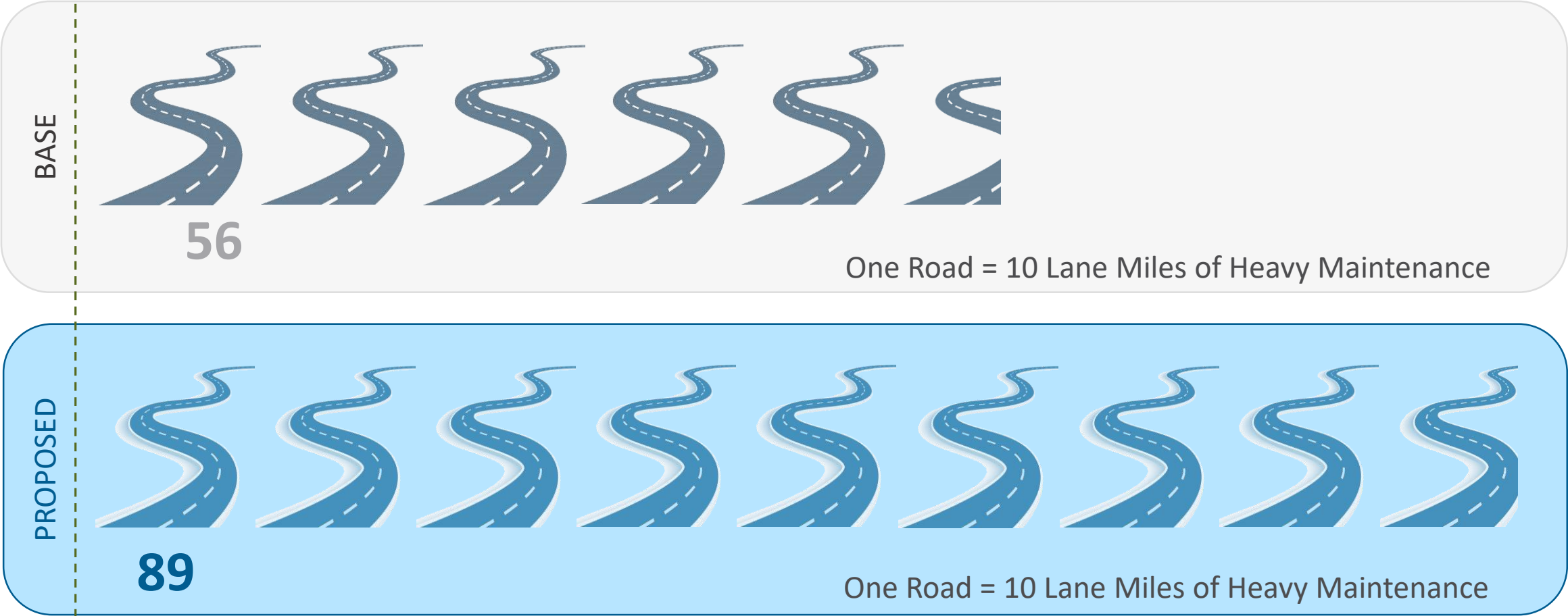




# FY25 Funding Results

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# Maintenance Increases



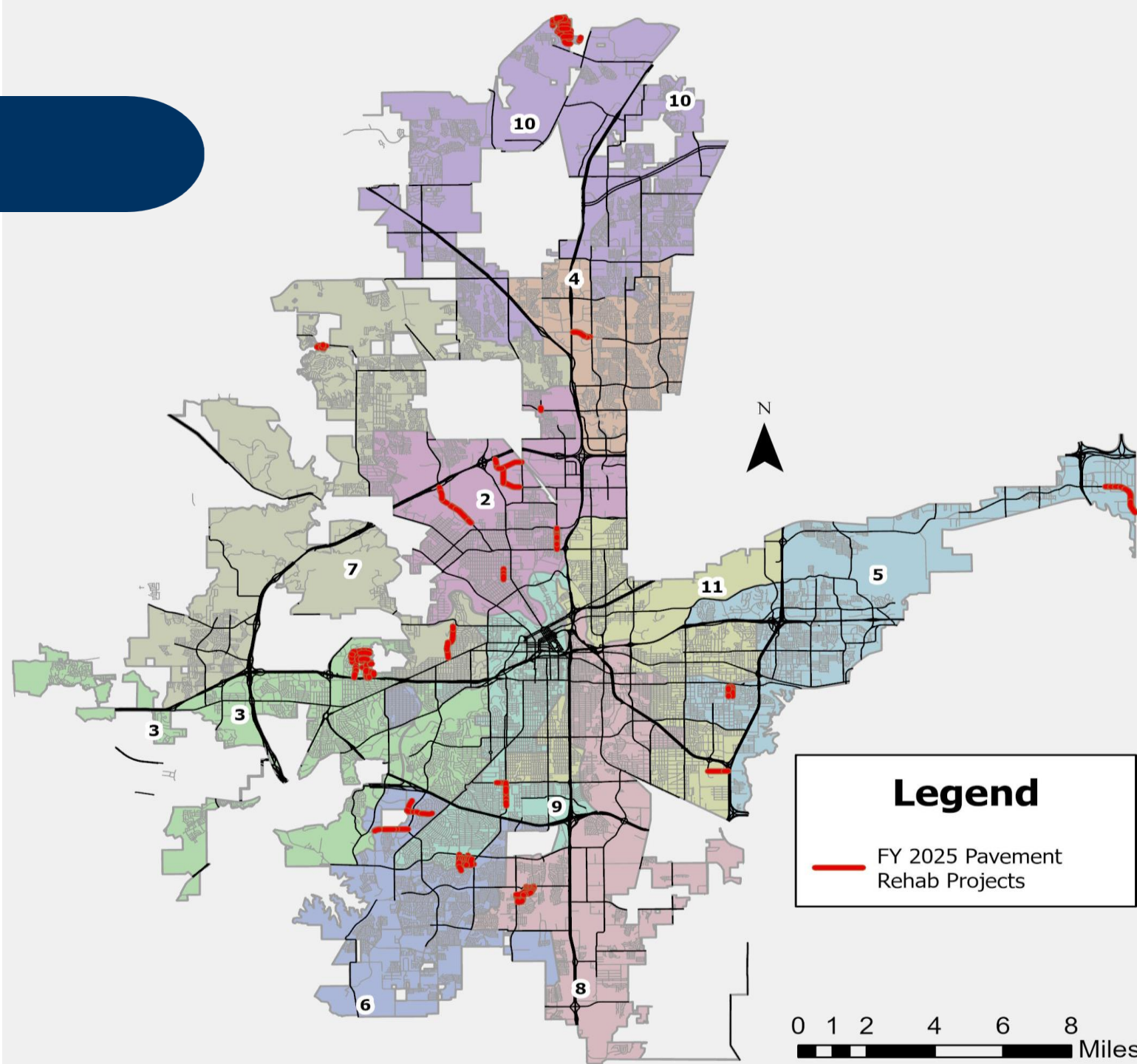
Equivalent to Preventing 1 Minor Roadway Bond Programs Each Year\*

\*Minor Roadways is The Bond Category for End of Lifecycle Reconstructions



# Project Delivery

- FY25 Projects Increased by 33LM
- All FY25 Projects are Under Construction
  - Some Streets are Already Complete





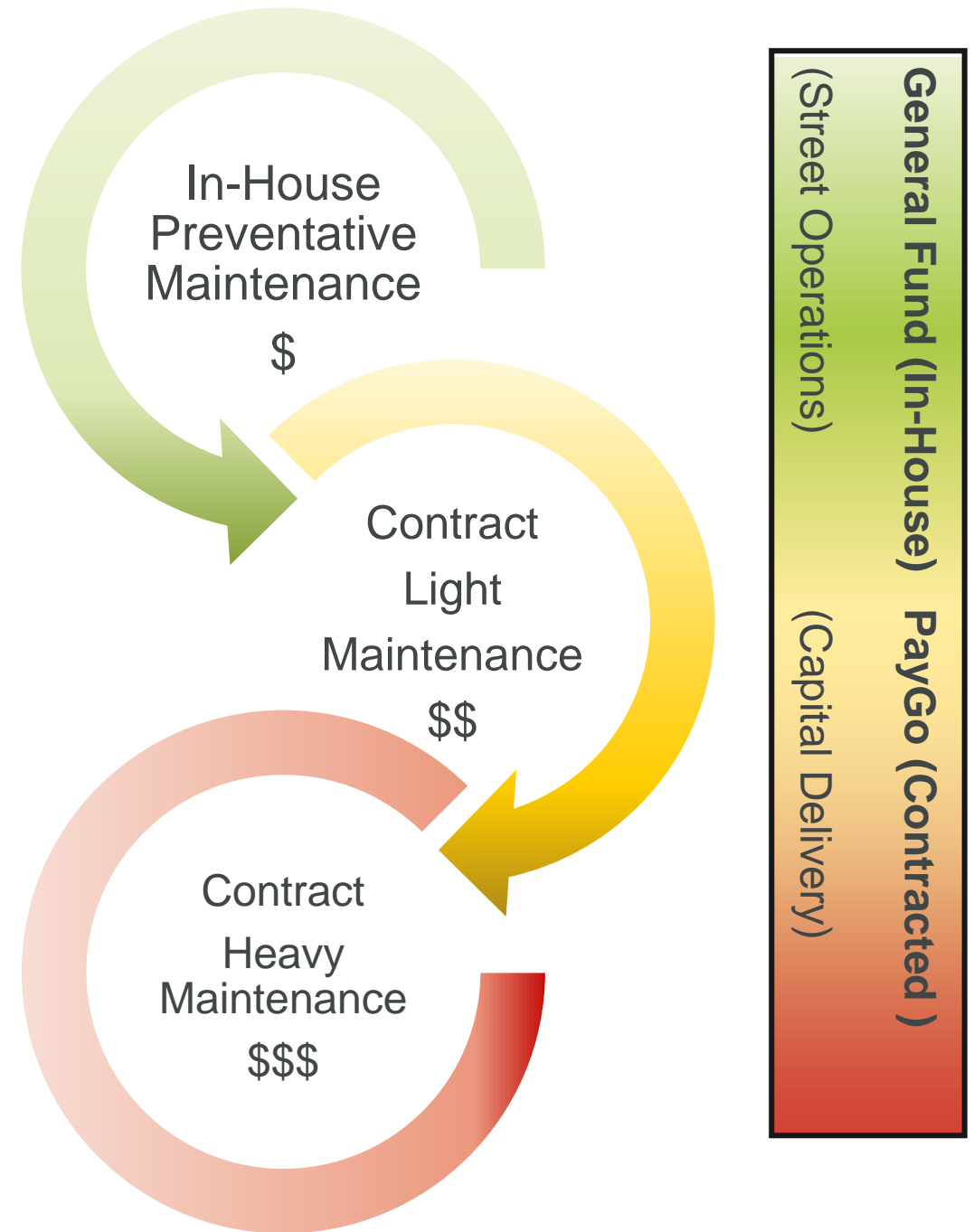


# FY26 Funding

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## Overview

- Remaining Annual Funding Gap is \$55.7M
- Originally Proposed \$20M Increase in FY2026
- Uncertain budget availability Requires Flexible Funding Packages (A La Carte)
- Recommend Funding Both General Fund and PayGo Packages
  - More Cost-Effective
  - Maximizes Longevity



# A La Carte Menu

Optional Packages that could be Funded Based on Budget Availability:

Optional Funding Packages			
Package #1	TxDOT MMA Maintenance	\$4.1M	} <b>PayGo (Contracted )</b> (Capital Delivery)
Package #2	Contracted City Maintenance	\$5.9M	
PayGo Fund Subtotal		\$10M	
Package #3	Concrete Preservation Maintenance	\$2.9M	} <b>General Fund (In-House)</b> (Street Operations)
General Fund Subtotal		\$2.9M	
Total Funding Proposed		\$12.9M	

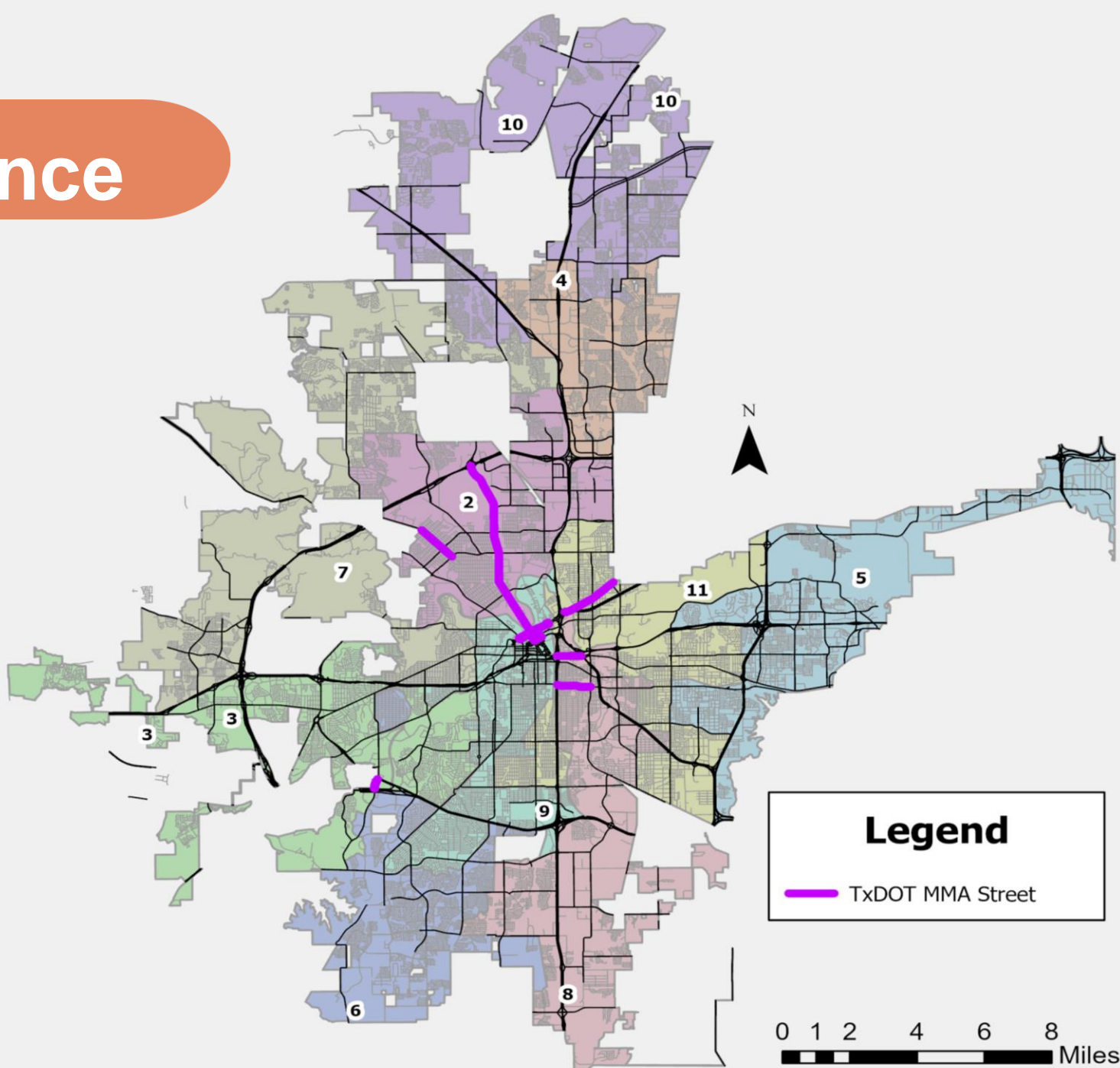
Note: These are Recommended Funding Levels for These Packages, but Packages Can Be Sized to Fit Available Budget.



## TxDOT MMA Maintenance

### TxDOT Municipal Maintenance Agreements (MMA)

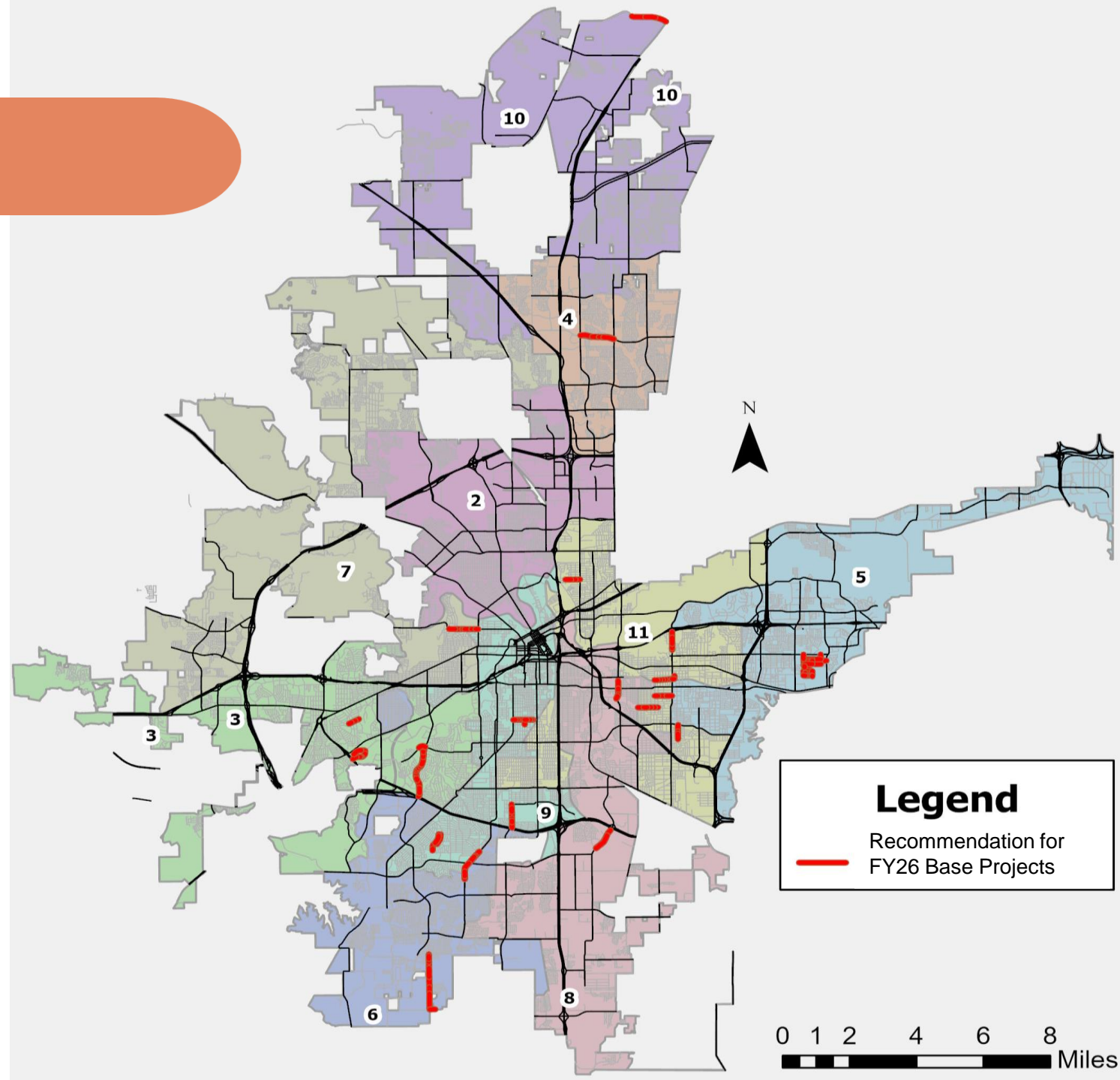
- City Maintains 27 LM ([See Map](#))
- Estimated Need is \$16.8M
- Plan to Fund Over 4 Years
  - Planned Funding
    - FY26 = \$4.1M
    - FY27 = \$5M
    - FY28 = \$3.7M
    - FY29 = \$4.1M



## FY26 Base Projects

### City Prioritizes Vital Segments

- PayGo Contract Maintenance
  - Base Funding Level = \$38.8M
    - Includes the \$10.4M Increase in FY25
  - Base Maintenance Level = 68 LM
    - The Planned 2026 Bond Minor Roadway Category (33LM)
    - The Maintenance Program Prevents the Equivalent of 2 Bond Categories/Year



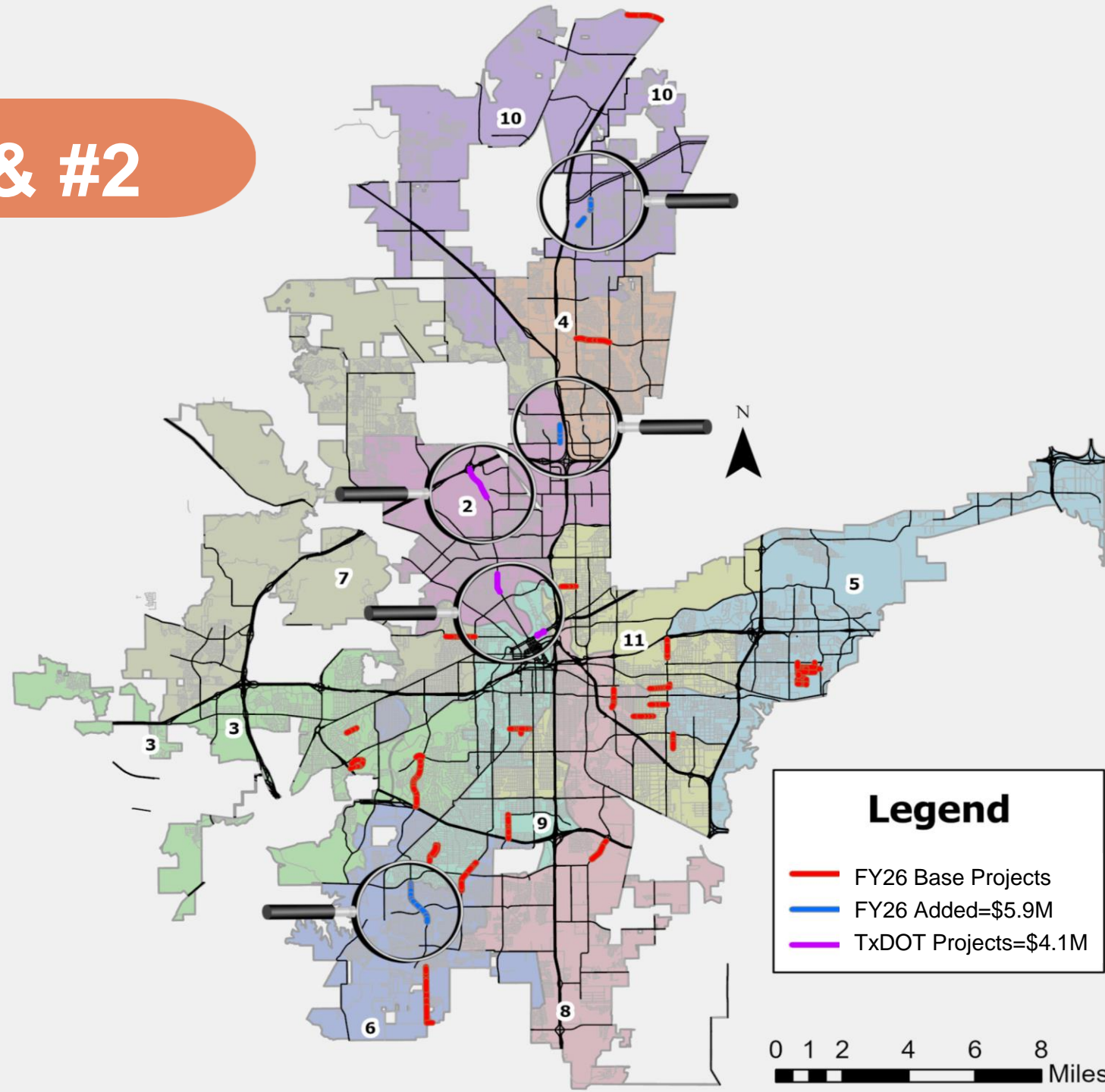


## PayGo Packages

# Contract Packages #1 & #2

PayGo Packages =\$10M

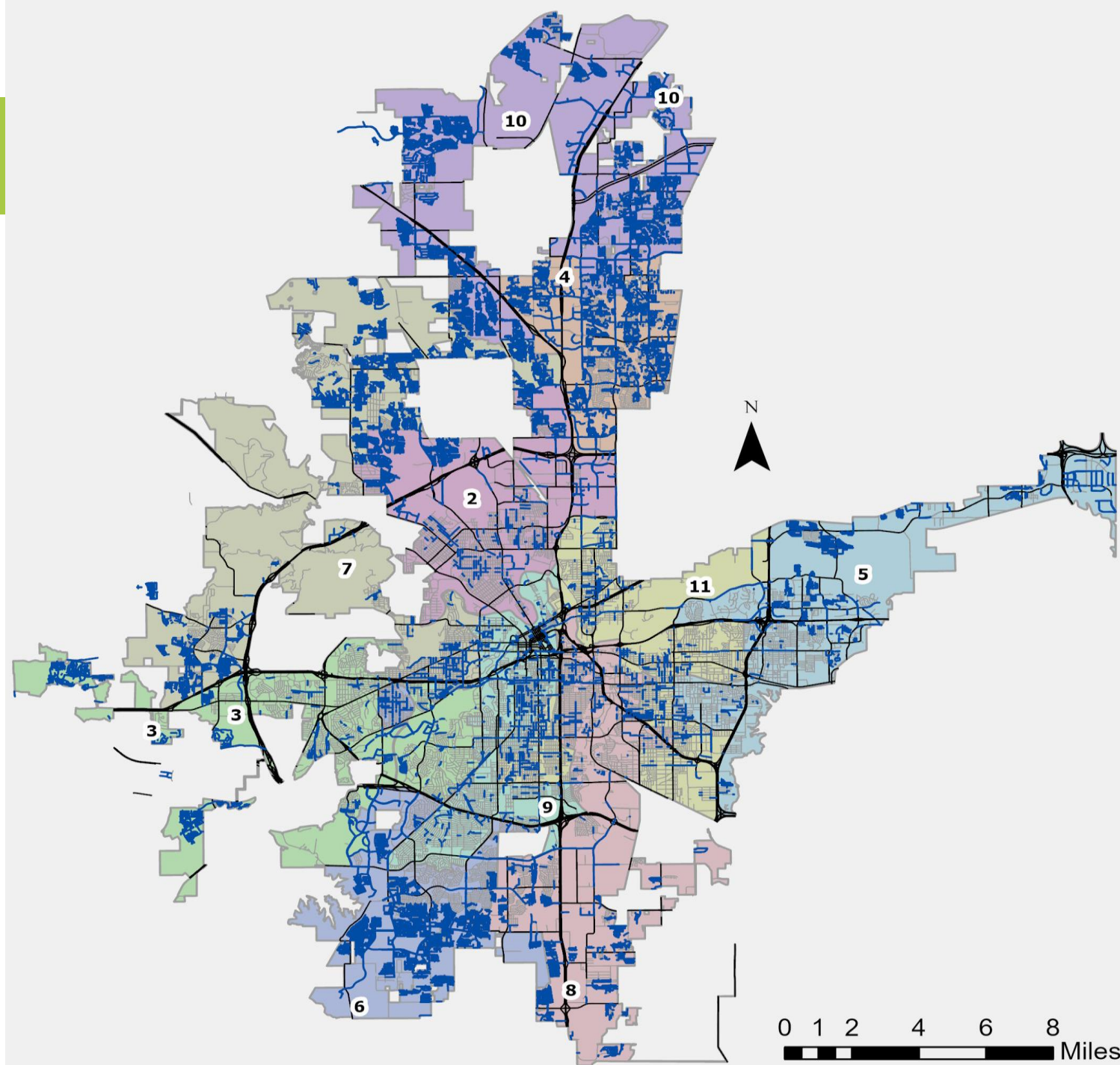
- Package #1 TxDOT MMA = \$4.1M
  - Maintenance Increase = 9LM
- Package #2 PayGo Contracts= \$5.9M
  - Maintenance Increase = 18LM
  - Equivalent to 50% of the 2026 Bond Minor Roadway Category
  - Cost Savings Equivalent to \$44M



# General Fund Package

## In-House Package #3

- Priority is Preserving Concrete Longevity
  - 2,700LM With PCI 80>100
  - Saves \$295,000 per LM
- Package #3 - New Concrete Preservation
  - Grey Crack Sealing – 2 Teams
  - 5-year cycle (500 LM/Year)
  - FY26 Cost=\$2.9M, One-Time \$500K, Reoccurring \$2.4M



# Modified Funding

- Achieves Funding the Gap with 4% Inflation, Includes TxDOT Maintenance Needs, City Contract Maintenance, and In-House Preventative Maintenance.

Funding Packages	FY25	FY26	FY27	FY28	FY29
TxDOT MMA Maintenance	\$0	\$4.1M	\$5M	\$3.7M	\$4.1M
Contracted Maintenance	\$10.4M	\$5.9M	\$11M	\$11M	\$11M
PayGo Fund Subtotal	\$10.4M	\$10M	\$16M	\$14.7M	\$15.1M
Preventative Maintenance (Concrete Crack Seal)	\$0	\$2.9M	\$2.7M	\$2.8M	\$2.8M
General Fund Subtotal	\$0	\$2.9M	\$2.7M	\$2.8M	\$2.8M
Total Annual Additional Funding	\$10.4M	\$12.9M	\$18.7M	\$17.5M	\$17.8M
Cumulative Annual Funding Increase (Funded Gap)	\$10.4M	\$23.3M	\$42.0M	\$59.5M	\$77.3M

Thank You for Your Responsiveness to our Citizen Needs, and Your Fiscal Stewardship by Investing in Street Maintenance!

○ **Questions?**

# FY2026 April Value Estimates





# Forecast Shared April 29

	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>	<b>\$ (2,718,449)</b>	<b>\$ (15,692,246)</b>	<b>\$ (18,770,997)</b>	<b>\$ (21,538,726)</b>	<b>\$ (14,084,418)</b>	<b>\$ (17,632,525)</b>	<b>\$ (10,271,078)</b>
<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%

# April Value Estimates

	Tarrant	Denton	Parker	Wise	Total
<b>FY2025</b>	\$ 113,493,172,050	\$ 7,689,480,147	\$ 738,211,307	\$ 2,172,552	<b>\$ 121,923,036,056</b>
<b>April Estimate</b>	\$ 122,169,281,738	\$ 9,264,635,657	\$ 910,885,551	\$ 4,610,612	<b>\$ 132,349,413,558</b>
<b>Growth %</b>	7.6%	20.5%	23.4%	112.2%	<b>8.6%</b>
<b>New Construction</b>	\$ 2,181,008,196	\$ 279,402,224	\$ 197,780,667	\$ -	<b>\$ 2,658,191,087</b>
<b>New Construction %</b>	1.9%	3.6%	26.8%	0.0%	<b>2.2%</b>
<b>Existing Growth %</b>	5.7%	16.9%	-3.4%	112.2%	<b>* 6.4%</b>

\*State law allows taxing entities to capture 3.5% growth in existing values

# Property Tax Revenue Assumptions

## Delinquent PT Collections

- FY2025 Budget \$2.75M
- Suggested FY2026: \$1.75M

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025 fcst
Delinquent	2.02 M	1.01 M	-0.19 M	1.88 M	-2.27 M	0.00 M

## Penalty and Interest

- FY2025 Budget: \$3.00M
- Suggested FY2026: \$3.50M

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025 fcst
P&I	3.03 M	3.14 M	3.25 M	3.10 M	3.32 M	3.40 M

## Collection Assumption

- Traditional assumption: 98.5%
- **Suggested FY2026: 98.0%**
- 1% collections= \$6M-7M in GF revenue

# Revenue: July Value Forecast

	April Value Estimates		July Forecast
	Flat Tax Rate	3.5% Existing Growth Cap	
Total Value	\$132,349,413,558		\$ 124,928,640,996
Total Property Tax Revenue	\$ 660,236,381	\$ 647,910,602	\$ 622,056,506
Above (Below) Previous Forecast	\$ 25,692,405	\$ 13,366,626	\$ (12,487,470)

- FWLab conservative assumption: 10% more value lost April-July than last year
- July revenue forecast after receiving April values is **\$12.5M below previous expectation**
- **TAD residential growth (new and existing) forecasted to nearly meet or beat expectation**
- **TAD commercial growth (new and existing) lags expectation**

# Updated Long-term Forecast


	2026	2027	2028	2029	2030	2031	2032
<b><u>Fund Performance</u></b>							
Total Revenues	\$1,086,021,100	\$1,124,136,624	\$1,171,588,847	\$1,213,804,221	\$1,267,752,865	\$1,312,690,902	\$1,370,166,942
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>	<b>\$ (15,205,919)</b>	<b>\$ (28,616,777)</b>	<b>\$ (32,341,755)</b>	<b>\$ (35,584,461)</b>	<b>\$ (28,832,439)</b>	<b>\$ (32,896,727)</b>	<b>\$ (26,298,490)</b>
<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	1.46%	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%

# Long-term Forecast: HJR 1

## Business Personal Property

- Equipment, inventory, etc. taxed similarly to real property
- Previously exempt if taxable value <\$2,500

## HJR1

- Increases \$2,500 exemption to \$125,000
  - Effective tax year 2026 (FY2027 budget planning)
  - Expected total property tax revenue loss of \$8M in FY2027
  - \$6.25M in GF or nearly 1%
  - Reflected in LT forecast beginning FY2027
- 

# Long-term Forecast: SB 1008

## Bill Summary

- Limits fees municipalities and other entities can charge food service establishments to maximum fees set by the state
- Prohibits local authorities from requiring additional permits for food service establishments already compliant with state-level certifications

## General Fund Impact

- Environmental Services Department must adjust fees in GF Consumer Health division
  - Estimated revenue loss of \$1.5M
  - Reflected in LT forecast beginning FY2026
- 



# Forecast With Legislative Impact

	2026	2027	2028	2029	2030	2031	2032
<b><u>Fund Performance</u></b>							
Total Revenues	\$1,084,508,070	\$1,116,346,418	\$1,163,415,454	\$1,205,327,496	\$1,258,867,855	\$1,303,491,227	\$1,360,530,951
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>	\$ (16,718,949)	\$ (36,406,983)	\$ (40,515,148)	\$ (44,061,186)	\$ (37,717,449)	\$ (42,096,402)	\$ (35,934,481)
<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	1.46%	2.50%	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%

# FY2026 Revenue Budget: Key Dates

**May - June:** Monthly updates to taxable 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

