

Budget Work Session

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 | % |
| Operating Funds | | | | | |
| General Fund | \$1,013,812,390 | \$1,025,115,715 | \$1,057,180,930 | \$43,368,540 | 4.3% |
| Debt Service Funds | 320,255,259 | 432,060,103 | 344,420,497 | 24,165,238 | 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 | 248,673,155 | 246,642,849 | 25,860,960 | 11.7% |
| Fiduciary Funds | 35,495,700 | 35,995,700 | 35,964,317 | 468,617 | 1.3% |
| Total Operating Funds | \$2,599,514,815 | \$2,806,283,599 | \$2,789,108,597 | \$189,593,782 | 7.3% |

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 |
| Total Additional Cost | \$6.2M |

How Requests were Funded

Total Additional Cost \$6.2M

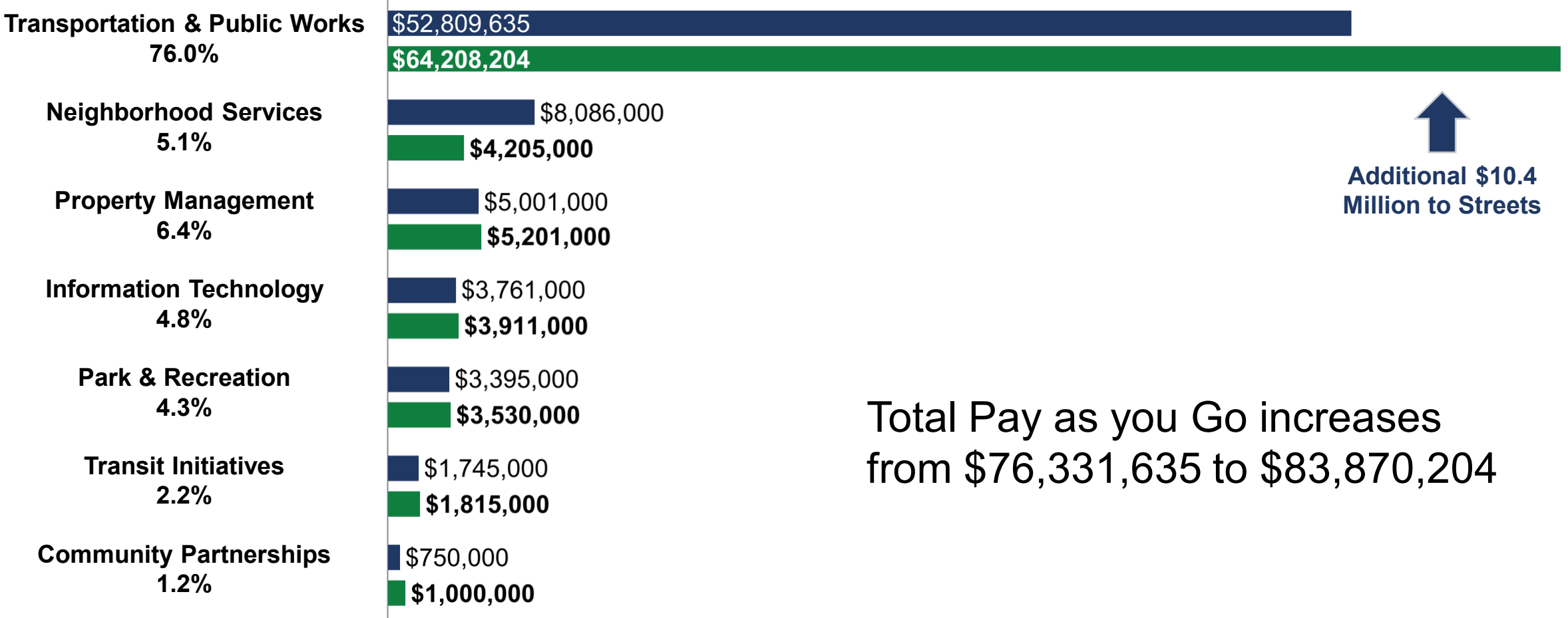
| | Recommendation | Reduction |
|---|---|---------------|
| 1 | Eliminate 10-15 additional long term vacancies | (\$1M) |
| 2 | Reduce Vehicle and Equipment Replacement Funding | (\$1M) |
| 3 | Increase Salary Savings by reducing Non-Departmental Contingency | (\$1M) |
| 4 | Adjust PayGo from 7.5 cents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

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 |
| Total | \$ 814,032,783 | \$ 1,489,542,725 | \$ 542,243,569 | \$ 473,138,748 | \$ 480,469,094 | \$ 3,799,426,919 |



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

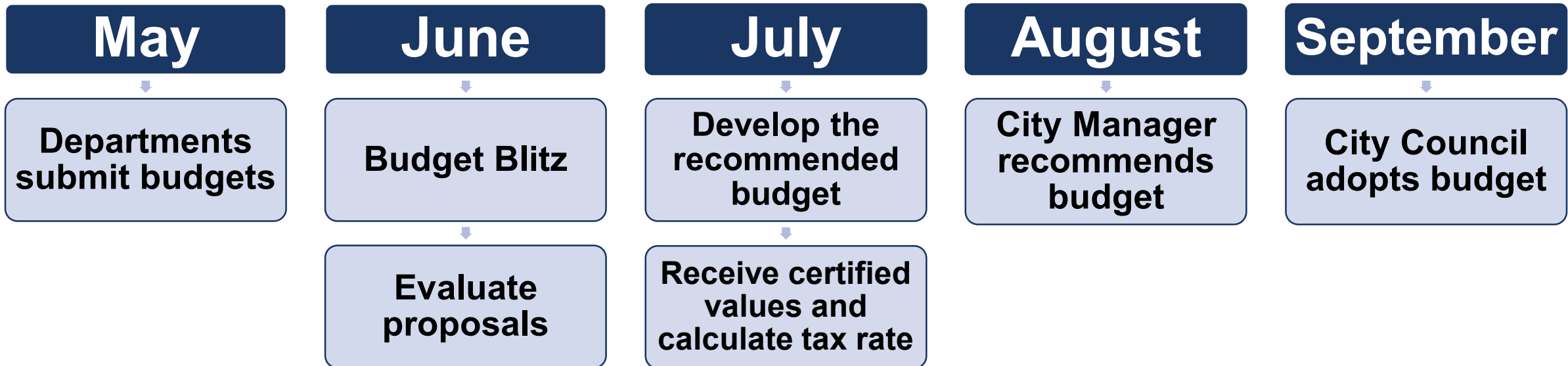
April

Budget Kickoff

Budget
Development
Begins



Budget Calendar



Budget Calendar

February

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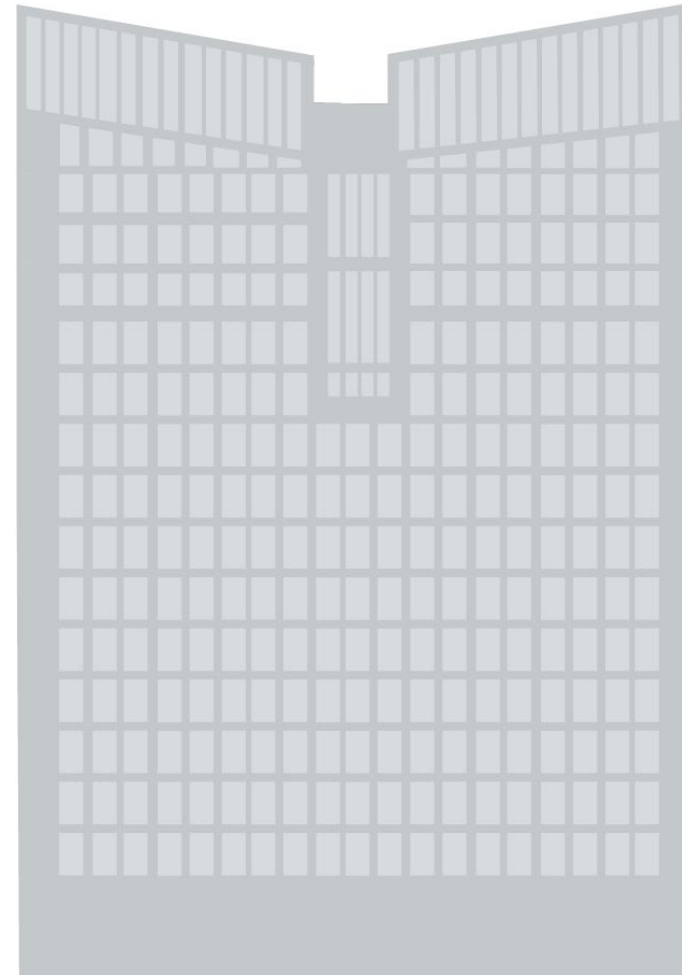
Budget
Development
Begins



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

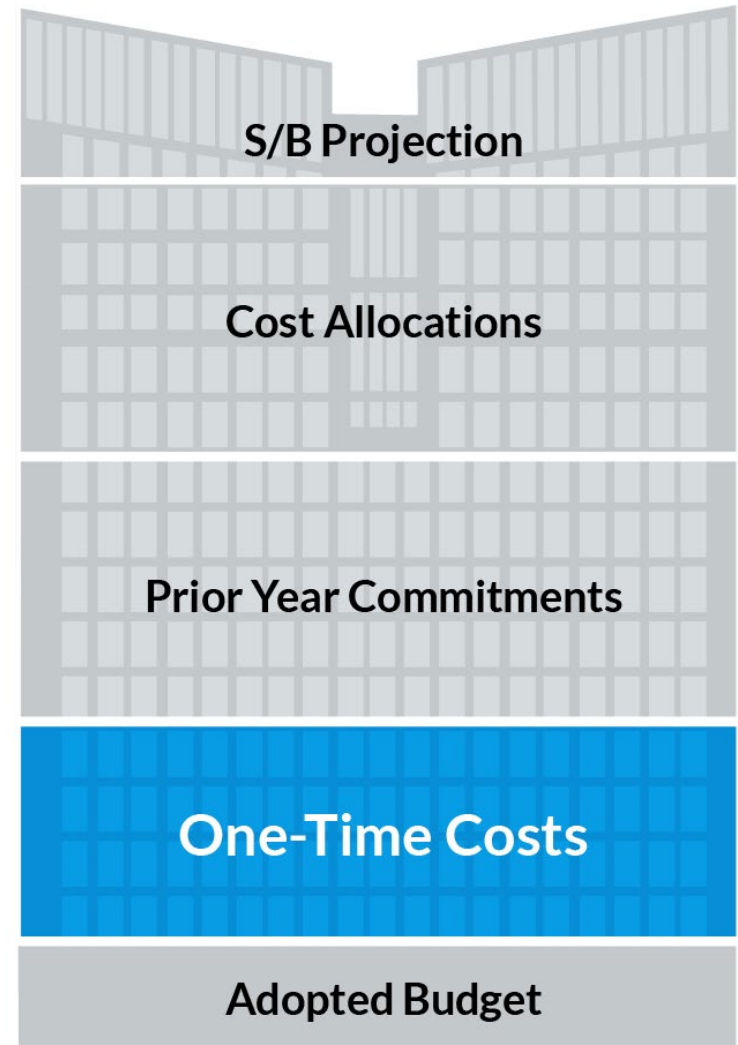
The prior-year Adopted Budget is the starting point for every operating department and fund each new fiscal year.



Layer 2: Prior Year One-Time Costs

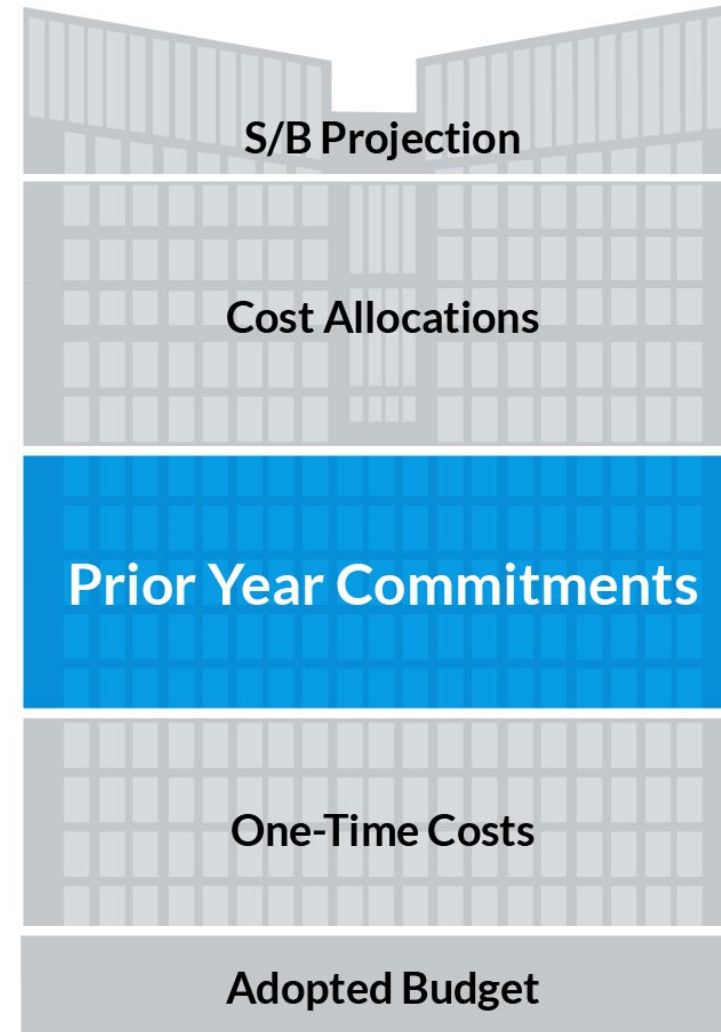
One-Time Costs are expenses that were incurred in the prior year that do not require more funding in the new fiscal year.

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

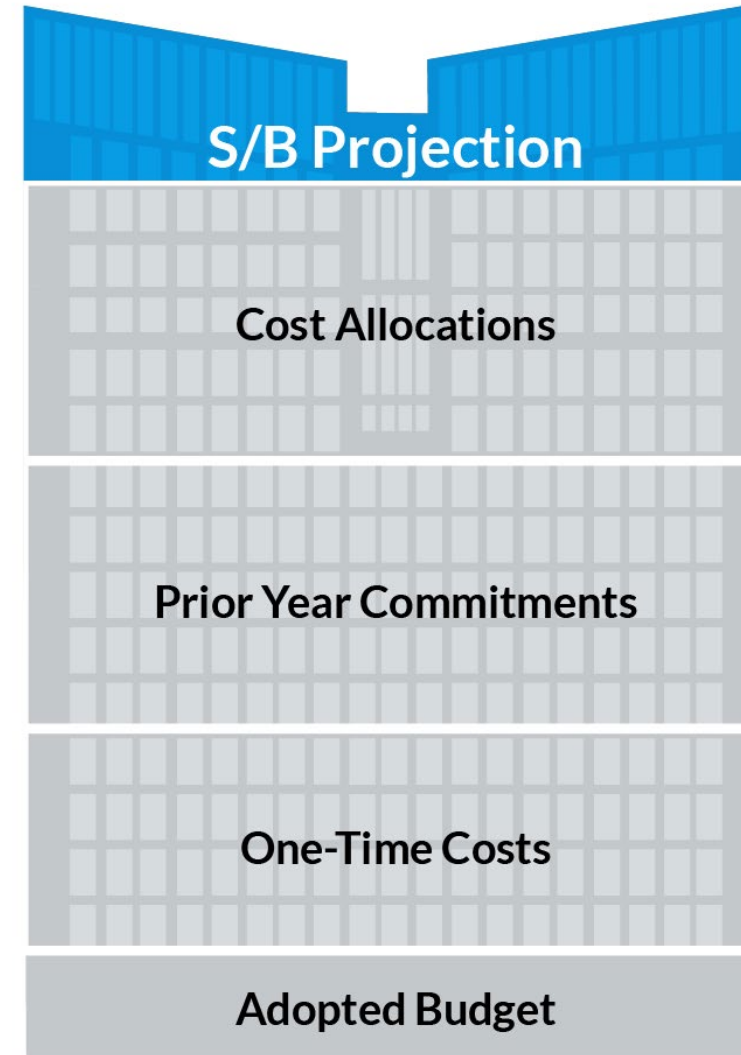
This includes IT services, fleet costs and risk management costs

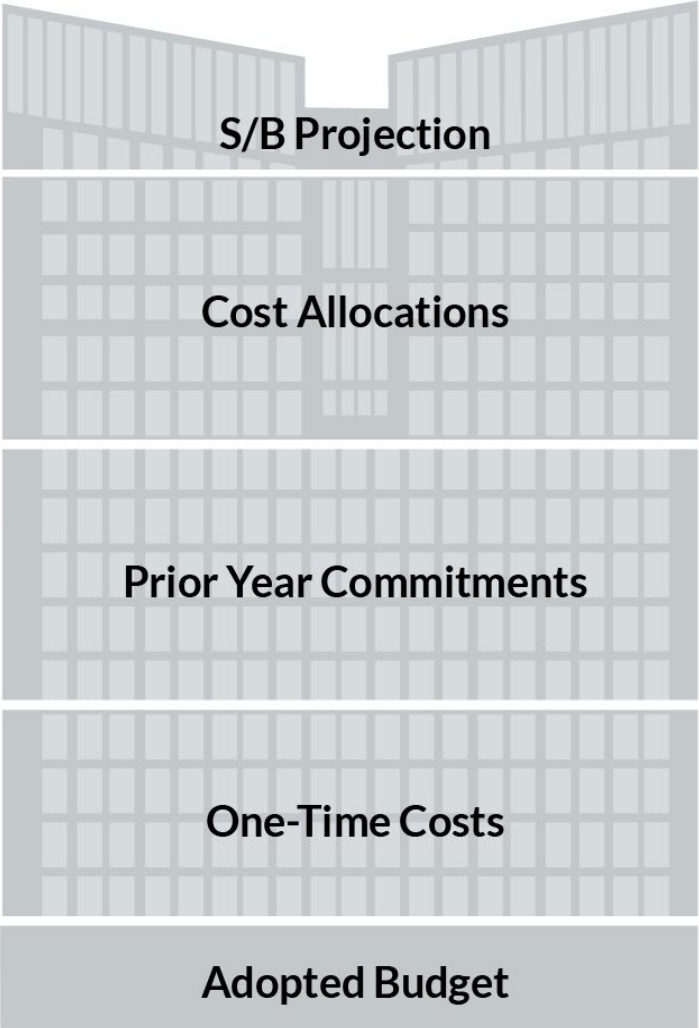


Layer 5: Salary & Benefit Projections

Salary & Benefit increases are added to the target budgets.

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





= Target Budget



General Fund Target Summary

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

| | |
|--------------------------|-------------------|
| Amount Difference | 40,242,151 |
| Percent Growth | 3.81% |

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

FY26 General Fund Target Reductions

1% General Fund Target Reduction

| Department | ¹ 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) |
| Total | 923,791,085 | 1.00% | (7,564,374) |

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

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 % |
| Total | 1,057,175,646 | 1,062,543,874 | 852,798,174 | 1,055,965,123 | (6,578,751) | (0.62)% |

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 |
|------------------------------|------------------------------|-----------------------------|------------------------------|
| Assumption for Budget | \$ 155,936,572,617.00 | \$ 40,205,930,492.50 | \$ 115,730,642,124.50 |
| Start | \$ 152,437,805,504.00 | \$ 39,263,268,353.00 | \$ 113,174,537,151.00 |
| 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 | — | — % |
| Total | 1,057,175,646 | 1,074,485,445 | 426,736,955 | 1,062,594,851 | 11,890,595 | 1.11 % |

Recap: 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)

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 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>Fund Performance</u> | | | | | | | |
| 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 |
| Surplus (Deficit) | \$ (2,718,449) | \$ (15,692,246) | \$ (18,770,997) | \$ (21,538,726) | \$ (14,084,418) | \$ (17,632,525) | \$ (10,271,078) |

| | | | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Major Revenue Growth</u> | | | | | | | |
| <u>Assumptions</u> | 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% |

*TAD biennial reappraisals begin in FY2028



Balanced Through FY2027

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>Fund Performance</u> | | | | | | | |
| 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 |
| Surplus (Deficit) | \$ - | \$ - | \$ (2,340,595) | \$ (4,451,109) | \$ 3,686,704 | \$ 849,442 | \$ 8,950,168 |

| <u>Major Revenue Growth Assumptions</u> | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| | 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