BUDGET RESPONSE TO CITY COUNCIL MEMBERS

No. 27-017

To the Mayor and Members of the City Council

August 18, 2026

SUBJECT: Long-term Forecast Update

The purpose of this budget response is to provide an updated General Fund long-term forecast after the receipt of tax year 2026 certified property values and development of the City Manager's proposed FY2027 budget.

Long-term Forecast Overview

The long-term forecast provides the expected net cost of current City services and commitments for the current fiscal year and seven years beyond. The forecast is performed for individual City funds considers two high-level assumptions:

- How revenues and costs will increase at the level of each major budget category (salaries and benefits, property tax revenue, charge for service revenue, etc.) in each of the next seven years

- What future services or one-time costs the City has committed to beyond current service levels

An example of a budget growth assumption is 4% annual growth for salaries and benefits to align with the City's goal of 4% pay-for-performance increases for general employees. An example of a future commitment is adding a group of employees to staff a new City facility which will be built in a future year.

The City has a legal and pragmatic duty to adopt a balanced budget every year and commits to doing so. However, in order to illustrate the extent to which management and policy decisions will be needed to show budget gaps – or available surplus – the long-term forecast displays the expected net cost of services under current conditions, including any budget deficits or surpluses which could result.

Updated Long-term Forecast: FY2028-FY2034

The following shows the long-term forecast for the General Fund as it is set to grow from the proposed FY2027 budget. The single-year budget surplus (deficit) is the expected available funding (deficit to close) for new initiatives after balancing the previous year's budget.

	FY2026 M9 Projection	FY2027 Proposed Budget	FY2028 Long-term Forecast	FY2029 Long-term Forecast	FY2030 Long-term Forecast	FY2031 Long-term Forecast	FY2032 Long-term Forecast	FY2033 Long-term Forecast	FY2034 Long-term Forecast
Total Revenue	$1,096,297,466	$ 1,156,233,728	$1,204,832,043	$ 1,224,159,594	$ 1,270,219,465	$ 1,291,077,907	$1,339,699,605	$ 1,362,212,651	$ 1,415,549,870
Total Expense	$ 1,117,583,453	$ 1,156,233,728	$ 1,208,313,724	$ 1,253,929,037	$ 1,294,717,361	$1,343,902,484	$1,394,976,904	$ 1,448,013,851	$ 1,503,089,412
Budget Surplus (Deficit)	**$ (21,285,987)**	**$ -**	**$ (3,481,681)**	**$ (29,769,443)**	**$ (24,497,896)**	**$ (52,824,577)**	**$ (55,277,300)**	**$ (85,801,200)**	**$ (87,539,543)**
Single-year Budget Surplus (Deficit)			**$ (3,481,681)**	**$ (26,287,763)**	**$ 5,271,547**	**$ (28,326,680)**	**$ (2,452,723)**	**$ (30,523,901)**	**$ (1,738,342)**

Key Growth Assumptions

Growth assumptions have the largest impact on future costs and revenues. Assumptions for the largest expense and revenue categories are:

- Salaries and benefits: All personnel costs are projected to grow at 4% in FY2028 and beyond

- Operations and maintenance: Operating costs are projected to grow at 3% annually. Departments are not typically granted base budget increases for operating costs, but this growth accounts for some contracts which may have scheduled increases and internal cost allocation growth over which General Fund departments have no control

- Property tax: Beginning in 2027, and for the first time since 2024, Tarrant Appraisal District (which appraises over 90% of City property) is scheduled to reappraise residential property every other year. The long-term forecast assumes property tax revenue will growth at alternating rates of 4% (even fiscal years) and 0% (odd fiscal years)

- Sales tax revenue has grown at an average rate of 4% over the past ten fiscal years (excluding three years of 12% average growth during the COVID-19 lockdown recovery period), and is projected to continue growing at 4% annually

Future Commitments

Only a few future commitments are included in the above forecast. Other than these commitments, the forecast assumes *no growth in service levels*, i.e. that there will be no new positions, programs, or capital spending beyond what is included in the recently passed bond program and PAYGo capital growth. Future commitments and forecast adjustments are:

- Non-recurring restoration of Health Fund reserves: Transfers of $6.6M in FY2028 and FY2029 to restore the Health Fund reserves to the required level after fixing recurring structural problems in the FY2027 budget

- Final FY2022 bond program operating impacts: Staffing and maintenance for the MLK Community Center for a recurring total of $1.6M beginning in FY2028

- Expiration of circuit breaker cap: $5.1M projected property tax revenue increase in FY2028 assuming the 20% annual appraisal growth cap on non-homestead properties is not renewed

SUBJECT: Long-term Forecast Update

Forecast Uncertainty

The long-term forecast is City staff's best possible estimate, given current information. Changes to some circumstances could create materially different outcomes:

- Property tax appraisals: Recent years have shown property value growth can be very difficult to estimate, especially under Tarrant Appraisal District's reappraisal plan. Challenges include predicting protest volume and average success, interpreting trends in midyear litigation and arbitration, how such midyear losses could impact future appraisals, and how different interest rate environments may impact property values. Small changes in property tax growth rates, especially held constant over seven years, would fundamentally change the outlook for the General Fund budget

- Repeal of circuit breaker cap: If the circuit breaker cap is renewed during the 2027 Texas State Legislative Session, the FY2028 $5.1M revenue gain mentioned above will not be realized

- Labor contracts: No additional amount is forecasted for City labor agreements, though all salaries and benefits costs are projected to grow at 4% annually. If labor contracts offer increases at higher or lower rates, that would increase or decrease future deficits

- Operating impact of bond programs: As bond-funded projects are delivered, many require new staffing and operating budgets for utilities, supplies, etc. These costs have not yet been estimated for projects funded by the 2026 bond program, which will be delivered in the coming years, nor are there any forecasted costs for future bond programs

If you have questions concerning this information, please contact Brady Kirk, FWLab Assistant Director, at 817-392-8712.

Jesus "Jay" Chapa
City Manager