



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Christine Taylor

DATE: May 15, 2025

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the current fiscal year budget and preliminary FY 2025-26 impacts.

BACKGROUND

The purpose of this work session is to provide the City Council with a mid-year financial update regarding the current fiscal year and the preliminary FY 2025-26 budget outlook for the General Fund.

The General Fund is forecasted to end the current fiscal year with a net operating deficit, primarily attributable to revenue shortfalls and increased expenditures. Current forecasts estimate the year-end deficit to range between \$2 million and \$8 million, with \$6.3 million being the average forecasted year-end loss as of the close of March. In response, staff is proactively taking steps to close the funding gap. These steps include:

- Implementing a managed vacancy program.
- Reducing discretionary operational spending.
- Evaluating existing and future transfers between funds.

Additionally, for the FY 2025-26 budget, staff is currently anticipating declining revenue growth, including slowing of property and sales tax growth. Expenditures are expected to continue to increase due to inflation and rising personnel costs, creating a budgetary gap. Staff have implemented a zero-based budgeting approach, a budgeting technique in which budgets start from zero, versus starting with the previous budget and adjusting it as needed. Through this approach departments are in the process of identifying discretionary spending reductions and ensuring every dollar is justified. It is estimated a 3% reduction in discretionary spending, zero based-budgeting, and a review of capital expenditures will substantially close the anticipated FY 2025-26 budget deficit.

EXHIBITS

1. Agenda Information Sheet
2. Presentation

Respectfully submitted:
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