

# FY 2026-27 Preliminary Utility Budgets and Rates

*Understanding Today's Budget  
and Preparing for Tomorrow*

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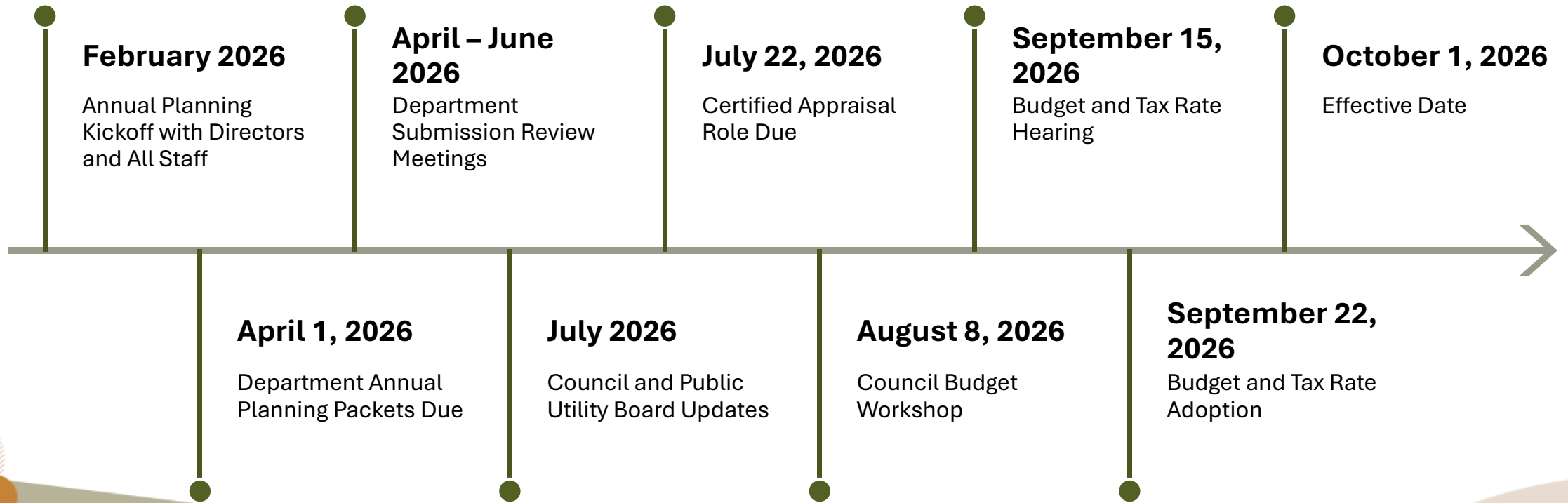


# Agenda

- **Budget Calendar**
- **Budget Development**
- **How the Budget Works**
- **2026-27 Preliminary Utility Rates & Budgets**
  - **Electric**
  - **Customer Service**
  - **Water**
  - **Wastewater**
  - **Drainage**
  - **Solid Waste**
- **Next Steps**

# FY 2026-27 Budget Development

## *Annual Planning Calendar*



# How the Budget Works

## *What the Utility Funds Supports*

**80,350**

Utility Customer Accounts  
4% ↑ from 2024

**225,111**

Utility Customer Calls  
Received  
2% ↑ from 2024

**979**

Miles of Electric  
Distribution Lines  
2% ↑ from 2024

**1,677,120**

MWh of Electricity Sold  
On Par with 2024

**1,140**

Water Valves Exercised  
49% ↑ from 2024

**7,335,373**

Gallons of Water Billed  
3% ↓ from 2024

**614,057**

Feet of Wastewater  
Infrastructure Inspected  
186% ↓ from 2024

**1,921**

Manholes Inspected  
12% ↓ from 2024

**5,296,969**

Gallons of Wastewater  
Billed  
1% ↑ from 2024

**15,774**

Feet of Concrete Channels  
Cleaned  
24% ↑ from 2024

**405,333**

Tonnage Accepted at the  
Landfill  
18% ↑ from 2024

**111,590**

Weigh Station  
Transactions  
10% ↑ from 2024

**55,375**

Tons Residential Waste  
Collected  
2% ↑ from 2024

**129,495**

Tons Commercial Waste  
Collected  
7% ↓ from 2024

**4,451**

Home Chemical  
Collection Customers  
4% ↑ from 2024

# Electric

## Overview

- About
  - The Electric Fund is an enterprise fund for Denton Municipal Electric's (DME) operations, maintenance, and debt service to provide electric utility services in the City of Denton.
- Financial Assumptions
  - 3% base rate increase (effectively 1.5% increase)
  - Energy Cost Adjustment (ECA) and Transmission Cost Recovery Factor (TCRF) are pass through charges reviewed and adjusted quarterly.
  - Revenue Projections:
    - \$ 514,901,400
  - Expense Projections:
    - \$ 498,731,666
- Major Changes in Budget
  - Overall reduction of 2.8% in expenditures.
  - Creation of new Electric Planning & Inspections Division
    - Existing personnel and resources will be moved under the new Home Business Unit (HBU) to align position responsibilities with funding used to perform those operations.

# Electric

## Proforma

	2024-25 ACTUALS	2025-26 MOD BUDGET	2025-26 EOY ESTIMATE	2026-27 BUDGET	FY 2027-28 Projected	FY 2028-29 Projected	FY 2029-30 Projected	FY 2030-31 Projected
<b>Beginning Fund Balance</b>	\$ 123,467,546	\$ 110,368,104	\$ 148,716,335	\$ 146,330,784	\$ 162,500,517	\$ 193,244,613	\$ 236,407,533	\$ 281,461,038
<b>Rate Revenues</b>								
Base Rate Revenue	\$ 112,237,946	\$ 139,864,728	\$ 113,476,209	\$ 147,327,947	\$ 169,361,607	\$ 181,206,647	\$ 190,068,757	\$ 198,048,617
TCRF Revenue	27,250,700	51,111,143	27,951,071	41,054,643	57,094,804	65,957,675	67,511,977	68,862,216
ECA Revenue	57,176,711	233,486,207	90,966,474	238,309,435	287,602,895	291,681,934	331,750,425	358,619,623
<b>Non-rate Revenue</b>	48,527,649	36,478,497	36,345,823	34,521,816	34,493,625	35,494,587	36,525,578	37,587,499
DEC Revenue	21,990,498	65,690,445	41,804,028	53,687,558	60,572,211	66,347,342	65,004,041	71,601,559
<b>Total Revenue</b>	\$ 267,183,504	\$ 526,631,020	\$ 310,543,605	\$ 514,901,400	\$ 609,125,142	\$ 640,688,184	\$ 690,860,779	\$ 734,719,514
<b>Purchased Power</b>	\$ 77,860,647	\$ 287,689,067	\$ 125,635,504	\$ 278,774,040	\$ 331,871,891	\$ 341,396,418	\$ 378,340,355	\$ 410,542,105
Transmission of Power	28,106,539	45,695,176	27,464,934	36,646,961	51,090,773	59,068,422	60,461,636	61,670,868
Personnel Services	24,496,835	29,473,911	24,893,119	29,681,678	30,721,251	31,792,011	32,894,894	34,030,864
Materials & Supplies	1,902,691	2,584,103	2,147,354	2,430,982	2,503,911	2,579,029	2,656,400	2,736,092
Maintenance & Repair	1,755,342	1,708,161	1,750,651	1,871,082	1,927,214	1,985,031	2,044,582	2,105,919
Insurance	1,779,695	2,081,278	2,081,277	2,109,795	2,173,089	2,238,282	2,305,430	2,374,593
Administrative Cost	22,889,347	34,480,289	24,251,650	34,737,152	40,911,663	43,045,429	46,309,601	49,210,398
Miscellaneous	1,348,599	1,031,615	1,466,876	1,524,615	1,569,603	1,615,942	1,663,670	1,712,830
Operations	8,158,662	12,009,467	9,838,853	13,786,033	14,192,018	14,610,183	15,040,892	15,484,523
Debt Service Transfers	75,129,629	71,913,275	72,483,048	75,163,503	78,558,632	75,728,356	80,034,666	83,654,095
Interfund Transfers	18,209,263	19,340,890	19,340,890	18,505,826	19,061,001	19,632,831	20,221,815	20,828,470
Transfers to Capital Projects	2,178,517	1,575,000	1,575,000	3,500,000	3,800,000	3,833,333	3,833,333	3,833,333
<b>Total Expenditures</b>	\$ 263,815,765	\$ 509,582,232	\$ 312,929,156	\$ 498,731,666	\$ 578,381,046	\$ 597,525,265	\$ 645,807,274	\$ 688,184,088
<b>Ending Fund Balance</b>	\$ 126,835,286	\$ 127,416,892	\$ 146,330,784	\$ 162,500,517	\$ 193,244,613	\$ 236,407,533	\$ 281,461,038	\$ 327,996,465
<b>Change in Fund Balance (Use of Reserves)</b>	\$ 3,367,740	\$ 17,048,788	\$ (2,385,551)	\$ 16,169,733	\$ 30,744,096	\$ 43,162,920	\$ 45,053,505	\$ 46,535,427
<b>Base Rate increases</b>				3.0%	7.0%	7.0%	4.0%	3.0%
Working Capital (8%) & Op Reserves (>38%)	\$ 121,355,252	\$ 234,407,827	\$ 143,947,412	\$ 229,416,567	\$ 266,055,281	\$ 274,861,622	\$ 297,071,346	\$ 316,564,680
Working Capital (8%) & Op Reserves (>61%)	\$ 182,032,878	\$ 351,611,740	\$ 215,921,117	\$ 344,124,850	\$ 399,082,922	\$ 412,292,433	\$ 445,607,019	\$ 474,847,020
<b>Ending Fund Balance Minimum Target Met</b>	YES	NO	YES	NO	NO	NO	NO	YES
Debt Service Coverage Ratio (DSCR)	1.38	1.74	1.32	1.72	1.96	2.19	2.19	2.19

# Electric

## 5-Year Capital Improvement Program

Projects (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
DISTRIBUTION SUBSTATIONS	\$ 7,250	\$ 3,850	\$ 5,200	\$ 4,600	\$ 350	\$ 21,250
DISTRIBUTION TRANSFORMERS	17,000	12,000	12,000	12,000	12,000	65,000
DME - PRODUCTION PLANT	-	7,900	833	7,433	4,833	21,000
ELECTRIC - RELOCATIONS	5,500	5,500	1,500	1,500	1,500	15,500
FEEDER EXTENSIONS & IMPROVEMENTS	12,875	12,210	10,146	10,434	9,424	55,089
METERING OPERATIONS	1,940	1,931	20,853	20,833	864	46,421
NEW RESIDENTIAL & COMMERCIAL	9,450	9,553	9,670	9,789	9,908	48,369
POWER FACTOR IMPROVEMENT	250	200	200	200	200	1,050
STREET LIGHTING	695	695	495	495	295	2,675
TECHNOLOGY - SOFTWARE/HARDWARE	2,400	1,700	2,750	4,750	1,250	12,850
TRANSMISSION LINES	1,020	2,300	13,750	15,590	13,900	46,560
TRANSMISSION SUBSTATIONS	4,610	3,580	7,780	7,530	1,330	24,830
VEHICLES	3,000	3,000	3,000	3,000	3,000	15,000
BUILDING CONSTRUCTION	2,000	-	-	-	-	2,000
<b>TOTAL</b>	<b>\$ 67,990</b>	<b>\$ 64,418</b>	<b>\$ 88,178</b>	<b>\$ 98,154</b>	<b>\$ 58,854</b>	<b>\$ 377,595</b>

Funding Source	FY 2028	FY 2029	FY 2030	FY 2031	Total
Debt	\$ 59,490	\$ 55,618	\$ 81,595	\$ 39,671	\$ 315,855
Revenue	3,500	3,800	3,833	3,833	18,800
Cost Participation	5,000	5,000	2,750	15,350	42,940
<b>TOTAL</b>	<b>\$ 67,990</b>	<b>\$ 64,418</b>	<b>\$ 88,178</b>	<b>\$ 58,854</b>	<b>\$ 377,595</b>

# Customer Service

- About
  - Provides utility billing support and processing
  - Operates Denton 311, a user friendly 24/7 connection to City services to efficiently report concerns and request response by City departments
- Major Changes in Budget
  - A credit card processing fee will be implemented October 1, 2026.
    - A percentage for all online payments for all residential and commercial customer.
    - Implementing the fee results in a \$1 million savings to the department.

# Customer Service

	2024-25 ACTUALS	2025-26 BUDGET	2025-26 EOY ESTIMATE	2026-2027 PROPOSED	FY 2027-28 Projected	FY 2028-29 Projected	FY 2029-30 Projected	FY 2030-31 Projected
<b>Beginning Fund Balance</b>	<b>\$ 550,280</b>	<b>\$ 439,317</b>	<b>\$ 613,892</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>
Other Revenue	\$ 572,680	\$ 397,198	\$ 552,172	\$ 484,496	\$ 494,123	\$ 508,990	\$ 519,106	\$ 534,783
Cost of Service - General Fund	763,742	749,409	749,409	358,652	369,412	380,494	391,909	403,666
Cost of Service - Electric	4,557,711	5,551,134	5,551,134	4,448,638	4,582,097	4,719,560	4,861,147	5,006,981
Cost of Service - Water	1,516,916	1,793,762	1,793,762	1,317,274	1,356,792	1,397,496	1,439,421	1,482,603
Cost of Service - Wastewater	1,693,106	1,202,726	1,202,726	1,143,152	1,177,447	1,212,770	1,249,153	1,286,628
Cost of Service - Drainage	-	533,653	533,653	498,709	513,670	529,080	544,953	561,301
Cost of Service - Solid Waste	1,905,484	1,519,476	1,519,476	1,678,768	1,729,131	1,781,005	1,834,435	1,889,468
Cost of Service - Streets	69,525	92,960	92,960	-	-	-	-	-
Cost of Service - Airport	9,131	12,621	12,621	7,574	7,801	8,035	8,276	8,525
Cost of Service - Fleet Svcs	6,002	8,035	8,035	3,782	3,895	4,012	4,133	4,257
Cost of Service - Tech Svcs	-	1,146	1,146	946	974	1,004	1,034	1,065
Cost of Service - Engineering	5,648	11,478	11,478	5,678	5,848	6,024	6,205	6,391
<b>Total Revenue</b>	<b>\$ 11,099,945</b>	<b>\$ 11,873,598</b>	<b>\$ 12,028,572</b>	<b>\$ 9,947,669</b>	<b>\$ 10,241,192</b>	<b>\$ 10,548,470</b>	<b>\$ 10,859,770</b>	<b>\$ 11,185,667</b>
Personnel Services	\$ 5,414,047	\$ 5,950,996	\$ 5,950,996	\$ 6,214,778	\$ 6,401,221	\$ 6,593,258	\$ 6,791,056	\$ 6,994,787
Materials & Supplies	461,343	408,995	408,995	416,130	428,614	441,472	454,716	468,358
Insurance	82,401	108,340	108,340	108,938	112,206	115,572	119,039	122,611
Miscellaneous	-	2,310	2,310	4,270	4,398	4,530	4,666	4,806
Operations	3,302,376	3,502,964	3,502,964	1,811,373	1,865,714	1,921,686	1,979,336	2,038,716
Transfers	1,697,641	1,819,818	1,819,818	1,311,930	1,351,288	1,391,827	1,433,581	1,476,589
Debt Service Transfers	78,525	77,175	77,175	80,250	77,750	80,125	77,375	79,800
<b>Total Expenditures</b>	<b>\$ 11,036,333</b>	<b>\$ 11,870,598</b>	<b>\$ 11,870,598</b>	<b>\$ 9,947,669</b>	<b>\$ 10,241,192</b>	<b>\$ 10,548,470</b>	<b>\$ 10,859,770</b>	<b>\$ 11,185,667</b>
<b>Ending Fund Balance</b>	<b>\$ 613,892</b>	<b>\$ 442,317</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>	<b>\$ 771,866</b>
Change in Fund Balance	\$ 63,612	\$ 3,000	\$ 157,974	\$ -	\$ -	\$ -	\$ -	\$ -

# Water

## Overview

- About
  - The Water Fund is an enterprise fund that is used for the acquisition, operation, and maintenance of the City's water utility system. It is entirely self-supported through user charges.
- Financial Assumptions
  - 5% overall rate increase
  - WIFIA federal funding approved and received in FY27
  - TMRS update from 18.6% to 18.28%
- Major Changes in Budget (reductions/additions)
  - Implementation of SCADA system

# Water

## Proforma

	2024-25 ACTUALS	2025-26 MOD BUDGET	2025-26 EOY ESTIMATE	2026-27 BUDGET	FY 2027-28 Projected	FY 2028-29 Projected	FY 2029-30 Projected	FY 2030-31 Projected
<b>Beginning Fund Balance</b>	\$ 43,229,553	\$ 43,886,171	\$ 50,070,761	\$ 47,099,711	\$ 44,815,826	\$ 38,987,483	\$ 33,322,581	\$ 35,053,327
Rate Revenues	\$ 45,527,340	\$ 53,841,143	\$ 50,972,882	\$ 56,949,350	\$ 63,269,727	\$ 70,298,903	\$ 76,686,433	\$ 79,753,891
Non-rate Revenues	1,340,503	1,277,072	1,302,087	1,315,006	1,387,558	1,464,934	1,525,684	1,532,697
Interfund Transfers	3,803,921	2,944,874	2,944,874	3,231,687	3,328,638	3,428,497	3,531,352	3,637,292
Interest Income	1,537,620	1,104,267	1,602,514	1,137,395	1,171,517	1,206,662	1,242,862	1,280,148
<b>Total Revenue</b>	<b>\$ 52,209,384</b>	<b>\$ 59,167,356</b>	<b>\$ 56,822,357</b>	<b>\$ 62,633,438</b>	<b>\$ 69,157,440</b>	<b>\$ 76,398,996</b>	<b>\$ 82,986,331</b>	<b>\$ 86,204,028</b>
Purchased Power	\$ 2,205,082	\$ 2,212,016	\$ 2,221,739	\$ 2,463,126	\$ 2,537,020	\$ 2,613,130	\$ 2,691,524	\$ 2,772,270
Purchased Water	1,685	2,060	2,060	3,000	3,090	3,183	3,278	3,377
Personnel Services	11,167,287	13,616,587	11,178,984	13,487,567	13,892,194	14,308,960	14,738,229	15,180,375
Materials and Supplies	3,463,890	4,763,232	3,851,286	4,922,912	5,066,895	5,218,902	5,375,469	5,536,733
Maintenance and Repair	2,268,891	2,874,640	3,058,694	2,970,990	3,060,120	3,151,923	3,246,481	3,343,875
Insurance	377,004	495,690	495,690	498,435	513,388	528,790	544,653	560,993
Administrative Cost	3,947,981	4,761,342	4,414,563	4,927,637	5,377,927	5,975,407	6,518,347	6,779,081
Miscellaneous Expense	28,803	55,288	30,288	30,393	30,515	30,640	30,769	30,903
Operations	2,762,600	4,265,231	3,743,996	4,925,634	5,073,403	5,225,605	5,382,373	5,543,844
Debt Service Transfers	15,127,402	18,537,125	19,829,799	21,753,823	29,814,152	35,116,016	32,550,628	32,952,850
Capital Transfers	-	1,332,500	1,082,500	58,000	475,000	475,000	475,000	475,000
Interfund Transfers	10,607,246	9,883,809	9,883,809	8,875,806	9,142,080	9,416,343	9,698,833	9,989,798
<b>Total Expenditures</b>	<b>\$ 51,957,872</b>	<b>\$ 62,799,520</b>	<b>\$ 59,793,407</b>	<b>\$ 64,917,323</b>	<b>\$ 74,985,783</b>	<b>\$ 82,063,898</b>	<b>\$ 81,255,585</b>	<b>\$ 83,169,100</b>
<b>Ending Fund Balance</b>	<b>\$ 43,481,066</b>	<b>\$ 40,254,007</b>	<b>\$ 47,099,711</b>	<b>\$ 44,815,826</b>	<b>\$ 38,987,483</b>	<b>\$ 33,322,581</b>	<b>\$ 35,053,327</b>	<b>\$ 38,088,255</b>
<b>Change in Fund Balance (Use of Reserves)</b>	<b>\$ 251,513</b>	<b>\$ (3,632,164)</b>	<b>\$ (2,971,050)</b>	<b>\$ (2,283,885)</b>	<b>\$ (5,828,343)</b>	<b>\$ (5,664,902)</b>	<b>\$ 1,730,746</b>	<b>\$ 3,034,928</b>
<b>Rate Increases</b>				5.0%	7.0%	7.0%	5.0%	0.0%
<b>Working Capital (8%) &amp; Op Reserves (&gt;25%)</b>	<b>\$ 17,146,098</b>	<b>\$ 20,723,842</b>	<b>\$ 19,731,824</b>	<b>\$ 21,422,717</b>	<b>\$ 24,745,308</b>	<b>\$ 27,081,086</b>	<b>\$ 26,814,343</b>	<b>\$ 27,445,803</b>
<b>Working Capital (8%) &amp; Op Reserves (&gt;42%)</b>	<b>\$ 25,978,936</b>	<b>\$ 31,399,760</b>	<b>\$ 29,896,704</b>	<b>\$ 32,458,662</b>	<b>\$ 37,492,892</b>	<b>\$ 41,031,949</b>	<b>\$ 40,627,793</b>	<b>\$ 41,584,550</b>
<b>Ending Fund Balance Minimum Target Met</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>
<b>Use of Impact Fees</b>		\$ 1,732,674	\$ 1,732,674	\$ 4,500,000	\$ 3,500,000	\$ 5,500,000	\$ 16,300,000	\$ 20,000,000
<b>Debt Service Coverage Ratio (DSCR)</b>	1.28	1.13	1.13	1.12	1.00	1.02	1.27	1.31

# Water

## 5-Year Capital Improvement Program

Projects (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Plant Improvements	\$69,154	\$134,366	\$122,528	\$100,648	\$52,512	\$479,207
Booster Stations	43	128	-	-	-	171
Facility Improvements	-	6,000	6,000	4,000	-	16,000
Transmission Lines	6,225	14,148	42,450	39,424	31,431	133,678
Taps, Fire Hydrants, & Meters	9,276	1,641	1,659	1,675	1,065	15,315
Replace Lines	20,000	14,265	18,626	22,175	1,000	76,069
Field Service Replacements	500	500	500	500	500	2,500
Oversize Lines	2,672	4,240	5,583	3,135	1,568	17,198
Vehicle Replacements	58	475	475	475	475	1,958
<b>TOTAL</b>	<b>\$107,930</b>	<b>\$175,762</b>	<b>\$197,822</b>	<b>\$172,032</b>	<b>\$88,551</b>	<b>\$742,097</b>

Funding Source (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Debt Funded	\$107,872	\$175,287	\$197,347	\$171,557	\$88,076	\$740,139
Revenue Funded	58	475	475	475	475	1,958
<b>TOTAL</b>	<b>\$107,930</b>	<b>\$175,762</b>	<b>\$197,822</b>	<b>\$172,032</b>	<b>\$88,551</b>	<b>\$742,097</b>

# Wastewater

## Overview

- About
  - The Wastewater Fund is an enterprise fund that is used for the acquisition, operation, and maintenance of the City's wastewater utility systems. It is entirely self-supported through user charges.
- Financial Assumptions
  - 9% overall rate increase
  - WIFIA federal funding approved and received in FY27
  - TWDB Clean Water state funding approved and received in FY27
  - TMRS update from 18.6% to 18.28%

# Wastewater

## Proforma

	2024-25 ACTUALS	2025-26 MOD BUDGET	2025-26 EOY ESTIMATE	2026-27 BUDGET	FY 2027-28 Projected	FY 2028-29 Projected	FY 2029-30 Projected	FY 2030-31 Projected
<b>Beginning Fund Balance</b>	<b>\$ 16,185,182</b>	<b>\$ 16,810,056</b>	<b>\$ 18,024,248</b>	<b>\$ 19,662,314</b>	<b>\$ 19,071,656</b>	<b>\$ 18,538,539</b>	<b>\$ 20,464,307</b>	<b>\$ 22,523,571</b>
Residential Sales	\$ 16,870,524	\$ 19,270,544	\$ 19,182,489	\$ 22,449,600	\$ 24,972,935	\$ 27,522,672	\$ 29,765,769	\$ 32,191,680
Commercial Sales	17,685,372	20,933,470	19,745,783	24,490,668	27,243,419	30,024,972	32,472,007	35,118,476
Non-rate Revenues	3,751,273	3,889,009	3,854,832	3,914,529	4,031,965	4,148,202	4,267,926	4,391,241
Interest Income	635,739	470,942	581,063	423,848	436,563	449,660	463,150	477,045
Interfund Transfers	507,000	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>\$ 39,449,908</b>	<b>\$ 44,563,965</b>	<b>\$ 43,364,167</b>	<b>\$ 51,278,645</b>	<b>\$ 56,684,882</b>	<b>\$ 62,145,506</b>	<b>\$ 66,968,853</b>	<b>\$ 72,178,441</b>
Purchased Power	\$ 1,387,680	\$ 1,236,000	\$ 1,426,934	\$ 1,466,189	\$ 1,510,175	\$ 1,555,480	\$ 1,602,144	\$ 1,650,209
Fuel	26,189	35,000	30,547	35,266	36,324	37,414	38,536	39,692
Personnel Services	6,588,213	8,479,393	6,639,614	8,250,016	8,497,516	8,752,442	9,015,015	9,285,466
Materials and Supplies	2,102,654	2,624,461	2,064,782	2,178,386	2,243,738	2,311,050	2,380,381	2,451,793
Maintenance and Repair	2,045,814	2,293,205	2,111,538	2,049,108	2,110,581	2,173,899	2,239,116	2,306,289
Insurance	282,206	371,051	371,051	373,105	384,298	395,827	407,702	419,933
Administrative Cost	3,145,290	3,514,468	3,512,964	4,202,884	4,438,390	4,891,550	5,290,211	5,721,363
Miscellaneous Expense	3,035	4,238	4,238	3,940	4,018	4,099	4,182	4,267
Operations	1,525,697	2,237,929	2,163,350	2,356,173	2,426,858	2,499,664	2,574,654	2,651,893
Debt Service Transfers	9,785,288	9,663,658	9,663,658	16,528,930	20,142,403	21,801,527	25,176,579	29,196,390
Capital Transfers	-	2,830,000	2,830,000	2,198,414	2,830,000	2,830,000	2,830,000	2,830,000
Interfund Transfers	10,530,816	10,896,951	10,907,425	12,226,892	12,593,698	12,966,787	13,351,069	13,746,878
<b>Total Expenditures</b>	<b>\$ 37,422,883</b>	<b>\$ 44,186,354</b>	<b>\$ 41,726,101</b>	<b>\$ 51,869,303</b>	<b>\$ 57,218,000</b>	<b>\$ 60,219,738</b>	<b>\$ 64,909,589</b>	<b>\$ 70,304,174</b>
<b>Ending Fund Balance</b>	<b>\$ 18,212,207</b>	<b>\$ 17,187,667</b>	<b>\$ 19,662,314</b>	<b>\$ 19,071,656</b>	<b>\$ 18,538,539</b>	<b>\$ 20,464,307</b>	<b>\$ 22,523,571</b>	<b>\$ 24,397,838</b>
<b>Change in Fund Balance (Use of Reserves)</b>	<b>\$ 2,027,025</b>	<b>\$ 377,611</b>	<b>\$ 1,638,066</b>	<b>\$ (590,658)</b>	<b>\$ (533,118)</b>	<b>\$ 1,925,768</b>	<b>\$ 2,059,264</b>	<b>\$ 1,874,268</b>
<b>Rate Increases</b>				9.0%	8.0%	7.0%	5.0%	5.0%
<b>Working Capital (8%) &amp; Op Reserves (&gt;20%)</b>	<b>\$ 10,478,407</b>	<b>\$ 12,372,179</b>	<b>\$ 11,683,308</b>	<b>\$ 14,523,405</b>	<b>\$ 16,021,040</b>	<b>\$ 16,861,527</b>	<b>\$ 18,174,685</b>	<b>\$ 19,685,169</b>
<b>Working Capital (8%) &amp; Op Reserves (&gt;31%)</b>	<b>\$ 14,594,924</b>	<b>\$ 17,232,678</b>	<b>\$ 16,273,180</b>	<b>\$ 20,229,028</b>	<b>\$ 22,315,020</b>	<b>\$ 23,485,698</b>	<b>\$ 25,314,740</b>	<b>\$ 27,418,628</b>
<b>Ending Fund Balance Minimum Target Met</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>
<b>Use of Impact Fees</b>		<b>\$ 8,858,946</b>	<b>\$ 8,858,946</b>	<b>\$ 11,300,000</b>	<b>\$ 15,500,000</b>	<b>\$ 22,000,000</b>	<b>\$ 28,000,000</b>	<b>\$ 31,000,000</b>
<b>Debt Service Coverage Ratio (DSCR)</b>	<b>1.53</b>	<b>1.70</b>	<b>1.83</b>	<b>1.35</b>	<b>1.33</b>	<b>1.44</b>	<b>1.40</b>	<b>1.36</b>

# Wastewater

## 5-Year Capital Improvement Program

Projects (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Plant Improvements	\$95,221	\$216,776	\$302,172	\$261,726	\$147,893	\$1,023,789
Replace Lines	28,457	11,357	11,077	7,436	13,205	71,531
Lift station Improvements	15,299	14,245	-	-	-	29,544
Collection System Upgrade	1,733	-	-	3,111	-	4,844
Oversize Lines	2,840	1,690	1,000	1,000	1,000	7,530
Taps, Fire Hydrants, & Meters	255	260	265	270	275	1,325
Miscellaneous	1,345	6,806	6,205	2,705	344	17,406
Vehicle Replacements	2,198	2,830	2,830	2,830	2,830	13,518
<b>TOTAL</b>	<b>\$147,349</b>	<b>\$253,963</b>	<b>\$323,550</b>	<b>\$279,079</b>	<b>\$165,547</b>	<b>\$1,169,487</b>

Funding Source (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Debt Funded	\$143,805	\$249,827	\$320,014	\$275,543	\$162,373	\$1,151,563
Revenue Funded	3,544	4,136	3,535	3,535	3,174	17,925
<b>TOTAL</b>	<b>\$147,349</b>	<b>\$253,963</b>	<b>\$323,550</b>	<b>\$279,079</b>	<b>\$165,547</b>	<b>\$1,169,487</b>

# Drainage

## Overview

- About
  - The Drainage Fund is an enterprise fund that is used for the acquisition, operation, and maintenance of the City's drainage utility systems. It is entirely self-supported through user charges.
- Financial Assumptions
  - 13.5% overall rate increase supported by Raftelis Cost-of-Service study
  - TMRS update from 18.6% to 18.28%
- Major Changes in Budget (reductions/additions)
  - Watershed HBU moved from Drainage to Environmental Services
  - Increased transfer to Engineering for Capital Project management

# Drainage

## Proforma

	2024-25 ACTUALS	2025-26 MOD BUDGET	2025-26 EOY ESTIMATE	2026-27 BUDGET	FY 2027-28 Projected	FY 2028-29 Projected	FY 2029-30 Projected	FY 2030-31 Projected
<b>Beginning Fund Balance</b>	\$ 2,312,617	\$ 2,312,617	\$ 2,312,617	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Residential Fees	\$ 2,222,484	\$ 2,365,364	\$ 2,374,821	\$ 2,740,219	\$ 3,203,453	\$ 3,744,997	\$ 4,378,088	\$ 5,118,204
Nonresidential Fees	3,194,678	3,169,207	3,554,207	3,643,988	4,260,004	4,980,158	5,822,054	6,806,272
Watershed Inspection Fee	13,960	18,370	14,885	-	-	-	-	-
Investment Income	-	-	21,475	9,574	9,861	10,157	10,462	10,776
General Fund Transfer	389,511	309,666	309,666	-	-	-	-	-
<b>Total Revenue</b>	<b>\$ 5,820,633</b>	<b>\$ 5,862,607</b>	<b>\$ 6,275,055</b>	<b>\$ 6,393,781</b>	<b>\$ 7,473,318</b>	<b>\$ 8,735,312</b>	<b>\$ 10,210,604</b>	<b>\$ 11,935,252</b>
Personnel Services	\$ 2,579,921	\$ 2,797,128	\$ 2,309,037	\$ 1,816,213	\$ 1,870,699	\$ 1,926,820	\$ 1,984,625	\$ 2,044,164
Materials and Supplies	76,097	94,295	89,965	101,058	104,090	107,212	110,429	113,742
Maintenance and Repair	186,080	381,157	309,747	217,300	223,819	230,534	237,450	244,573
Insurance	53,959	70,940	70,940	46,116	47,499	48,924	50,392	51,904
Miscellaneous Expense	1,812	6,275	6,275	595	613	631	650	670
Operations	463,937	838,863	730,832	780,674	804,094	828,217	853,064	878,655
Capital Transfers	1,935,665	1,834,157	2,918,468	228,925	1,123,516	2,195,016	3,474,099	4,996,652
Interfund Transfers	523,162	1,152,409	1,152,409	3,202,900	3,298,987	3,397,957	3,499,895	3,604,892
<b>Total Expenditures</b>	<b>\$ 5,820,633</b>	<b>\$ 7,175,224</b>	<b>\$ 7,587,672</b>	<b>\$ 6,393,781</b>	<b>\$ 7,473,318</b>	<b>\$ 8,735,312</b>	<b>\$ 10,210,604</b>	<b>\$ 11,935,252</b>
<b>Ending Fund Balance</b>	<b>\$ 2,312,617</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>
<b>Change in Fund Balance (Use of Reserves)</b>	\$ -	\$ (1,312,617)	\$ (1,312,617)	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Rate Increases</b>				13.5%	13.5%	13.5%	13.5%	13.5%

# Drainage

## 5-Year Capital Improvement Program

Projects (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Elm & Locust Phase 2	\$2,000	\$4,000	\$2,000	\$ -	\$ -	\$8,000
Westgate Dr Phase 2	717	2,000	-	-	-	2,717
Ryan Road	-	560	1,959	280	-	2,799
Bonnie Brae 4B	-	-	5,000	-	-	5,000
Longridge Street	-	2,000	-	-	-	2,000
Oaktree Drainage Phase 1	-	-	3,000	-	-	3,000
Oaktree Drainage Phase 2	-	-	-	-	3,000	3,000
Infrastructure Repair	500	500	500	500	500	2,500
Weather Station and Flood Monitoring	150	-	-	-	-	150
Storm Sewer Repair Bundles	6,979	5,644	-	-	6,000	18,623
Mingo Road Bridge	-	-	750	14,850	-	15,600
Panhandle	-	500	5,000	-	-	5,500
1700 Audra Channel	-	-	-	25	200	225
<b>TOTAL</b>	<b>\$10,346</b>	<b>\$15,204</b>	<b>\$18,209</b>	<b>\$15,655</b>	<b>\$9,700</b>	<b>\$69,114</b>

# Solid Waste

## Overview

- Solid Waste and Recycling is the exclusive provider of Municipal Solid Waste (MSW) for the City of Denton.
- Diversion Goals – Current Diversion Rate 25%
  - 30% diversion by 2030
  - 40% diversion by 2040
  - 75% diversion by 2075
- Financial Assumptions
  - The TMRS contribution rate has been updated from 18.6% to 18.28%
  - Includes new revenue in the amount of \$36,000 for special/recyclable waste fees
- Major Changes in Budget (reductions/additions)
  - Includes Supplementals of \$731,132
  - Added \$1M to the "Cost of Service Transfers" line as a placeholder for the Land swap.

# Solid Waste

## Proforma

	FY 2024-25 Actual	FY 2025-26 Budget	FY 2025-26 EOY Estimate	FY 2026-27 Proposed	FY 2027-28 Projected	FY 2028-29 Projected	FY 2029-30 Projected	FY 2030-31 Projected
<b>Beginning Fund Balance</b>	<b>\$ 12,248,136</b>	<b>\$ 12,533,781</b>	<b>\$ 16,891,720</b>	<b>\$ 22,633,800</b>	<b>\$ 14,749,484</b>	<b>\$ 12,265,215</b>	<b>\$ 10,834,085</b>	<b>\$ 10,009,594</b>
<b>Resources</b>								
Rate Revenues	\$ 37,021,444	\$ 38,214,251	\$ 39,602,575	\$ 38,821,469	\$ 41,562,265	\$ 44,496,561	\$ 47,873,850	\$ 50,746,281
Wholesale Agreements	6,315,745	5,521,140	6,775,819	5,111,856	5,111,856	5,111,856	5,111,856	5,111,856
Non-Rate Revenues	3,019,713	1,618,282	2,219,360	3,155,334	4,669,135	5,463,008	7,163,046	7,165,503
Total Revenues	46,356,902	45,353,673	48,597,754	47,088,660	51,343,256	55,071,425	60,148,752	63,023,640
Use of Reserves	-	-	-	7,884,316	2,484,268	1,431,130	824,491	125,564
<b>Total Resources</b>	<b>\$ 46,356,902</b>	<b>\$ 45,353,673</b>	<b>\$ 48,597,754</b>	<b>\$ 54,972,976</b>	<b>\$ 53,827,524</b>	<b>\$ 56,502,555</b>	<b>\$ 60,973,243</b>	<b>\$ 63,149,204</b>
<b>Expenditures</b>								
Personnel Services	\$ 14,009,149	\$ 14,210,046	\$ 13,141,628	\$ 14,018,888	\$ 14,860,021	\$ 15,751,623	\$ 16,696,720	\$ 18,199,425
Materials & Supplies	400,186	549,831	491,968	724,196	745,922	768,300	791,349	815,089
Maintenance and Repair	201,336	242,035	268,046	218,559	225,116	231,869	238,825	245,990
Insurance	505,395	664,506	664,506	666,215	686,201	706,787	727,991	749,831
Miscellaneous Expense	26,525	33,085	33,085	38,475	39,629	40,818	42,043	43,304
Operations	7,941,586	8,476,170	7,078,441	9,289,042	9,567,713	9,854,745	10,150,387	10,454,899
Cost of Service Transfers	7,663,471	7,198,011	7,198,011	8,969,073	8,208,145	8,454,390	8,708,021	8,969,262
Fixed Assets	776,071	966,576	966,576	1,524,027	1,569,748	1,616,840	1,665,345	1,715,306
Vehicle Replacement	1,839,910	3,463,000	3,463,000	7,268,000	5,000,000	5,000,000	5,000,000	5,000,000
Closure/Post Closure	752,632	946,819	946,819	1,256,748	1,256,748	1,256,748	1,256,748	1,256,748
Debt Service	5,269,872	6,417,619	6,417,619	8,012,460	8,589,884	9,572,984	12,256,486	12,092,701
Franchise Fees	2,223,501	2,185,975	2,185,975	2,256,161	2,333,706	2,480,421	2,649,285	2,792,907
Supplemental Requests				731,132	744,690	767,031	790,042	813,743
<b>Total Expenditures</b>	<b>41,609,633</b>	<b>45,353,673</b>	<b>42,855,674</b>	<b>54,972,976</b>	<b>53,827,524</b>	<b>56,502,555</b>	<b>60,973,243</b>	<b>63,149,204</b>
<b>Ending Fund Balance</b>	<b>\$ 16,995,405</b>	<b>\$ 12,533,781</b>	<b>\$ 22,633,800</b>	<b>\$ 14,749,484</b>	<b>\$ 12,265,215</b>	<b>\$ 10,834,085</b>	<b>\$ 10,009,594</b>	<b>\$ 9,884,031</b>
Net Change	\$ 4,747,269	\$ -	\$ 5,742,080	\$ (7,884,316)	\$ (2,484,268)	\$ (1,431,130)	\$ (824,491)	\$ (125,564)
Revenue Sufficiency Requirement	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.5%	0.0%
Target Reserves								
Wrking Cptl - 8% / Op Reserve Target - 6%	\$ 5,825,349	\$ 6,349,514	\$ 5,999,794	\$ 7,696,217	\$ 7,535,853	\$ 7,910,358	\$ 8,536,254	\$ 8,840,889
Wrking Cptl - 8% / Op Reserve Target - 10%	\$ 7,489,734	\$ 8,163,661	\$ 7,714,021	\$ 9,895,136	\$ 9,688,954	\$ 10,170,460	\$ 10,975,184	\$ 11,366,857
Ending Fund Balance Target Met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

# Solid Waste

## 5-Year Capital Improvement Program

Projects (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Structural	\$ -	\$ 500	\$ -	\$ 500	\$ 4,500	\$ 5,500
Building Construction	1,400	-	27,100	-	-	28,500
Vehicles	11,133	5,871	5,400	3,635	-	26,039
<b>TOTAL</b>	<b>\$ 12,533</b>	<b>\$ 6,371</b>	<b>\$ 32,500</b>	<b>\$ 4,135</b>	<b>\$ 4,500</b>	<b>\$ 60,039</b>

Funding Source (In Thousands)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Debt Funded	\$5,265	\$6,050	\$31,000	\$4,135	\$4,500	\$50,950
Revenue Funded	7,268	5,000	5,000	5,000	5,000	27,268
<b>TOTAL</b>	<b>\$12,533</b>	<b>\$11,050</b>	<b>\$36,000</b>	<b>\$9,135</b>	<b>\$9,500</b>	<b>\$78,218</b>

# Preliminary Utility Rate Summary

	Total Bill - Residential		
	FY26	FY27	Difference
Solid Waste	\$ 25.42	\$ 25.42	\$ -
Electric	140.00	142.36	2.36
Water	52.87	55.52	2.65
Wastewater	46.18	50.35	4.17
Drainage	3.35	3.80	0.45
<b>Total</b>	<b>\$ 267.82</b>	<b>\$ 277.45</b>	<b>\$ 9.63</b>

	Total Bill - Commercial		
	FY26	FY27	Difference
Solid Waste	\$ 33.75	\$ 33.75	\$ -
Electric	182.33	185.70	3.37
Water	65.13	68.39	3.26
Wastewater	76.03	82.89	6.86
Drainage	2.79	3.17	0.38
<b>Total</b>	<b>\$ 360.03</b>	<b>\$ 373.90</b>	<b>\$ 13.87</b>

# Historical Utility Rate Summary

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Electric	-	-	-	3.00%	1.50%	-	3%
Water	-2.00%	-	-	-	3.00%	3.00%	5%
Wastewater	-	-	-	11.00%	11.00%	11.00%	9%
Solid Waste	-5.00%	-	-	-	1.50%	-	0%
Drainage	-	-	-	-	-	-	13.5%

# Next Steps

- July 27<sup>th</sup>: Utility Budget and Rate Recommendations (PUB)
- August 8<sup>th</sup>: Budget Workshop (Council)
- August 18<sup>th</sup>: Budget Workshop follow-up (Council)
- September 15<sup>th</sup>: Budget and Tax Rate Public Hearing
- September 22<sup>nd</sup>: Budget and Tax Rate Adoption