



City of Denton General Fund Update

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General Fund Overview

- The adopted operating budget is the legal way in which a city may levy and collect tax dollars.
- The budget is required to be balanced by Texas State Law.
- The adopted operating budget is segregated based on fund in alignment with generally accepted accounting principles and outlines the anticipated revenues and planned expenditures for the City in the ensuing fiscal year.





General Fund Overview

Importance of Protecting Unrestricted Fund Balance:

- The [Government Finance Officers Association \(GFOA\)](#) strongly emphasizes the importance of protecting fund balance in government finance.
- Maintaining adequate fund balance provides a crucial financial buffer, enabling governments to handle unexpected events like revenue shortfalls, emergencies, or unforeseen expenses.
- It also supports long-term financial stability and can positively impact a government's credit rating.



City of Denton FY 2024-25 (Current Year)

FY 24-25 Summary:

The General Fund was previously forecasted to end the current fiscal year with a net operating deficit, primarily attributable to revenue shortfalls and increased expenditures. Due to the implementation of mid-year mitigation strategies, the revised forecast indicates the year-end funding gap will be closed if savings trends continue.

Contributing Factors:

- **Revenue pressure**
 - Property tax revenue is estimated at 98% collection
- **Expenditures outpacing revenue projections**
 - **Personnel drivers**
 - Civil Service overtime
 - Low turnover rate

Mid-Year Strategies:

- Implemented Managed Vacancy Program
- Reduced discretionary operational spending city-wide
- Evaluating existing and future transfers between funds
- Overtime audit



General Fund Resources (Current Year)

	2024 Actuals	2025 Budget	Actuals (Oct - May)	Forecast (June - Sep)	End of Year Projection	Variance
RESOURCES:						
Taxes						
-Property	\$ 66,281,546	\$ 68,879,918	\$ 66,132,504	\$ 550,677	\$ 66,683,181	\$ (2,196,737)
-Sales & Other Taxes	57,641,669	61,450,123	34,856,521	26,217,865	61,074,386	(375,737)
License & Permits	5,561,811	6,415,806	4,645,908	1,417,235	6,063,143	(352,663)
Franchise Fees	3,121,114	9,144,537	1,548,040	5,375,774	6,923,814	(2,220,723)
Return on Investment	14,413,873	20,909,106	14,156,649	5,855,498	20,012,147	(896,959)
Fines & Fees	2,525,000	2,106,531	1,715,487	899,934	2,615,421	508,890
Fees for Service	12,420,160	12,108,150	8,155,401	5,172,655	13,328,056	1,219,906
Investment Income	3,567,702	2,352,098	1,524,373	1,176,049	2,700,422	348,324
Intergovernmental	3,530,952	3,197,656	2,468,968	476,429	2,945,397	(252,259)
Other Revenue	688,530	305,176	389,743	143,691	533,434	228,258
Total Revenues	\$ 169,752,358	\$ 186,869,101	\$ 135,593,595	\$ 47,285,807	\$ 182,879,402	\$ (3,989,699)
Transfers	16,931,818	20,710,051	13,814,587	6,895,464	20,710,051	-
Total Resources	\$ 186,684,176	\$ 207,579,152	\$ 149,408,182	\$ 54,181,271	\$ 203,589,453	\$ (3,989,699)

*Franchise Fees represent revenue from utility, cable, and telecommunications right-of-way access.

*ROI represents 3.5% (6% for Electric) on applicable utility revenues, paid to the General Fund from City owned utilities. (Electric, Water and Wastewater)



General Fund Expenditures (Current Year)

	2024 Actuals	2025 Budget	Actuals (Oct - May)	Forecast (June - Sep)	End of Year Projection	Variance
EXPENDITURES:						
Personnel Services	\$ 122,034,927	\$ 134,354,050	\$ 85,827,281	\$ 46,512,874	\$ 132,340,155	\$ (2,013,895)
-Overtime Regular	1,793,176	542,062	873,508	785,708	1,659,216	1,117,154
-Overtime Civil Service	6,122,470	3,171,659	3,630,711	2,775,247	6,405,957	3,234,298
-Overtime FLSA	2,566,421	1,945,241	1,359,559	1,425,689	2,785,248	840,007
Materials & Supplies	4,066,883	5,181,511	2,508,502	2,123,070	4,631,572	(549,939)
Maintenance & Repair	1,926,679	2,333,586	1,153,364	432,114	1,585,478	(748,108)
Insurance	3,920,723	4,521,766	3,014,510	1,285,905	4,300,416	(221,350)
Operations	23,326,252	23,243,771	12,965,938	10,934,220	23,900,157	656,386
Interfund Transfers	19,828,404	27,829,094	20,039,720	2,205,414	22,245,134	(5,583,960)
Other Expenses	2,833,519	3,751,929	1,601,289	1,205,919	2,807,208	(944,721)
Fixed Assets	661,455	704,483	295,802	368,708	664,510	(39,973)
Total Expenditures	\$ 189,080,910	\$ 207,579,152	\$ 133,270,185	\$ 70,054,867	\$ 203,325,052	\$ (4,254,100)

Projected Net: \$264,401

* End of year projection is inclusive of savings measures implemented mid-year.



City of Denton FY 2025-26 (Next Year)

FY 25-26 Summary:

The General Fund is (preliminarily) estimated to have a \$14.4 million net operating deficit in FY 2025-26 without supplemental packages or compensation adjustments.

Contributing Factors:

- **Declining revenue growth forecasts**
 - Leveling out of property valuation growth, specifically new growth
 - Leveling out of sales tax revenue
 - Reduced growth-related revenue
- **Public safety overtime**
- **Employer-paid benefit cost increases**
- **Economic uncertainty**

FY 2025-26 Strategies:

- Zero-based budgeting to focus on core services
- Departments targeting to reduce spending by at least 3% - Internal Service Funds and Special Revenue Funds updates pending
- Review and reduction of capital expenditures. Reductions resulted in an estimated \$0.03 decrease to the I&S rate in FY 2026
- Expense reductions across Enterprise Funds
- Overtime audit
- Managed Vacancy Program continues



General Fund Preliminary FY 2025-26

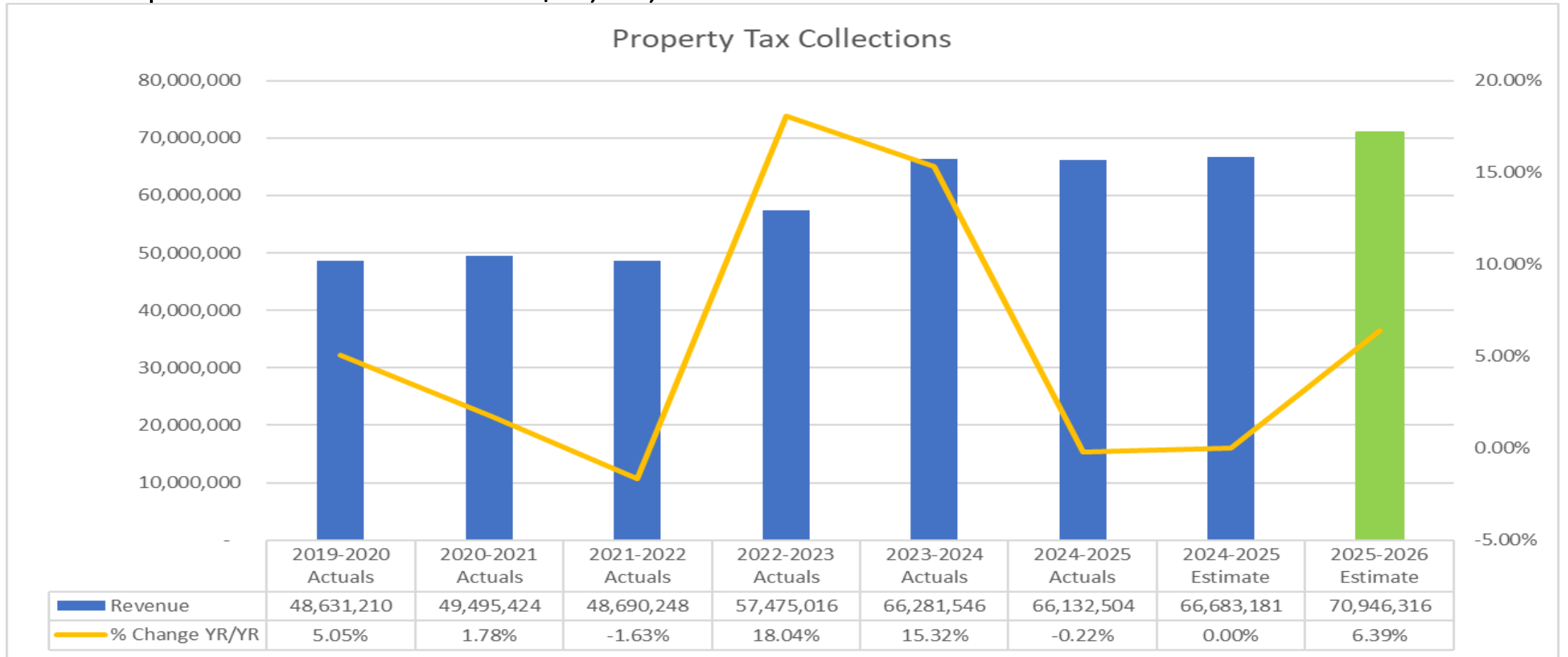
	2024 Actuals	2025 Budget	2026 Budget	Variance	% Change
RESOURCES:					
Taxes	\$123,923,215	\$130,330,041	\$136,857,435	\$6,527,394	5.01%
License & Permits	5,561,811	6,415,806	6,666,528	250,722	3.91%
Franchise Fees & ROI	17,534,987	30,053,643	25,199,618	(4,854,025)	-16.15%
Fines & Fees	2,525,000	2,106,531	2,113,471	6,940	0.33%
Fees for Service	12,420,160	12,108,150	10,679,896	(1,428,254)	-11.80%
Investment Income	3,567,702	2,352,098	3,389,839	1,037,741	44.12%
Intergovernmental	3,530,952	3,197,656	3,571,740	374,084	11.70%
Other Revenue	688,530	305,176	659,864	354,688	116.22%
Total Revenues	\$169,752,357	\$186,869,101	\$189,138,391	\$2,269,290	1.21%
Transfers	16,931,818	20,710,051	22,601,971	1,891,920	9.14%
Total Resources	\$186,684,175	\$207,579,152	\$211,740,362	\$4,161,210	2.00%



General Fund Preliminary FY 2025-26

Property Tax Collection:

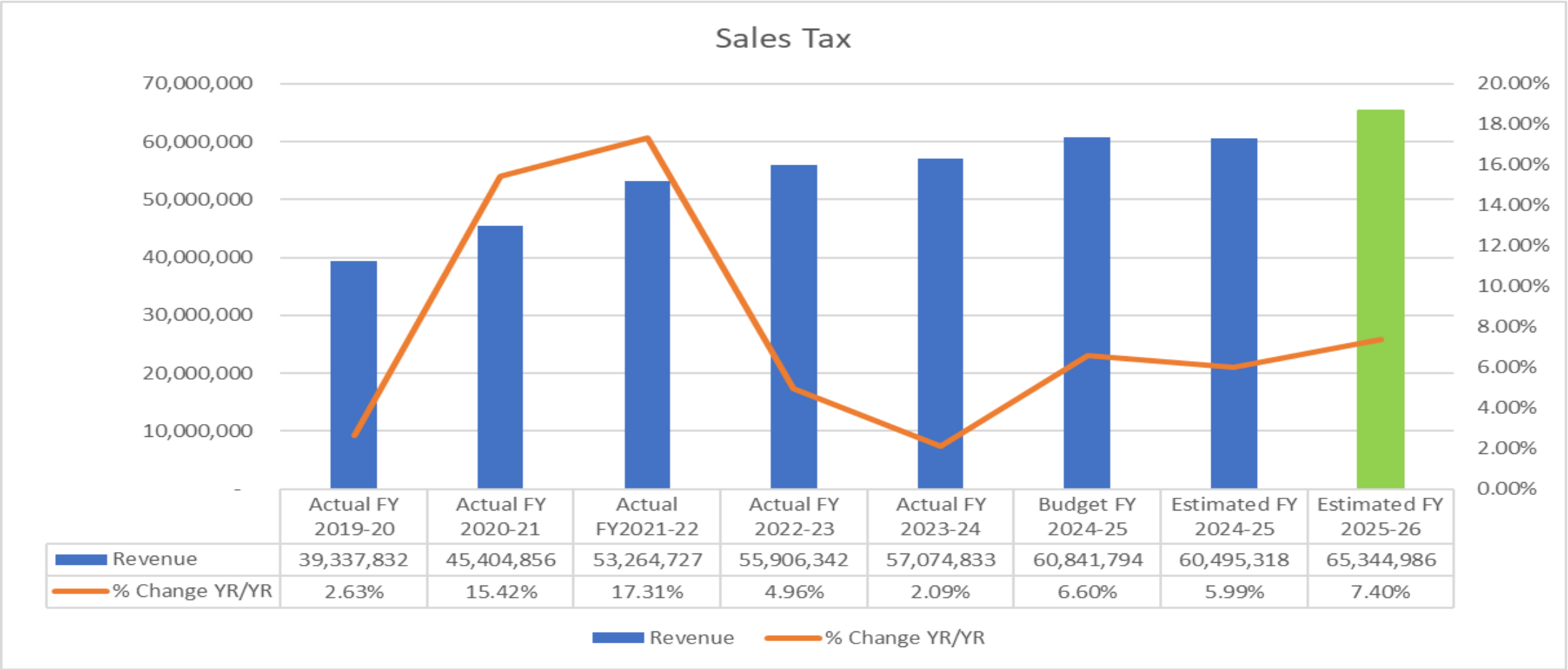
- Anticipated revenue growth of 6.39%.
- Anticipated FY 2025-26 revenue of \$70,946,316

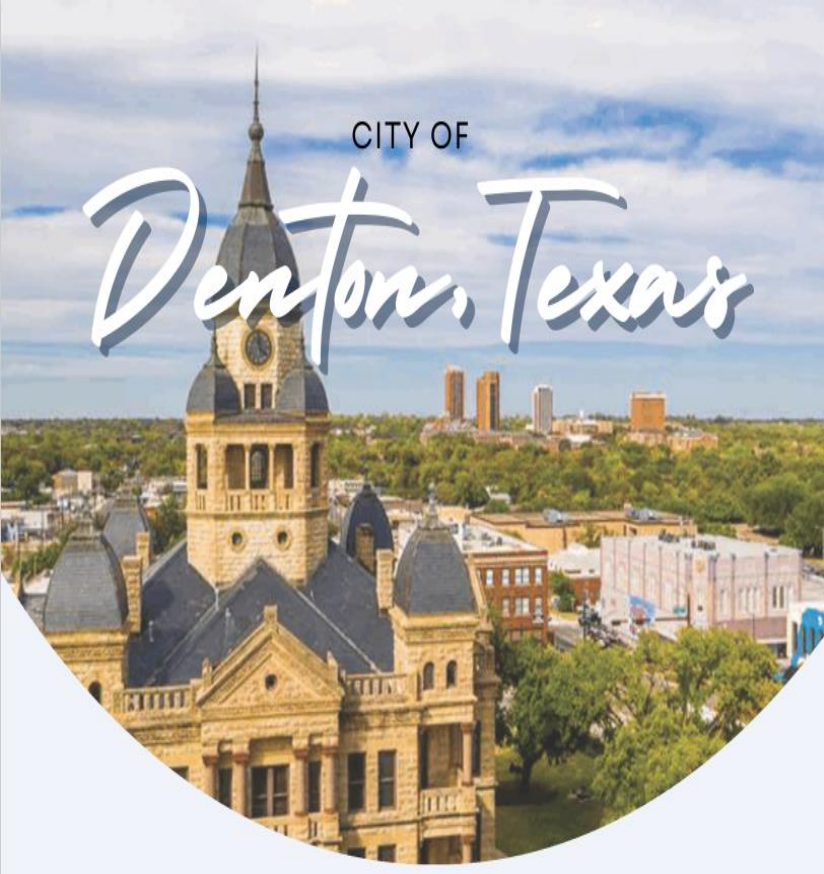




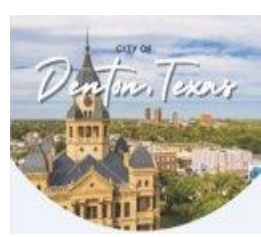
General Fund Overview

Sales Tax Collection for FY 2025-26: \$ 65,344,986





Proposed General Fund Reductions



General Fund Preliminary Proforma

	2023-24 ACTUALS	2024-25 MOD BUDGET	2024-25 EOY ESTIMATE	2025-2026 ESTIMATED (Pre-Reductions)	2025-2026 ESTIMATED (Post Reductions)	YoY % Chg. BUDGET
Beginning Fund Balance	\$ 44,749,871	\$ 44,749,871	\$ 42,353,136	42,617,537	42,617,537	
Property Tax	\$ 66,281,546	\$ 68,879,918	\$ 66,683,181	\$ 70,946,316	\$ 70,946,316	3.00%
Sales Tax	57,074,842	60,841,793	60,495,318	65,344,986	65,344,986	7.40%
Other Taxes	566,827	608,330	579,068	566,134	566,134	-6.94%
Licenses and Permits	5,561,811	6,415,806	6,063,143	6,666,528	6,666,528	3.91%
Franchise Fees & ROI	17,534,987	30,053,643	26,935,961	25,199,618	25,199,618	-16.15%
Fines and Fees	2,525,000	2,106,531	2,615,421	2,113,471	2,113,471	0.33%
Service Fees	12,420,160	12,108,150	13,328,056	10,679,896	10,679,896	-11.80%
Investment Income	3,567,673	2,352,098	2,700,422	3,389,839	3,389,839	44.12%
Intergovernmental Revenue	3,530,952	3,197,656	2,945,397	3,571,740	3,571,740	11.70%
Other Revenues	688,630	305,176	533,435	659,864	659,864	116.22%
Transfers	16,903,268	20,710,051	20,710,051	22,601,971	22,601,971	9.14%
Total Revenue	\$ 186,655,696	\$ 207,579,152	\$ 203,589,453	\$ 211,740,362	\$ 211,740,362	2.00%
Personnel Services	\$ 132,516,995	\$ 140,013,012	\$ 143,190,577	\$ 156,514,996	\$ 151,797,967	8.42%
Materials & Supplies	4,066,883	5,224,466	4,631,572	4,863,379	4,617,996	-11.61%
Maintenance & Repair	1,926,679	2,342,906	1,585,478	2,555,940	2,384,511	1.78%
Insurance	3,920,723	4,521,766	4,300,416	4,228,913	4,228,913	-6.48%
Miscellaneous	2,820,794	3,674,652	2,807,208	2,501,839	1,966,901	-46.47%
Operations	23,326,252	23,159,059	23,900,157	25,461,908	24,600,200	6.22%
Fixed Assets	661,455	656,333	664,510	523,846	477,588	-27.23%
Transfers	19,841,129	27,986,958	22,245,134	29,574,568	29,037,519	3.75%
Total Expenditures	\$ 189,080,910	\$ 207,579,152	\$ 203,325,052	\$ 226,225,389	\$ 219,111,595	5.56%
Ending Fund Balance	\$ 42,324,656	44,749,871	42,617,537	28,132,510	35,246,304	-21.24%
Change in Fund Balance	\$ (2,425,215)	\$ -	\$ 264,401	\$ (14,485,027)	\$ (7,371,233)	\$ -
Fund Balance as % of Total Expenditures	22.38%	21.56%	20.96%	12.44%	16.09%	
Fund Balance Within Target (20% - 25%)	YES	YES	YES	NO	NO	



Proposed General Fund Reductions

To navigate current budget conditions, departments conducted zero-based budgeting for FY 2025-26. In addition, departments have assessed existing operations to identify opportunities for cost savings through service reductions, eliminations, technology implementation, or internalization of services. A Budget Task Force was created to further examine the reductions; these proposed reductions mitigate 49.2% of the forecasted gap for FY 2025-26. **Additional reductions to close the budgetary gap will be forthcoming through the budget process.**

Category	Proposed
Personnel	\$ 3,066,035
Programs	2,179,064
Contractual Services	1,053,223
Travel and Training	197,155
Equipment, Supplies, Other Discretionary	618,317
Total	\$ 7,113,794



Personnel

Description	FTEs	Savings
Assistant to the City Manager	1.00	\$152,961
Asset Manager	1.00	\$100,000
Financial Analyst Supervisor	1.00	\$151,494
Financial Analyst	1.00	\$122,436
Compliance Analyst	1.00	\$112,645
Non-Civil Position Vacancy	1.00	\$69,136
Civil Service Position Vacancies	4.00	\$384,503
Fire Overtime	-	\$500,000
Legal Intern	0.10	\$9,000
Municipal Court Overtime	-	\$6,000
Parks Overtime	-	\$85,000
Park Planner	1.00	\$38,428
Parks Seasonal Interns	3.22	\$25,000
Administrative Assistant II	1.00	\$89,979
Crime Analyst	1.00	\$112,733
Lead Crime Scene Investigator	1.00	\$125,773
Accreditation & Compliance Specialist	1.00	\$176,982
Police Officers	5.00	\$595,485
Public Safety Dispatcher	1.00	\$134,067
Records Technician	1.00	\$74,413
Total	25.32	\$3,066,035



Programs

Discontinue the Ambassador Program - \$531,225

In 2023, the City Council approved a two-year pilot program for the Downtown Ambassador Program, which included exploring a Public Improvement District (PID) as a sustainable funding source. City staff conducted research and held meetings with downtown property owners regarding the potential formation of a PID.

After research, outreach, and property owner feedback, staff does not recommend moving forward, as a PID - explored as a sustainable funding source - was not supported by property-owners. Without an alternative funding source, the program will conclude in December 2025, with service levels returning to reduced power washing, graffiti and litter removal, and discontinuation of safety escorts, motorist assistance, and visitor greetings.



Programs

Partially discontinue the After School Program - \$220,000

The City of Denton and Denton ISD offer after school programs. The DISD program is conducted onsite, and the City's program includes transporting participants from elementary schools to recreation facilities.

Working with the ISD, they have capacity to fully absorb the program* ensuring continued service while optimizing resources through collaboration.

*The City will continue to offer the program at MLK Jr. Recreation Center.



Programs

Reduce Clear Creek Programming - \$50,000

Clear Creek Nature Preserve programming will be scaled back and increasingly supported by volunteers due to limited bandwidth. Maintenance service levels will remain unchanged. Hours for one of the two full time employees will be reallocated to enhance customer service at the Civic Center and intern positions will not be filled.

Reduce Irrigation and Rye Grass Overseeding - \$148,691

Watering schedules will be adjusted to enhance efficiency, reducing water use and lowering costs while extending the lifespan of irrigation systems. While some landscaping and turf will need to adapt to the new schedule, athletic fields will continue to receive full irrigation to ensure safe and playable conditions. In addition, staff evaluated the cost of rye grass application and its impact on athletic field quality. To optimize resources, overseeding will focus primarily high-traffic areas. This approach aligns with the City's Drought Contingency and Water Conservation Plan.

Pause K9 Program - \$428,648

Since the K-9 program (New in FY 2024-25) was not yet implemented, this will not impact current service levels. Without it, the department will continue to use mutual aid.



Programs

Discontinue Select In-House Special Events - \$60,000

After assessing community needs and cost recovery and working with the Community Partnership Committee select Independence Day events will be discontinued or shifted to third-parties. In addition, over the past year, staff have prioritized permitting third-party special events over coordinating internal ones. These changes will allow staff to focus more efforts on Denton Halloween. Staff is still evaluating other holiday events, such as the Easter Egg Hunt, for further reductions.

Reduce In-Kind Budget for Special Events - \$200,000

The FY 24-25 General Fund Budget includes \$400,000 which is allocated to select special events by the Community Partnership Committee to offset services utilized for special events including: public safety, solid waste services, facility rentals etc. The proposed will reduce the in-kind amount to \$200,000 for FY 25-26. Following the Special Event Work Session in June staff will be working to offer organizers workshops on sponsorships,



Discretionary

Contractual Services - \$1,053,223

Departments have assessed existing contracts to identify opportunities for cost savings through service reductions, eliminations, technology implementation, or internalization. By streamlining contracted services where feasible, the City can optimize resources while ensuring continuity in essential functions.

Travel and Training - \$197,155

Departments reviewed training-related expenditures to identify cost-saving opportunities. In lieu of external conferences and offsite training, when possible, departments will leverage internal training opportunities, virtual training resources, and industry webinars. These reductions are expected to be temporary, as ongoing professional development remains a priority to ensure Denton remains an employer of choice. Additionally, departments will continue to support training necessary for employees to maintain required licenses and certifications, ensuring that essential qualifications remain current and compliance standards are met.

Equipment, Supplies, and Other - \$618,317

Budgets for equipment, supplies, and other discretionary expenses have been adjusted to better reflect prior years' actual expenditures and as needed to realize additional savings. Departments are adopting resourceful practices by optimizing existing inventory and ensuring efficient use of available materials. These cost-saving measures aim to minimize financial impact while maintaining operational effectiveness.



Recommendations/Next Steps

Feedback and Direction on the Proposed Reductions:

- Staff is recommending accepting Proposed Reductions at \$7.1 million. Additional reductions to close the budgetary gap will be forthcoming through the budget process.

Next Steps:

- July 15, 2025: Capital Improvement Program FY 2025-26
- July 22, 2025: Utility Budgets and Rates FY 2025-26
- August 9, 2025: Budget Workshop
- August 19, 2025: Budget Workshop Follow-Up
- September 16, 2025: Budget & Tax Rate Hearing & Adoption

Questions?
