



Current FY Budget & Preliminary FY 2025-26 Impacts

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City of Denton FY 2024-25 (Current Year)

FY 24-25 Summary:

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 forecast estimates 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.

Contributing Factors:

- **Revenue pressure**
 - Property and sales tax revenue is estimated at 98%
- **Expenditures outpacing revenue projections**
 - Economic slowing, inflation, tariff concerns
- **Personnel drivers**
 - Civil Service overtime primarily due to staff shortages and scheduling
 - Low vacancy rates outside of the Police Department, the City historically could count on \$1.0 - \$2.5 million in salary savings

	2025 Budget	1st Half Actuals	2nd Half Forecast	End of Year Projection	Variance
RESOURCES:					
Taxes	\$ 130,330,041	\$ 95,461,970	\$ 32,295,597	\$ 127,757,567	\$ (2,572,474)
License & Permits	6,415,806	3,282,262	2,036,565	5,318,827	(1,096,979)
Franchise Fees & ROI	30,053,643	13,284,764	14,548,155	27,832,919	(2,220,724)
Fines & Fees	2,106,531	1,181,936	1,374,953	2,556,889	450,358
Fees for Service	12,108,150	5,522,789	7,580,598	13,103,387	995,237
Investment Income	2,352,098	1,266,787	2,005,822	3,272,609	920,511
Intergovernmental	3,197,656	498,475	1,436,087	1,934,562	(1,263,094)
Other Revenue	305,176	292,056	268,621	560,677	255,501
Total Revenues	\$ 186,869,101	\$ 120,791,039	\$ 61,546,398	\$ 182,337,437	\$ (4,531,664)
Transfers	20,710,051	10,355,028	10,355,023	20,710,051	-
Total Resources	\$ 207,579,152	\$ 131,146,067	\$ 71,901,421	\$ 203,047,488	\$ (4,531,664)

	2025 Budget	1st Half Actuals	2nd Half Forecast	End of Year Projection	Variance
EXPENDITURES:					
Personnel Services	\$ 140,013,012	\$ 70,738,128	\$ 72,062,168	\$ 142,800,296	\$ 2,787,284
Materials & Supplies	5,181,511	1,780,507	3,168,687	4,949,194	(232,317)
Maintenance & Repair	2,333,586	713,366	955,727	1,669,093	(664,493)
Insurance	4,521,766	2,260,884	2,039,532	4,300,416	(221,350)
Operations	23,243,771	9,575,543	14,486,396	24,061,939	818,168
Interfund Transfers	27,829,094	16,120,310	11,708,784	27,829,094	-
Other Expenses	3,751,929	1,127,779	2,037,417	3,165,196	(586,733)
Fixed Assets	704,483	191,940	472,206	664,146	(40,337)
Total Expenditures	\$ 207,579,152	\$ 102,508,457	\$ 106,930,917	\$ 209,439,374	\$ 1,860,222
Projected Net Loss:					\$ 6,391,886

City of Denton FY 2024-25 (Current Year)

Mid-Year Strategies:

- Implemented Managed Vacancy Program
- Reducing discretionary operational spending city-wide
- Evaluating existing and future transfers between funds
- Overtime Audit – City Auditor’s Office
- Debt Evaluation – City Auditor’s Office and City Finance
 - Reducing debt issuance for FY 2024-25
- Revenue and Expense Evaluation – City Finance and CityBase.net

These strategies are anticipated to close the current year gap.

City of Denton FY 2025-26 (Next Year)

FY 25-26 Summary:

The General Fund is (preliminarily) estimated to have a \$14 million net operating deficit in FY 2025-26 without supplemental packages or compensation adjustments.

Contributing Factors:

- **Declining revenue growth forecasts**
 - Slowing of property valuation growth, specifically new growth
 - Slowing of sales tax revenue
 - Reduced growth-related revenue
- **Public safety overtime**
- **Benefit cost increases**
 - Medical insurance costs are expected to increase
- **Economic Uncertainty**

FY 2025-26 Strategies:

- Departments targeting to reduce discretionary spending by 3%
- Zero-based budgeting to focus on core services
- Reviewing and evaluating capital expenditures

Moving Forward

- **Zero-Based Budgeting:**
 - Zero-Based Budgeting (ZBB) a budgeting technique in which budgets start from zero, versus starting with the previous budget and adjusting it as needed.
 - Ensure that every dollar is justified and spent where it is most impactful.
- **Funding Priority:**
 - Existing employees and public safety.
 - Active projects within the Capital Improvement Program.
- **Budgetary Focus:**
 - Evaluate core services provided, align resources accordingly.
- **Anticipating Losses in Current and Next FY – Implementing Mitigation Factors**
- **Focus on Savings & Reducing Debt**
- **Right Sizing Revenue and Expenditure Expectations & Diversifying Revenue Streams**
- **Enhanced Financial Reporting**
- **Updating Financial Policies & Fee Schedules To Focus on Cost Recovery**

Next Steps

- June 3, 2025: Review Special Event Fees
- June 17, 2025: Budget Review and Proposed Program Updates FY 2025-26
- 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?
