

FY 2026-27 Budget Update

*Understanding Today's Budget
and Preparing for Tomorrow*

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Chief Strategic Officer



Today's Goals

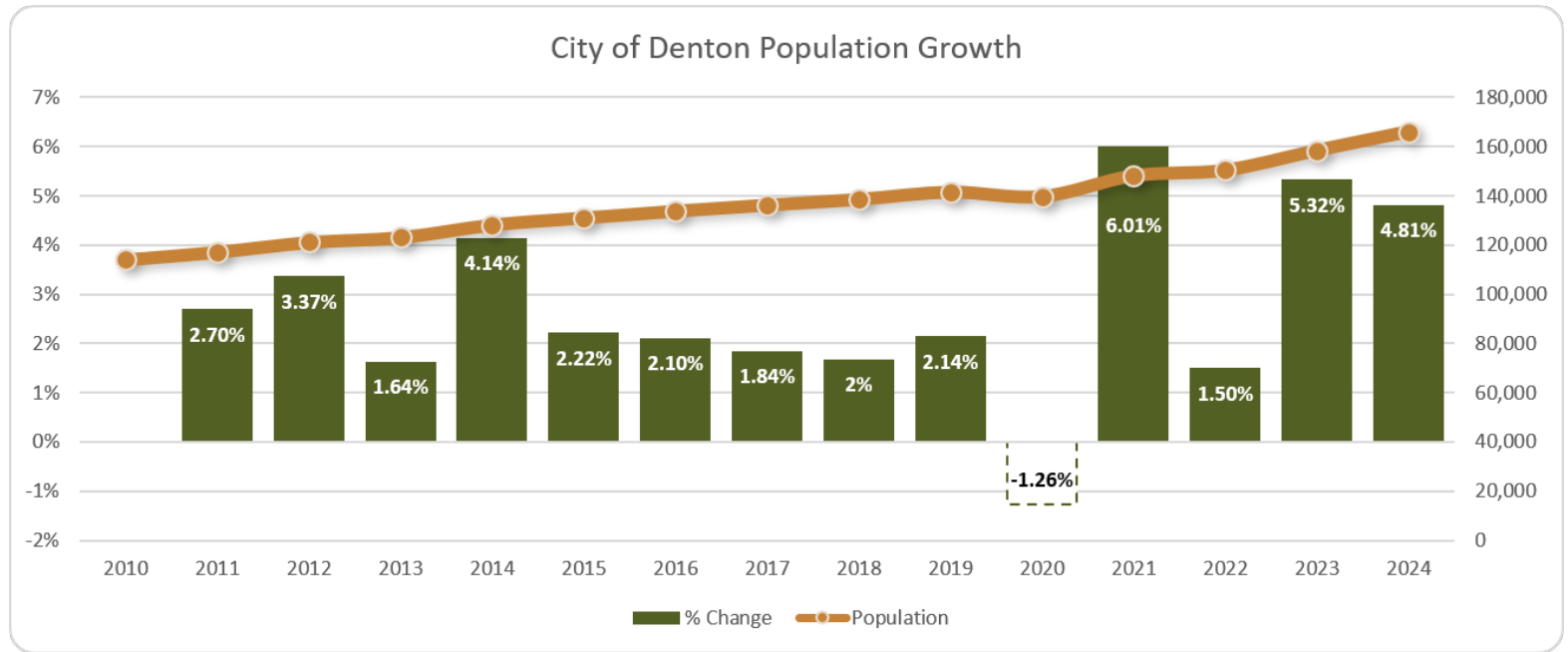
- Provide a high-level overview of how Denton's budget works
- Understand the General Fund's revenue structure and pressures
- Review FY 2025–26 budget decisions, approaches, and outcomes
- Discuss Denton's economic and demographic landscape
- Identify key financial and operational pressure points
- Review capital needs at a high level
- Understand risks and sensitivities
- Set the stage for FY 2026–27 budget discussions
- Preview the upcoming work sessions

Context: Denton Today

Denton at a Glance

By the numbers:

- 2026 Population: ~ 169,000
- Area: 97.95 sq. Mi.
- Total Households: ~ 66,900
- Projects Currently in Development: 59
- Projects Currently Under Construction: 102
- Businesses: 6,300+



Context: Denton Today

Economic Conditions

- Sales tax (FY 2026 adopted): **\$62.9M**, +4.62%
- Average unemployment: **4.2%**
- Strong development pipeline
- Inflation impacting supplies
- Competitive regional labor market

Why Context Matters

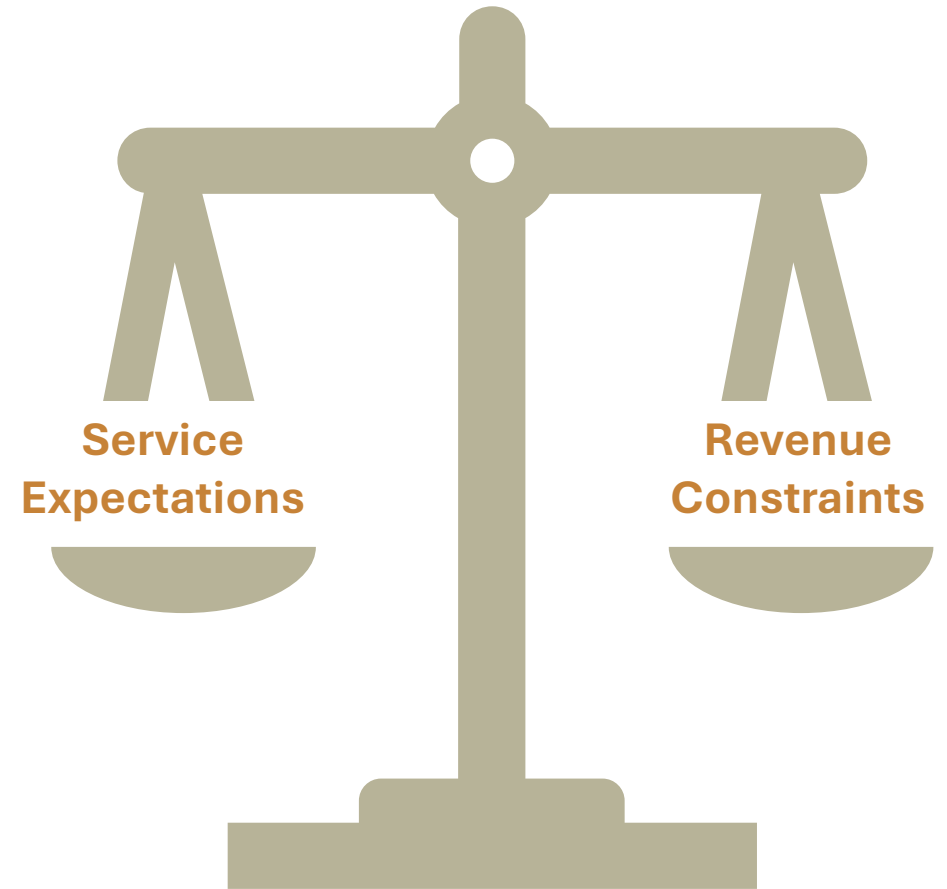
- More people = more calls for service
- Infrastructure demands accelerating
- Revenues react differently to economic cycles
- Community expectations rising faster than resources

How the Budget Works

A Balancing Act

Every budget decision ultimately answers three questions:

1. What services do we provide?
2. What level of service do we expect?
3. How do we sustainably pay for it?



How the Budget Works

Denton's Fund Structure

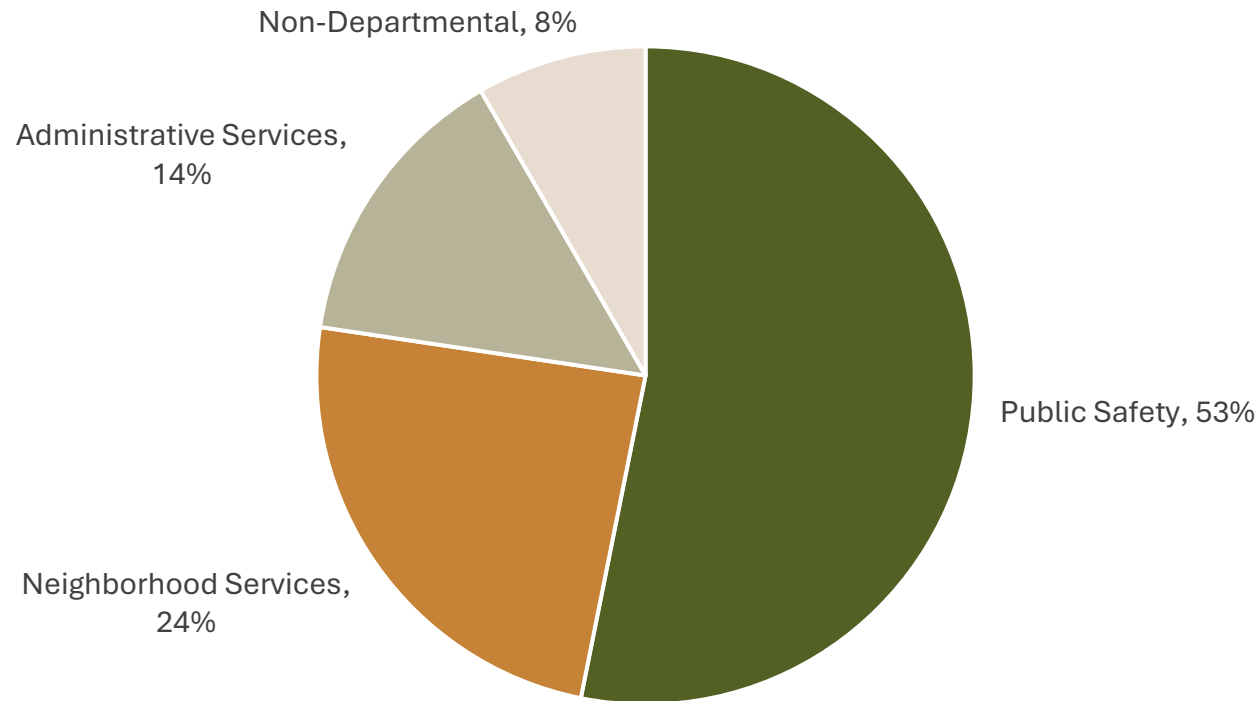
Different funds serve different purposes, and not all dollars are interchangeable.

- **Governed by Rules:** Our budget structure is guided by governmental accounting principles, regulations, and statutes.
- **Core Principle:** Fund accounting ensures that revenue and expenditures are tracked together in distinct "self-balancing" units.
- **Goal:** To demonstrate compliance with legal and regulatory restrictions on how funds can be used.

General	Enterprise	Debt Service	Special Revenue	Internal Service
<ul style="list-style-type: none"> • Flexible but Constrained • Personnel-Driven 	<ul style="list-style-type: none"> • Rate-Driven • Legally Self-Sustaining • Includes Water, Wastewater, Electric, Solid Waste, Airport 	<ul style="list-style-type: none"> • Tied to Tax-Supported Obligations • Legally Restricted 	<ul style="list-style-type: none"> • Legally Restricted to Specific Purposes • Includes Catalyst, Street Improvement, Roadway Impact Fee, TIRZ 	<ul style="list-style-type: none"> • Cost Allocation • Includes Customer Service, Engineering, Environmental Svcs, Facilities, Fleet, Technology

How the Budget Works

What the General Fund Supports



Note: FY 2025-26 Adopted Budget

Public Safety

- Police
- Fire/EMS,
- Animal Services

600 FTEs

Neighborhood Services

- Community Services
- Development Services
- Library
- Parks and Recreation

264.5 FTEs

Administrative Services

- City Manager's Office
- Finance
- Economic Development
- Human Resources,
- Internal Audit
- Legal
- Marketing and Communications
- Municipal Court

136.75 FTEs

Non-Departmental

How the Budget Works

What the General Fund Supports

8,047

FY 2024-25 Code Compliance Cases
11% ↑ from FY 2023-24

10,910

FY 2024-25 Permits Issued
11% ↑ from FY 2023-24

495,927

FY 2024-25 Library Visits
3% ↑ from FY 2023-24

27,365

FY 2024-25 Library Program Attendance
6% ↑ from FY 2023-24

630,374

FY 2024-25 Recreation Center Visits
5% ↑ from FY 2023-24

2,049

FY 2024-25 Recreation Center Programs/Classes Held
12% ↑ from FY 2023-24

7,461

FY 2024-25 Acres of Land Maintained
On Par with FY 2023-24

4,436

FY 2024-25 Animal Intakes at Shelter
24% ↓ from FY 2023-24

5,722

FY 2024-25 Calls for Animal Services
7% ↓ from FY 2023-24

24,436

FY 2024-25 Calls for Fire/EMS Services
8% ↑ from FY 2023-24

133,256

FY 2024-25 911 Calls for DPD Service Dispatched
5% ↓ from FY 2023-24

7,057

FY 2024-25 Open Records Requests Processed
25% ↑ from FY 2023-24

9,569

FY 2024-25 Financial Entries Processed
7% ↑ from FY 2023-24

21,769

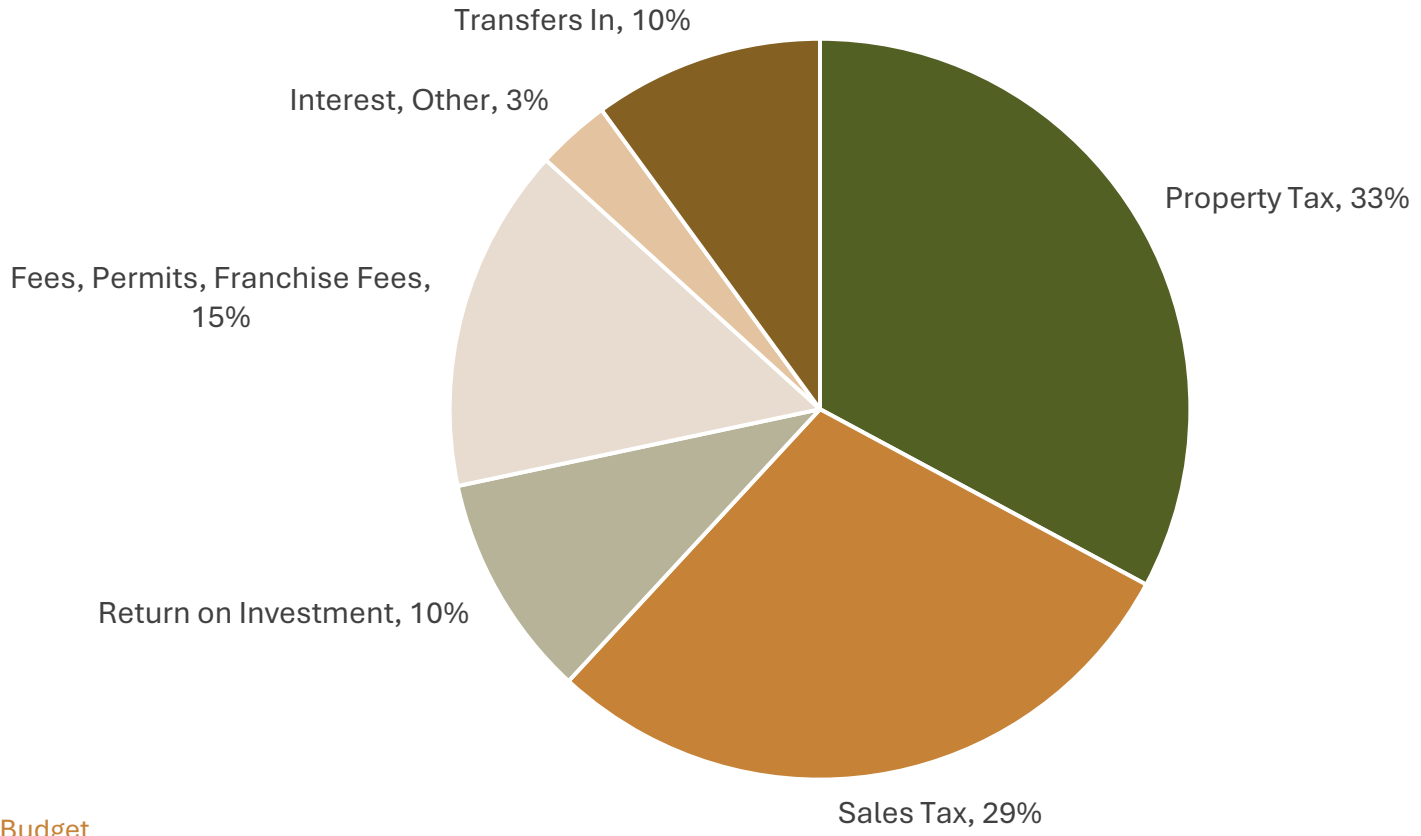
FY 2024-25 Municipal Court Cases Disposed
6% ↑ from FY 2023-24

947,403

FY 2024-25 Social Media Engagements
113% ↑ from FY 2023-24

General Fund Revenue Mix

General Fund Revenue Overview

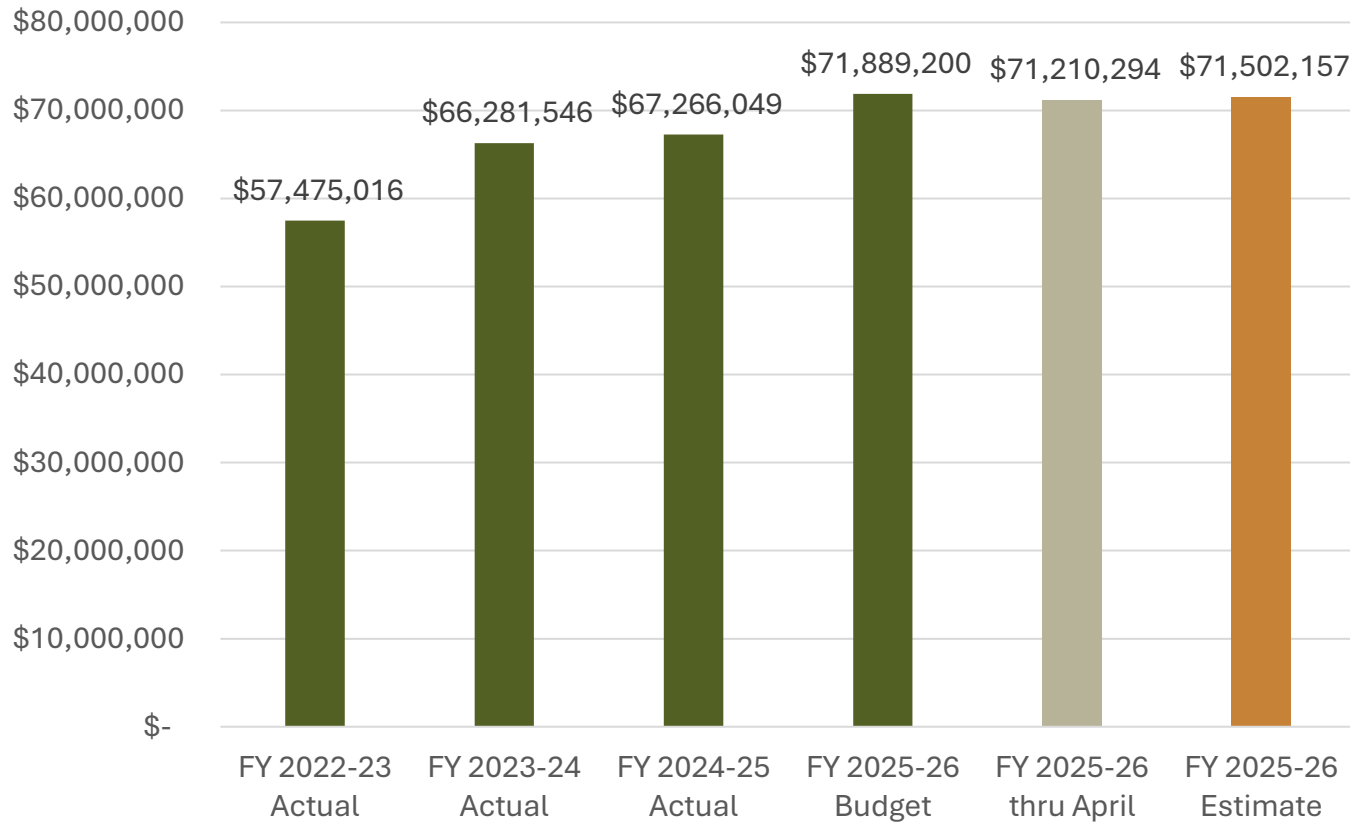


Note: FY 2025-26 Adopted Budget

General Fund Revenue Mix

Property Tax

Property Tax Collection



The City's most stable, predictable revenue source.

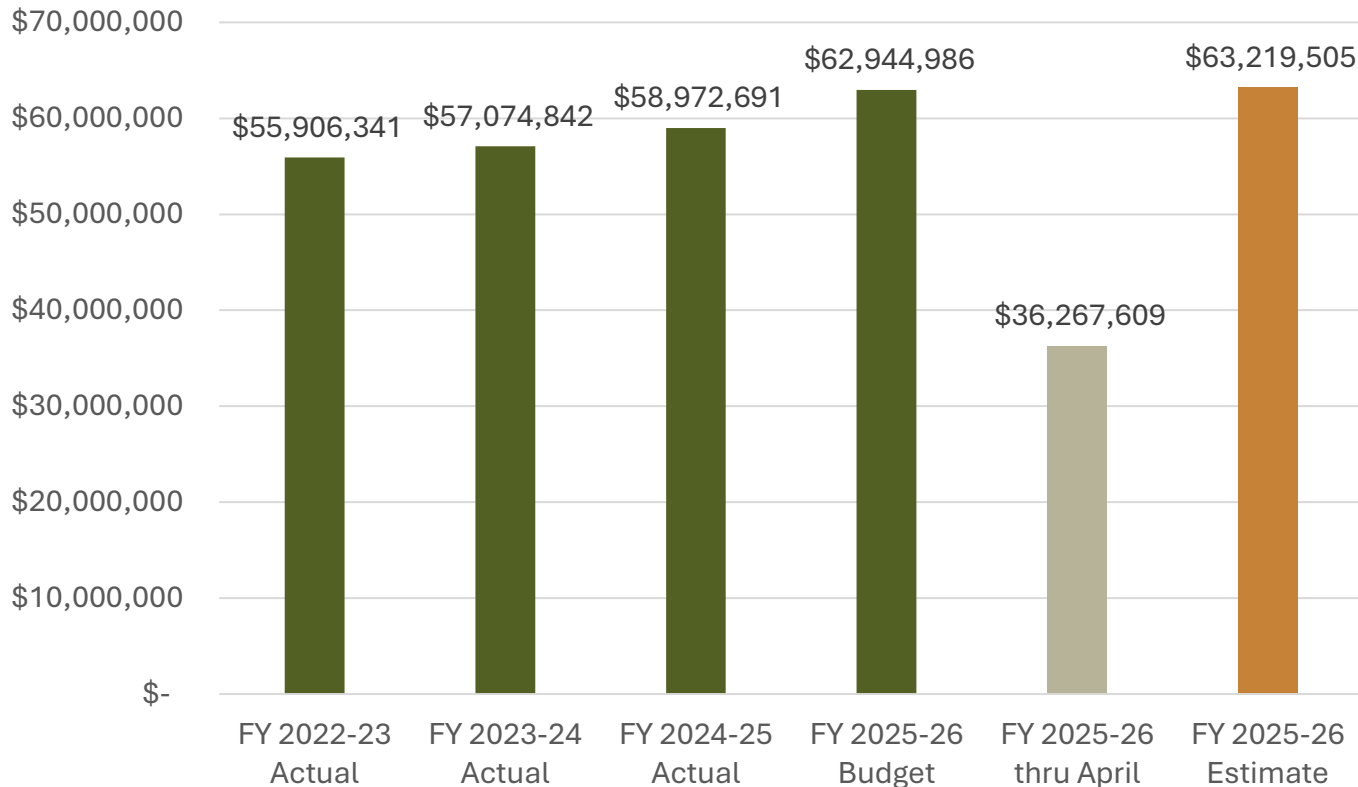
- Tied to appraisal values and the adopted tax rate
- Subject to state-imposed revenue caps
- Sensitive to exemptions
- Tax rate includes both:
 - Operations & Maintenance (O&M)
 - Debt Service (I&S) for bonds

General Fund Revenue Mix

Sales Tax



Sales Tax Collection



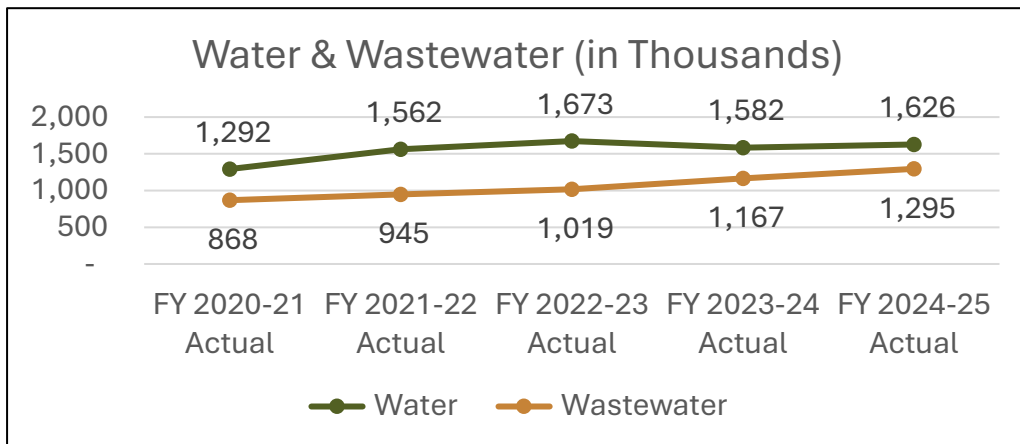
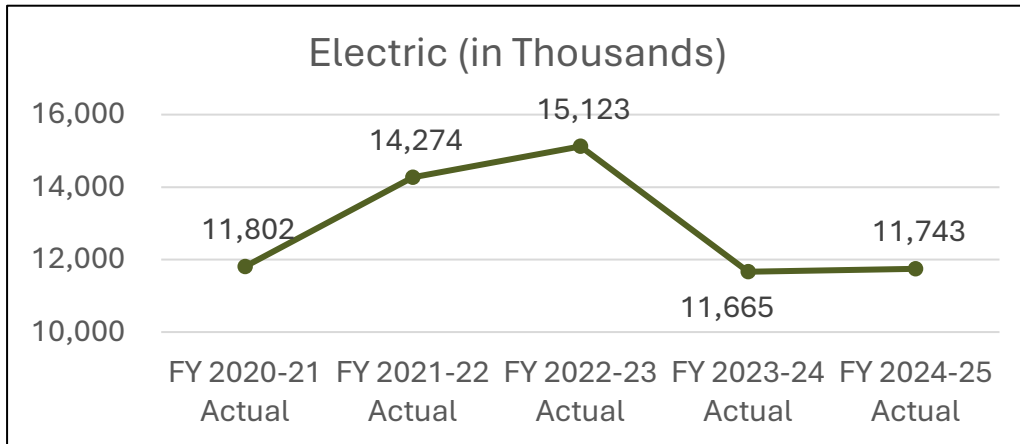
Highly impactful but volatile.

- Strong consumer economy → strong revenues
- Slows significantly during downturns
- Concentrated in key retail areas; dependent on regional competition
- Subject to shifts in consumer behavior (online vs. in-person)



General Fund Revenue Mix

Return on Investment (ROI)



One of the larger contributors to the General Fund -- and often misunderstood.

- ROI compensates the General Fund for: City’s investment in utility systems
- Use of City rights-of-way
- Administrative overhead
- Based on the City Charter
- Not a “profit transfer” — it is similar to a private utility paying a franchise fee
- Tied to utility revenues → if Electric or Water revenues drop, so does ROI

General Fund Revenue Mix

Fees, Permits, and Franchise Fees

Fees and Permits

Activity-based revenue with natural limits.

- Support important services but fluctuate with development patterns and service usage
- Fees can only cover **cost of service** (cannot be used as a general revenue-raising tool)

Franchise Fees

Payments by utilities for use of the City's rights of way.

- Some categories are declining due to “cord-cutting”
- State regulations limit local control
- Electric franchise fees are linked to consumption and market-wide shifts

General Fund Revenue Mix

Why the General Fund is Structurally Tight

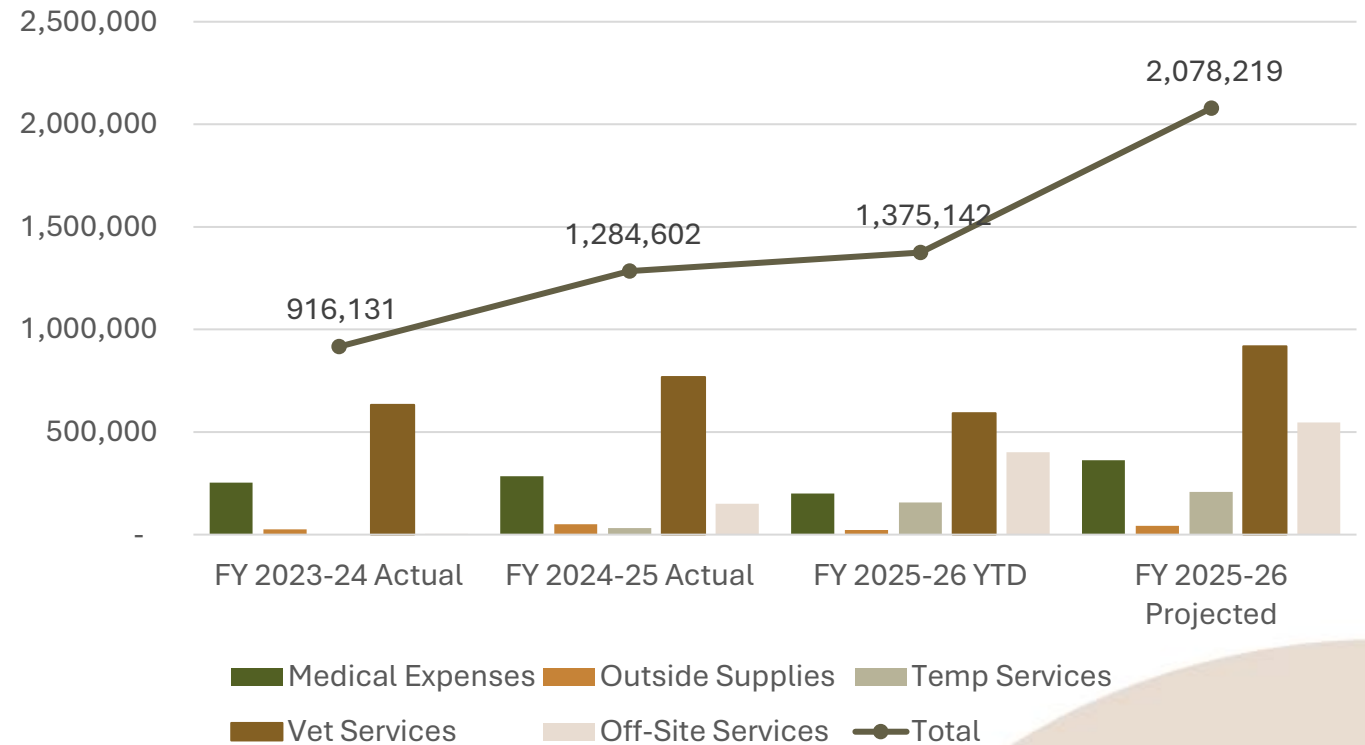
- Revenue growth limited by state caps
- Demand growth outpacing population growth
- Increasing pressure on essential service departments
- Reliance on two volatile sources: sales tax + ROI

Financial Pressure Points

Operating Cost Pressures

- Rising animal care costs
- Fire/EMS medical supply inflation and lower reimbursements
- Fuel, utilities, chemicals
- Technology costs

Animal Care Costs

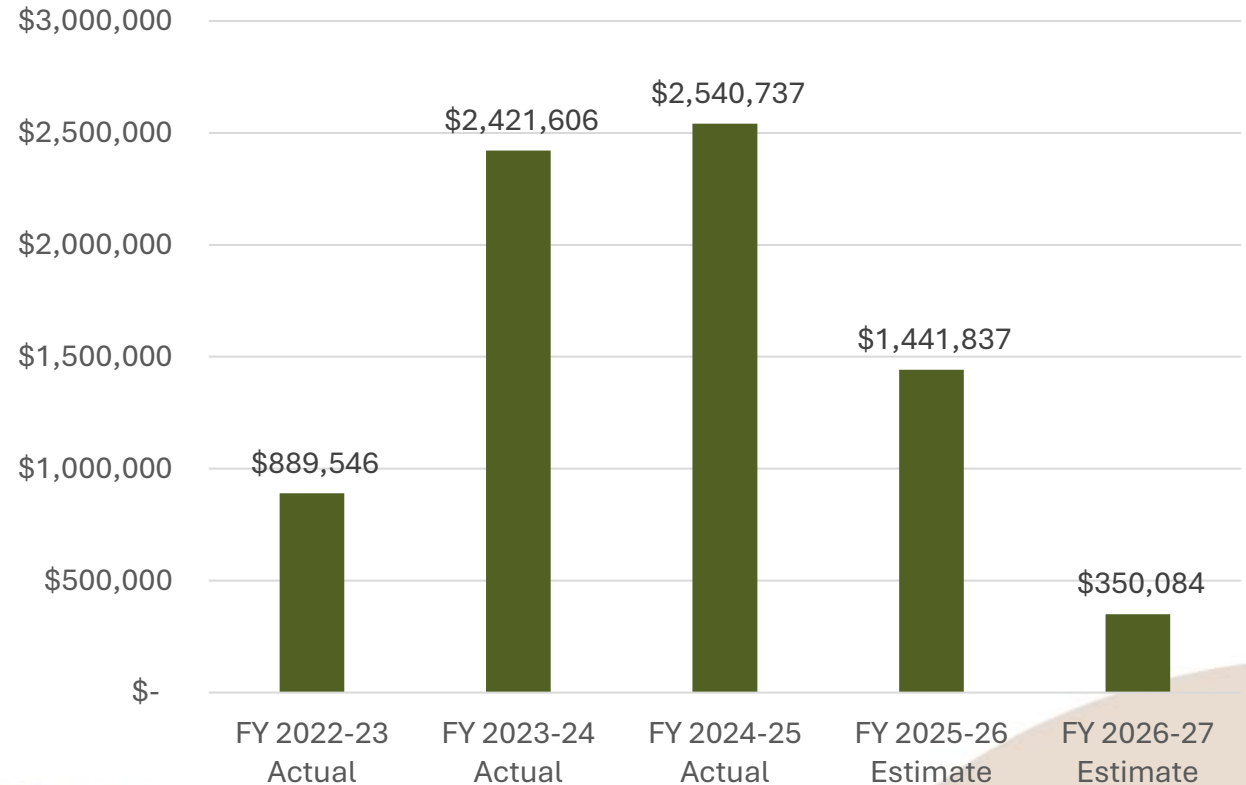


Financial Pressure Points

Workforce Pressures

- Employee turnover
- Police staffing challenges
- SAFER grant expiration
- Limited COLA/merit
- Competitive DFW labor market

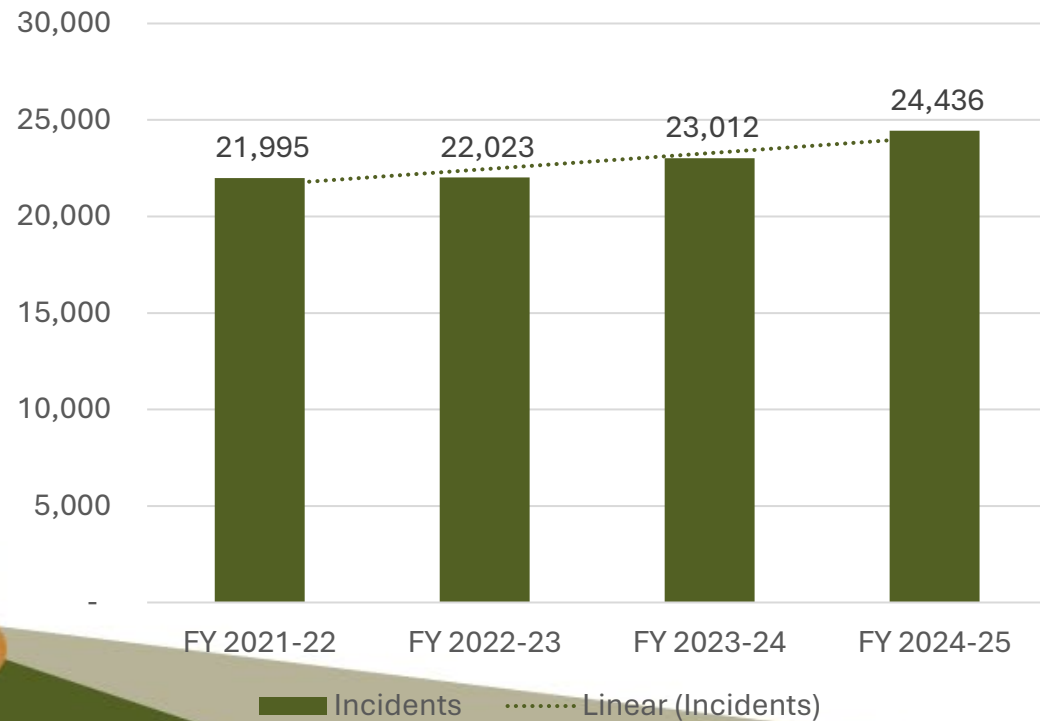
SAFER Grant Disbursements



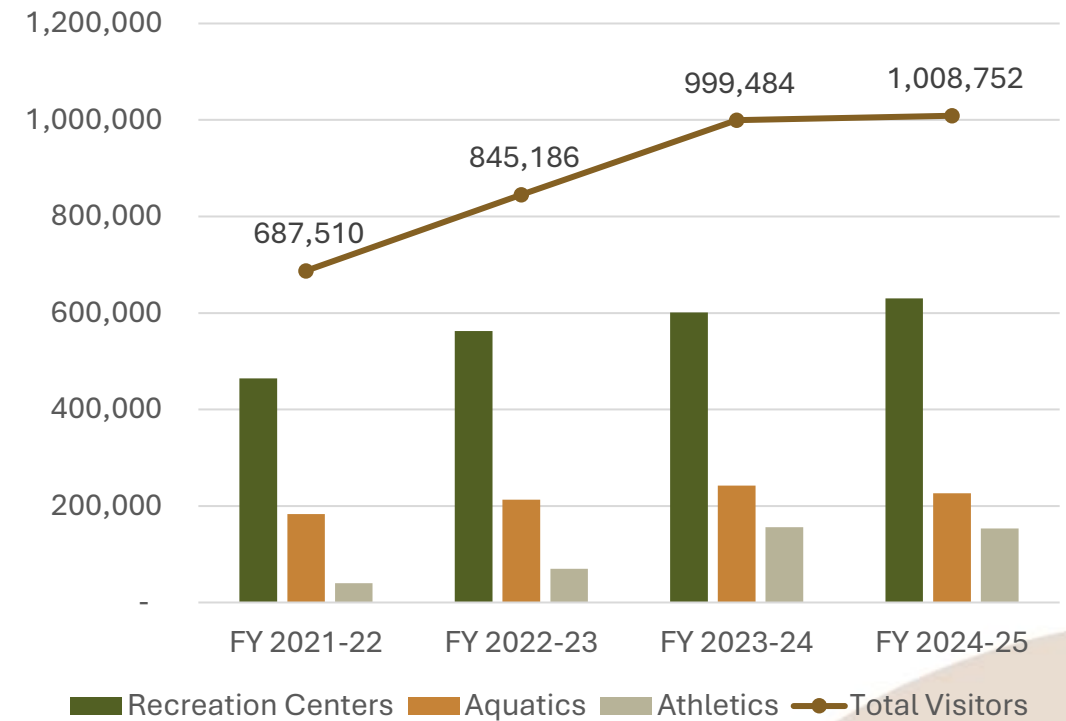
Financial Pressure Points

Service Demand Growth

Fire Department Responses

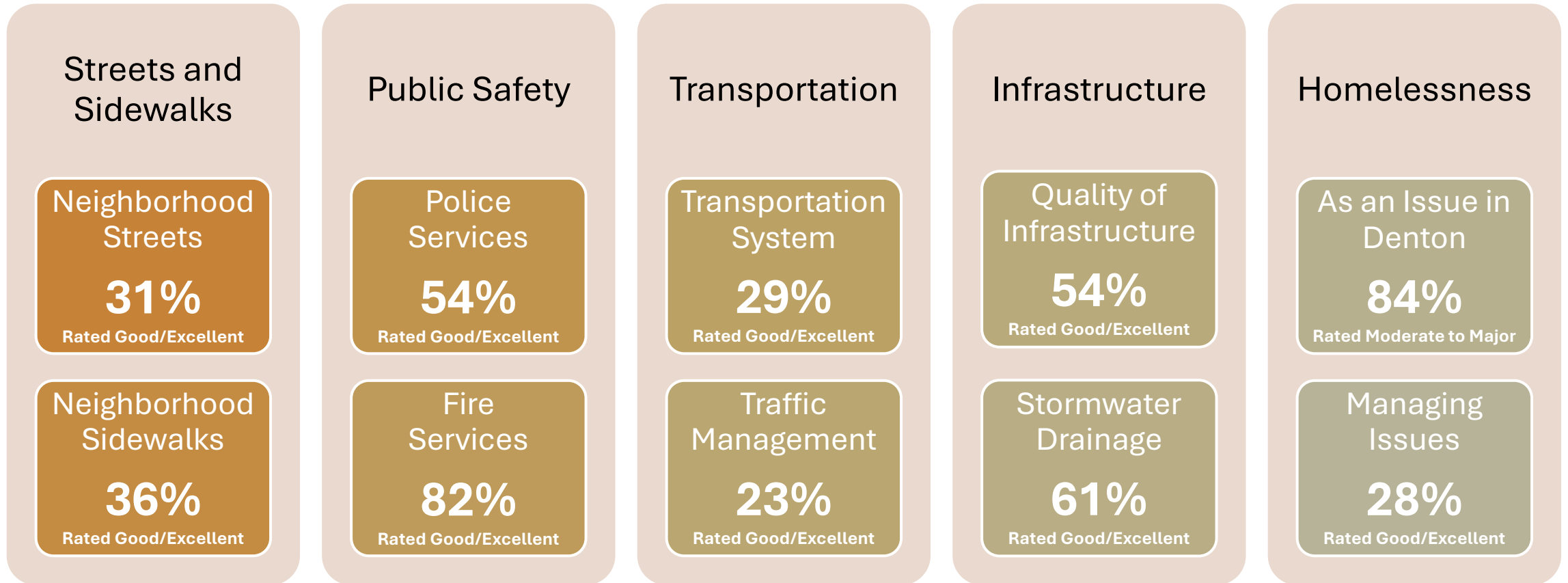


Visitors at Parks Facilities



Community Priorities

Community Survey Results



Community Priorities

Alignment with Budget Realities

What Residents Want Most

What the Budget Must Address

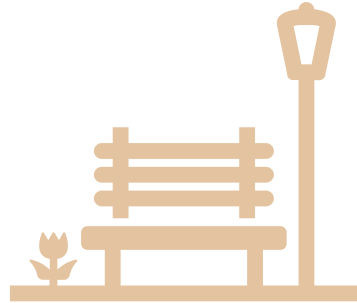
- Streets and sidewalks → High cost of maintenance and reconstruction
- Transportation system → Growth-driven demand outpacing system capacity
- Public safety services → Operational costs for police, fire, and EMS
- Infrastructure reliability → Capital reinvestment in utilities
- Homelessness response → Resource-intensive homelessness services
- Economic opportunity → Limited municipal leverage over job market conditions

Capital Needs

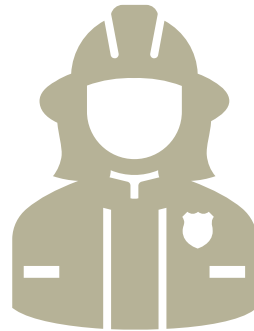
Overview



Streets and
Transportation



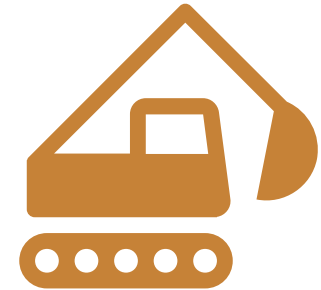
Parks



Public Safety



Facilities



Infrastructure

Capital Needs

FY 2025-26 CIP Snapshot

The FY 2026 Capital Improvement Program (CIP) included \$552.8 million in planned new funding for FY 2026

- \$127.0 million - General Government (Bond Programs, Streets, Parks, Public Safety Facilities)
- \$64.0 million - Electric Utility
- \$94.9 million - Water Utility
- \$243.0 million - Wastewater Utility
- \$21.7 million - Solid Waste
- \$2.2 million - Airport

Funding Sources

- Current Year Revenue
- General Obligation (GO) Bonds
- Certificate of Obligation (CO) Bonds
- Federal and State Loan Programs
- Impact Fees

Capital Needs

Debt Rate

FY 2026 debt rate: \$0.260640



Capital Needs

Operating Impact of Capital

- New facilities create long-term operating costs (staffing, utilities, maintenance)
- Renovations delay, but don't eliminate future needs
- Long-term cost commitments
- Lifecycle replacement obligations

Risks and Sensitivities

Revenue Sensitivities

- Sales tax volatility
- ROI fluctuations
- Business Personal Property (BPP) valuation
- Development cycles

Costs Sensitivities

- Health insurance volatility
- Public safety pay competitiveness
- Contract escalation clauses
- Unpredictable supply chain costs

External Risks

- Legislative changes
- Market-driven shifts (retail, utilities)
- Development slowdowns or surges

Risks and Sensitivities

Implications for FY 2026-27

- Legislative impacts
 - HB 9, effective January 1, 2026
- Structural constraints persist
- Reserves remain critical
- Service expectations vs. fiscal reality
- Importance of early direction

Key Decision Points for FY 2026-27

Strategic Questions

- What service levels must be protected?
- What revenue strategies should be considered?
- How should we invest in our workforce?
- Which programs should we evaluate for realignment?
- What long-term priorities should guide our decisions?

Key Decision Points for FY 2026-27

Why Early Decisions Matter

Workforce

Public Safety

Maintenance
Needs

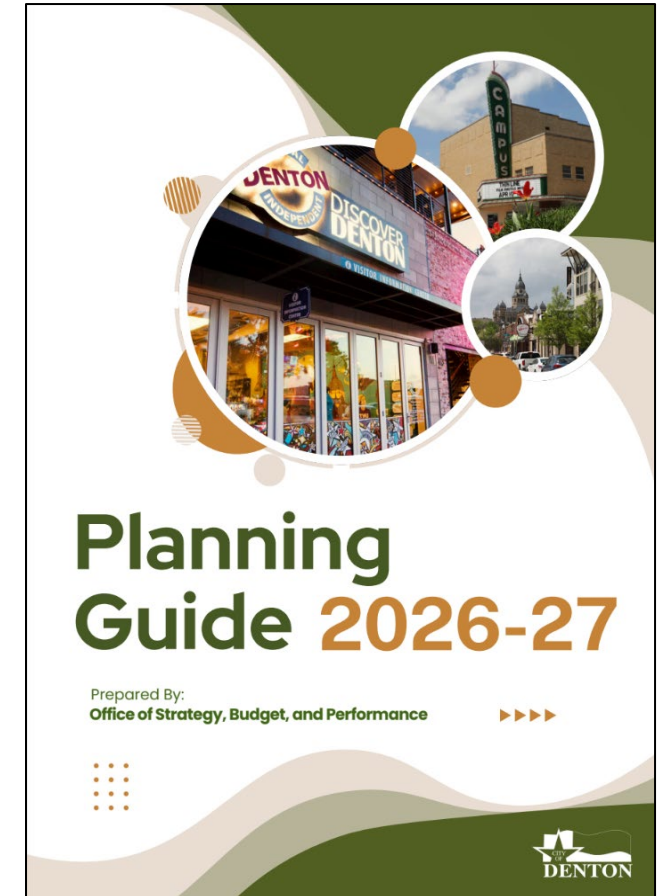
Capital
Timing

Community-
Facing
Services

FY 2026-27 Budget Development

City Management Strategic Focus and Priorities

- Priorities and Directives
 - Invest in talent for long-term competitiveness
 - Conduct Workforce Planning Study to align resources with service delivery
 - Support Police Meet and Confer negotiations that reflect sustainability and shared goals
 - Maintain current service levels
 - Include no supplemental requests



FY 2026-27 Budget Development

Key Drivers and Considerations

1. Revenue Reality

Economic conditions determine what resources are available.

2. Service Demand

Community needs define the level of service required.

3. Workforce Costs

People are the primary cost of delivering services.

4. Cost Pressures

Inflation and market factors increase the cost to operate.

5. Policy Decisions

Leadership priorities determine where resources go.

**The budget is
where resources,
service
expectations, and
priorities come
together.**

FY 2026-27 Budget Development

Strategic Alignment

Ensures alignment with citywide priorities.



Pursue Organizational Excellence and Collaborative and Respectful Leadership

Optimizes resources for the greatest impact.



Enhance Infrastructure and Mobility

Provides transparency and accountability



Foster Economic Opportunity and Affordability



Strengthen Community and Quality of Life

Helps us adapt to changing needs while maintaining focus.



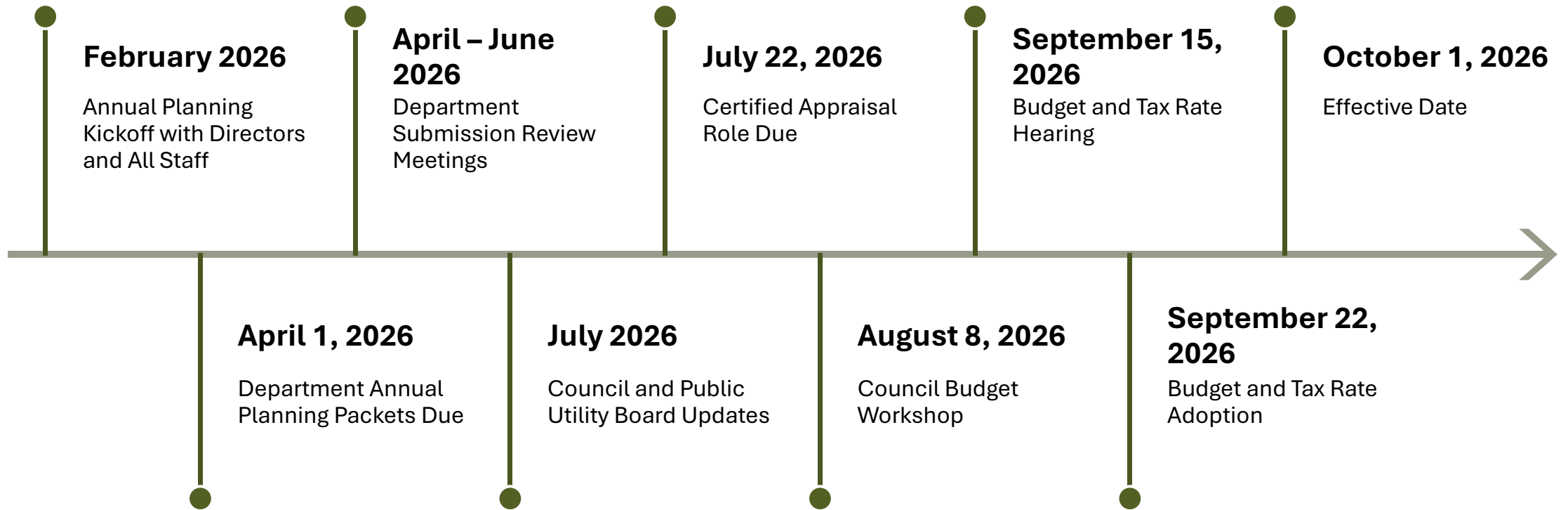
Support Healthy and Safe Communities



Promote Sustainability and the Environment

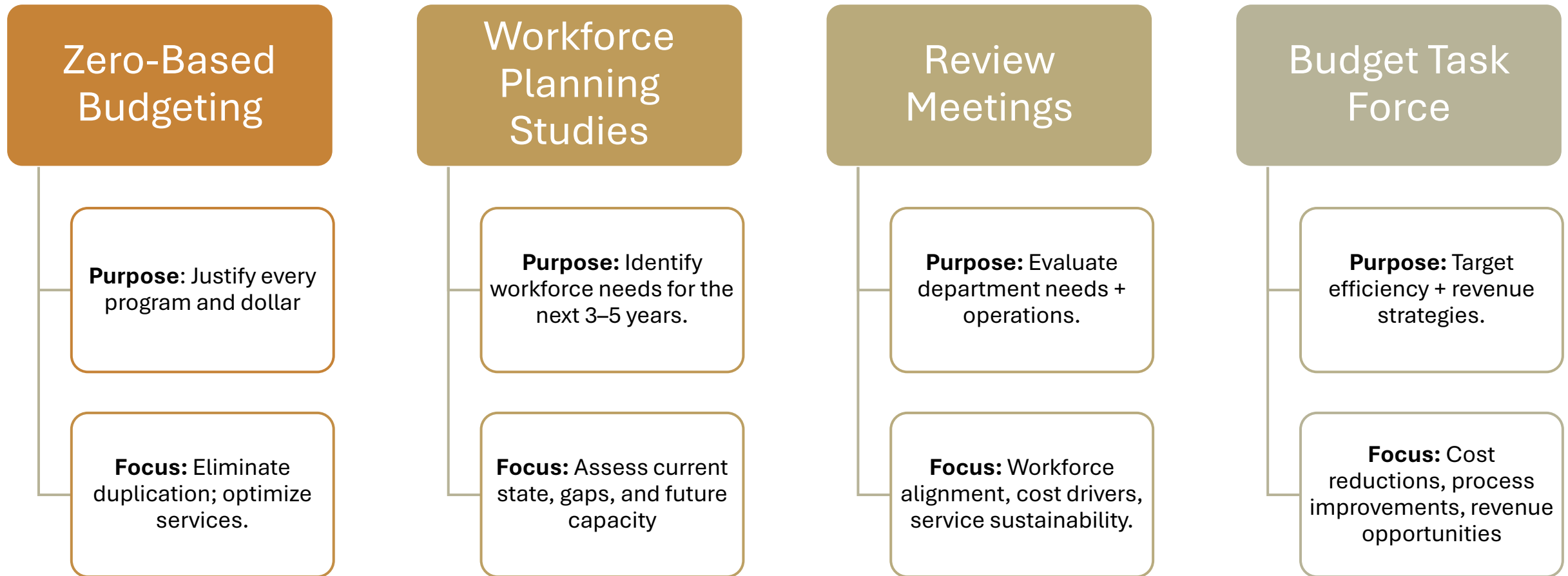
FY 2026-27 Budget Development

Annual Planning Calendar



FY 2026-27 Budget Development

Strategic Approaches



FY 2026-27 Budget Development

Strategic Approaches

Office of Strategy, Budget, and Performance

- **Purpose:** Integrated strategy, data, and budget.
- **Impact:** Supports alignment, informed decisions, and future-ready planning

Innovation Grant

- **Purpose:** Empower employees to pilot innovative ideas that help build Denton's future.
- **Impact:** Ideas may receive up to \$25,000 to pilot concepts that demonstrate value.

Community Engagement and Transparency

- **Purpose:** Increase understanding and participation in the budget.
- **Impact:** 5-part video series + combined budget simulator and survey + expanded community-based engagement.

FY 2026-27 Budget Development

Next Steps

- July 21: Capital Projects, Utility Budgets and Rates
- August 8: Budget Workshop
- August 18: Budget Workshop Follow-Up
- September 15: Budget and Tax Rate Hearing
- September 22: Budget and Tax Rate Adoption



Questions?

