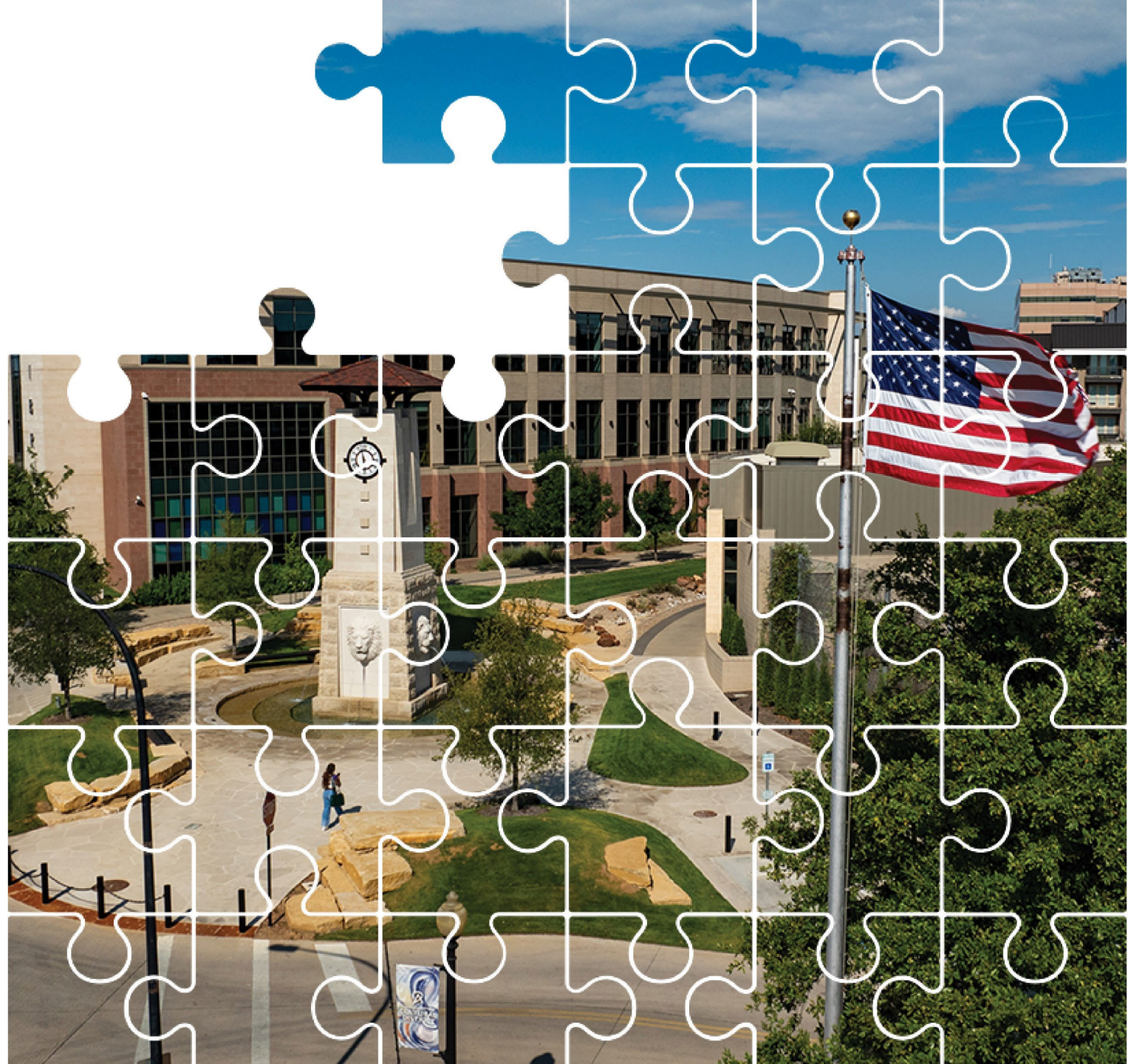


# BUDGET PLANNING UPDATE FY26



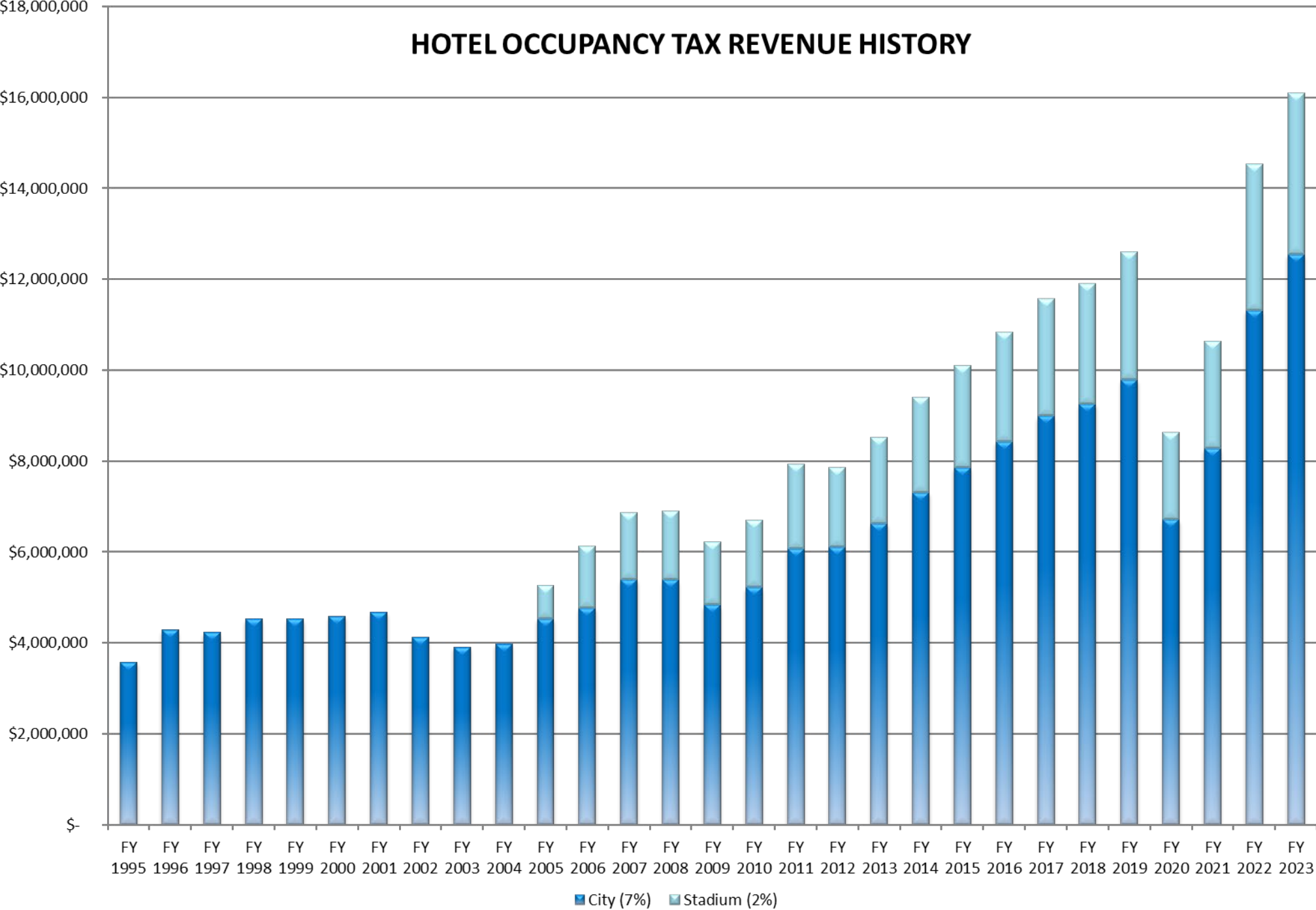
January 28, 2025



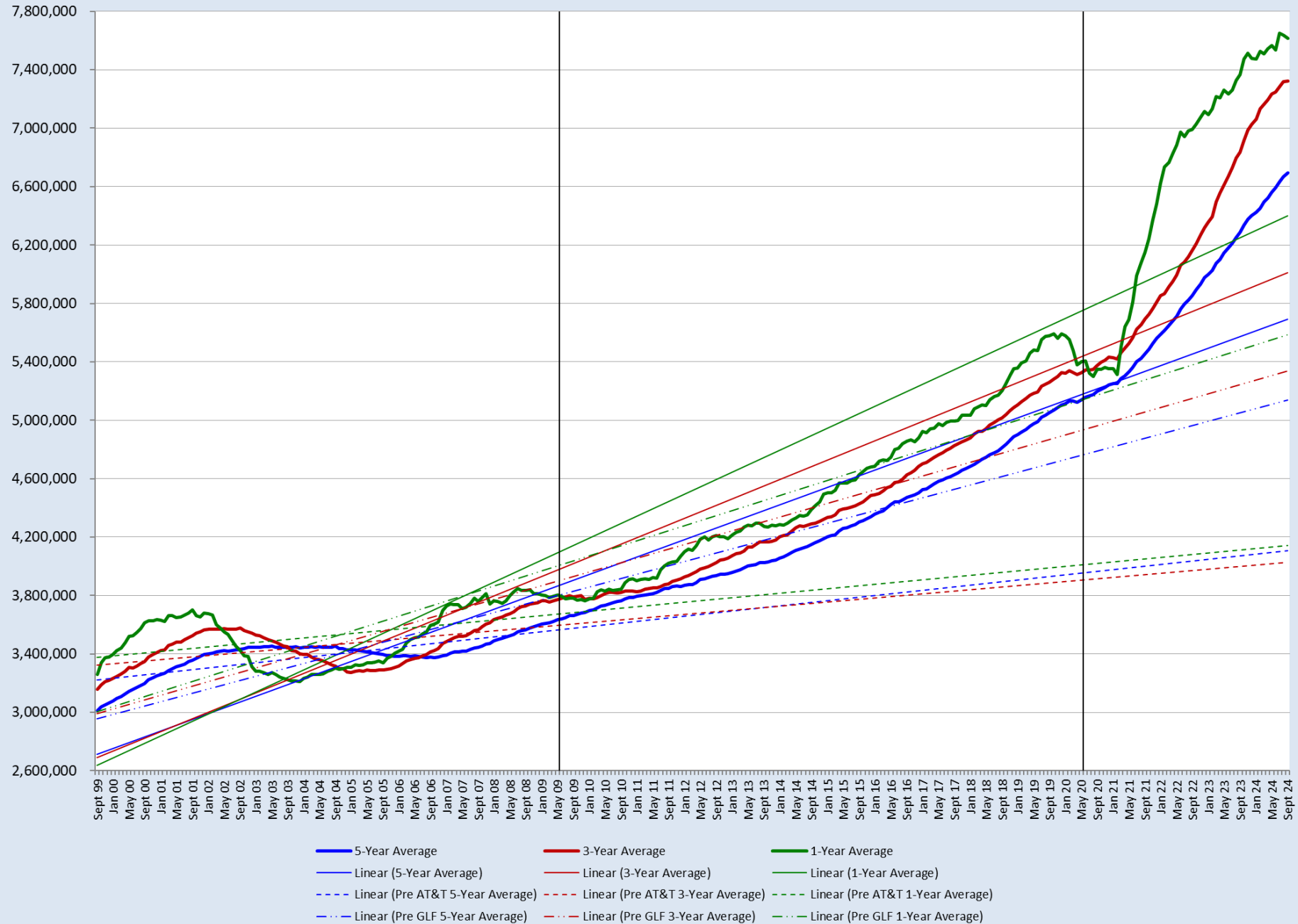
# Fall Retreat Follow-up



HOTEL OCCUPANCY TAX REVENUE HISTORY



## Moving Monthly Averages, General Fund Sales Tax Receipts



# General Fund Sales Tax History

- Impact of the Venues:
  - 15 Years Before (FY 1995 – FY 2009)
    - 2.7% Average Annual Growth
  - 15 Years After (FY 2010 – FY 2024)
    - 5.3% Average Annual Growth

# Service Enhancements since FY 2009

- Number of Sworn Police Positions Added: 91
- Number of Sworn Fire Positions Added: 172
- Opened Fire Station 17 (Viridian)
- Opened Downtown Library
- Opened Two New Recreation Centers
- New Lane Miles Constructed: 65.56
- Total Number of Lane Miles Maintained: 3,018.27

# ..... Staffing Efficiencies



- **Addressing Duplication of Efforts:** Previous discussions highlighted concerns around potential redundancies.
- **Current Decentralized Staffing Model:** Departments maintain their own staff, enabling tailored management of business operations and reducing the size of central offices.
- **Exploring Centralization for Efficiency:** We will evaluate potential savings by identifying areas where a centralized model could streamline operations and eliminate redundant positions.
- **Leveraging Artificial Intelligence:** Investigating AI tools to enhance efficiency and reduce manual workloads across departments.

# BUDGET FY 2026 | Agenda



**How the city  
budget is  
prepared**

**Challenges  
that impact  
FY25, FY26  
and FY27**

**Result**

# BUDGET FY 2026



## How the city budget is prepared

# How the city budget is prepared



Trends and History\*



Economic Conditions



Prepare a conservative plan with targeted strategic investments



Identify community priorities to be funded and reduce and restructure in areas that have become less important

\*Includes a comparative data analysis.

[Click here to view our current city comparisons](#)

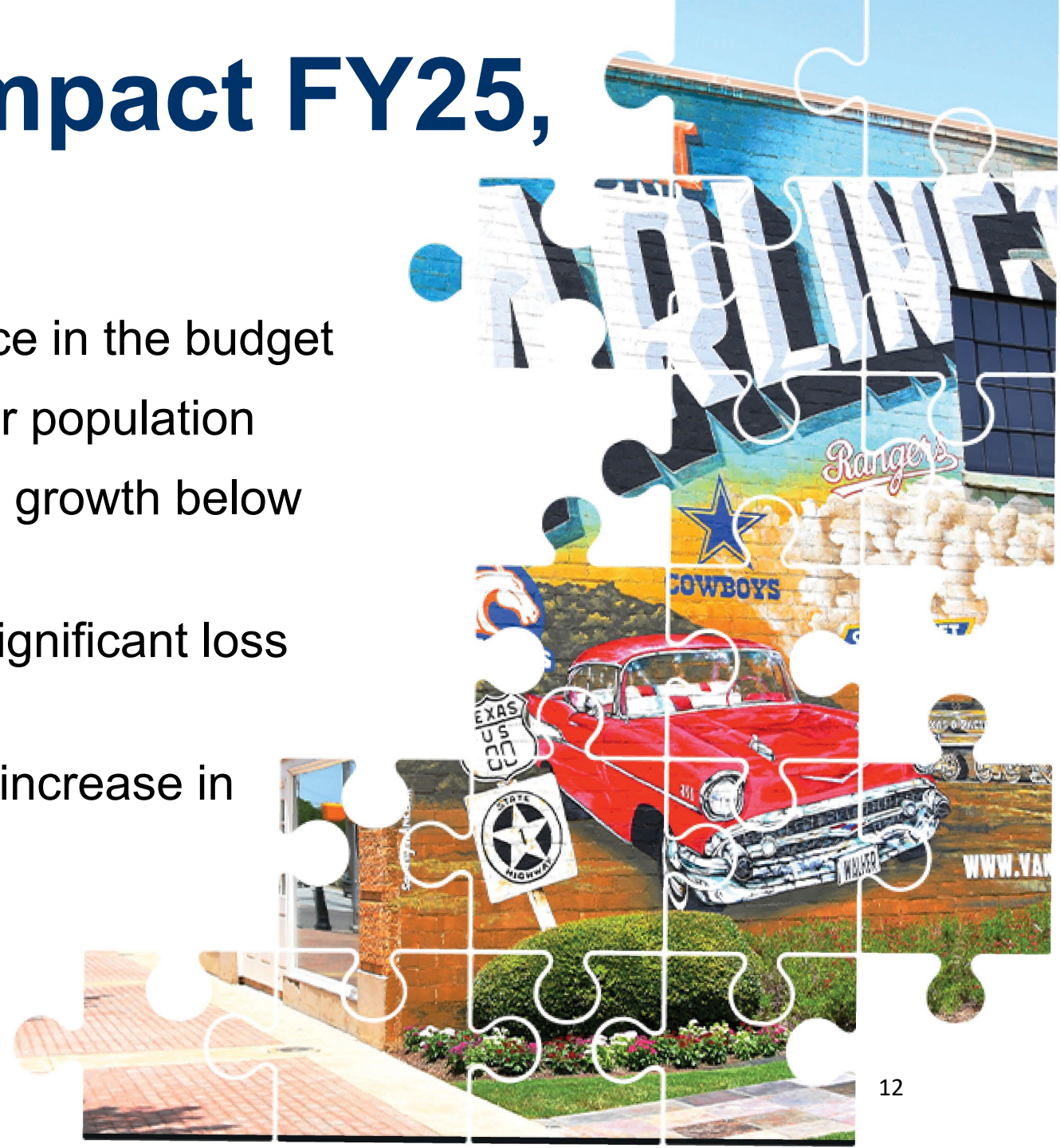
# BUDGET FY 2026



**Challenges that impact FY25,  
FY26 and FY27**

# Challenges that impact FY25, 26, and 27

- **ARPA:** Avoiding a structural imbalance in the budget
- **Senior Tax Freeze:** Increasing senior population
- **Conservative Valuations:** Projected growth below recent historical norms
- **Property Tax Protests:** Allowing a significant loss (\$1B) of value through protests
- **No Reappraisal Plan:** Assuming no increase in values for two years

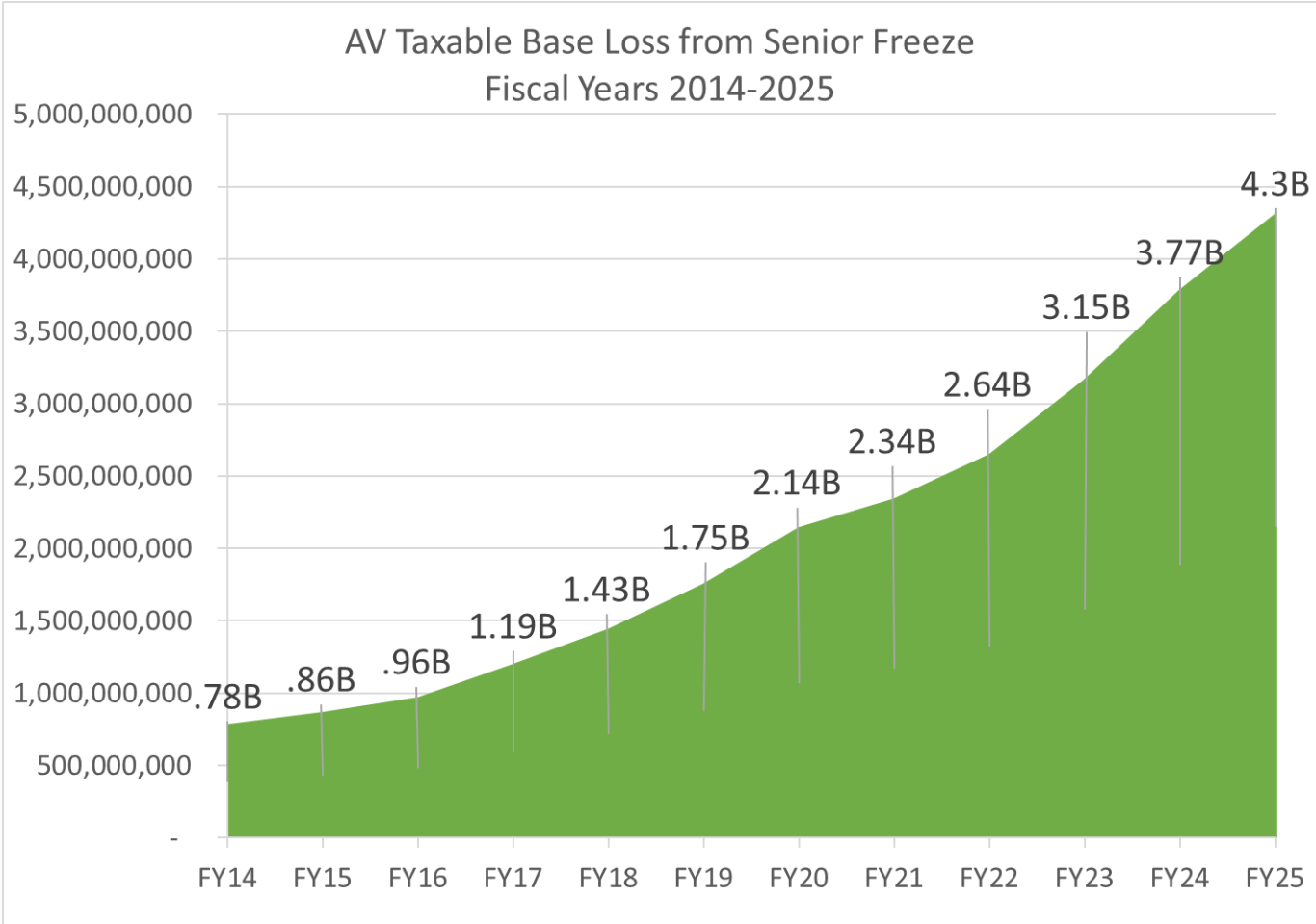


# Restoring ARPA to General Fund

- FY 2023/24 – \$7,375,038
  - Restored FY 2021 Voluntary Cuts
  - Restored Frozen Positions
- FY 2025 – \$4,130,299
  - Adds 58 Fire and Police Positions to the General Fund
- FY 2026 – \$3,820,636
  - 4<sup>th</sup> and final installment to the General Fund

General Fund Impact	Annually	Cumulative
FY23	\$ 3,571,108	\$ 3,571,108
FY24	\$ 3,803,930	\$ 7,375,038
FY25	\$ 4,130,299	\$ 11,505,337
FY26 Planned	\$ 3,820,636	\$ 15,325,973

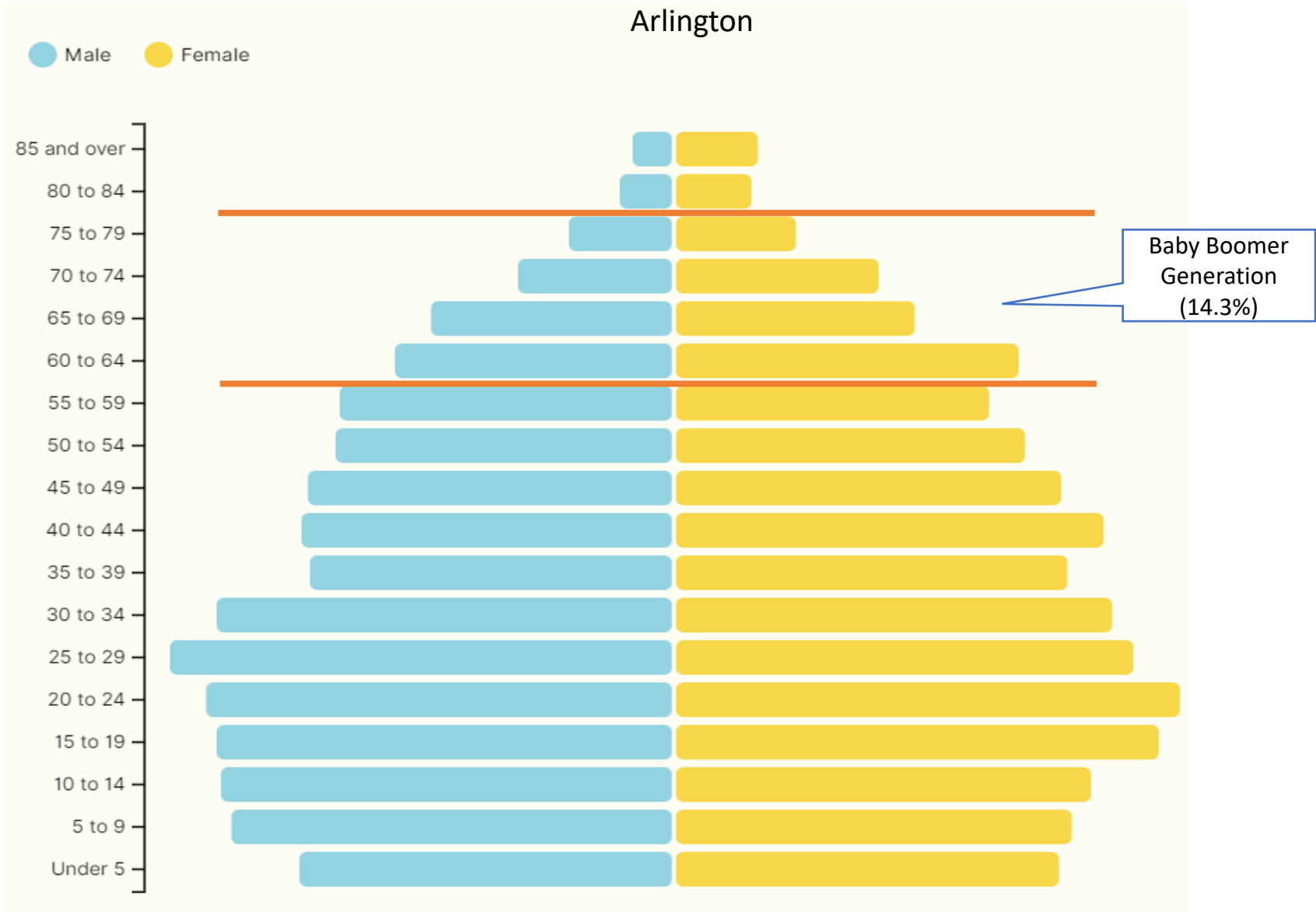
# Growth of Senior Tax Freeze



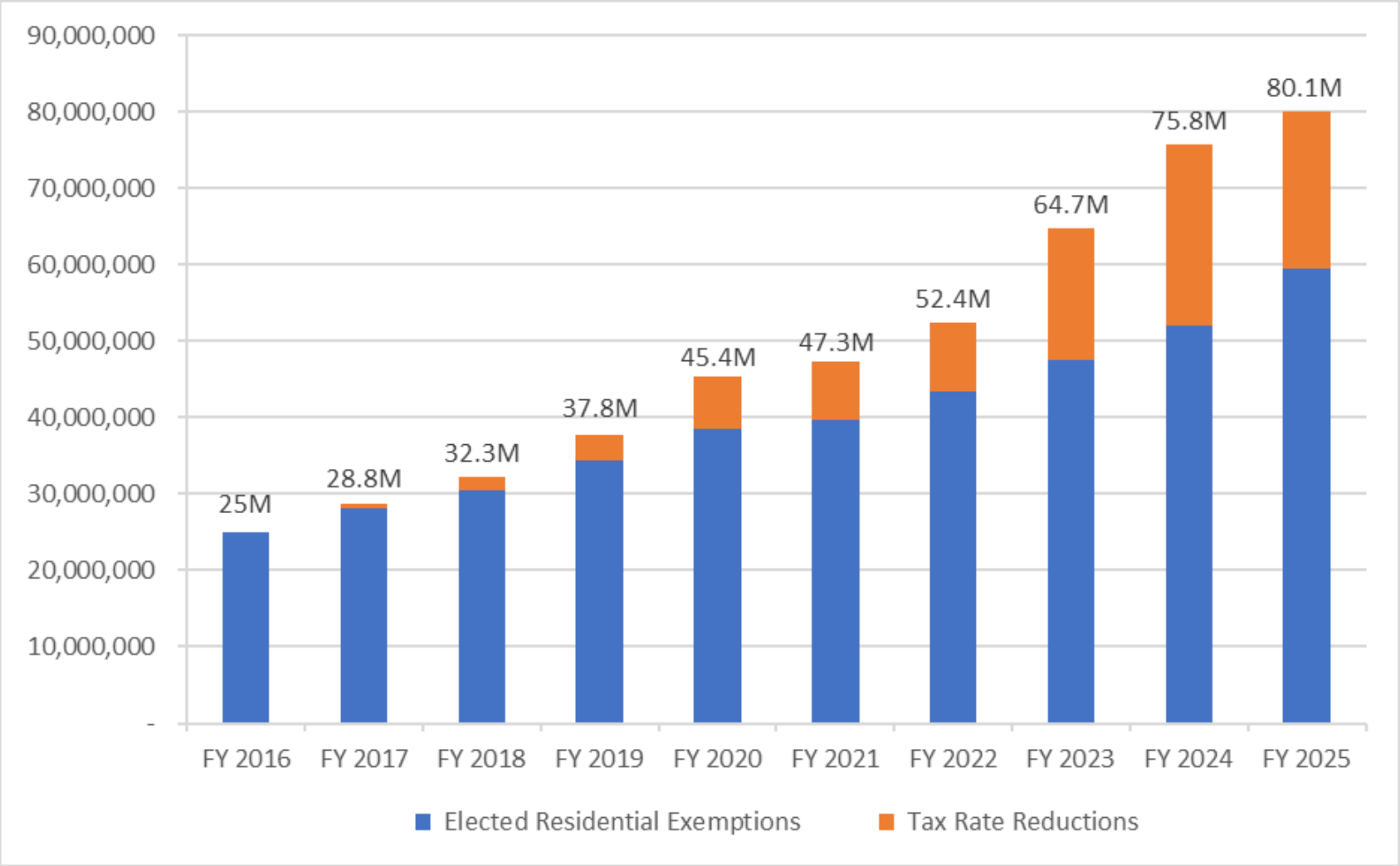
Annual Incremental Increase in Impact on Tax Levy										
FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
\$518k	\$687k	\$1.4M	\$1.5M	\$1.9M	\$2.2M	\$1.2M	\$1.8M	\$2.5M	\$3.3M	\$3.5M



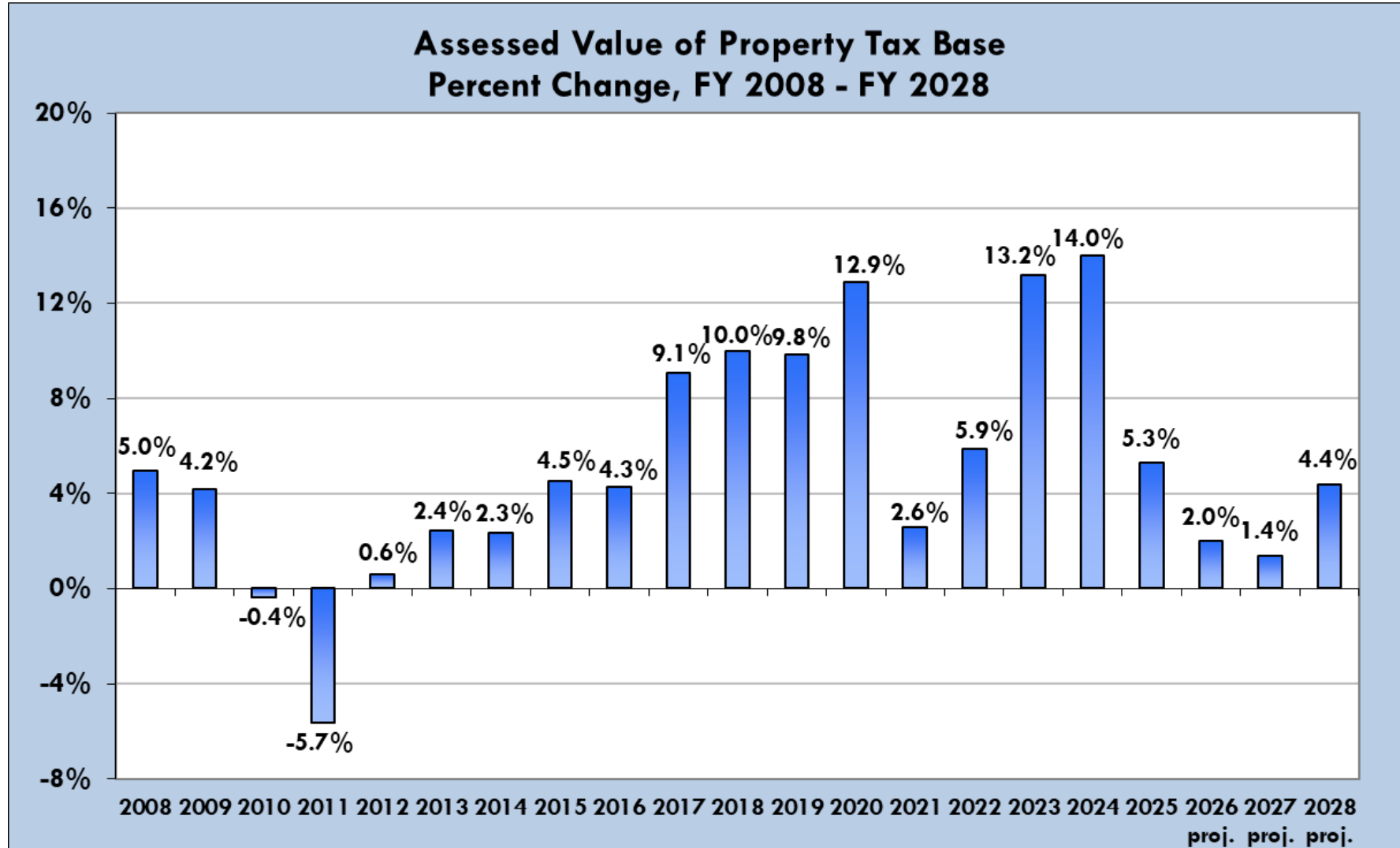
# Aging Population Data



# Impact of Exemptions and Tax Rate



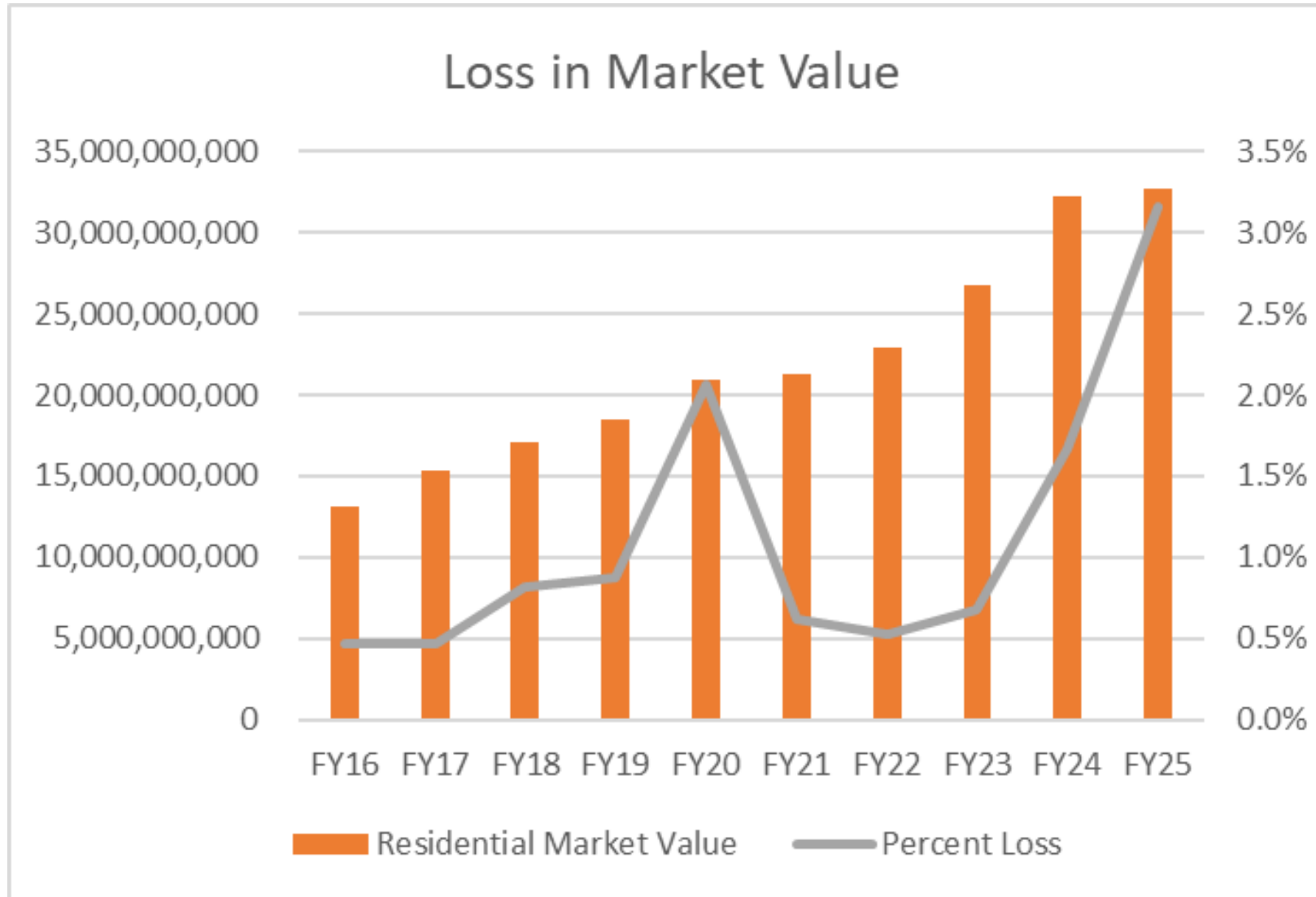
# Property Tax Base



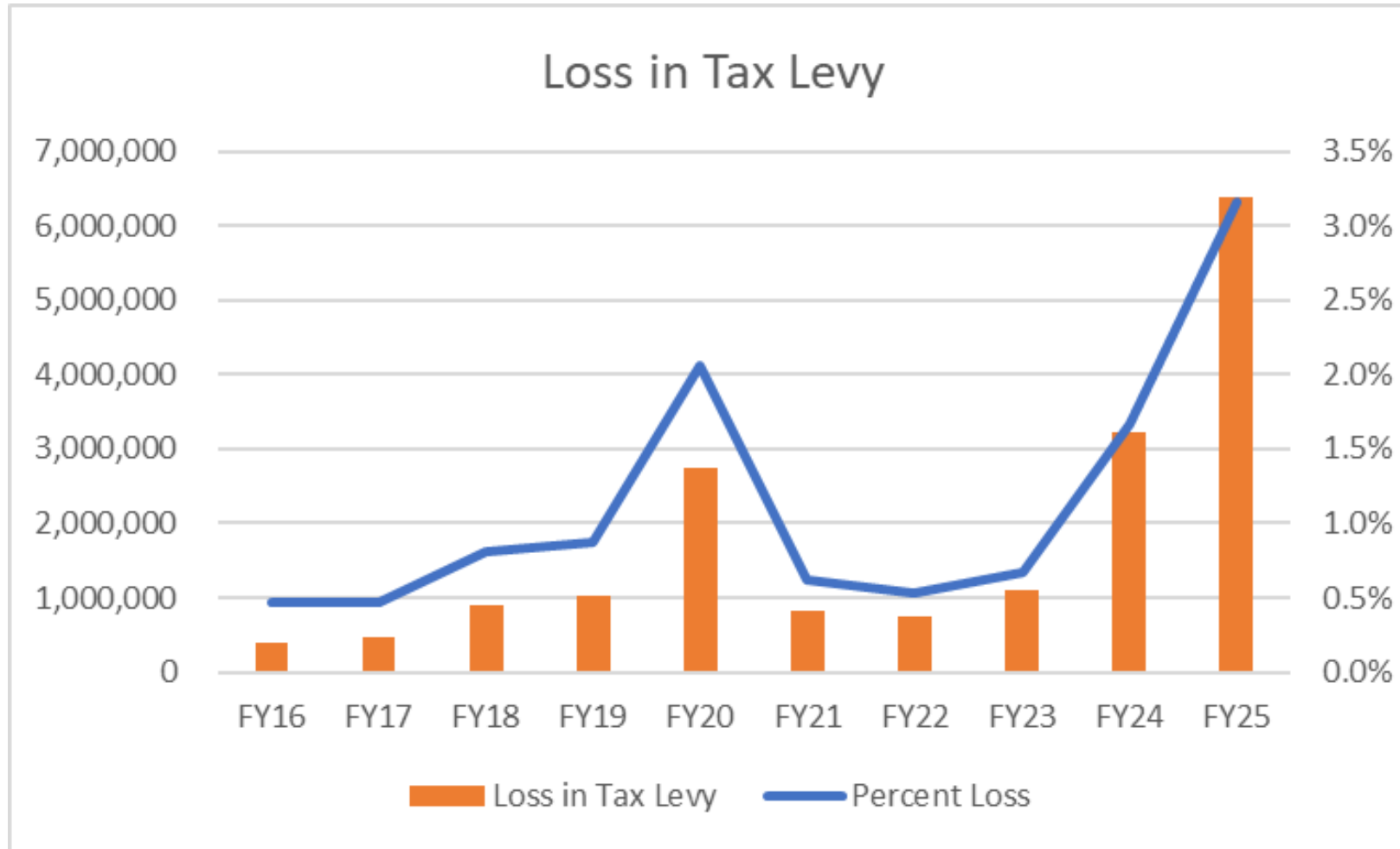
# Assessed Value Growth County Comparisons

	FY25	FY24
Tarrant County	-0.60%	9.82%
Dallas County	10.05%	12.83%
Denton County	9.05%	18.54%
Collin County	11.47%	13.99%

# Protest Data



# Protest Data



# 2024 Protest Loss

		Initial Value	Final Value	Loss	Count
A	Residential SingleFamily	16,366,182	13,891,775	(2,474,407)	78
B	MultiFamily Residential	2,434,913	2,098,675	(336,238)	9
BC	MultiFamily Commercial	4,680,495,753	3,983,046,726	(697,449,027)	218
C1C	Vacant Land Commercial	3,651,572	2,268,948	(1,382,624)	2
C2C	Commerical Land w Imp	640,978	588,602	(52,376)	1
F1	Commercial	1,167,404,099	983,697,325	(183,706,774)	172
F2	Industrial	5,578,290	5,038,000	(540,290)	2
L1	BPP Commercial	45,134,928	39,710,724	(5,424,204)	12
L1C	VarX Commercial	1,128,661	767,738	(360,923)	1
	Total	5,922,835,376	5,031,108,513	(891,726,863)	495

# Top 10 Protested Accounts

## Multi-family

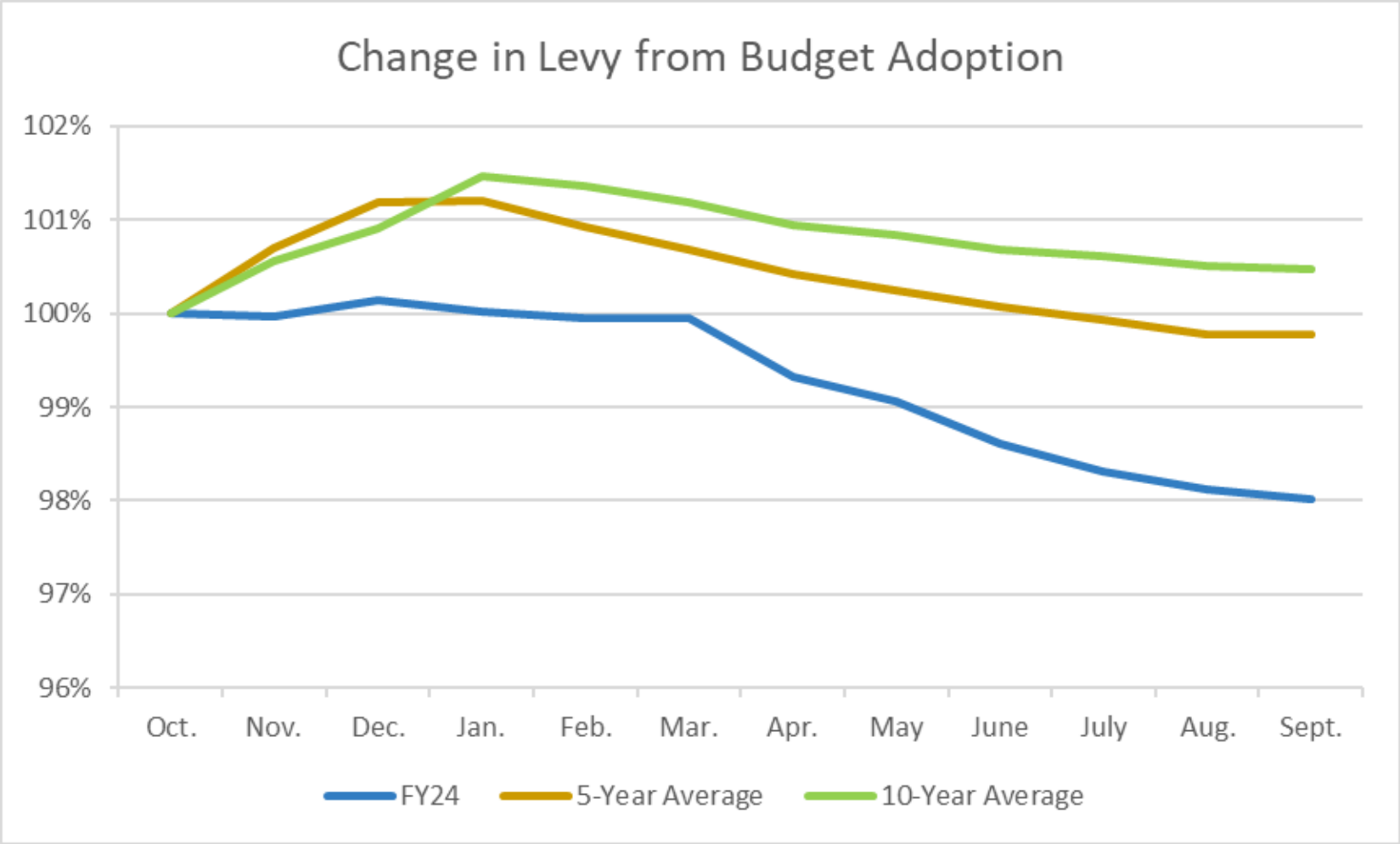
Class Cd	Category	Initial Value	Final Value	Loss
BC	MultiFamily Commercial	59,645,000	41,049,794	(18,595,206)
BC	MultiFamily Commercial	90,500,000	73,000,000	(17,500,000)
BC	MultiFamily Commercial	54,200,000	43,500,000	(10,700,000)
BC	MultiFamily Commercial	58,801,743	48,299,800	(10,501,943)
BC	MultiFamily Commercial	75,351,604	64,951,604	(10,400,000)
BC	MultiFamily Commercial	46,492,210	36,424,800	(10,067,410)
BC	MultiFamily Commercial	45,407,790	35,575,200	(9,832,590)
BC	MultiFamily Commercial	57,500,000	48,000,000	(9,500,000)
BC	MultiFamily Commercial	97,000,000	87,500,000	(9,500,000)
BC	MultiFamily Commercial	46,600,000	37,225,000	(9,375,000)
		631,498,347	515,526,198	(115,972,149)

40 multi-family properties throughout the city have a tax-exempt status. The market value of these properties is \$411.6M, which equates to \$2.5M is property tax revenue.

## Commercial

Class Cd	Category	Initial Value	Final Value	Loss
F1	Commercial	127,743,870	116,187,311	(11,556,559)
F1	Commercial	44,000,000	32,500,000	(11,500,000)
F1	Commercial	44,000,000	33,000,000	(11,000,000)
F1	Commercial	19,500,000	11,900,000	(7,600,000)
F1	Commercial	19,310,549	14,725,960	(4,584,589)
F1	Commercial	10,192,075	6,000,000	(4,192,075)
F1	Commercial	22,969,918	19,000,000	(3,969,918)
F1	Commercial	14,411,000	10,883,231	(3,527,769)
F1	Commercial	13,954,000	10,485,247	(3,468,753)
F1	Commercial	13,974,246	10,745,100	(3,229,146)
		330,055,658	265,426,849	(64,628,809)

# Property Tax Base



# FY 2026 & FY 2027 Property Values

- Tarrant Appraisal District's (TAD) biennial reappraisal plan will freeze ALL residential property market values at January 2024 values.
- The next appraisal will occur as of January 1, 2027 (FY 2028).
- A Homestead whose appraised value is less than its market value, due to the 10% Cap, will still have its appraised value increase during this time until it equals market value.

# What Factors Have Changed?

- Final numbers from TAD for FY 2024
  - Because of protests and lawsuits throughout 2024, we ended FY 2024 with a loss of \$1B in value and a shortfall of \$7M in property tax revenue
  - Assuming minimal additional protests, we expect to end FY 2025 with a \$5 - \$7M shortfall in property tax revenue
  - Because there will be no value adjustments for two years, this shortfall will continue until properties are reappraised in January 2027 (for FY 2028)
- This compounds our initial FY 2026 budget gap  $\$15.5\text{M} + \$6\text{M} = \$21.5\text{M}$

# BUDGET FY 2026



## Result



# Result

- Revenue reduction by design
- Reduction in City expenditure to match the lower revenues
- Reduction of City services and employees



# Spending on Priorities

Expense	Budget	Revenue	Budget
Police	\$138.6M	Property Taxes	\$196.5M
Fire	\$73.7M	Sales Taxes	\$123.4M
Streets	\$77M		
<b>Total</b>	<b>\$289.9M</b>	<b>Total</b>	<b>\$319.9M</b>

Which leaves \$30.6M of tax revenue to fund the remainder of the General Fund (\$128.1M)

**Property Tax and Sales Tax Combined = 74% of General Fund Revenues**

	<b>FY 2025 Budget</b>	<b>FY 2026 Proj.</b>	<b>FY 2027 Proj.</b>	<b>FY 2028 Proj.</b>	<b>FY 2029 Proj.</b>
Sales Tax (3% annual growth)	\$ 97,249,802	\$ 100,167,296	\$ 103,172,315	\$ 106,267,485	\$ 109,455,509
Property Tax (1.4% FY26, 1.5% FY27, 3.5% forwa	<u>152,001,691</u>	<u>154,144,915</u>	<u>156,457,089</u>	<u>161,933,087</u>	<u>167,600,745</u>
Total	249,251,493	254,312,211	259,629,404	268,200,571	277,056,254
<b>Annual Revenue Growth</b>		<b>\$ 5,060,718</b>	<b>\$ 5,317,193</b>	<b>\$ 8,571,168</b>	<b>\$ 8,855,683</b>

**Known Investments:**

Restore ARP Funded Items to General Fund	\$ 3,820,636	\$ -	\$ -	\$ -
Annual Compensation Adjustments - 3% per year	6,900,000	7,000,000	7,100,000	7,200,000
Maintain Police & Fire Steps	1,300,000	1,300,000	1,300,000	1,300,000
Active Adult Center Funding	203,570	-	-	-
EMS and Fire Dispatch Consolidation	904,146	-	-	-
COPS Grant Positions (24 Positions)	470,158	811,457	120,932	-
Eliminate Police Turnover Factor	718,501	-	-	-
New Electric Contract	500,000	500,000	-	-
Average Annual Contractual Increases	1,500,000	1,500,000	1,500,000	1,500,000
Healthcare Increases - 4% per year	800,000	830,000	860,000	900,000
Maintain 20% Reserve Levels	3,423,402	2,388,291	2,176,186	2,180,000
FY 2024 Protests Property Value Loss	6,000,000	-	-	-
Annual Expenditure Growth	\$ 26,540,413	\$ 14,329,748	\$ 13,057,118	\$ 13,080,000

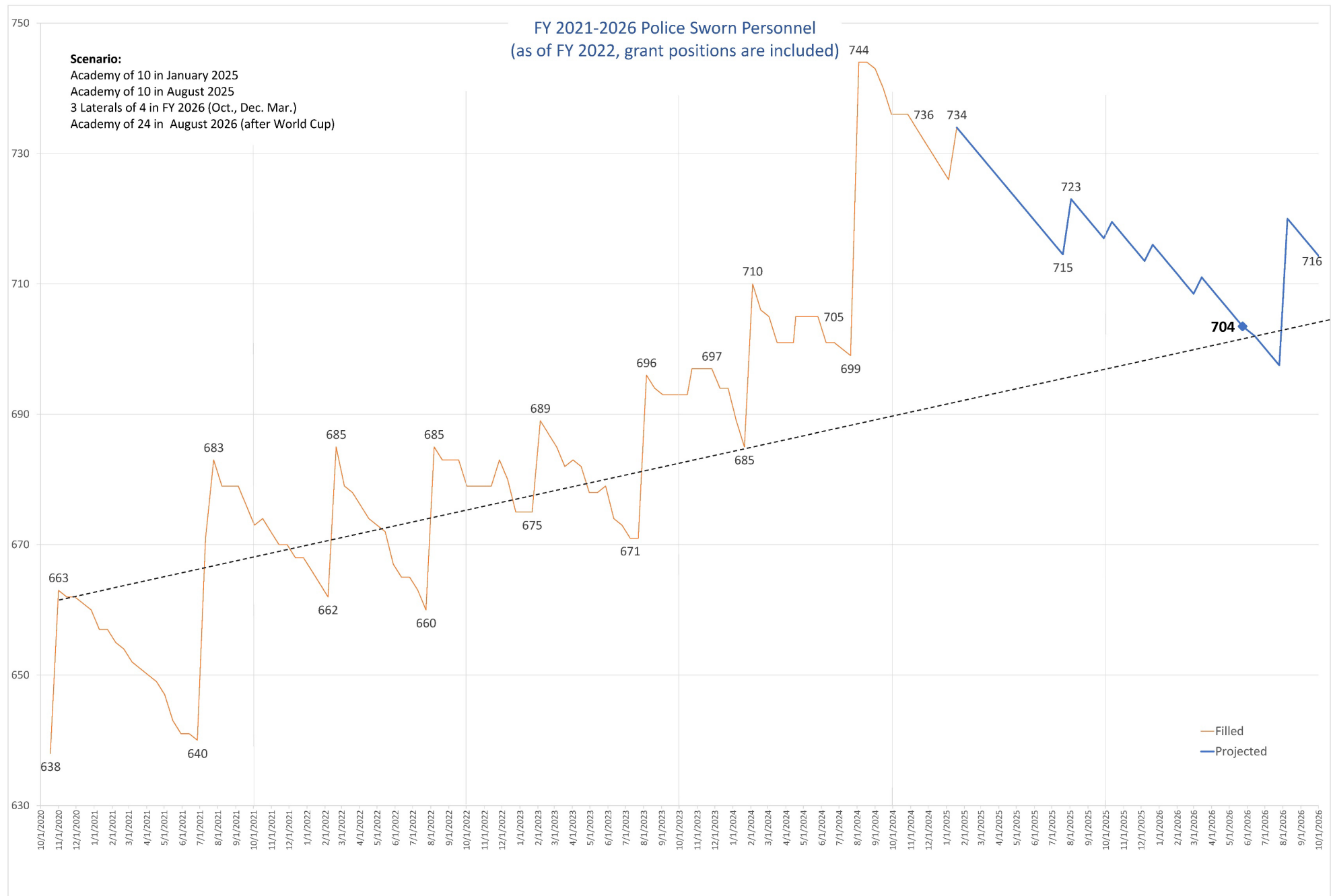
<b>Funding Gap</b>	<b>\$ (21,479,695)</b>	<b>\$ (9,012,556)</b>	<b>\$ (4,485,951)</b>	<b>\$ (4,224,317)</b>
--------------------	------------------------	-----------------------	-----------------------	-----------------------

# FY 2025 Reductions Implemented

- \$5.8M in Base Budget Expenditure Reductions
  - Reallocated Healthcare Savings – \$2.7M General Fund  
\$3.4M Citywide
  - Department Budget Reductions – \$2.3M
    - Cut 22 Vacant Positions – \$800k
    - Lawson Savings – \$653k
- Creation of Airport Enterprise Fund

# Additional FY 2025 Budget Balancing Strategies

- \$6M – \$8M Property and Sales Taxes Revenue Shortfall
  - ATF Gift for Clean Corridor Program – \$218k
  - ARPA Grant Close-out – \$287k
  - Hazmat Fee Implementation – \$100k (partial year)
  - Do Not Advance Fund New Convention Center – \$2M
  - Fire SAFER Grant Savings / Academy Phasing – \$2.7M
  - Slow Police Academy New Hires – \$700k



# FY 2026



# Layers of the Budget Balancing Strategy

Phase:

1. Initial Citywide Efforts
2. Initial Financial Restructuring
3. Departmental Expenditure Reductions
4. Fee Adjustments/Revenue Enhancements
5. Reserves
6. Furlough/RIF Procedures



# CLOSING THE GAP

**\$3.85M**

**\$17.65M**

Department	Cost Saving Description	Budget Impact	FTE Impact
City Manager's Office	Eliminate vacant Deputy City Manager position	300,000	1
Finance	Develop a Short-term Debt Strategy	1,900,000	0
Fire	Implement Hazmat Cleanup Fee	600,000	0
Human Resources	Shift Employee Insurance Premium Cost-share Ratio (phased approach)	811,000	0
Non-Departmental	Shift Citizen Survey to a Biennial Survey	40,000	0
Police	Eliminate vacant Deputy Chief position	200,000	1

# New FY 2026 Budget Balancing Strategies

## Phase 1: Initial Citywide Efforts

Description	Budget Impact
Fleet Rightsizing / Standardization	\$400,000
Utility Locate Consolidation	\$200,000
Convert 2 City Holidays to PTO	\$500,000



# New FY 2026 Budget Balancing Strategies

## Phase 2: Initial Financial Restructuring

Description	Budget Impact
Use Golf Fee Fund to fund Splash Pads / GF funded Aquatics Operations & Maintenance	\$102,000
Adjust Billing for Radio Usage in Dispatch	\$75,000
Establish City Rate for Water	\$900,000
Alliance for Children	\$64,000
Library Staffing Restructuring	\$248,000
Police Command Restructuring	\$420,000
Holding Facility Restructuring	\$400,000

# New FY 2026 Budget Balancing Strategies

## Phase 3: Departmental Expenditure Reductions

Description	Budget Impact
Move Literacy Coordinator to a Grant	\$65,000
3% TAD Budget Reduction	\$37,450
Identify Crossing Guard Program Priorities	\$300,000
Bunker Gear In-house Maintenance	\$80,000
Tarrant County College for EMS Training	\$22,000
Close Action Center on Saturdays	\$60,000
Reduce Library Content Budget	\$100,000
Eliminate 3 PT Sworn Positions	\$157,000
Eliminate Vacant Police Operations Analyst	\$89,000

# New FY 2026 Budget Balancing Strategies

## Phase 4: Fee Adjustments / Revenue Enhancements

Description	Budget Impact
Increased Court Revenue Collections	\$800,000

# New FY 2026 Budget Balancing Strategies

## Phase 5: Reserves

Description	Budget Impact
Business Continuity Reserve/Challenge Grant Program	\$4.1M



# CLOSING THE GAP

**\$12.93M**

**\$8.57M**

Department	Cost Saving Description	Budget Impact	FTE Impact
City Manager's Office	Eliminate vacant Deputy City Manager position	300,000	1
Comm. & Leg. Affairs	Action Center - Eliminate Saturday Service	60,000	0
Dispatch	Adjust Billing for Radio Usage in Dispatch	75,000	0
Finance	Business Continuity Reserve / Challenge Grant	4,062,075	0
Finance	Develop a Short-term Debt Strategy	1,900,000	0
Finance	3% TAD Budget Reduction	37,450	0
Fire	Bunker Gear In-house Maintenance	80,000	0
Fire	Implement Hazmat Cleanup Fee	600,000	0
Fire	Move In-House EMS Training to Tarrant County College	22,000	0
Fleet	Fleet Rightsizing / Standardization	400,000	0
Human Resources	Shift Employee Insurance Premium Cost-share Ratio (phase 1)	811,000	0
IT	Utility Locate Consolidation	200,000	0
Library	Reduce Library Content Budget	100,000	0
Library	Library Staffing Restructuring	248,000	0
Library	Transfer Literacy Coordinator to Grant Fund	65,000	1
Municipal Court	Increased Court Revenue Collections	800,000	0
Non-Departmental	Convert 2 Holidays to PTO	500,000	0
Non-Departmental	Establish City Rate for Water	900,000	0
Non-Departmental	Shift Citizen Survey to a Biennial Survey	40,000	0
Parks	Golf Fee Fund Offset of Aquatics Costs	102,000	0
Police	Alliance for Children	64,000	0
Police	Police Command Restructuring	420,000	0
Police	Eliminate vacant Deputy Chief Position	200,000	1
Police	Eliminate vacant Operations Analyst Position	89,000	1
Police	Eliminate 3 PT Sworn Positions	157,000	0
Police	Holding Facility Restructuring	400,000	0
Public Works	Identify Crossing Guard Program Priorities	300,000	0

# Other Options

- Fee Reform
  - Franchise Fee Increases
  - Cost recovery to offset impact
  - Each Department is Analyzing their Current Fees and Looking for additional services where fees would be appropriate
- Total Compensation Review
  - Fringe Benefits
  - Personnel and Furlough/RIF Policies
- Comprehensive Financial Forecast
  - Departments asked to submit a list of 3% budget reductions
  - No new funding requests

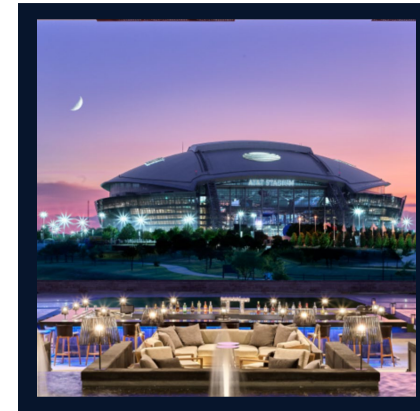
# Fail Safe



- 3 Percent Raise - \$6.9M
- Raise the Tax Rate - 1 cent = \$4.3M



# ECONOMIC DEVELOPMENT PROJECT PORTFOLIO



December 2024

# SUMMARY HIGHLIGHTS

**62**

CHAPTER 380 OR TAX  
ABATEMENT PROJECTS  
COMPLETED OR IN PROGRESS  
SINCE 2006

**304%**

PERCENTAGE INCREASE IN  
PROPERTY VALUE DUE TO  
ECONOMIC DEVELOPMENT  
PROJECTS

**\$3,303,662,500**

VALUE OF PRIVATE CAPITAL  
INVESTMENT IN ARLINGTON  
THROUGH PROJECTS  
SUPPORTED BY ECONOMIC  
DEVELOPMENT INCENTIVES

**\$112,824,019**

VALUE OF INCENTIVES  
PROVIDED THROUGH  
ECONOMIC DEVELOPMENT  
AGREEMENTS

**15,332**

JOBS ADDED OR RETAINED

**13,796,975**

COMMERCIAL SQUARE  
FOOTAGE ADDED

**\$1 : \$29**

EACH \$1 IN INCENTIVES  
LEVERAGED \$29 IN PRIVATE  
CAPITAL INVESTMENT

*Note: figures shown (except number of projects) are for the 40 projects profiled in this current draft only, using 2006-2023 data*



# SUMMARY HIGHLIGHTS

**2.6 YEARS**

AVERAGE TIME TO ACHIEVE  
RETURN ON INVESTMENT

**\$547,426,406**

TOTAL INITIAL VALUE OF  
ECONOMIC DEVELOPMENT  
PROJECT PROPERTIES

**\$1,661,778,516**

NET INCREASE IN PROPERTY  
VALUE DUE TO ECONOMIC  
DEVELOPMENT PROJECTS

**\$766,600,000**

PUBLIC BENEFIT VALUE OF  
JOBS (\$50,000 PER JOB)

STANDARD USED BY U.S.  
DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

**\$59,684,535**

TOTAL PROPERTY TAX LEVIES  
PAID TO CITY BY ECONOMIC  
DEVELOPMENT PROJECTS SINCE  
2006

**\$2,209,204,922**

TOTAL FINAL VALUE OF  
ECONOMIC DEVELOPMENT  
PROJECT PROPERTIES

*Note: figures shown (except number of projects) are for the 40 projects profiled in this current draft only, using 2006-2023 data*



# Discussion

