

INFORMATION MEMORANDUM



To: Mayor Terry Lynne & Members of the City Council

From: Benjamin Williamson, City Manager

Date: September 4, 2025

Subject: 2024-25 Revised Budget & 2025-26 Fiscal Year Budget Changes

The budget process is a yearly activity as set forth in the City Charter. The City Council adopts an annual budget prepared by City Management, which is part of the strategic planning process the City uses to proactively forecast programs needed in a growing community. The budget process starts each year with a review of the strategic plan and city staff analyzing new projects and goals that the City Council has identified as areas of interest and would like to see developed into the strategic plan. The finance department then updates projections of major revenue sources to determine whether total expenditures will need to be adjusted accordingly.

As part of the annual budget process, City Management provides departments with guidelines to be used in preparing budget requests. The budget process is broken down into three parts: a year-end estimate, a base budget for the upcoming year, and identifying new programs and priorities for the new fiscal year. The City utilizes a conservative, realistic strategy when projecting revenues and expenditure. Revenue and expenditure patterns are closely monitored so that adjustments to spending can be implemented as needed. The City considers many influences and trend analysis to develop and manage the budget as the year progresses.

The first process, the year-end estimate, is a projection of revenues and expenditures for the remainder of the current fiscal year. All accounts are evaluated to determine whether they need to be adjusted from the current budget level and accounts that are over or under budget are revised to meet year-end needs. New projects are added to the year-end estimate as directed by City Council. Budget changes that do not affect the “bottom line” total for a department, but transfer dollars from one account to another within a department’s operating budget, or changes between divisions within a department, are allowed at the City Manager’s discretion. Any budget adjustment that brings about a change in the total appropriation for a department may be allowed by the City Manager, based on the City’s ability to fund the request, provided the adjustment does not result in a change in total fund appropriations.

2024-25 YEAR-END ESTIMATES

General Fund

General Fund revenues are projected to increase overall by \$1,328,200 when compared to the adopted budget. Revenue from sales tax, court receipts, refuse services, emergency services, and interest helped to balance shortages in property tax resulting primarily from settlements related

to disputed property values. General Fund expenditures remain unchanged from the adopted budget, with the exception of accounting for purchase orders carried-forward from the prior year totaling \$1,165,644. Expenditure savings totaling approximately \$1.2M are anticipated and are being held in Non-Departmental Contingencies.

Water & Sewer Fund and Stormwater Utility Fund

The Water & Sewer Fund finances operations for the City's water, wastewater, and meter reading functions. The City purchases treated water from Dallas Water Utilities and wastewater is treated by the Trinity River Authority. The City is responsible for the construction and maintenance of the lines that support these functions. These services are funded through water, wastewater and other related charges for service rather than property taxes.

No revenue changes are anticipated for the Water & Sewer Fund or the Stormwater Utility Fund. Expenses for the Water & Sewer Fund reflect an increase from the adopted budget of \$68,784 due to purchase orders that were carried-forward from the prior year and the Stormwater Utility Fund expenses reflect an increase totaling \$5,439 due to the carry-forward of prior year purchase orders totaling \$5,439.

Special Revenue Funds

Special Revenue Funds account for the accumulation and disbursement of restricted resources. Although presented separately, the Hotel/Motel Fund is considered a Special Revenue Fund. The City currently has 20 other Special Revenue Funds (related funds may appear grouped together). The Hotel/Motel Fund is performing better than expected and staff estimates that revenues will exceed original projections by approximately \$705,800. Expenditures for the Hotel/Motel Fund reflect an increase from the adopted budget of \$221,150 due to purchase orders that were carried forward from the prior year.

All Special Revenue Funds are trued-up annually to reflect the prior year's ending fund balance per the City's audited financial statements and both revenues and expenditures are reprojected based on actual receipts and expected funding needs. Overall, these funds reflect an increase in revenue of \$3,840,302 due primarily to the sale of assets in the Economic Development Fund totaling \$667,303; increased interest earnings from all funds totaling \$453,697; the receipt of a \$400,000 donation for animal care; and, Grant Fund changes totaling \$2,599,072 (primarily Dallas County Housing Replacement Grant of \$2.5M). All revenue changes are detailed in the Special Revenue Fund section of the Fiscal Year 2025-26 Budget.

For the purpose of expenditures, Special Revenue Fund expenditures reflect an overall increase of \$3,448,559. The bulk of this increase, which is offset by various other expenditure changes, is related to the receipt of a \$400,000 donation for animal care that will be used towards funding improvements to the Animal Shelter; a \$2.5M grant for the Dallas County Housing Replacement Program; and, an increase in funding for the landfill gas collection system expansion of \$372,000. All expenditure changes are detailed in the Special Revenue Fund section of the Fiscal Year 2025-26 Budget.

Capital Improvement Program

Similar to the Special Revenue Funds, all Capital Improvement Program (CIP) Funds are trued-up based on the City's most recent annual audit. As the CIP Funds are multi-year funds, any unspent project funds roll from year to year. Both revenues and expenditures reflect significant changes due primarily to the timing of bond proceeds received and project completion dates.

When the 2024-25 budget was developed, it was anticipated that projects budgeted in six CIP Funds would be completed in Fiscal Year 2023-24. The completion of these projects did not take place and, therefore, these six CIP Funds and related unspent expenditures were added to the 2024-25 Revised Budget, resulting in a significant increase in anticipated expenditures. This is typical with multi-year funds.

PROPOSED FISCAL YEAR BUDGET 2025-26

No changes have been made to the Proposed Fiscal Year 2025-26 budget since it was submitted on July 31, 2025.