

AFTER-ACTION REPORT
FY 2026-27 BUDGET STUDY SESSION #1, 2, 3 & 4

City of Farmers Branch

Date: June 16, 2026

Purpose of Budget Study Session #1

The purpose of this study session was to:

- Formally initiate the FY 2026-27 budget process
- Provide a high-level overview of the budget process, timeline, and expectations
- Establish a framework for future study sessions
- Reinforce transparency and community engagement efforts
- Set expectations for ongoing, phased discussions at each Council meeting

Agenda Item Highlights and Overview

- The session opened with the City's Budget Overview Video, which provided:
 - A high-level explanation of the City's budget structure, including the General Fund, Utility Funds, and CIP
 - Context on how revenues are generated and allocated
 - Reinforcement of the City's commitment to transparency and public engagement
- Following the video, the presentation focused on establishing the foundation of the budget process, emphasizing the budget:
 - Reflects Council and community priorities
 - It is a comprehensive, year-long process
 - Serves as both a financial and policy framework
- Outlined the FY 2026-27 budget development timeline, including:
 - Departmental submissions (Spring)
 - Proposed budget (July 31)
 - Council review and public engagement (August)
 - Adoption of budget and tax rate (September)
- Introduced a shift toward a multi-year (3-year) strategic planning approach to enhance long-term alignment and reduce annual rework
- Established expectations for ongoing study sessions at each Council meeting, designed to:
 - Break down complex topics into manageable discussions
 - Allow for incremental review and feedback
 - Improve overall clarity and transparency throughout the process
- Initial financial outlook discussion indicated:
 - No major risks identified at this stage
 - Continued monitoring of key revenue drivers, including:
 - Property tax valuations
 - Sales tax performance
 - Departmental budget submissions

Purpose of Budget Study Session #2

The purpose of this study session was to continue building upon the framework established during Budget Study Session #1 by:

- Providing additional transparency into the City's budget structure, revenue streams, and infrastructure needs
- Transitioning from departmental budget submissions into internal administrative review
- Continuing the phased "one bite at a time" budget education approach
- Introducing preliminary operational priorities, revenue considerations, and infrastructure funding discussions
- Gathering Council feedback to shape future study sessions and public communication efforts

Consistent with Budget Study Session #1, staff intentionally built upon prior presentations in order to demonstrate progression, maintain continuity, and enhance transparency throughout the budget development process.

Agenda Item Highlights and Overview

- Staff provided an update on the current phase of the budget process, noting all departmental operating budgets, payroll projections, and capital project updates have been submitted and are currently under internal administrative review.
- The presentation continued providing educational information and context regarding the City's budget structure, including the General Fund, Enterprise Funds, Hotel/Motel Fund, and Capital Improvement funding structure.
- Staff provided additional context regarding the City's property tax structure, tax rate history, exemptions, and the relationship between tax rates and service delivery levels.
- Preliminary FY 2026-27 operational priorities and funding discussions included:
 - Increased Water/Wastewater CIP funding transfers
 - Traffic and pedestrian infrastructure improvements
 - Facility maintenance funding
 - IT infrastructure maintenance
 - Community garden conceptual design funding
 - Monument signage initiatives
- Staff discussed the City's long-term water and wastewater infrastructure funding strategy, including previously approved multi-year utility rate increases intended to address historical infrastructure deficiencies while reducing future debt issuance needs.
- Revenue discussions included:
 - Business Personal Property exemption changes at the State level
 - Appraisal district protest pressures and associated costs
 - Sales tax volatility and potential legislative risks associated with point-of-destination sales tax proposals
 - Anticipated declines in interest income due to projected federal rate cuts

- Staff reiterated the importance of the Revenue Stabilization Fund as a long-term financial safeguard against economic volatility and potential legislative changes impacting sales tax revenues.
- Staff highlighted current community partnership investments, including Metrocrest Services, Woven Health Clinic, Minor Home Repair Program, and Firehouse Theatre funding support.
- Staff discussed ongoing and upcoming grant opportunities, noting approximately \$1 million in currently identified grant opportunities requiring planned matching funds.
- Staff expanded on public communication and transparency initiatives, including continued use of:
 - Budget educational videos
 - Budget briefs/trifolds
 - Infographics
 - E-newsletters
 - Town halls
 - Public-facing educational materials

Council Feedback and Follow-up Items

a. Property Tax and Revenue Forecasting

- Council requested updated projections regarding the anticipated property tax rate, with additional information expected in early August.
- Discussion emphasized the importance of long-term financial forecasting and continuation of the City's multiyear financial planning approach.
- Council discussed challenges associated with increasing property appraisals, statutory revenue caps, and balancing affordability with service delivery.
- Emphasis was placed on diversifying revenue sources, particularly through sales tax growth, to offset pressures on property tax revenues.

b. Water/Wastewater Rates and Utility Infrastructure

- Council discussed resident concerns regarding recent water bill increases and the impacts associated with sewer cap adjustments.
- Council emphasized the importance of continued public education regarding water consumption and conservation needs.
- Requests were made for simplified and more user-friendly graphics illustrating:
 - Historical and projected water/sewer rate impacts;
 - Average residential utility usage comparisons;
 - Dollar impacts to households over time; and
 - How utility revenues are utilized for infrastructure investments.

c. Budget Transparency and Public Communication

- Council emphasized the importance of maintaining transparency throughout the budget process and providing information in multiple communication formats.
- Requests included:
 - Continued use of digital communication platforms;
 - Availability of printed educational materials for residents preferring hard copies;

- Development of one-page summaries and trifold handouts for public meetings; and
- Distribution of educational materials as early as possible to support public awareness efforts.
- Council reinforced the value of consistent public engagement and ongoing educational outreach regarding the City's budget structure and financial priorities.

d. Community Events and Programming

- Council expressed appreciation for Parks and Recreation programming and community engagement opportunities.
- Requests were made for enhanced transparency regarding event-related expenditures, including:
 - Event-specific cost breakdowns; and
 - Public-facing summaries identifying funding allocations associated with individual events.

e. Community Garden Discussion

- Clarification was provided that discussions regarding the community garden remain focused on general design concepts and overall visioning efforts at this stage.

f. Grants and External Funding

- Council requested a detailed breakdown of grant funding received by the City, including:
 - Grant amounts;
 - Associated projects and initiatives; and
 - Intended use of awarded funds.
- Appreciation was expressed for legislative representatives' efforts in securing external funding opportunities.

g. Minor Home Repair Program

- Council requested historical expenditure information related to the Minor Home Repair Program to better evaluate long-term funding needs and future program adjustments.

h. Sales Tax and Revenue Stabilization

- Discussion occurred regarding potential state legislative impacts on municipal sales tax revenues.
- Council emphasized the importance of communicating to residents how Revenue Stabilization Fund reserves may be utilized should future legislative changes affect sales tax collections.

Purpose of Budget Study Session #3

The purpose of this study session was to continue building upon the budget framework established during Budget Study Sessions #1 and #2 by:

- Connecting previously identified Council priorities to preliminary funding considerations for FY 2026-27.
- Providing updates regarding current revenue and expenditure conditions impacting development of the FY 2026-27 budget.
- Discussing utility infrastructure funding needs and long-term financial sustainability.
- Providing updates regarding community-centered programs, grants, and strategic investment considerations.
- Continuing the phased budget development approach intended to support transparency, public engagement, and informed Council decision-making.

Consistent with prior budget study sessions, staff continued building upon previous presentations to demonstrate progression throughout the budget development process while incorporating Council feedback received during earlier discussions.

Agenda Item Highlights and Overview

- Staff provided an update on the current phase of the budget process, noting departmental operating budgets have been submitted and are currently under administrative review.
- Staff reviewed the FY 2026-27 budget timeline and upcoming milestones, including executive budget review, receipt of updated property valuation information, proposed budget development, and future study sessions related to compensation and employee benefits.
- Staff provided updated information regarding current revenue conditions impacting development of the FY 2026-27 budget, including:
 - Business Personal Property exemption changes effective January 1, 2026.
 - Property tax protest activity and associated impacts on certified values.
 - Sales tax volatility and potential legislative impacts associated with point-of-sale sales tax proposals.
 - Anticipated reductions in interest income as interest rates normalize.
- Staff discussed expenditure pressures currently being evaluated for inclusion within the FY 2026-27 budget, including:
 - NTECC operational and capital cost increases.
 - Healthcare cost increases currently under evaluation.
 - Inflationary impacts on contractual services, fuel, supplies, and operational expenditures.
 - Economic development incentive obligations.
- Staff discussed preliminary FY 2026-27 funding considerations intended to support Council priorities, including:
 - Water and wastewater infrastructure investments.
 - Pedestrian and traffic safety improvements.

- Facility assessment and facility improvement projects.
 - Information technology infrastructure maintenance.
 - Community garden implementation through partnerships.
 - Economic development initiatives.
- Staff provided additional discussion regarding the City's long-term utility infrastructure funding strategy, including:
 - Aging water and wastewater infrastructure.
 - Regional wholesale water and wastewater cost increases.
 - Regulatory compliance requirements.
 - Continued investment in infrastructure replacement and system reliability.
- Staff reviewed previously approved multi-year utility rate adjustments and discussed Council-requested information request related to reinstating a residential sewer cap.
- Staff provided updates regarding community-centered programs and partnership investments, including:
 - Minor Home Repair Program.
 - Metrocrest Services.
 - Woven Health Clinic.
 - Firehouse Theatre funding requests.
- Staff provided an update regarding current grant activity and potential FY 2026-27 grant opportunities requiring future budget consideration.

Council Feedback and Follow-up Items

a. Minor Home Repair Program

- Council expressed support for continued expansion and promotion of the Minor Home Repair Program.
- Discussion occurred regarding increasing contractor participation, expanding community awareness efforts, and evaluating opportunities to improve program utilization.

b. Community Events and Programming

- Council expressed appreciation for Parks and Recreation programming and community engagement opportunities.
- Requests were made for enhanced transparency regarding event-related expenditures, including:
 - Event-specific cost breakdowns; and
 - Public-facing summaries identifying funding allocations associated with individual events.

c. NTECC Cost Allocation Update

- Council requested additional information regarding the significant increase in the City's FY 2026-27 NTECC allocation and the factors contributing to the revised cost distribution.

Purpose of Budget Study Session #4

The purpose of this study session was to continue building upon the budget framework established during Budget Study Sessions #1, #2, and #3 by:

- Providing updates regarding current budget development efforts and preliminary fiscal assumptions impacting the FY 2026-27 budget.
- Continuing discussions related to Council priorities and the alignment of available resources with those priorities.
- Introducing compensation and fee considerations currently being evaluated as part of the FY 2026-27 budget process.
- Providing additional context regarding tax rate assumptions, revenue stability, and affordability considerations impacting the upcoming fiscal year.
- Continuing the phased budget development approach intended to support transparency, public engagement, and informed Council decision-making.

Consistent with prior budget study sessions, staff continued building upon previous presentations to demonstrate progression throughout the budget development process while incorporating Council feedback received during earlier discussions.

Agenda Item Highlights and Overview

- Staff provided an update on the current phase of the budget process, noting departmental operating budgets continue to undergo internal administrative review to ensure requests align with City Council priorities and available resources.
- Staff reiterated the City's commitment to maintaining a transparent budget process by providing incremental updates throughout budget development and identifying topics that will be discussed during future study sessions.
- Staff reviewed the City's property tax structure and tax bill distribution to provide context regarding the portion of a resident's overall property tax bill allocated to the City of Farmers Branch.
- Staff highlighted existing exemptions available to residents, noting a significant percentage of homeowners currently receive either the homestead exemption or the senior/disabled exemption.
- Staff provided an update regarding sales tax collections, noting revenues remain relatively stable and are currently projected to remain flat on a year-over-year basis, while continuing to monitor legislative and economic conditions that could impact future collections.
- Staff reviewed preliminary FY 2026-27 budget priorities previously discussed with Council, including pedestrian traffic improvements, increased investment in water and wastewater infrastructure, information technology maintenance, facility improvements, and community-centered initiatives.
- Staff discussed compensation considerations currently being evaluated as part of the FY 2026-27 budget process and noted that, based on current financial conditions, staff is not recommending general employee compensation increases at this time.
- Staff reviewed prior compensation scenarios that were evaluated throughout the budget development process to maximize available resources for employees.

- Staff noted that Public Safety step increases remain funded for FY 2026-27 and that healthcare cost increases are currently under evaluation, with the intent of minimizing impacts to employees.
- Staff presented proposed fee updates for FY 2026-27, including renaming the Solid Waste Fee to the Landfill Closure Reserve Fee to better align with the purpose of the fee.
- Staff also discussed increasing the utility billing credit card convenience fee from 2.5% to 3.5% to allow fees to be applied uniformly through the City's payment processor, including customers enrolled in automatic payment programs.

Council Feedback and Follow-up Items

a. Employee Healthcare Costs

- Council requested additional information regarding projected healthcare cost increases for FY 2026-27.
- Council requested information regarding the current employee contribution levels for healthcare coverage, including the percentage paid by employees versus the City.
- Discussion occurred regarding historical healthcare cost increases and prior periods in which employee contributions remained unchanged.

b. Credit Card Convenience Fees

- Council requested additional information regarding the overall financial impact associated with increasing the utility billing credit card convenience fee from 2.5% to 3.5%.

c. Compensation

- Council requested costs associated with employee raises at 1% and 2%.