AFTER-ACTION REPORT
FY 2026-27 BUDGET STUDY SESSION #1, 2, 3, 4, 5, & 6
City of Farmers Branch
Date: July 21, 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%.

Purpose of Budget Study Session #5
The purpose of this study session was to continue building upon the budget framework established during Budget Study Sessions #1, #2, #3, & #4 by:

- Continuing the phased budget development approach intended to support transparency, public engagement, and informed Council decision-making.
- Providing updated revenue information to support development of the FY 2026-27 Proposed Budget.
- Providing additional context regarding the City's utility funding strategy and long-term infrastructure investment approach.
- Providing an update regarding the City's employee healthcare procurement process and anticipated employee benefit costs for FY 2026-27.
- Continuing discussions regarding Council priorities and proposed FY 2026-27 budget investments.

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
Budget Update

- Staff provided an update regarding current sales tax performance, noting collections continue to exceed the prior fiscal year and remain one of the City's strongest revenue sources entering development of the FY 2026-27 Proposed Budget.
- Staff discussed that the City's continued sales tax performance reflects the operational alignment implemented in recent years, which has strengthened the City's coordinated approach to business recruitment, business retention, and long-term economic development efforts.
- Staff noted that continued sales tax growth has also resulted in increased economic development incentive obligations. To maintain a prudent and sustainable financial strategy, staff recommended increasing the Revenue Stabilization Fund sweep threshold from $23.0 million to $23.5 million.
- Staff provided additional discussion regarding the City's water and wastewater utility rates, emphasizing that meaningful comparisons among communities should consider differences in infrastructure age, system size, capital investment needs, service levels, debt obligations, and overall utility funding strategies.
- Staff reviewed the City's long-term utility infrastructure funding strategy, highlighting Farmers Branch's continued investment in infrastructure improvements without issuing utility debt.
- Staff discussed the long-term financial benefits of the City's debt-free infrastructure strategy, including avoiding future debt service costs and preserving future borrowing capacity.
- Staff noted that the previously discussed Firehouse Theatre sponsorship has been removed from the proposed FY 2026-27 budget following Council direction and is being evaluated for completion during the current fiscal year.

Medical Plan RFP Update

- Staff presented an overview of the FY 2026-27 Medical and Pharmacy Benefits Request for Proposals (RFP), including the procurement process, evaluation methodology, and recommended administrative providers for the City's self-funded employee health plan.
- Staff reviewed the City's self-funded healthcare model, including plan administration, employee cost sharing, stop-loss insurance, and funding mechanisms used to manage healthcare expenditures.
- Staff discussed the RFP evaluation process, noting proposals were evaluated using projected costs, administrative services, clinical programs, implementation considerations, network stability, and overall value to the City and its employees.
- Staff recommended retaining UMR as the City's medical administrator while transitioning pharmacy benefit management services to ServeYou Rx under new multi-year agreements.
- Staff advised that projected healthcare expenditures are anticipated to increase approximately $600,000 during FY 2026-27 due to higher medical and pharmacy claims and stop-loss insurance costs. These projected costs have been incorporated into the preliminary FY 2026-27 budget currently under development.

Council Feedback and Follow-up Items

a. Code Cares

- Council requested a future discussion regarding the Code Care Program, including volunteer participation, program parameters, and liability considerations.

b. Employee Health Plan

- Council requested additional information regarding out-of-network coverage, employee healthcare contributions, plan competitiveness, and the evaluation process used to recommend the proposed medical and pharmacy administrators.
- Council requested additional information regarding future plan design considerations, including opportunities to enhance employee education and promote effective utilization of healthcare benefits.

Purpose of Budget Study Session #6

The purpose of this study session was to continue building upon the budget framework established during Budget Study Sessions #1, #2, #3, #4, and #5 by:

- Identifying the remaining budget milestones and discussions that will occur following receipt of certified property values.
- Providing updates regarding proposed compensation, fee changes, budget communication efforts, and year-end financial planning.
- 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 advised that development of the FY 2026-27 Proposed Budget was entering its final phase, with certified property values serving as the remaining information needed to finalize property tax revenue projections and complete the proposed budget.
- Staff reviewed the upcoming budget schedule, including submission of the proposed budget, future tax rate discussions, the Budget Town Hall, public hearings, and final adoption of the budget, tax rate, and fee schedule.
- Staff noted that the previously discussed budget priorities remained substantially unchanged and advised that sufficient funding capacity had been identified to incorporate a 1% merit-based compensation increase for eligible City employees, excluding directors and deputy directors.
- Staff confirmed that the proposed fee changes remained consistent with prior Council discussions and included:
    - Renaming the Solid Waste Fee to the Landfill Closure Reserve Fee.
    - Increasing the utility billing credit and debit card convenience fee from 2.5% to 3.5%.
- Staff explained that the proposed convenience fee change would allow the charge to be applied consistently to all customers using card-based payment methods, including customers enrolled in automatic card payments.
- Staff reviewed the City's ongoing budget communication efforts and emphasized the importance of providing residents with understandable and accessible information before the Budget Town Hall and formal budget adoption.
- Planned communication efforts included continued use of videos, social media, presentation boards, printed summaries, trifold handouts, public facility displays, and opportunities for residents to ask questions.
- Staff also provided an overview of the upcoming FY 2025-26 year-end budget review process and advised that Finance will work with City departments to forecast year-

end revenues and expenditures, identify any required budget amendments, and determine whether surplus resources may be available for Council consideration.

- Staff noted that year-end adjustments and any associated one-time funding options will be presented to City Council in September.

Council Feedback and Follow-up Items

a. Budget Communication and Public Access

- Council requested that printed budget materials be completed before the Budget Town Hall and made available at public locations, including the Recreation Center and The Branch Connection.
- Staff advised that printed materials were currently being produced and that the intent is to distribute them at public facilities before the Town Hall.

b. Utility Billing Convenience Fee and Payment Options

- Council confirmed that the proposed 3.5% convenience fee would apply to customers using both credit and debit cards, including customers enrolled in automatic card payments who were not previously charged the fee.
- Council emphasized the importance of clearly communicating available payment methods that do not require payment of the convenience fee.
- Staff identified available alternatives, including ACH or automatic bank draft, cash or check payments, and use of the payment kiosk.
- Council requested that staff review the timing between delivery of utility bills and the payment due date, particularly for customers who may experience delays receiving mailed bills.

c. Employee Health Benefits

- Council expressed concern regarding the proposed employee health plan and requested additional information regarding alternative plan options and the advantages and disadvantages of each.
- Council emphasized the importance of ensuring the City's health benefits remain competitive and provide meaningful coverage for employees.
- Additional discussion was requested regarding the overall level of benefits available to employees.

d. Water and Wastewater Rate Increase

- Council expressed concern regarding the proposed 12% water and wastewater rate increase and its impact on residents following prior rate adjustments.
- Council asked whether the increase could be reduced or phased in over a longer period to lessen the immediate impact on customers.
- Staff advised that reducing or delaying the rate increase would require corresponding delays to water and wastewater capital improvements currently included in the proposed infrastructure plan.
- Staff explained that the proposed rate increase is intended to fund accumulated infrastructure needs and support an ongoing replacement and maintenance program.

e. Community Garden

- Council requested an update regarding actions currently being taken to advance the proposed community garden.
- Staff advised that potential grant funding, external resources, business partnerships, and other community partnerships are being evaluated to reduce the reliance on taxpayer funding.
- Council requested that future updates regarding the community garden be provided to the full City Council.

f. Property Tax Rate Communication

- Council requested that future budget communication materials recognize that City Council may consider either maintaining or reducing the property tax rate.