AFTER-ACTION REPORT – FISCAL YEAR 2025-26
SEPTEMBER 2, 2025
COUNCIL CHAMBER, CITY HALL, CITY OF FARMERS BRANCH.

Purpose

This After-Action Report documents the City of Farmers Branch's FY 2025-26 budget development, review, and adoption. It highlights major milestones, Council direction, departmental priorities, community engagement, and discussions from the September 2, 2025, Council meeting.

K.1. Conduct a public hearing on the Proposed Fiscal Year 2025-26 Operating and Capital Improvement Program Budget in accordance with Article IV of the City Charter; and take appropriate action.

Summary

The FY 2025-26 budget reinforces the City's commitment to fiscal stability, sustained investment in critical infrastructure, enhanced public safety, targeted neighborhood revitalization, and strategic innovation, while preserving a stable tax rate and prudent reserves.

Budget Framework

- Developed through multiple Council-Manager discussions and public hearings.
- Guided by Council's reaffirmed priorities: public safety, infrastructure, economic development, and financial resilience.
- Emphasized transparency via public meetings, digital communications, and in-person engagement.
- Preserves a minimum 90-day fund balance to ensure fiscal resiliency.
- Maintains the current property tax rate of **$0.5435**.

L.2. Discuss End-of-Year Budget Adjustments for FY 2024-25.

Summary

The City of Farmers Branch concluded Fiscal Year 2024–2025 with a budget surplus of approximately $2.3 million. This surplus, generated primarily from one-time revenues, prompted discussions among the Mayor and City Council regarding appropriate allocations. The purpose of this report is to capture Councilmembers' input, legal considerations, and recommended next steps. A council consensus will be required to finalize allocations consistent with City policy and state law.

Financial Overview

- Surplus: $2.3 million (interest income, court fines, sales tax).
- Consistent with policy: apply to one-time projects or fund balance.
- Restricted funds: Landfill Closure/Post-Closure remains legally restricted under TCEQ.

Council Input Summary

Councilmember	Proposed Allocations
Mayor Lynne	$1M CIP; $200K Columbarium; $1.5M Parks; $200K ED; $200K Demo/Rebuild; $200K Fitness Park
Mayor Pro Tem Bennett-Burton	All $2.3M to Fund Balance; Water Infrastructure; Provide a refund to the residents.
Councilmember Reid	CIP targeted Parks, Mercer & Fitness Park completion
Councilmember Villafranca	$1.5M GF; $200K Columbarium; $200K ED
Councilmember Neal	$1M Landfill; $1M GF; $300K Traffic Lights (D-2); $200K Contingency
Councilmember Roman	All $2.3M to GF to be used for Parks (Mercer, Squire, Fitness)

Legal & Policy Considerations

- Landfill obligations: Ordinance-directed landfill funds are restricted by TCEQ since the City of Farmers Branch operates a state-regulated Type I municipal solid waste facility; Council cannot repurpose funds that have been placed in the closure/post-closure fund without state involvement and scrutiny
- General Fund transfers: Surplus can be moved, but specific project visibility may be lost.
- Resident reimbursements: Rebates/dividends tied to property taxes for residents only are prohibited under the Texas Constitution (equal and uniform taxation). Any rebate would be required to go to all property owners. At a value of $2.3MM, the average homeowner would receive around $85.

Next Steps

1. General consensus was to move the surplus into the General Fund, with formal allocation to key priority projects to be determined at a later date.
2. Prepare allocation scenarios based on input.
3. Reconfirm landfill restrictions with ordinance/legal review.
4. Present options for October adoption.

MEMORANDUM
CITY MANAGER'S OFFICE

To:	Mayor and City Council
From:	Ben Williamson, City Manager
	Jawaria Tareen, Deputy City Manager
Date:	09/04/2025
Subject:	***Council Question: Investing the Year-End Surplus***

COUNCIL REQUEST:

I understand the surplus is from interest income, court fines and sales tax. I would like to know if there is a way forward to give that money back to residents and how much that would look like. I do understand that the specific 2.3M may have to be used on some other project making that amount available in another fund to accomplish this goal.

Please let me know what that looks like.

RESPONSE:

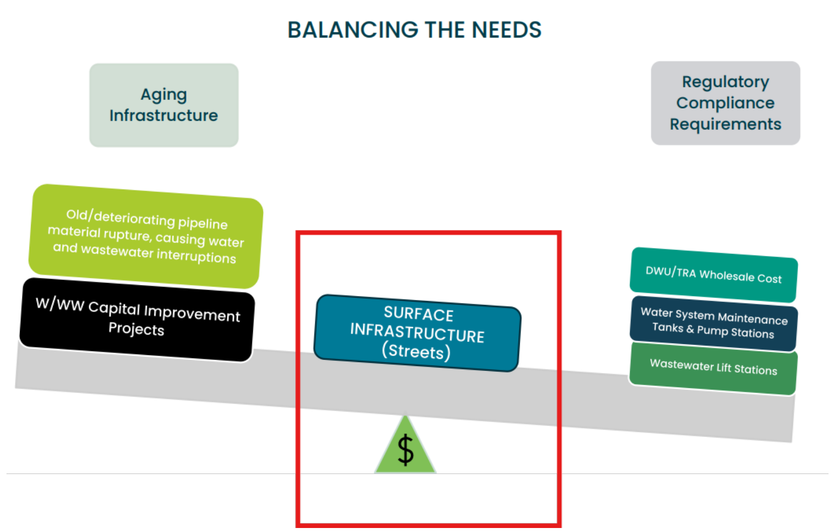
Thank you for raising this critical question about how the City's year-end surplus can best serve our community.

At first glance, returning these funds directly to taxpayers through refunds or rebates may sound appealing. However, there are two significant challenges with that approach. First, not all taxpayers pay the same tax, meaning a flat refund would create inequities by disproportionately benefiting some while under-reflecting the contributions of others. Second, state law requires taxation to be "equal and uniform." The Texas Constitution (Article VIII, Section 1(a)) prohibits a City from redistributing revenues in ways that single out one group of taxpayers over another. The only lawful pathways for tax relief are exemptions authorized under the Texas Tax Code. The City has already adopted the maximum allowable homestead exemption, as well as exemptions for seniors, disabled residents, and veterans. These actions mean the City of Farmers Branch has fully utilized all statutory tools available to provide direct taxpayer relief.

Accordingly, the most legally sound and fiscally responsible option is to invest these one-time surplus funds in projects that deliver broad and lasting benefits to the community as a whole. Texas Local Government Code §102.009(b) and case law further support this approach through the "public purpose" test, which requires that expenditures (1) serve a clear public purpose, (2) include sufficient oversight and accountability, and (3) deliver measurable benefit to residents. Infrastructure investments, unlike rebates, clearly meet this test.

In the absence of a consensus from the Council, *one* practical allocation model for consideration would be to divide the $2.3 million surplus equally among the six Council members, with each member directing approximately $383,000 toward key projects in their districts or citywide priorities. This concept mirrors proven frameworks such as the National Finance Commission (NFC) Award in some parts of the world, which equitably distributes revenues across provinces/states, and the Marshall Plan, which strategically allocated resources to rebuild Europe after World War II. Both demonstrate how balanced investment models can promote stability and prosperity. Applied locally, this approach ensures that every part of the City of Farmers Branch sees tangible improvements while reinforcing the city's strategic goals.

Another option is to dedicate surplus funding to surface infrastructure. The City Council has already taken critical steps to strengthen water infrastructure, ensuring reliable service for decades. The next logical step is to address surface needs, streets, lighting, and traffic safety. Whenever underground lines are installed or repaired, roadways are cut into, often leaving patchwork surfaces unless funds are allocated for reconstruction. Targeted investments in resurfacing, new streetlights, and upgraded traffic signals not only protect the value of underground improvements but also enhance public safety for drivers, pedestrians, and cyclists. This approach ensures that we don't forget what happens above ground: our streets and surface infrastructure, and this is depicted in the figure below:



Additionally, at this time, the City Council is not considering the issuance of a bond financing tool traditionally utilized to fund large-scale infrastructure projects. Instead, allocating this modest revenue stream toward infrastructure represents a fiscally responsible approach that advances the City Council's adopted priorities. While small in proportion, this investment serves toward addressing the City's aging infrastructure, supporting long-term resiliency, and ensuring that core facilities and systems remain reliable for the benefit of all residents and businesses.

Finally, directing one-time surpluses into capital improvements aligns with the best practices recommended by the Government Finance Officers Association (GFOA) and supports the City's AAA bond ratings. Agencies such as Fitch and S&P recognize proactive reinvestment in infrastructure as a strong indicator of sound financial management and long-term resiliency.

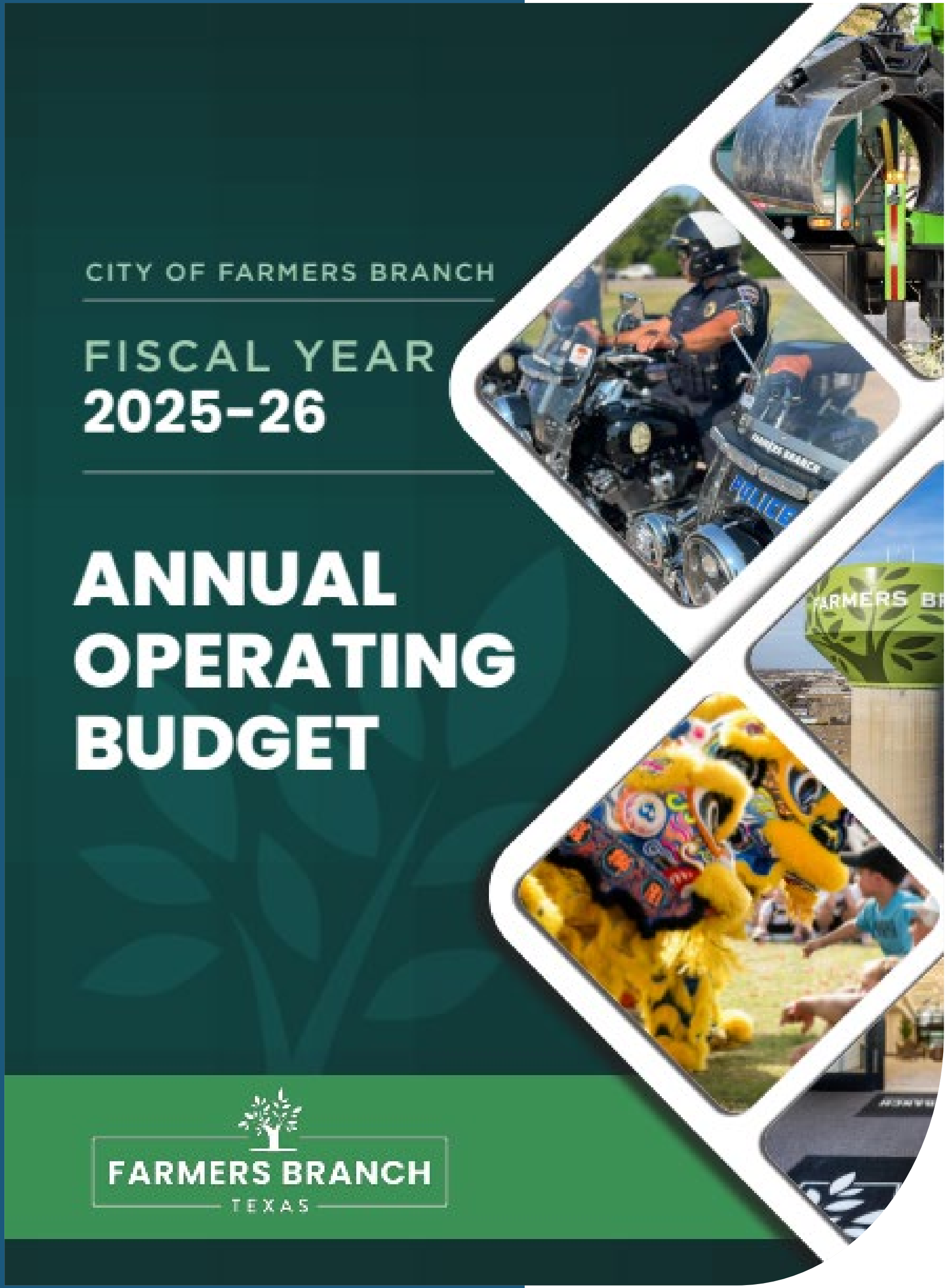
In summary, while refunds or rebates are neither legally permissible for residents only nor equitable, reinvesting surplus funds into surface and safety infrastructure, or distributing them equitably across Council priorities, modeled on proven allocation frameworks, ensures that these dollars strengthen the entire community, safeguard long-term investments, and advance the Council's strategic direction.

FARMERS BRANCH
TEXAS

FY 2025-26

City Council Meeting | September 2, 2025

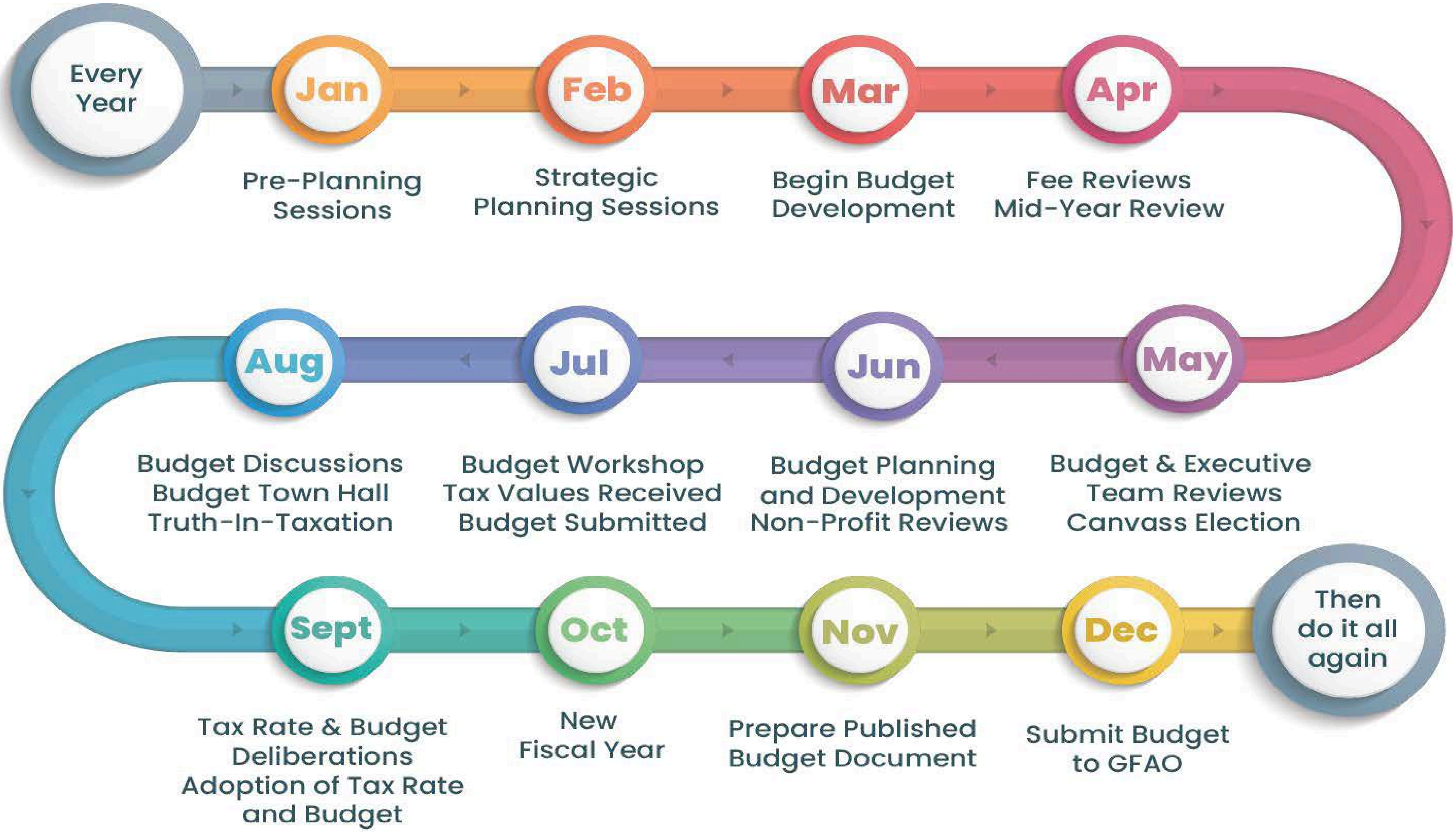
Requested By: City Management, City of Farmers Branch



FY 2025-26 Budget Goals

1. Council & Community Priorities
2. Priorities: Public Safety, Public Infrastructure, Economic Development & Neighborhoods
3. Ensure financial resilience now & into the future
4. Keeping the process open, honest, and transparent

CITY OF FARMERS BRANCH BUDGET PROCESS



BUDGET TIMELINE

START

FEB

Planning

Strategic Planning Session to affirm City Council's priorities to prepare the 2025-26 Budget

JUNE/JULY

Draft

June 24th City Council Budget Workshop
July 25th, Dallas County certified tax rolls;
July 31st, City Manager submits the proposed budget

AUG

Review

5th City Council reviews budget
8th Truth in taxation calculations due from Dallas County
12th Budget Review
19th Proposed tax rate vote for the public hearing
26th Budget Town Hall

SEPT

Approve

2nd Revised 24-25 budget
16th Public hearing and adoption of the tax rate, and 25-26 budget

END

6.5 MONTHS

2 WEEKS

FUND SECURITY

General Funds	Water/ Wastewater	Stormwater	Landfill	HOT/MOT	Revenue Stabilization
$20.5MM	$4MM	$1MM	$38MM	$1MM	$10MM

Target Balances

BUDGET COMMUNICATION PLAN

PLATFORMS

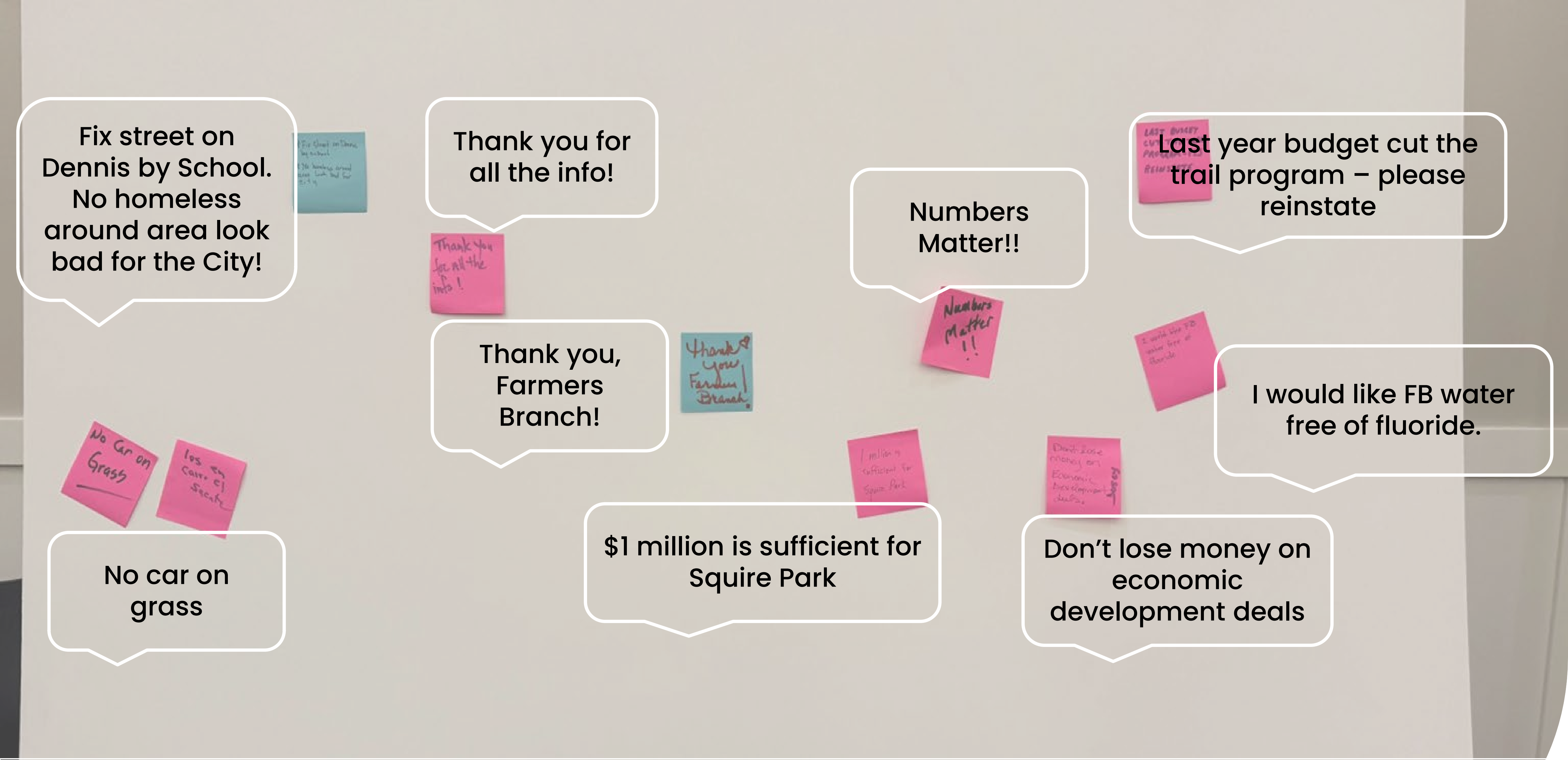
- Budget Survey
- Budget 101 Video
- Trifold handout
- E-newsletters & Email
- Infographic
- Social media

THEMES

- Compared to other cities
- Keep the same tax rate
- Dollar chart with breakdown
- Pie Charts for Budget
- CFBISD Information

TOWNHALL

- The Branch Connection – 8/26/2025
- Show Budget 101 Video
- Budget Presentation
- Boards on easels
- Q & A
- Email questions



Budget Townhall – Resident Feedback

Thank you Farmers Branch!

Questions

FARMERS BRANCH
TEXAS

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TEXAS

End-of-Year Budget Adjustments FY 2024-25

City Council Meeting | September 02, 2025

Requested By: City Management

REVISED 2024-25 BUDGET CHANGES

- FY24-25 projected surplus of **$2.3 M** from primarily interest income, court fines, and sales tax.
- Recommendations for using surplus to fund **one-time** expenditures/community-focused council priority projects
- Provides a balanced FY25-26 budget and maintains the target fund balance.
- Budget estimates were conservative for both revenue & expenditures following the City's resilient financial practices

COUNCIL PRIORITIES

- ❑ Parks, Deferred Projects — One-time Expenditures
- ❑ General Fund, Revenue Stabilization Fund — Increase Fund Balance
- ❑ Landfill Closure/Post-Closure — Decrease Liabilities

FY 2024-25 Revised Budget

A surplus of $2.3 million to be used to cover the cost of:

- **Columbarium = $200,000**
- **Economic Development Fund Increase**
- **Fitness Park at Justice Center = $200,000**
- **Increasing Fund Balance**
- **Mercer Park = $1 to $2 million**
- **Squire Park = UP TO $1 million**

Next Steps

Council Budget Retreat & Discussion
April – July 2025

Budget Townhall – Community Input
August 26th

End of year Budget Adjustment – September 2nd
Budget Public Hearing – September 2nd

Tax-Rate Public Hearing – September 16th
Budget and Tax-Rate Adoption – September 16th

Questions

FARMERS BRANCH
TEXAS