FIVE-YEAR FORECAST

INTRODUCTION

The Five-Year Forecast is a tool to guide policy decisions. The forecast and biennial budget are financial planning tools that allow us to project the long-term fiscal sustainability of policy decisions. Many of the assumptions, projections, and cost estimates are based on early and preliminary information and as such, will change in future years. City management will propose budget adjustments necessary to maintain a balanced budget.

GENERAL FUND

ECONOMIC INDICATORS

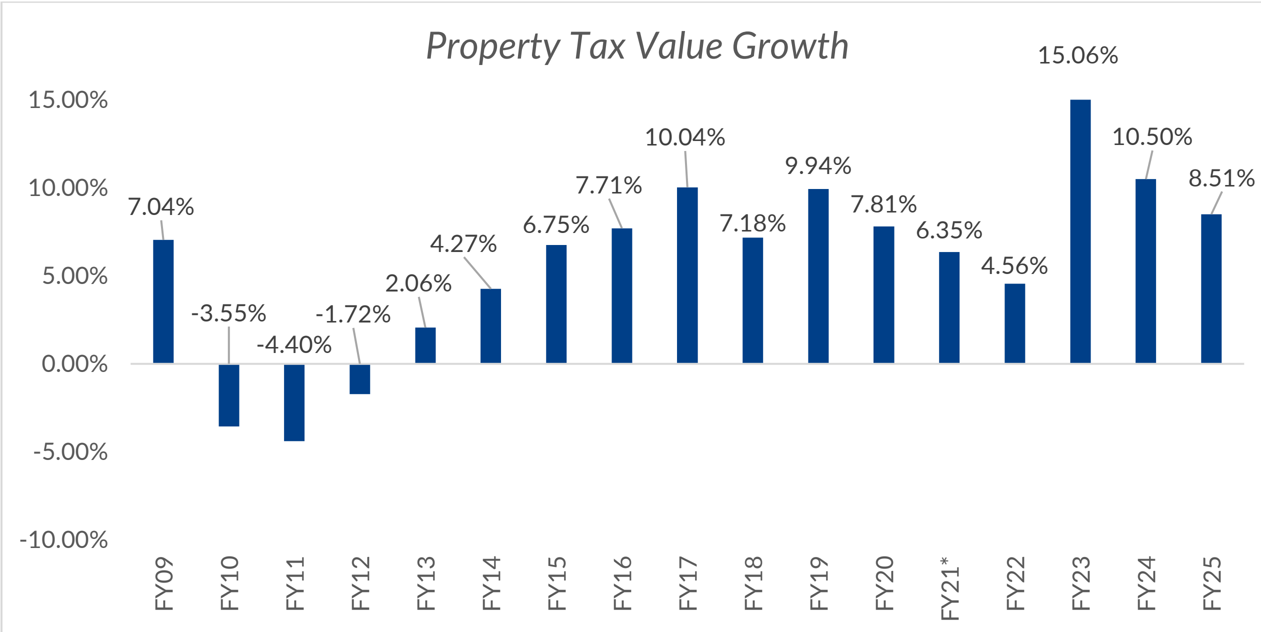
FY 2024-25 General Fund revenue totals $1.9 billion composed primarily of two main sources: property tax and sales tax. Property and sales tax revenue, account for 81.2 percent of General Fund revenue and the forecast for both are detailed below. The City of Dallas contracts with Dearmon Analytics, LLC to develop the property and sales tax forecast. The projections are based on an analysis of variables including disposable personal income, producer price index, labor force, and historical trends. Additionally, both property and sales tax projections are updated regularly in the Budget Accountability Report (BAR).

PROPERTY TAXES

Property taxes are levied on net assessed value, which includes locally assessed real property, improvements, and personal property less exemptions. The aggregate assessed value in each of these categories changes from year to year due to market trends, depreciation, exemptions, legislative changes, and construction activity. Certified property tax values increased 8.5 percent in FY 2024-25. Of the $16.9 billion increase in total value, $5.1 billion is from new construction. Therefore, of the 8.5 percent growth in total value, 2.5 percent is from new construction and 6.0 percent is from reappraisals. This increase compares FY 2024-25 certified to FY 2023-24 certified. A year-over-year growth comparison of certified values are detailed in the tables below.

Future year property value growth assumptions reflect a 3.5 percent cap resulting from the Texas Reform and Transparency Act of 2019 (Senate Bill 2) and 7.32 percent growth in new construction in FY 2025-26 based on the five-year average percent growth in new construction, dropping to three percent for years three through five based on the five-year average growth in new construction.

FIVE-YEAR FORECAST



**Reflects Supplemental Values*

SALES TAX

The state collects 8.25 percent on taxable goods or services sold within the city limits. Of the 8.25 percent collected, the state retains 6.25 percent and distributes one percent to the City and one percent to Dallas Area Rapid Transit (DART).

Sales tax revenue is the most volatile General Fund revenue the City collects and is greatly affected by, not only the local economy, but also national and global forces. After declines in sales tax revenue from FY 2007-08 to FY 2009-10 due to the Great Recession, year-over-year collections improved (starting in FY 2010-11), and collections have improved every year until the 2021 recession.

Future growth projections assume the nation can orchestrate a smooth transition into a post-pandemic economy. We project sales tax revenue to maintain an average growth rate of 4.4 percent during the five-year forecast period.

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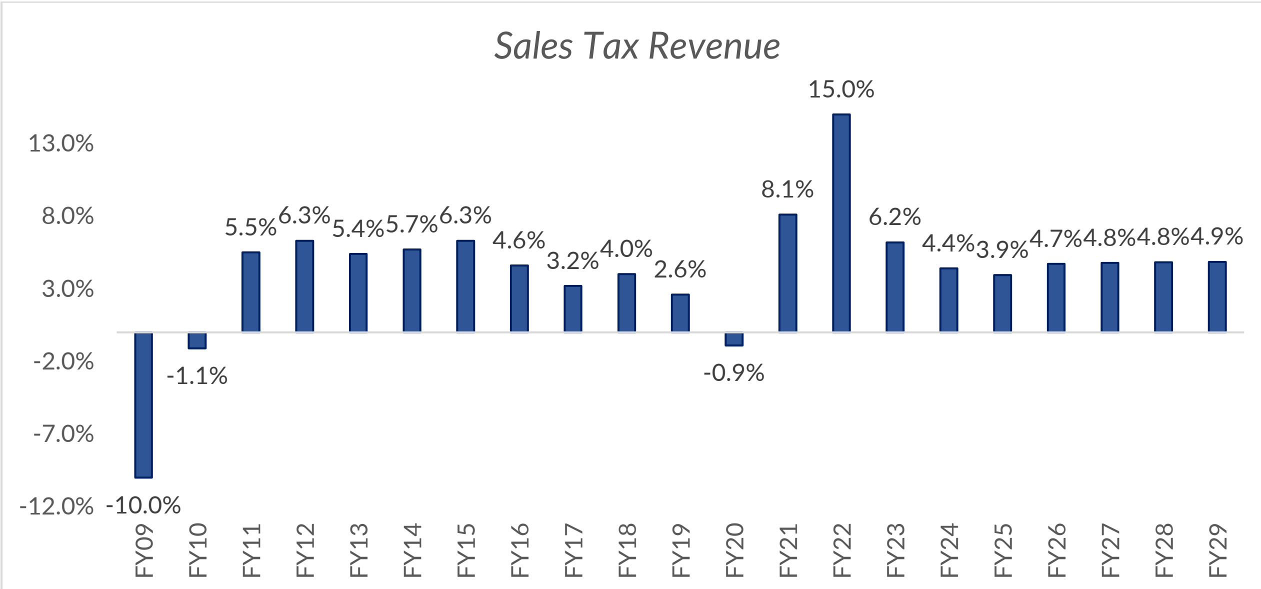

OTHER REVENUE

This category consists of revenues collected from various sources, including franchise revenues, licenses and permits, intergovernmental, fines and forfeitures, charges for services, and other miscellaneous sources. These revenues are budgeted at $356.9 million for FY 2024-25, an increase of $18.6 million or 5.5 percent compared to the FY 2023-24 adopted budget. This increase is primarily due to an anticipated spike in natural gas this winter, park and recreation activities starting their return to pre-pandemic levels, inspection fees, increased payments from DFW Airport revenue-sharing agreements with neighboring municipalities, a true up of franchise revenues, and an increase in traffic fines.

The City will launch an environmental clean-up fee to address litter and nuisance abatement from public property, street cleaning, and related services, including homeless encampment cleanup. The fee will also fund other solid waste related services such as dead animal removal, bulky waste and brush drop off sites, and extra collections of brush due to severe storms. The City will assess a fee of $3.00 per month to all City residential and non-residential utility customers, with a projected annual revenue of $10.5 million. The revenue will be allocated to environmental cleanup efforts including:

- Severe Storm Reserve
- Zero Waste
- Household Hazardous Waste
- Illegal Dumping on public right-of-way
- Homeless encampment cleanup
- Litter and mowing nuisance abatement on public right-of-way

FIVE-YEAR FORECAST

Even with the modest growth in property tax revenue and the assumed recovery of sales tax revenues over the next two years, the City is facing a structural deficit in years three through five, due in part to personnel services (uniform and non-uniform salaries and benefits).

EXPENDITURES

Expenditure projections focus on personnel services, supplies, contracts, and capital. Personnel services reflect projections for salaries, medical benefits, and retirement. Supplies and materials, services, and charges include costs required to support utilities, fuel, fleet, risk management, information technology, infrastructure, and contributions to outside agencies.

PERSONNEL SERVICES

Personnel services expenditure projections assume a constant level of staffing for non-uniform employees, and an average three percent merit increase in FY 2024-25 and annually from FY 2025-26 through FY 2028-29.

The biennial budget reflects phased increases in the minimum wage to $19.25 per hour in FY 2024-25 and $20.00 per hour in FY 2025-26, with planned $0.75 increases in hourly wage each year through FY 2028-29. Additional investments in personnel services to be implemented in FY 2024-25 include the first ever career series for the hard to fill/high turnover roles in the 911 Communications Center, along with an incentive program to attract staff to proactively take hard to fill shifts. Equipment & Fleet Management has also implemented a career series and incentive program for mechanics that will allow them to promote as their skills advance.

Uniform salary projections reflect hiring 250 officers in the first year of the biennial and 250 officers in the second year of the biennial, as well as market-based salary increases per the three-year Meet and Confer agreement. Additionally, retention incentives are to be implemented. The FY 2024-25 market-based salary increases raise the starting salary of a Police Officer/Firefighter to $75,397 from $70,314 annually. The City adopted a new Meet and Confer agreement on October 26, 2022. The forecast assumes a 7.23 percent market increase in FY 2024-25, and an average five percent market increase annually for years three through five.

FIVE-YEAR FORECAST

The City's Financial Management Performance Criterion (FMPC) #25 states "the City shall attract, develop, motivate, reward, and retain a high-performing and diverse workforce. The City Manager shall provide analyses and recommendations for the City Council to consider each year in the budget development process to adjust employee pay. The recommendation for adjustments to uniformed employee pay will conform with the applicable meet and confer agreement. The recommendation for adjustments to non-uniformed/civilian employee pay will consider: (1) an annual survey of peer governmental entities; (2) an annual review of the Massachusetts Institute of Technology living wage; (3) a total compensation study every three years to assess market competitiveness; (4) parity with uniformed employee pay adjustments; and (5) budget capacity."

Established in 1916, the Dallas Police and Fire Pension System (DPFPS) provides retirement, death, and disability benefits for uniform police and fire employees of the City. From FY 2017-18 through FY 2023 -24, the pension costs for Police and Fire-Rescue reflected the minimum contributions the City was required to fund for police and fire pension as enacted by the Texas State Legislature through House Bill (HB) 3158. HB 3158 changed the City's contribution rate to 34.5 percent, changed computation categories, and requires a minimum contribution by the City of more than the calculated rate. The table reflects the City's minimum contribution by fiscal year. The required minimum contribution ends December 31, 2024.

Fiscal Year	Minimum City Contribution
FY 2017-18	$150,712,800
FY 2018-19	$156,818,700
FY 2019-20	$161,986,377
FY 2020-21	$165,481,401
FY 2021-22	$169,023,200
FY 2022-23	$165,659,700
FY 2023-24	$168,856,000

In 2017, through House Bill (HB) 3158, the Texas Legislature amended Texas Civil Statute, Article 6243a-1 to address growing concerns about DPFPS' financial soundness. As part of HB 3158, a new plan must be submitted to the Texas Pension Review Board (PRB) in October 2024 with a strategy to fully-fund DPFPS in 30 years. As of January 1, 2023, DPFPS is not expected to be fully funded for 82 years. After months of work with a number of stakeholders and industry experts, City staff has recommended a plan that will meet the PRB requirements to be fully funded in 30 years. The new strategy is to implement an Actuarially Determined Contribution (ADC) rate with a five-year phase-in. The FY 2024-25 budget includes the funding needed to meet the first-year requirements of the City's recommended plan. As part of the City's recommendation, the City contribution will increase by over $18 million from $184.7 million in FY 2023-24 to over $202.5 million in FY 2024-25. The City's plan meets the PRB and HB 3158 requirements and will ensure the long-term financial soundness of the pension system.

Fiscal Year	DPFPS ADC
FY 2023-24	$184,000,000
FY 2024-25	$202,509,000
FY 2025-26	$221,214,000
FY 2026-27	$240,683,000
FY 2027-28	$261,176,000
FY 2028-29	$282,632,000
FY 2029-30	$288,274,000
FY 2030-31	$294,993,000

FIVE-YEAR FORECAST

Established in 1944, the Employee Retirement Fund (ERF) provides retirement, death, and disability benefits for non-uniform or civilian employees of the City. The Texas Pension Review Board (PRB) requires that all public pension systems in the state be fully funded in a 30-year period. As of December 31, 2023, ERF is projected to be fully funded in 51 years. Therefore, a Funding Soundness Restoration Plan must be submitted by ERF to the PRB in September of 2025 to ensure the ERF will be fully funded in 30 years. A new strategy to implement an Actuarially Determined Contribution (ADC) rate with a five-year phase-in is recommended. Changes to City Code Chapter 40-A which governs ERF requires voter approval. The FY 2024-25 budget includes the funding needed to meet the first-year requirements as part of the City's recommendation, the City contribution will increase by over $14 million in FY 2024-25 and over $12 million in FY 2025-26 which includes contributions from the General Fund, Enterprise Funds, Internal Service Funds, and the General Obligation Debt Service Fund for payment of Pension Obligation Bonds. The City's plan meets the PRB requirements and will ensure the long-term financial soundness of the pension system.

Fiscal Year	ERF ADC
FY 2023-24	$80,200,000
FY 2024-25	$89,800,000
FY 2025-26	$99,900,000
FY 2026-27	$110,300,000
FY 2027-28	$121,200,000
FY 2028-29	$132,700,000
FY 2029-30	$137,000,000
FY 2030-31	$141,300,000

Other personnel service expenditures, such as health insurance are projected to increase five percent during the forecast period.

OTHER EXPENSES

Growth rates for select supplies and contractual services are forecast to increase 2.97% based on the latest Consumer Price Index rate for FY 2026-27 through FY 2028-29. The forecast includes $93.6 million in FY 2024-25 (a 4.25 percent increase compared to $89.8 million in FY 2023-24) for the required tax increment financing (TIF) payment and a $6.0 million annual contribution to the Infrastructure Investment Fund. The forecast assumes a 7.1 percent annual increase in TIF during the forecast period.

FIVE-YEAR FORECAST

FUND BALANCE

FMPC Criterion #2 states "the unassigned fund balance of the General Fund shall be maintained within a range of not less than 50 days and not more than 70 days of General Fund operating expenditures less debt service." The establishment and maintenance of a financial reserve policy is critical to prudent financial management. The projection reflects unassigned fund balance at 50 days or more of General Fund operating expenditures in the forecast. The General Fund is forecast to be out of structural balance beginning in FY 2026-27 as shown in the table below. Although that is forecast, the City will not allow that to occur; we will secure a structural balance through budget reductions, revenue increases, or other corrective actions.

General Fund ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Property Tax	$1,082.0	$1,147.1	$1,207.6	$1,270.8	$1,336.9
Sales Tax	463.8	485.7	508.8	533.3	559.2
Franchise Fees	129.2	129.6	129.6	129.6	129.6
Other Revenue	228.4	214.3	217.7	221.1	224.5
Total Revenues	1,903.4	1,976.7	2,063.8	2,154.9	2,250.3
Non-uniform Pay & Overtime	315.5	324.7	334.4	344.4	354.8
Non-uniform Pension	46.0	52.1	56.7	58.7	66.3
Uniform Pay & Overtime	671.9	699.1	729.7	761.6	795.1
Uniform Pension	202.5	221.2	240.7	258.6	279.8
Uniform Pension (Suppl)	4.3	4.3	4.3	4.3	4.3
Health Benefits	103.1	109.4	114.8	120.6	126.6
Other Personnel Services	28.6	29.0	29.5	30.0	30.5
Personnel Services	1,372.0	1,439.8	1,510.0	1,578.3	1,657.3
Supplies	99.4	102.2	105.3	108.4	111.6
Contractual	536.8	543.2	563.2	584.1	605.9
Capital Outlay	14.1	13.5	13.9	14.3	14.7
Reimbursements	(119.0)	(121.9)	(121.9)	(121.9)	(121.9)
Total Expenditures	1,903.4	1,976.7	2,070.5	2,163.1	2,267.6
Change in Balance Sheet	0	0	0	0	0
Ending Fund Balance	$340.4	$340.4	$333.7	$325.5	$308.2
Days of Reserve	65	63	59	55	50

FIVE-YEAR FORECAST

OUTLOOK

The City's Financial Management Performance Criterion (FMPC) #18 states "management will project revenues and expenditures annually for at least five years beyond the current year for the General Fund and each Enterprise Fund of the City." The five-year forecast is presented for the following Enterprise Funds:

- Aviation
- Convention and Event Services
- Dallas Water Utilities
- DWU—Storm Drainage Management
- Municipal Radio
- Planning and Development - Building Inspection
- Sanitation Services

FIVE-YEAR FORECAST

AVIATION

The Department of Aviation manages Dallas Love Field, Dallas Executive Airport, and the Dallas Vertiport. Dallas Love Field is the busiest medium hub commercial airport and one of the busiest private jet airports in the country. Dallas Love Field has seen unprecedented growth in passenger traffic since the Wright Amendment Reform Act in 2014, despite continuing to operate under a 20-gate cap and restriction on international commercial traffic. As a result, Dallas Love Field has evolved from a small regional airport to a domestic service hub requiring enhanced customer service and amenities to match the needs of more than 17 million travelers annually.

Forecast Highlights

- Aviation revenues reflect revenue from airlines (57 percent), parking (15 percent), concessions (13 percent), and other miscellaneous fees (15 percent) from the increase passenger traffic.
- Dallas Love Field estimates the level of passenger traffic for FY 2024-25 to 9.9 million enplanements.
- Dallas Love Field received $16.4 million from the Bipartisan Infrastructure Law which expires September 2026.
- Expenditure projections from FY 2024-25 through FY 2025-26 reflect required debt service payments for Operations and Maintenance cost to operate the airport.

Aviation ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Total Revenues	$208.1	$209.1	$216.0	$222.4	$229.1
Total Expenditures	$208.1	$209.1	$216.0	$222.4	$229.1
Ending Fund Balance	$110.2	$110.2	$110.2	$110.2	$110.2

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CONVENTION AND EVENT SERVICES

The Kay Bailey Hutchison Convention Center Dallas (KBHCCD) is one of the nation's largest convention centers and the first named for a woman. The tourism and travel industry is an important element of the Dallas economy and serves as an economic driver for North Texas, bringing millions of visitors to the region annually. The Convention Center's largest revenue source comes from the seven percent of Hotel Occupancy Tax (HOT) the City receives from the 15 percent of the room rate charged within the City limits. Convention and Event Services (CES) has aligned its budgets to correspond with the KBHCCD master plan implementation while advancing contract compliance to maximize revenue from existing agreements with Oakview Group, Visit Dallas, and other entities.

Forecast Highlights

- FY 2023-24 revenues are projected to end the year three percent over budget due to increased HOT collection, alcohol and beverage tax and event revenue. Historically, the KBHCCD hosts approximately 100 major events per year with attendance ranging from 40-60,000 and averaging $39 million in event revenues annually. A total of 88 events are forecasted through the end of FY 2023-24.
- HOT revenue is the largest revenue source for the KBHCCD. FY 2024-25 and FY 2025-26 HOT revenue is projected at approximately $83 million and $85 million, respectively. This revenue source supports convention center operating and capital expenses. For the last three years master planning and implementation have been a focus for HOT revenue, with a continued emphasis on tourism and marketing promotion for Dallas, and arts and culture.
- In FY 2024-25 Convention and Event Services is projected to contribute more than $10.4 million to arts and culture from this revenue source.

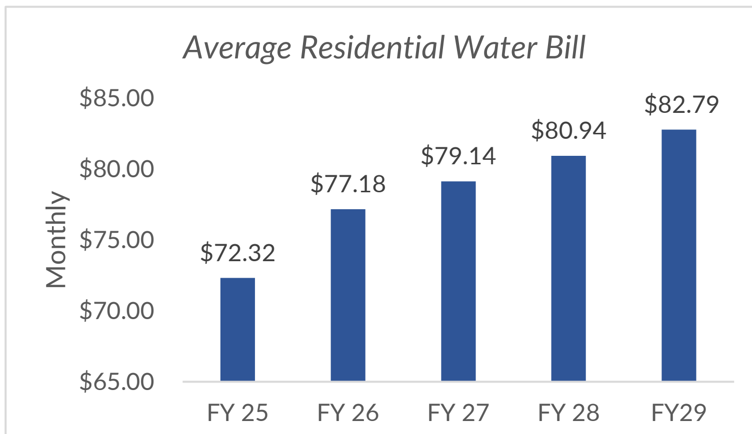
Convention and Event Services ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Total Revenues	$137.4	$130.9	$126.8	$124.5	$155.1
Total Expenditures	$137.4	$130.9	$126.8	$124.5	$155.1
Ending Fund Balance	$59.9	$59.9	$59.9	$59.9	$59.9

FIVE-YEAR FORECAST

DALLAS WATER UTILITIES

Dallas Water Utilities (DWU) is owned and operated by the City as a self-supporting enterprise fund and receives revenues through the sale of water and wastewater services. In FY 2018-19, DWU and Storm Drainage Management were combined. By consolidating storm drainage, water supply, and wastewater utilities, Dallas aligned with national standards and now takes a holistic approach to planning, operating, and future needs. Compliance activities and drainage system operation and maintenance activities continue in the new "one water" system.

Forecast Highlights



- The proposed retail rate of $72.32 in FY 2024-25 will cover increased costs for the Integrated Pipeline Project and system maintenance.
- Retail rate increases will average approximately 4.1 percent from FY 2024-25 through FY 2028-29. These increases will cover higher personnel costs, additional payments to connect Lake Palestine to the Dallas water supply system, investment in department fleet, and additional capital program funding necessary to maintain DWU infrastructure.
- Major expenditure categories include operating and maintenance costs, debt service payments, and transfers to capital. Increases in the forecast period reflect inflation.

Dallas Water Utilities ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Total Revenues	$826.9	$875.0	$894.1	$913.6	$933.6
Total Expenditures	$826.9	$875.0	$894.1	$913.6	$933.6
Ending Fund Balance	$92.6	$92.6	$92.6	$92.6	$92.6

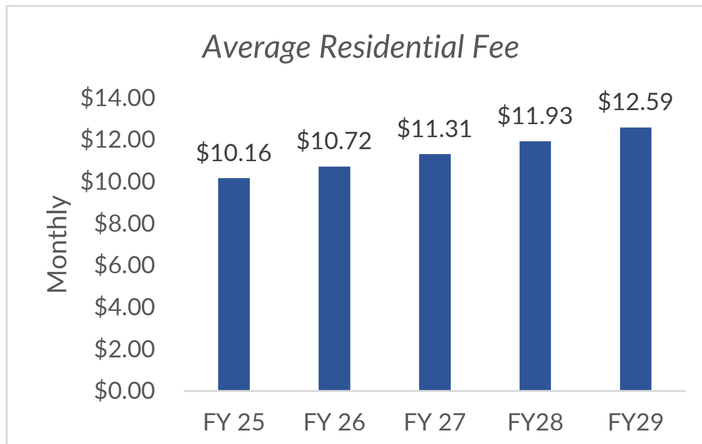
FIVE-YEAR FORECAST

DALLAS WATER UTILITIES – STORM DRAINAGE MANAGEMENT

DWU—Storm Drainage Management (SDM) is owned and operated by the City as a self-supporting enterprise fund and receives revenues through monthly stormwater fees. These fees support the cost of compliance with the City's storm drainage discharge permit with the Texas Commission on Environmental Quality (TCEQ), operation, maintenance, and enhancement of the levee system.

Forecast Highlights

- Stormwater revenue is projected to grow an average of 5.1 percent during the forecast period (FY 2024-25 through FY 2028-29) to fund capital projects, annual operating expense increases, and maintain a 30-day cash balance for operating expenses.
- Upon completion of a Stormwater Comprehensive System Assessment, the utility will be proposing an expanded capital program for more sustainable infrastructure and the associated debt funding.



Dallas Water Utilities – Storm Drainage Management ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Total Revenues	$85.9	$90.6	$95.6	$100.8	$106.4
Total Expenditures	$85.9	$90.6	$95.6	$100.8	$106.4
Ending Fund Balance	$12.7	$12.7	$12.7	$12.7	$12.7

FIVE-YEAR FORECAST

MUNICIPAL RADIO

WRR 101.1 FM is owned by the City of Dallas and operated as a classical radio station by management partner KERA. It was the first licensed broadcast station in Texas and the second broadcast station issued a commercial license in the United States. The station provides 24-hour broadcast that includes classical music and other select programming. WRR's expenses that are paid by the City per Federal Communications Commission requirements are reimbursed by KERA, which fundraises and sells underwriting spots on air to fund operations.

Forecast Highlights

- The day-to-day operations of WRR transitioned to management partner KERA on January 1, 2023.
- Prior to the transition, expenses in quarter 1 of FY 2022-23 were supported by commercial advertising revenues sold by the City. City-retained expenses after January 1, 2023, including 1.00 FTE and radio tower rents, are reimbursed by KERA per the management agreement.
- All expenses related to Municipal Radio as a part of this forecast are recovered by KERA reimbursement as a part of their management agreement.

Municipal Radio ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Total Revenues	$0.5	$0.5	$0.5	$0.5	$0.5
Total Expenditures	$0.5	$0.5	$0.5	$0.5	$0.5
Ending Fund Balance	$0.4	$0.4	$0.4	$0.4	$0.4

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PLANNING AND DEVELOPMENT

Planning and Development (PDV) provides plan review services for commercial and residential development and redevelopment projects, issues construction and trade permits, and processes Certificates of Occupancy applications for new and existing businesses.

Forecast Highlights

- Merge Planning and Urban Design and Development Services to establish the Planning and Development Department
- Reimagine departmental process and workflows and continue to implement forward thinking initiatives.
- Realign department organization and functions to increase customer service, increase responsiveness, and better service delivery
- Launch a concierge team to support small business startups
- Draft code amendments for the International Building Code (IBC) and the International Fire Code (IFC) for 2024
- Enhance a training program for existing staff to promote professional development and succession
- Create employee Performance Incentive Pay Program to incentivize cross training, agile workforce, and departmental scalability
- Continue technology initiatives by finalizing Electronic Plan Review software to replace the current Land Management System
- Partner with Dallas Fire Rescue to establish a fire inspection team for any assembly use Certificate of Occupancy
- Revisit salary market comparison analysis with HR and strengthen recruitment and retention strategies

Planning and Development ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Total Revenues	$61.6	$64.7	$67.9	$71.3	$74.9
Total Expenditures	$60.4	$61.7	$67.5	$68.5	$71.0
Ending Fund Balance	$9.3	$12.3	$12.7	$15.5	$19.4

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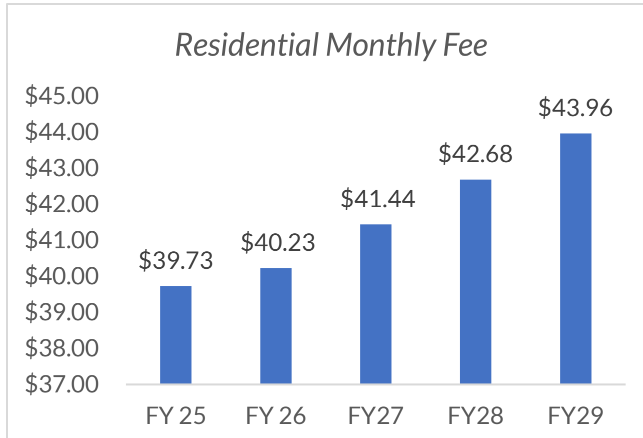
SANITATION SERVICES

Sanitation Services (SAN) serves approximately 246,000 households in Dallas, and it provides programs and services that effectively and efficiently manage municipal solid waste. In addition to providing customers with reliable solid waste collection, SAN operates and maintains the McCommas Bluff Landfill and three transfer stations.

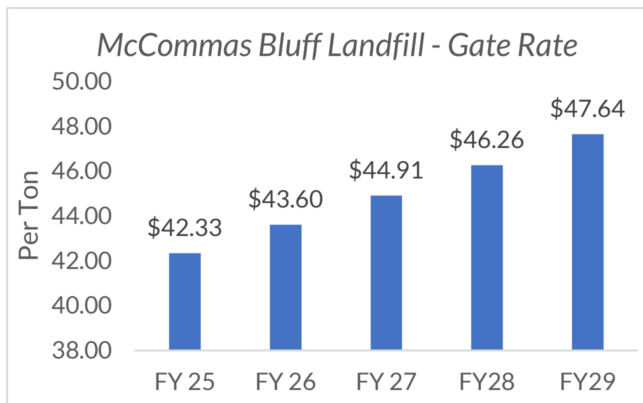
Forecast Highlights

- The residential monthly fee is projected to increase by 4.6 percent to $39.73 in FY 2024-25 and by 1.3 percent to $40.23 in FY 2025-26 (from $37.98 per month in FY 2023-24).

  Primary causes for the increase include personnel costs (merits, benefits, and insurance), equipment purchases, temporary labor, and equipment and fleet maintenance.



- To meet increased environmental regulatory requirements and on-going operational and capital improvement needs, the FY 2024-25 gate rate at McCommas Bluff Landfill is projected to increase by 9.1 percent to $42.33 per ton in FY 2024-25 and by another 3.0 percent to $43.60 per ton in FY 2025-26 (from $38.80 per ton in FY 2023-24).



- FY 2023-24 includes funding to continue fleet replacement of 45 pieces of equipment and vehicles and modernization of the fleet.

- For FY 2024-25 a new environmental cleanup fee of $3.00 a month will be added to all customer accounts. This fee will pay for disposal and environmental services that are required by a state or federal mandate, including but not limited to: homeless encampment cleanup, illegal dumping on public right-of-way, and public litter basket collection.

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Sanitation ($ in millions)					
	FY 2024-25 Budget	FY 2025-26 Planned	FY 2026-27 Planned	FY 2027-28 Planned	FY 2028-29 Planned
Total Revenues	$165.2	$167.8	$172.2	$176.8	$181.5
Total Expenditures	$164.2	$167.7	$171.1	$175.8	$182.0
Ending Fund Balance	$24.2	$24.3	$25.5	$26.5	$26.0