

Memorandum



CITY OF DALLAS

DATE August 22, 2025

TO Honorable Mayor and Members of the City Council

SUBJECT **Responses to Questions Regarding the City Manager's Recommended Biennial Budget for FY 2025-26 and FY 2026-27**

We were pleased to share the City Manager's FY26 and FY27 Recommended Biennial Budget on Tuesday, August 12, 2025. Below are responses to questions from the August 12th meeting regarding the FY26 and FY27 Budget.

1. Provide a list of the program inventory ranked by foundational pillar.

The FY26 Program Inventory with program names and descriptions, ranked by Foundational Pillar, is available on the [Financial Transparency](#) website.

2. Why is the General Fund revenue for charges for services going down in FY26 when compared to the current year?

The Charges for Services category includes revenue derived from Indirect Cost allocations to Enterprise Fund departments for services provided by General Fund departments. These allocations are reviewed annually to account for changes in usage across departments. For FY26, costs associated with 7800 Stemmons were excluded as the facility remains unoccupied, which reduces the revenue received in the General Fund.

3. How much is included in the FY26 budget for maintenance of the Dallas Museum of Art (DMA), and which department is the funding being proposed?

As part of the FY26 City Manager's Recommended Budget, \$254,392 was reduced from Facilities and Real Estate Management's (FRM) maintenance and repair operating budget in anticipation of the planned outsourcing of the Dallas Museum of Art's (DMA) operations and maintenance.

Effective October 1, 2025, FRM will continue providing maintenance and repair services for the DMA, with expenses reimbursed from the Office of Arts and Culture (OAC) as intended by the cultural plan.

It is important to note that HOT funds cannot be applied to maintenance repairs, therefore the \$254,392 funds allocated for DMA's maintenance and repairs will be drawn from OAC's FY26 building maintenance budget. Expenses that qualify under HOT will be properly reimbursed and allocated accordingly.

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4. How do the current sales tax collections compare to other cities, especially those within our region?

Sales tax collections for 9 months from October 2024 through June 2025 for the City of Dallas have increased by 2.2% compared to the same reporting period last year. Among the 20 Texas cities with the highest sales tax receipts, Dallas ranks 12th in percentage growth from prior YTD payments. Within the Dallas–Fort Worth metroplex, when compared to the six other cities with the highest sales tax receipts (Fort Worth, Arlington, Plano, Irving, Frisco, and McKinney), Dallas ranks 4th in year-over-year percentage growth. The average growth across these top seven cities was 3.8%.

City	Payment YTD	Prior Year Payment YTD	% Change
Plano	88,299,499	81,072,346	8.9%
Irving	76,949,428	71,334,838	7.9%
Fort Worth	165,654,017	159,237,712	4.0%
Dallas	302,764,139	296,182,497	2.2%
McKinney	65,060,658	63,762,139	2.0%
Frisco	94,923,671	93,773,109	1.2%
Arlington	129,479,499	129,416,573	0.049%

5. Does the city have a strategy for growing our sales tax?

The City's strategy to increase sales tax revenue focuses on making it easier for businesses to invest and ensuring Dallas remains a top destination for visitors. On the development side, the city is improving efficiency by using technology, streamlining permitting and zoning, and advancing reforms that make the process more transparent and predictable – helping commercial and retail projects move forward faster. At the same time, a strong customer service culture is being emphasized to better support businesses and developers. Additionally, the city supports targeted economic growth and the creation of living wage jobs through a robust toolbox of incentive programs. On the tourism and convention side, the city is partnering with Visit Dallas to attract more conferences and events, highlighting the capabilities of the newly expanding Kay Bailey Hutchison Convention Center Dallas (KBHCCD), and leveraging opportunities like the FIFA World Cup 2026 to bring in future sporting events. These efforts are designed to boost hotel stays, restaurant and retail spending, and related economic activity that directly supports sales tax growth. Additionally, the city will launch a "Buy Dallas Campaign" in FY26 to encourage residents to support local businesses.

6. What factors are affecting our sales tax forecast?

Our current sales tax forecast reflects several economic forces moving in different directions. The labor market remains our largest headwind. Since the 2021–22 hiring boom, job growth in Dallas-Fort Worth has slowed sharply from over 7% in 2022 to just 1.1% over the past year, while job openings in Texas have fallen by half. Wage growth has moderated, and because immigrants make up roughly 22% of the Texas workforce, shifts in immigration policy can further affect economic activity and consumer spending. Slower labor force and population growth generally translate to softer sales tax collections.

On the other hand, tariffs – if kept moderate – could provide a partial tailwind by raising certain prices and encouraging domestic production, both of which can support nominal sales tax revenue. That impact will be limited, however, by very low local inflation, with Dallas-Fort Worth consumer prices up just 0.9% over the past year. Finally, interest rate cuts projected over the next two fiscal years are expected to stimulate housing, construction, and rate-sensitive retail such as furniture and electronics. As households move and refurnish, this could boost spending and, in turn, sales tax receipts.

We anticipate a one-time increase in sales tax revenue due to the economic activity surrounding the FIFA World Cup. The additional one-time revenue will be utilized to pay one-time expenses associated with the event.

7. Is Code Compliance (CCS) able to address night-time code issues other than in the entertainment districts of the city?

CCS's late-night enforcement is focused on the entertainment districts, where the need is greatest. Outside those areas, CCS's night enforcement authority is limited as they cannot issue civil noise citations nor break-up parties. For issues like early sanitation pick-ups, CCS is flexing Code Officer hours to provide coverage. Additionally, CCS, in partnership with several other departments is preparing a briefing on "Extraordinary Events," focusing on enhanced tools to address land uses such as party houses.

8. How will CCS be able to effectively provide outreach if there are budget reductions in this area?

CCS intends to reimagine existing Neighborhood Code Representative positions to bolster the department's engagement efforts through CCS targeted community programs.

9. Provide details on what is included in the FY26 budget for serving individuals experiencing homelessness.

The proposed FY26 budget includes targeted resources to directly support individuals experiencing homelessness totaling \$27.7 million from various funding sources. Resources are budgeted in the Office of Emergency Management and Crisis Response (ECR) and the Office of Housing and Community Empowerment (HCE). The FY26 Proposed Budget includes:

Description	Department	\$ Amount	Funding Source
Dallas Street Response	ECR	\$2.4 million	General Fund
Homeless Inclement Weather Shelter Program	ECR	\$1.4 million	General Fund
Continuum of Care Diversion	HCE	\$0.25 million	ARPA*
	HCE	\$0.25 million	General Fund
The Bridge master contract and Pay To Stay	HCE	\$6.0 million	General Fund
Street To Home, Housing Forward	HCE	\$5.4 million	ARPA**
Home After Shelter	HCE	\$10.0 million	ARPA*
Eviction Advocacy	HCE	\$0.05 million	ARPA*
	HCE	\$0.95 million	General Fund
Homelessness Prevention	HCE	\$1.0 million	ARPA*

*ARPA redevelopment funding is one-time and not ongoing

** Funds were encumbered in FY25, but not fully expended

10. What is included in the budget for city contribution to DPFPS?

The city contribution to the Dallas Police and Fire Pension System (DPFPS) totals \$225.7 million for FY 2025-26 and \$247.1 million for FY 2026-27. The city contribution to DPFPS aligns with the funding plan approved by the Dallas City Council on September 11, 2024.

Fiscal Year	Normal Cost % of Pay	Normal Cost \$	Unfunded Actuarial Accrued Liability*	Total
FY25	6.78%	\$36,392,524	\$168,656,000	\$205,048,524
FY26	6.66%	\$39,191,553	\$186,482,000	\$225,673,553
FY27	6.57%	\$42,230,836	\$204,889,000	\$247,119,836

*Source: [Exhibit A – City Council Agenda Item 24-2877 – September 11, 2024](#)

11. What would be the effect on property tax revenue if the state passes the 2.5% cap on property tax revenue?

Senate Bill 10 in the Second Called Session of the 89th Legislature would adjust the calculation methodology of the Voter Approval Rate, capping revenue growth from reappraisals at 2.5% for cities with over 75,000 residents. The bill is effective January 1, 2026, and if enacted, it would reduce FY 2026-27 estimated property tax revenue by \$11.2M.

12. Provide a count of positions being eliminated and repurposed by the department.

A count by department of all repurposed/added and eliminated positions is available on slides 91-97 of the Appendix of the [City Manager's Recommended Biennial Budget for FY 2025-26 and FY 2026-27](#) presentation at the August 12 Budget Workshop. Details by position will be available once the FY 2025-26 Position Classification Allocation agenda item is posted for Council approval on September 17, 2025.

13. Please provide the No-New-Revenue tax rate scenario.

A memorandum was provided to the City Council on August 12, 2025, that included the No-New-Revenue tax rate scenario. The memorandum can be found using this link: [Financial Management Performance Criteria \(FMPC\) #24](#).

14. Where in the budget are funds for consultant services?

Consultant services are typically captured in both the 3070 – Professional Services and 3099 – Miscellaneous Special Services line items in the budget book. The amount budgeted for each City department is available in the proposed budget book. Additionally, the expense detail for each City department is available on the [FY 2025-26 Proposed Budget](#) website.

15. Provide additional information about the new department of Housing and Community Empowerment, including the purpose of the consolidation.

A separate memorandum will be provided to the City Council on August 22, 2025, that includes additional background about the Office of Housing and Community Empowerment.

16. Why is the Marshal's Office being combined with Court and Detention Services?

A memorandum was provided to the City Council on August 15, 2025, that included additional background about the combination of the Marshal's Office and Courts and Detention Services. The memorandum can be found using this link: [Marshal's Office and Municipal Court & Detention Services](#).

17. What changes are proposed for the employee health benefit plan for FY26?

The city is updating its employee health benefit plan to manage rising healthcare costs while maintaining quality, affordable coverage. Key changes include adjustments to prescription drug coverage with expanded use of specialty pharmacy programs, continuation of three plan options with slight premium increases, tiered premiums to support lower-wealth employees, and the transition of long-term disability coverage to a voluntary benefit. The Advocate Plus Pharmacy Match Program will also be implemented this fiscal year to help members with the most cost advantageous mail order pharmacy. These enhancements are anticipated to yield more than \$12M in savings this fiscal year. As the City of Dallas is a self-funded health plan, savings are essential not only for the city, but also for the benefit of all retirees and employees.

Additionally, the budget includes an increase in the employer contribution of 5%. The City will continue to fund the provision of employer-paid life insurance and anticipate savings through improved pharmacy contract pricing terms, Cost Plus integration and rebate guarantees. While the overall financial impact on employees will be minimal, some may need to change medications, use in-network pharmacies, or participate in wellness programs. These program enhancements

are designed to preserve our robust employee health benefits portfolio while sustaining our fiscal responsibility.

18. What is included in the budget for city facility preventative maintenance and what is included for major maintenance?

The FY26 Proposed Budget includes \$2 million for Preventative Maintenance (PM). These funds will focus on:

- Roofs and HVAC systems for critical operations at public safety facilities
- Roof PM includes proactive and roof condition assessment at 75 buildings
- HVAC PM includes three quarterly PM service calls and one service call per location

The FY26 Proposed Budget includes \$14.5 million for Major Maintenance. Major Maintenance funds will be used for:

- Large scale projects focused on restoring/replacing major systems
- Extends the useful life of the asset
- Typically, >\$50,000
- Examples of projects: Dallas Animal Shelter emergency flooring replacement (\$0.8 million), Jack Evans Police Headquarters Roof replacement – Phase I (\$1.2 million)

19. What is included in the budget for General Fund reserves? Is there a reserve for emergency facility repairs?

Pursuant to the City Council approved [Financial Management Performance Criteria](#) (FMPC) #2, the unassigned fund balance of the General Fund, which includes the Emergency and Contingency Reserves, shall be maintained within a range of not less than 50 days and not more than 70 days of the General Fund operating expenditures less debt service. For FY26, the Emergency Reserve is \$50.0 million, the Contingency Reserve is \$10.3 million, and the Residual is \$277.8 million. The total unassigned fund balance is 62.8 days.

The Contingency Reserve is part of the City's unassigned fund balance and is set aside for unplanned expenses that arise during the year - such as unanticipated service needs, including public safety, health issues, or revenue shortfalls. Use of the Contingency Reserve requires a simple majority. The Emergency Reserve covers urgent and unforeseen expenses – like natural disasters, major revenue losses, or new state or federal mandates. Use of the Emergency Reserve requires a City Council supermajority.

Emergency facility repairs are typically managed through current operating revenues. If reserve funds are required, staff would seek City Council approval to use the Contingency Reserve.

20. Did staff consider reducing the \$5 million in the budget for travel, dues, and memberships?

As part of budget development each year, departments generally review these expenses, seeking to limit discretionary travel, use virtual options, and consolidate trips where possible. The remaining costs typically cover required memberships, compliance-related training, and essential conferences for continuing education certification.

21. Did staff consider reducing the \$6 million in the budget for expense object 3429 – Mobile Phone Services?

Pursuant to [Administrative Directive 4-8, Mobile Telephone Service](#), department heads and supervisors are required to conduct annual reviews of all established mobile devices and allowances to affirm their continued justification (Section 3.2.5 and 3.4.2.2). The FY26 budget for expense object 3429 – Mobile Phone Services includes \$2.8 million for Dallas Police Department, \$470,000 for Dallas Fire Rescue, \$386,000 for Code Compliance Services, and \$1.6 million for Enterprise Funds for cell phones, cradle points, and air cards.

22. Why is \$32 million needed for civilian overtime?

Of the total \$32 million in overtime across all operating funds, \$20.0 million is attributable to Enterprise Funds, primarily Sanitation Services and Dallas Water Utilities.

- Sanitation Services: Overtime is incurred to ensure continuity of solid waste management operations during peak workload demands and when gaps in staffing occur.
- Dallas Water Utilities: Overtime supports continuous 24/7 operation of water, wastewater and stormwater facilities and systems, emergency response estimated from historical weather-related demands, and staffing shortages due to hard to fill positions.

The remaining \$11.2 million is largely in the General Fund, primarily within the Dallas Police Department for 911 call center staffing (\$4.3 million), as well as the

Department of Transportation and Public Works (\$2.6 million) for increased repair requests, weather-related emergencies, after-hours responses to DPD, DFR, and special event needs.

23. Is the City shifting cost to fees when the property tax rate is being reduced?

No, there is no relationship between setting the city's tax rate and our ongoing review of fees for service. The City's [Financial Management Performance Criteria](#) (FMPC) #12 states an annual review of selected fees and charges is required to determine whether the City is recovering the full cost of services. Per the policy, the City reviews all fees at least once every four years and proposes changes to achieve full cost recovery or based on other City objectives. Proposed fees are based solely on fee-related costs and do not increase based on departmental costs in un-related programs.

Enterprise fund fees such as Dallas Water Utilities, Stormwater, and Sanitation are reviewed annually to recover the cost of service. The FY26 proposed increase in fees are available in the Taxpayer Impact Statement available on the [FY 2025-26 Proposed Budget](#) website.

24. Clarification on page 24 of the Executive Summary (Streamlined Incentive Process for All Real Estate Development).

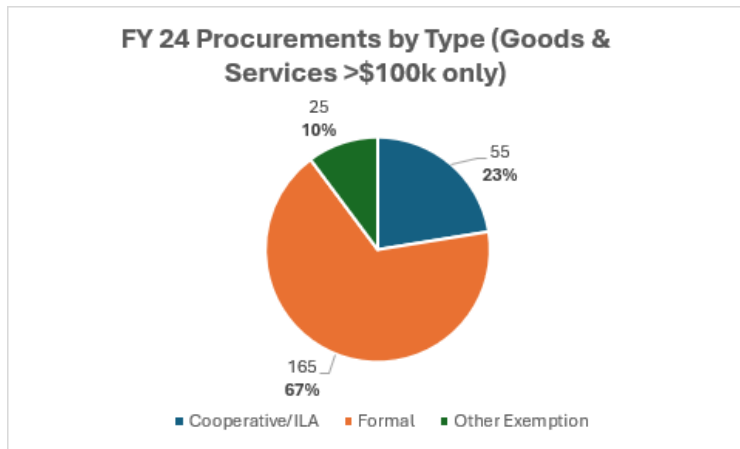
Beginning October 1, 2025, all City incentives for real estate developments with housing components will be administered by the Office of Economic Development (OED). Housing development funding moving into the OED toolbox will include bond funding (including 2024 Proposition G and Proposition H).

It was stated during the meeting that the responsibility of the Propositions G & H would be transferred from Bond & Construction Management to Economic Development. To clarify, the implementation of 2024 Bond Program Propositions G & H are not managed through Bond & Construction Management. Effective October 1, 2025, management will transition from the Department of Housing and Community Development to the Office of Economic Development. This realignment will provide developers and businesses with a unified application process and consolidated underwriting standards under one roof.

The staff in the Department of Housing and Community Development Office and the Office Economic Development do not charge administrative costs to the bond program.

25. What percentage of procurements are cooperative purchasing agreements?

For FY24, 23% of solicitations over \$100,000 for general goods and services were cooperative purchasing agreements.



26. Can enterprise funds be used for General Fund related costs?

In most cases, no – enterprise fund resources cannot be used to cover General Fund–related costs unless the expenditure is a direct, allowable cost of providing the enterprise service or is part of a formal cost allocation plan approved by law or policy.

The enterprise fund departments provide services for specific programs that are derived from rates and fees and are supported wholly by these revenues. These enterprise funds are restricted funds and are reported as part of our federal government accounting principles. As such, these enterprise funds contribute to costs associated with their operations that are supported by the General Fund. Examples of these types of indirect charges that are paid for by the enterprise funds include support from human resources, information technology services, legal, building services, procurement services, insurance, and others.

Additionally, several of the enterprise departments contribute through a franchise fee (also referred to as street rental) and other forms of direct payments such as for pension obligation bonds, payment in lieu of taxes, debt service payments and master lease payments for equipment and fleet. These enterprise departments also work directly with city departments and reimburse services such as Dallas Police Department, Dallas Fire Rescue, City Marshal's, Transportation & Public Works, Code Compliance and Park & Recreation to name a few.

Department of Aviation

The Department of Aviation operates Dallas Love Field (DAL), Dallas Executive Airport (DEA), and Vertiport as a business enterprise to be financially self-sufficient and does not use sales or property tax revenue to fund this department. The Aviation Enterprise Fund revenue is generated primarily through airlines, passengers, and businesses operating at the Airports. The FY24 Dallas Love Field Economic Impact and Contributions Report indicated \$33.7 million in City of Dallas Tax Revenue was generated at the airport. In addition, the Aviation Enterprise Fund reimburses the City for services to other departments, including DPD and DFR.

The Federal Aviation Administration (FAA) regulations prohibit using money generated by the airport for purposes outside the airport's business. This restriction applies to all other airports in the U.S. Over the last 5 years, Dallas Airports (DAL, DEA, and Vertiport) have received over \$254 million in FAA grants for capital improvements. By accepting this money, the city guaranteed that it would be used for its intended purpose and that all revenues generated by the airports will be expended by it for the capital, operating costs of the local airport system, or for noise mitigation purposes on or off the airport.

Dallas Water Utilities

Dallas Water Utilities is legally constrained from transferring revenue to the City's General Fund as an Enterprise Fund due to a number of restrictions in local and state law such as:

- City Charter and Ordinance (Chapter 49): Dwelling on self-sustaining, rate-based funding for the utility, with no legal mechanism for general-fund transfers.
- State Statute (LGC § 552.915): Explicitly forbids transfers that threaten the utility's financial health or rate stability.
- Texas Water Code (Title 2, Subtitle B, Chapter 13, Subchapter A): Excludes certain costs from rate calculations.
- Revenue-Bond Requirements (Gov't Code § 1501.051–.052): Allow only narrowly-tailored use of utility revenue—specifically for bonded indebtedness—not for everyday city operations.
- Financial Management Performance Criteria (FMPC) #8 and #13 state specifically that water and wastewater revenue will be used only for water operating and capital purposes as below.

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DWU-8. Use of Excess Current Revenues. Current revenues which are more than operating expenses and debt service will be used for capital expenditures and other water and wastewater purposes.

DWU-13. Use of Funds Generated by DWU. Funds generated by DWU will be used solely for the development, operation, and maintenance of the water and wastewater utility system.

We will continue to respond to budget questions asked by members of the City Council over the next several weeks. Please contact me or Janette Weedon, Director of Budget & Management Services, if you need additional information.



Jack Ireland
Chief Financial Officer

c: Mayor and City Council
Kimberly Bizzor Tolbert, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety

Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager
Robin Bentley, Assistant City Manager
Ahmad Goree, Chief of Staff to the City Manager
Directors and Assistant Directors