City Manager's Budget Message
FY2027 PROPOSED BUDGET

July 29, 2026

Honorable Mayor and City Council,

I am pleased to submit for your review and consideration the proposed Fiscal Year 2026-2027 Budget. This budget is the result of a collaborative process involving residents, advisory committees, the City Council and City employees. The proposed FY27 Budget was developed in an economic environment that is constrained by both Texas legislation as well as persisting inflation. It reflects careful consideration of community priorities, long-term financial sustainability, and the operational needs required to maintain the high level of service expected by our residents.

The proposed FY27 Budget for all funds for the City of University Park totals $75.7 million. In addition to funding operations, the budget also authorizes a transfer to the Capital Projects Fund for needed infrastructure improvements. The proposed FY27 General Fund Budget totals $45.8 million. This budget is structurally balanced and aligned with adopted policies while investing in City Council priorities.

This proposed budget reflects the City's base budget and does not include certain service enhancements that would require additional funding above the 3.5% voter-approval tax rate threshold. As a result, the City Council will separately consider a supplemental budget that includes additional public safety personnel, enhanced public safety pension benefits, and parking enforcement technology and infrastructure. If approved by the City Council, those items would be presented to voters through a Tax Rate Election.

Priorities

In developing the proposed FY27 Budget, staff focused on key initiatives that help further prioritized actions in the adopted Centennial Master Plan. Below are these initiatives and the related Centennial Master Plan goal:

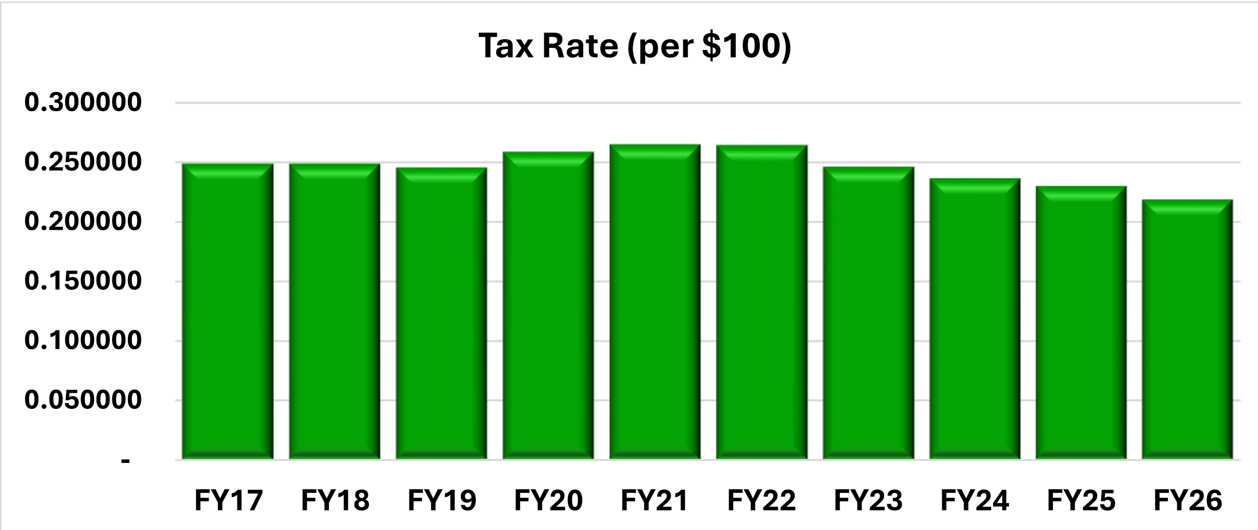
- Implementation of the **Compensation Study recommendations**, including funding for merit adjustments, market adjustments and cost-of-living adjustments (Increase Investment in Programs to Protect University Park Residents)
- Contributions to the **City's pay-as-you-go capital program**, including additional transfer to the City's mile-per-year program (Prioritize Maintenance of University Park's Utility Network)
- Begin operation of the **Fondren Law Enforcement Training Building** (Future Facilities)
- **Increased investment in technology** to help provide City services (Increase Communication between City Departments/Services and Residents)
- Creating a **Public Improvement District in Snider Plaza** (Create Resiliency in City Revenues)
- Meeting the demands of anticipated **higher fuel costs** (Continue/Enhance Existing City Department Operations)

Revenues

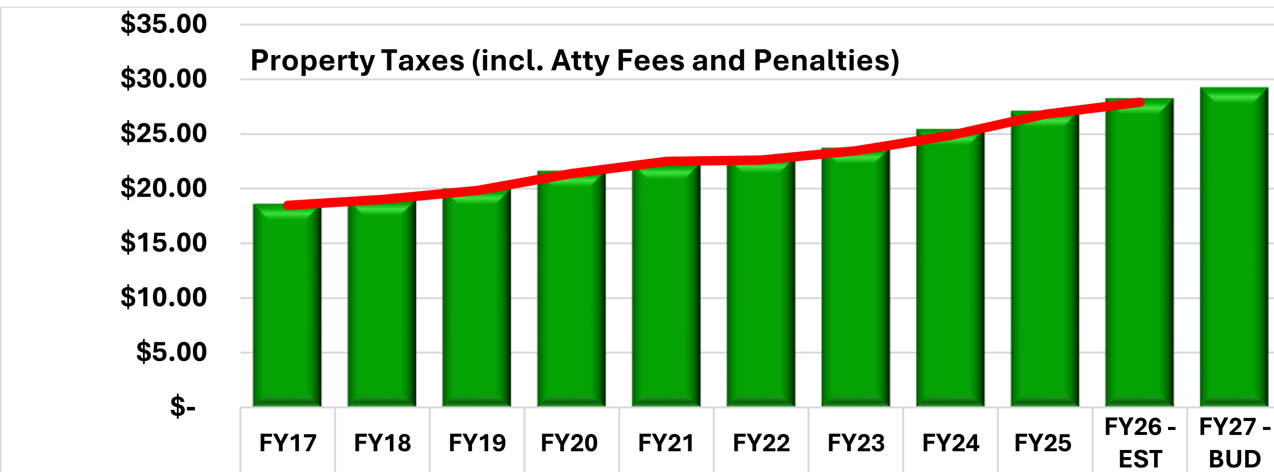
Property Tax

The Proposed FY27 Budget proposes a property tax rate of $0.209534 cents per $100 of assessed value, representing a decrease of $0.009031 cents from the prior year rate. When combined with an increase in the City's taxable property value, property tax revenue is projected to grow by 3.49 percent, or $982,878. Senate Bill 2, enacted during the 86th Legislative Session, limits property tax growth to approximately 3.5 percent.

Property Tax Rate



Property Tax Revenue

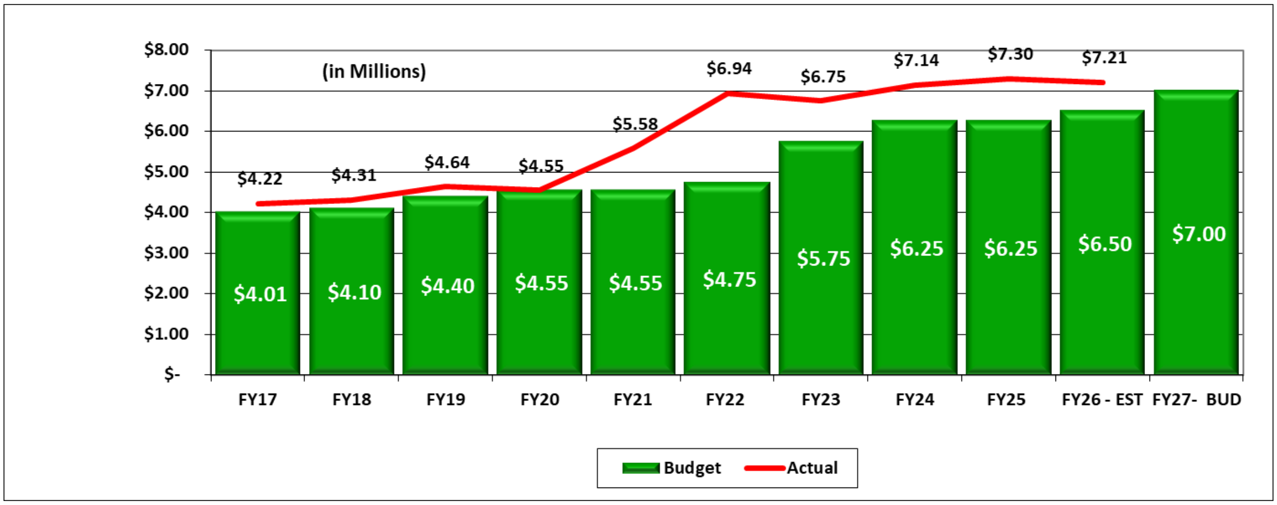


	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26 - EST	FY27 - BUD
BUDGETED	$18.56	$18.99	$19.97	$21.58	$22.29	$22.86	$23.70	$25.41	$27.08	$28.20	$29.20
ACTUAL	$18.48	$19.01	$19.83	$21.40	$22.50	$22.63	$23.47	$24.88	$26.81	$27.90	

Sales Tax

Sales tax, the second-largest revenue source, is projected to grow 7.7% in FY2027, to a total of $7 million. This equates to a $500,000 increase from the prior year. While sales tax revenues have exceeded the FY26 budget, the City takes a conservative approach with revenue projections, providing flexibility to respond to economic uncertainty. The City has seen an increase in sales tax revenue in Snider Plaza, a positive indication that the recent infrastructure investments have benefitted local businesses. Since University Park is a member city of the Dallas Area Rapid Transit (DART), sales tax revenue to the City is limited to 1%. Non-member cities of DART have the option of adopting up to 2% for local needs such as public safety, parks and economic development.

Sales Tax Revenue



Water and Sewer Revenue

Revenue from water and sewer sales continues to reflect incremental rate increases from our providers, as well as providing funding for the cost of providing these services. Additional information regarding the Utility Fund can be found on page five (5) of this document.

Other Revenues

The City's other revenues consist of several smaller income streams such as franchise fees, fines, fees for services and interest income. These revenues are projected to increase by $268,000. Later in the fiscal year, City staff will be seeking the City Council's feedback regarding creation of a hotel occupancy tax which is paid by visitors and can be used to fund eligible expenses.

Overall revenues are forecast to increase slightly to $45.8 million. The City continues to take a conservative approach to revenue projections, using realistic assumptions while maintaining the flexibility to respond to economic fluctuations.

Expenditures

Although inflation has cooled from its peak, elevated costs continue to influence operating and capital expenditures. To offset these increased expenses, there are strategic reductions in line items in all departmental budgets. These reductions are often based on historical spending patterns, but they also reflect the importance of finding cost reductions in operational expenses, when possible, to fund the key priorities of the proposed FY27 Budget.

Proposed expenditures across all budgeted funds for the proposed FY27 Budget total $75,653,799, which is a 4.4% increase from the prior year. The following table compares the total expenditures for the City's five budgeted funds.

Expenditures – All Fund

Fund	FY2025 Actual Expenditures	FY2026 Adopted Budget	FY2027 Proposed Budget	$ Change	% Change
General	$ 48,550,577	$ 44,038,125	$ 45,764,809	$ 1,726,684	3.9%
Utility	24,952,897	22,787,899	24,048,293	1,260,394	5.5%
Sanitation	3,971,919	4,536,702	4,817,116	280,414	6.2%
Storm Water	351,184	298,552	347,651	49,099	16.4%
Aquatics	778,964	785,848	675,930	(109,918)	n/a
Total	$ 78,605,541	$ 72,447,126	$ 75,653,799	$ 3,206,673	4.4%

Below is a table that depicts the proposed budget in six major expenditure categories, which attribute to 89% of all expenditures.

Major Expenditure Categories

Category	FY2025 Actual Expenditures	FY2026 Adopted Budget	FY2027 Proposed Budget	$ Change	% Change
Personnel costs	$ 33,353,542	$ 35,582,296	$ 36,651,830	$ 1,069,534	3.0%
Treatment charges	11,710,110	12,596,009	13,271,905	675,896	5.4%
Capital project funding	8,600,625	9,635,641	10,135,641	500,000	5.2%
Utilities/Telephone	841,404	1,026,739	1,140,544	113,805	11.1%
Equipment Services	2,295,084	2,333,869	2,479,222	145,353	6.2%
Technology Services	2,618,476	2,746,732	3,351,495	604,763	22.0%
Subtotal	**$ 59,419,241**	**$ 63,921,286**	**$ 67,030,637**	**$ 3,109,351**	4.9%
All Other Expenses	$ 19,186,300	$ 8,525,840	$ 8,623,162	$ 97,322	1.1%
Total	$ 78,605,541	$ 72,447,126	$ 75,653,799	$ 3,206,673	4.4%
Percent of actual/budget	**76%**	**88%**	**89%**		

Personnel Costs

In the FY26 Budget, funding was included for a compensation study. The last compensation study was conducted in 2019, and since then the market has become increasingly competitive across many positions. The compensation study included several recommendations, including funding in three areas to help with recruitment and retention of personnel.

- Merit adjustments: $693,165.16
- Market adjustments: $713,960.11
- Cost of Living Adjustments: $293,779.36

Information about the compensation study recommendations will be highlighted in upcoming City Council discussions regarding the proposed FY27 Budget.

There are no new positions included in the proposed FY27 Budget. As a result of the City's formal vacancy review process, four vacant positions have been removed from the budget.

Water and Wastewater Treatment Charges

Water service is provided by the Dallas County Park Cities Municipal Utility District (DCPCMUD) and wastewater service is provided by the City of Dallas Water Utilities (DWU). For the proposed FY27 Budget, the cost of potable water provided by the DCPCMUD will increase by 5%. Wastewater treatment fees charged by DWU will increase by 3%. These adjustments result in a gross cost increase of $535,000. To address these added expenses, the proposed FY27 budget includes a 7% increase to water rates, but no increase to sewer rates.

Capital Expenditures

The years 2025 and 2026 marked the completion of two major projects in Snider Plaza and Miracle Mile, reflecting the City's continued investment in its infrastructure and commercial districts. There are additional capital project needs to discuss going forward, including increasing investment in street maintenance and continuation of the Mile-Per-Year program. City staff is currently working with the Capital Projects Review Committee to review proposed projects and recommend an annual capital budget and five-year Capital Improvement Program (CIP) to the City Council this fall.

As you are aware, previous legislation has made it increasingly difficult to fund capital projects on a cash basis. This year's capital budget differs from previous years by proposing a hybrid funding plan with both pay-as-you-go funding and debt financing for priority capital projects. Included in the proposed FY27 Budget is a transfer of $5.4 million from the General Fund and $4.4 million from the Utility Fund. A hybrid strategy allows the City to continue to invest in its infrastructure, while also creating a more financially sustainable model for the General Fund to support City services.

Additional details regarding this proposed hybrid strategy will be presented during the City Council discussions regarding the proposed FY27 Budget, and in October when the capital budget is presented for City Council consideration.

Fuel

The City's fuel costs are forecasted to increase in FY27 based on data from the U.S. Energy Information Administration. While fuel consumption is scheduled to remain steady from the prior year, wholesale prices for both regular and diesel gas are scheduled to increase by 21% from the FY26 budget.

Highlights from Other Funds

Utility Fund

The proposed FY27 Budget for the Utility Fund includes rate increases from the DCPCMUD and DWU for water and wastewater treatment expenses. Expenditures related to these external costs are projected to increase 5.4% or $675,916. A proposed rate increase of 7% for water rates and 0% for sewer rates is included in the Proposed FY27 Budget.

Sanitation Fund

The proposed FY27 Budget for the Sanitation Fund includes expenditures increasing 6.2% or $280,414. A proposed rate increase of 6% for sanitation services (12% for recycling) is also included.

The City continues planning for the expiration of the landfill services agreement with the City of Garland in 2027. Included in the budget is $110,000 in contingency expenses to support the transition to market-based fees.

Aquatics Fund

The Aquatics Fund was created in FY25 to serve as a self-sustaining fund for the Holmes Aquatic Center. The proposed FY27 Budget for the Aquatics Fund includes an expenditure decrease of 14% or $110,000. While this fund is not projected to be self-sustaining in FY27, it reflects improvement from the FY26 Budget. Staff and the Parks Advisory Committee are exploring opportunities to increase cost recovery in FY27 and beyond. However, future transfers to the Aquatics Fund will be needed to subsidize this community service.

Outlook for the Future

I would like to commend the Assistant City Manager, Department Directors and staff who prepared the proposed FY27 Budget for their continued efforts to limit discretionary expenditures. The City remains committed to providing excellent municipal services with prudence and care.

Cities across Texas face the challenge of constrained revenues, and the challenge is even more acute in the City of University Park due to lower sales tax revenue compared to benchmark cities.

In addition to the challenges stated above, the need to invest in infrastructure continues to be a priority. Funding this investment requires a change in the City's approach as well as greater dialogue with the City Council and residents about future capital investments.

The proposed FY27 Budget represents a careful balance between strategic investment and financial stewardship. Investing in employees, capital projects and technology allows the City of University Park to continue to provide excellent services to its residents while adhering to the City's financial policies. Staff looks forward to meeting with the City Council and advisory committees to discuss the budget in more detail. We would be happy to provide any additional information that will be helpful during your consideration.

Respectfully submitted,

Robbie Corder

City Manager