

BUDGET MESSAGE



August 15, 2025

Honorable Mayor & City Council,

I am pleased to submit for your review and consideration the Fiscal Year 2026 (FY2026) Budget. The FY2026 Budget for the City of University Park totals \$72 million and provides the necessary appropriations to support the efficient delivery of core municipal services. These include public safety, sanitation, roadway maintenance, parks and recreation, water distribution, wastewater collection, and library services. In addition to funding ongoing operations, the budget authorizes transfers to the Capital Projects Fund, thereby establishing a financial framework that supports both routine service delivery and the advancement of significant capital improvements.

Revenue and expenditure forecasts in the proposed FY2026 Budget are consistent with historical patterns but remain constrained by prevailing economic conditions and statutory limitations. Across all funds, total operational expenditures are projected to rise by \$2.4 million, representing a 3.5 percent increase over the prior year. To balance the General Fund budget, the required tax rate will be reduced to 21.8565 cents.

Although the City's overall financial position remains strong, meeting ongoing capital requirements and operational expenses has become increasingly challenging with each fiscal year. To address these pressures, City staff launched a comprehensive financial analysis known as *Second Century*. This initiative examined all expenditures, revenues, and policies to guide the community toward a sustainable financial path for its next century. As a result of the ongoing Second Century review, the following items have been incorporated into this budget:

- **Expenditure Reductions:** Selected line-item expenses have been reduced or removed to better reflect historical spending patterns. Significant one-time costs have been excluded from the operational budget and will be addressed through the capital budget or future budget amendments.
- **Revenue and Cost Recovery:** The budget incorporates adjustments to certain fees and fines associated with transactional activities to recover a greater share of the City's operating costs. Newly proposed fees include residential parking permit fees and false fire alarm fines, while existing fees, such as building permits and ambulance transport charges, have been increased.
- **Vacancy Review:** As workforce vacancies arise, management will assess each position to determine whether it should be filled as currently classified, reclassified, or potentially eliminated. The City will also complete a compensation study to determine if the City is remaining competitive with its compensation program.

Despite these adjustments, the City's long-term financial projections indicate that future budgets will continue to face significant challenges. Over the coming year, staff will present results of the Second Century review and a range of budgetary options to address structural constraints such as revenue caps and stagnant non-property revenues to the City Council, advisory committees, and the community. Ultimately, the City may need to

consider seeking voter approval for a tax rate above the 3.5 percent cap if there is a collective interest in increasing public safety staffing, adequately funding a capital maintenance program for water and sewer infrastructure, and addressing below-market pay and benefits.

The presentation of the proposed budget to the City Council represents the conclusion of a process that commenced in April and included an extensive review by multiple resident committees over the summer months. I extend my appreciation to our Department Directors for submitting operational budgets aimed at reducing costs while enhancing community services, and to the volunteer committee members who dedicated significant time to evaluating the proposed budget.

FY2026 Highlights

The budget serves as a forward-looking plan for allocating financial resources to support the delivery of essential public services. As a full-service, home-rule city, the City of University Park manages its finances using fund accounting. The budget is organized into four distinct funds, each corresponding to a specific category of service:

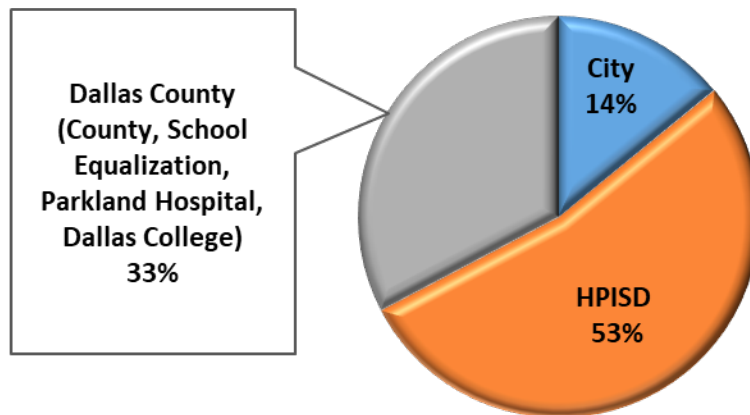
Fund	Core Services	Primary Revenue Sources
General	Police, Fire, Parks, Street Maintenance, Traffic Management, Building Inspections, Library, and General Administration	Property Taxes, Sales Taxes Fines & Fees, Franchise Fees
Utility	Water Distribution & Wastewater Collection	Utility Fees
Sanitation	Sanitation (Trash) Collection	Utility Fees
Stormwater	Stormwater Collection, Street Sweeping, Pond Maintenance	Utility Fees
Aquatics	Aquatic recreation, swim lessons and activities	User Fees, Sponsorships

Highlights of the FY2026 Budget include the following items:

- Wage and salary increase, including merit and market adjustments for all positions;
- Additional funding for health insurance and other benefits;
- Increased funding for pension liabilities; and
- Continued funding increases for the City’s pay-as-you go capital program, including additional transfers to the City’s mile-per-year program.

Property Taxes & Long-Term Financial Planning

The Dallas Central Appraisal District (DCAD) certifies the taxable value for all property within Dallas County. Based on proposed expenditures and the taxable value of all property in University Park, the FY2026 budget recommends a tax rate decrease from 22.9964 to 21.8565 cents. The average single-family homeowner with a homestead exemption will pay approximately \$25 more per month in City property taxes. The City remains one of the smallest overall percentages of the combined tax bill. When including the other taxing entities, the City’s portion of the tax bill is just 14 percent, based on 2024 rates.



In collaboration with various resident committees reviewing the City's financial performance, a deliberate effort was made to develop a long-term financial model to complement the annual budgeting process. Given the critical role of property tax revenue in supporting the City's capital program, this model provides guidance for planning based on available cash flow. It projects expenditures and revenue growth over a five-year period within the operational budget, offering policymakers a long-term perspective for funding decisions. While capital projects are typically financed on a pay-as-you-go basis, the City has recently leveraged historically low interest rates to fund major stormwater projects. The model's flexibility also allows for consideration of funding certain initiatives using existing fund balances.

During the 86th Legislative Session, the State Legislature enacted SB 2, limiting property tax growth to approximately 3.5 percent per year without voter approval. For University Park, this restriction caps property tax revenue growth at roughly \$1,000,000, depending on prior-year collections. The financial model provides an extended view of budgetary pressures under this new limitation, highlighting the importance of addressing both expenditures and revenue growth. Long-term sustainability requires careful management of spending and efforts to expand non-property tax revenues.

The City's five-year financial plan shows stable revenues and expenditures, with property tax as the primary revenue driver growing at the legislatively capped 3.5% annual rate. Sales tax, the second-largest revenue source, is projected to grow at 3% annually, while investment income is expected to decline from 2024's unusually high level. Overall revenues and transfers in are forecast to rise steadily from \$42.4 million in 2025 to \$49.4 million in 2030. On the expenditure side, salaries and benefits remain the largest category and grow at about 3% annually, while capital project contributions are set to grow at 5% per year. The plan anticipates small annual operating deficits from 2027 onward, primarily driven by the faster growth of expenditures relative to revenues.

Despite projected deficits in later years, the City's unrestricted fund balance remains well above its required policy minimum throughout the period, with excess reserves declining from \$7.5 million in 2025 to \$4.8 million in 2030. This indicates strong financial resilience in the short to medium term, though the narrowing margin suggests the need for ongoing monitoring of expenditure growth and revenue trends, especially if economic conditions deviate from the relatively conservative assumptions for inflation (2.5%) and interest rates (3%).

Operative Assumptions:

- **Property tax growth at 3.5%** — This aligns with Texas’s statutory cap for most cities, though in practice appraisal growth and voter-approved increases can sometimes exceed or fall short of that.
- **Sales tax growth at 3.0%** — While reasonable as a long-term average, sales tax is more volatile than property tax and can swing sharply with economic cycles. A mild recession could easily drop growth to near zero for a year or two.
- **Inflation at 2.5%** — This is slightly higher than the Federal Reserve’s long-run 2.0% target but close to current 5-year market expectations.
- **Interest rate drop from 4% to 3% in 2026** — Expected, if the Federal Reserve eases policy in the coming year. However, interest rate movement has both upside and downside risk. If rates stay higher for longer, that would boost investment income in the short term but could also raise borrowing costs at a time the City may need that option.
- **Salary increases at 3%** — This is consistent with historical municipal wage growth, but recent labor market pressures for skilled positions (police, fire, technical staff) could push this higher in the coming years.
- **Capital project transfer growth at 5%** — This is aggressive compared to general revenue growth, and over time it may put extra strain on the operating budget unless offset by efficiency gains, new revenues or borrowing.

	CITY OF UNIVERSITY PARK, TX						
	Five Year Financial Plan						
	General Fund and Emergency Fund						
\$ in '000's	2024	2025	2026	2027	2028	2029	2030
	ACTUAL	ADOPTED BUDGET	PROPOSED BUDGET	PROJECTED	PROJECTED	PROJECTED	PROJECTED
Beginning Fund Balance	29,243	28,735	28,738	28,761	28,394	28,014	27,620
Revenues							
Real Property Taxes	24,878	27,080	28,241	29,229	30,252	31,311	32,407
Sales Tax	7,534	6,550	6,875	7,081	7,294	7,512	7,738
Franchise Fees	1,803	1,845	1,800	1,845	1,891	1,938	1,987
Permits/Licenses	1,266	1,936	2,242	2,298	2,355	2,414	2,474
Fines	421	558	510	523	536	549	563
Fees for Service	2,687	1,891	2,021	2,072	2,123	2,177	2,231
Investment Income	3,167	1,400	1,250	863	852	840	829
FOTL Support	0	0	0	0	0	0	0
Other Revenue	250	563	523	536	549	563	577
Total Revenues	42,007	41,822	43,461	44,446	45,852	47,305	48,805
Transfers from Other Funds	600	600	600	600	600	600	600
Total Revenues and Transfers In	42,607	42,422	44,061	45,046	46,452	47,905	49,405
Expenditures							
Salaries and Benefits	26,449	27,968	29,059	29,931	30,829	31,754	32,706
Supplies	914	1,032	951	975	999	1,024	1,050
Professional Fees	2,672	2,982	3,137	3,216	3,296	3,379	3,463
Utilities	514	548	554	568	582	597	612
Insurance	375	421	421	431	442	453	464
Outside Services	295	451	407	417	428	438	449
Other	4,427	4,373	4,374	4,483	4,595	4,710	4,828
Capitalized Expenditures	3,069	0	0	0	0	0	0
Total Expenditures	38,714	37,776	38,903	40,021	41,171	42,355	43,572
Capital Projects Contribution	4,401	4,643	5,135	5,392	5,661	5,944	6,242
Other Transfers	0	0	0	0	0	0	0
Total Expenditures and Transfers Out	43,115	42,418	44,038	45,413	46,833	48,299	49,814
Surplus (Deficit)	-508	4	23	-367	-380	-394	-409
Ending Fund Balance	28,735	28,738	28,761	28,394	28,014	27,620	27,211
LESS: Non-Spendable/Committed	14,154	14,154	14,154	14,154	14,154	14,154	14,154
Unrestricted Fund Balance	14,581	14,584	14,607	14,241	13,860	13,466	13,057
LESS: Required Minimum Balance Per Policy	7,186	7,070	7,340	7,569	7,805	8,050	8,302
Excess Reserves	7,395	7,515	7,268	6,672	6,055	5,416	4,755
ASSUMPTIONS:							
Property Tax Capped Growth	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Anticipated Sales Tax Growth	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Anticipated Rate of Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Anticipated Interest Rate	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Anticipated Salary Increase	3.0%	3.0%	4.0%	3.0%	3.0%	3.0%	3.0%
Capital Projects Transfer Growth	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Centennial Master Plan & the Budget

The City Council adopted a Centennial Master Plan in 2022 that serves as a big-picture document that focuses on creating a vision for key aspects of city management and city character. Following multiple rounds of discussion involving Master Plan Steering Committee members, City staff, and project consultants, the plan was adopted by the City Council in June 2022 with 75 action items organized by the following five themes:

1. **Affirming Sense of Place** – Goals organized around preserving the beauty, character, safety, and sense of cohesion in University Park.
2. **Assuring Connectivity** – Goals related to streets, parking, trails, utilities, communication, and programs that allow residents to move freely, do their business, and connect.

3. **Innovative Governance** – Goals to help the City government stay responsive and well-coordinated within the region, and to foster more ways that residents can help improve and direct their community.
4. **Technological Integration** – Goals intended to provide University Park with vetted technological advancements that can improve city efficiency and quality of life, based on best practices from cutting edge cities.
5. **Preparing for The Future** – Goals for the horizon, with the idea of beginning now to prepare for coming changes that can be readily identified, while building a culture of adaptability, resilience, and sustainability across City operations.

Following adoption of the Master Plan, the City Council met in a facilitated retreat to sort and prioritize the Master Plan Action Items. Within the operational budgets of each department are the necessary funding resources to begin the process of tackling the action items within the Centennial Master Plan. Many of the action items also contain potential capital projects that will receive consideration for inclusion in the City’s five-year Capital Improvement Program. Action items within the Centennial Master Plan that have been recently completed include the following:

- Design and identify overall project scope for stormwater improvements to prioritized flood-prone areas of University Park.
- Creation of a new resident committee to advocate for private and public art throughout the community.
- All activities related to the City’s Centennial celebration, including installation of a time capsule and historical markers in partnership with Preservation Park Cities.

Residents may track the status of all Centennial Master Plan priorities through a dashboard on the City’s website.

Budget Schedule

The annual budgeting process begins each May with the submission of operational budget requests by Department Directors. Many elements within these requests are designed to support the City Council’s strategic priorities. Over the subsequent months, Finance and Executive Department staff review and refine all line items in the operational budgets. Upon completion of this internal review, the final proposed budget is submitted to the following resident advisory committees for evaluation and recommendation to the City Council:

- Finance
- Employee Benefits
- Property, Casualty, & Liability Insurance - meets throughout year to review budgetary items

The final review process culminates in September with City Council workshops and public hearings.

I commend the Department Directors and the various staff members who prepared our operational budgets for their continued efforts to limit discretionary expenditures. The City remains committed to providing exceptional municipal services with prudence and care.

The schedule to satisfy the public hearing and notice requirements for the FY2026 budget’s adoption is as follows:

Date	Day	Description
August 5	Tuesday	Approve resolution adopting maximum tax rate
August 14	Thursday	Final Finance Advisory Committee Review

August 15	Friday	Submit proposed draft budget to the City Council and City Secretary
September 2	Tuesday	Conduct Budget Hearing
September 16	Tuesday	Conduct Tax Rate Hearing & Adopt Budget

The remaining information contained in this budget overview provides greater detail and explanation of the proposed expenditures and revenues within the FY2026 Budget. The following items are included within that information:

- Major Expenditure Analysis
- Fund Balance & Analysis
- Future Considerations

Staff looks forward to meeting with the City Council and advisory committees to discuss the budget in more detail. We will be happy to provide any additional information that will be helpful during your consideration.

Respectfully submitted,

Robbie Corder
City Manager

MAJOR EXPENDITURE ANALYSIS

Proposed expenditures across all budgeted funds for the next fiscal year total \$72,747,126, which is a 3.5 percent (\$2,435,969) increase from the previous year. The table below compares the total expenditures for the City's five budgeted funds – General, Utility, Sanitation, Aquatics and Stormwater. Five other funds – Capital Projects, Equipment Services, Technology Services, and Self Insurance are not included in the formal budget, because their revenues are generated from the four budgeted funds as transfers.

Fund	FY2024 Actual Expenditures	FY2025 Adopted Budget	FY2026 Proposed Budget	\$ Change	% Change
General	\$ 43,115,905	\$ 42,417,397	\$ 44,038,125	\$ 1,620,728	3.8%
Utility	23,308,817	22,063,294	22,787,899	724,605	3.3%
Sanitation	3,836,109	4,151,287	4,536,702	385,415	9.3%
Storm Water	386,829	576,601	298,552	(278,049)	-48.2%
Aquatics	-	778,578	785,848	7,270	n/a
Total	\$ 70,647,660	\$ 69,987,157	\$ 72,447,126	\$ 2,459,969	3.5%

Eighty-three percent of expenditures in the proposed budget attribute to the expenditure categories shown in the table below. Collectively, these account for over half of the expenditure increase in the FY2026 budget. The financial impact of these six categories is demonstrated in the following table with additional information detailed below.

Category	FY2024 Actual Expenditures	FY2025 Adopted Budget	FY2026 Proposed Budget	\$ Change	% Change
Personnel costs	\$ 31,923,673	\$ 34,163,114	\$ 35,582,296	\$ 1,419,182	4.2%
Treatment charges	11,060,887	11,799,541	12,596,009	796,468	6.7%
Capital project funding	6,779,829	8,600,612	9,530,641	930,029	10.8%
Utilities/Telephone	836,972	1,021,036	1,026,739	5,703	0.6%
Equip. Replacement	1,195,034	1,173,433	1,340,439	167,006	14.2%
Fuel costs	354,465	408,124	410,991	2,867	0.7%
Subtotal	\$ 52,150,860	\$ 57,165,860	\$ 60,487,115	\$ 3,321,255	5.8%
All Other Expenses	\$ 18,496,800	\$ 12,821,297	\$ 11,960,011	\$ (861,286)	-6.7%
Total adopted budget	\$ 70,647,660	\$ 69,987,157	\$ 72,447,126	\$ 2,459,969	3.5%
Percent of budget	74%	82%	83%		

Over the past year, the Consumer Price Index (CPI) for the Dallas-Fort Worth region has increased 0.9 percent and the Municipal Cost Index (MCI), which more closely tracks services and goods municipalities purchase, increased 2.4 percent. The MCI is a statistic developed by *American City & County* magazine designed to show the specific effects of inflation on the costs of providing municipal services. It differs from the CPI by including elements common to cities such as health care, fuel and construction materials. Inflationary concerns will be a key metric to monitor, as rising costs without financial flexibility could impact municipal services. The City's expenditure growth of 3.5 percent reflects a consistent increase in costs associated with inflation.

Personnel Costs

According to the Federal Reserve Bank of Texas, job growth remains below long-term trends, and fewer private-sector firms are reporting wage and benefit increases. A key local concern is the elevated turnover rate, currently at an annualized rate of 12 percent. Given that the City of University Park relies on skilled personnel who have opportunities to work elsewhere, it is essential to remain competitive with the wage growth and benefits offered by comparable cities¹.

The City last engaged a third-party pay and benefits consultant in 2019 to evaluate all positions against a set of comparable cities. Since then, adjustments to pay have been guided by various salary data sources. In the upcoming fiscal year, the City will undertake another comprehensive pay and compensation study to assess whether it continues to provide a competitive compensation program at the median level among these peer cities. However, the following changes have been recommended for FY2026.

Salaries:

- *Merit:* Funding has been included for all employees who are eligible for merit-based pay increases according to the City's performance evaluation criteria and schedule. Employees who meet performance standards will be eligible for pay increases within the different steps of the pay plan. The estimated cost of funding merit increases is approximately \$380,000.
- *Across the Board Market Adjustment:* Beginning January 1, 2026, all budgeted positions will receive a 3 percent market adjustment. This estimated cost of funding market adjustment for all positions is approximately \$550,000.
- *Reclassifications:* There are no proposed job reclassifications for the upcoming fiscal year.

Personnel: There are no new positions recommended for the upcoming fiscal year.

Benefits: The City also offers a comprehensive benefit package to its employees, including insurance, retirement, and longevity pay. The proposed budget for FY2026 includes the following adjustments to employee benefits:

- *Employee Dental Insurance:* No recommended plan changes or adjustment to employee premiums.
- *Employee Health Insurance:* The City has not raised employee health insurance premiums since 2020, yet medical and prescription claims continue to increase. The proposed budget includes nearly \$375,000 in additional employer contributions to the health plan; however, premium adjustments are also necessary for the City's EPO and HSA plans. Beginning January 1, 2026, the proposed employee premium changes are as follows:
 - **EPO Employee Only:** approximately \$8 per month increase
 - **EPO Employee + Family:** approximately \$84 per month increase
 - **HSA Employee Only:** approximately \$1 per month increase
 - **HSA Employee + Family:** \$43 per month increase
- *Retiree Health Insurance:* Retiree health insurance premiums will increase similar to employee premiums.
- *Retirement Funding:* Since 1996, the City has implemented Updated Service Credits (USC) and Cost-of-Living Adjustments (COLA) through the Texas Municipal Retirement System (TMRS). These updates generally occur at approximately five-year intervals, with the most recent USC and COLA changes taking

¹ The benchmark cities as established by the study include Coppell, Dallas, Farmers Branch, Frisco, Garland, Highland Park, Keller, Plano, Richardson, Southlake and The Colony.

effect January 1, 2025. In the prior fiscal year, 75% of the resulting increase was funded. The proposed FY2026 budget includes an additional \$400,000 to cover the full-year cost of these benefits.

The City also increased funding for Fire Department personnel who remain in the Firefighters Relief and Retirement Fund (FRRF) as a result of legislation passed in the 85th Legislative Session. While the plan is currently closed to all new hires, the FRRF plan will remain the primary retirement system for all current retirees and plan members hired before passage of this legislation. The City has financially guaranteed the current plan with its existing benefit structure, and capped member contributions at 10 percent of gross pay.

Based on the December 31, 2022 actuarial valuation of the plan, the annual contribution needed to ensure full actuarial funding is \$1.54 million. To ensure the required level of funding, the current budget continues the “level-dollar amortization” approach to funding contributions. The FY2026 budget recommends a slight increase in the FRRF contribution rate of approximately 1.7 percent or \$26,200 with a year-end transfer of additional fund balance to cover any shortfall, if necessary.

Water & Wastewater Treatment Charges

The Dallas County Park Cities Municipal Utility District (DCPCMUD) provides water to the City of University Park and the Town of Highland Park, while wastewater treatment services are provided by the City of Dallas Water Utilities (DWU). The amount budgeted for outside treatment can vary dramatically from the amount actually expended, depending largely on weather and watering patterns. Hotter, drier years tend to result in higher water volumes. In turn, higher volumes may drive an increase in the subsequent year wastewater treatment costs, due to winter averaging.

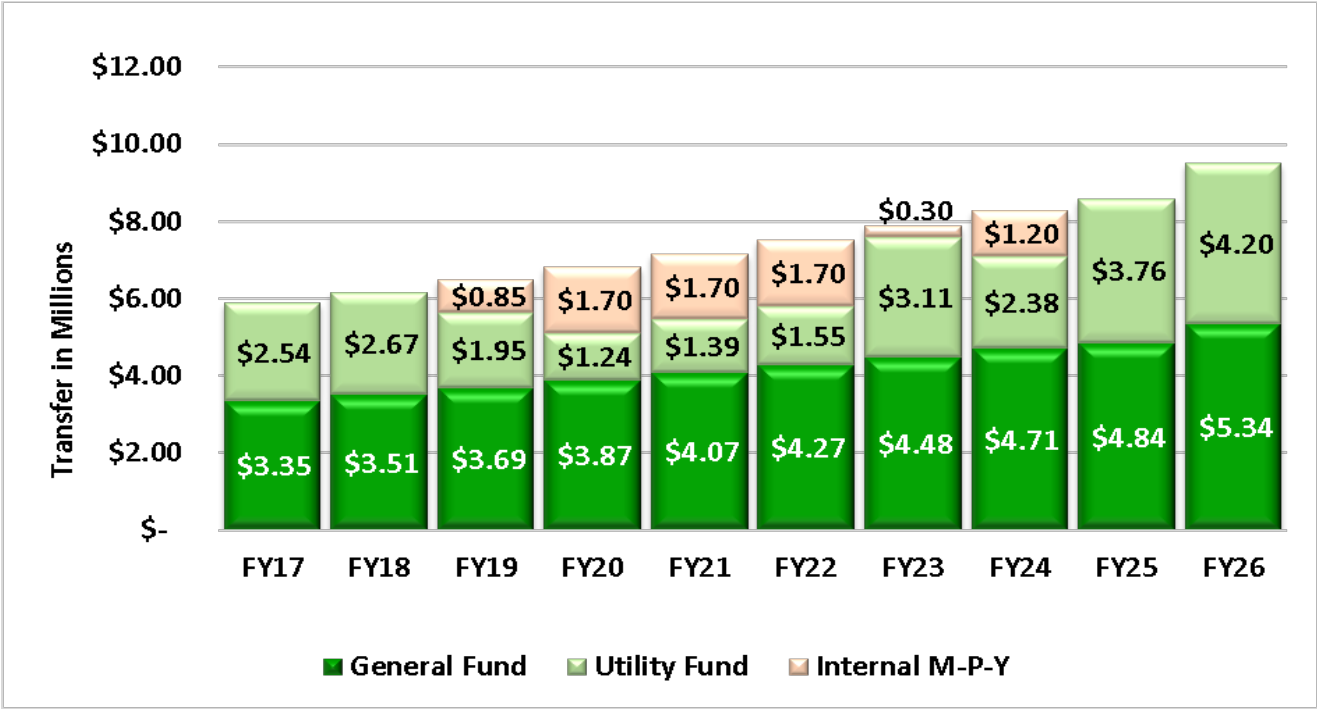
For FY2026, the costs of water and wastewater treatment are projected to rise. Potable water provided by DCPCMUD will increase by 6.2 percent overall, with the rate increasing from \$3.94 to \$4.13 per 1,000 gallons. Wastewater treatment fees charged by DWU are also increasing by 7.8 percent overall. The rate per 1,000 gallons of treated water is increasing from \$3.26 to \$3.38, with an additional 3.6 percent adjustment due to unaccounted-for system-wide water volume as well as metered winter average usage. These changes reflect higher operational costs and the need to sustain essential water and wastewater services for the community. Combined, these adjustments result in a gross cost increase of just over \$797,000. To address these added expenses, the FY2026 budget proposes a 4 percent increase to both water and sewer rates.

Capital Expenditures

The Capital Projects Review Committee is responsible for reviewing proposed projects and recommending an annual capital budget and five-year Capital Improvement Program (CIP) to the City Council. Each year, staff and the Capital Projects Review Committee review the status of ongoing projects, and prioritize future projects on a funding schedule. The City Council approves the capital budget in October of each year through separate action to this budget. Recommended changes to the capital budget must be reviewed by the Capital Projects Review Committee before authorization by the City Council.

The proposed budget continues the City’s practice of funding capital projects for Engineering, Public Works, Public Safety, and Parks on a pay-as-you-go basis. A separate Capital Projects Fund, supported by annual transfers from the General Fund and Utility Fund, was established to manage these assets. Since the adoption of the FY2015 budget, the General Fund and Utility Fund transfer to the Capital Projects Fund has increased by

five percent annually. However, these annual increases have not fully kept pace with rising construction costs. Consequently, the FY2026 budget proposes a total transfer of \$9,530,641, representing a 10 percent increase over the prior year.



To capitalize on historically low interest rates, the City issued \$15 million in Certificates of Obligation (CO) to fund various stormwater improvements. While the CO is backed by the City’s full faith and credit, debt service is supported by the Stormwater Fund. Revenues from the Stormwater Fund are collected through monthly utility bills, with a separate line item for stormwater costs. Debt service payments are fully covered by revenues generated from stormwater fees, including the final scheduled increase. Additionally, the Capital Projects Review Committee has recommended a 50 percent increase in all stormwater fees to prepare for future stormwater projects. The FY2026 budget incorporates these recommended fee increases, resulting in a total revenue increase of \$941,300.

The Capital Projects Fund receives a combination of transfers and project-specific reimbursements to support planned capital projects. While many projects are scheduled to start in the current year, their completion may span more than a single fiscal year, in some cases multiple years.

Significant capital spending in the near term, funded through both transfers and reimbursements, is expected to reduce available cash reserves, depending on the timing of project completion. This reduction in cash position may also slightly reduce interest earnings until balances recover.

In later years, as a number of current large-scale projects conclude, annual expenditures are expected to decrease, while recurring revenues should remain relatively stable. New capital projects will be identified in the coming years, which may moderate the pace of rebuilding reserves. Overall, our projections suggest the fund will grow over the long term, assuming no major unplanned initiatives are added.

Equipment Replacement, Fuel & Electricity

The City maintains a sinking fund for the scheduled replacement of vehicles and large machinery. Departments make annual contributions based on the depreciation schedules of items in their fleets. When an item is due for replacement, the department's accumulated contributions are used to fund the purchase. For FY2026, contributions to the Equipment Services Fund are projected to total \$1,060,000, a decrease of \$111,000 from \$1,171,000 in FY2025.

The proposed budget maintains the City's vehicle replacement funding policy, targeting a fund balance of 20–25% of the fleet's current replacement value. Beginning in FY2025, the depreciation charge was set to 100% of the annual amount, compared to the 105% rate used in prior years, reflecting a temporary adjustment to align contributions with current replacement needs. Funding support also includes continuing depreciation charges for up to two years after an item's useful life if not yet replaced, ensuring adequate resources are available when replacements are required.

Vehicles and equipment anticipated to be replaced in FY2026 are as follows:

Unit #	Dep	Year	Make	Model	Life Cycle	Estimated Replacement Cost
7081	19	2010	FORD	FOCUS	15	\$32,000
7027	20	2009	CHEVROLET	COLORADO	15	\$32,000
7125	22	2010	FORD	F550	15	\$150,000
1594	50	2021	CHEVROLET	TAHOE	5	\$65,000
1574	50	2016	CHEVROLET	TAHOE	10	\$65,000
1596	50	2021	CHEVROLET	TAHOE	5	\$65,000
10176	60	2015	FREIGHTLINER	M2100	10	\$190,000
10054	70	2012	FORD	F550	12	\$75,000
						\$674,000

The City's fuel costs are expected to remain steady in FY2026, with only a slight year-over-year increase despite lower projected fuel usage. Updated U.S. Energy Information Administration (EIA) forecasts place wholesale prices at \$3.10 per gallon for regular gasoline and \$3.60 per gallon for diesel, and the FY2026 budget assumes 100% of these estimates. While updated statistics show reduced annual consumption across the fleet, the higher per-gallon cost results in a modest increase in budgeted fuel expenditures—from \$408,124 in FY2025 to \$410,990 in FY2026.

In accordance with the previously mentioned guidelines and priorities set forth in the Centennial Master Plan, the City purchased its first electric vehicle (EV) for the Parks department in fiscal 2025, and is evaluating the suitability of electric vehicles as additions to the fleet, replacing existing ICE (internal combustion engine) vehicles.

The proposed budget anticipates a modest increase in utility costs for City facilities in FY2026. Electricity, the largest component of this category, is purchased through the Texas Coalition for Affordable Power (TCAP), a "pool" of cities that combines their power needs to negotiate more favorable rates. Other utility services include natural gas, water, and certain phone services. While energy prices are projected to rise, overall consumption is

expected to remain steady, resulting in a slight increase in total utility expenditures—from \$1,021,036 in FY2025 to \$1,026,769 in FY2026.

Aquatics

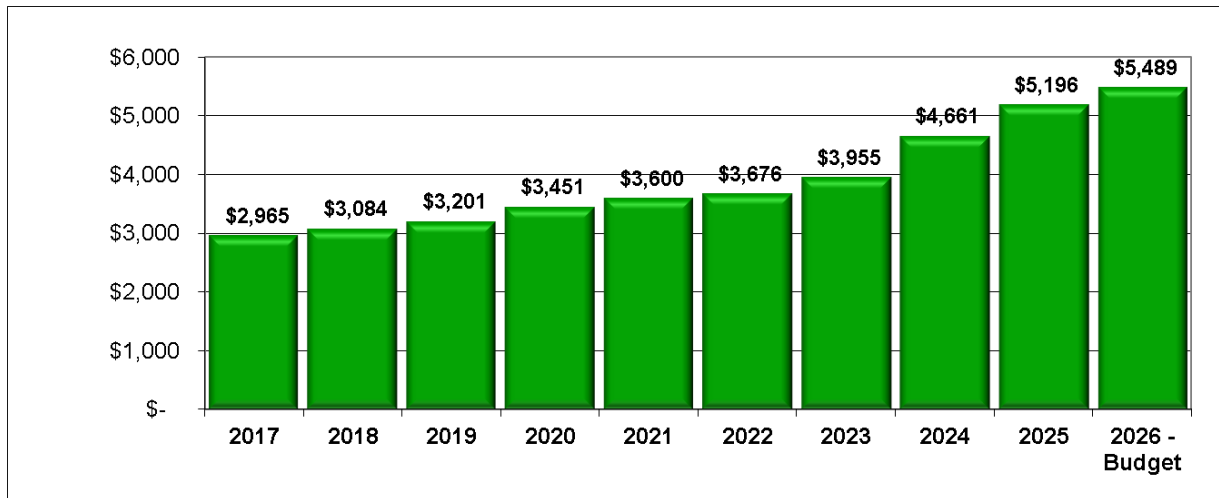
During the FY2025, the Aquatics Fund was created to alleviate the property tax burden of increasing costs at the Holmes Aquatic Center. The Holmes Aquatic Center continues to be a major community attraction, with 25,000 admissions each year. The Aquatics Fund received a \$1 million transfer of operating capital in FY2025 with the goal of it becoming self-sustaining in the future. While this goal may be difficult to fully achieve, an increased emphasis on cost recovery for the Holmes Aquatic Center will help alleviate future General Fund transfers. Staff will continue to thoroughly review both expenditures and revenues to determine how the pool can sustain a healthy fund balance.

FUND ANALYSIS

General Fund

Fund balance within the General Fund follows a predictable cash flow with receipts from property taxes coming in at the beginning of each calendar year. As the primary revenue source for the General Fund, the FY2026 budget anticipates revenues from current year property tax totaling \$28,082,422. Additional details of major revenue sources for the General Fund are provided below.

Property Tax: The FY2026 budget proposes a property tax rate of 21.8565 cents per \$100 of assessed value, representing a decrease of 1.14 cents from the prior year's rate. When combined with a 9.71 percent increase in the City's taxable property value, property tax revenue is projected to grow by 3.96 percent, or \$1,150,935. For the average single-family home, which appreciated by 11.16 percent during this period, and assuming a 20 percent homestead exemption, the estimated City property tax bill for FY2026 would be \$5,489—an increase of \$294 compared to the previous year. It is important to note, however, that individual taxpayers are subject to a 10 percent cap on annual taxable value growth, which limits their actual increase. The following table provides historical context on property taxes for the average single-family property, exclusive of the 10 percent cap.



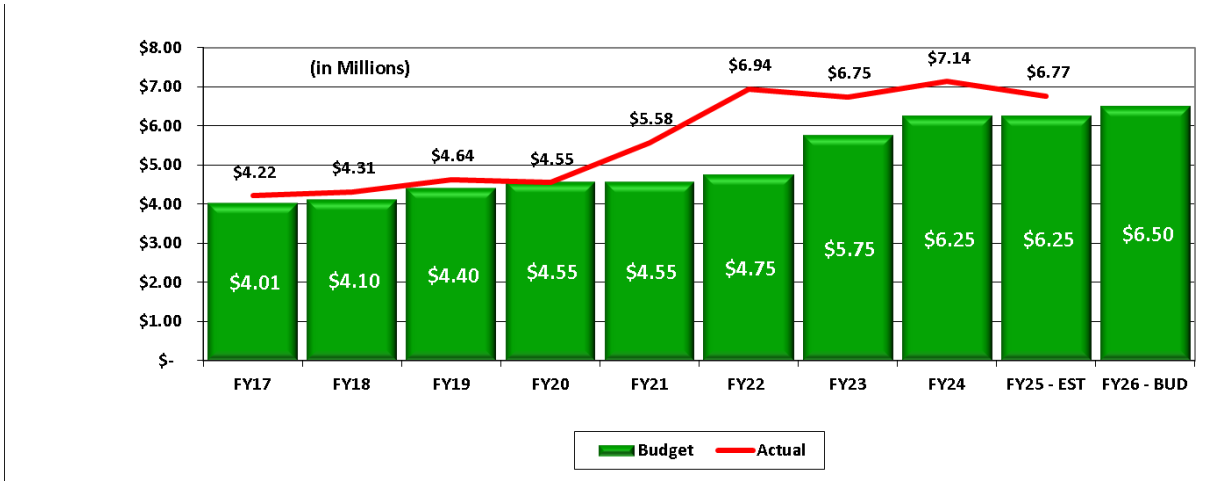
Truth in Taxation: The Texas Tax Code requires the calculation of a No New Revenue Rate (NNRR), which represents a calculated tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years. The City's tax collector, the Dallas County Tax Office (DCTO), performs the NNRR calculation. The NNRR is significant, because it determines the notice and hearing requirements a City must meet to comply with the Texas Truth in Taxation laws.

For FY2026, the maximum proposed tax rate of 21.8565 cents per hundred is higher than the NNRR of 20.6677 cents; therefore, the City is required to conduct one public hearing before adopting the FY2026 tax rate.

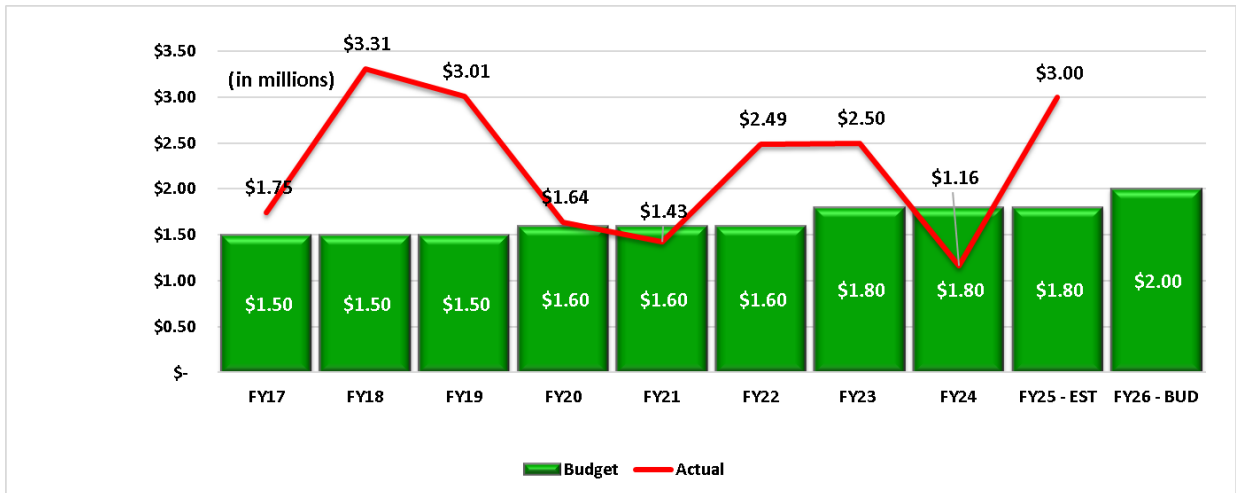
General Fund revenues from sources other than current-year property taxes (and related accounts) represent 36 percent, or \$15,820,100, of the General Fund’s total revenues. These revenues come from a variety of sources, and a brief overview is provided in the charts and graphs below.

Sales Tax: While revenue collected from City sales taxes has steadily risen for the last several years (and somewhat dramatically during COVID), sales tax collections appear to be leveling off. Therefore, the proposed FY2026 budget includes a modest \$250,000 increase in sales tax revenue intended to close the “budget-to-actual” gap.

Given the limitations on property tax growth, it is important that the City continue to invest in infrastructure projects that help improve vitality within the traditional retail shopping centers of University Park. Investment in the public spaces of these shopping centers may include expanded parking, improved pedestrian mobility, and enhanced landscaping. Improvements to Snider Plaza and the Miracle Mile (Lovers Lane from Douglas to the Tollway) highlight this approach to investing in retail centers.



Building Permits: A number of factors can cause revenue from building permits to fluctuate from year-to-year. Generally, the City receives a large percentage of its permit revenue from residential construction. Building permits for new single-family home construction continue to trend downward, with year-over-year declines in the number of permits issued for new homes. However, permits for residential remodels/additions and commercial construction have helped to maintain strong building permit revenues. The FY2026 budget recommends increasing projected revenues of building permits by \$200,000, primarily derived from proposed fee increases identified while benchmarking fees to other cities.



Franchise Fees: Cities collect fees for the use of municipal right-of-way from utility companies such as Atmos, AT&T, and Charter Communications. These fees are established through franchise agreements either at the local or state level. The FY2026 budget includes a revenue projection of \$1.8 million for all franchise fees, a \$45,000 decrease from the previous year. Changes made to State laws regarding telecom franchise fees continue to pull revenue down, with franchise fees from AT&T trending down the last few years.

There are a number of factors that help explain the relative stagnation of franchise revenue. While utility-based revenues remain mostly consistent, as the market presents alternatives to traditional services for entertainment, communication and data consumption, revenues from the traditional providers may vary. In prior years, the electrical consumption marketplace has seen a variety of cost-saving applications, which has resulted in cost-savings to the consumer. Unfortunately for consumers, energy prices continue to rise, resulting in higher collections for gas and electric franchise fees.

Utility Fund

The Utility Fund is responsible for providing the resources necessary to deliver clean drinking water and the collection/treatment/disposal of wastewater. The Utility Fund accomplishes this with long-standing partnerships involving three entities: the Dallas County Park Cities Municipal Utility District (DCPCMUD), the City of Dallas Water Utilities (DWU), and the City of University Park. While revenues and expenditures are heavily volume dependent and may change dramatically from one year to the next, the final retail rates of water and sewer services is a function of the operational costs of all three entities. The FY2026 budget recommends a four percent increase to water rates, and a four percent increase for sewer. To better understand the proposed cost increases facing the Utility Fund, a brief summary of issues facing each entity is provided.

Dallas County Park Cities MUD - The Town of Highland Park and City of University Park receive potable water from DCPCMUD. Water from Lake Grapevine is treated at the DCPCMUD water plant located just west of Love Field, with potable water entering the City’s water distribution system through the Germany Park Booster Station. The DCPCMUD continues to experience higher operational costs due to increasing chemical/material costs, water testing, and labor/wages. In addition, the Board has established new fund reserve guidelines. The overall wholesale rates charged to the City of University Park for potable water will increase 5.1 percent in FY2026. Combined with anticipated usage, overall costs are expected to increase \$482,000.

Dallas Water Utilities – The City of Dallas provides wastewater treatment services for several customer cities, including University Park and Highland Park. Wastewater from University Park flows south into a shared trunk sanitary sewer main along Lakeside Avenue in Highland Park, before being collected by the City of Dallas south of Wycliff Avenue. To determine rates that reflect operational costs, Dallas Water Utilities conducts a cost-of-service study that considers factors such as wastewater volume, infiltration and inflow, delivery flow characteristics, and strength of flow by customer group. Based on this study, Dallas will charge \$3.38 per 1,000 gallons and apply a 3.6 percent adjustment to account for unmeasured infiltration and inflow into its system. Together, these changes are projected to increase University Park’s wastewater treatment costs by 7.8 percent, or \$315,000.

Sanitation Fund

The City established the Sanitation Fund in 1994 to separate solid waste collection costs from the General Fund. Excluding reserve contingencies, the Sanitation Fund has historically struggled to maintain positive cash flow. Currently, landfill services are provided through an agreement with the City of Garland, which gives University Park a credit against market-rate tipping fees. This credit will expire in 2027, leading to a substantial increase in landfill costs.

To help offset this future impact, the Sanitation Division’s operating budget includes a \$110,000 contingency line item to support the fund balance and prepare for the transition to market-based fees. In the meantime, annual operational costs continue to rise, with FY2026 expenditures projected to grow by \$365,415 (8.9 percent). To address these increases, the proposed budget recommends a 9 percent adjustment to all sanitation rates.

Consistent with the Long-Term Financial Planning Subcommittee’s recommendation, the FY2026 budget also includes a transfer from the Sanitation Fund to the Utility Fund, functioning similarly to a franchise fee for the use of city streets and alleys. The transfer is budgeted at \$50,000 for FY2026, with a long-term goal of phasing in up to \$150,000.

Stormwater Fund

The Stormwater Fund is supported by fees collected through a line item on monthly utility bills, which are based on each property’s zoning district. Revenue from this fund is dedicated to stormwater-related projects and operations—such as street sweeping, pond dredging, and debt service. While the City has historically contracted street sweeping services, it recently purchased its own sweeper to be operated by City staff.

The City’s Stormwater Master Plan identified significant capacity deficiencies, particularly along Turtle Creek Boulevard north of Lovers Lane, with needed improvements estimated at more than \$75 million. Recent work along Hillcrest Avenue and Southwestern Boulevard expanded storm drainage capacity and connected the system to the new 3.5-million-gallon Caruth Park underground detention basin. In spring 2025, staff presented preliminary construction designs, cost estimates, and a suggested phasing plan for improvements to the Turtle Creek drainage corridor between Caruth Boulevard and Northwest Highway. The recommended three-phase project, totaling more than \$25 million, will require additional debt financing.

Future storm sewer improvements will continue to be reviewed and funded through the Capital Projects Fund. To support these efforts, the City previously issued \$15 million in certificates of obligation for the first three phases of work. The FY2026 budget includes the final round of five planned fee increases to cover associated debt service. In addition, based on a recommendation from the Capital Projects Review Committee, the FY2026 budget proposes a further 50 percent increase in stormwater fees to address improvements along Turtle Creek Boulevard. If approved, this adjustment will raise the average customer's stormwater fee by \$10.50 per month.

FUTURE CONSIDERATIONS

The proposed FY2026 budget provides the funding needed to continue the outstanding services that enhance the public health, safety and welfare of University Park residents. However, several of the items discussed in this memo will span beyond the limitations of a fiscal year, and future consideration must be given beyond the FY2026 budget. The following items represent a quick overview of these issues:

- *Community Discussion on a Voter-Approval Budget:* With the current 3.5 percent cap on property tax revenue and stagnant non-property tax revenues, each budget cycle presents greater challenges in meeting operational needs and funding capital investments. For example, under the proposed FY2026 General Fund budget, the additional property tax revenue generated by a 3.5 percent increase (\$1.15 million) is almost completely offset by routine salary and benefit adjustments (\$1 million). As a result, minimal funding remains to address rising construction costs, add requested staff, or implement compensation adjustments necessary to remain competitive as an employer. In light of these pressures, a public outreach and informational campaign will be necessary to evaluate the feasibility of pursuing a voter approval election in FY2027.
- *Second Century:* The Second Century review process is intended to equip policymakers and community members with comprehensive financial data to support strategic budget decisions. Preliminary findings from this analysis have informed the development of the FY2026 budget; however, additional work remains. Staff will present the final Second Century recommendations later this fall to guide continued budget discussions with the City Council and advisory committees.
- *Stormwater:* The City has prepared construction plans to address neighborhoods vulnerable to flash flooding. Significant progress has already been made with major upgrades to the drainage collection and detention systems around Caruth Park, which have successfully reduced flooding in targeted areas of the northeast section of the city. However, extensive work is still required along the Turtle Creek corridor, from Northwest Highway to Lovers Lane, before additional areas can benefit from underground stormwater detention. The estimated cost of these improvements is \$75 million, which will necessitate new debt financing. While the Caruth Park project was funded through revenue-backed Certificates of Obligation (COs), the City Council may wish to evaluate whether future improvements should instead be financed through voter-approved debt.
- *Public Safety* – The Centennial Master Plan outlines several public safety priorities, ranging from compensation goals to improved training facilities. While the City has begun implementing a number of these initiatives, the most significant financial challenge for Public Safety remains compensation and staffing. Market pressures for Police and Fire positions continue to exceed wage growth for other City roles. Additionally, staff has identified new positions that would improve scheduling flexibility and expand services to the community. Moving forward, collaboration with the City Council, the Public Safety Advisory Committee, and residents will be essential to determine how best to address public safety needs within the City's limited fiscal capacity.
- *Aquatics Fund* – The FY2025 Budget established the Aquatics Fund to reduce the financial burden on the General Fund from the rising costs of operating the Holmes Aquatic Center. This new approach seeks to operate the facility as self-sustaining as possible; however, maintaining or enhancing current service levels may still require ongoing support from the General Fund. The creation of the Aquatics Fund allows

staff, the Parks Advisory Committee, and the City Council to evaluate the pool's revenues and expenditures on a standalone basis. Following the conclusion of the 2025 swim season, improvements will be made to the pool's pumping and filtration systems. While pool amenities have not been updated in several years, enhancing the patron experience could generate additional revenue to support the new fund.