

March 23rd, 2026

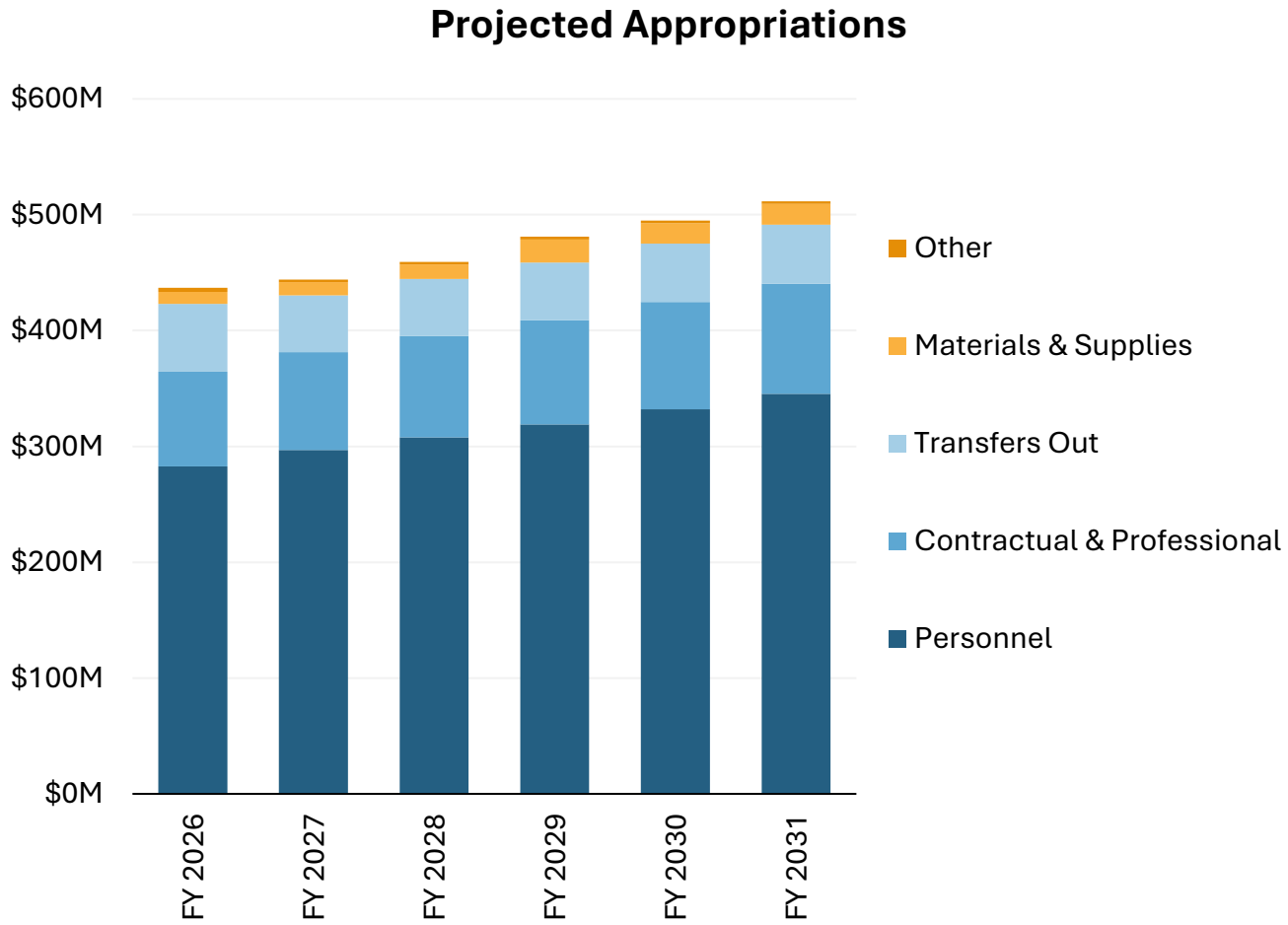
CITY OF PLANO CITY COUNCIL
LONG-TERM FINANCIAL FORECAST UPDATE

NewGen Strategies & Solutions

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GENERAL FUND EXPENDITURE

- Expenditures are projected to grow at an average of **3.2%** per year, based on current assumptions
- The model uses FY 2025-26 budget as a starting point
- Adds additional General Fund expenditures expected but not yet included in the budget (including Fire shift impacts)



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SUMMARY OF ADDITIONAL EXPENDITURES EXPECTED

- In addition to increases in the FY 2025-26 budget baseline, new operating expenses of $26.6 million per year are expected by FY 2030-31

Expected Costs	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Fire Shift Changes	$ 3,224,563	$ 6,974,377	$ 10,549,771	$ 15,708,894	$ 20,661,100
Fire Station #14			7,023,635	4,573,457	4,573,457
Park, Trail & Land Acquisition	552,652	825,221	545,138	545,138	545,138
Bond Projects Support	128,751	257,502	257,502	257,502	257,502
Police HQ & Training Replacement		148,791	248,907	248,907	248,907
Fleet Building Replacement		144,475	191,100	191,100	191,100
Fire Station #8		165,000	43,468	52,956	52,956
Oak Point Park Maintenance Facility	40,345	40,345	40,345	40,345	40,345
Total New Annual Costs	**$ 3,946,311**	**$ 8,555,711**	**$ 18,899,866**	**$ 21,618,299**	**$ 26,570,505**

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EXPENDITURE ASSUMPTIONS

Inflation factors from FY 2026-27 onward

Inflation factors applied as part of 5-year projections:

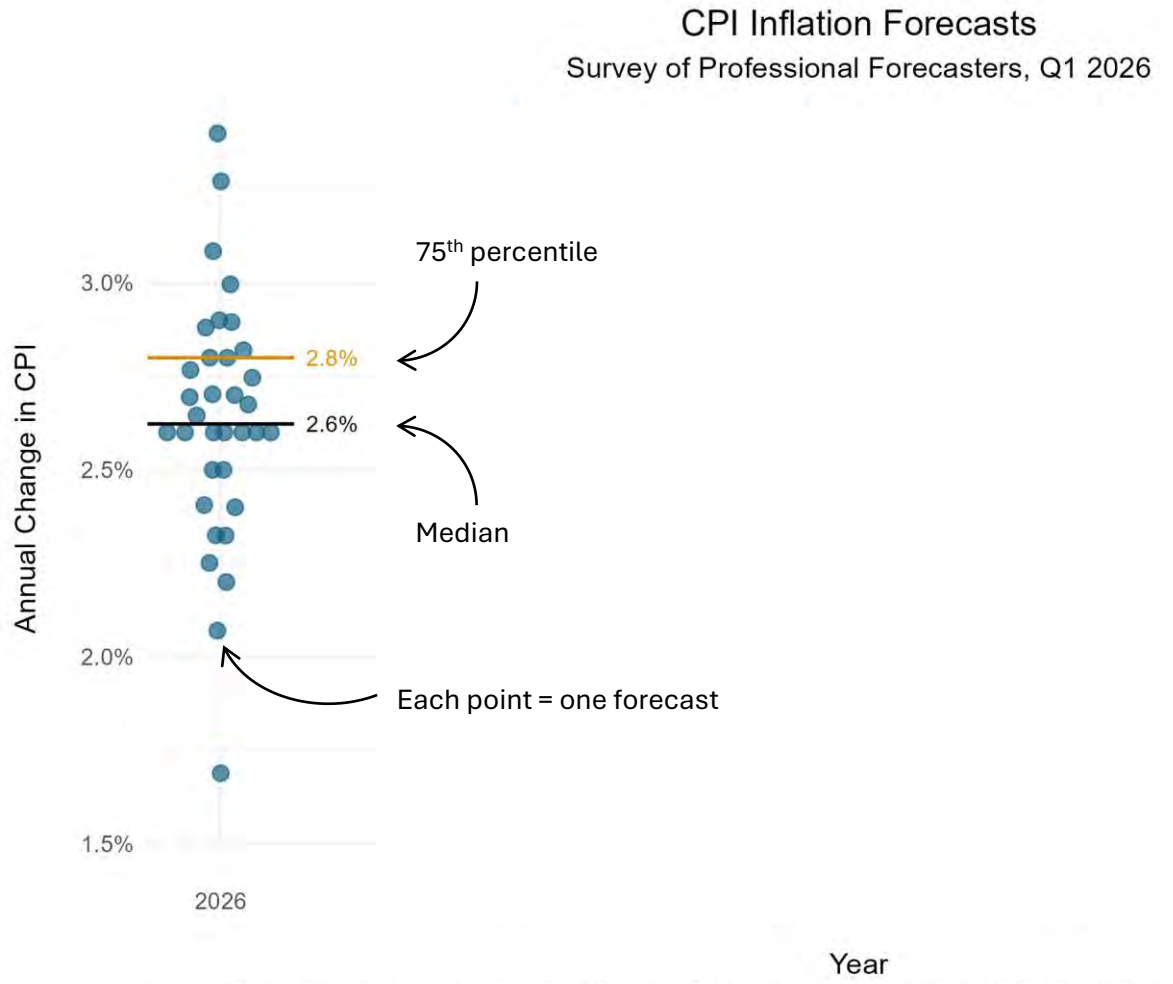
- Salaries, excluding Fire Shift Personnel (3.0% per year)
- Health-related benefits (5.0%)
- Other benefits (3.0%)
- General inflation (2.4% – 2.6%)
- Water (4.3% – 8.0%)
- Fuel (0.7% – 1.7%)
- Electricity (1.2% – 3.0%)
- Gas (1.6% – 6.9%)
- Chemicals (1.4%)
- Other rates specific to individual budget lines

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EXPENDITURE ASSUMPTIONS

General Inflation Assumptions

- General inflation informed by *Survey of Professional Forecasters*



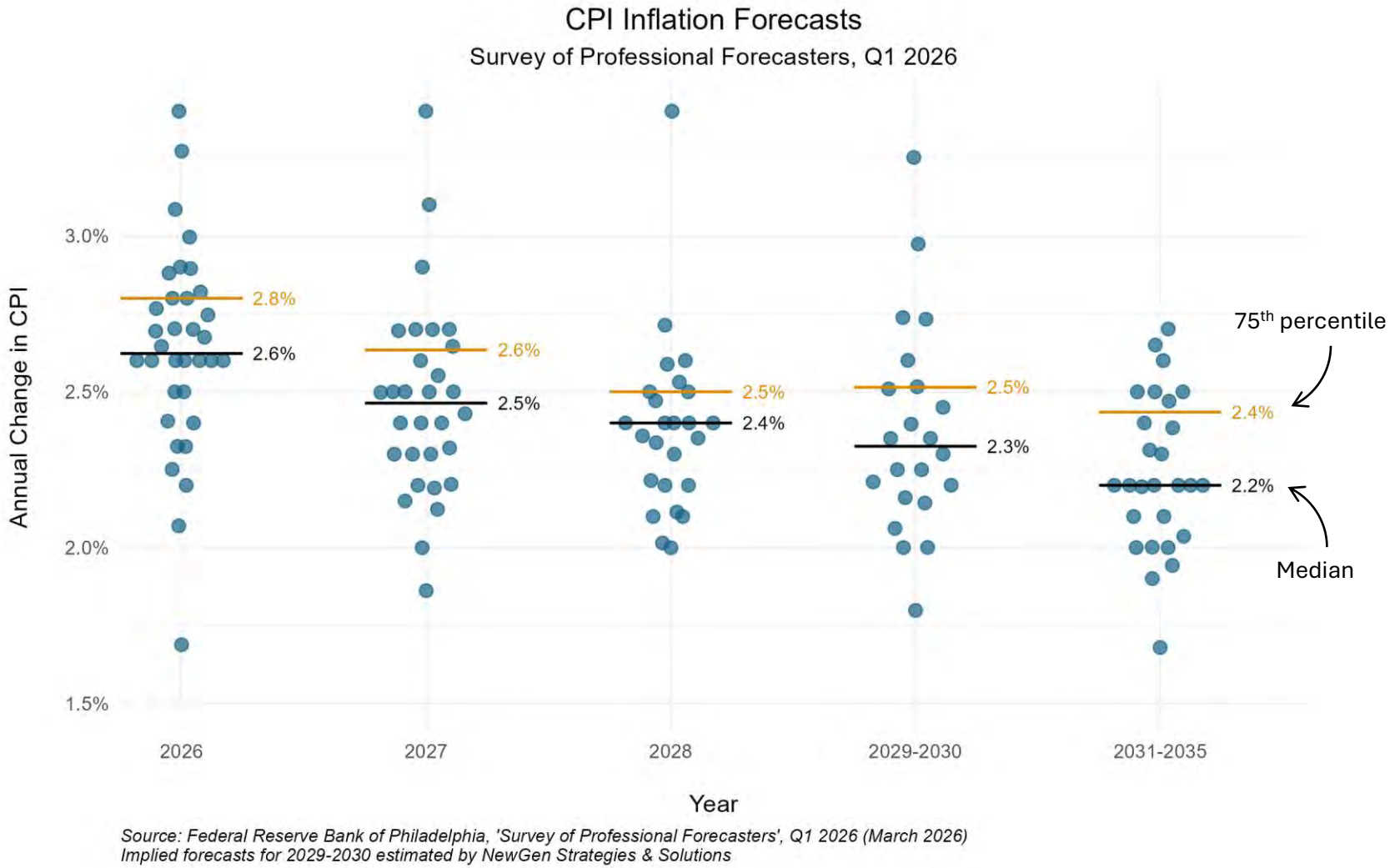
Source: Federal Reserve Bank of Philadelphia, 'Survey of Professional Forecasters', Q1 2026 (March 2026)
Implied forecasts for 2029-2030 estimated by NewGen Strategies & Solutions

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EXPENDITURE ASSUMPTIONS

General Inflation Assumptions

- Propose using 75th percentile of forecasts as a conservative estimate



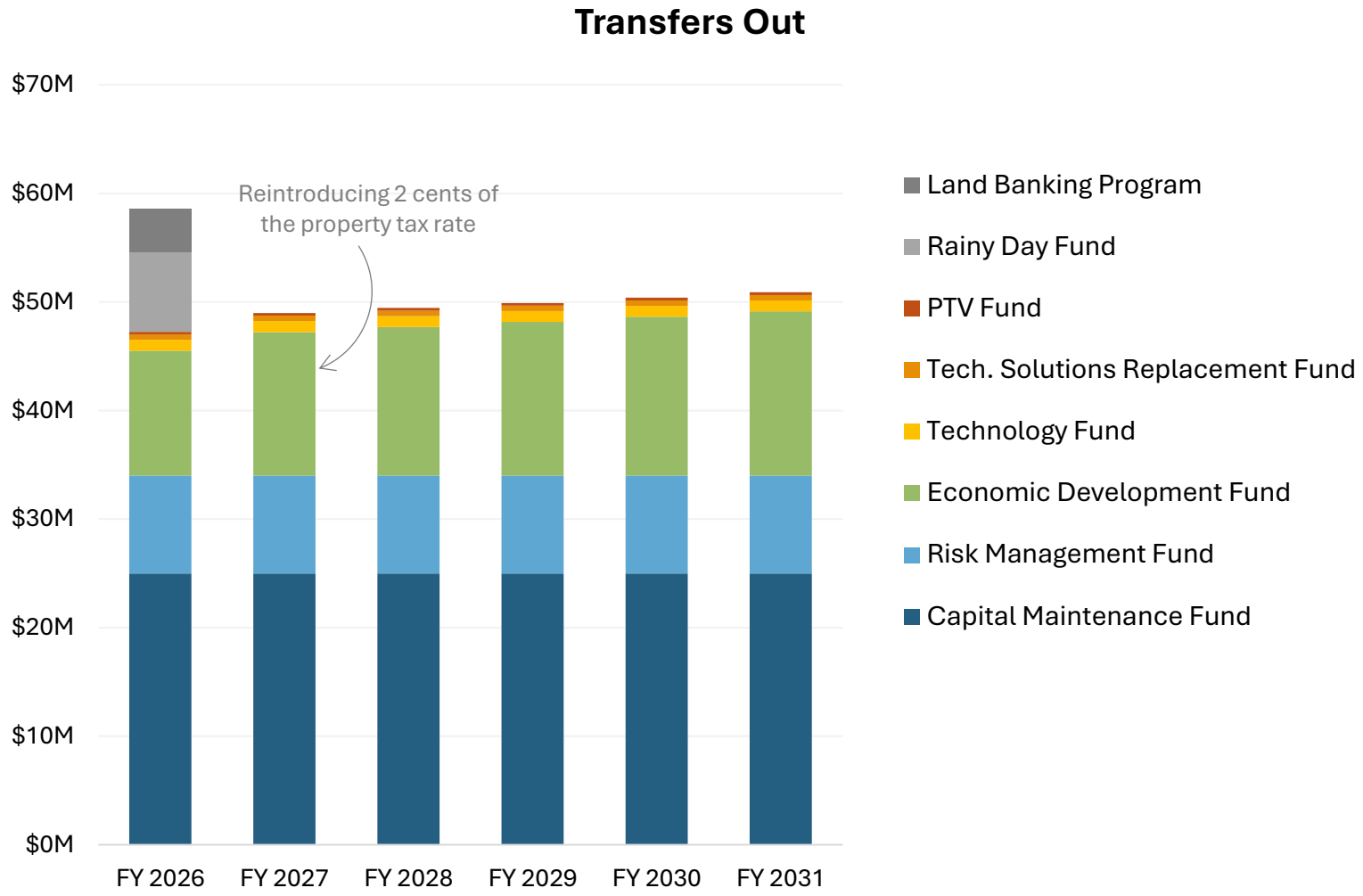
Source: Federal Reserve Bank of Philadelphia, 'Survey of Professional Forecasters', Q1 2026 (March 2026)
Implied forecasts for 2029-2030 estimated by NewGen Strategies & Solutions

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EXPENDITURE ASSUMPTIONS

Transfers Out

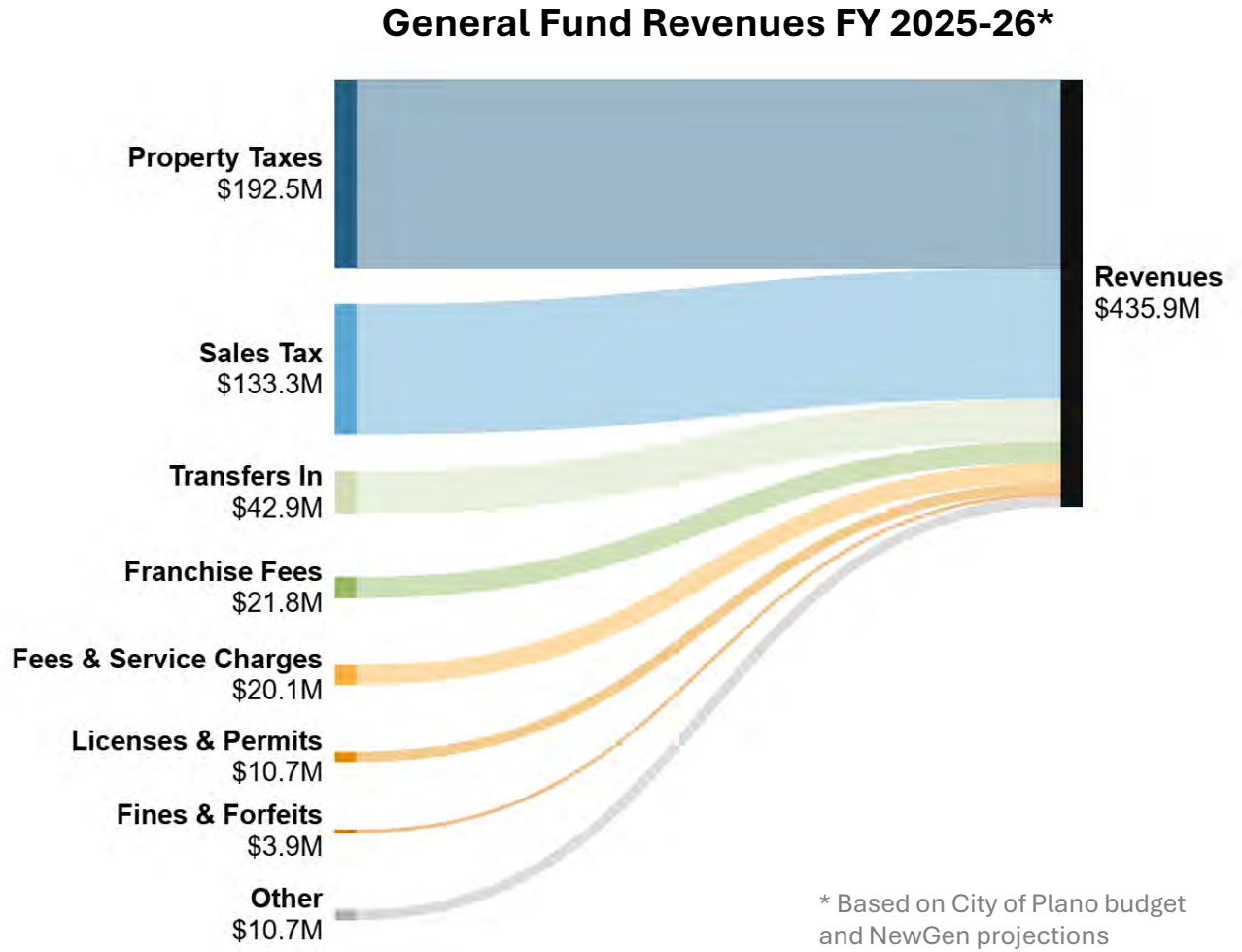
- Total appropriations also include projected transfers out of the General Fund



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GENERAL FUND REVENUES

- Property tax and sales tax together comprise 75% of Plano's budgeted revenue
- Projections depend heavily on property tax assumptions, including changes in the tax base and future rates

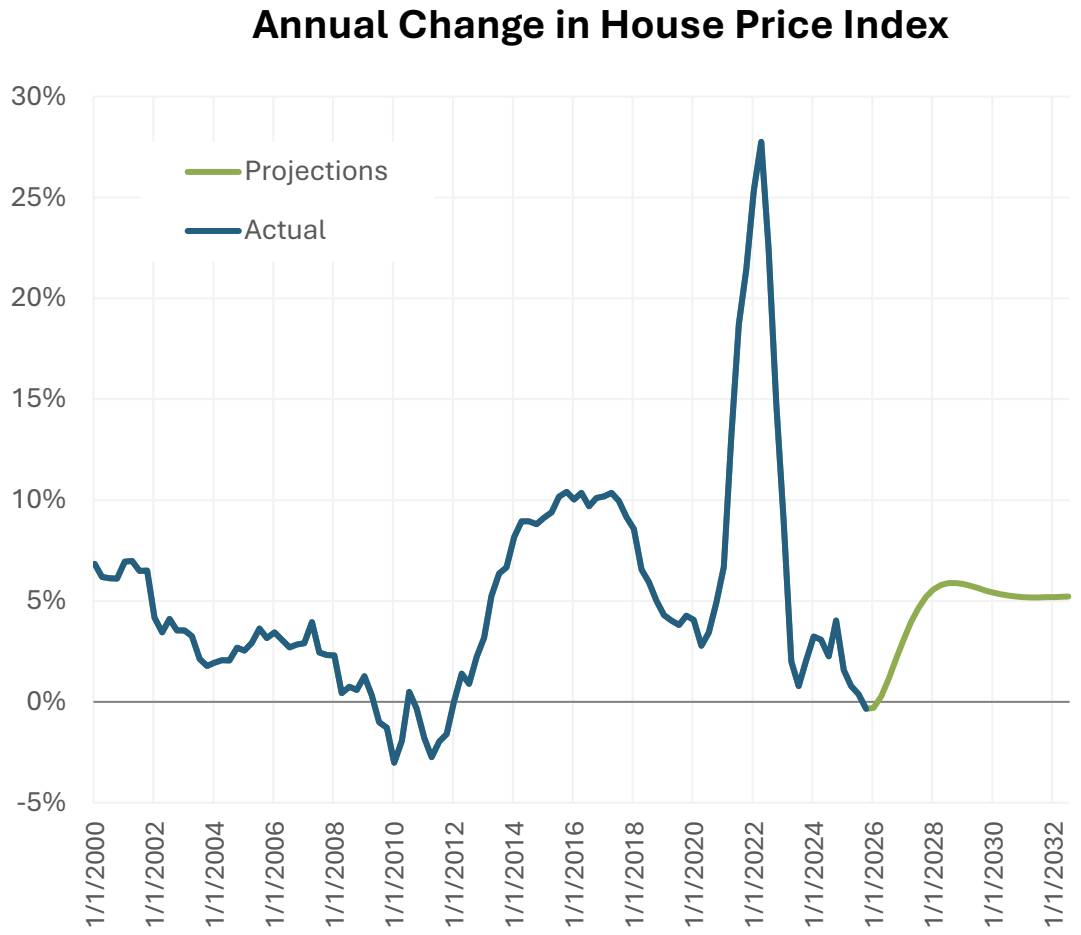


* Based on City of Plano budget and NewGen projections

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PROPERTY TAX ASSUMPTIONS – HOUSE PRICES

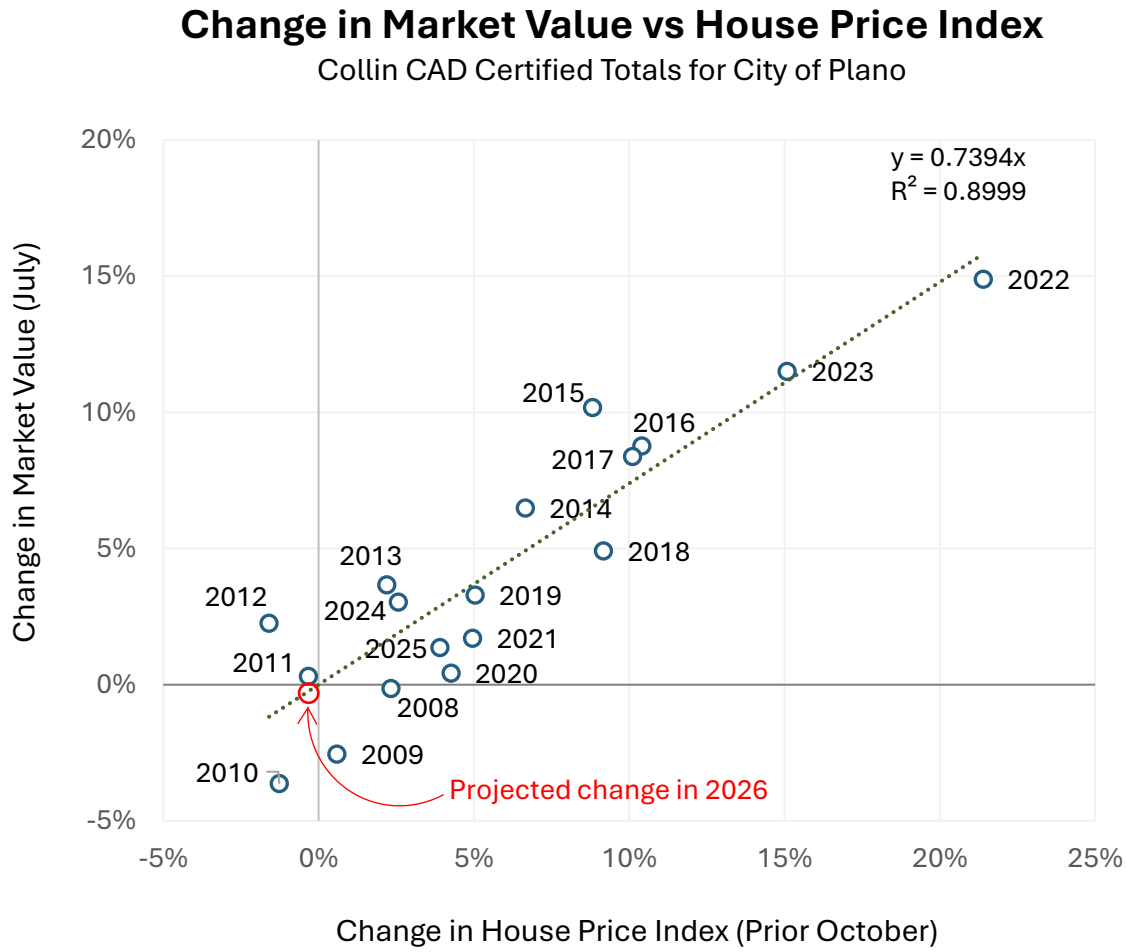
- House price growth turned slightly negative in Oct 2025, based on the Dallas-Plano-Irving house price index
- The financial model uses projected house price growth, and the assumption that it will return to its long-run average over time (around 5% per year)



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PROPERTY TAX ASSUMPTIONS – MARKET VALUE

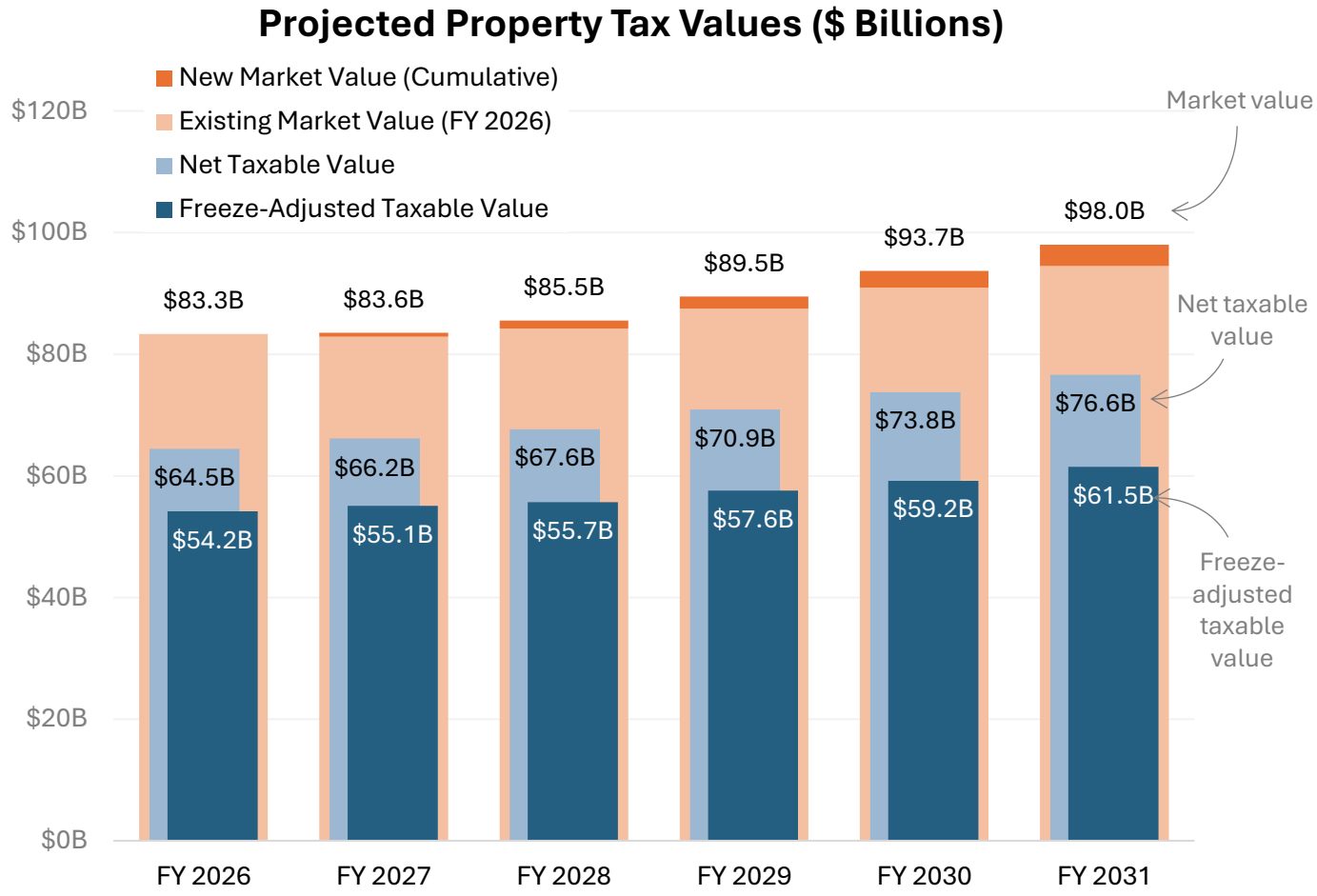
- Historically, there is a high correlation between changes in the house price index and subsequent changes in Plano's existing market values
- Every 1% increase in house prices → ~0.75% increase in market value
- Based on this relationship, the projected change in market value in July 2026 would be close to zero



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ANTICIPATED PROPERTY TAX VALUES BY YEAR

- Overall, total market value is projected to grow at an annual average rate of **3.3%** over the next five years
- Includes new market values expected at $650M per year
- Net taxable values are currently around 77% of assessed market values
- Freeze-adjusted taxable values are currently 65% of market value

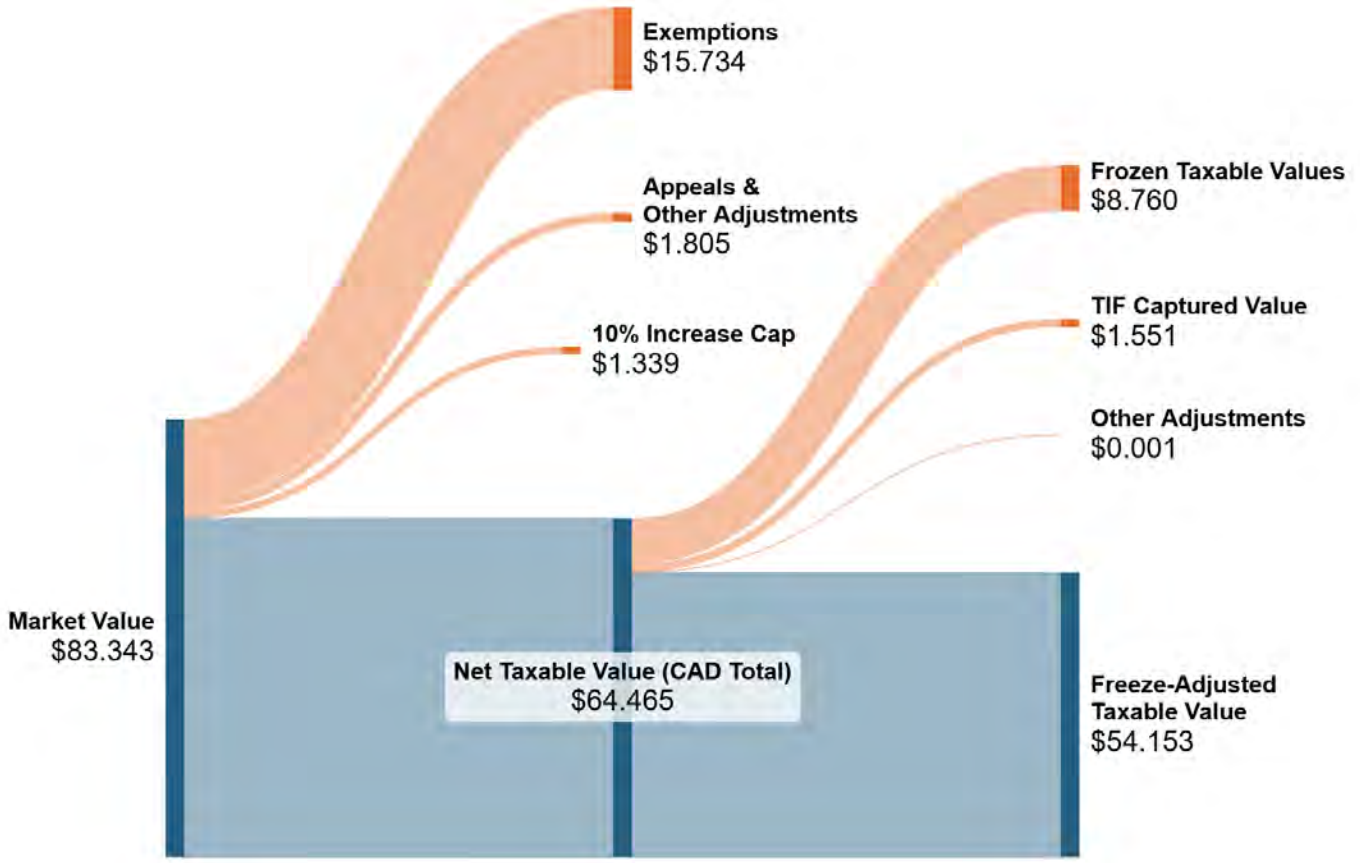


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PROPERTY TAX ASSUMPTIONS – OTHER VARIABLES

- Market values are subject to exemptions and other adjustments:
- **Exemptions** and **Appeals** are projected based on recent trends
- **10% Increase Cap** reductions are modeled based on projected house price increases
- **Frozen Taxable Values** are based on recent trends and expected demographic changes

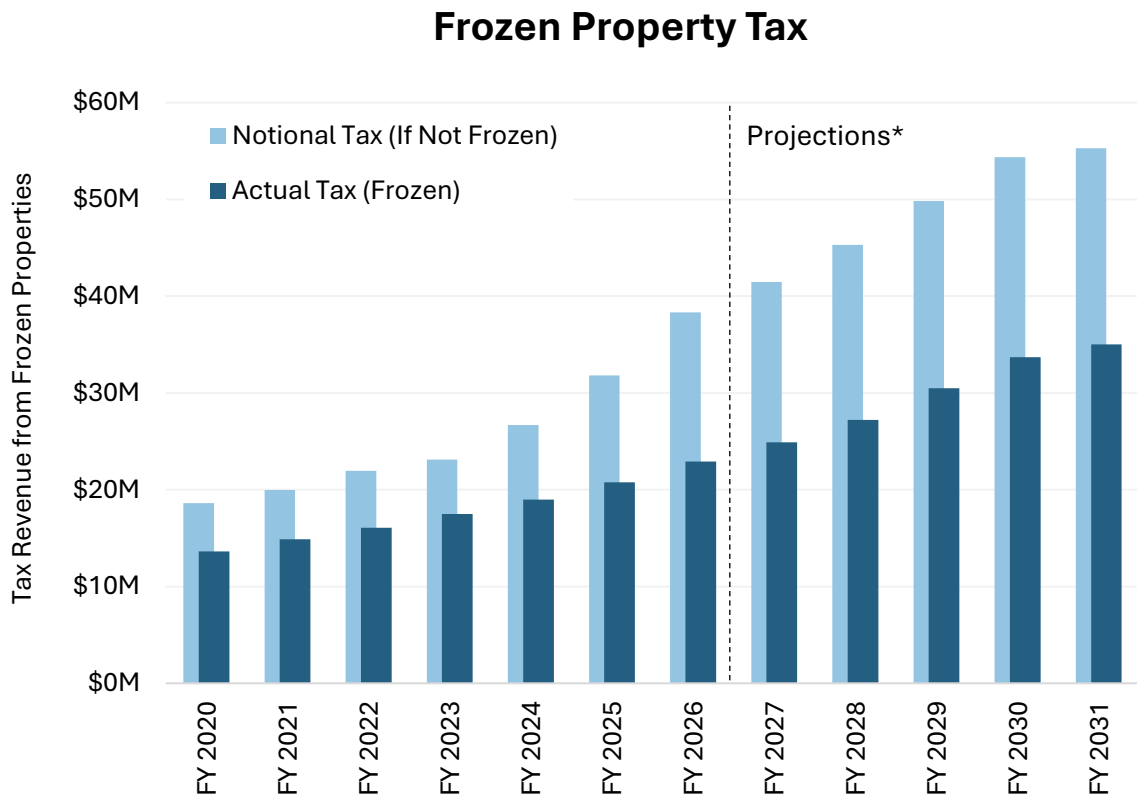
Plano's Taxable Value July 2025 ($ Billions)



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PROPERTY TAX ASSUMPTIONS – PROPERTY TAX FREEZE

- Property tax freeze projections are based on recent trends in the share of taxable value affected by the freeze
- Growth in the share of frozen properties is assumed to peak in 2030 (based on demographic assumptions)

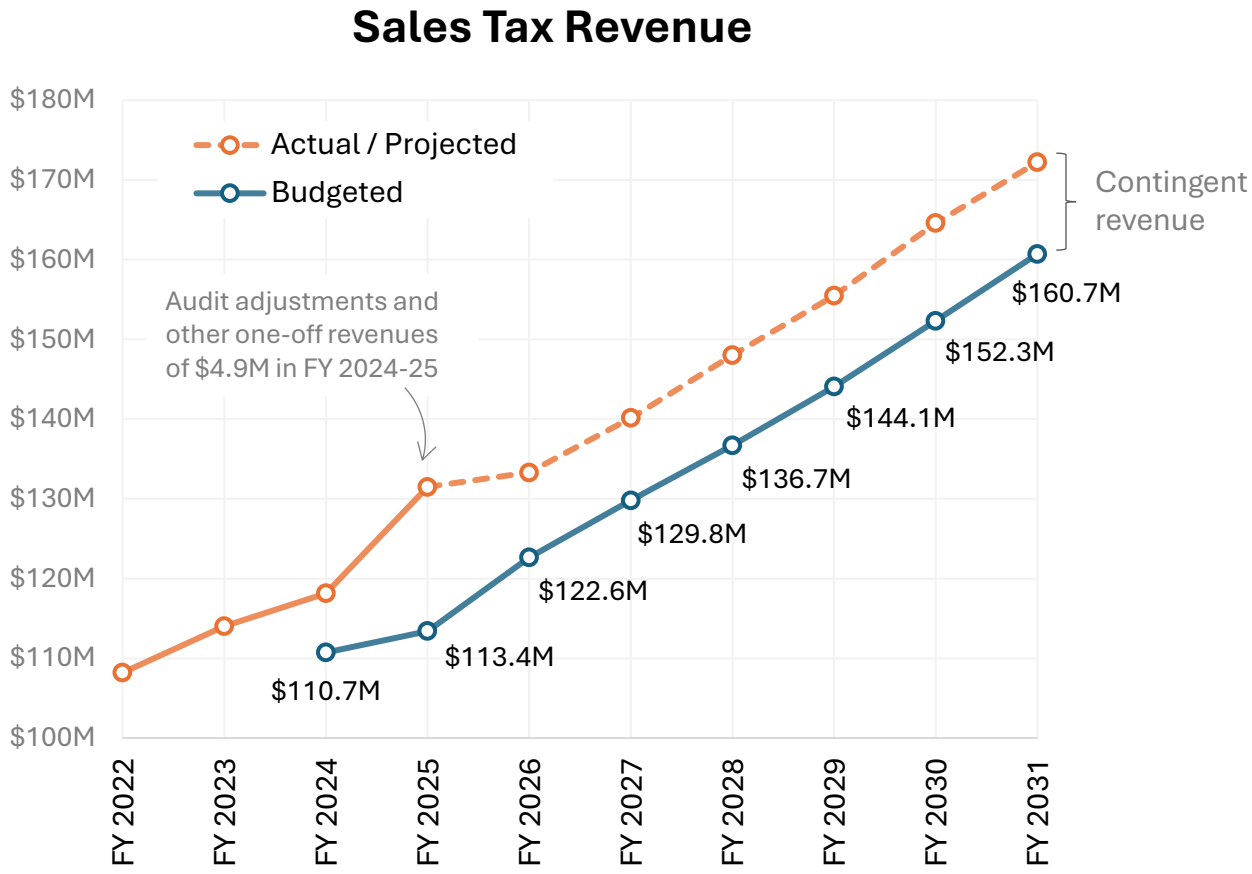


* Based on No New Revenue tax rate increases

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SALES TAX ASSUMPTIONS

- For budgeting purposes, the model maintains the City's policy of using average sales tax revenue from the past three years, plus 3% inflation
- Sales tax projections based on Lewis McLain's methodology
- Reflects inflation, population growth, and real-terms growth in tax revenue per capita (at 1.8% per year)



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REVENUE ASSUMPTIONS

Inflation factors

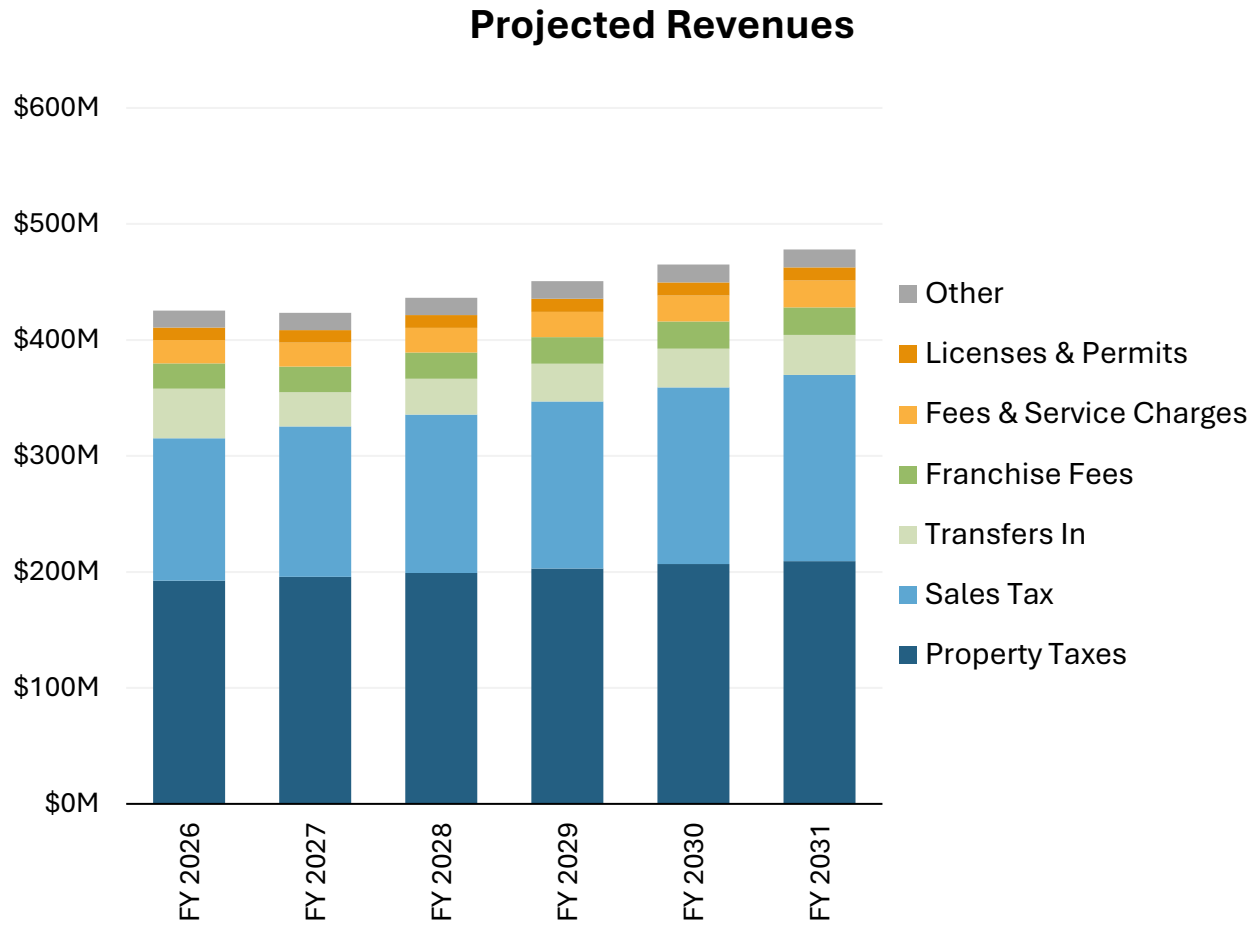
Inflation factors applied as part of 5-year projections:

- Cable and telephone franchise fee revenue (-5.0% per year)
- Other franchise fees (general inflation)
- Building permits (no change)
- Other charges and user fees (general inflation)
- Water and wastewater transfers in (per 2025 Rate Study)
- Other transfers in (3.0% per year)
- This does not include fee revisions, which may occur as part of ongoing general revenue reviews

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GENERAL FUND REVENUES – NO NEW REVENUE RATES

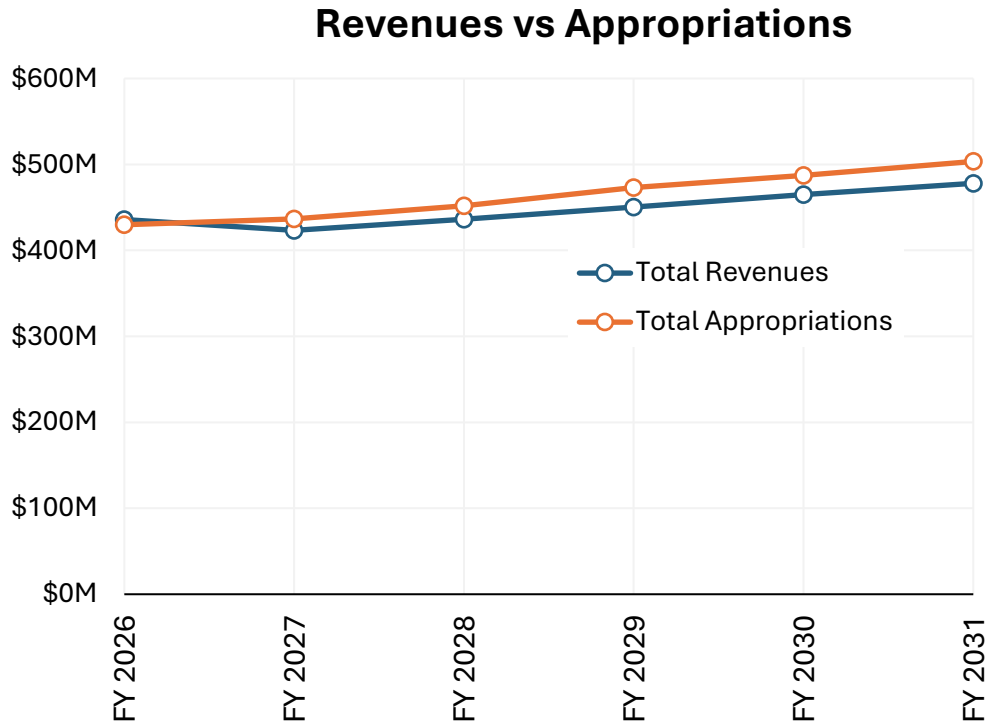
- Property tax revenues from existing properties could be held fixed (the No New Revenue rate, or NNR)
- Total revenues would increase at an average rate of **2.4%** per year
- Primarily reflects sales tax and new market value growth

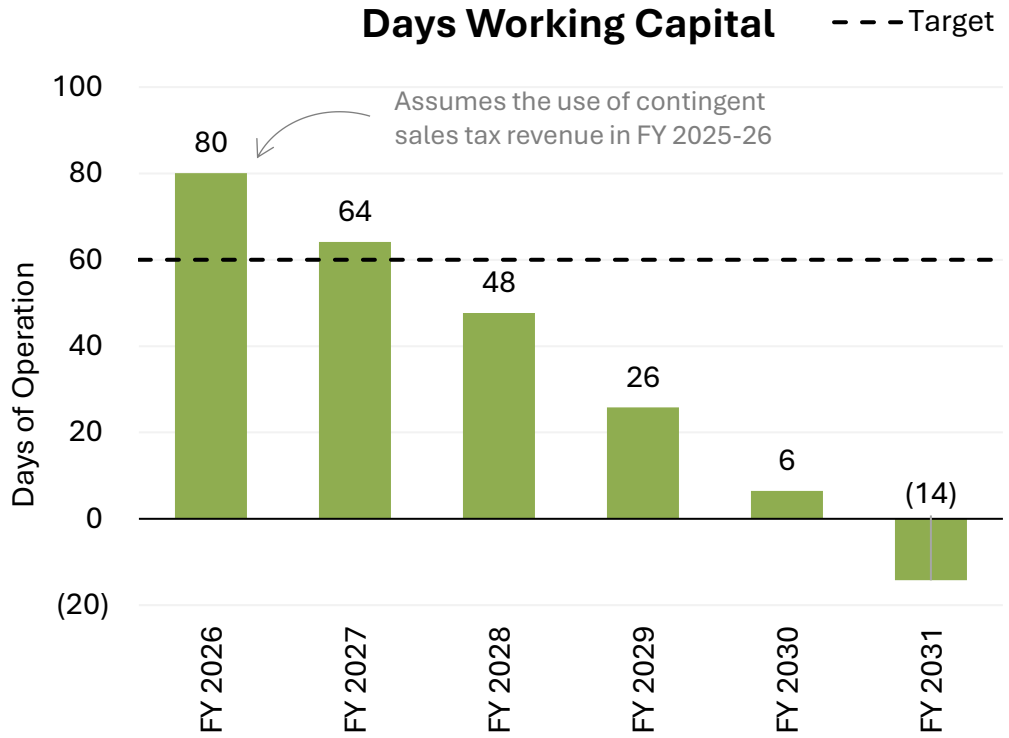


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EXPENDITURE VS REVENUES (NO NEW REVENUE RATE)

- Total appropriations would exceed revenues from FY 2026-27
- Revenues with NNR property tax increases would deplete fund balances

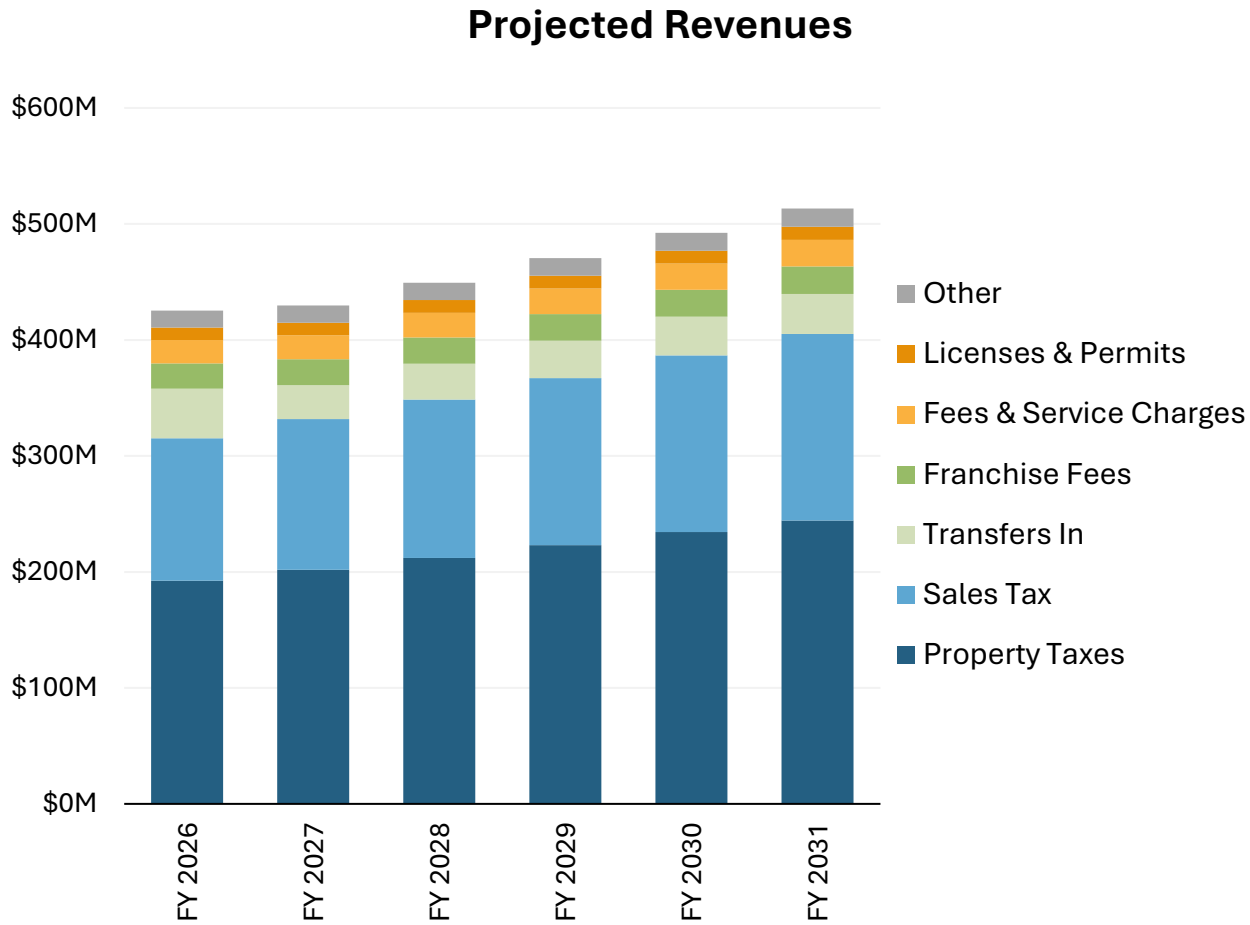




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GENERAL FUND REVENUES – VOTER APPROVAL RATE

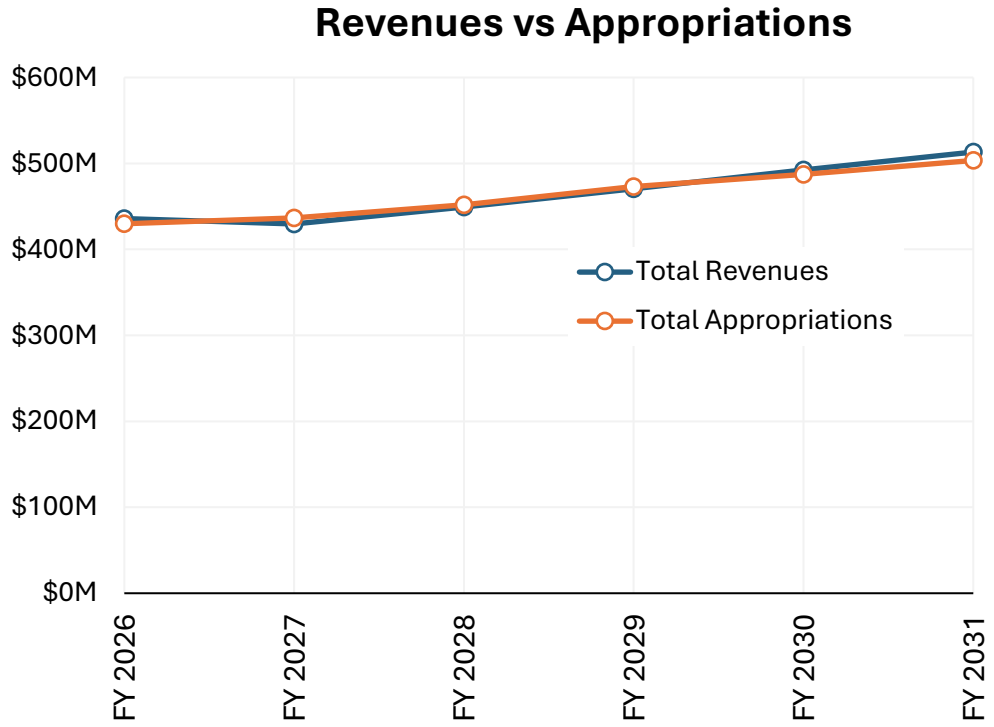
- Alternatively, property tax revenues from existing properties could be increased by 3.5% annually (Voter Approval Rate, or VAR)
- Total revenues would increase at an average rate of **3.8%** per year

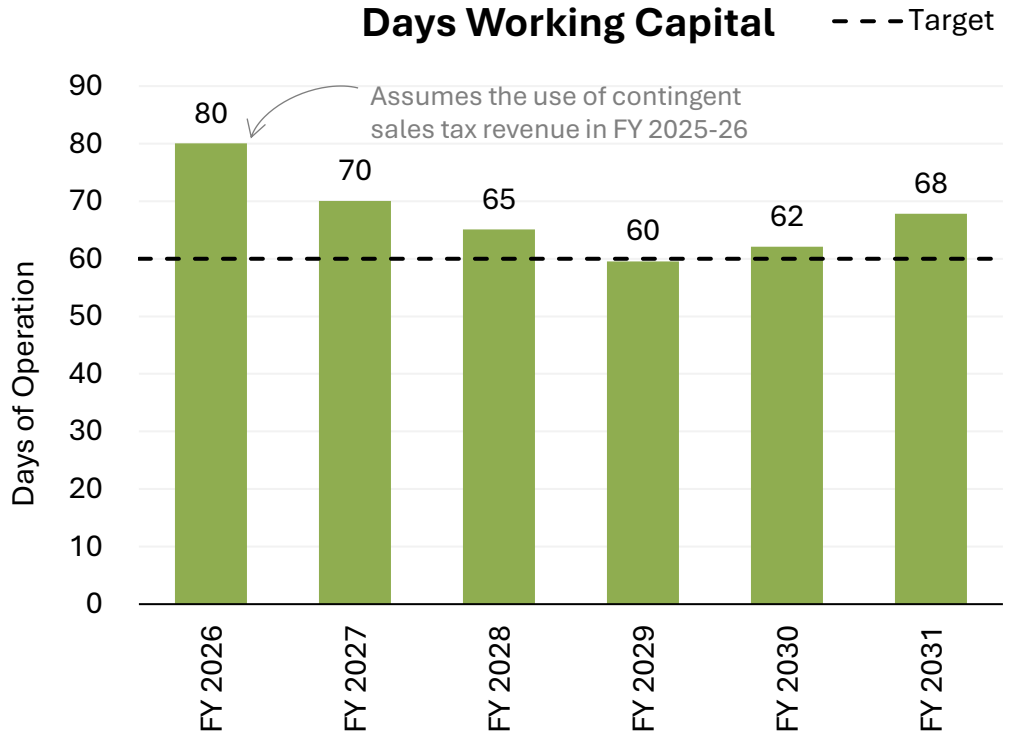


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EXPENDITURE VS REVENUES (VOTER APPROVAL RATE)

- Revenues with VAR increases would exceed forecasted expenses from FY 2029-30
- Fund balances would grow as a result





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IN SUMMARY

Outcomes

- Rates may be between NNR and VAR any given year; neither scenario is expected to be fully realized.
- Some amount above NNR is expected to be required to meet planned service levels and fund balance policies.
- Some amount under VAR could meet minimum balance requirements but would require the City to rely on contingent sales taxes to meet fund balance policies.

Caveats

- Actual rates adopted will likely differ.
- The financial model requires a large number of assumptions which are subject to uncertainty and change.
- Our modeling tool is still in development, with key City staff continuing to advise on improved functionality.
- Subject to future legislative decisions affecting city revenues or expenses

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THANK YOU

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