

Date: January 26, 2026

To: Mark Israelson, City Manager

From: Karen Rhodes-Whitley, Director of Budget & Performance Management

Subject: Sales Tax Cap Policy Year-End Allocation

Since 2008, the City of Plano has operated under a Sales Tax Cap Policy for sales tax collections financial and budget projections. This financial policy averages the last three-years of actual sales tax collections net any audit adjustments to produce the forecast for the upcoming operating budget projections. The policy shields the City from the economic volatility of sales tax revenue caused by economic downturns such as Covid-19 in 2020 and the Great Economic Recession that occurred in 2009.

Each year, after the Financial Audit is completed, if the amount of Sales Tax Collections is over the prior year re-estimated budget the City Council determines how the excess revenue will be allocated. The policy states excess sales tax revenue can be allocated for one-time expenditures, transferred to the Rainy-Day Fund, Capital Maintenance Fund, Economic Development Fund or allowed to be distributed back to the General Fund balance to be utilized in the next year's budget.

For FY 2024-25, sales tax collections were re-estimated at \$124.6 million with actuals ending at \$131.8 million. The net difference is \$7.2 million that can be allocated according to the sales tax cap policy. During August and September 2025, the City of Plano received several large one-time sales tax payments that constituted the \$7.2 million variance.

During tonight's City Council meeting, a discussion regarding the allocation of the \$7.2 million excess sales tax revenue along with recommendations for allocation is scheduled. Currently, the City could use the excess funds for several land purchase opportunities with any remaining funding being transferred to the Rainy-Day Fund. More details will be provided and discussed at the January 26th City Council meeting.

