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Vol. 123, No. 10 || DentonRC.com || Denton, Texas

CITY HALL

Denton starts planning out \$2.22B budget with a boost from data center taxes

By Christian McPhate
Staff Writer

At a time when data centers face nationwide backlash, Denton seems to be seeing a positive financial impact from them in a \$2.22 billion budget proposed for 2026-27.

An increase in Denton's taxable values, largely from business personal property, has resulted in a proposed property tax rate of \$0.548485 per \$100 property valuation — a 7.88% decrease from the previous year's tax rate of \$0.595420, in part due to billions in added value that city staff described as a "short-term boost."

The proposed tax rate would mean a decrease of about \$203 on the annual property tax bill for the average home, valued roughly at \$383,000.

Council member Joe Holland was impressed with the decrease at a budget workshop on Saturday, but worried about what he called the "ricochet effect" on next year's budget due to depreciation of business personal property.

Mayor Chris Watts called his observation "spot on."

"This is going to be happening all over the state because of data centers and their business personal property," Watts said. "This has made it very challenging."

Holland added, "These businesses that are sometimes perceived as villains in our community — man, they're carrying their weight and helping row their boat."

Watts said for this particular year, it is true, but it's because of the state tax legislative procedures that have created it, "which is good for the taxpayer, and it provides a little additional revenue."

"But next year, as you pointed out, as these things begin to depreciate and as some of this new value is considered old value, it's going to really be a seesaw effect that we've got to really try to make sure we manage," Watts said.

The first public hearing for the proposed 2026-27 budget is on Sept. 15, followed by potential adoption by the council on Sept. 22.

Interim City Manager Cassey Ogden told the council over the weekend that her No. 1 priority for the city manager's office's proposed 2026-27 budget "was focusing on investing in our staff and our employees while also maintaining the service levels for residents and planning for growth while also stabilizing our long-term financial health."

They approached it "with a business not as usual mindset," Ogden said.

For this year's budget, Ogden said, they asked everyone "to question all of the historical ways of doing things, looking for efficiencies, finding smarter ways to deliver services, finding more efficient ways but also maintaining service levels that our community expects."

The proposed 2026-27 budget includes a 2.5% merit increase for general government employees in the spring and a lump sum cost-of-living adjustment of \$1,000 for full-time workers and \$500 for part-timers in September.

Civil service compensation includes eligible step pay increases and a one-time cost-of-living adjustment of \$1,000 for full-timers and \$500 for



Marco Barrera/For the DRC

Denton's proposed \$2.22 billion budget includes a lower property tax rate of \$0.548485 per \$100 property valuation, a nearly 8% decrease from the previous year.

"This is going to be happening all over the state because of data centers and their business personal property. This has made it very challenging."
— Mayor Chris Watts

part-timers. Firefighters could see a 3% base pay increase, although police weren't listed yet since a new contract is currently being negotiated.

Employees will also see a 4.9% increase in health insurance costs absorbed by the city.

Last year, employees not only didn't receive merit or cost-of-living adjustments but also experienced a pay cut since they were responsible for increased costs for health insurance, Ogden told the council during Saturday's workshop.

While available funding for staff was good news, the council will be hosting a work session Aug. 18 to discuss community partnership funding after discovering that local organizations and events such as the Denton Noon Kiwanis Club's July Fourth fireworks celebration were taking a financial hit due to how they scored on the Community Partnership Committee's 100-point scoring rubric.

Community partnership funding includes cash sponsorship from the city's general fund, which is fueled by property and sales taxes, as well as in-kind support, such as public safety and other city services.

Council member Jill Jester recommended having a work session about the funding "to better explain it to our constituents and our awesome organizations as we try to explain how these decisions are made."

"Because when we're not in that and those meetings aren't being recorded and able to be watched, I think the more information the better, especially when we're having to make tough decisions as far as who gets what," Jester said.

The scoring rubric required a score

of 90 or higher for 100% funding, between 75 and 89 for 70% funding and 60 to 74 points for 50% funding.

After the city cut \$50,000 in sponsorship last year, the Denton Noon Kiwanis Club lowered its request from \$75,300 in 2025 to \$65,000 in cash sponsorship for the July 2027 event.

The Community Partnership Committee, however, recommended only \$5,000 in cash sponsorship and \$10,000 in-kind services for the Kiwanis event as part of the city's proposed \$2.2 billion budget.

The Noon Kiwanis Club, which donates all proceeds from the event after expenses to its nonprofit Children's Clinic, scored 47.5 on the rubric.

It received the largest decrease in cash sponsorship requested out of the 23 other local organizations, which included the Denton Blues Festival (71), Denton Parks Foundation June-teenth (73) and the Denton Community Market (67.5), according to the Aug. 8 presentation.

Only three organizations scored above a 90: Denton's Day of the Dead (95 for \$15,000 in cash, \$15,000 in-kind), Denton Arts & Jazz Festival (93.5 for \$20,000 in cash, \$76,000 in-kind) and the North Texas State Fair Association (91.5 for \$32,000 in cash, \$5,000 in-kind).

Mayor Pro Tem Nick Stevens called the Kiwanis' Fourth of July fireworks event "one of the most important things that happens in the community each year that people attend."

"I don't want to set them up to fail," Stevens said.

Aimee Kaslik, the city's chief strategy officer, indicated that business personal property played a significant role in the proposed lower tax rate and increase in the city's certified assessed value.

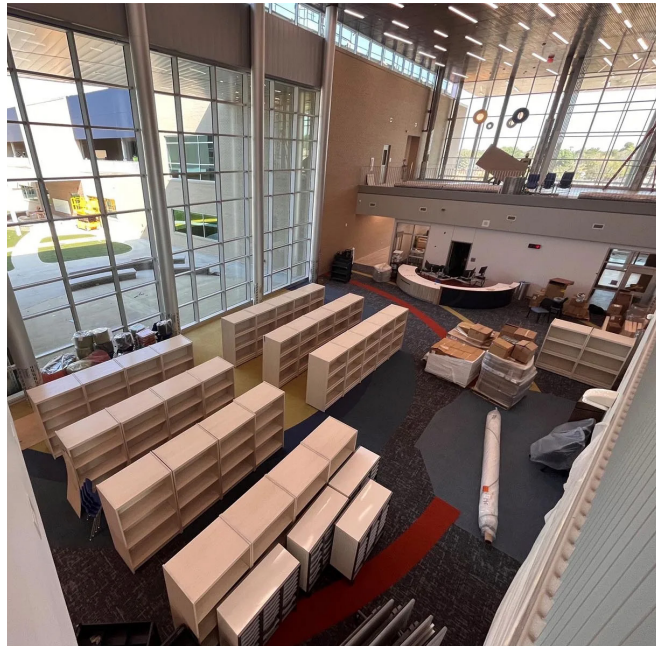
Kaslik said Denton's certified assessed value increased 18% over last year, from \$22.7 billion to \$26.7 billion.

This amount also includes \$1.9 billion in new value added to the tax roll, of which \$1.3 billion of that new value came from business personal property.

The new value added "is a big contributor to the overall increase," Kaslik said.

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