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## CITY COUNCIL WORKSHOP

### CITY OF FAIR OAKS RANCH, TEXAS

March 2, 2023

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AGENDA TOPIC: Five-Year Financial Plan  
DATE: March 2, 2023  
DEPARTMENT: Finance  
PRESENTED BY: Scott M. Huizenga, Assistant City Manager, Administrative Services

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#### **INTRODUCTION/BACKGROUND:**

Long-term financial planning is essential to the stability and sustainability of every City. The City currently has several long-range plans that inform the budget and policy processes including a Comprehensive Plan, a Master Transportation Plan, the Strategic Action Plan, and the Capital Improvements Plan. One piece missing from the planning cycles has been a long-term financial plan that *links* long-term policies and plans directly to the annual budget.

The *draft* Five-Year Financial Plan presents a baseline scenario with two alternates. The Baseline Scenario models a five-year budget in which there are no significant changes to operations and the adopted Capital Improvements Plans are implemented without changes. As modeled, the Baseline Scenario is not financially sustainable. Therefore, this version of the plan also provides two alternate scenarios. A Pay As You Go (PAYGO) Scenario pushes capital projects to future years to maintain financial solvency. A Bond Program Scenario models a hypothetical debt issuance to maintain capital funding while also sustaining the City's adopted operating reserve ratios. All scenarios model key financial metrics such as total projected revenues and expenditures, projected operating reserves, and projected tax rates and average household tax impact.

The Five-Year Financial Plan is not a *forecast*. It is not meant to predict exactly what will happen in the future. However, it is intended to provide outcomes *given certain sets of assumptions*. The financial plan should be considered a living document. It is intended to be enhanced consistently with updated assumptions based on policy direction and new information.

Finally, this Five-Year Financial Plan is the "beta version" for the City Council to review and to provide feedback. Once enhanced with Council feedback, the City will incorporate the financial plan into the annual budget cycle especially in conjunction with the 2<sup>nd</sup> quarter financial report, when the policy portion of the budget process commences.

#### **POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

The Five-Year Financial Plan provides residents, the City Council, and staff the analysis and direction to make informed decisions regarding long-term financial policies for operations and capital improvements. The plan provides the link between the strategic plan and the annual budget.

**LONG-TERM FINANCIAL & BUDGETARY IMPACT:**

The Five-Year Financial Plan *operationalizes* the Strategic Plan through every pillar, priority, and project as adopted by the City Council. This beta version specifically addresses Priority 1.2 of the Strategic Action Plan to Develop a 5-Year Forecast.

**LEGAL ANALYSIS:**

None required.

**RECOMMENDATION/PROPOSED MOTION:**

This review of the Five-Year Financial Plan is a workshop item with no Council action required. Council will have the opportunity at the meeting and throughout the budget cycle to provide input on scenarios, assumptions, and outputs on the Financial Plan that will directly impact the FY 2023-24 Annual Budget and beyond.