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## CITY COUNCIL WORKSHOP

### CITY OF FAIR OAKS RANCH, TEXAS

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AGENDA TOPIC: FY 2025-29 Five-Year Financial Plan  
DATE: May 16, 2024  
DEPARTMENT: Finance  
PRESENTED BY: Summer Fleming, Director of Finance

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

Long-term financial planning is essential to the stability and sustainability of every City. The City of Fair Oaks Ranch 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, the Capital Improvements Plan, and Five-Year Financial Plan. The Five-Year Financial Plan is a long-term financial plan that links long-term policies and plans directly to the annual budget.

The plan was first presented to Council in March of last fiscal year and only included the General Fund and tax supported capital improvements. The plan, as presented, now includes the Utility Fund. The Five-Year Financial Plan forms the basis for the annual FY 2024-25 Budget discussions as well as the long-term financial direction for the City.

The General Fund plan includes a Baseline Scenario and one Balanced Scenario. Both scenarios use the same initial assumptions for revenues and operational expenditures and include the approved \$16 million GO Bond and incremental budget increases to ensure fire and EMS service, whether as a contract model or as a standalone department.

The Baseline Scenario includes cash funding for all approved drainage projects.

The Balanced Scenario differs in that it includes the issuance of \$2.1 million in Certificates of Obligation to fund drainage. The Balanced Scenario also models the addition of two positions in the General Fund – a Communications Manager and a Drainage Maintenance Lead. Finally, it assumes an adjustment to property taxes to maintain the City's adopted reserve policy of 50% (six months) of operations.

The Utility Fund plan includes the Baseline Scenario for operations and no funding for capital improvement plan projects. A Balanced Scenario is currently being developed and will include an increase in the utility rates to achieve the City's adopted reserve policy of 12 months of operations.

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

Priority 1.2 of the Strategic Action Plan is to develop a Five-Year Forecast. The Five-Year Financial Plan provides residents, the City Council, and staff with 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.

However, the Five-Year Financial Plan is not a forecast. It is not meant to predict exactly what will happen in the future. Rather, 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.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

The Five-Year Financial Plan *operationalizes* the Strategic Plan through every pillar, priority, and project as adopted by the City Council.