



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

January 5, 2023

AGENDA TOPIC: Consideration and possible action approving a Resolution allocating the Fiscal Year 2021-22 General Fund Balances and carryover of encumbrances and continuing appropriations

DATE: January 5, 2023

DEPARTMENT: Finance

PRESENTED BY: Rosie G. Vela, Director of Finance

INTRODUCTION/BACKGROUND:

The purpose of this resolution is to formally document the affirmation of fund balance allocations in the General Fund for the Fiscal Year Ended September 30, 2022, and carryover encumbrances and continuing appropriations into the next fiscal year.

After all categories of fund balance have been allocated pursuant to GASB 54, and the assigned operating reserve has been funded to comply with City policy, the annual financial report for FY 2021-22 projects a remaining balance in the General Fund unassigned category of \$774,394. The final unassigned fund balance may differ after the financial statement audit is accepted by City Council.

The City Manager recommends the remaining unassigned fund balance in the General Fund be transferred to the Strategic Projects Fund for future projects and as a contingency for projects already approved by Council. The City Council has appropriated \$3.5 million in FY 2022-2023 for projects, and the fund has continuing projects totaling \$1.3 million.

As a general guideline, most projects should include a minimum 10% contingency for potential cost escalation or scope changes. It is reasonable to assume greater construction cost escalation in the next fiscal year due to general construction inflation trends of the last few years resulting from supply chain issues, among other recent developments. The City has also identified other potential projects in FY 2022-23 including the proposed Civic (Community) Center and Microsoft Cloud Services Upgrade. Transferring the unassigned fund balance of \$774,394 to the Strategic Projects Fund would represent 16% of the total project budget in the fund.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

The resolution furthers compliance with Governmental Accounting Standards, citizen transparency and best practices in financial management. The carryover of continuing appropriations is necessary when appropriation and encumbrance balances from a fiscal year that has ended remain unspent. These amounts are required to be carried forward into the next fiscal year to facilitate the completion of projects, contracts, or activities for which the funds were originally awarded.

The resolution also furthers several priorities of the Strategic Action Plan and the Capital Improvements Plan including the following.

- 1.4 Develop Sustainable Financing Strategies aligned with service delivery expectations
- 3.3 Enhance and Ensure Continuity of Reliable Drainage Improvement Initiatives
- 3.4 Enhance and Ensure Continuity of Reliable Roadway Improvement Initiatives
- 3.5 Enhance and Ensure Continuity of Reliable City Facilities
- 5.5 Evaluate and Update IT Infrastructure, Software, and Security

LONGTERM FINANCIAL & BUDGETARY IMPACT:

The fiscal impact is an increase in appropriations for Fiscal Year 2022-23 in the amount of \$357,803 for encumbrances and \$3,435,283 in continuing appropriations for strategic and capital projects.

LEGAL ANALYSIS:

Resolution approved as to form by City Attorney.

RECOMMENDATION/PROPOSED MOTION:

I move to approve a Resolution allocating portions of the General Fund balance and authorizing the Finance Director to carry forward continuing appropriations for year-end encumbrances, contractual commitments, and capital projects.