



CITY COUNCIL WORKSHOP ITEM

CITY OF FAIR OAKS RANCH, TEXAS

April 20, 2023

AGENDA TOPIC: FY 2024-28 Five-Year Financial Plan
DATE: April 20, 2023
DEPARTMENT: Finance
PRESENTED BY: Scott M. Huizenga, Assistant City Manager

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.

Staff presented the *draft* Five-Year Financial Plan at the March 2, 2023 Council Meeting as a workshop item. The plan, as presented, includes a baseline scenario with two alternates. Based on Council discussion this workshop will discuss the baseline assumptions of the operating budget in the plan. The intent following this workshop is to propose a formal Five-Year Financial Plan for Council consideration at the May 4, 2023, City Council meeting in conjunction with the 2nd Quarter Financial Report. The Five-Year Financial Plan would then form the basis for the annual FY 2023-24 Budget discussions as well as the long-term financial direction for the City.

The primary operating budget assumptions in the Baseline Scenario include the following.

Revenue

- 3.5% increase in Property Tax revenue (voter-approval rate) each year based on total taxable 3.0% increase in Sales Tax revenue each year
- 3.0% increase in Sales Tax revenue each year
- 1.5% increase for all other lines

Expenditures

- 2.5% increase in wages for employee merit
- 2% Cost of Living Adjustment (COLA) each year
- 5% increase in health insurance costs
- 5% increase in software subscriptions
- 5% increase in facility and engineering contracts
- 5% increase in fuel for PD and Maintenance
- 2% increase in all other costs
- No change in Street Maintenance of \$1 million per year

- No new employees throughout the forecast period
- No new capital or strategic projects (not already in approved CIPs)
- No new equipment purchases except life-cycle replacements in the Equipment Replacement Fund

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. 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.

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.

LEGAL ANALYSIS:

None required.

RECOMMENDATION/PROPOSED MOTION:

This review of the Five-Year Financial Plan is a workshop item with no Council action required. The direction from this workshop will inform the presentation to Council of the updated Five-Year Financial Plan on May 4, 2023. The City Council will have the opportunity at the meeting and throughout the budget cycle to provide input on scenarios, assumptions, and outputs on the plan that will directly impact the FY 2023-24 Annual Budget and beyond.