



CITY COUNCIL PUBLIC HEARING CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Conduct a public hearing on the FY 2025-26 Proposed Budget
DATE: September 15, 2025
DEPARTMENT: Finance
PRESENTED BY: Summer Fleming, CGFO, Director of Finance

INTRODUCTION/BACKGROUND:

The proposed budget was filed with the City Secretary on August 18, 2025, and posted on the homepage of the City's website at: <https://fairoaksranchtx.org/>.

In accordance with the Local Government Code §102.006(a), the governing body of a municipality must hold a public hearing on the proposed budget to allow any interested party the opportunity to attend and provide input.

The proposed budget incorporates no change in the City's overall property tax rate and encompasses all the service delivery and capital investment initiatives established by the City Council. The budget was developed through the City's ongoing Strategic Planning process, which ties citizen-driven service expectations to available resources, and was further refined through four public workshops with the City Council that reviewed all department budgets, priorities, and funding strategies.

General Fund Budget Overview:

The proposed FY 2025-26 General Fund budget projects \$11.25 million in operating revenues, supported by an 8.9% increase in property tax revenue and a 2.2% increase in sales tax revenue. Operating expenditures are projected at \$10.62 million, up 7.5% from the prior year. When capital outlay and transfers are included, total expenditures rise by only 4.9%.

Even with these investments, the budget remains balanced and positions the City to sustain the high level of services our residents expect, despite rising costs and continued growth. It also builds reserves for future capital replacements, maintains a six-month operating reserve, and is projected to close the year with an unassigned fund balance of \$2.47 million.

Strategic Projects Fund Budget Overview:

The proposed FY 2025-26 Strategic Projects Fund budget totals \$659,480 and provides funding for a facilities master plan, upgrades at Fire Station #3, strategic planning, and the completion of two drainage projects already in progress.

Debt Service Fund Overview:

The proposed FY 2025-26 Debt Service Fund budget totals \$798,450 for annual debt service payments, supported by the City's Interest & Sinking (I&S) tax rate. Projected revenues of \$808,365, including current and delinquent tax collections and interest earnings, ensure all debt service payments are met.

Bond Capital Fund Overview:

The proposed FY 2025-26 Bond Capital Fund budget totals \$423,555, including \$315,000 for design work on the Rolling Acres Trail reconstruction and \$108,555 to complete engineering for the Ammann Road reconstruction. These project costs will be funded from the first issuance of the \$16 million voter approved General Obligation bond, with a second issuance planned for August 2026.

Combined Utility Fund Budget Overview:

The proposed Utility Fund budget includes \$6.24 million in operating revenues to support \$6.10 million in operating expenditures, resulting in an operating income of \$141,270 before depreciation. Non-operating revenues are projected at \$2.23 million, primarily from impact fees, capital reserve fees, debt service fees, and interest earnings. After accounting for capital expenditures and debt service, the proposed budget reflects a \$648,396 increase in the Utility Fund's net position.

Total operating expenses are increasing by 8% compared to last year's budget. The proposed budget includes new investments in utility infrastructure, one-time improvements to meet TCEQ requirements, continued contributions to reserves for future replacement of utility vehicles and equipment and maintains an operating reserve equal to 7 months of expenses.

Key budget additions include the following:

- Sewer manhole rehabilitation - \$100,000
- Replacement water plant flow meters - \$111,240
- Replacement firewall for SCADA system - \$35,000
- Replacement of three well pumps (if needed) - \$150,000
- Replacement mini excavator - \$62,698
- Continuation of projects in the Water CIP - \$7,070,241
- Continuation of projects in the Wastewater CIP - \$1,828,508

PUBLIC HEARING:

- A. Open the Public Hearing
- B. Presentation of the FY 2025-26 Proposed Budget
- C. Receive public testimony
- D. Close the public hearing

NEXT STEPS:

Consideration and possible action approving the first reading of an ordinance adopting the City budget for the fiscal year beginning October 1, 2025, and ending September 30, 2026.