



CITY COUNCIL REPORT

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: FY 2024-25 Preliminary Year-End Results and Quarterly Investment Report
DATE: November 6, 2025
DEPARTMENT: Finance
PRESENTED BY: Summer Fleming, CGFO, Director of Finance

INTRODUCTION/BACKGROUND:

Best practices in financial transparency and reporting recommend at least quarterly reporting on the financial position of the City compared to the budget. This report provides preliminary year-end results for the fiscal year ended September 30, 2025.

Pursuant to Texas Government Code Section 2256.023 and the City's Investment Policy Section 12, the Investment Officer is required, on a quarterly basis, to prepare and submit to the City Council a written report of investment transactions that have occurred since the previous report, and the market value of current investments. The attached Investment Report complies with the reporting requirements for the quarter ended September 30, 2025.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Priority 1.5 of the Strategic Action Plan is to ensure continuity and excellence of financial reporting reliability. Frequent review and reporting of the City's investments is both prudent and necessary to confirm the City's investment portfolio is being managed according to the Investment Policy. Fiscal transparency informs City Council and citizens how the City spent tax revenues and is a critical element of effective public financial management.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

The preliminary financial results for FY 2024-25 showed strong outcomes in the General Fund in most revenue categories. Property tax, the City's largest revenue source, exceeded budget by \$160,454, with a 99.5% collection rate on the 2024 levy. Sales tax outperformed expectations, ending 5.2% higher than last year and \$48,758 above budget.

Other revenues also exceeded projections, including:

- Interest earnings - \$91,869 above budget
- Permits - \$34,797 above budget
- Fees and services - \$33,412 above budget

Court fines and fees fell short by about \$85,000 due to fewer citations.

General fund expenditures were about \$760,000 under budget, including \$466,000 in personnel savings from vacancies. Additional savings come from software maintenance, contracted services, and training costs. Overall, the General Fund is projected to end the year \$1.07 million under

budget, adding \$964,359 to fund balance for a projected ending balance of \$8.63 million. Encumbrances totaling \$132,890 for outstanding contracts and purchase orders will remain reserved in fund balance until fulfilled.

The Utility fund shows mixed results. Operating revenues total \$6.09 million, \$81,255 above budget, while operating expenditures are \$147,189 below budget. After accounting for depreciation, a non-cash expense representing the wear and tear on the utility's assets, the Utility is projected to show an operating loss of approximately \$508,364.

Non-operating revenues total \$2.22 million, about \$14,000 below budget. Despite the operating loss, the utility is still expected to increase its net position by \$1.31 million, driven largely by investment in capital assets that support long-term infrastructure.

The utility's net position is projected at \$20.0 million, including \$10.87 million invested in capital assets. The remaining balance includes \$2.6 million in operating reserves, \$1.36 million reserved for debt service, and \$5.18 million reserved for capital projects and asset replacement.

Investments Summary:

The City's investments are held in Frost Bank and three local government investment pools - TexPool, TexPool Prime, and Texas Class. Fiscal year interest earnings totaled \$1.26 million. Investments earned \$310,392 in interest during the last quarter and totaled \$33.42 million on September 30, 2025. Investment balances increased \$6.16 million during the quarter, primarily from Certificates of Obligation proceeds for FY 2025-26 utility capital projects.