



CITY COUNCIL WORKSHOP

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: FY 2025-26 Budget Workshop: Municipal Court, Capital and Strategic Projects, and Utilities

DATE: July 3, 2025

DEPARTMENT: Finance, Municipal Court, and Utilities

PRESENTED BY: Summer Fleming, CGFO, Director of Finance
Ricardo Bautista, Municipal Court Administrator
Grant Watanabe, P.E., CFM, Director of Public Works & Engineering Services

INTRODUCTION/BACKGROUND:

This is the third budget workshop for developing the FY 2025-26 Budget, focusing on the proposed budgets for the Municipal Court, Utility Fund, and Capital and Strategic Projects. Workshops ensure that the City Council and the public are informed about the proposed budget and have a chance to participate in its development. The workshops are designed to produce actionable outcomes, such as revised budget proposals or adjustments to service priorities, based on Council's feedback and direction.

This workshop completes the presentation of all proposed budgets for FY 2025-26 to Council. Future workshops will consider the calculated tax rate and any requests that result from the compensation study and IT master plan.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Budget workshops encourage open discussion and collaboration between residents and officials, fostering a sense of ownership and trust in the budget process.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

General Fund Budget Overview:

The proposed FY 2025-26 General Fund budget projects total revenues of \$10.97 million, reflecting a 4.8% increase in property tax revenue and a 2.2% increase in sales tax revenue. Operating expenditures are proposed at \$10.25 million, an increase of 3.8% over the prior year. However, total expenditures—including capital and transfers—are decreasing slightly by 0.04%, or \$4,120.

The resulting budget surplus of \$263,962 is primarily allocated to support the City's operating reserve target of 50% of annual operating expenditures. With this budget, the unassigned fund balance is projected at \$2.57 million.

Municipal Court Department Summary:

The proposed Municipal Court Department budget totals \$268,531 and is supported solely by the General Fund. Personnel costs comprise 64% of the department's budget, while services account for 29%. The overall department budget is increasing by 1.6% due to increased personnel costs being offset with a decrease in professional services. New budget requests include the use of restricted fund balances that are legally dedicated for specific purposes. In this case, the proposed budget utilizes restricted funds set aside for Court Security, Court Technology, and the Local Youth Diversion program, ensuring all expenditures align with their intended use.

Combined Utility Fund Budget Overview:

The proposed Utility Fund budget includes \$6.24 million in operating revenues to support \$6.09 million in operating expenditures, resulting in an operating income of \$142,350 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 \$588,851 increase in the Utility Fund's net position.

Total operating expenses are increasing by 8% compared to last year's budget, which includes a 4.5% increase in personnel wages. The proposed budget also 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 8 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