



CITY COUNCIL REPORT

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: FY 2023-24 Preliminary Year-End Results and Quarterly Investment Report
DATE: November 7, 2024
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 relative to the budget. This report provides preliminary year-end results for the fiscal year ended September 30, 2024.

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, 2024.

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 2023-24 showed strong outcomes in the General Fund in all revenue categories. The largest revenue source for the General Fund, property tax, exceeded budget by \$198,545. This reflects 99.2% of the 2023 tax levy has been collected. Additionally, sales tax revenue exceeded expectations coming in 7.5% higher than the previous year and surpassing the budget by over \$104,000.

All other revenue sources exceeded budget, most notably interest earnings exceeded budget by \$233,555, and fees and services exceeded budget by \$242,416 for tree mitigation fees and utility management fee.

Expenditures in the General Fund were \$1 million less than budget with \$508,000 of that savings in personnel due to vacancies throughout the year. There are reported encumbrances totaling \$350,745 for contracts and purchase orders still outstanding that will be reserved in fund balance until their fulfillment. Overall, the General Fund is projected to have a positive variance to budget totaling \$1.89 million and add \$1.03 million to fund balance.

The Utility Fund is projected to have a positive variance to budget totaling \$1.04 million of which the majority is for drought surcharges, interest income, and impact fees collected. The utility has encumbrances totaling \$455,158 for contracts and purchase orders still outstanding that will carry forward into Fiscal Year 2024-25.

The City currently has funds invested in Frost Bank and three local government investment pools, TexPool, TexPool Prime, and Texas Class. Investments earned \$274,682 in interest during the last quarter of the fiscal year and totaled \$27.95 million on September 30, 2024. Investment accounts increased \$6.11 million during the quarter primarily due to the receipt of proceeds from the issuance of General Obligation Bonds and Certificates of Obligation to fund capital improvement projects budgeted in Fiscal Year 2024-25.