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## CITY COUNCIL CONSIDERATION ITEM

### CITY OF FAIR OAKS RANCH, TEXAS

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AGENDA TOPIC: Consideration and possible action approving the first reading of an ordinance amending the budget for the fiscal year beginning October 1, 2024, and ending September 30, 2025

DATE: December 19, 2024

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, CGFO, Director of Finance

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#### **INTRODUCTION/BACKGROUND:**

Encumbrances are obligations incurred by issuance of purchase orders for which payments have not yet been made. The City routinely has encumbrances at the end of the fiscal year for which materials or services have not yet been delivered. In accordance with generally accepted accounting principles, encumbrances remaining as of September 30, 2024, are not included in expenditure totals for FY 2023-24. Funds should now be reappropriated to the FY 2024-25 budget for these encumbrances that will be paid during the current fiscal year.

Funds for these expenditures have been allocated in the respective funds unassigned fund balance. While these expenditures will increase total expenditures in each fund for FY 2024-25, they do not change the amount of fund balances available or unappropriated on September 30, 2024.

The attached amendment would also reappropriate a net total of \$3,975,412 appropriated last year for various projects in the Capital Improvement Funds that were not completed in FY 2023-24.

Staff is also recommending the amendment include a total of \$238,050 for additional expenditures not anticipated in the FY 2024-25 adopted budget. These additional expenditures include the following:

- Partial IT Network Refresh – Replacement of firewalls, wireless access points, and network switches that have reached end of life, and a new fiber switch aggregator to increase capacity for a total combined cost of \$88,050.
- Water well pumps – While it is not known when a pump may need to be replaced, Staff recommends budgeting for the replacement of at least three pumps annually at a cost of \$50,000 each to ensure funds are available if necessary.

#### **POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Compliance with Governmental Accounting Standards, citizen transparency and best practices in financial management. The carryover of continuing appropriations is necessary when appropriation and encumbrance balances from a fiscal year that has ended remain unspent. These amounts are required to be carried forward into the next fiscal year to facilitate the completion of projects, contracts, or activities for which the funds were originally awarded.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

The budget amendment as proposed and shown in Exhibit A will increase expenditures in each fund by the following:

	Encumbrances	Prior Project Appropriations	Expenditures not anticipated	<b>Total</b>
General Fund	\$350,745		\$88,050	<b>\$438,795</b>
Utility Fund	\$335,158		\$150,000	<b>\$485,158</b>
Strategic Projects Fund		\$2,273,010		<b>\$2,273,010</b>
Water Capital Fund		\$901,304		<b>\$901,304</b>
Wastewater Capital Fund		\$801,098		<b>\$801,098</b>
<b>Total</b>	<b>\$685,903</b>	<b>\$3,975,412</b>	<b>\$238,050</b>	<b>\$4,899,365</b>

**LEGAL ANALYSIS:**

Approved as to form.

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve the first reading of an ordinance amending the budget for the fiscal year beginning October 1, 2024, and ending September 30, 2025.