



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and possible action approving a resolution adopting the FY 2026-30 Five-Year Financial Plan

DATE: June 5, 2025

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, CGFO, Director of Finance

INTRODUCTION/BACKGROUND:

Long-term financial planning is key to ensuring the stability and sustainability of every city. The City of Fair Oaks Ranch maintains several long-range plans to guide budgeting and policy decisions, including the Comprehensive Plan, Master Transportation Plan, Strategic Action Plan, Capital Improvements Plan, and the Five-Year Financial Plan.

The Five-Year Financial Plan helps ensure the City can meet its mission to deliver exceptional public services, protect quality of life, and foster community engagement. It is not a fixed forecast but a flexible tool that projects financial outcomes based on current assumptions, offering both short- and long-term assessments of revenues, expenditures, fund balance and operating reserves.

City Council reviewed a baseline scenario and five alternatives for governmental funds all using conservative expenditure assumptions but varying in tax rates, drainage CIP funding methods, operating reserve targets, and unallocated fund balance use. The chart below summarizes each scenario. ("NNR" refers to the No-New-Revenue Rate and "VAR" refers to the Voter-Approval Rate.)

| Scenario | Tax Rate | Avg. Tax Bill over 5 years | Drainage Funding | Unallocated Fund Balance | Operating Reserve |
|------------|----------|----------------------------|------------------|--------------------------|-------------------|
| Baseline | NNR Rate | Decrease \$122 | Cash | Depleted in 2027 | 5% |
| Scenario 1 | > NNR | Increase \$215 | Debt | Depleted in 2029 | 50% |
| Scenario 2 | > NNR | Increase \$19 | Debt | Depleted in 2029 | 30% |
| Scenario 3 | VAR | Increase \$362 | Cash | 2% in 2030 | 50% |
| Scenario 4 | > NNR | Increase \$337 | Cash | 16% in 2030 | 30% |
| Scenario 5 | > NNR | Increase \$288 | Debt | 5% in 2030 | 50% |

Following these discussion, City Council directed Staff to proceed with Scenario 5, which funds the drainage CIP with debt, uses unallocated fund balance for one-time expenditures and operational support to manage tax rate increases, and maintains the operating reserve at 50% in accordance with City policy.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Priority 1.2 of the Strategic Action Plan is to develop a Five-Year Forecast. The Five-Year Financial Plan provides residents, the City Council, and staff with analysis and direction to make informed decisions regarding long-term financial policies for operations and capital improvements. The plan provides the link between the strategic plan and the annual budget.

Adopting a Five-Year Financial Plan is a proactive step toward responsible governance and long-term fiscal sustainability. While the plan is not binding and can be modified at any time, it serves as a vital planning tool that provides a clear framework for anticipating future financial needs and aligning resources with City priorities. By formally adopting the plan each year, the City Council reinforces its commitment to strategic thinking, transparency, and accountability. The annual review process ensures the plan remains flexible and responsive to changing circumstances, allowing the City to adjust its course as needed without being locked into rigid assumptions. This forward-looking approach helps safeguard essential services, supports infrastructure planning, and builds public trust in the City's financial stewardship.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

The Five-Year Financial Plan ensures long-term financial stability by aligning resources with strategic priorities and supporting infrastructure investment, while enhancing transparency and informed decision-making.

LEGAL ANALYSIS:

Resolution approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move to approve a resolution adopting the FY 2026-30 Five-Year Financial Plan.