



# Budget Process Introduction

FY 2025-26



Summer Fleming, CGFO

Director of Finance

# What is a Budget?



**Policy Document** – A budget reflects the goals and policies of the City. It captures the City's priorities for the coming year and beyond.



**Financial Plan** – A budget connects the goals and objectives with the funding of activities that support those goals, both in the short and long-term.



**Operations Guide** – A budget reflects how resources will be used by the staff to accomplish the stated goals through operations and activities.

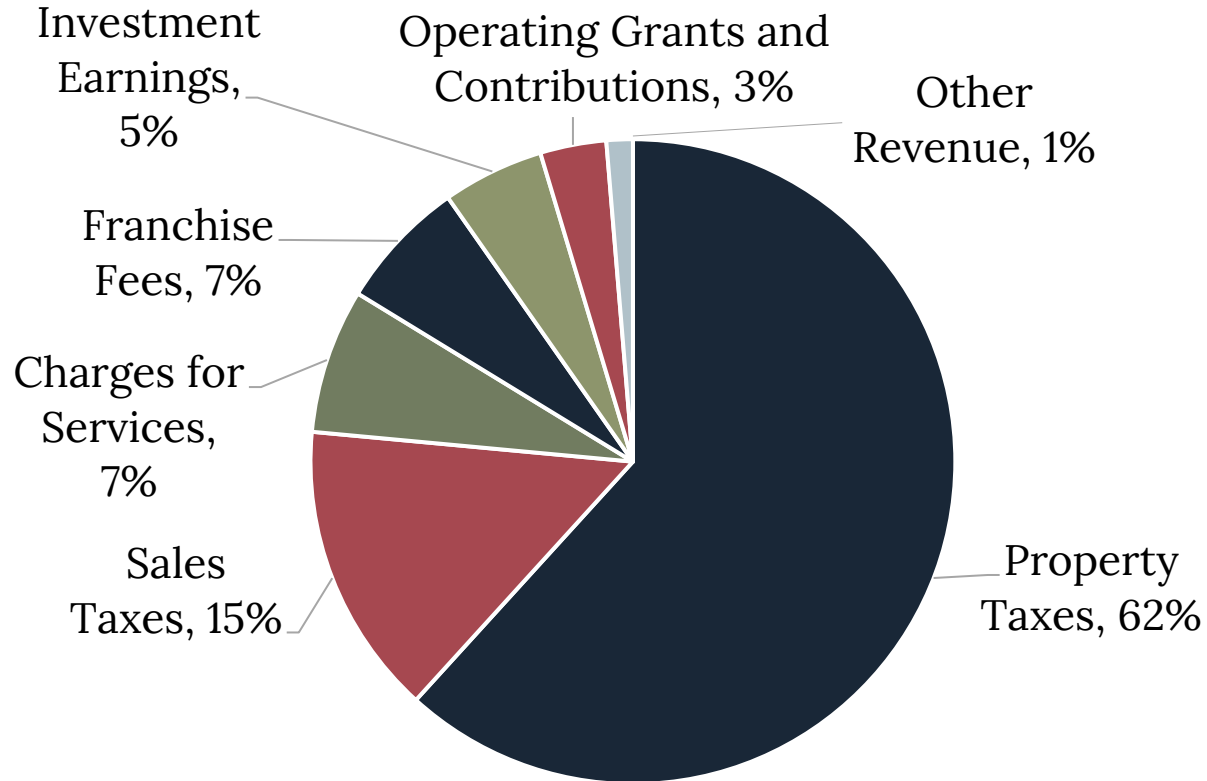


**Communications Device** – A budget will communicate information to the citizens and stakeholders, explaining where the revenues come from and how they will be spent to provide crucial services.

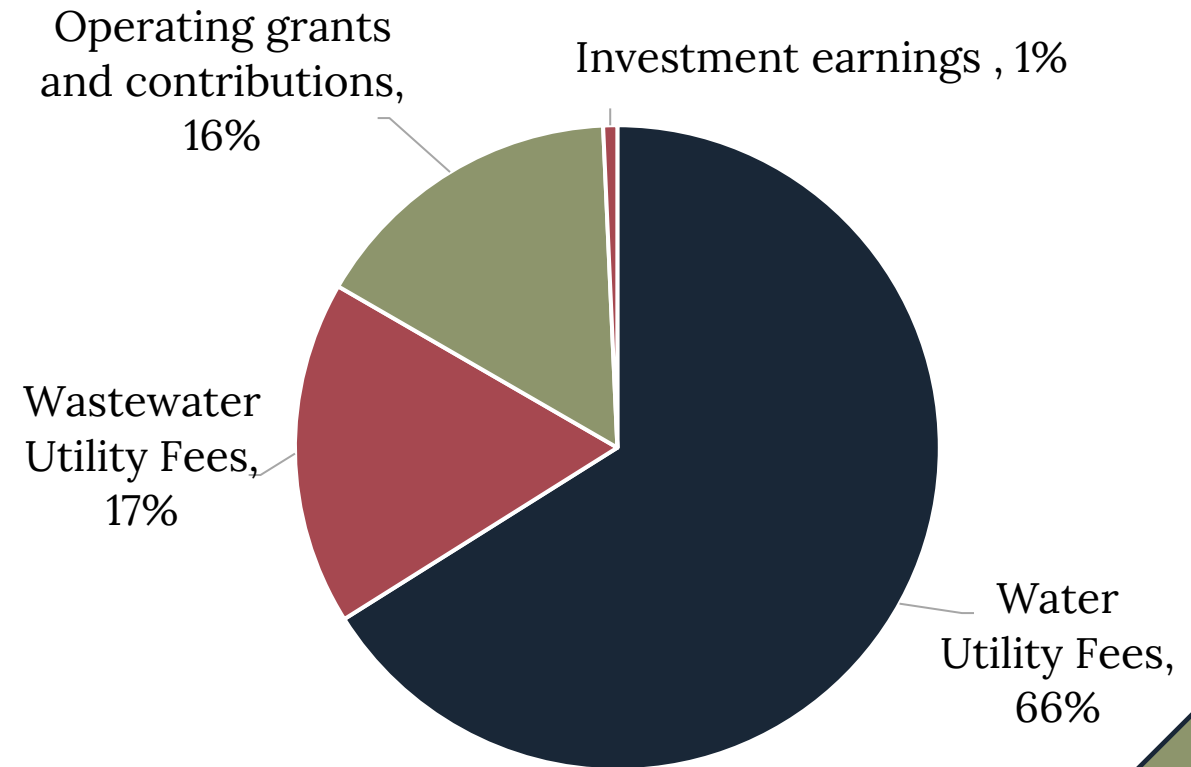
# Where Does the Money Come From ?



## General Fund Revenue

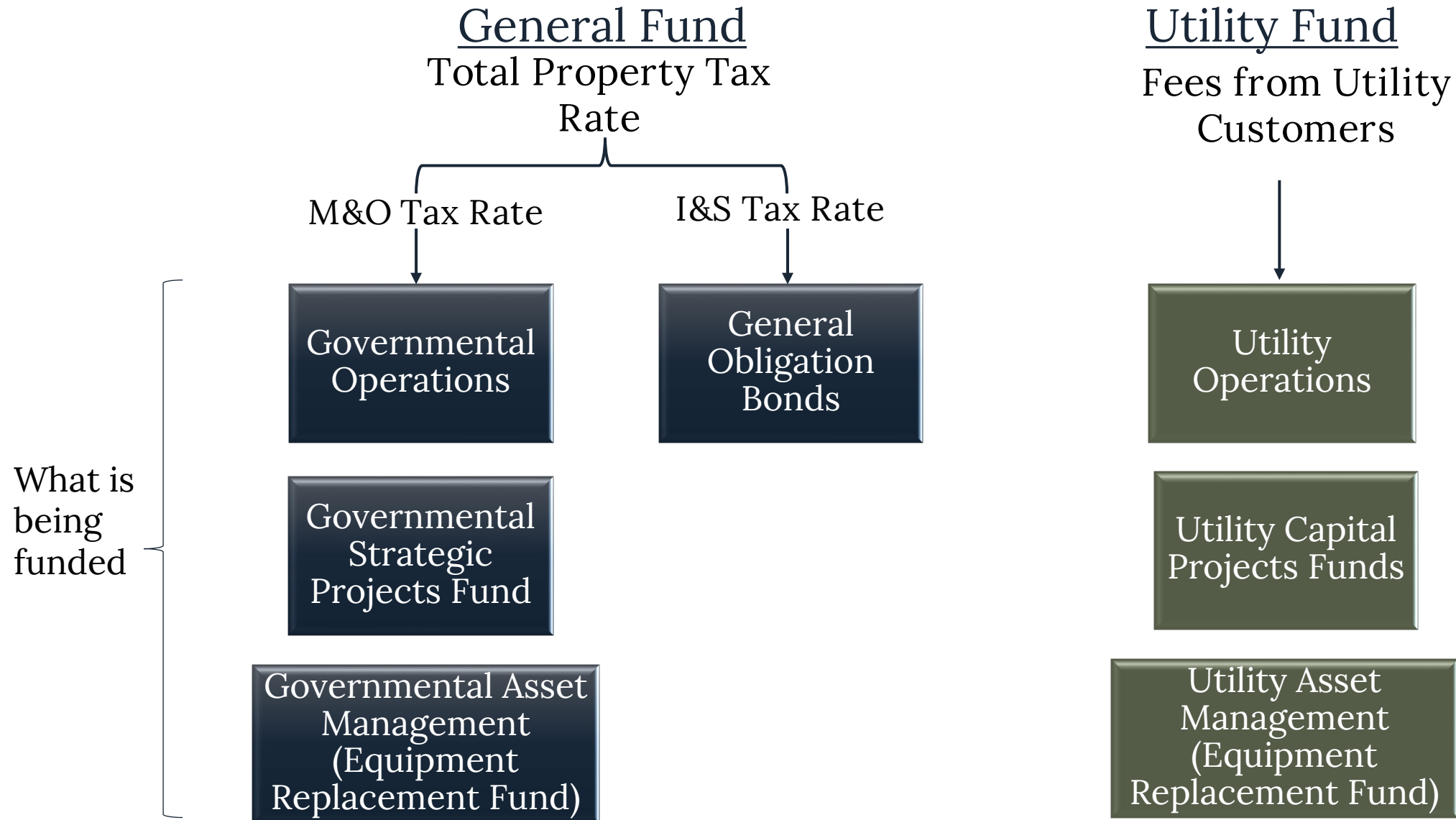


## Utility Fund Revenue





# Primary Revenue Source by Fund



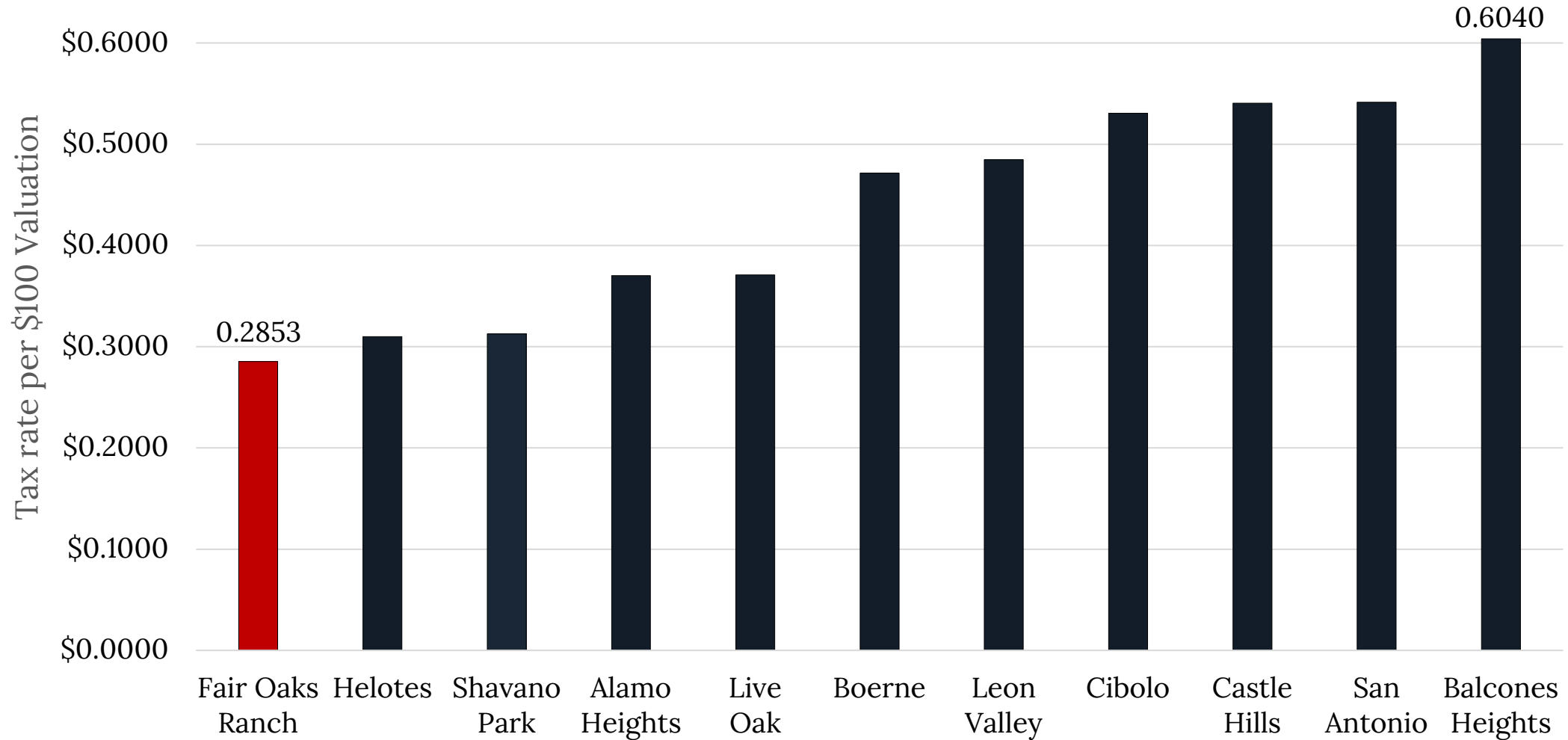


# Fair Oaks Ranch Property Tax Rate History

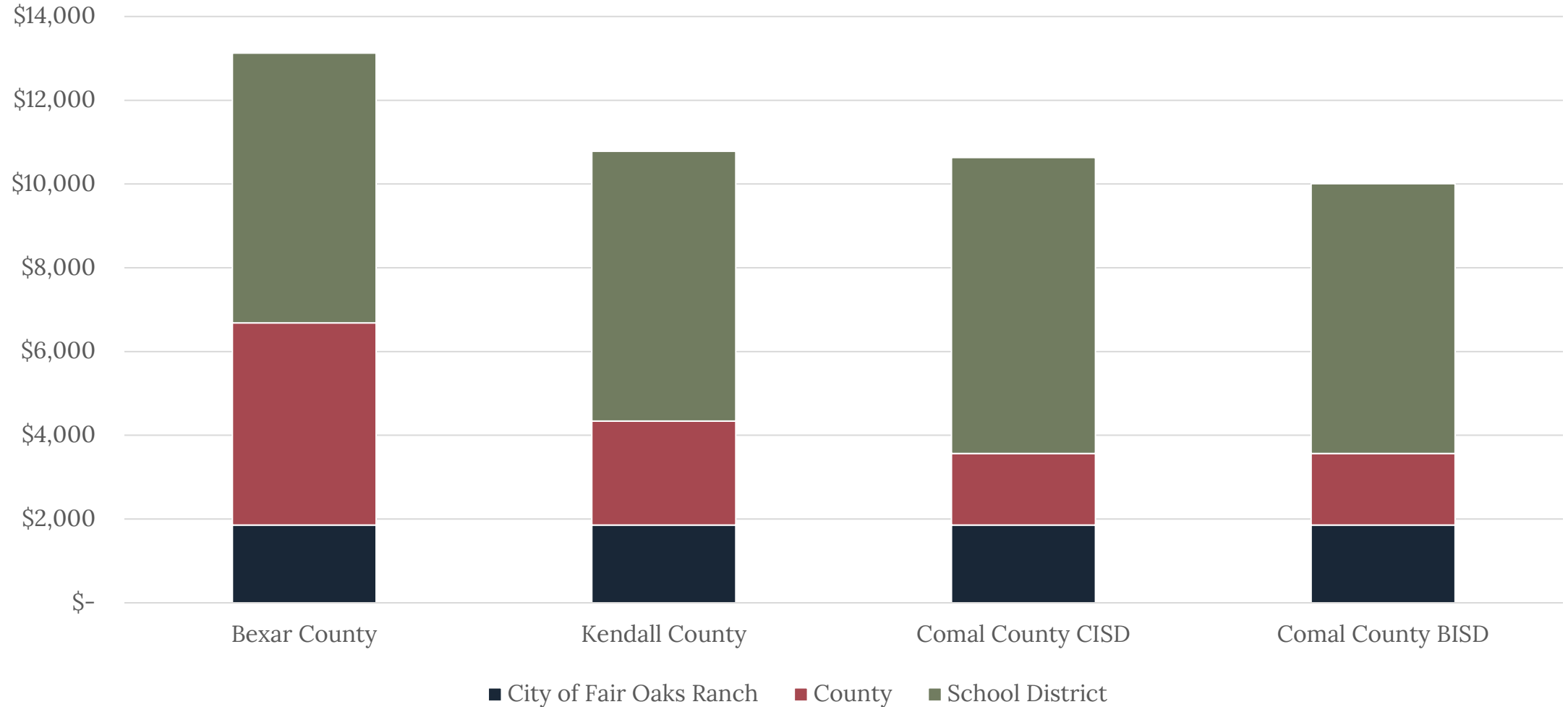




# 2024 Property Tax Rates of Surrounding Cities



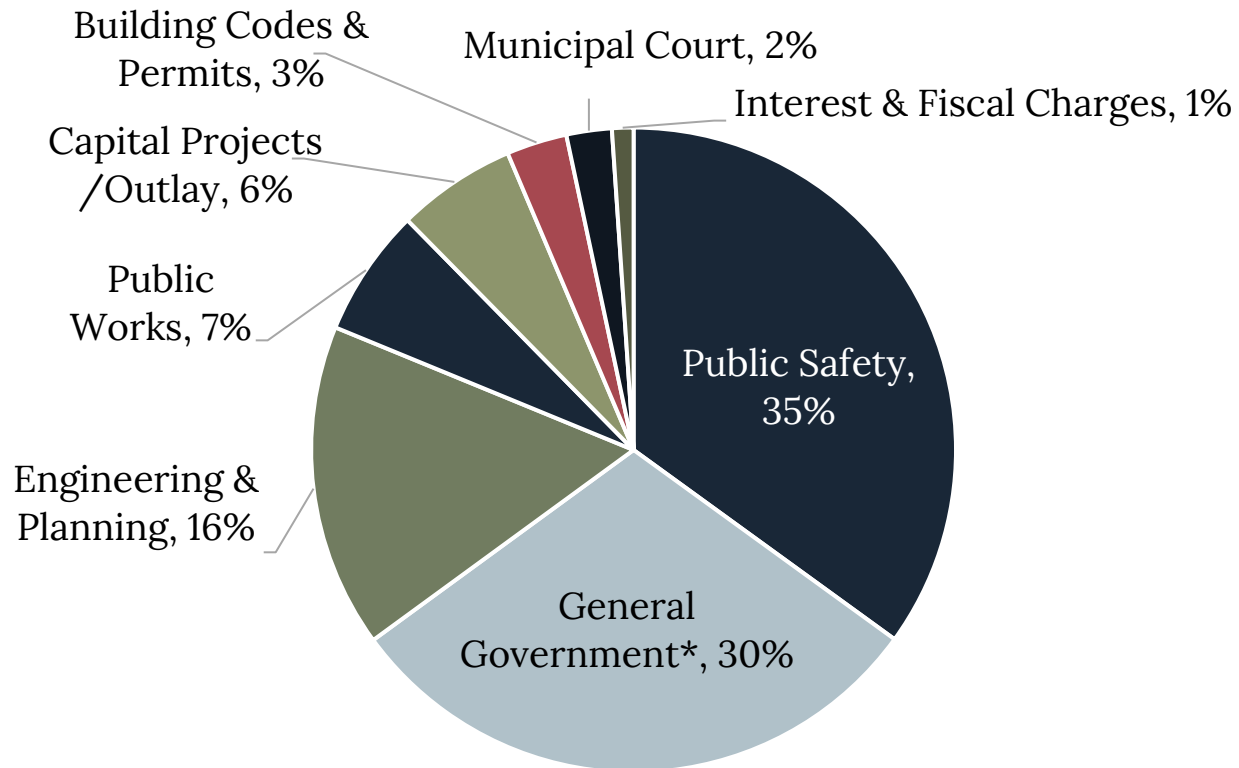
# Overlapping Taxes



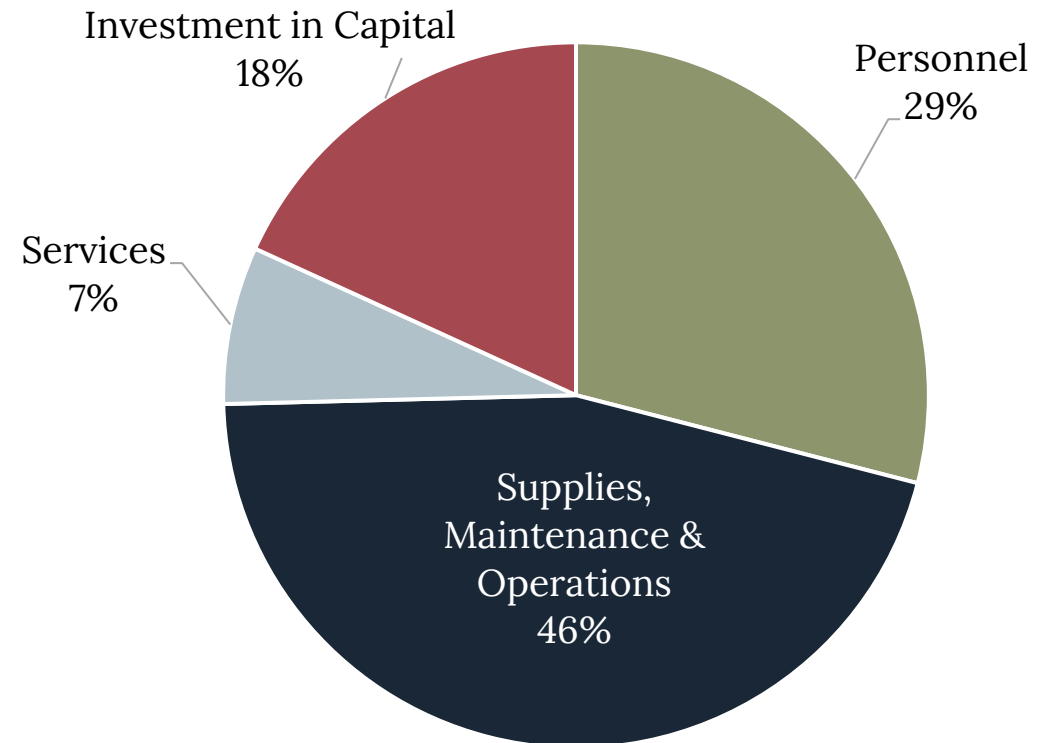


# Where Does the Money Go?

## General Fund Expenditures



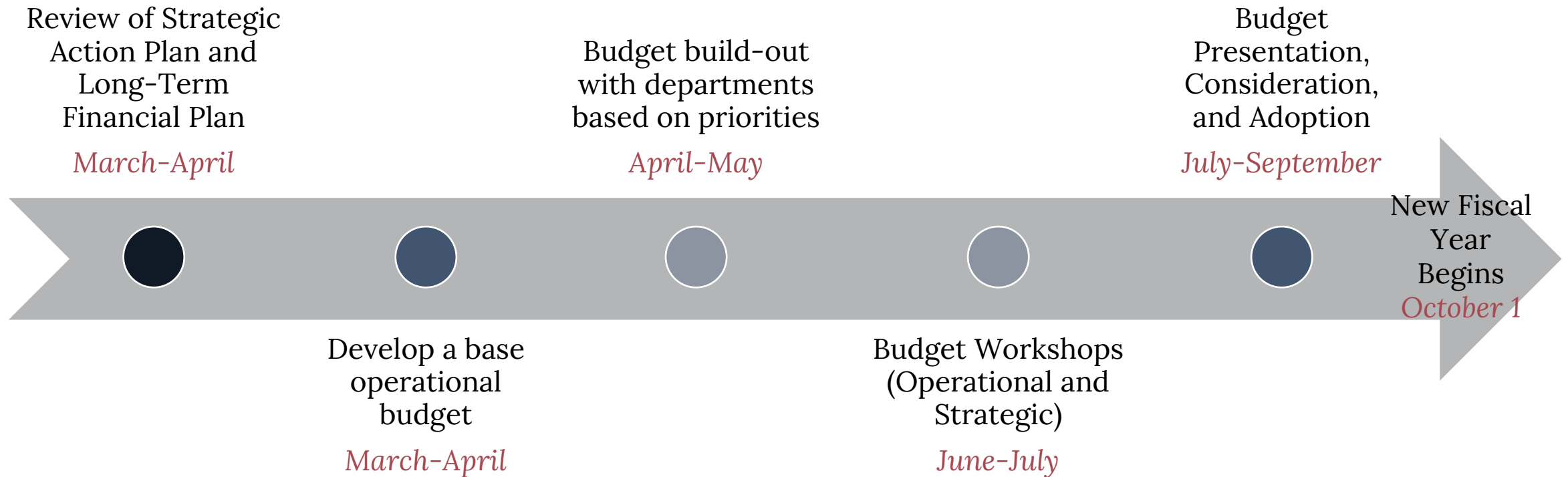
## Utility Fund Expenses



\*General government includes Administration, City Secretary, HR, Comms, Finance, IT and Non-Departmental



# Annual Budget Process



# Annual Review: Strategic Action Plan (SAP) and Five-Year Financial Plan



Financial  
Resilience and  
Responsibility



Reliable and  
Sustainable  
Infrastructure



Public Health  
and Safety



Responsible  
Growth  
Management



Operational  
Excellence

# Budget Adoption Process



Comply with  
Chapter 102 of the  
Local Government  
Code

Must adopt prior to  
the first day of the  
new fiscal year,  
October 1

Hold a public  
hearing on the  
budget

Adopt the budget  
by ordinance  
(two readings)

City Council levies  
taxes in accordance  
with the adopted  
budget

# Property Tax Rate Setting Process



July 25

- Chief Appraisers provide certified tax rolls



Mid-August

- City Council sets maximum tax rate to consider



September

- Hold Public Hearing if tax rate exceeds the NNR rate
- Vote to adopt (two readings)



# No-New-Revenue Rate (NNR)

- The total tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years.
- Because the Debt Service (I&S) rate is excluded from the NNR rate calculation, any increase in the I&S rate requires a corresponding decrease in the Maintenance & Operations (M&O) rate to stay within the NNR threshold.

$$\begin{array}{ccccccc} \text{Prior year's taxes} & & & & & & \\ \text{less taxes on} & & & & & & \\ \text{property lost this} & & & & & & \\ \text{year} & \div & \text{Current value of} & \times & \$100 & = & \text{Current value of} \\ & & \text{property taxed in} & & & & \text{property taxed} \\ & & \text{the prior year} & & & & \text{in the prior year} \end{array}$$

# Voter-Approval Rate (VAR)



- The tax rate at which a taxing unit would need to seek voter approval; roughly the same revenue as the previous year plus 3.5% increase.
- If the City adopts a tax rate lower than the VAR, that difference is calculated as Foregone Revenue and can be “banked” for three years as unused increments.
- Unused increments can be added to the unadjusted VAR to allow a City to increase the levy more than 3.5% without seeking voter approval.



FY 2025-26 BUDGET CALENDAR		
Budget Planning	April 3	*COUNCIL* Budget Calendar
	April 17	*COUNCIL* Budget Calendar Strategic Action Plan (SAP) Workshop
	May 1 (Regular Meeting)	*COUNCIL* 5-Year Financial Plan
Budget Development	June 5 (Regular Meeting)	*COUNCIL* General Fund Budget Overview - Public Works and Public Safety
	June 19 (Regular Meeting)	*COUNCIL* General Fund Budget Overview - Administration, City Sec, HR, Communications, Finance, IT, and Shared
	July 3 (Regular Meeting)	*COUNCIL* Utilities, CIP and Court
	July 17 (Regular Meeting)	*COUNCIL* Budget Update Workshop
Budget Presentation, Consideration, and Adoption	July 25	Deadline for <b>Chief Appraisers</b> to deliver certified rolls or certified estimates to taxing units and certification of anticipated collection rate by tax collector. (Tax Code Sec. 26.01(a-1))
	July 24-Aug 7	<b>CO Sale</b> -Bond package is advertised and bids are accepted
	August 7 (Regular Meeting)	*COUNCIL* Budget Overview, Award CO to the lowest bidder No-New Revenue and Voter Approval tax rates to City Council City Council confirms maximum proposed tax rate and Council takes a record vote City Council schedules one public hearing on the budget and a meeting to vote on the tax rate
	August 18	<b>City Manager</b> files budget with <b>City Secretary</b>
	August 21 (Regular Meeting)	*COUNCIL* Budget Overview
	September 11 (Special Meeting)	<b>Public Hearing for proposed budget and tax rate.</b> Council Meeting for the <b>First Reading of Budget and Tax Rate Ordinances</b> is held.
	September 18 (Regular Meeting)	<b>Second Reading</b> and adoption of the Budget and Tax Rate ordinances.