CITY COUNCIL WORKSHOP
CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC:	FY 2026-30 Five-Year Financial Plan
DATE:	May 1, 2025
DEPARTMENT:	Finance
PRESENTED BY:	Summer Fleming, CGFO, Director of Finance

INTRODUCTION/BACKGROUND:

Long-term financial planning is essential to ensuring the stability and sustainability of every city. The City of Fair Oaks Ranch maintains several long-range plans that inform its 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 serves as a bridge between long-term policy goals and the annual budget process. It directly informs the FY 2025-26 budget discussions and provides strategic financial direction for the years ahead.

For Governmental Funds (supported by property taxes), the plan outlines one baseline scenario and two alternatives. The baseline scenario relies on conservative and reasonably certain assumptions, maintaining the tax rate at the estimated no-new-revenue rate. However, this rate is insufficient to fully fund operations. As a result, the unallocated fund balance would be depleted by 2027, and operating reserves would need to be used in the following years. By 2030, the operating reserve is projected to fall to just 5% of operating expenditures—well below the policy target.

Both alternative scenarios start with the same revenue and expenditure assumptions.

- Scenario 1 issues Certificates of Obligation to fund the approved drainage Capital Improvement Plan (CIP) and increases the tax rate to sustain a 50% operating reserve, in line with current policy. This approach would deplete the unallocated fund balance by 2029 and require a $0.0348 tax rate increase over five years—raising the average tax bill by $215.
- Scenario 2 also funds the drainage CIP through Certificates of Obligation but lowers the reserve policy target to 30%. This adjustment allows the existing reserve to support operations, resulting in a $0.0595 tax rate decrease over five years. However, due to rising appraisal values, the average tax bill would still increase by $19. The unallocated fund balance would also be depleted by 2029, with the operating reserve reduced to 30% of operating expenditures.

The Utility Fund plan includes a baseline scenario and one alternative. Like the Governmental Funds plan, the Utility Fund baseline scenario uses conservative, reasonably certain assumptions and keeps water and wastewater rates unchanged. Under this scenario, the operating reserve declines to 35% of operating expenditures, well below the policy target.

The alternative scenario recommends increasing the water availability service charge and volumetric rates to support ongoing operations and maintain the operating reserve. These rates have not increased since November 2017, despite rising operational costs driven by inflation and enhanced service levels. Wastewater rates remain unchanged in both scenarios.

The FY 2026-30 Five-Year Financial Plan document provides a detailed summary of revenue and expenditure assumptions for each scenario, year-by-year financial forecasts, and graphical dashboards to support data-driven policy decisions.

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.

However, the Five-Year Financial Plan is not a forecast. Rather, it is intended to provide outcomes given certain sets of assumptions. The plan is intended to be enhanced annually with updated assumptions based on policy direction and new information.

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.