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## CITY COUNCIL REPORT

### CITY OF FAIR OAKS RANCH, TEXAS

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AGENDA TOPIC: Financial and Investment Report for the Quarter Ended June 30, 2025  
DATE: August 7, 2025  
DEPARTMENT: Finance  
PRESENTED BY: Summer Fleming, CGFO, Director of Finance

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#### **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. The quarterly report provides a comprehensive update on the implementation of the budget and includes an updated projection of the budget outcome for the fiscal year.

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 report is being made to comply with the reporting requirements for the quarter that ended June 30, 2025.

#### **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:**

Projections have been updated through the end of the third quarter, June 30, 2025, showing continued strength in the general fund's financial position compared to the prior quarter. Year-to-date revenues total \$9.36 million, with full-year projections reaching \$11.11 million, exceeding the adopted budget of \$11.04 million. Expenditures are projected at \$10.71 million, resulting in a \$400,000 surplus added to the fund balance.

The positive variance is driven by:

- Increased property tax collections
- Higher-than-anticipated interest earnings
- A secured Municipal Development District grant for the gateway monument
- Personnel savings from vacancies and reduced associated costs

The projected ending fund balance is \$8.07 million, which includes the required 6-month operating reserve of \$4.8 million.

As of the FY 2024-25 year-end projection, the Utility Fund reflects a mixed financial performance. Operating revenues are expected to total \$6.17 million, exceeding the budget by \$161,003. Operating expenditures are projected to be \$138,000 under budget, indicating continued cost efficiency. However, after accounting for depreciation, a non-cash expense representing the wear and tear on the utility's infrastructure, the Utility is projected to show an operating loss of approximately \$439,000.

Non-operating revenues are estimated at \$2.17 million, about \$60,000 below budget. Despite the operating loss, the utility is still expected to increase its net position by \$1.59 million, driven largely by investment in capital assets that support long-term infrastructure.

By year-end, the utility's net position is projected at \$20.3 million, including \$13.4 million invested in capital assets. The remaining balance includes \$3.3 million in operating reserves, representing 7 months of operating expenses, as well as reserves for debt service, future capital projects, and asset replacement.

The City currently has funds in Frost Bank and three local government investment pools: TexPool, TexPool Prime, and Texas CLASS. Investments earned \$292,543 in interest during the quarter and totaled \$26.94 million on June 30, 2025.