



CITY COUNCIL WORKSHOP

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: FY 2025-26 Budget Workshop
DATE: August 7, 2025
DEPARTMENT: Finance
PRESENTED BY: Summer Fleming, CGFO, Director of Finance

INTRODUCTION/BACKGROUND:

This is the fourth workshop for developing the FY 2025-26 Budget. This workshop covers the proposed budgets for all funds, capital projects, and related tax rate impacts. The purpose of these workshops is to keep both the City Council and the public informed and engaged in the budget process. They also provide an opportunity to refine budget proposals and adjust service priorities based on Council input.

This is the final workshop before the FY 2025-26 Proposed Budget is officially filed with the City Secretary on August 18, 2025. A Public Hearing on the proposed budget and tax rate will be held during a special meeting on September 15, 2025, followed by the first reading of the adopting ordinances. Final adoption is scheduled for the regularly scheduled City Council meeting on September 18, 2025.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Budget workshops encourage open discussion and collaboration between residents and officials, fostering a sense of ownership and trust in the budget process.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

General Fund Budget Overview:

The proposed FY 2025-26 General Fund budget projects total revenues of \$11.08 million, reflecting a 6.4% increase in property tax revenue and a 2.2% increase in sales tax revenue. Operating expenditures are proposed at \$10.62 million, an increase of 7.5% over the prior year. However, total expenditures—including capital and transfers—are increasing only 3.4%.

The proposed budget is balanced and sustains the high level of service our residents expect. It continues to build reserves for future capital replacements and maintains an operating reserve equivalent to six months of operating expenditures. Under this budget, the unassigned fund balance is projected to be \$2.47 million at the end of the year.

Strategic Projects Fund Budget Overview:

The proposed FY 2025-26 Strategic Projects Fund budget totals \$495,480 and includes funding for a City facilities master plan, fencing at Fire Station #3, a new strategic planning process, and completion of two ongoing drainage projects. No transfer from the General Fund is needed because

the Strategic Projects Fund has sufficient remaining balance from prior project savings and cancellations.

Combined Utility Fund Budget Overview:

The proposed Utility Fund budget includes \$6.24 million in operating revenues to support \$6.10 million in operating expenditures, resulting in an operating income of \$141,270 before depreciation. Non-operating revenues are projected at \$2.23 million, primarily from impact fees, capital reserve fees, debt service fees, and interest earnings. After accounting for capital expenditures and debt service, the proposed budget reflects a \$648,396 increase in the Utility Fund's net position.

Total operating expenses are increasing by 8% compared to last year's budget. The proposed budget includes new investments in utility infrastructure, one-time improvements to meet TCEQ requirements, continued contributions to reserves for future replacement of utility vehicles and equipment and maintains an operating reserve equal to 7 months of expenses.

Key budget additions include the following:

- Sewer manhole rehabilitation - \$100,000
- Replacement water plant flow meters - \$111,240
- Replacement firewall for SCADA system - \$35,000
- Replacement of three well pumps (if needed) - \$150,000
- Replacement mini excavator - \$62,698
- Continuation of projects in the Water CIP - \$7,070,241
- Continuation of projects in the Wastewater CIP - \$1,828,508