City of Fair Oaks Ranch, Texas

Popular Annual Financial Report

For the Fiscal Year Ended September 30, 2022

Dear Residents,

I am pleased to present to you the Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2022. The goal of this report is to give citizens insight into the finances of the City and how public funds are spent to provide City services.

Moving the City forward requires balancing strategic financial planning with community needs and expectations. We are proud of the high level of service the City provides its residents, while maintaining a low property tax rate. Fair Oaks Ranch continues to grow, using the City Council's goals as a solid foundation and maintaining fiscal and financial stability.

We are honored to serve this community and committed to preserving the unique quality of life that makes the City of Fair Oaks Ranch so special.

Sincerely,

Tobin E. Maples, AICP

City Manager

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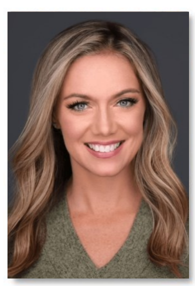
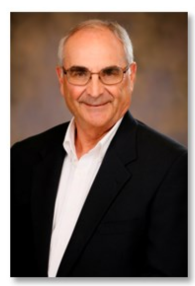
MAYOR & COUNCIL

Greg Maxton
Mayor



Emily Stroup
Council Member, Place 1



Roy Elizondo
Council Member, Place 2

Michelle Bliss
Council Member, Place 3

Laura Koerner, Mayor Pro-Tem
Council Member, Place 4

Scott Parker
Council Member, Place 5

Chesley Muenchow
Council Member, Place 6

Popular Annual Financial Report

A Popular Annual Financial Report (PAFR) is a document that consolidates information from the Annual Comprehensive Financial Report (ACFR) to create an easy-to-read report for citizens. This report is designed to provide a summary of the City's overall financial condition in a user-friendly format.

Although this report is largely derived from the City's 2022 ACFR, it is not prepared in accordance with generally accepted accounting principles (GAAP). The report is presented in a summarized manner and certain financial statements, discretely presented component units and note disclosures required by GAAP are omitted. A copy of the City's audited 2022 Annual Comprehensive Financial Report, which is prepared in accordance with GAAP and contains more detailed information, is located on the City's website at:

https://www.fairoaksranchtx.org/513/Financial-Reports

Awards

The City of Fair Oaks Ranch, Texas was awarded the Award for Outstanding Achievement in Popular Annual Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada for the year ended September 30, 2021. This was the 1st year the City has achieved this award.

In order to be eligible for the PAFR Award, a government must also submit its ACFR to GFOA's Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the same fiscal year. The City was awarded the Certificate of Achievement for Excellence in Financial Reporting by GFOA for its annual comprehensive financial report for the year ended September 30, 2021. This was the 5th consecutive year the City had achieved this award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. A Certificate of Achievement is valid for a period of one year only.

The City was also awarded the GFOA Distinguished Budget Presentation Award for its Annual Budget for the fiscal year beginning October 01, 2021. This was the 3rd consecutive year the City had achieved this award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications device. This award is valid for a period of one year only.

The City continues to strive for excellence in financial reporting and a high level of transparency for its citizens by making financial information readily accessible to the public.

CITY OF FAIR OAKS RANCH BY THE NUMBERS

POPULATION : est. 10,505

INCORPORATION: 1988

LAND AREA: 7,861 ACRES

HOME RULE CHARTER: 2017

SPANS 3 COUNTIES: BEXAR, KENDALL AND COMAL

CITY

78 BUDGETED FULL TIME EMPLOYEES

- PUBLIC WORKS & ENGINEERING SERVICES: 30
- PUBLIC SAFETY: 28
- ADMINISTRATION: 5
- FINANCE: 6
- INFORMATION TECHNOLOGY: 2
- MUNICIPAL COURT: 2
- HR & COMMUNICATIONS: 3
- CITY SECRETARY: 2

BUILDING CODES

133 NEW RESIDENTIAL HOME PERMITS ISSUED

84% COMPLIANCE RATE FOR BACKFLOW PREVENTION

27 HEALTH INSPECTIONS AND 44 FIRE INSPECTIONS CONDUCTED

PUBLIC SAFETY

25 SWORN OFFICERS

1 K-9 OFFICER “BUDDY”

RECOGNIZED AS BEST PRACTICES AGENCY

4,031 CALLS FOR SERVICE

PUBLIC WORKS

77 MILES OF WATER LINES

5 WATER PLANTS

1 WASTEWATER PLANT

3,201 WATER SERVICE CONNECTIONS

1,979 SEWER CONNECTIONS

60 MILES OF ROADWAY

90,912,910 GALLONS OF WASTEWATER TREATED THIS YEAR

History of "The Ranch"

The City of Fair Oaks Ranch had its beginnings as a working ranch when several parcels of land were acquired by oil man Ralph Fair, Sr. during the 1930s. The ranch was first a center for a racehorse operation. Later, Mr. Fair established a registered Hereford cattle operation.

After the death of Mr. and Mrs. Fair, the remaining family decided to develop a 5,000 acre portion of the ranch as a residential community. A homeowner's association was formed in 1975 with Boots Gaubatz as the president.

In 1985 the Fair Oaks Ranch Homeowners Association began to consider incorporation as a Type A General Law Municipality. Boots, along with Bob Herring and Don King, led the process and are now known as the "founding fathers" of Fair Oaks Ranch. The City was eventually incorporated in 1988.

Once the population of Fair Oaks Ranch reached 5,000, the City was eligible for home rule. The draft home rule charter was introduced a decade later. In May 2017, the home rule election was held with over 90% of voters supporting the change.

Fair Oaks Ranch was created by a group of visionaries who had both the foresight and the political courage to dream of a special community and make it a reality. The ability to make the city a reality was enhanced by having a single development company for many years and working with a family that had a desire for their ranch to become a unique community. This commonality of vision was the glue that held the development process together and created such a unique city.

Location of Fair Oaks Ranch

San Antonio - 27 miles

Austin - 65 miles

Houston - 195 miles

Dallas - 237 miles

Corpus Christi - 153 miles

El Paso - 530 miles

GOVERNMENTAL ACTIVITIES

Total Revenues			
Revenues	FY 2022	FY 2021	FY 2020
Property Taxes	$ 6,614,489	$ 6,482,238	$ 6,202,561
Sales Tax	1,603,934	1,460,542	1,191,455
Operating Grants and Contributions	1,283,952	190,841	3,728
Charges for Services	968,001	915,200	809,858
Franchise Fees	761,408	651,534	605,103
Investment Earnings	80,336	4,345	72,151
Other Revenue	28,394	40,328	79,353
Total Revenues	**$ 11,340,514**	**$ 9,745,028**	**$ 8,964,209**

Total Expenses			
Expenses	FY 2022	FY 2021	FY 2020
Public Safety	$ 3,456,846	$ 3,161,031	$ 3,001,619
General Government	2,443,992	2,135,936	2,385,589
Engineering & Planning	1,493,654	976,254	718,380
Public Works	920,678	922,990	870,398
Building Codes & Permits	273,015	253,665	248,414
Municipal Court	206,843	192,956	184,553
Total Expenses	**$ 8,795,028**	**$ 7,642,832**	**$ 7,408,953**

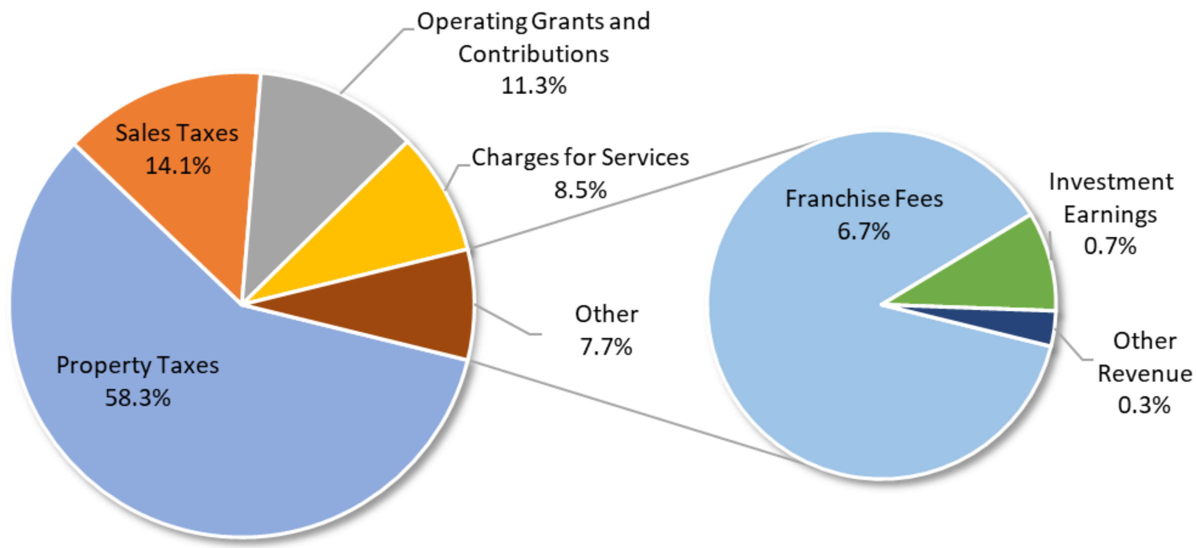
UTILITY

Total Revenues			
Revenues	FY 2022	FY 2021	FY 2020
Charges for Services	$ 6,497,720	$ 5,681,369	$ 5,839,886
Operating Grants and Contributions	$ 1,244,133		
Investment Earnings	55,063	3,066	49,749
Total Revenues	**$ 7,796,916**	**$ 5,684,435**	**$ 5,889,635**

Total Expenses			
Expenses	FY 2022	FY 2021	FY 2020
Water Utility	$ 3,823,338	$ 3,195,856	$ 3,841,323
Wastewater Utility	2,080,948	1,677,631	1,577,407
Total Expenses	**$ 5,904,286**	**$ 4,873,487**	**$ 5,418,730**

Where does the money come from?

Governmental revenues represent funding the City receives to provide core services to residents. Property taxes are the largest source of governmental revenues followed by sales taxes. The graph below provides a summary of governmental revenues by type for fiscal year 2022.



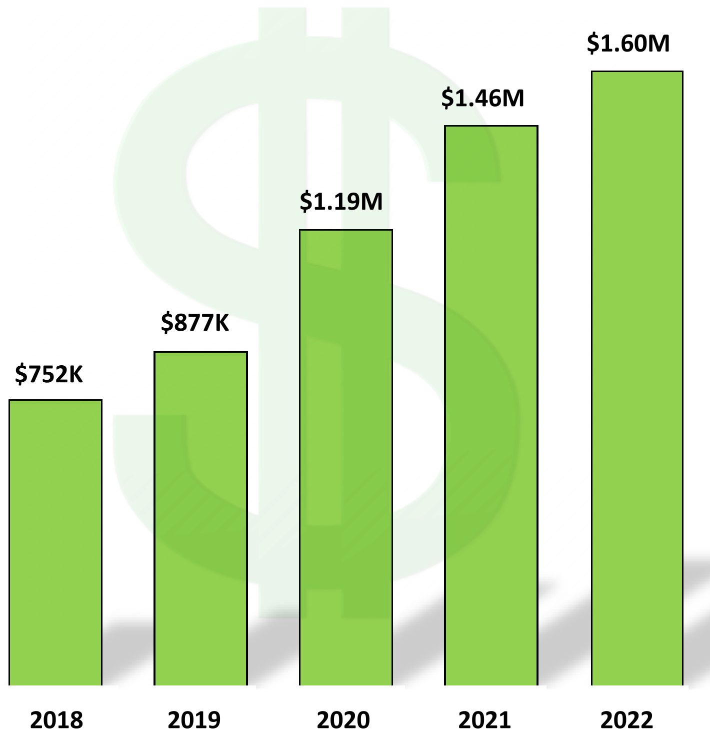
In total these revenues increased $1,595,486 when compared to the prior fiscal year. The increase is largely attributable to a $1,093,011 increase in operating grants received from the Coronavirus State and Local Fiscal Recovery Fund, a part of the American Rescue Plan, to support the City's response to and recovery from the COVID-19 emergency.

Sales taxes increased $143,392 from the prior year, due in large part to inflation and a continued increase in online sales. With a limited commercial footprint, the change in shopping habits from brick and mortar establishments to shopping online had a positive impact on the City's sales tax revenue.

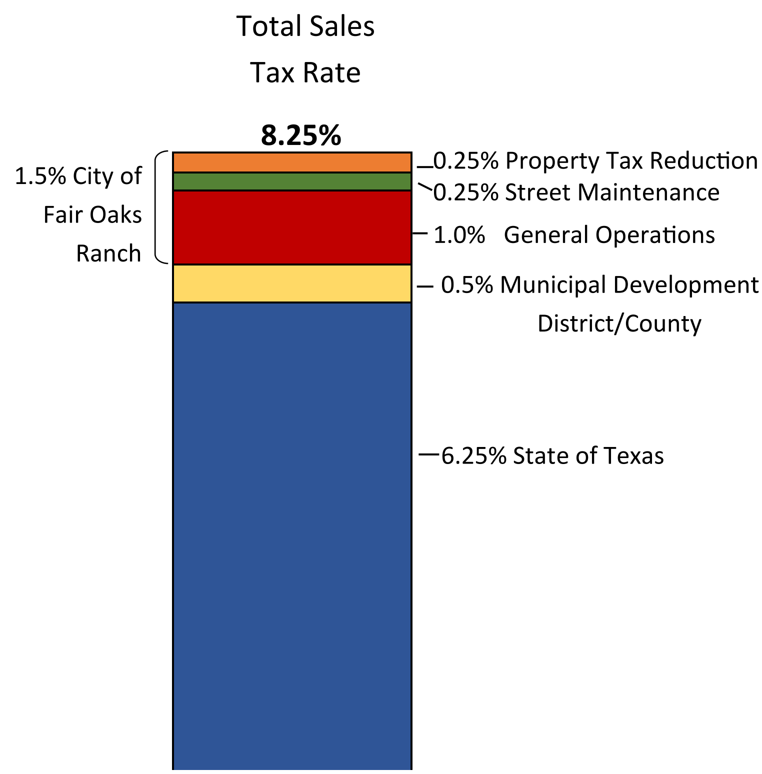
Property tax revenues increased $132,251 from the prior year. The property tax rate for fiscal year 2022 was $0.3518 per $100 taxable value, which was a decrease from $0.3735 the prior year; however, assessed property values went up within the City, increasing property tax revenues.

Franchise fees increased $109,874 in total from the prior year. Much of this increase was from electric and gas utility providers due to a combination of higher utility rates charged to customers and an increase in development and usage within the City.

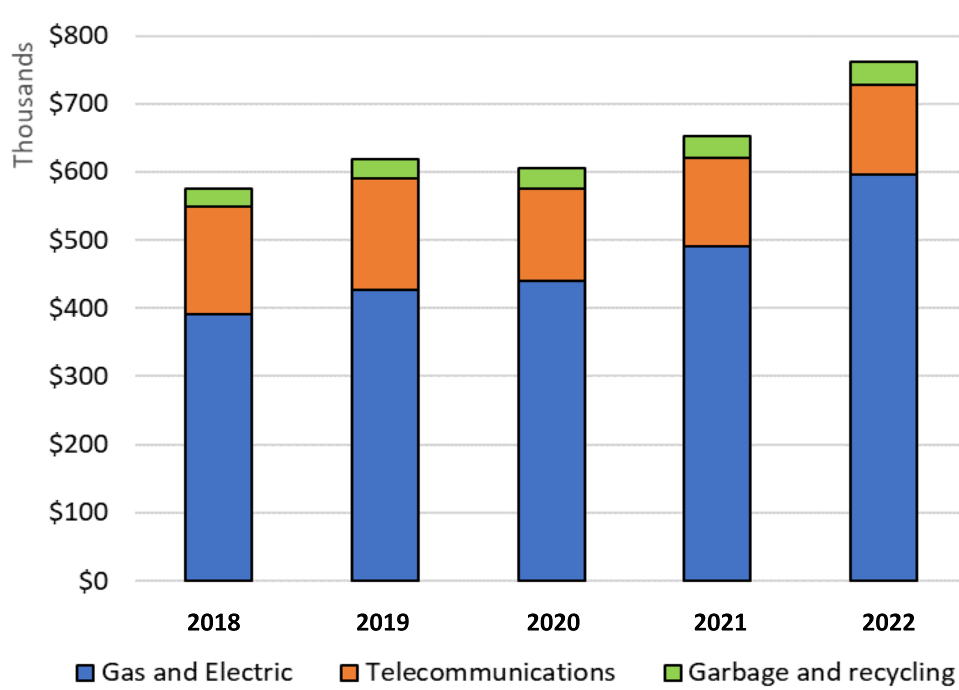
SALES TAX REVENUE OVER FIVE YEARS



SALES TAX DOLLAR DISTRIBUTION



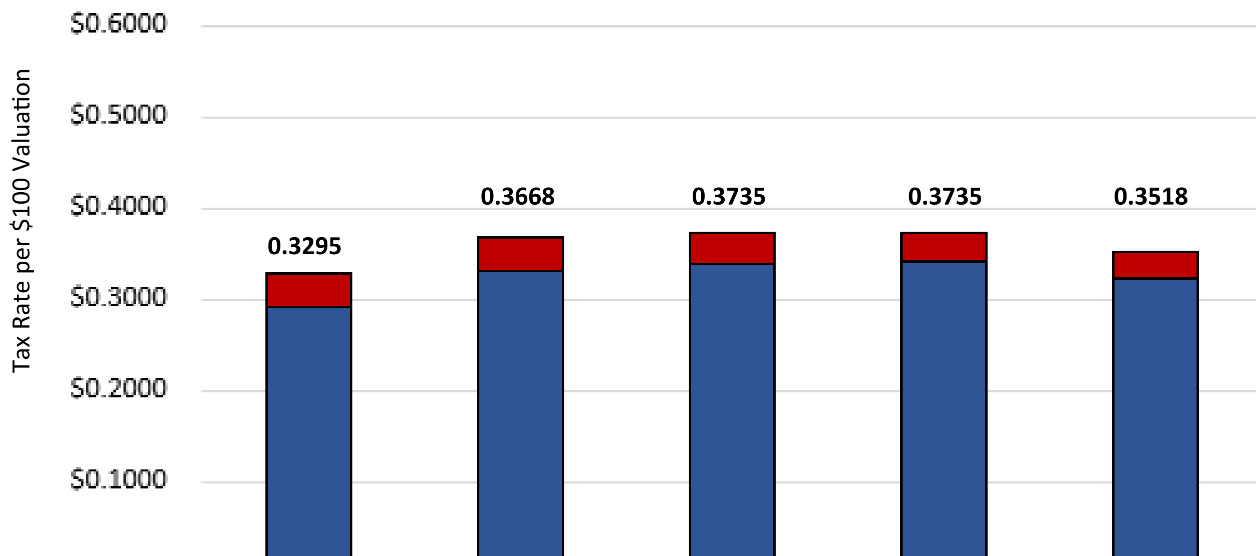
FRANCHISE FEE REVENUE OVER FIVE YEARS



FISCAL YEAR 2022 TAX RATE

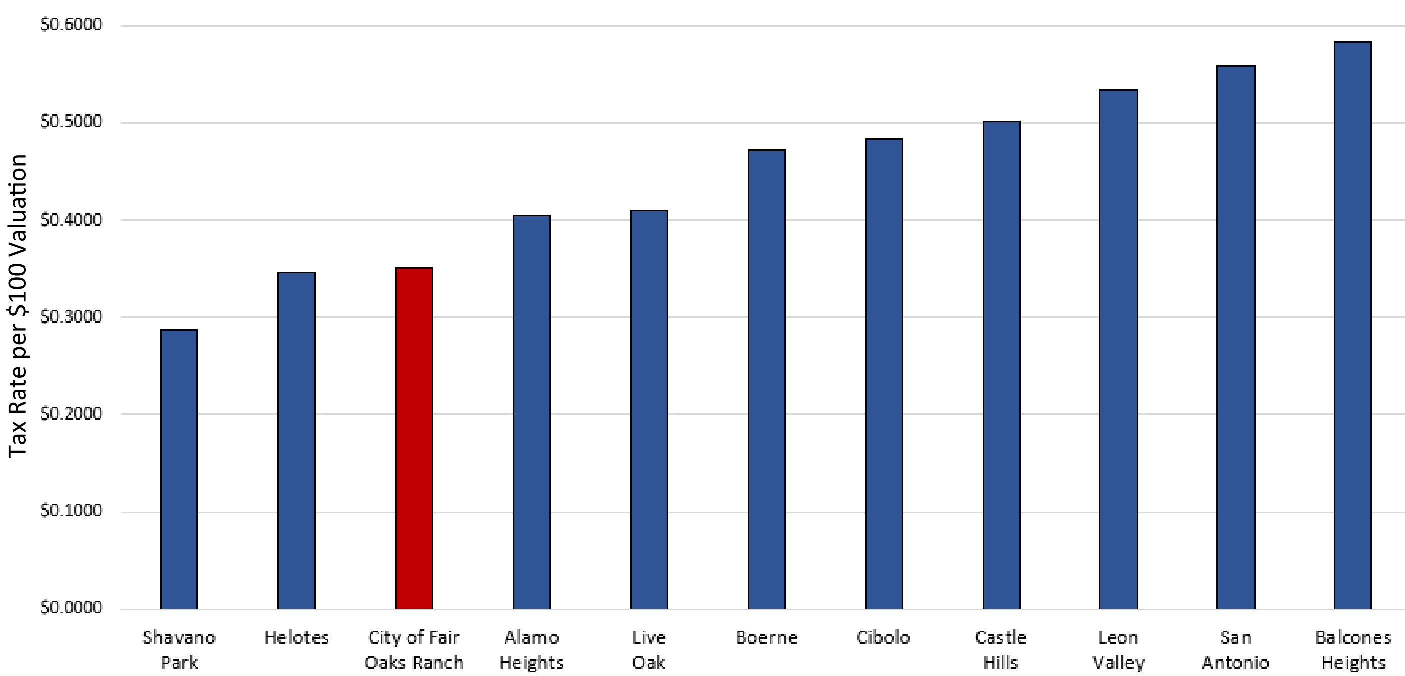
The maintenance and operations (M&O) portion of the City's property tax rate pays for daily operational costs such as personnel, supplies, and maintenance. The debt service (I&S) portion of the tax rate pays for the City's obligation for debt that was issued for roadway improvements.

FAIR OAKS RANCH PROPERTY TAX RATE HISTORY BY YEAR



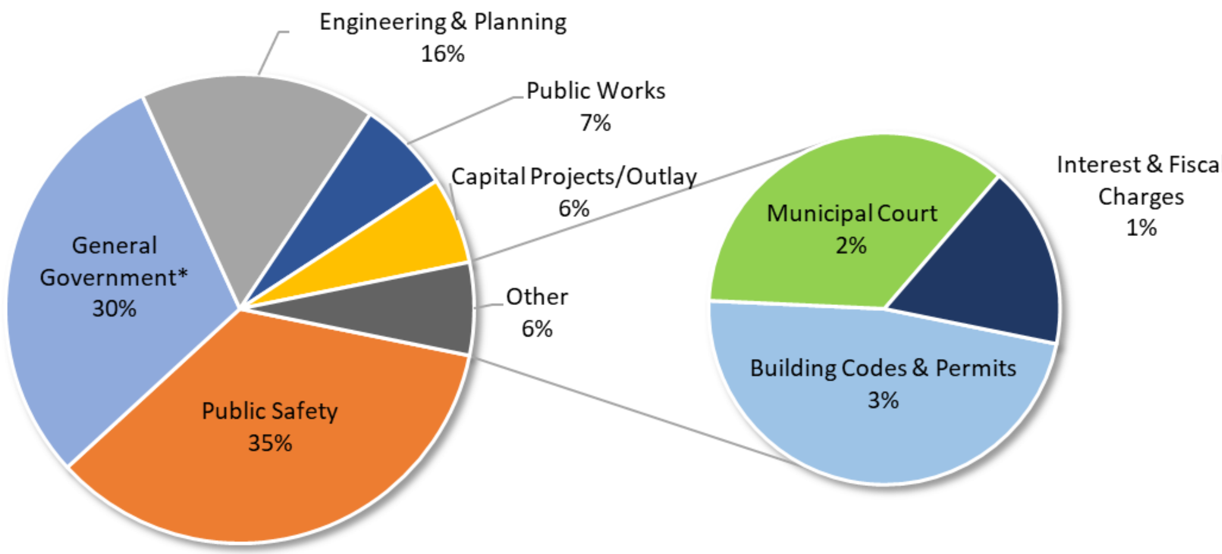
	2018		2019		2020		2021		2022	
M&O Rate	$	0.2909	$	0.3306	$	0.3395	$	0.3409	$	0.3223
I&S Rate	$	0.0386	$	0.0362	$	0.0340	$	0.0326	$	0.0295
Total Rate	$	0.3295	$	0.3668	$	0.3735	$	0.3735	$	0.3518

2022 PROPERTY TAX RATES FOR SURROUNDING CITIES



How does the City of Fair Oaks Ranch serve you?

Governmental expenditures are essentially the cost to run daily operations. These expenditures maintain service levels and continuing operations throughout the City. In fiscal year 2022, the City's total governmental expenditures were $9.26 million. Public safety, which includes police, fire, EMS, and animal control, is the City's largest spending category accounting for 35% of governmental expenditures.



**General Government includes Administration, City Secretary, HR & Communications, Finance, IT, and Non-Departmental*

MAJOR PROJECTS COMPLETED OR IN PROGRESS

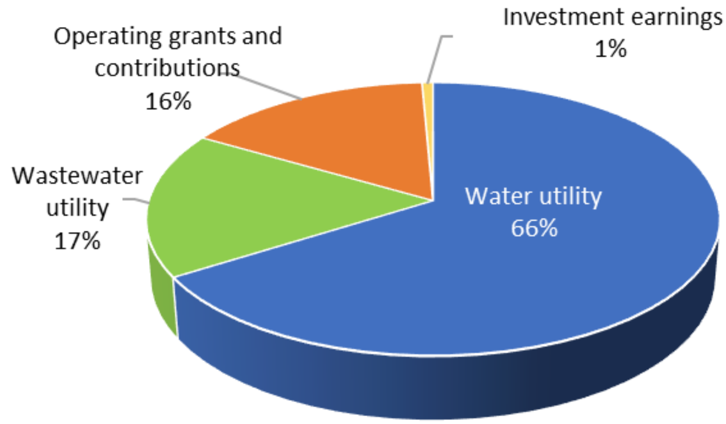
- Chartwell Lane intersection realignment at entrance to elementary school
- City Hall renovation
- Livestreamed council meetings and municipal court proceedings
- Drainage capital improvement plan projects

Utilities and Major Projects

Where does the money come from?

The Utility Fund's main source of revenue is the charge for water and sewer services. Utility rates are set by the City Council.

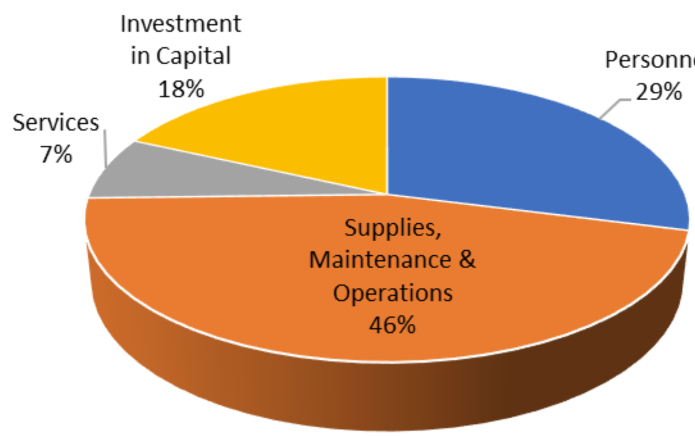
Utility Revenues



Where does the money go?

Services provided by the Utility Fund include water treatment and distribution, wastewater collection and treatment, utility billing and administration, and meter reading. The majority of the expenses go toward maintaining the infrastructure that supplies these services.

Utility Expenses



MAJOR UTILITY PROJECTS IN PROGRESS

- Volute dewatering press/solids handling
- Water Plant 2 Upgrades
- Wastewater Rate Study
- SCADA Systems Upgrades
- Elevated Water Storage Tank Design
- EPA Risk Assessment Study
- Wastewater Treatment Plant Study

Volute Dewatering Press

Plant 2 Hydropneumatic Tank

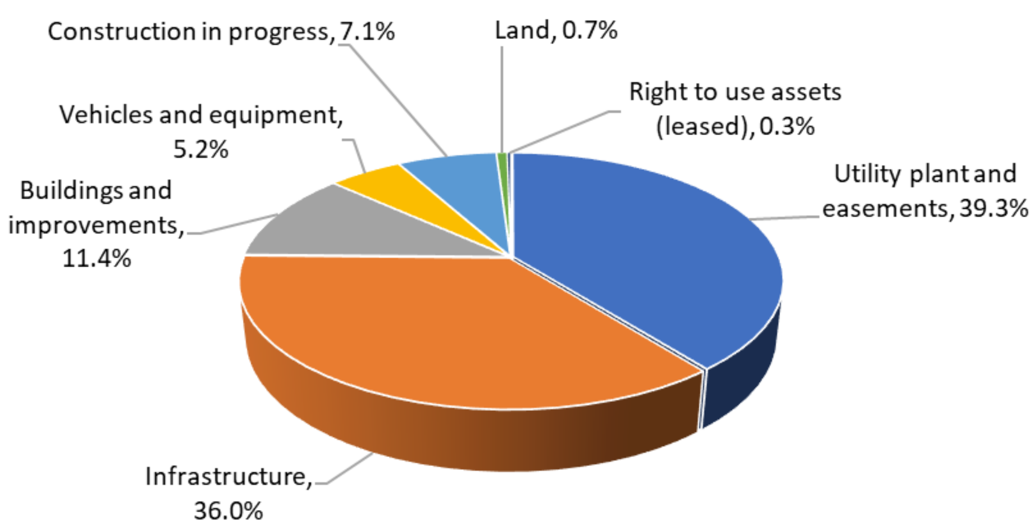
LONG-TERM DEBT

Long-Term Liabilities Year-Ended September 30, 2022			
	Range of Interest Rates	Unpaid Principal	FY 2023 Annual Payment
Governmental activities			
Road Reconstruction Bond, Series 2015	1.0-3.0%	$ 3,985,000	$ 460,000
Utility			
Utility Capital Lease Refinance Series 2020	1.01%	$ 2,115,000	$ 320,000

CAPITAL ASSETS

Change in Capital Assets Year-Ended September 30, 2022			
	Governmental Activities	Utility	Total
Beginning Balance	12,142,963	10,511,383	22,654,345
Additions	658,258	936,562	1,594,820
Deletions	-	-	-
Accumulated Depreciation	(673,681)	(760,023)	(1,433,704)
Ending Balance	$ 12,127,539	$ 10,687,922	$ 22,815,462

ASSET DISTRIBUTION

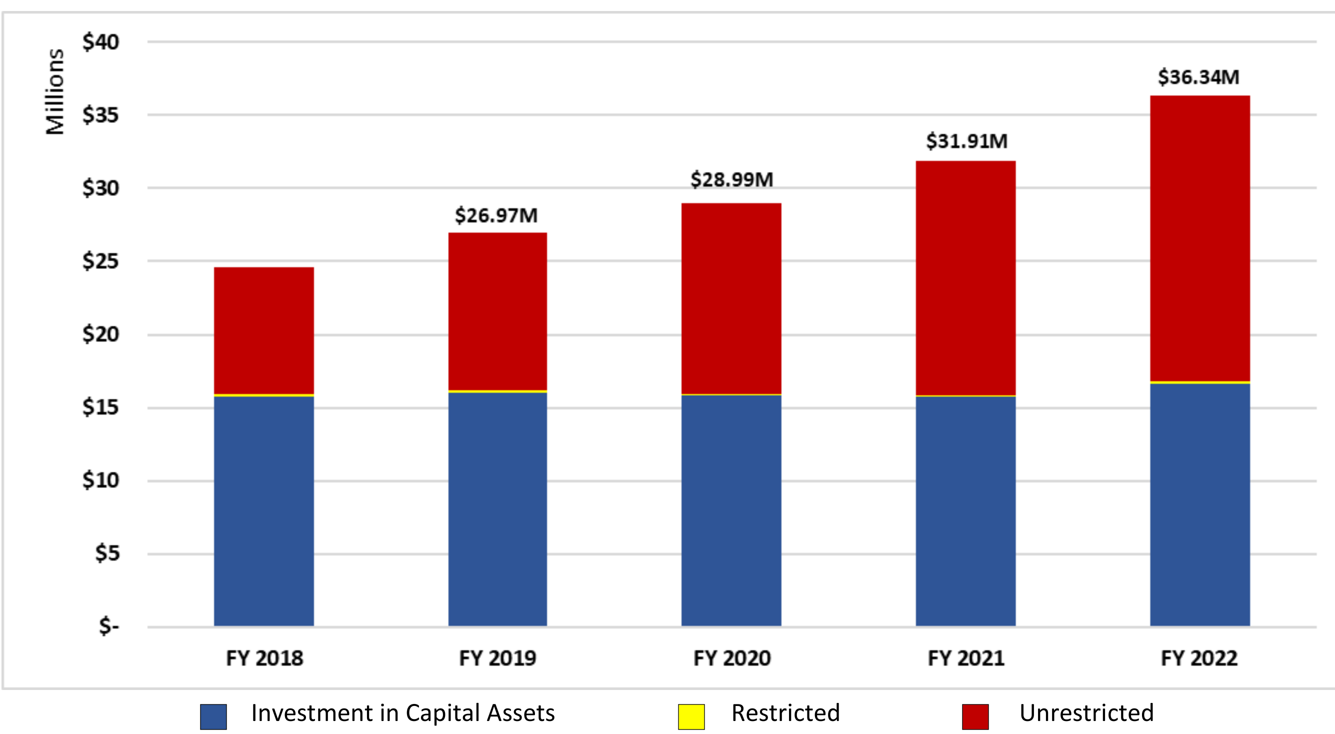


How is the City doing?

The difference between the City's assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The graph below illustrates the City's net position change over the last five years.

	2018	2019	2020	2021	2022
Governmental activities					
Net investment in capital assets	$ 7,334,582	$ 7,576,143	$ 7,523,360	$ 7,647,912	$ 8,025,653
Restricted	95,553	108,461	132,938	153,339	166,961
Unrestricted	3,277,879	5,128,445	6,712,007	8,669,250	10,823,373
Total Governmental activities net position	$10,708,014	$12,813,049	$14,368,305	$16,470,501	$19,015,987
Utility					
Net investment in capital assets	$ 8,464,020	$ 8,466,058	$ 8,307,519	$ 8,081,383	$ 8,572,922
Unrestricted	5,448,975	5,686,797	6,316,241	7,353,325	8,754,416
Total Utility net position	$13,912,995	$14,152,855	$14,623,760	$15,434,708	$17,327,338
City					
Net investment in capital assets	$15,798,602	$16,042,201	$15,830,879	$15,729,295	$16,598,575
Restricted	95,553	108,461	132,938	153,339	166,961
Unrestricted	8,726,854	10,815,242	13,028,248	16,022,575	19,577,789
Total City net position	$24,621,009	$26,965,904	$28,992,065	$31,905,209	$36,343,325

NET POSITION HISTORY



DEFINITION OF KEY TERMS

CAPITAL ASSETS - Assets of a long-term character which are intended to continue to be held or used. Examples of capital assets include items such as land, buildings, machinery, furniture and other equipment

EXPENDITURE - Funds spent in accordance with the budgeted appropriations on assets or goods and services obtained

FISCAL YEAR - A 12-month period in which the annual operating budget applies. The City of Fair Oaks Ranch has established October 1 through September 30 as its fiscal year

FRANCHISE FEE - A fee paid by public service businesses for the use of City streets, rights-of-way and property in providing their services to the citizens of the City. Services requiring franchises include electricity, telephone, cable television, sanitation, water and wastewater

FUND - An accounting entity with a self-balancing set of accounts that record financial transactions for specific activities or government functions

FUND BALANCE - The difference between a fund's assets and liabilities

GENERAL FUND - The operating fund of the City that accounts for the ordinary maintenance and operations of the City that are financed from taxes and other general revenues. It is used to account for all financial resources except those required to be accounted for in another fund

GOVERNMENTAL ACTIVITIES - Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues

NET POSITION - The difference between an entity's assets plus deferred outflows of resources and its liabilities plus deferred inflows of resources. Net position has the following three components: net investment in capital assets; restricted net position; and unrestricted net position

OPERATING GRANTS - Revenues that are restricted for use in a particular program arising from mandatory and voluntary non-exchange transactions with other governments or organizations

PROPERTY TAX - Ad valorem tax levied on both real and personal property according to a property's valuation and the tax rate

RESTRICTED NET POSITION - The net position of restricted assets; those assets subject to constraints that are either externally imposed by resource providers or imposed by law or enabling legislation

UNRESTRICTED NET POSITION – The difference between total net position and its two other components (net investment in capital assets and restricted net position)

UTILITY FUND - A separate accounting and financial reporting mechanism for business-like municipal services in which a fee is charged in exchange for goods or services, such as water and wastewater

CONTACT US

City Hall:
7286 Dietz Elkhorn
Fair Oaks Ranch, TX 78015
(210) 698-0900
Fax: (210) 698-3565

Non-Emergency Police & After Hours Utilities Dispatch:
(830) 816-3194

STAY INFORMED

City Website:

https://www.fairoaksranchtx.org/

Sign Up for Email or Text Updates through Notify Me:

https://www.fairoaksranchtx.org/list.aspx

Follow Us on Facebook:

https://www.facebook.com/fairoaksranchtx

Sign Up for Emergency Notifications through Regroup:

https://www.fairoaksranchtx.org/543/Regroup-Registration

Check Us Out on Nextdoor:

https://nextdoor.com/agency-detail/tx/fair-oaks-ranch/city-of-fair-oaks-ranch/

Subscribe to the Fair Oaks Ranch YouTube Channel:

https://www.youtube.com/channel/UCDqRvLvReqxrh1lbajwshKA

View Upcoming Meeting Details Here:

https://www.fairoaksranchtx.org/calendar.aspx?CID=14,

City Council meetings take place on the 1st and 3rd Thursdays of the month at 6:30pm. All meetings are live-streamed on the YouTube Channel.