



City of Fair Oaks Ranch

Fair Oaks Ranch, Texas

**Popular Annual Financial Report
For Fiscal Year Ended September 30, 2023**



Prepared By: City of Fair Oaks Ranch Finance Department

Dear Residents,

I am pleased to present to you the Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2023. The PAFR is a powerful tool that communicates the financial condition of the City in a condensed format.

The City's financial condition is strong. In the last fiscal year, the City adhered to its adopted policy of maintaining a six-month operating reserve in the General Fund. The City's net position, or total value, increased from last year due to a continued strong local economy and responsible investment of the City's resources. We provided outstanding services to our residents in public safety, infrastructure maintenance, and growth management while decreasing the overall property tax rate and maintaining utility rates. We also embarked on several key projects identified in the City's Capital Improvements Plan and Strategic Action Plan.

The PAFR is one of three reports the City can submit to the Government Finance Officers Association (GFOA) to earn the coveted "Triple Crown." The City earned the Triple Crown for the 2021 and 2022 fiscal years for its excellence in budgeting, financial reporting, and popular financial reporting. With this PAFR, I am optimistic the City will earn its third straight Triple Crown – a testament to the City's commitment to transparency and accessibility.

We are proud of the high level of service the City provides its residents. Fair Oaks Ranch continues to grow, using the City Council's strategic planning pillars 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

Scott M. Huizenga, ICMA-CM
City Manager

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Mayor and City Council



Mayor Gregory C. Maxton



Emily Stroup
Council Member Place 1



Keith Rhoden
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 2023 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 2023 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, 2022. This was the 2nd 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, 2022. This was the 6th 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, 2023. This was the 5th 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. 11,104

Incorporation: 1988

Land Area: 7,861 Acres

Home Rule Charter: 2017

Spans 3 Counties: Bexar, Kendall and Comal

CITY STAFF:

81 Budgeted Full Time Employees

Public Works & Engineering Services: 32

Public Safety: 30

Administration: 5

Finance: 5

Information Technology: 2

Municipal Court: 2

HR & Communications: 3

City Secretary: 2

BUILDING CODES:



86 New

Residential Home

Permits Issued

Inspections Conducted:

30 Health

68 Fire

1,850 Structural

PUBLIC SAFETY:

27 Sworn Officers

1 K-9 Officer "Buddy"

Recognized as Best Practices Agency

4,177 Calls for Service in 2023



ENVIRONMENTAL:

77% Compliance Rate

for Backflow

Prevention

PUBLIC WORKS:

77 Miles of Water Lines



5 Water Plants

1 Wastewater Plant

3,248 Water Service Connections

2,001 Sewer Service Connections

60 Miles of Roadway

295,213 Average Gallons of Wastewater Treated Daily



History of “The Ranch”

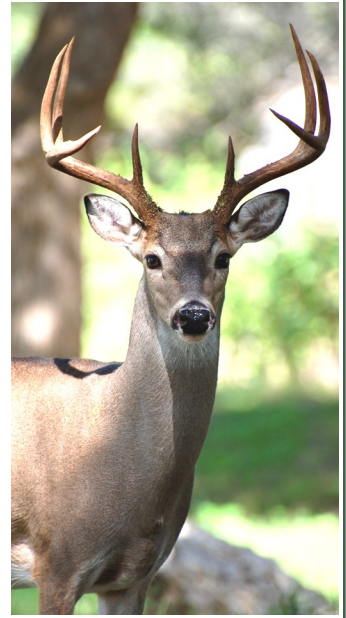
The City of Fair Oaks Ranch had its beginnings as a working ranch when several parcels of land were acquired by oil man Ralph Fair, Sr. during the 1930s. The ranch was first a center for a racehorse operation. Later, Mr. Fair established a registered Hereford cattle operation.

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



FY 2023 Financial Activity

GOVERNMENTAL ACTIVITIES

Total Revenues			
Revenue Type	FY 2023	FY 2022	FY 2021
Property Taxes	\$ 7,062,241	\$ 6,614,489	\$ 6,482,238
Sales Tax	1,684,119	1,603,934	1,460,542
Charges for Services	829,500	968,001	915,200
Franchise Fees	748,401	761,408	651,534
Investment Earnings	581,995	80,336	4,345
Operating Grants and Contributions	379,340	1,283,952	190,841
Other Revenue	150,838	28,394	40,328
Total Revenues	\$ 11,436,434	\$ 11,340,514	\$ 9,745,028

Total Expenses			
Expenditure Type	FY 2023	FY 2022	FY 2021
Public Safety	\$ 4,147,473	\$ 3,456,846	\$ 3,161,031
General Government	2,680,148	2,443,992	2,135,936
Public Works	2,366,969	920,678	922,990
Engineering and Planning	1,529,149	1,493,654	976,254
Building Codes and Permits	280,890	273,015	253,665
Municipal Court	256,851	206,843	192,956
Total Expenses	\$ 11,261,480	\$ 8,795,028	\$ 7,642,832

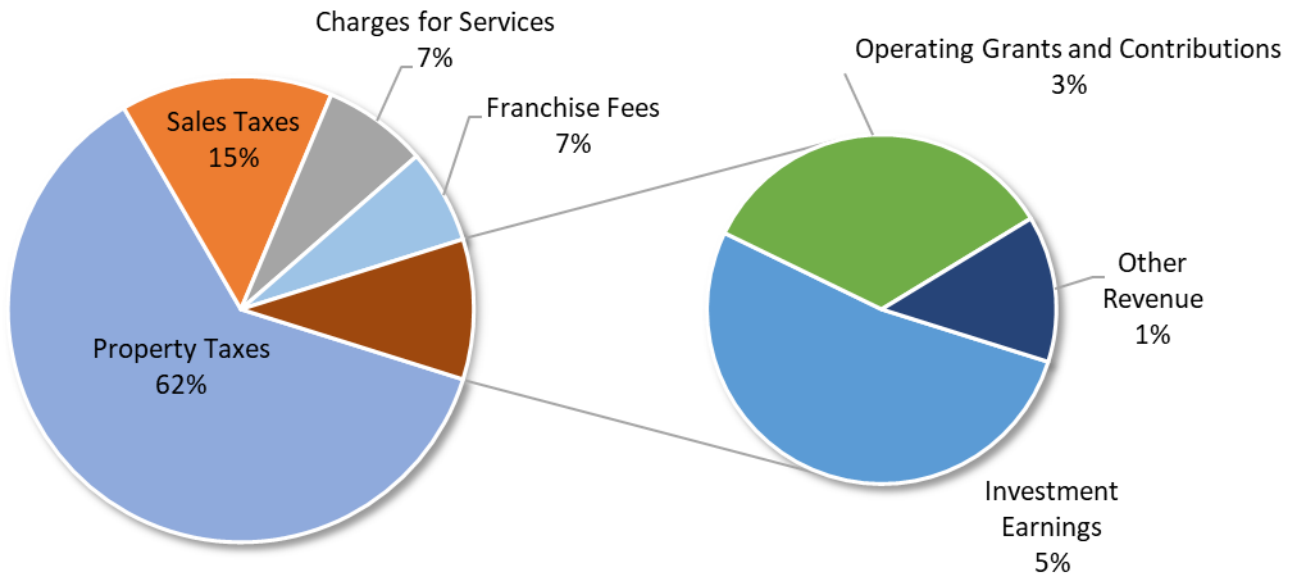
UTILITY

Total Revenues			
Revenue Type	FY 2023	FY 2022	FY 2021
Charges for Services	\$ 6,165,245	\$ 6,497,720	\$ 5,681,369
Operating Grants and Contributions	-	1,244,133	-
Gain (Loss) on Sale of Capital Assets	(9,806)	-	-
Investment Earnings	358,595	55,063	3,066
Total Revenues	\$ 6,514,034	\$ 7,796,916	\$ 5,684,435

Total Expenses			
Expenses	FY 2023	FY 2022	FY 2021
Water Utility	\$ 4,167,793	\$ 3,823,338	\$ 3,195,856
Wastewater Utility	1,935,727	2,080,948	1,677,631
Total Revenues	\$ 6,103,520	\$ 5,904,286	\$ 4,873,487

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 2023.



In total, these revenues increased \$95,920 when compared to the prior fiscal year. The increase is largely attributable to a \$501,659 increase in investment earnings which helped to offset the \$904,612 decrease in grant revenue from the one-time Coronavirus State and Local Fiscal Recovery Fund received in the prior year.

Sales taxes increased \$80,185 from the prior year, but was less than what was anticipated as sales and online purchases began to slow. With a limited commercial footprint, the change in online shopping habits of the residents has a large impact on the City's sales tax revenue.

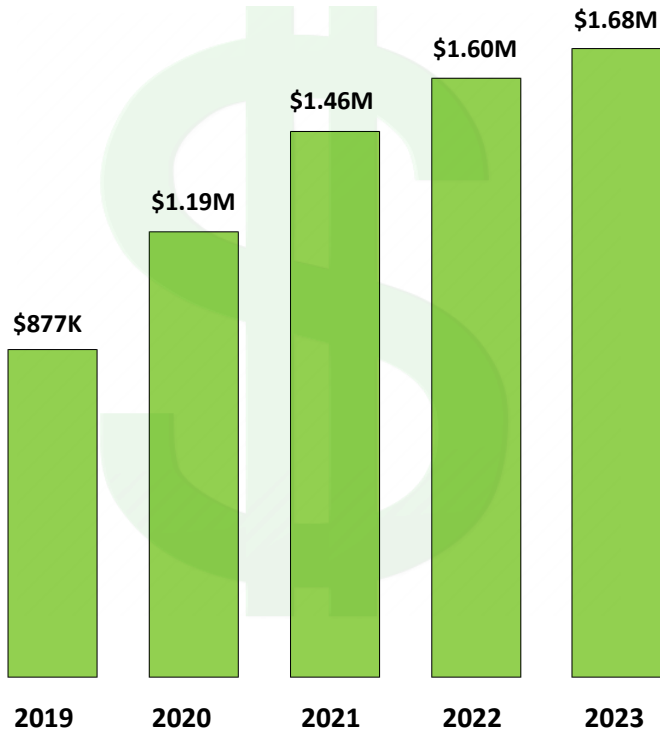
Property tax revenues increased \$447,753 from the prior year. The property tax rate for fiscal year 2023 was \$0.3291 per \$100 taxable value, which was a decrease from \$0.3518 the prior year; however, assessed property values went up within the City, offsetting the drop in the property tax rate.

Franchise fees decreased \$13,007 in total from the prior year. Most of this decrease was from electric and gas utility providers due to lowered usage levels of customers.

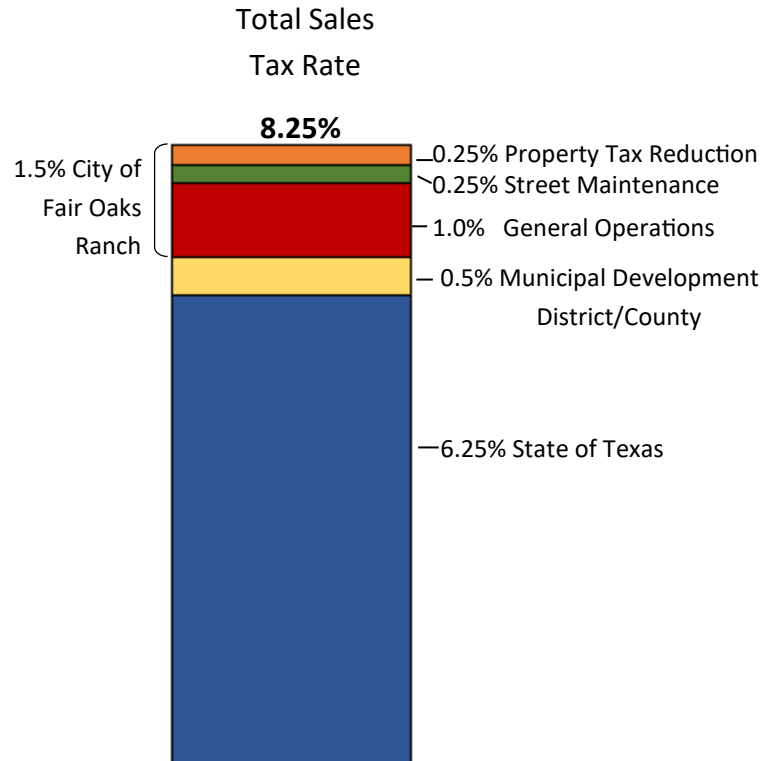
Other revenue experienced a \$122,444, or 431%, increase over the prior year's total. This increase is attributable to the Boerne ISD reimbursement for a portion of the costs associated with the new school resource officer program.

Governmental Revenues

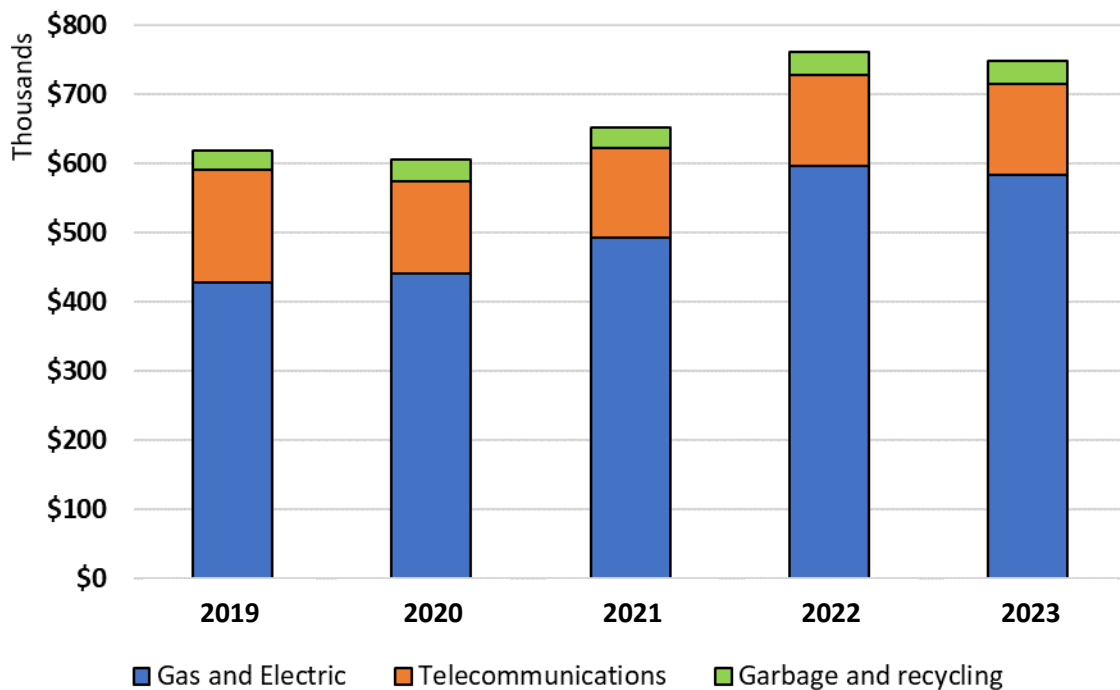
SALES TAX REVENUE OVER FIVE YEARS



SALES TAX DOLLAR DISTRIBUTION



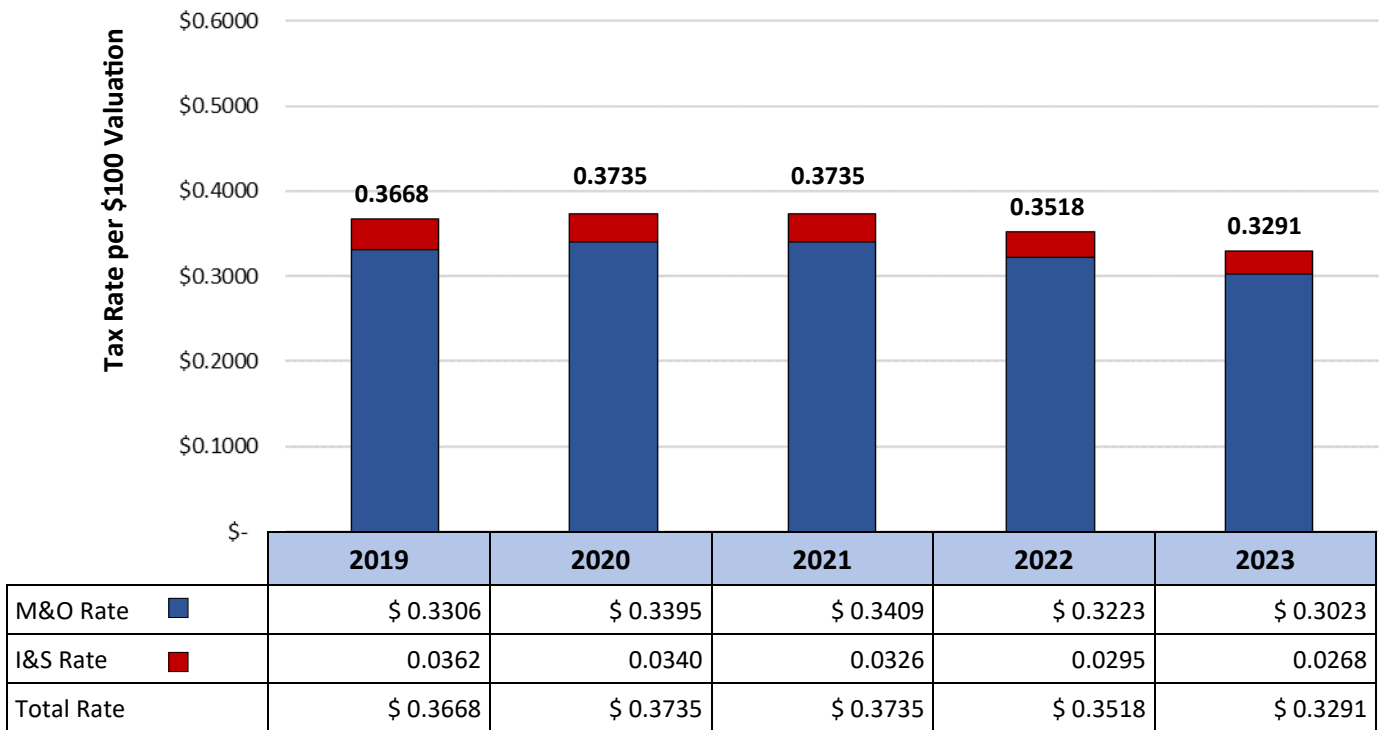
FRANCHISE FEE REVENUE OVER FIVE YEARS



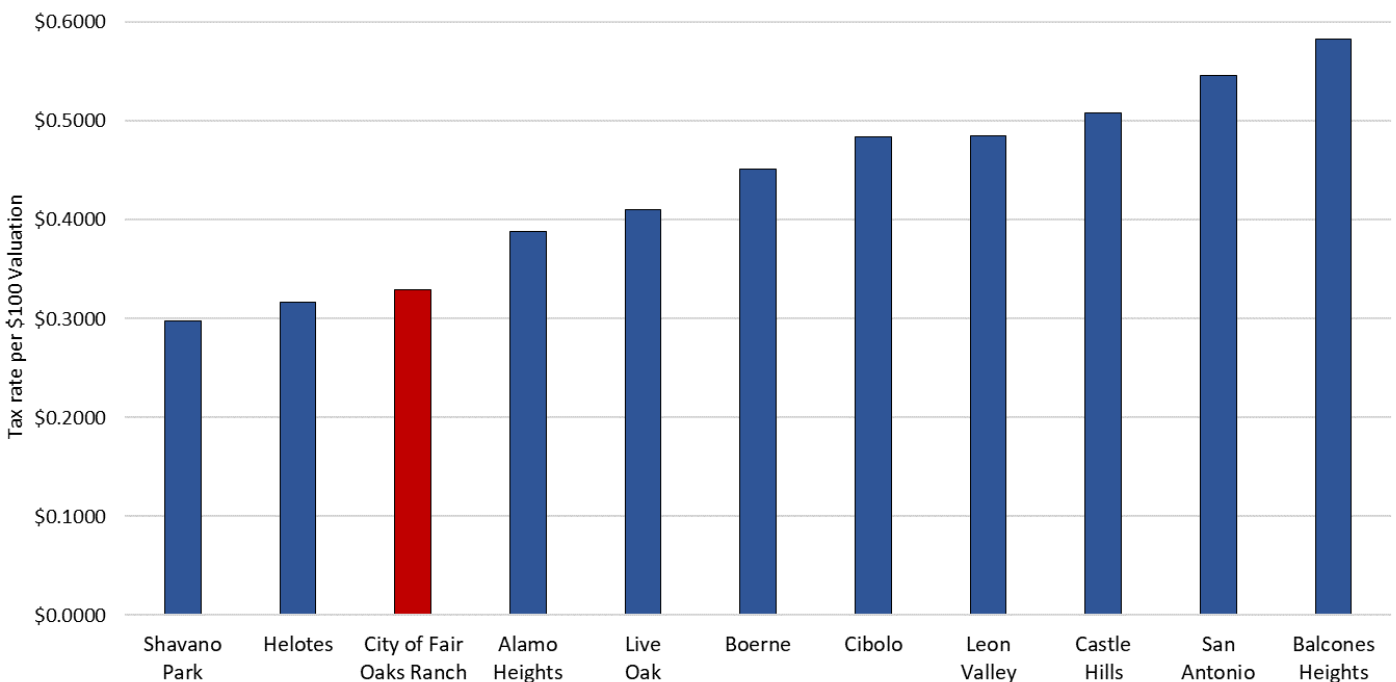
FISCAL YEAR 2023 TAX RATE

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



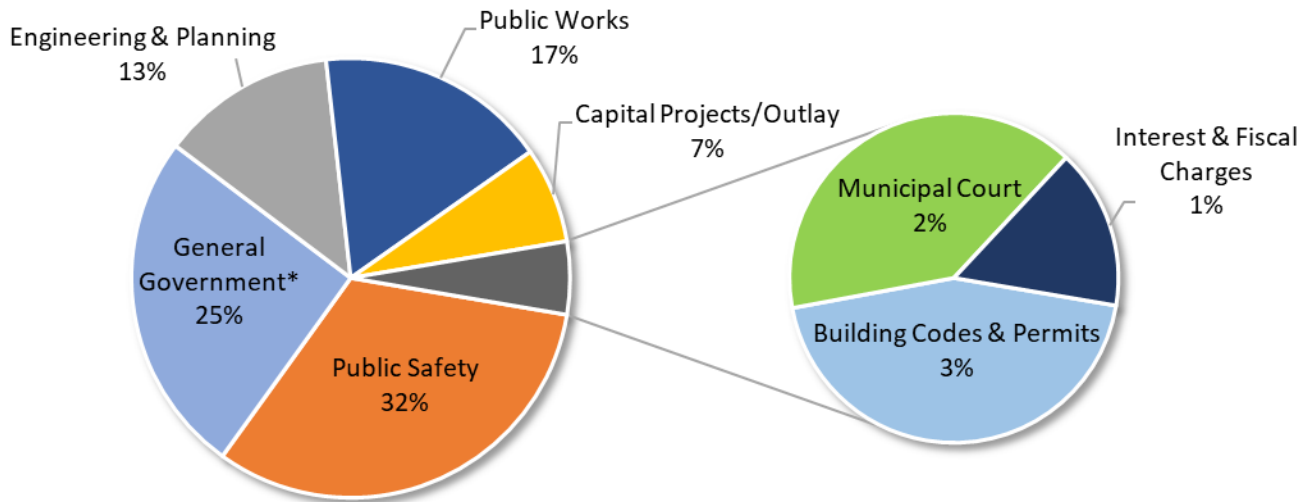
FY 2023 PROPERTY TAX RATES FOR SURROUNDING CITIES



Governmental Expenditures

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 2023, the City's total governmental expenditures were \$11.7 million. Public safety, which includes police, fire, EMS, and animal control, is the City's largest spending category accounting for 32% of governmental expenditures.



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

MAJOR PROJECTS COMPLETED OR IN PROGRESS

- ◆ City Hall renovation
- ◆ Dietz Elkhorn Road reconstruction
- ◆ Battle Intense and Dietz Elkhorn Sidewalk reconstructions
- ◆ Community Center
- ◆ Post Oak Trail widening
- ◆ Multiple 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.



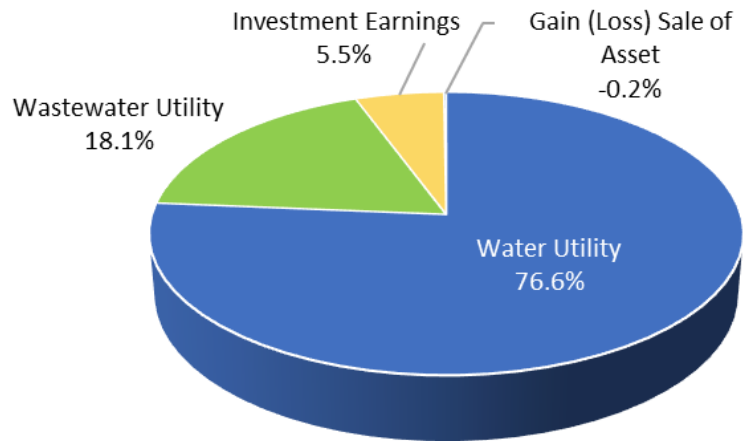
Where does the money go?

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.

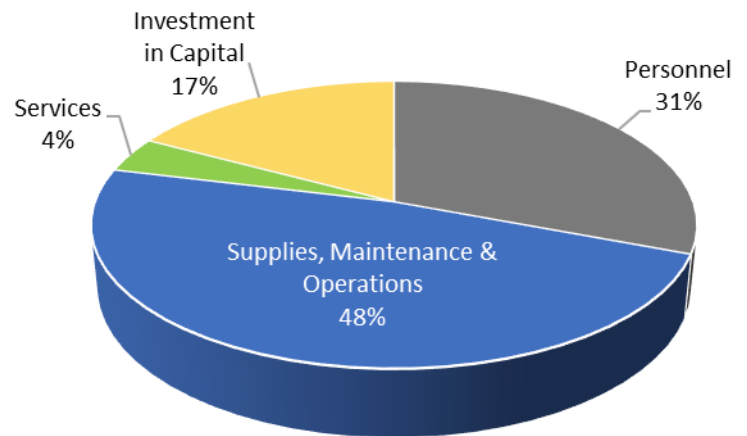
MAJOR UTILITY PROJECTS COMPLETED OR IN PROGRESS

- ♦ Volute dewatering press
- ♦ Wastewater Rate Study
- ♦ Creek Crossing West water line
- ♦ Old Fredericksburg Road water line
- ♦ Rolling Acres Trail water line
- ♦ Water Plant 5 Expansion
- ♦ Wastewater Treatment Plant Study

Utility Revenues



Utility Expenses



Long-Term Debt and Assets

LONG-TERM DEBT

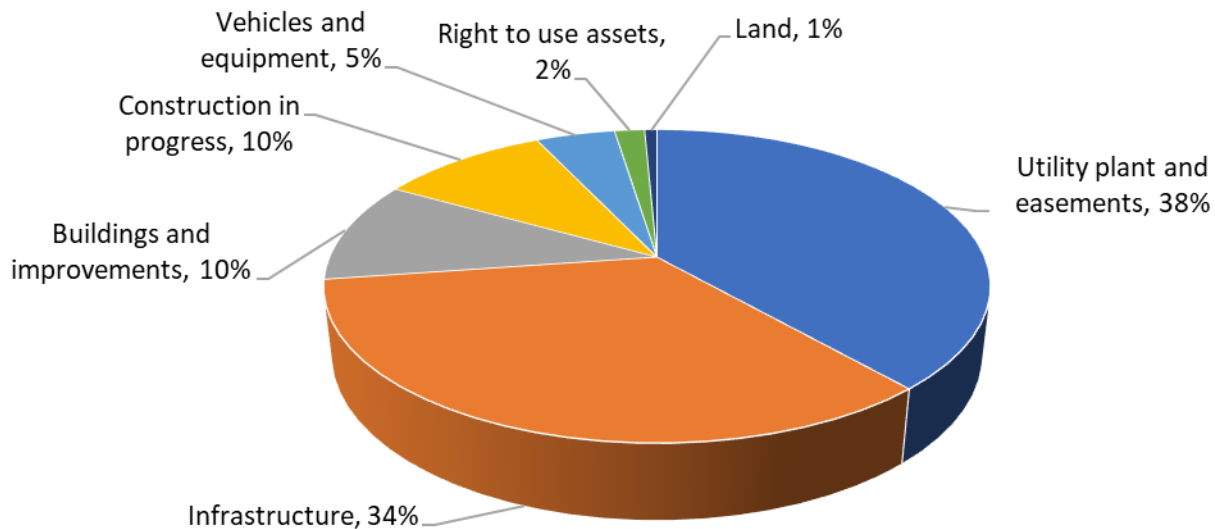
Long-Term Debt Year Ended September 30, 2023			
	Range of Interest Rates	Unpaid Principal	FY 2024 Annual Payment
Governmental Activities			
Road Reconstruction Bond, Series 2015	1.0-3.0%	\$ 3,525,000	\$ 470,000
Utility			
Utility Capital Lease Refinance Series 2020	1.01%	\$ 1,795,000	\$ 320,000

CAPITAL ASSETS



Change in Capital Assets Year Ended September 30, 2023			
	Governmental Activities	Utility	Total
Beginning Balance	\$ 12,127,539	\$ 10,699,277	\$ 22,826,816
Additions	840,338	1,643,558	2,483,896
Deletions	(179,397)	-	(179,397)
Accumulated Depreciation	(543,601)	(812,388)	(1,355,989)
Ending Balance	\$ 12,244,880	\$ 11,530,446	\$ 23,775,326

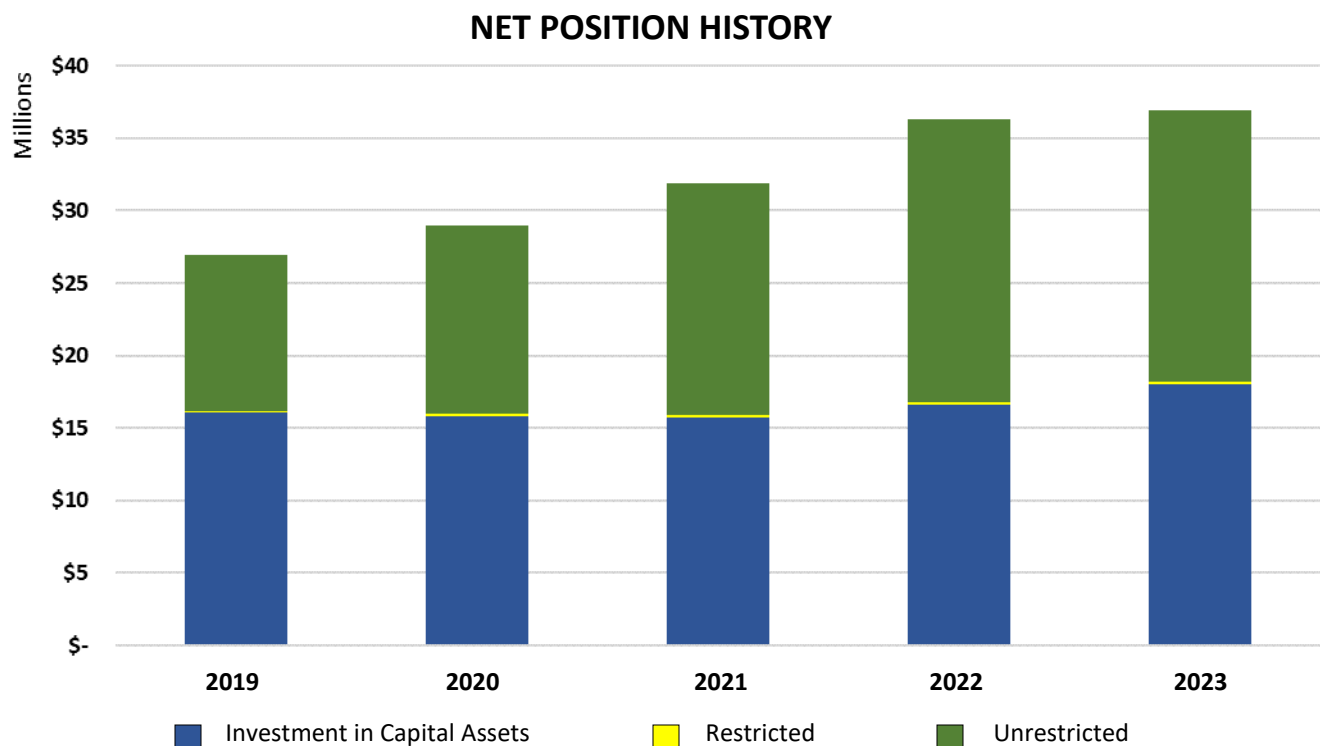
ASSET DISTRIBUTION



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.

	2019	2020	2021	2022	2023
Governmental activities					
Net investment in capital assets	\$ 7,576,143	\$ 7,523,360	\$ 7,647,912	\$ 8,025,653	\$ 8,496,444
Restricted	108,461	132,938	153,339	166,961	192,536
Unrestricted	<u>5,128,445</u>	<u>6,712,007</u>	<u>8,669,250</u>	<u>10,823,373</u>	<u>10,513,316</u>
Total Governmental activities net position	<u>\$ 12,813,049</u>	<u>\$ 14,368,305</u>	<u>\$ 16,470,501</u>	<u>\$ 19,015,987</u>	<u>\$ 19,202,296</u>
Utility					
Net investment in capital assets	\$ 8,466,058	\$ 8,307,519	\$ 8,081,383	\$ 8,572,922	\$ 9,550,922
Unrestricted	<u>5,686,797</u>	<u>6,316,241</u>	<u>7,353,325</u>	<u>8,754,416</u>	<u>8,198,285</u>
Total Utility net position	<u>\$ 14,152,855</u>	<u>\$ 14,623,760</u>	<u>\$ 15,434,708</u>	<u>\$ 17,327,338</u>	<u>\$ 17,749,207</u>
City					
Net investment in capital assets	\$ 16,042,201	\$ 15,830,879	\$ 15,729,295	\$ 16,598,575	\$ 18,047,366
Restricted	108,461	132,938	153,339	166,961	192,536
Unrestricted	<u>10,815,242</u>	<u>13,028,248</u>	<u>16,022,575</u>	<u>19,577,789</u>	<u>18,711,601</u>
Total City net position	<u>\$ 26,965,904</u>	<u>\$ 28,992,065</u>	<u>\$ 31,905,209</u>	<u>\$ 36,343,325</u>	<u>\$ 36,951,503</u>



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/UCDqRvLvReqxr1lbajwshKA>

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.