



Budget Workshop #1

Fiscal Year 2025-2026

Strategic Planning and Budget Priorities

Date: March 28, 2025

Meeting Agenda



- Mayor Introduction
- Councilmember Comments (5 min each)
- Public Comments
- City Manager Opening
- Proposed Budget Calendar
- Financial Update
 - FY2024 Year-End Financial Report
 - FY2025 February 2025 Financial Report
 - Capital Project Update
- Strategic Planning Framework



City Manager Opening



Major Initiatives in Progress

- Long-range capital and infrastructure planning
- Comprehensive plan updates and development review
- Fiscal sustainability (reserves, debt, policies)
- Public safety and quality of life enhancements
- Investments in technology, transparency, and service delivery
- Infrastructure upgrades

What Makes the Budget Challenging This Year



- Ongoing operational costs continue to rise
- Limited room for new recurring expenditures
- Increased infrastructure and service demands from growth
- Project costs rising with inflation and market conditions
- Balancing of quality-of-life expectations with fiscal sustainability



Why Strategic Planning Matters

Strategic planning connects vision to action—ensuring our resources align with our goals.



Our Approach Today:

- **Council-Driven** – Your leadership shapes the direction of the budget.
- **Big Picture Thinking** – We’re focusing on long-term priorities.
- **Collaborative** – Council and staff working together as one team.
- **Forward-Looking**—We’re planning for growth, sustainability, and impact

“A goal without a plan is just a wish.” –Antoine de Saint-Exupery.



Ground Rules: One Team, One Vision

- **This is Council's Conversation**

Staff is here to support, listen, and provide context.

- **Strategic Over Tactical**

Let's focus on big-picture priorities, not daily operations.

- **Collaborate Don't Compete**

Different views make us stronger—consensus is the goal.

- **Respect, Listen, and Build**

Speak openly and let others be heard



Ground Rules: One Team, One Vision

- **There Are No Bad Questions**

If you are thinking it, someone else probably is too.

- **Think Long-Term**

What we decide today shapes Heath for years to come.

- **Keep Residents at Heart**

Every idea should serve the community's best interest.

- **One Team, One Goal**

We succeed together when the Council and Staff are aligned.



Staff Expectations/Commitments

- **Tell Us What You'd Like to Do**

We'll help you figure out how to get there.

- **If Everything Is a Priority, Then Nothing Is**

We'll need your help making tough choices.

- **We Won't Overpromise and Under Deliver**

And we won't underpromise just to exceed expectations.

- **If Something Gets Added, Something Has to Come Off**

Our capacity is real—trade-offs will be part of the process.



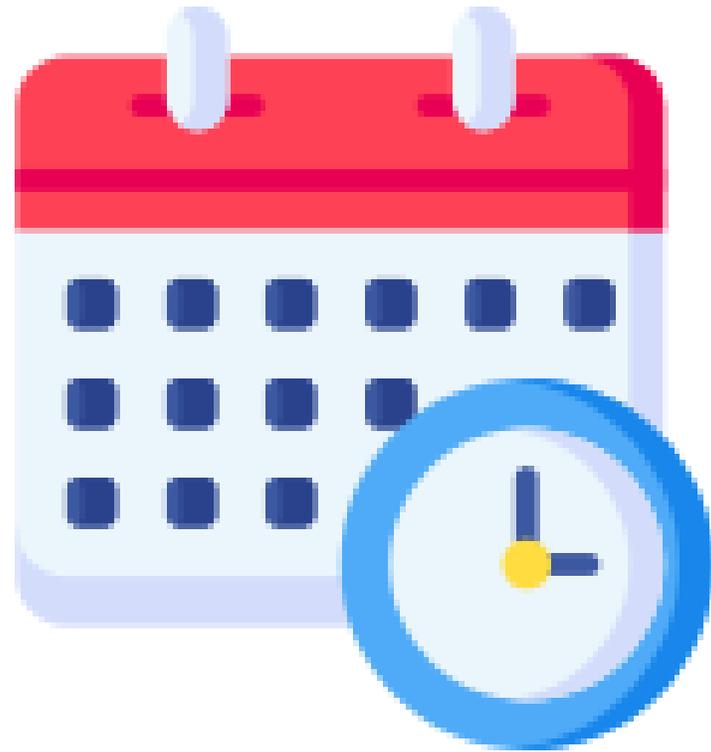
Staff Expectations/Commitments

- **We Stay Flexible in a Changing Environment**

Plans will evolve—and we'll adjust as needed.

- **We Stay Focused in a Changing Environment**

We'll keep our eyes on the long-term vision you help define



Proposed Budget Calendar



Completed	Date	Action/Event
	3/27/2025	❖ Budget Workshop – Strategic Planning Session (You are here)
	4/8/2025	<ul style="list-style-type: none"> ❖ Budget Kickoff Meeting ❖ Distribution of Instructions and forms to staff
	6/13/2025	❖ Budget submissions due to Finance from departments
	6/27/2025	❖ City Council Budget Workshop
	7/25/2025	❖ Certified Tax Roll received from Rockwall County Appraisal District
	7/29/2025	❖ Proposed Budget and Five-Year CIP Filed with City Secretary and posted on the website
	8/8/2025	<ul style="list-style-type: none"> ❖ City Council Budget Workshop ❖ The presentation of the budget to City Council. Record vote on proposed tax rate, schedule public hearing on tax rate; schedule public hearing on municipal fees and rate schedule; schedule public hearing on budget ❖ Notice of Public Hearing, Municipal Fees and Rate Schedule, and Notice of Tax Rate increase public (if necessary) published in newspaper and website.
	8/26/2025 or 9/9/2025	❖ City Council 1 st reading and public hearing on Tax Rate, Municipal Fees and Rate Schedule, and Budget
	9/9/2025 or 9/23/2025	❖ City Council 2 nd reading and final reading of ordinance to adopt Budget (record vote), first and final reading of ordinance to adopt the tax rate (record vote), and first and final reading of ordinance to adopt municipal fees and rate schedule



Financial Update and Review

Core Sections



- General Fund Year-End and Current Financial Snapshot
- Revenue Trends: Property & Sales Tax
- Utility Fund Year-End and Current Performance
- Capital Projects Update
- Workforce Overview
- Looking Ahead: Financial Opportunities & Constraints



Understanding the General Fund

- The General Fund is the City's primary operating fund
- Supports core services that are not self-supporting (e.g., utilities)
- Funded largely by taxes and fees

Key Revenue Sources:

- Property Taxes, Sales Tax, Franchisee Tax, Permits & Licenses, Fines & Fees, and Interest & Income

Departments Supported:

- Public Safety, Public Works (Streets, Drainage, Building Maintenance, Parks & Recreation), Community Development, Finance, City Secretary, City Manager's Office, City Council



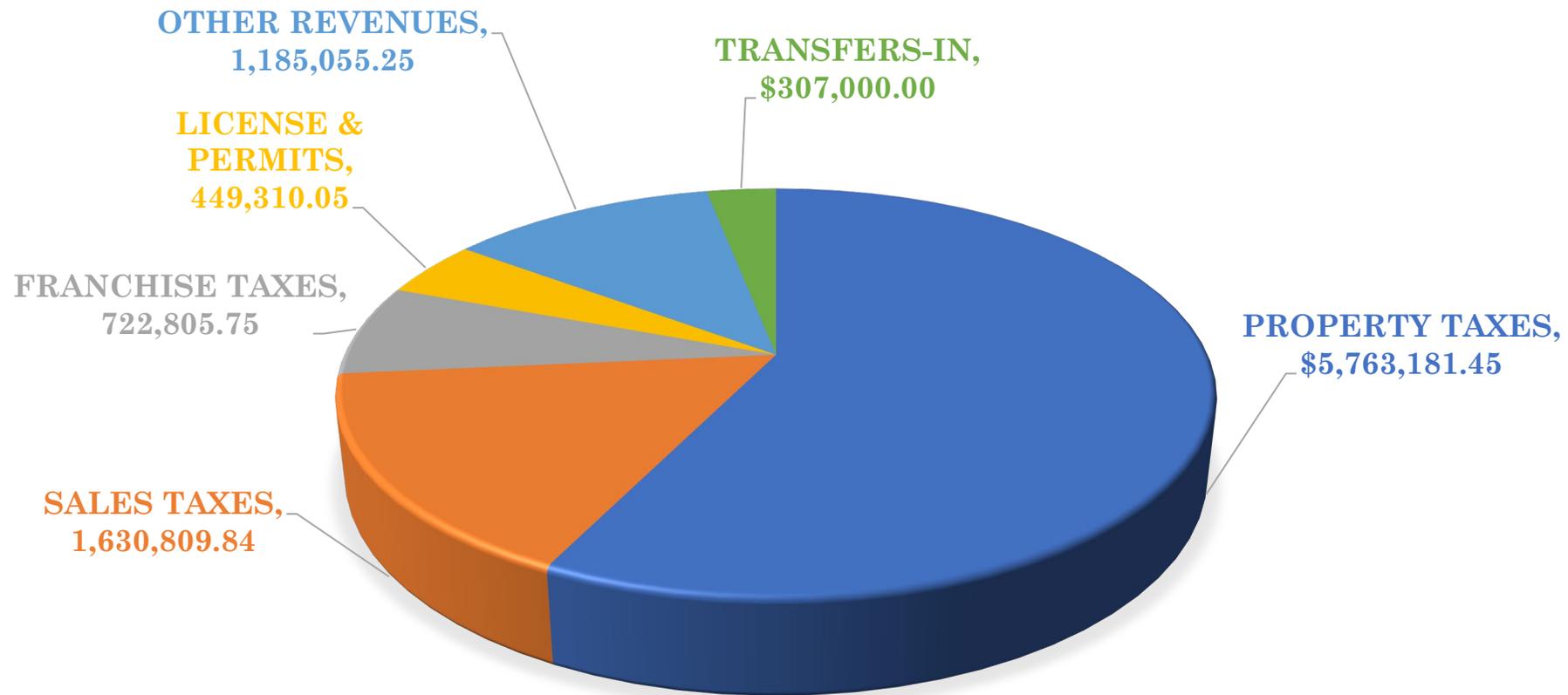
General Fund – Revenue Summary

Fiscal Year Ending September 30, 2024

Revenue By Category	FY2024 Budget	FY2024 Actuals	Variance	%Var
Property Taxes	\$ 5,512,100.00	\$ 5,763,181.45	\$ (251,081.45)	105%
Sales Taxes	1,575,600.00	1,630,809.84	(55,209.84)	104%
Franchise Taxes	684,000.00	722,805.75	(38,805.75)	106%
License & Permits	813,200.00	449,310.05	363,889.95	55%
Other Revenues	509,050.00	1,185,055.25	(676,005.25)	233%
Transfers-In	\$ 307,000.00	\$ 307,000.00	\$ -	100%
Grand Total	\$ 9,400,950.00	\$ 10,058,162.34	\$ (657,212.34)	107%

**Financial information is unaudited

General Fund FY2024 Actuals Revenue Category Breakdown





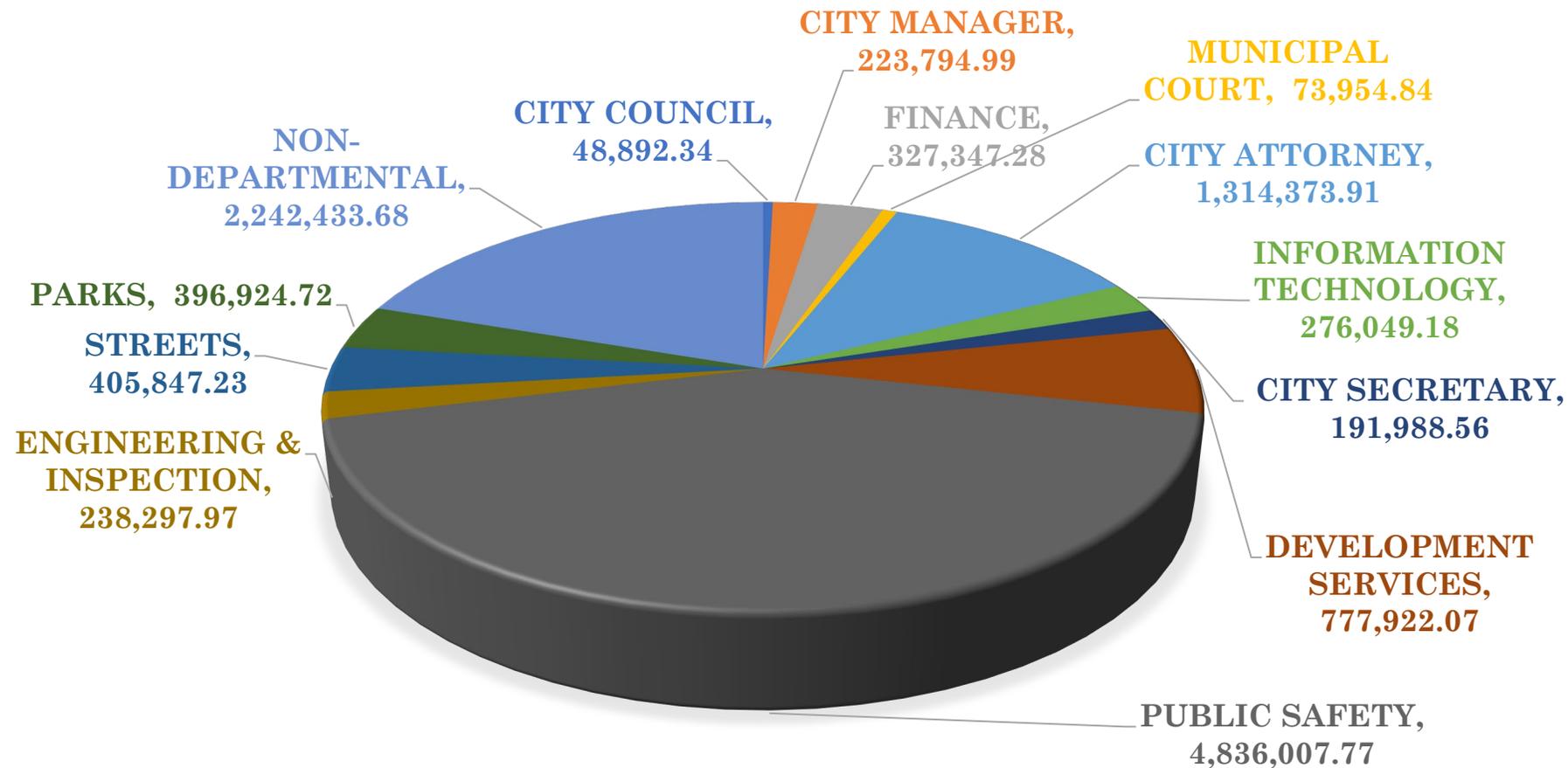
General Fund – Expense Summary

Fiscal Year Ending September 30, 2024

Expense By Category	FY2024 Budget	FY2024 Actuals	Variance	%Var
Personnel Cost	\$ 6,499,900.00	\$ 5,967,931.90	\$ 531,968.10	92%
Operations & Maintenance	3,323,814.00	3,696,285.03	(372,471.03)	111%
Capital Outlay	96,500.00	42,917.61	53,582.39	44%
Transfers-Out	1,646,700.00	1,646,700.00	-	100%
Grand Total	\$ 11,566,914.00	\$ 11,353,834.54	\$ 213,079.46	98%

**Financial information is unaudited

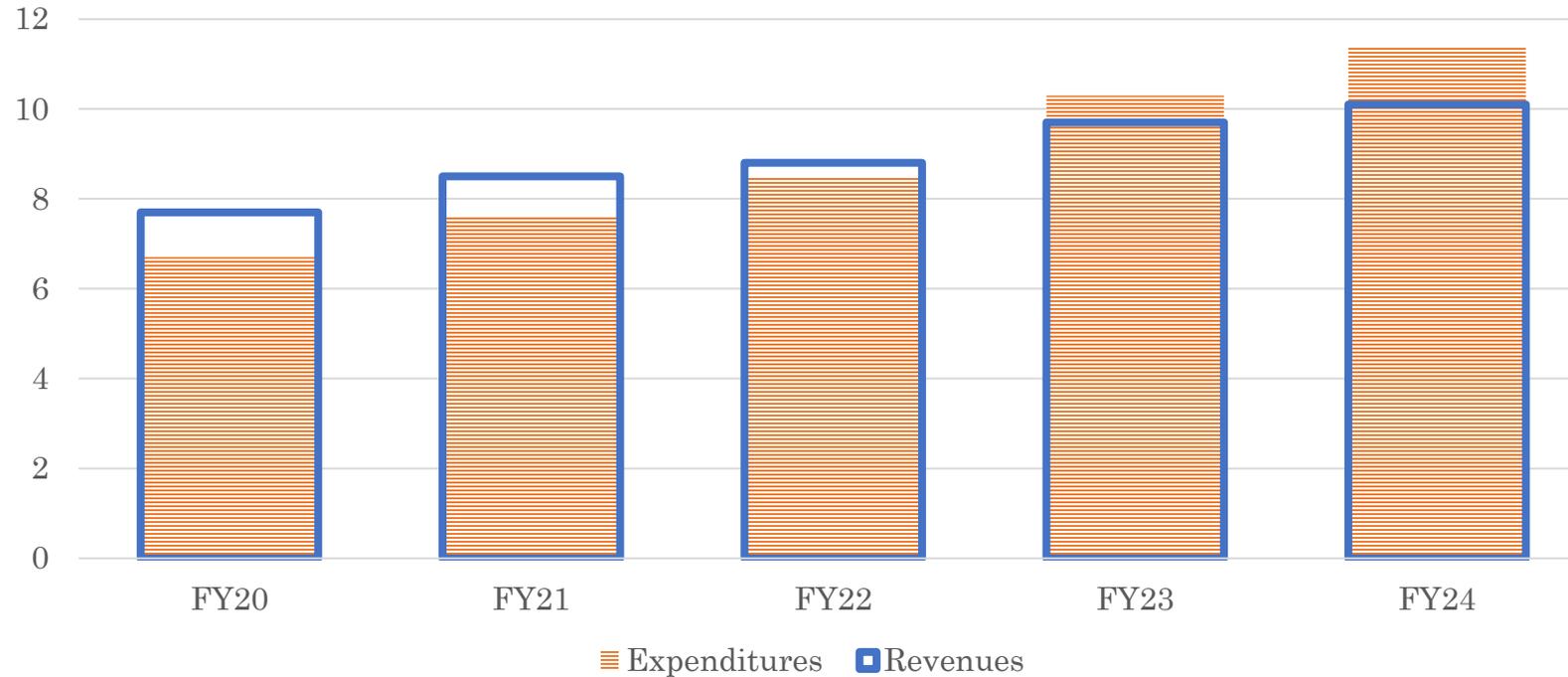
General Fund FY2024 Actuals Departmental Expense Breakdown



General Fund Revenue vs. Expenditures (Historical)



General Fund: Revenues vs. Expenditures





General Fund Balance FY2024

Fiscal Year Ending September 30, 2024

FY 2024 General Fund Year-End Summary	
Beginning, Fund Balance:	\$ 4,927,415.62
Revenues:	10,058,162.34
Expenditures:	\$ 11,353,834.54
Surplus/(Deficit):	\$ (1,295,672.20)
Ending, Fund Balance:	\$ 3,631,743.42

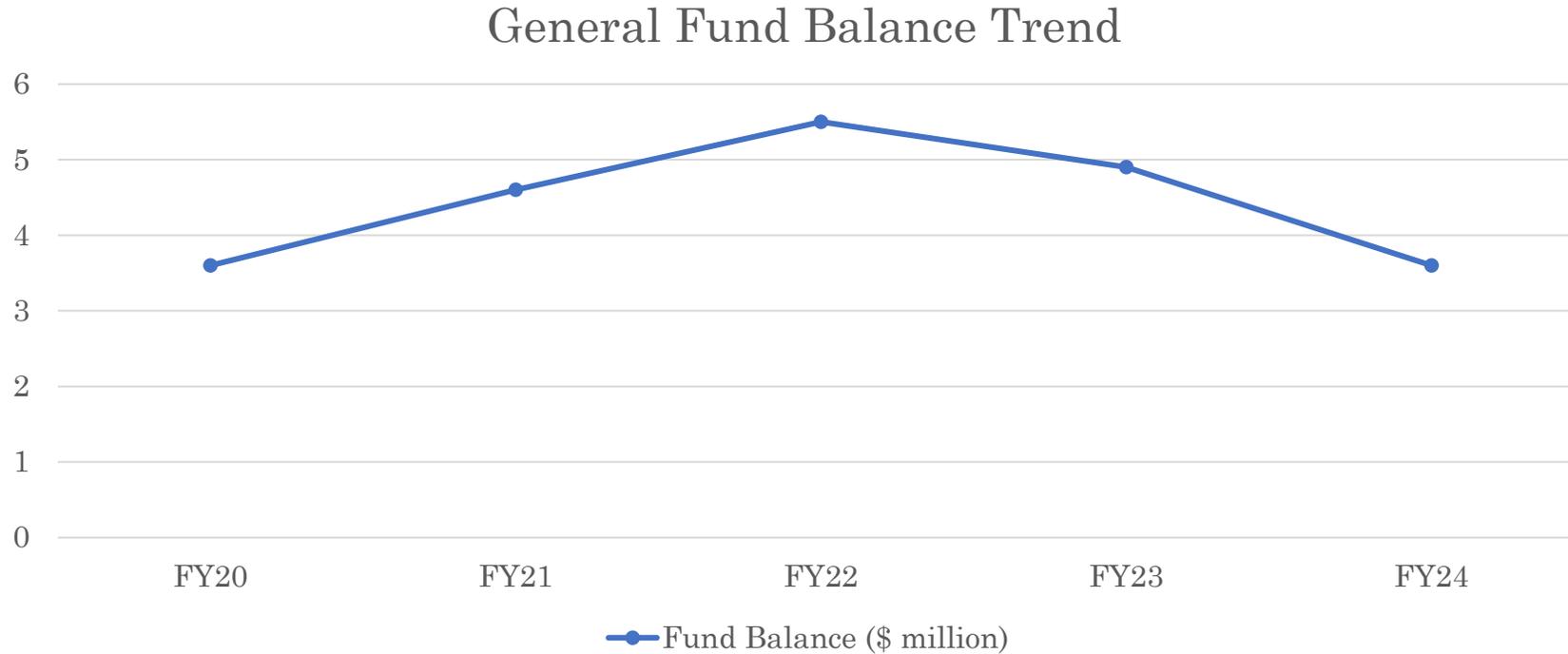
*Financial information is unaudited

**Unrestricted Fund Balance is 32% or 116.8 days of reserve

General Fund 5-Year Historical Trend



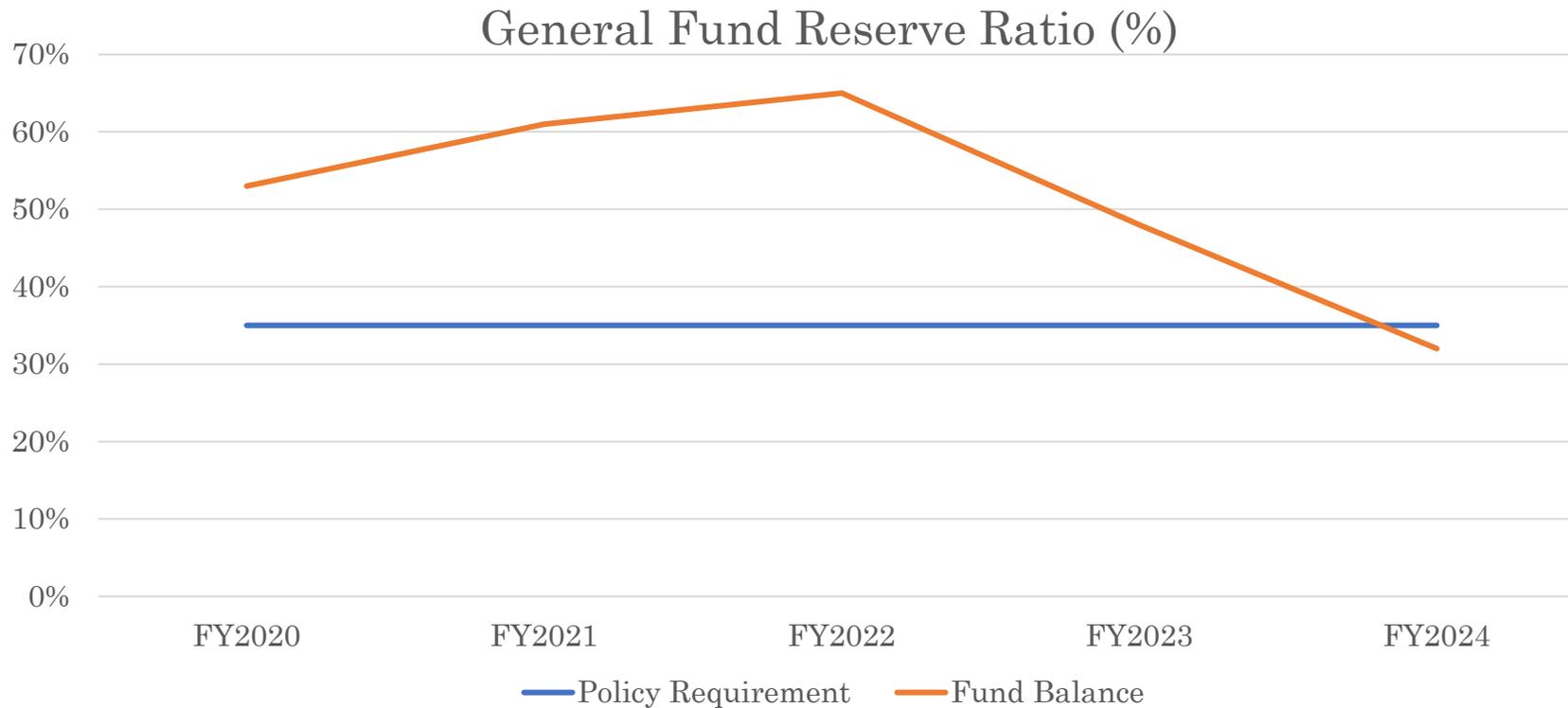
Fiscal Year Ending September 30, 2024



General Fund 5-Year Historical Trend



Fiscal Year Ending September 30, 2024



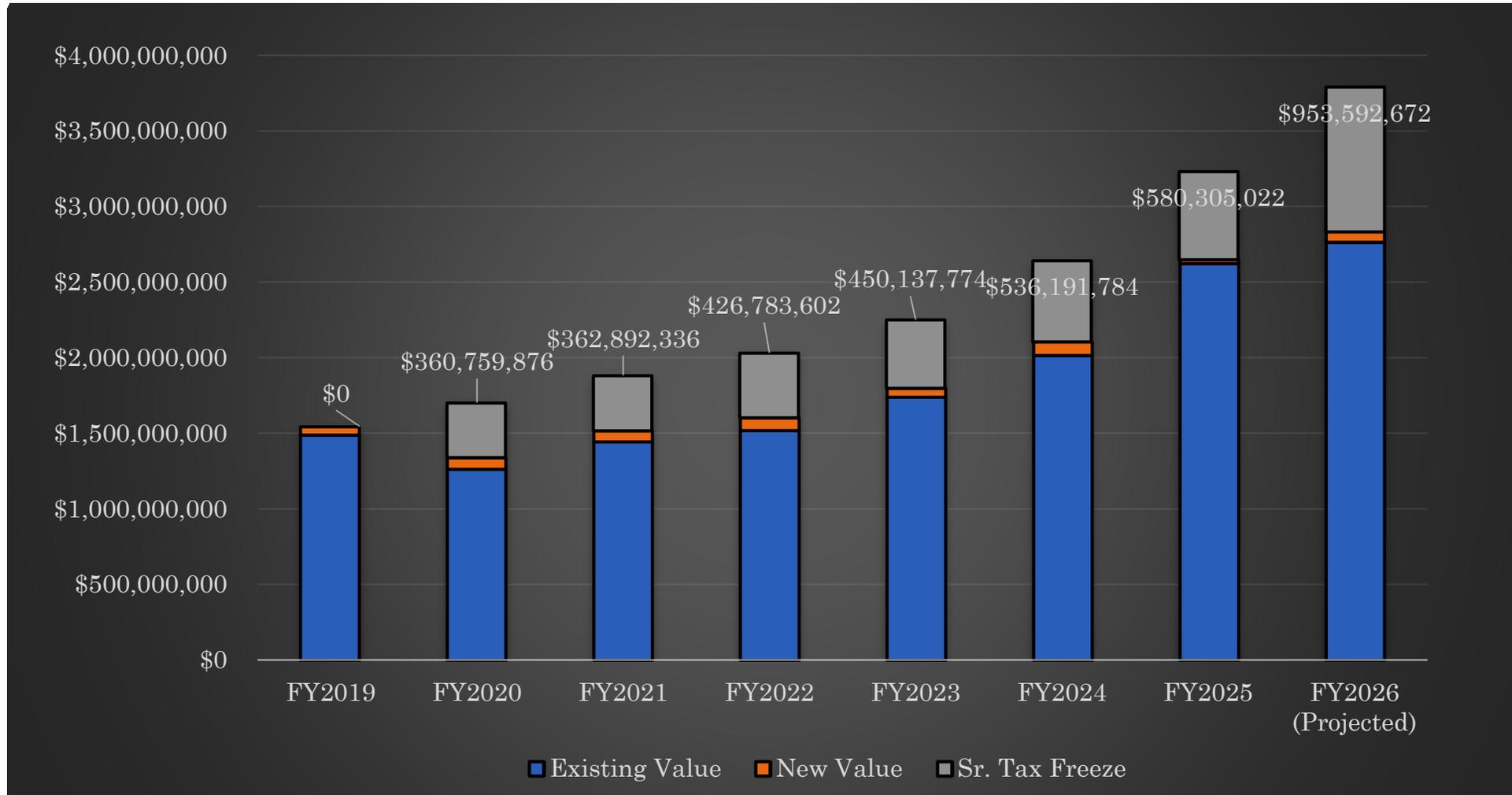


City of Heath
General Fund
 02/28/2025

	CURRENT BUDGET	CURRENT PERIOD	YTD BALANCE	TOTAL ENCUMBERED			
	FY2025	February 2025	FY2025	FY2025	Actuals + Encumbered	Budget Balance	% of Budget Used
Revenue Summary	\$10,525,700	\$107,762	\$5,370,341	\$0	\$5,370,341	\$5,155,359	51%
Expenditure Summary							
450 - PARKS	\$562,400	\$29,799	\$157,748	\$23,287	\$181,035	\$381,365	32%
123 - CITY MANAGER	\$340,700	\$15,295	\$82,427	\$10,700	\$93,127	\$247,574	27%
130 - FINANCE	\$353,400	\$23,021	\$124,024	\$48	\$124,072	\$229,328	35%
139 - MUNICIPAL COURT	\$97,200	\$6,902	\$43,981	\$9,922	\$53,902	\$43,298	55%
155 - INFORMATION TECHNOLOGY	\$359,810	\$18,276	\$141,166	\$83,464	\$224,630	\$135,180	62%
161 - CITY SECRETARY	\$310,600	\$22,599	\$145,366	\$145	\$145,512	\$165,088	47%
310 - ENGINEERING & INSPECTION	\$401,900	\$23,479	\$117,787	\$0	\$117,787	\$284,113	29%
111 - CITY COUNCIL	\$45,600	\$1,898	\$1,898	\$0	\$1,898	\$43,702	4%
151 - CITY ATTORNEY	\$400,100	\$34,451	\$125,486	\$0	\$125,486	\$274,614	31%
900 - NON-DEPARTMENTAL	\$1,250,500	\$36,316	\$203,583	\$38,487	\$242,070	\$1,008,430	19%
181 - DEVELOPMENT SERVICES	\$903,900	\$83,819	\$276,477	\$1,706	\$278,183	\$625,717	31%
200 - PUBLIC SAFETY	\$5,193,000	\$410,175	\$2,099,455	\$13,691	\$2,113,146	\$3,079,854	41%
320 - STREETS	\$408,140	\$26,320	\$154,078	\$3,943	\$158,021	\$250,119	39%
EXPENDITURE SUMMARY TOTAL	\$10,627,250	\$732,350	\$3,673,475	\$185,393	\$3,858,868	\$6,768,382	36%

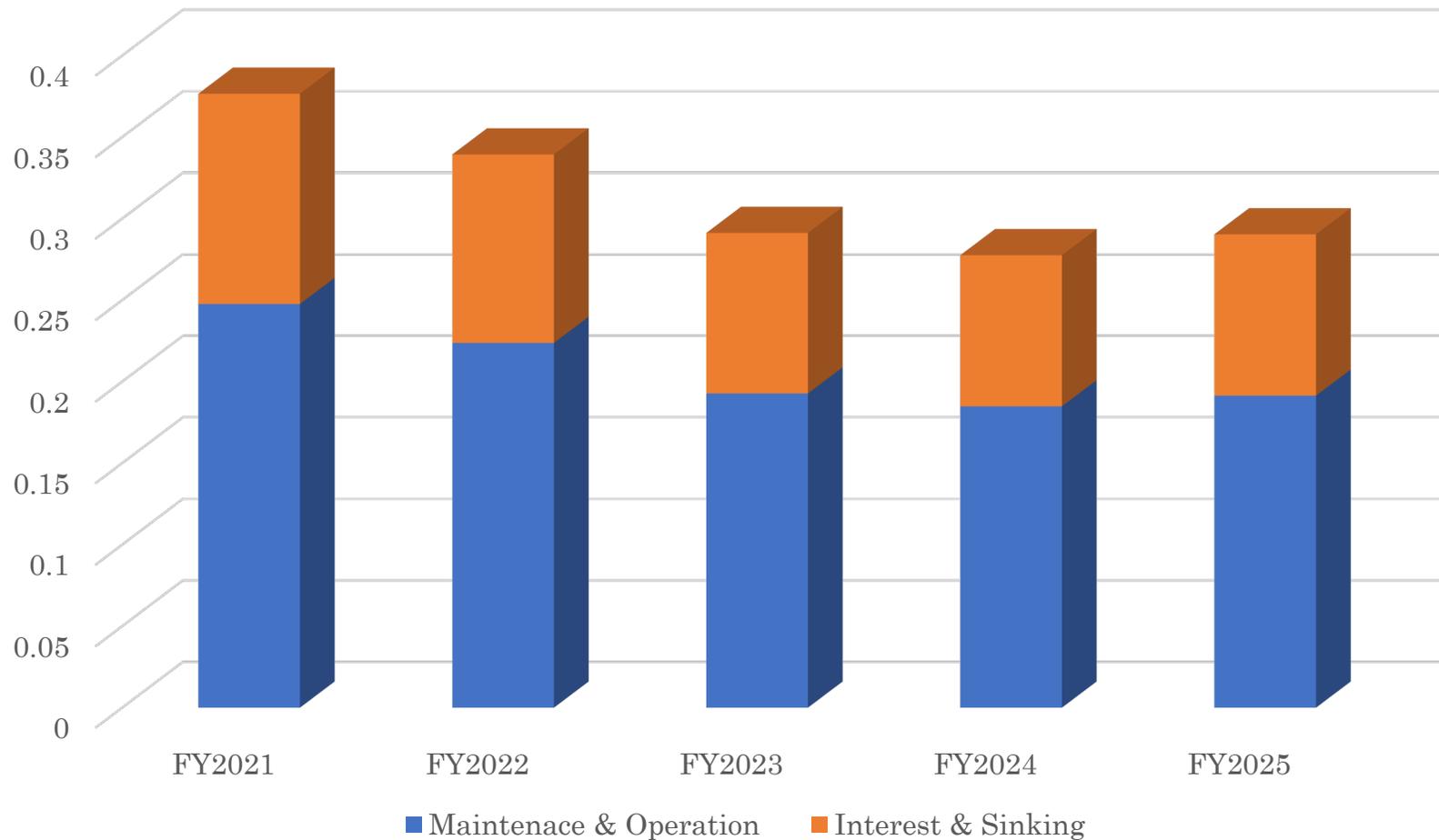


Preliminary Values: Historical Data





Tax Rates: Historical Data



City of Heath, Texas
All Outstanding I&S Tax Supported Debt
As of March 15, 2024



Period Ending	Principal	Coupon	Interest	Total Debt Service	(Less: Annual HMBC contribution)	Net Debt Service
09/30/2024	8,864.20	3.700%	936,321.71	945,185.91	-473,925	471,260.91
09/30/2025	1,784,546.10	** %	1,844,330.69	3,628,876.79	-473,925	3,154,951.79
09/30/2026	1,829,546.10	** %	1,787,256.49	3,616,802.59	-473,925	3,142,877.59
09/30/2027	1,884,546.10	** %	1,728,479.29	3,613,025.39	-473,925	3,139,100.39
09/30/2028	1,740,228.00	** %	1,664,400.84	3,404,628.84	-473,925	2,930,703.84
09/30/2029	1,805,909.80	** %	1,595,634.90	3,401,544.70	-473,925	2,927,619.70
09/30/2030	1,875,909.80	** %	1,524,518.74	3,400,428.54	-473,925	2,926,503.54
09/30/2031	1,956,591.70	** %	1,446,065.06	3,402,656.76	-473,925	2,928,731.76
09/30/2032	2,041,591.70	** %	1,359,811.18	3,401,402.88	-473,925	2,927,477.88
09/30/2033	2,132,273.60	** %	1,269,101.03	3,401,374.63	-473,925	2,927,449.63
09/30/2034	2,232,955.40	** %	1,172,028.16	3,404,983.56	-473,925	2,931,058.56
09/30/2035	2,337,955.40	** %	1,062,948.82	3,400,904.22	-473,925	2,926,979.22
09/30/2036	2,458,637.30	** %	943,219.46	3,401,856.76	-473,925	2,927,931.76
09/30/2037	2,584,319.10	** %	817,339.88	3,401,658.98	-473,925	2,927,733.98
09/30/2038	2,720,001.00	** %	684,935.08	3,404,936.08	-473,925	2,931,011.08
09/30/2039	2,840,001.00	** %	560,255.04	3,400,256.04	-473,925	2,926,331.04
09/30/2040	2,960,000.00	4.000%	444,000.00	3,404,000.00	-473,925	2,930,075.00
09/30/2041	3,080,000.00	4.000%	323,200.00	3,403,200.00	-473,925	2,929,275.00
09/30/2042	3,205,000.00	4.000%	197,500.00	3,402,500.00	-473,925	2,928,575.00
09/30/2043	3,335,000.00	4.000%	66,700.00	3,401,700.00	-473,925	2,927,775.00
	44,813,876.30		21,428,046.37	66,241,922.67	-9,478,500	56,763,422.67



Understanding the Utility Fund

- Self-supporting enterprise (revenues = fees or services)
- Supports operations, maintenance, capital, and debt service
- Fund balance – working capital/reserves for emergencies

Key Revenue sources:

Water Sales, Sewer Charges, Late fees, etc.

Departments Supported:

Water Distribution, Sewer Collections, Utility Administration, Utility Billing, Debt Service Payments, Transfers



Utility Fund – Revenue Summary

Fiscal Year Ending September 30, 2024

Revenue By Category	FY2024 Budget	FY2024 Actuals	Variance	%Var
PID Revenue	\$ 8,300.00	\$ 8,035.34	\$ 264.66	97%
Charges for Services	96,900.00	124,455.30	(27,555.30)	128%
Water Services	6,983,800.00	7,790,063.93	(806,263.93)	112%
Sewer Services	5,293,270.00	7,533,602.08	(2,240,332.08)	142%
Other Revenues	1,000.00	150.00	850.00	15%
Transfers-In	\$ 40,000.00	\$ 307,000.00	\$ (267,000.00)	768%
Grand Total	\$ 12,423,270.00	\$ 15,763,306.65	\$ (3,340,036.65)	127%

**Financial information is unaudited



Utility Fund – Expense Summary

Fiscal Year Ending September 30, 2024

Expense By Category	FY2024 Budget	FY2024 Actuals	Variance	%Var
Personnel Cost	\$ 1,957,500.00	\$ 1,467,035.44	\$ 490,464.56	75%
Operations & Maintenance	7,367,858.00	7,249,524.27	118,333.73	98%
Capital Outlay	23,500.00	36,071.18	(12,571.18)	153%
Debt Service	3,846,354.00	3,851,943.17	(5,589.17)	100%
Transfers-Out	2,783,300.00	2,783,300.00	-	100%
Grand Total	\$ 15,978,512.00	\$ 15,387,874.06	\$ 590,637.94	96%

**Financial information is unaudited



Utility Fund Balance FY2024

Fiscal Year Ending September 30, 2024

FY 2024 General Fund Year-End Summary	
Beginning, Fund Balance:	<u>\$ 11,948,970.00</u>
Revenues:	<u>15,496,306.65</u>
Expenditures:	<u>\$ 15,387,874.06</u>
Surplus/(Deficit):	<u>\$ 108,432.59</u>
Ending, Fund Balance:	<u>\$ 12,057,402.59</u>

*Financial information is unaudited

**Unrestricted Fund Balance is 78% or 284 days of reserve



City of Heath
Utility Fund
 12/31/2024

	CURRENT BUDGET	CURRENT PERIOD	YTD BALANCE	TOTAL ENCUMBERED			
	FY2025	December 2024	FY2025	FY2025	Actuals + Encumbered	Budget Balance	% of Budget Used
Revenue Summary	\$15,557,800	\$954,100	\$2,939,586	\$0	\$2,939,586	\$12,618,214	19%
Expenditure Summary							
900 - NON-DEPARTMENTAL	\$7,183,400	\$227,462	\$1,205,539	\$135,481	\$1,341,020	\$5,842,380	19%
350 - WATER DISTRIBUTION	\$5,143,900	\$726,117	\$934,801	\$74,181	\$1,008,983	\$4,134,917	20%
340 - SEWER COLLECTIONS	\$3,970,000	\$324,260	\$1,819,686	\$8,439	\$1,828,125	\$2,141,875	46%
331 - UTILITY ADMINISTRATION	\$1,049,100	\$92,223	\$223,629	\$40,110	\$263,739	\$785,361	25%
345 - UTILITY BILLING	\$350,400	\$23,626	\$53,214	\$9	\$53,223	\$297,177	15%
EXPENDITURE SUMMARY TOTAL	\$17,696,800	\$1,393,688	\$4,236,869	\$258,220	\$4,495,089	\$13,201,711	25%



Captial Projects Update



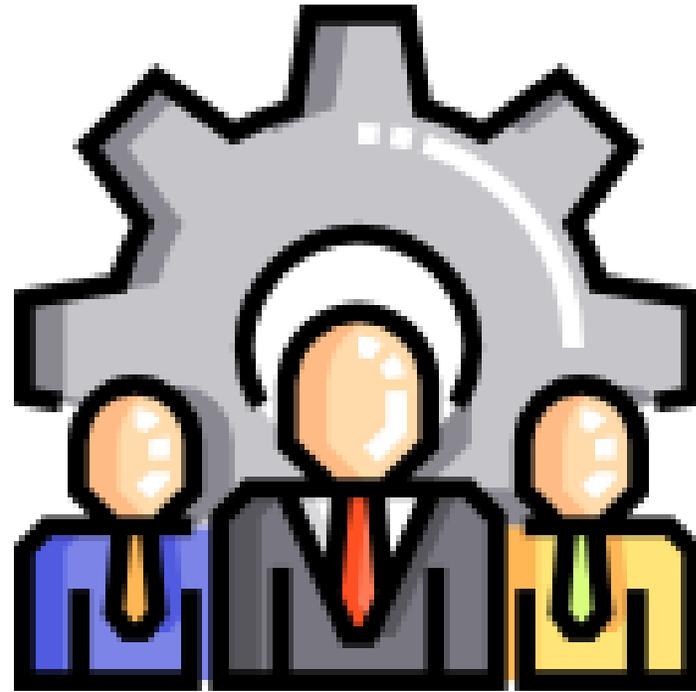
General Capital Projects

Project No.	Project Name	Status	Budget	Amount Spent	Funding Source
FA2401	Public Works Facility	Under Construction	\$ 6,250,000.00	\$ 290,786.00	2023 CO Bond
FA2402	Public Safety Facility	RFP Review	\$ 15,000,000.00	\$ -	2023 CO Bond/EDC
FA2501	City Hall Improvements	In-Progress	\$ 380,000.00	\$ 12,168.88	General Capital
FA2502	City Hall Beautification	Complete	\$ 30,000.00	\$ -	Donation
PR2401	Towne Center Park	Under Construction	\$ 13,450,000.00	\$ 938,217.50	2023 CO Bond/EDC/Parks
ST2502	City Streetwide Street Program	In-Progress	\$ 920,000.00	\$ 23,333.24	General Capital
IT2401	OpenGov ERP Suite	In-Progress	\$ 642,000.00	\$ 659,485.94	ARPA
IT2402	City Hall - Door/Camera Upgrades	Complete	\$ 140,000.00	\$ 129,768.55	General Capital
IT2403	GIS Development and Hosting	Complete	\$ 50,000.00	\$ 50,000.00	General Capital
IT2501	Council Chambers Meeting Management System	In-Progress	\$ 50,000.00	\$ 50,000.00	General Capital
IT2502	Push Notification System	Complete	\$ 25,000.00	\$ 18,357.20	General Capital
IT2503	CivicPlus Information Management System	Complete	\$ 21,000.00	\$ 20,594.18	General Capital



Utility Capital Projects

Project No.	Project Name	Status	Budget	Amount Spent	Funding Source
WA2401	AMI System Implementation Phase No. 1	Complete	\$ 800,000.00	\$ 783,862.27	Utility Capital
WA2501	AMI System Implementation Phase No. 2	In-Progress	\$ 800,000.00	\$ 547,632.12	Utility Capital
WA2402	Upgrade 300-HP Pump at Pump Station No. 1	Complete	\$ 250,000.00	\$ 217,597.00	Water Impact Fee
WA2503	Water Well Design #1 - Towne Center Park	Under Design	\$ 242,000.00	\$ 185,250.00	Future CO 2025
WA2406	SCADA System Upgrade	In-Progress	\$ 250,000.00	\$ -	Utility Capital
WA2504	3-MG Ground Storage Tank #2 - Pump Station No. 1	Not Started	\$ 1,000,000.00	\$ -	Future CO 2025
WA2505	Darr Estates Fire Flow Improvements	Under Construction	\$ 2,231,500.00	\$ 115,443.00	ARPA
WA2407	Candlelite Park Fire Flow Improvements	Generating RFQ	\$ 484,000.00	\$ -	Utility Capital

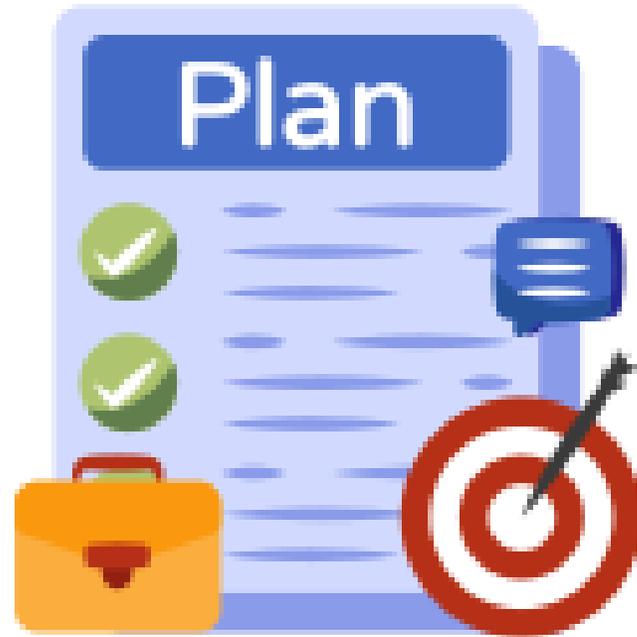


Current Workforce

City of Heath Full-Time Equivalents



Department	Approved FTEs	Vacancies	Turnover Ratio
City Administration	3.0	0	
City Secretary	2.0	0	
Community Development	7.0	2	
Information Technology	1.0	0	
Finance	7.0	1	
Public Safety	35.5	0	
Public Works	20.5		
Total FTEs	76.0	3	



Strategic Planning Framework

Purpose of Strategic Planning



Why Strategic Planning Matters:

- Aligns budget with long-term vision
- Ensures resources are used effectively
- Provides clear direction for staff and departments
- Helps manage growth, service expectations, and infrastructure needs
- Creates a shared understanding of community values
- Anticipates future challenges and opportunities
- Builds transparency and trust in government decision-making
- Strengthens Council-staff collaboration
- Encourages proactive rather than reactive planning

Where We Are Today



Key Area	Current Snapshot
 Growth	Surrounding population growing exponentially; increased service expectations
 Capital Projects	Active infrastructure projects and facility planning underway
 Financial Position	General Fund reserves have dropped below policy target (35%); flexibility is tight
 Visioning Gap	No formal vision/mission—opportunity for alignment and leadership direction

Strategic Planning Goals



Strategic Goal

Why It Matters

Identify Council & Community Priorities

Ensures budget reflects values

Provide a Decision-Making Framework

Supports consistent, aligned choices

Ensure Financial Sustainability

Protects reserves & enables future planning

Plan for Long-Term Infrastructure & Staffing

Keeps up with growth & demand

Begin Defining a Shared Vision

Unifies direction and guides investment

What Strategic Planning Is...and Isn't



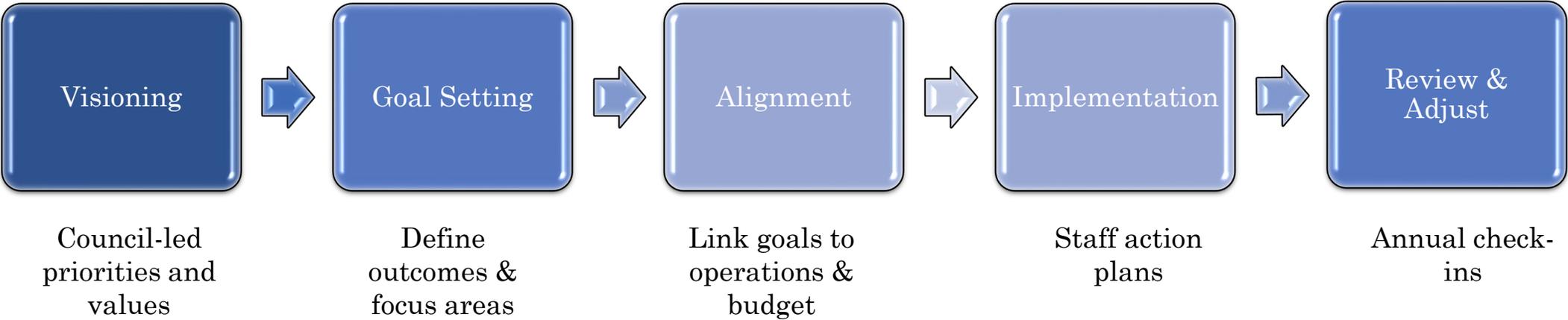
✓ Strategic Planning Is:

- Vision-focused
- Council-driven
- Big-picture oriented
- A tool to prioritize resources effectively
- A continuous, evolving process
- A way to link goals to measurable outcomes

✗ Strategic Planning Is Not:

- A line-item budget
- A one-time conversation
- Solely staff-led
- A static document that sits on a shelf
- Only for large cities or crisis situations

Key Phases of Strategic Planning Process





Establishing a Shared Vision

What is Our Vision for Heath

- A vision describes what we aspire to become
- It guides long-term decisions and investments
- Reflects our values, identity, and future direction

Prompt Questions:

- What do we want Heath to be known for?
- What kind of community are we building?
- In 10-20 years, what does success look like for our city?



Establishing a Shared Vision

Reference Point

“A premiere outdoor lifestyle community of spacious, upscale neighborhoods with open spaces, parks and trails, cultural amenities, an exemplary educational system, and distinctive economic development to provide the highest level of public services—a place to call home for a lifetime.”

Prompt Questions:

- Does this still reflect who we are and who we want to be?
- What would you keep, revise, or expand?
- How should this vision guide our budget and priorities?



Council's Leadership Role

- Provide Vision and Priorities
- Engage in open, strategic dialogue
 - Ask bold questions
- Focus on long-term community impact

"This is your process. Staff is here to support."



Where We Go From Here

- Capture themes from today's discussion
- Refine focus areas and strategic goals
- Synthesize vision input into draft statements
- Integrate direction into FY2025-2026 Budget
- Continue the conversation from upcoming workshops



Where We Go From Here

- Capture themes from today's discussion
- Refine focus areas and strategic goals
- Synthesize vision input into draft statements
- Integrate direction into FY2025-2026 Budget
- Continue the conversation from upcoming workshops

T
H
A
N
K



Y
O
U

Prior Budget Priorities

- Cost Containment
- Tax Rate Stability
- Replacement Schedule Fund
- Long Range Planning
- Quality of Services
- Water, Water, Water, Water