



Fiscal Year 2025-2026 Budget Workshop: Introduction to Finance & Budgeting

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Date: June 4, 2025



WELCOME AND INTRODUCTIONS



Welcome to the City of Heath's Budget Work Session #2: Introduction to Budgeting & Finance

- Thank you for your time and dedication to understanding the City's finances
- Today's session will provide an overview of:
 - How the City funds services
 - How we plan and manage resources
 - How Council and staff collaborate for long-term success
- Let's work together to build a stronger, more sustainable Heath!



Why does this Workshop matter?

- ✓ Helps us make informed, responsible decisions
- ✓ Promotes transparency and accountability
- ✓ Connects community priorities with funding
- ✓ Prepares us for the upcoming budget cycle

💡 Remember:
Every dollar in the City's budget reflects a choice about what we value as a community.



Goals for Today's Session

- 📌 Understand the fundamentals of municipal finance
- 📌 Learn about fund accounting and fund types
- 📌 Review the City's revenue sources and spending priorities
- 📌 Discuss the Mid-Year Financial Report
- 📌 Explore Heath's debt and capital planning
- 📌 Build a shared understanding for the upcoming budget process



BUDGET WORKSHOP AGENDA



Budget Workshop Agenda Topics

- Welcome & Introductions
- Foundations of Municipal Finance
- Fund Accounting & Fund Types
- The Budget as a Strategic Policy Tool
- Budget Process & Schedule
- Mid-Year Financials
 - Major Revenues
 - Expenditures
- Debt Management & Capital Planning
- Transparency & Reporting Tools
- Q&A/Open Discussion
- Closing Remarks & Next Steps





FOUNDATIONS OF MUNICIPAL FINANCE



Foundation of Municipal Finance

What is Municipal Finance?

The system by which the City manages money to deliver services, maintain infrastructure, and support the community.

Why is it Important?

- ✓ Funds essential services: Police, Fire, Streets, Parks
- ✓ Supports long-term community priorities
- ✓ Ensures accountability to the taxpayer

Finance is the backbone of public service delivery



The Role of the City Council in Financial Stewardship

As elected leaders, the Council has the responsibility to:

- Set community priorities
- Adopt the municipal fee schedule, budget, and tax rate
- Approve major financial policies
- Provide fiscal oversight
- Build trust through transparency



Your decisions shape the financial health and future of the City of Heath



FUND ACCOUNTING & FUND TYPES



What is Fund Accounting?

- ❖ A system that organizes financial resources into separate accounting entities called **funds**
- ❖ Each fund has its own revenues, expenditures, and balance
- ❖ Helps ensure money is used for its intended purpose
- ❖ Provides transparency, accountability, and legal compliance

💡 Think of funds as **individual bank accounts**, each with a specific purpose.



Why is Fund Accounting Important?

- ❖ Required by GAAP (Generally Accepted Accounting Principles) and GASB (Government Accounting Standards Board)
- ❖ Ensures public money is managed responsibly
- ❖ Prevents mixing restricted and unrestricted resources
- ❖ Helps elected officials make informed decisions
- ❖ Promotes public trust through transparent reporting



What is GAAP?

Generally Accepted Accounting Principles (GAAP)

- A set of standardized accounting rules, principles, and procedures that guide how financial statements are prepared and reported
- Ensures consistency, comparability, and transparency across all entities (including governments)
- Developed by the Financial Accounting Standards Board (FASB) for the private sector and the Governmental Accounting Standards Board (GASB) for governments.



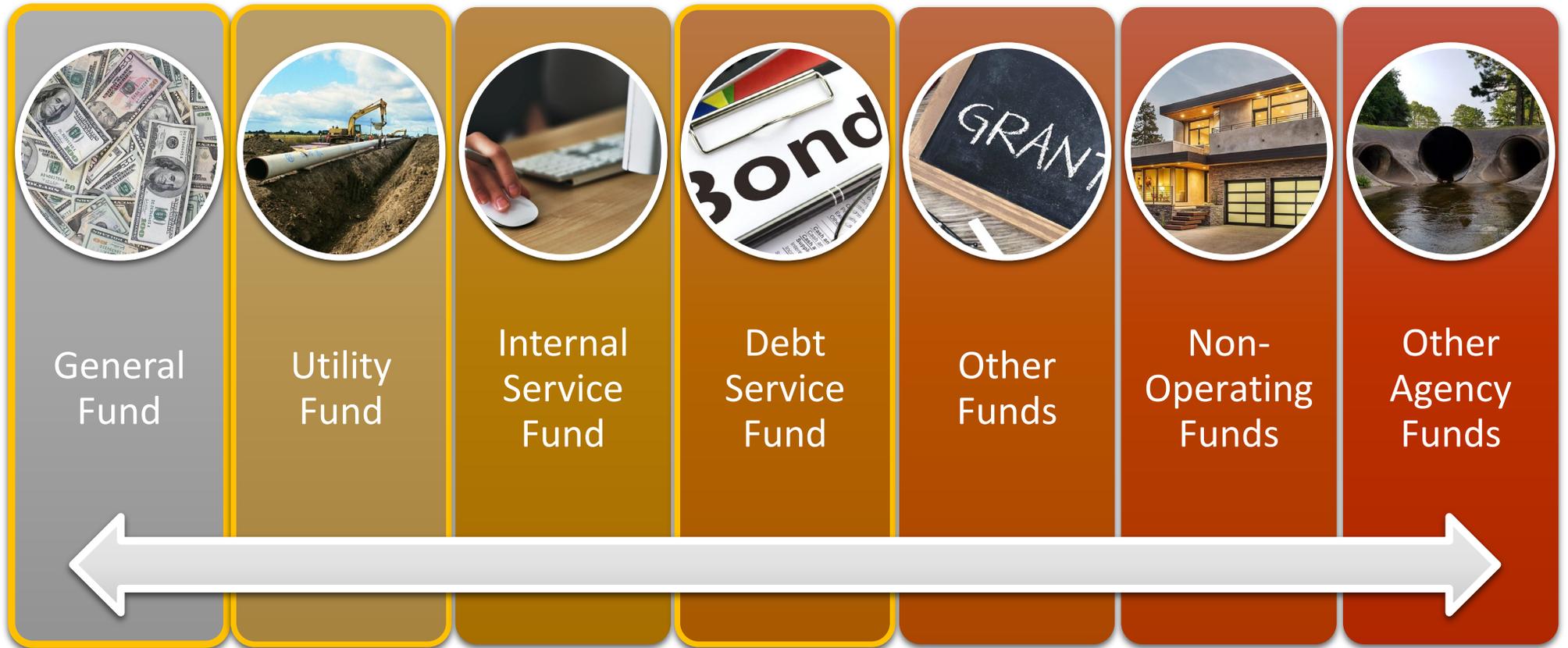
What is GASB

Governmental Accounting Standards Board (GASB)

- An independent, non-profit organization that establishes accounting and financial reporting standards for U.S. state and local governments.
- Issues authoritative guidance for governmental GAAP
- Key Documents: GASB Statements (e.g., GASB 34 on financial reporting, GASB 54 on fund balance reporting).

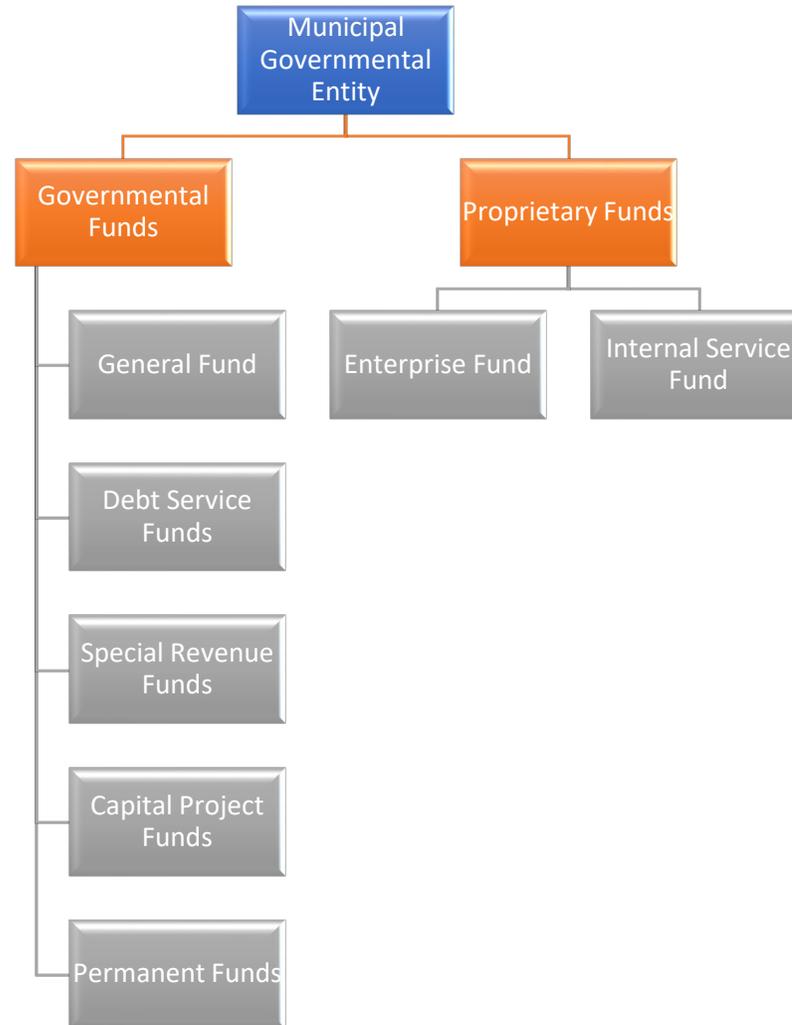


Fund-amentals





Fund Structure





Governmental Funds

- **Governmental Funds** are a category of funds used in governmental accounting to record financial transactions associated with government services and transactions. These funds account for tax dollars and other receipts that provide for the public services typically associated with state and local governments.



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Types of Governmental Funds

- **General Fund**

- **Purpose:** Functions as the chief operating fund of a municipality. It supports essential services such as police, fire, and other public safety services, parks and recreation, and general administration.
- **Funding sources:** Primarily financed through tax revenues (property, sales), fees, and state or federal grants.
- **Expenditure Categories:** Includes salaries, administrative expenses, public welfare, and other operational costs necessary for daily governmental operations

- **Special Revenue Funds**

- **Purpose:** Used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- **Examples:** Road and street improvements funded by impact fees, education funds from specific state grants, and public health programs funded by federal grants
- **Management requirements:** Ensures that revenues are used only for the specific projects or services for which they are allocated.



Types of Governmental Funds

- **Debt Service Funds**

- **Purpose:** To account for the accumulation of resources and the payment of general long-term debt principal, interest, and related costs.
- **Funding Sources:** This may include earmarked tax revenues, a portion of general fund transfers, or specific levies.
- **Expenditure Details:** Payments are often scheduled and predictable, making it easier to plan the necessary allocations annually.

- **Capital Projects Funds**

- **Purpose:** Financial resources used for acquiring or constructing major capital facilities (other than those financed by proprietary funds and trust funds).
- **Funding sources:** Funded through general obligation bonds, special taxes, grants, and contributions
- **Project examples:** construction of municipal buildings and large-scale road improvements

- **Permanent Funds**

- **Purpose:** Used to account for resources that are legally restricted to the extent only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the public.
- **Examples:** Endowments for maintaining the city's cemeteries or parks where the principal is kept intact, and only interest income is used for maintenance.

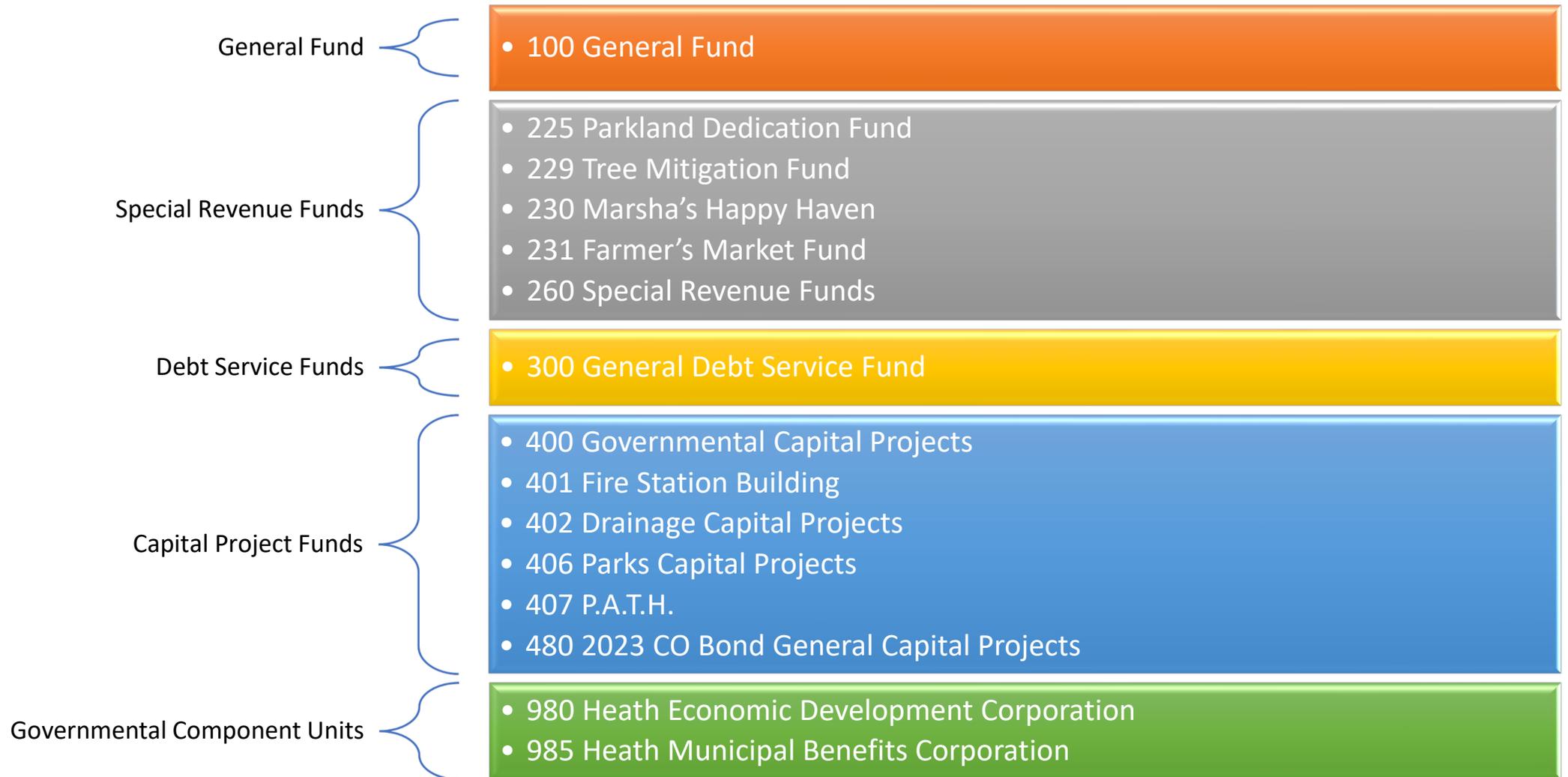


The Five Types of Governmental Funds

Fund Type	Purpose	Example for Heath
General Fund	Core operations	Police, Fire, Parks, Admin
Special Revenue Fund	Restricted resources for specific purposes	Street Maintenance Sales Tax, HOT Tax
Debt Service Fund	Paying Principal & Interest on debt	General Obligation Bonds, COs
Capital Projects Fund	Major Capital Infrastructure projects	Public Safety Facility, Water Line Replacement
Permanent Fund (rare)	Legally restricted, principal cannot be spent	Cemetery Perpetual Care (if applicable)



City of Heath Governmental Funds





What makes up a Department Operating Budget

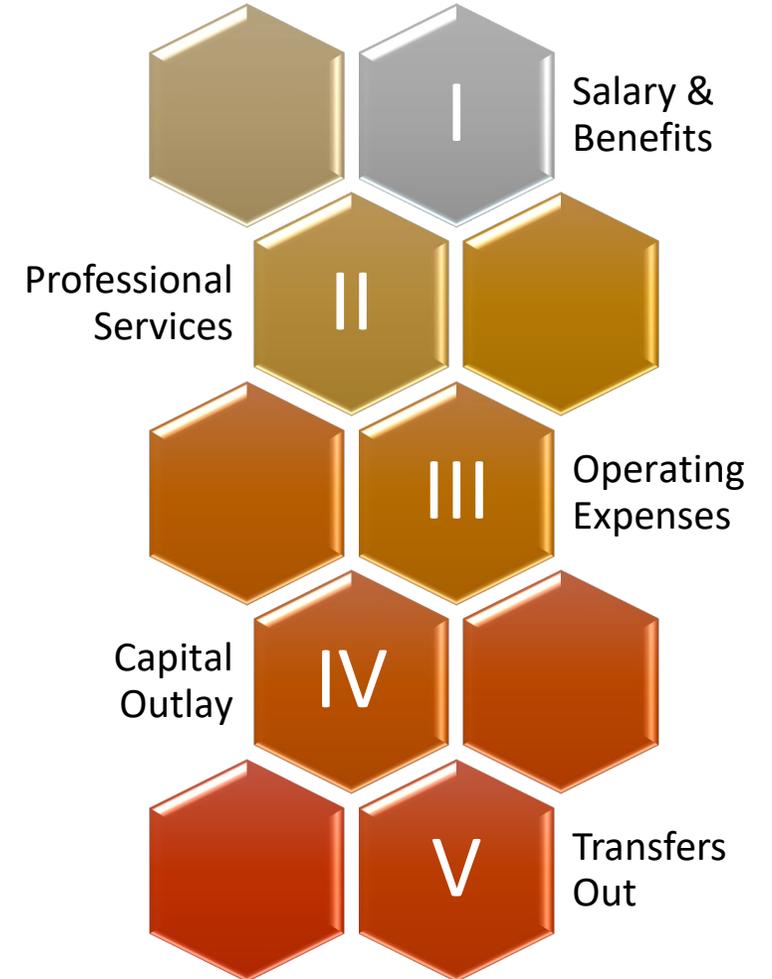
Operations



Administration



Fleet and Facilities





Departmental Budgets Components

- **Personnel Costs:** Often the largest portion of any department's operating budget. They include all department employees' salaries, wages, benefits, pensions, and other related expenses.
- **Operating Expenses:** These are the department's day-to-day functioning costs. They include office supplies, utilities, equipment maintenance, and expenses for services like telecommunications and IT support.
- **Professional Services:** Fees for external services provided by consultants, lawyers, auditors, and other professionals fall under this category.
- **Travel and Training:** Expenses for staff travel, conferences, workshops, and training sessions to keep staff updated with the latest practices and certifications.
- **Program Costs:** Specific costs associated with delivering services or programs to the community. These might include supplies for recreational programs, the cost associated with a community event, or an event related to public safety initiatives.
- **Capital Outlays:** This can include expenditures for new equipment, construction projects, and improvements.



Expense Object Code Categories

Category	Object Code Range	Examples
Salary & Wages	51000-51999	Full-Time Salaries & Wages, Overtime
Personnel Benefits	52000-52999	Social Security, Unemployment
Contractual & Professional Services	53000-53999	Subscriptions, Legal Services
Leases & Rentals	54000-54999	Rental/Lease of Land & Buildings
Materials & Supplies	55000-55999	Office Supplies, Hand Tools
Purchased Property Services	56000-56999	Utility Services, Contract Maintenance
Other Purchased Services and Charges	57000-57999	Property Insurance, Education/Training
Capital Outlay (>\$5,000)	58000-58999	Land, Building, Machinery
Other Financing Uses	59000-59999	Principal & Interest Payments
Transfers Out	61000-61999	Transfer to General Fund



100 General Fund Operating Fund

Department No.	Department Name
111	City Council
123	City Manager
130	Finance
139	Municipal Court
151	City Attorney
155	Information Technology
161	City Secretary
181	Community Development
200	Public Safety
310	Engineering & Inspections
320	Streets
450	Parks
900	Non-Departmental



Account Code Structure

Revenue:

Fund	Object Code	Department	Project
100	41100	000	000000
General Fund	Property Taxes - Current	No Department	No Project

Expense:

Fund	Object Code	Department	Project
100	55110	131	000000
General Fund	Office Supplies	Finance Department	No Project



Proprietary Fund

- **Proprietary Funds** are used by governmental entities to account for activities that are similar to commercial business operations.





Types of Proprietary Funds

- **Enterprise Funds**

- **Purpose:** Used to report any activity for which a fee is charged to external users for goods or services.
- **Examples:** Utilities (water, sewer, electricity), public hospitals, transportation services, and toll roads.
- **Financial Characteristics:** These funds are intended to be self-supporting, charging users enough to cover expenses.

- **Internal Service Funds**

- **Purpose:** To account for the financing of goods or services provided by one department or agency to other departments or agencies of the government or to other governments on a cost-reimbursement basis.
- **Examples:** Centralized purchasing, motor pools, and information technology services.
- **Management Objective:** Promotes efficiency and centralizes cost for services used by departments.



City of Heath Proprietary Funds

Enterprise Funds

- 610 Water & Sewer Utility Fund
- 625 Solid Waste Fund

Capital Project Fund

- 410 Water & Sewer Capital Projects Fund

Internal Service Funds

- 700 General Equipment Replacement Fund
- 710 Utility Equipment Replacement Fund



610 Utility Fund Operating Fund

Department No.	Department Name
331	Utility Administration
340	Sewer Collections
345	Utility Billing/Customer Service
350	Water Distribution
900	Non-Departmental



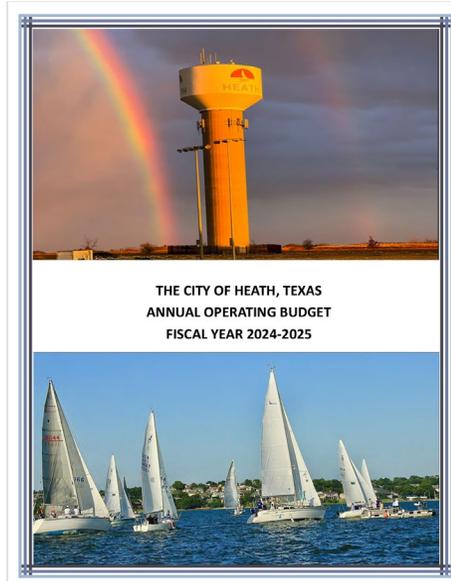
The Budget as a Strategic Policy Tool



The Budget: More Than Just Numbers

Budget as a Strategic Policy

- 📄 The Budget is the City's most important policy document
- 📄 It reflects the Council's priorities and the community's values
- 📄 The budget is where vision meets reality—it determines what we can afford to do
- 📄 It guides daily operations and long-term planning





The Budget as a Policy Tool: What It Does

The Budget:

- ✓ Allocates Resources – Decides where the money goes
- ✓ Set Priorities – What services matter most to the community
- ✓ Controls spending – Legal authorization to spend funds
- ✓ Drives Accountability – Tracks performance and outcomes
- ✓ Shapes the City's Future – Funds long-term investments and sustainability



Budgeting as a Strategic Process

The Budget Process is a Cycle:

1. Set Vision & Goals (Council, Community)
2. Align Resources to Priorities
3. Allocate Funds Across Departments
4. Monitor Performance (Quarterly Reports, Mid-Year Review)
5. Adjust as Needed (Budget Amendments, Strategic Shifts)

★ *The budget process is continuous, dynamic, and aligned with strategy*



The Budget and the City's Strategic Vision

The Budget supports Heath's Strategic Vision:

“Heath is a premier, well-planned community offering a high quality of life through spacious neighborhoods, open spaces, and an active outdoor lifestyle. With a strong focus on safety, education, and thoughtfully scaled, citizen-supported development, Heath is a place people choose to call home for a lifetime.



Guiding Principles

H **Heritage & High Quality**
Preserving the city's unique character and commitment to excellence in all aspects of community life.

E **Exemplary Services**
Delivering innovative, responsive, and high-quality public services that meet residents' needs.

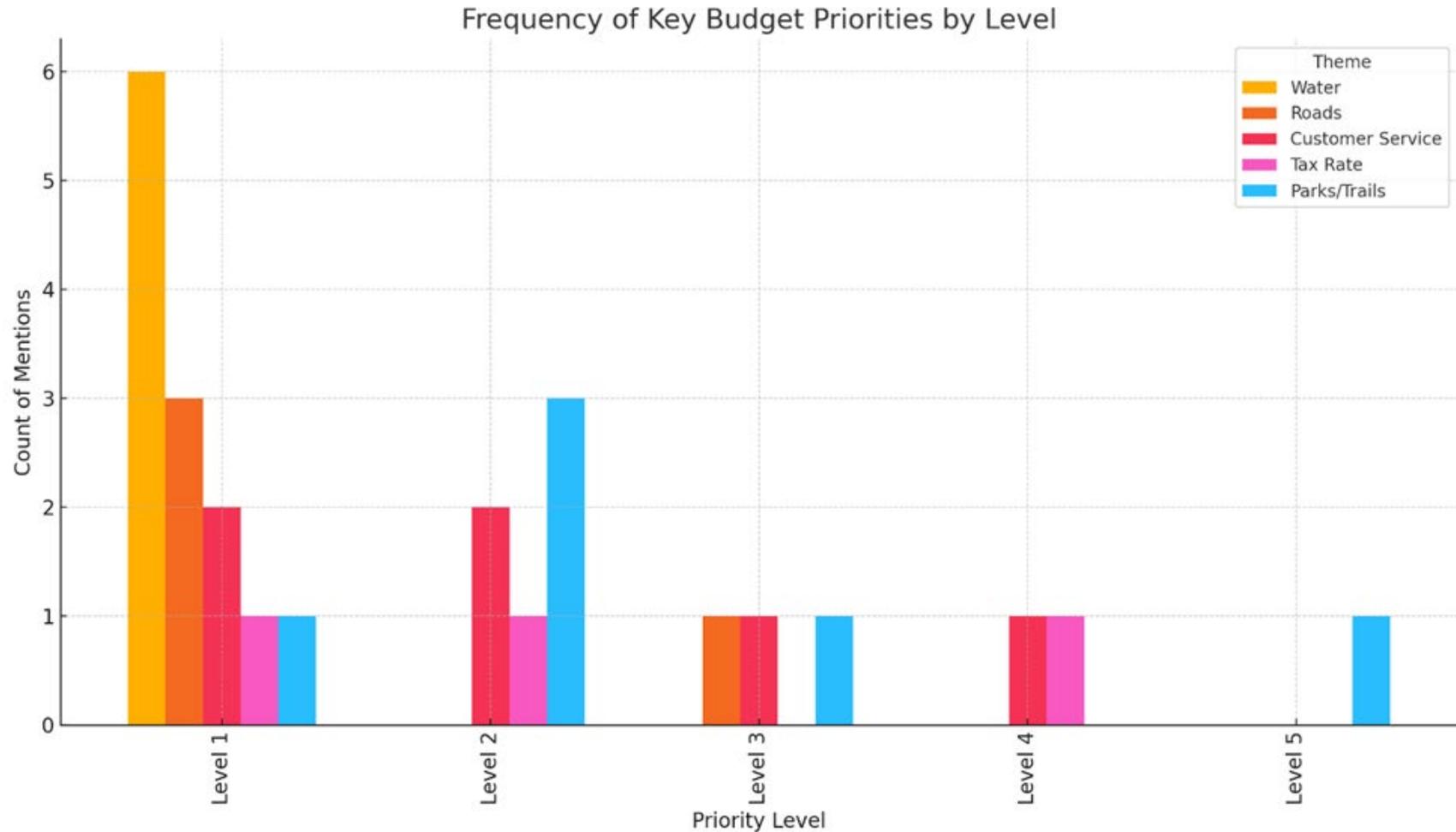
A **Active Lifestyle**
Fostering a connected, healthy community through open spaces, parks, trails, and outdoor living.

T **Thoughtful Development**
Promoting intentional *growth* that respects community values, aesthetics, and sustainability.

H **Home for a Lifetime**
Creating a safe, welcoming, and enduring place that residents are proud to call home.



FY 2025-2026 Budget Priorities Analysis: Stick Note Results





Summary of Findings: Level 1 (Highest Priority)

The most critical concerns focused on:

- Water & Supply Infrastructure (new water sources, storage, and long-term planning)
- Roads & Road Maintenance (repairs, coordination with TxDOT, prioritization of street improvements)
- Stable Tax Rate (maintain fiscal responsibility)
- Customer Service Responsiveness (answering phones, returning calls, improving accessibility)
- Process Efficiency & Compliance (CMOM program, backflow program, vision alignment, AI tools for tracking)

Key takeaway: Water and road infrastructure are top priorities, reflecting a clear need for long-term utility planning and proactive maintenance.



Summary of Findings: Level 2 (High Priority)

Priorities in this level emphasize strategic vision and organizational capacity, including:

- Sustainability, transparency, and forward-thinking leadership
- Parks and trails expansion
- Hiring staff (versus outsourcing) for legal, engineering, and public information needs
- Code enforcement staffing
- Grant funding pursuits
- Consistent Audits of OpenGov entries
- Public safety and beautification

Key takeaway: Focus on building capacity, enhancing public-facing amenities, and aligning operations with long-term vision.



Summary of Findings: Level 3 (Medium Priority)

This level includes:

- Process improvements (procurement updates, maintenance integration, permitting)
- Community engagement (events, webpage redesign, newsletter revamp)
- Pursuit of grants and sustainability efforts
- Park maintenance and amenities

Key takeaway: These are important enhancements that improve operational effectiveness and community experience, but are not seen as urgent as core infrastructure needs.



Summary of Findings: Level 4 (Lower Priority)

Lower priority areas include:

- Revenue diversification strategies
- Enforcement of Ordinances and PD requirements
- Maintaining Fund Balance
- Job description reviews and workflow improvements

.
Key takeaway: These items support long-term financial sustainability and internal process improvements, but are not immediate concerns.



Summary of Findings: Level 5 (Lowest Priority)

The lowest priorities focus on internal development and long-term staff engagement:

- Employee satisfaction, training, and retention
- Regular work review interviews with staff
- Park surveillance

Key takeaway: Employee support is valued but seen as a longer-term investment relative to urgent infrastructure and service needs.



Next Steps

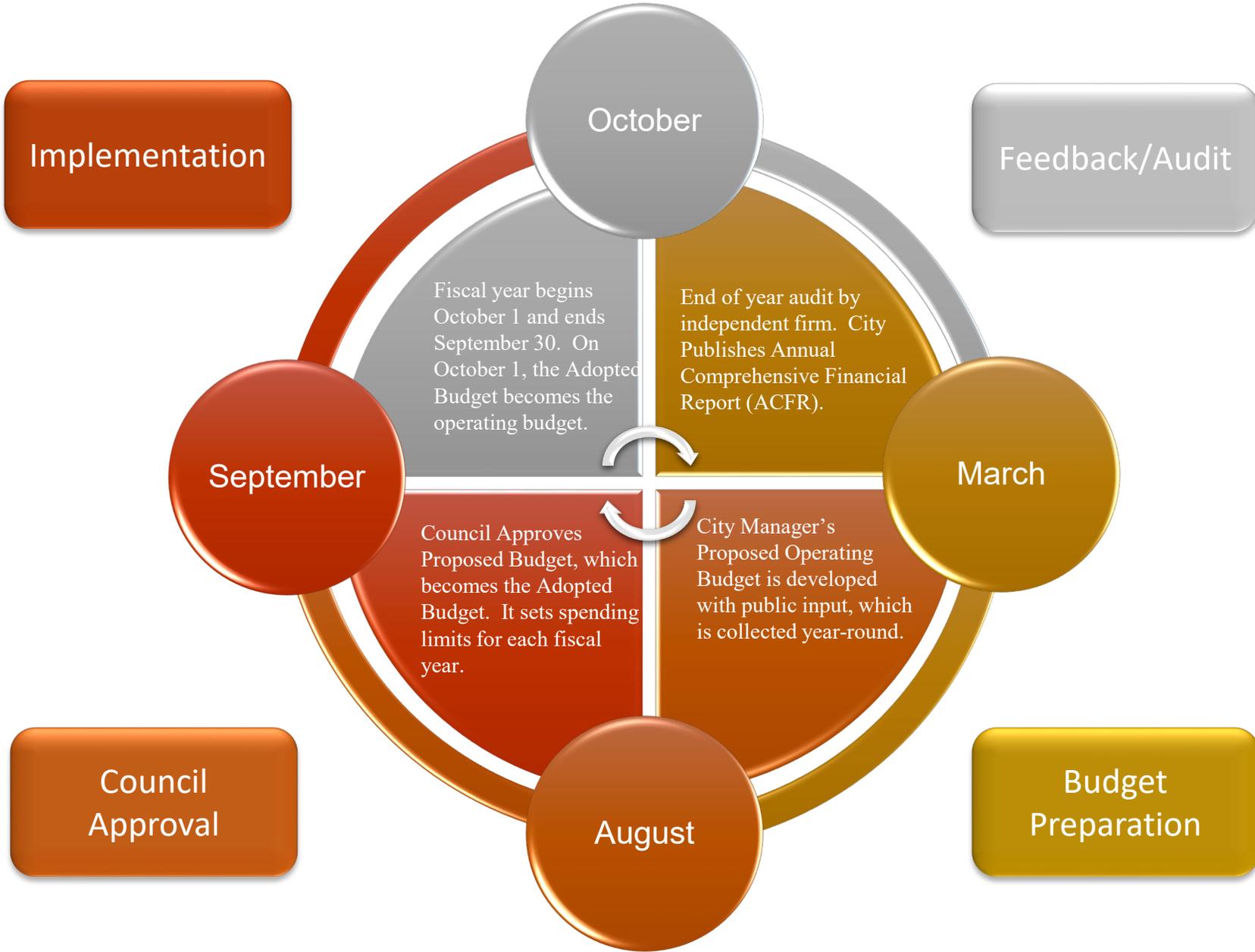
- Use this analysis to inform the FY 2025-2026 budget development, ensuring critical priorities like water and road infrastructure are adequately addressed.
- Integrate high-priority process improvements (e.g., customer service, grant funding, transparency tools into departmental action plans)
- Plan for long-term initiatives (e.g., employee engagement, revenue diversification) in subsequent budget cycles.



The Budget Process and Schedule

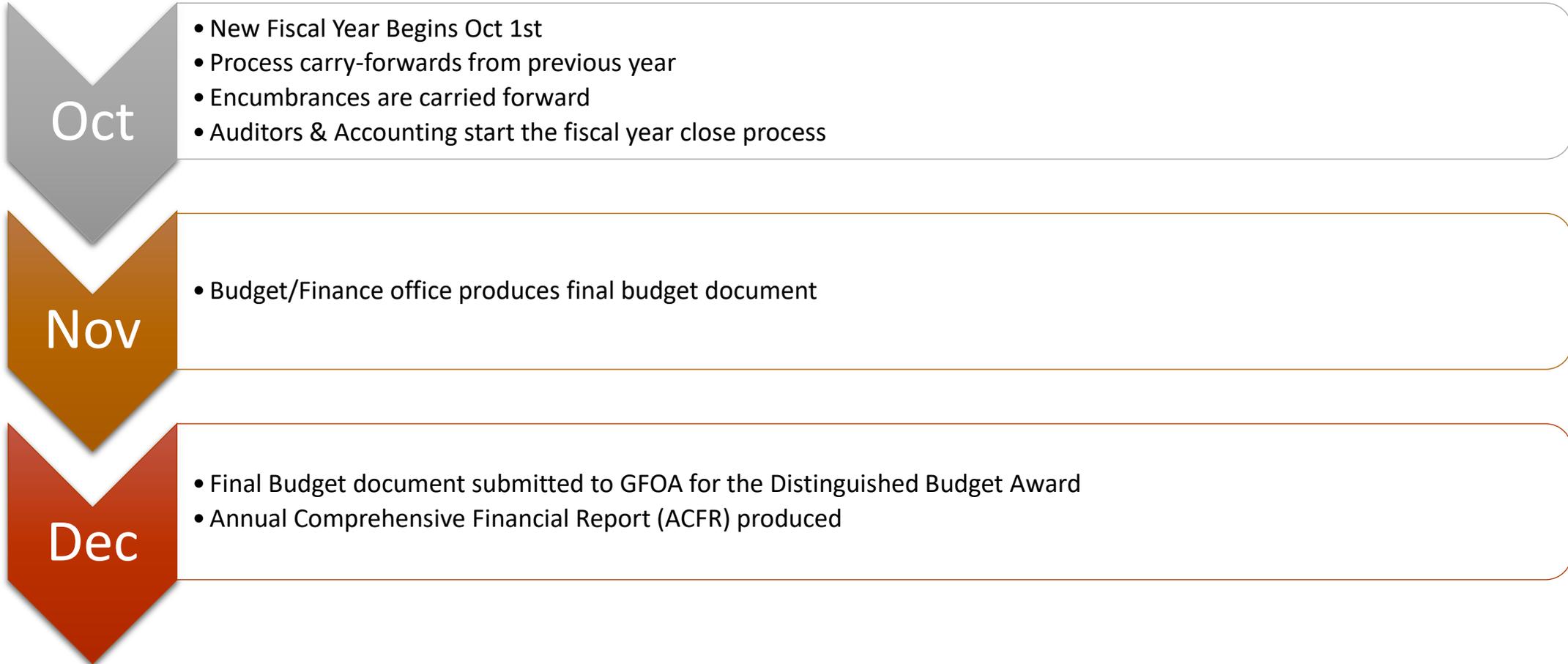


The Budget Cycle





The Budget Process – Implementation and Execution Phase





The Budget Process – Budget Preparation Phase (continued)

Jan

- City Manager to establish budget focus
- City staff begin the budget planning process
- Calendar and Instructions issued to departments
- Budget memorandum sent to all departments

Feb

- Preliminary requests and any changes to personnel submitted to Finance and CM
- Internal departments submit list to departments for items such as equipment and technology
- Preparation of Financial Forecast

Mar

- Finance meets with City Manager to determine budget/CIP parameters (revenue and expenditure forecasts, targets, and goals).
- Forecast and Mid-Year Financials provided to City Council
- Budget Kickoff Meeting with staff



The Budget Process – Budget Preparation Phase (continued)

Apr

- Departments develop their budgets for review
- Setup department meetings with CM for May or June

May

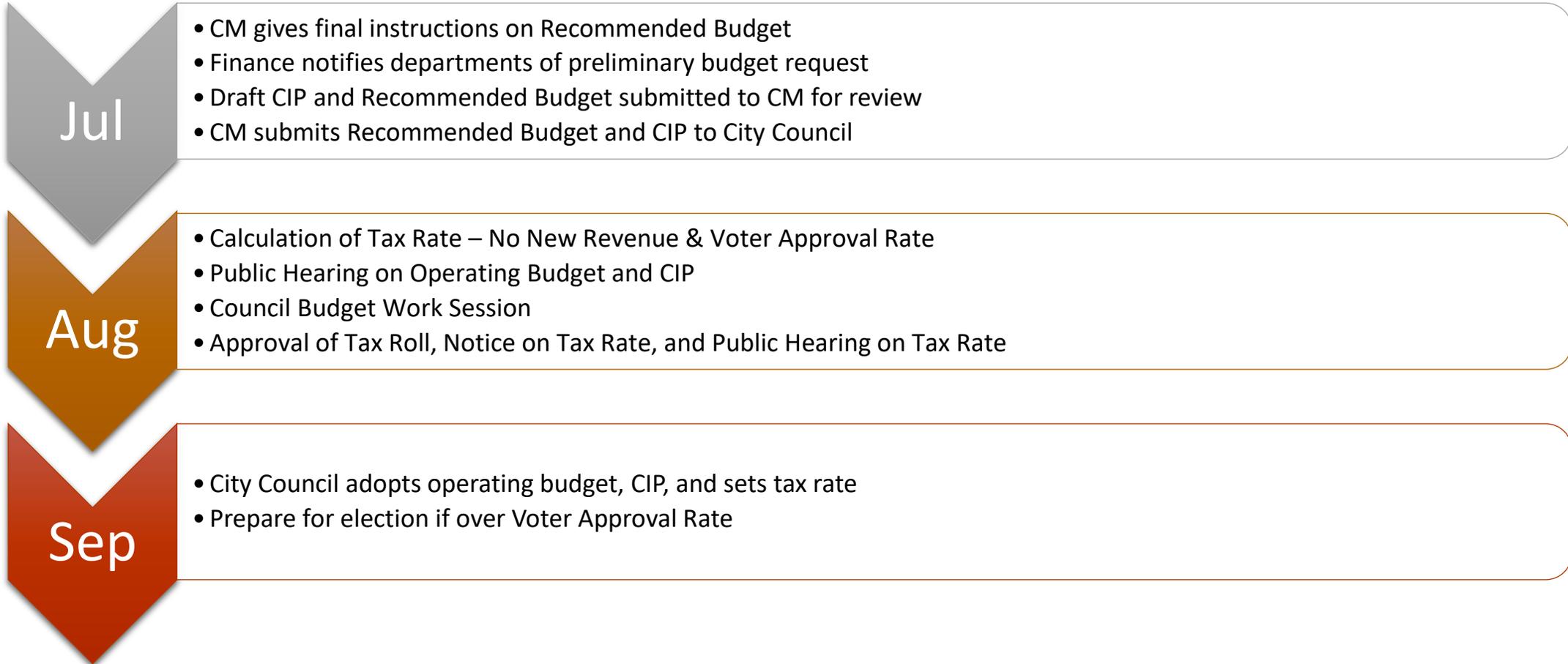
- Department budgets and CIP submitted to Finance
- Finance analyze and prepare budgets
- Prepare salary and benefit budgets for departments

Jun

- Finance presents total request to CM, with highlights, issues, options, and recommendations
- CM reviews all Operating Budgets and CIP programs with all department heads.



The Budget Process – Budget Approval Phase





Budget Calendar

Completed	Date	Action/Event
✓	3/28/2025	❖ Budget Work Session #1: Strategic Planning and Budget Priorities
✓	4/30/2025	❖ Preliminary tax values available
	6/4/2025	❖ Budget Work Session #2: Introduction to Budgeting and Finance
	6/9/2025	❖ Budget Kick-Off Meeting ❖ Training on OpenGov Budgeting & Planning Platform
	6/25/2025	❖ Budget submissions due to Finance from departments
	7/17/2025	❖ 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	❖ 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
	9/9/2024 or 9/23/2024	❖ 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



Mid-year Financial Overview

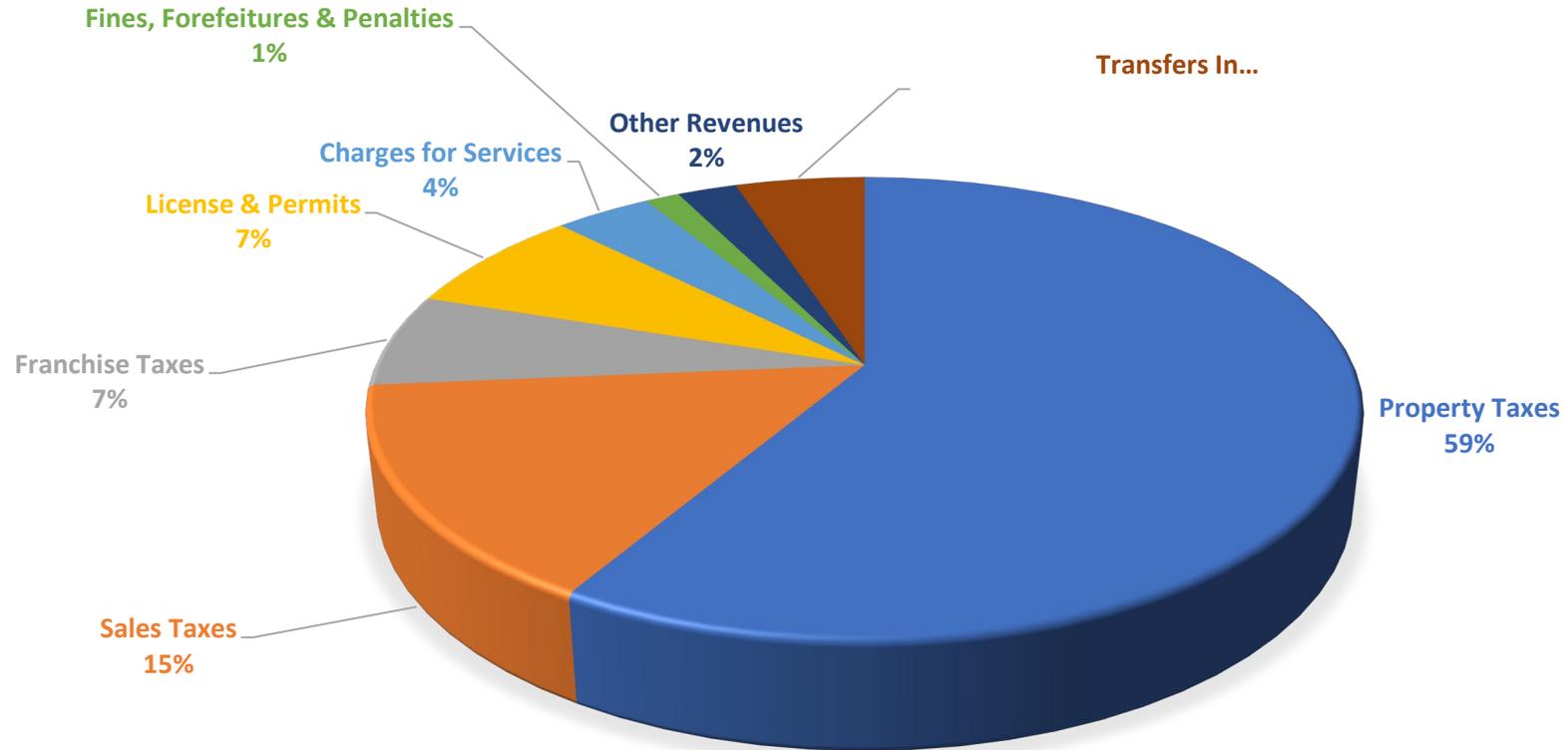


General Fund: Revenues

REVENUE SOURCES	Adopted Budget FY2025	Year-To-Date			Calculation % of Budget Expended	Previous Year-to-Date Actuals FY2024
		Actuals FY2025	Variance			
Revenues PROPERTY TAXES	6,156,100.00	6,263,366.23	(107,266.23)	101.7%	5,626,411.75	
Revenues SALES TAXES	1,592,400.00	994,928.05	597,471.95	62.5%	1,092,592.16	
Revenues FRANCHISE TAXES	685,000.00	325,746.28	359,253.72	47.6%	462,665.39	
Revenues LICENSES & PERMITS	781,300.00	582,611.82	198,688.18	74.6%	24,351.88	
Revenues CHARGES FOR SERVICES	395,600.00	636,849.13	(241,249.13)	161.0%	96,512.73	
Revenues FINES, FORFEITURES & PENALTIES	141,300.00	109,599.01	31,700.99	77.6%	229,301.86	
Revenues OTHER REVENUES	243,700.00	156,566.67	87,133.33	64.2%	158,026.08	
Revenues TRANSFERS IN	530,300.00	265,150.00	265,150.00	50.0%	135,500.00	
Totals	10,525,700.00	9,334,817.19	1,190,882.81	88.7%	8,265,467.73	

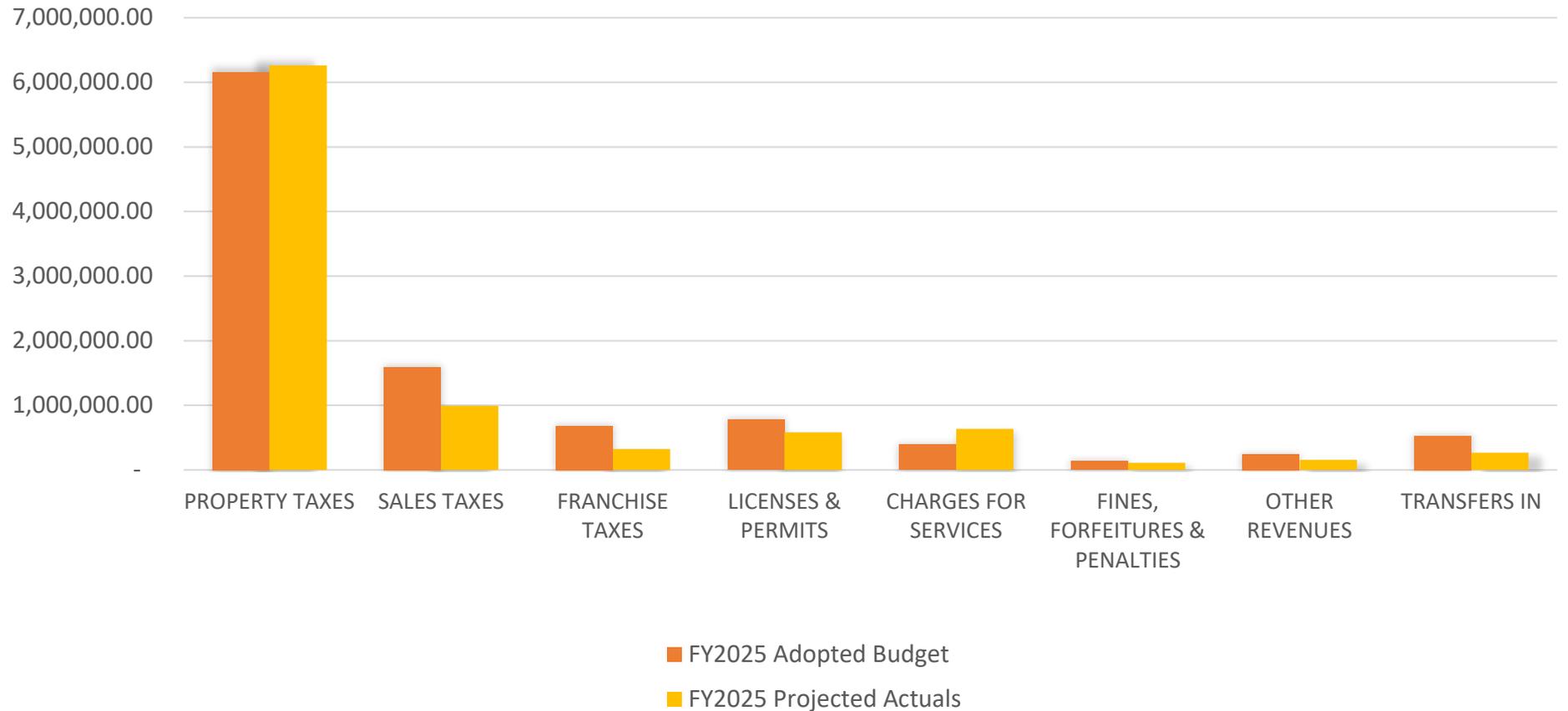


General Fund: Revenues FY2025 Adopted Budget





General Fund: Revenues (Budget vs. Actuals)



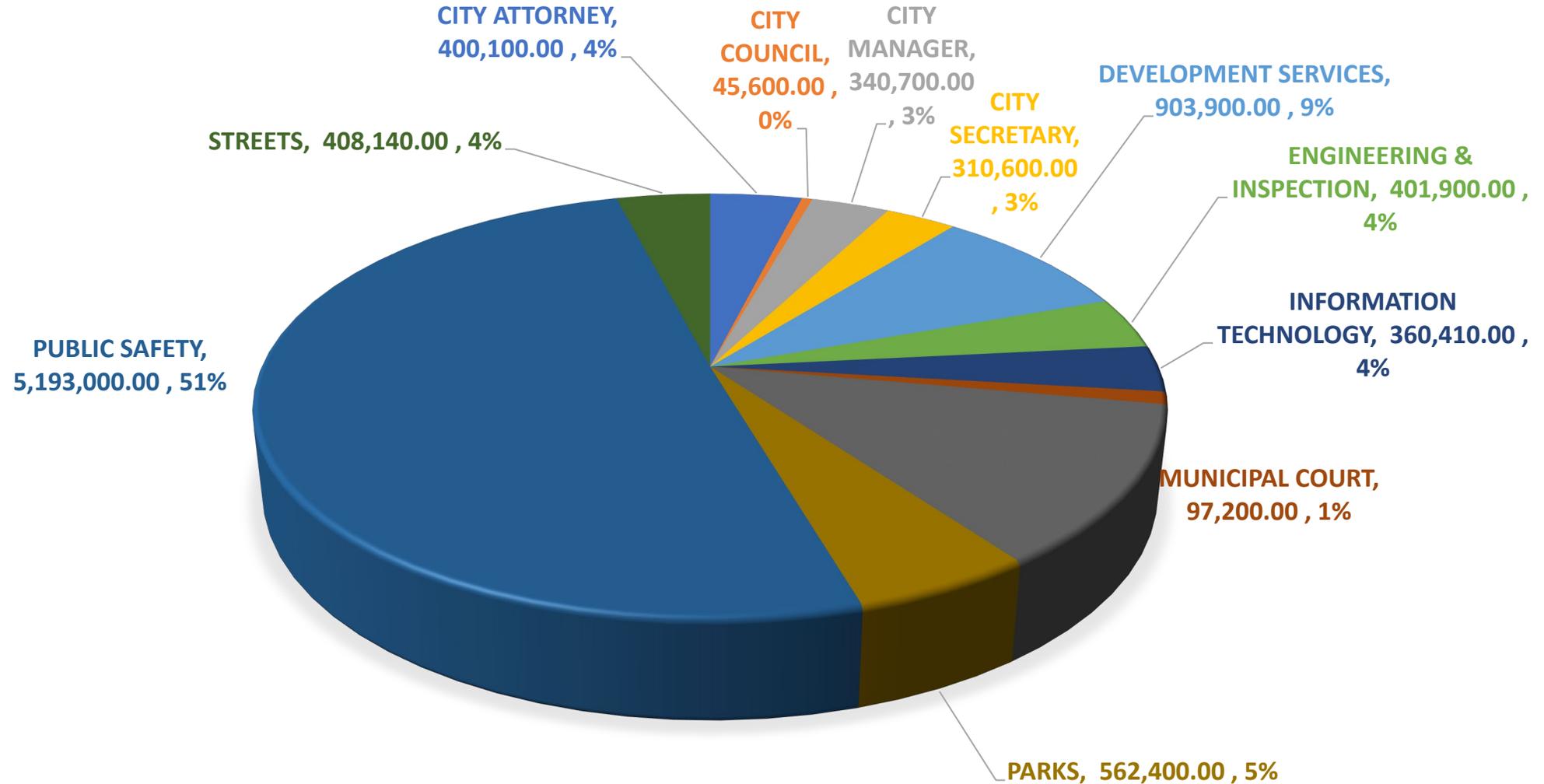


General Fund: Expenditures

EXPENSE BY DEPARTMENT	Adopted Budget FY2025	Year-To-Date			Previous Year-to-Date
		Actuals FY2025	Calculation Variance	Calculation % of Budget Expended	Actuals FY2024
Expenses CITY ATTORNEY	400,100.00	186,362.65	213,737.35	46.6%	764,499.30
Expenses CITY COUNCIL	45,600.00	20,457.79	25,142.21	44.9%	36,398.16
Expenses CITY MANAGER	340,700.00	109,383.50	231,316.50	32.1%	138,675.80
Expenses CITY SECRETARY	310,600.00	209,675.76	100,924.24	67.5%	115,684.66
Expenses DEVELOPMENT SERVICES	903,900.00	416,133.00	487,767.00	46.0%	457,297.14
Expenses ENGINEERING & INSPECTION	401,900.00	194,534.51	207,365.49	48.4%	125,766.44
Expenses FINANCE	353,400.00	200,646.27	152,753.73	56.8%	213,879.50
Expenses INFORMATION TECHNOLOGY	360,410.00	192,855.18	167,554.82	53.5%	176,331.11
Expenses MUNICIPAL COURT	97,200.00	71,335.60	25,864.40	73.4%	49,129.44
Expenses NON-DEPARTMENTAL	1,250,500.00	669,397.99	581,102.01	25.5%	1,252,758.43
Expenses PARKS	562,400.00	412,729.72	149,670.28	42.3%	233,454.00
Expenses PUBLIC SAFETY	5,193,000.00	2,221,004.27	2,971,995.73	42.8%	2,865,044.71
Expenses STREETS	408,140.00	240,313.31	167,826.69	58.9%	263,829.82
Totals	10,627,850.00	5,144,829.55	5,483,020.45	58.9%	6,692,748.51

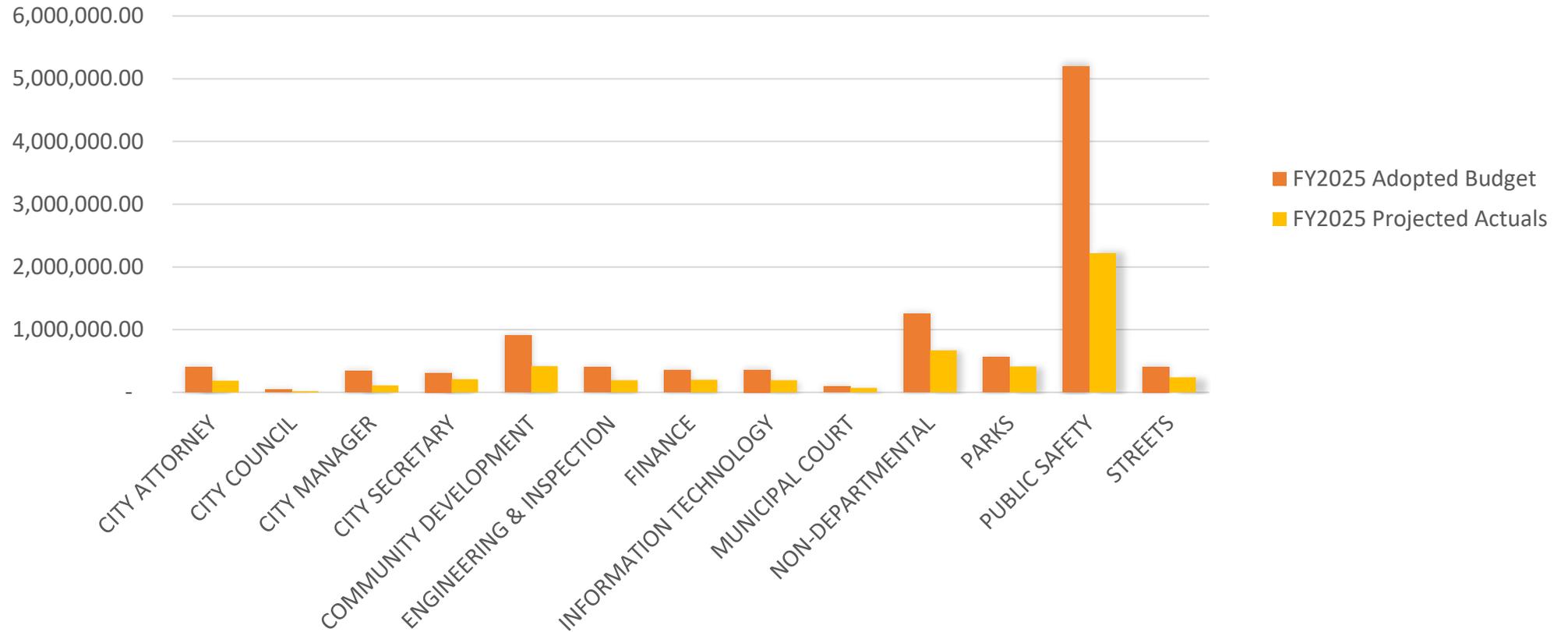


General Fund: Expenditures FY2025 Adopted Budget





General Fund: Expenditures (Budget vs. Actuals)

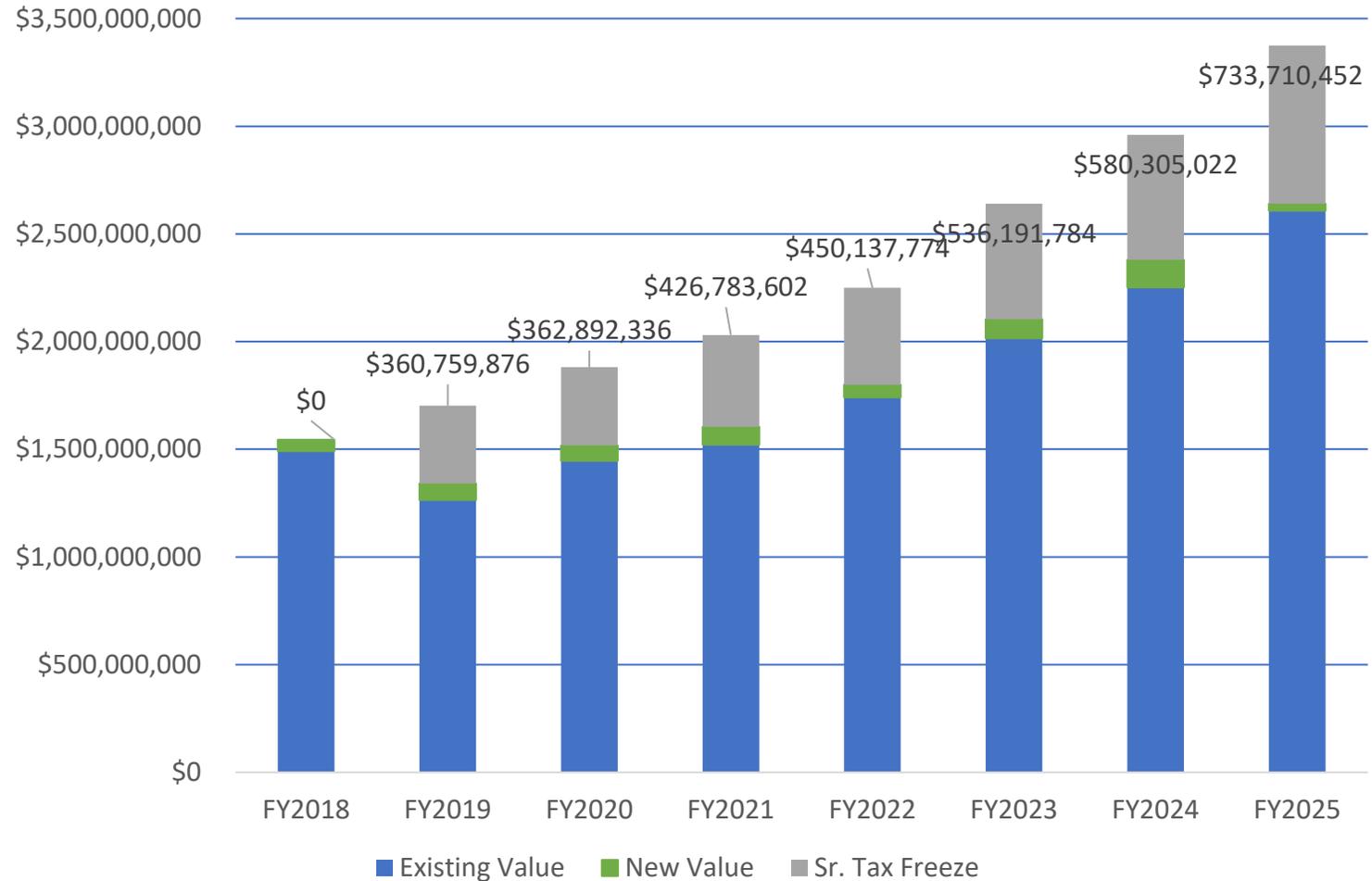




Tax Rate and Preliminary Values



Preliminary Values and Tax Rates Overview: Historical Data





Preliminary Values and Tax Rates Overview: Looking Forward

FY2026 Preliminary Values

Net Taxable Value:	\$3,784,040,765
Freeze Adjusted Value:	\$2,830,448,093
New Value:	\$70,739,716



Tax Rate Breakdown

1 What is a Tax Rate?

The **tax rate** is the percentage (or per \$100 valuation rate) applied to the **assessed property value** to determine the amount of property taxes owed by property owners.

For example, a tax rate of **\$0.50 per \$100 of assessed value** means:

For a property assessed at \$300,000:

$$\left(\frac{300,000}{100} \right) \times 0.50 = 3,000 \text{ in taxes}$$



Tax Rate Breakdown

2 Components of the Tax Rate

The tax rate is typically split into components:

Component	Purpose	Example Rate (\$/100)
Maintenance & Operations (M&O)	Funds day-to-day services (public safety, public works, etc.)	\$0.30
Interest & Sinking (I&S)	Funds debt service for bonds or capital projects	\$0.20
Total Tax Rate	The Sum of M&O + I&S	\$0.50



Tax Rate Breakdown

3 Tax Rate Adoption Process

Texas law requires a **Truth-in-Taxation (TNT)** process when adopting tax rates:

No-New-Revenue Rate (NNR): The rate that generates the same revenue as the previous year, excluding new properties.

Voter-Approval Rate (VAR): The maximum rate the City can adopt without voter approval (generally capped at 3.5% above the NNR for operations).



Tax Rate Breakdown

4 Impact of Tax Rate Changes

Increasing the M&O Rate → Generates more revenue for operations but may trigger a rollback election if above VAR.

Decreasing the I&S Rate → Reduces revenue for debt repayment, possibly requiring a shift in funding strategy.



Tax Rate Breakdown

5 Practical Example:

Let's say the **City of Heath** has:

- **M&O Rate: \$0.25**
- **I&S Rate: \$0.20**
- **Total Tax Rate: \$0.45**

On a \$500,000 home:

$$\left(\frac{500,000}{100} \right) \times 0.45 = 2,250 \text{ annual property taxes}$$



Utility Fund Update

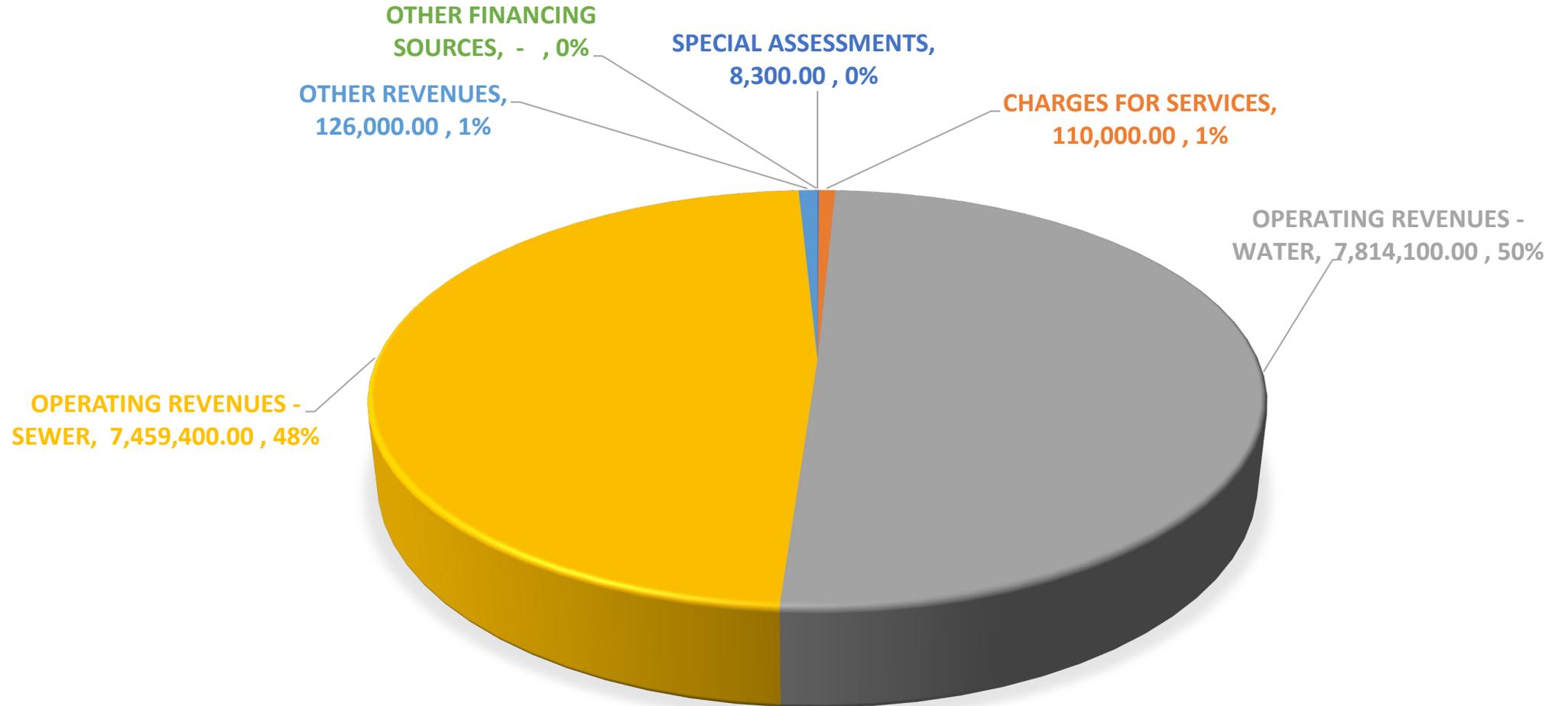


Utility Fund: Revenues

		Adopted Budget FY2025	Year-To-Date Actuals FY2025	Calculation Variance	Calculation % of Budget Expended	Previous Year-to-Date Actuals FY2024
Revenues	SPECIAL ASSESSMENTS	8,300.00	7,684.31	(615.69)	93%	6,861.55
Revenues	CHARGES FOR SERVICES	110,000.00	78,660.20	(31,339.80)	72%	77,494.25
Revenues	OPERATING REVENUES - WATER	7,814,100.00	3,591,441.13	(4,222,658.87)	46%	3,896,049.99
Revenues	OPERATING REVENUES -SEWER	7,459,400.00	3,788,754.84	(3,670,645.16)	51%	4,258,238.53
Revenues	OTHER REVENUES	126,000.00	122,929.10	(3,070.90)	98%	153,947.22
Revenues	TRANSFERS IN	40,000.00	20,000.00	(20,000.00)	50%	20,000.00
	Totals	15,557,800.00	7,609,469.58	(7,948,330.42)	49%	8,412,591.54

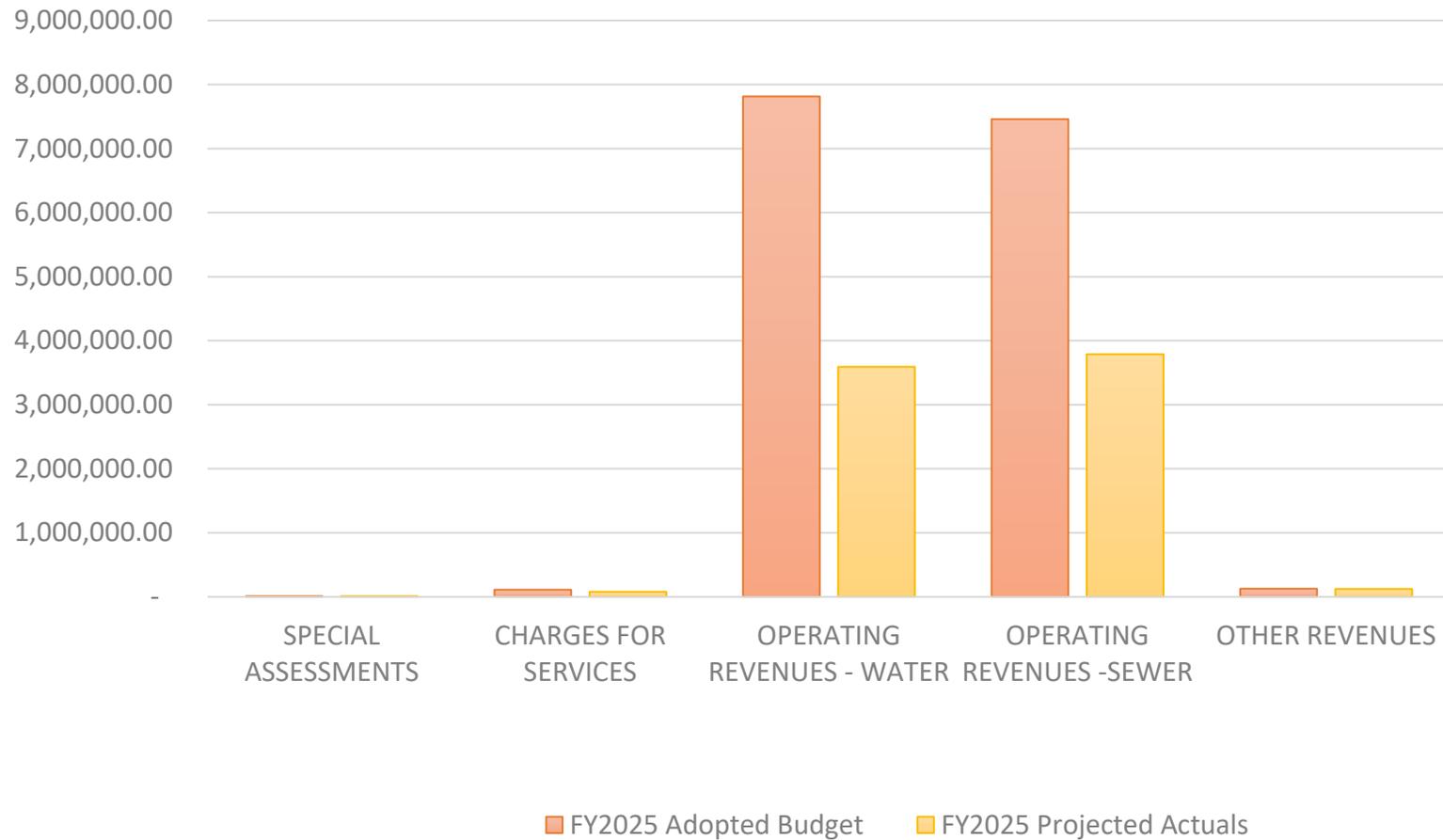


Utility Fund: Revenues FY2025 Adopted Budget





Utility Fund: Revenues (Budget vs. Actuals)



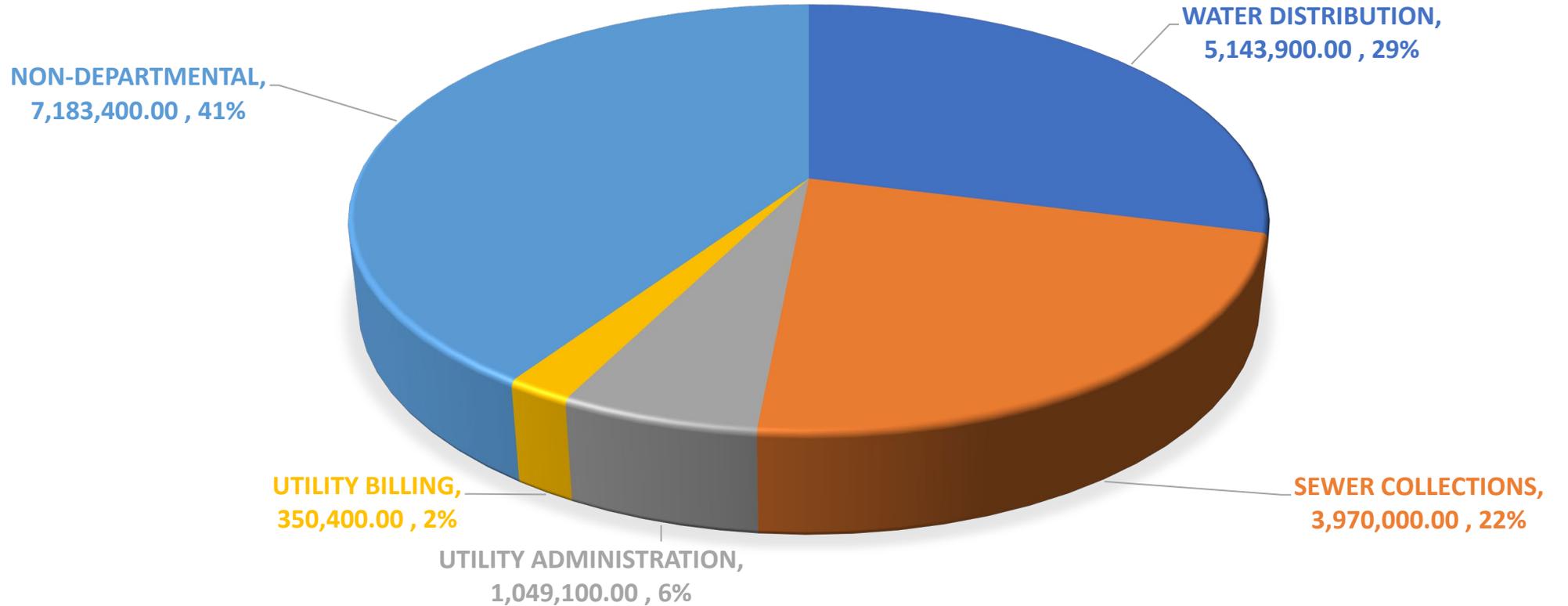


Utility Fund: Expenditures

		Adopted Budget FY2025	Year-To-Date Actuals FY2025	Calculation Variance	Calculation % of Budget Expended	Previous Year-to-Date Actuals FY2024
Expenses	WATER DISTRIBUTION	5,143,900.00	2,864,551.24	(2,279,348.76)	56%	6,861.55
Expenses	SEWER COLLECTIONS	3,970,000.00	3,354,838.10	(615,161.90)	85%	77,494.25
Expenses	UTILITY ADMINISTRATION	1,049,100.00	584,277.15	(464,822.85)	56%	3,896,049.99
Expenses	UTILITY BILLING	350,400.00	149,370.71	(201,029.29)	43%	4,258,238.53
Expenses	NON-DEPARTMENTAL	7,183,400.00	3,833,412.69	(3,349,987.31)	53%	153,947.22
	Totals	17,696,800.00	10,786,449.89	(6,910,350.11)	61%	8,392,591.54

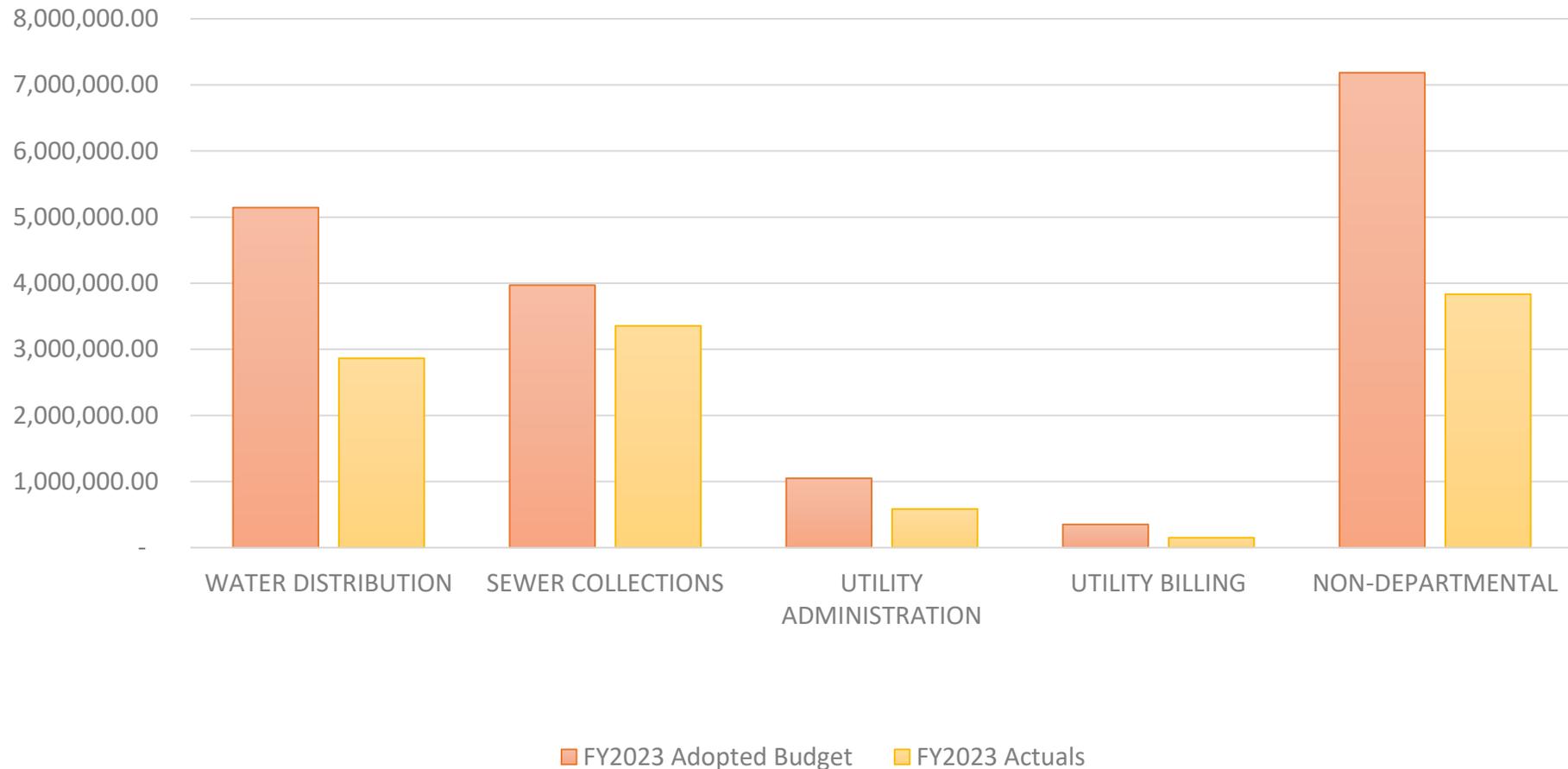


Utility Fund: Expenditures FY2025 Adopted Budget





Utility Fund: Expenditures (Budget vs. Actuals)





Importance of the Operating Fund Balance



Importance of Fund Balance

The Fund Balance is a critical financial measure representing accumulated surplus revenues over expenditures in a fund. It serves as the city's financial safety net and ensures the City of Heath can:

- Maintain financial stability during economic downturns or revenue shortfalls
- Provide liquidity to meet operational needs, including payroll, debt service, and vendor payments
- Respond to emergencies such as natural disasters, infrastructure failures, or unforeseen expenses without requiring an immediate tax increase or borrowing.
- Support bond ratings, as higher fund balances demonstrate fiscal responsibility, potentially leading to lower interest rates on debt issuances.
- Plan for long-term sustainability, ensuring future financial flexibility for capital improvements, economic development, and community services



Financial Policies Requiring 35% Fund Balances

The City of Heath has adopted a financial policy requiring a minimum fund balance of 35% of annual operating expenditures for both the General Fund and the Utility Fund. This policy:

- It reflects best practices in municipal financial management (GFOA recommends 16-25%, but Heath's 35% is more conservative).
- It protects against revenue volatility, such as in the General Fund (property and sales taxes) or the Utility Fund (water and sewer revenues affected by weather patterns).
- Ensures resilience during emergencies by maintaining a financial cushion equivalent to approximately 4 months of operating costs.
- Promotes long-term fiscal health, supporting the City's creditworthiness and capacity to fund services and capital projects without disruption.



Fund Balance Calculations

Ending Fund Balance = Beginning Balance + Revenues – Expenditures + Transfers

Percent Fund Balance Formula

$$\text{Percent Fund Balance} = \left(\frac{\text{Ending Fund Balance}}{\text{Operating Expenditures}} \right) \times 100$$



OpenGov: Financial Transparency and Reporting



FY2023 Airport Report

FY2023 Special Revenue Funds Report

FY2023 Nantucket Water Department Report

FY2023 Solid Waste Report

FY2023 General Fund Report

FY2023 Sewer Report

FY2023 OIH Report

FY2024 Airport Report

FY2024 Solid Waste Budget Report

FY2024 Nantucket

Settings

FY2023 Airport Report

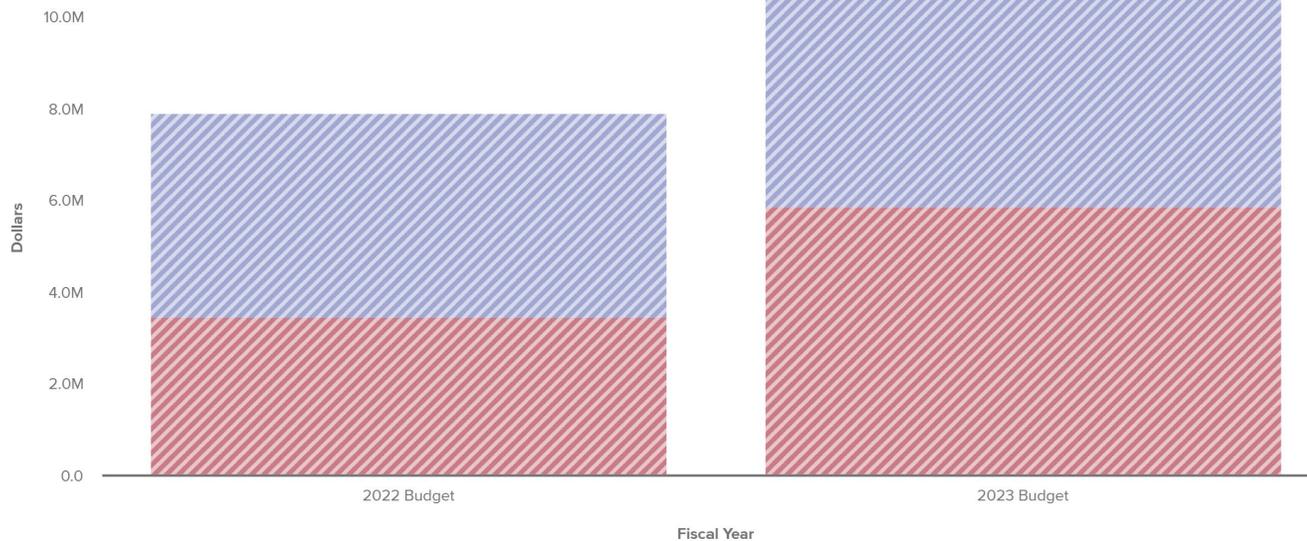
Updated On 30 Dec, 2024

Back History Reset

Broken down by

Expenses Airport Enterprise Fund

Visualization



Sort Large to Small

- Operating
- Payroll



CO SERIES 2025A/2025B



Major Infrastructure Projects

COMBINATION TAX & REVENUE CERTIFICATE OF OBLIGATION, SERIES 2025A (WATER & SEWER SYSTEM SUPPORTED)				
WA2503	Water Well #1 - Towne Center Park (Construction)	\$	7,500,000	Proposed
WA2504	Water Well #2 - Fulton Academy		7,500,000	Proposed
WA2505	Water Well #3 - City of Rockwall		7,500,000	Proposed
WA2507	Elevated Storage Tank #3		15,000,000	Proposed
WA2508	3-MG Ground Storage Tank #2		10,000,000	Proposed
WA2509	Water Well #4 - TBD		7,500,000	Proposed
WA2510	Water Well #5 - TBD		7,500,000	Proposed
WA2511	Water Well #6 - TBD		7,500,000	Proposed
		\$	70,000,000	
COMBINATION TAX & REVENUE CERTIFICATE OF OBLIGATION, SERIES 2025B (I & S TAX SUPPORTED)				
ST2501	Hubbard Drive Phase No. 3	\$	2,000,000	Proposed
SW2501	Meadowview Rd Culvert & Bridge Improvements		2,100,000	Proposed
SW2502	Drainage Improvement Initiative		2,900,000	Proposed
		\$	7,000,000	



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City of Heath, Texas

Funding of 2025 Capital Improvement Plan by Issuance of Certificates of Obligation, Series 2025

Plan of Finance

Debt Instrument, Structure and Assumptions



Debt Instrument	Certificates of Obligation
Credit Pledge & Repayment Source	Combination of Ad Valorem Taxes and Net Revenues of the Utility System
Project Purpose	1) General I&S Infrastructure 2) Utility Fund Infrastructure
Tax Status	Tax-exempt
Optional Call	Standard 10 year par call
Bond Rating	"AA+" Bond Rating
Interest Rates	Interest rates + 0.25% as of 5/15/2025
Pricing and Council Approval	Tuesday, August 26, 2025
Closing and Delivery of funds to the City	Thursday, September 18, 2025

Plan of Finance

Projected Transaction Statistics



	<u>I&S Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Amortization	20 years	25 years	NA
All-in Interest Cost	4.55%	4.85%	4.83%
Par Amount	\$6,640,000	\$68,130,000	\$74,770,000
<u>Plus: Original Issue Premium</u>	<u>\$442,213</u>	<u>\$2,665,937</u>	<u>\$3,108,149</u>
<u>Total Sources of Funds</u>	<u>\$7,082,213</u>	<u>\$70,795,937</u>	<u>\$77,878,149</u>
Less: Issuance Costs	(\$35,733)	(\$319,027)	(\$354,759)
<u>Less: Underwriter's Discount</u>	<u>(\$46,480)</u>	<u>(\$476,910)</u>	<u>(\$523,390)</u>
<u>Project Fund Deposit</u>	<u>\$7,000,000</u>	<u>\$70,000,000</u>	<u>\$77,000,000</u>
Total P&I	\$10,686,829	\$127,056,088	\$137,742,917
Average Annual P&I	\$534,341	\$5,082,244	\$5,616,585
Projected Max. I&S Ad Valorem Tax Rate	\$0.09890		
<u>Current 2025 I&S Ad Valorem Tax Rate</u>	<u>\$0.09890</u>		
Impact	\$0.00000		

Combination Tax & Revenue Certificates of Obligation, Series 2025 Streets & Roads Improvements Program



Fiscal Year Ending 30-Sep	Freeze Adjusted Taxable Assessed Valuation ⁽¹⁾	Est. Growth Factor ⁽²⁾	I&S Tax Rate Target ⁽³⁾	Projected I&S Tax Collections at 99.00%	Plus: Estimated Frozen Levy Revenue ⁽⁴⁾	Total Available for Debt Service Budget	Outstanding I&S Tax Supported Debt Service	Project Fund = \$7,000,000 Certificates of Obligation, Series 2025			Total New Estimated I&S Tax Supported Debt Service	Surplus (Deficit) I&S Tax Collections
								All-in Interest Cost = 4.55% ⁽⁵⁾				
								Principal	Interest	Total D/S		
2025	\$ 2,780,949,555		\$ 0.0989	\$ 2,722,856	\$ 599,582	\$ 3,322,437	\$ 3,154,952	\$ -	\$ -	\$ -	\$ 3,154,952	\$ 167,485
2026	2,919,730,366	4.99%	0.0989	2,858,737	724,469	3,583,206	3,142,878	155,000	284,223	439,223	3,582,101	1,106
2027	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	3,139,101	110,000	334,925	444,925	3,584,026	(819)
2028	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,930,704	220,000	326,263	546,263	3,476,966	106,240
2029	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,927,620	230,000	314,450	544,450	3,472,070	111,136
2030	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,926,504	245,000	301,981	546,981	3,473,485	109,721
2031	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,928,732	255,000	288,856	543,856	3,472,588	110,618
2032	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,927,478	270,000	275,075	545,075	3,472,553	110,653
2033	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,927,450	285,000	260,506	545,506	3,472,956	110,250
2034	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,931,059	300,000	245,150	545,150	3,476,209	106,998
2035	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,926,979	315,000	229,006	544,006	3,470,986	112,221
2036	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,927,932	335,000	211,944	546,944	3,474,876	108,331
2037	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,927,734	350,000	193,963	543,963	3,471,697	111,510
2038	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,931,011	370,000	175,063	545,063	3,476,074	107,133
2039	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,926,331	390,000	155,113	545,113	3,471,444	111,763
2040	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,930,075	410,000	134,113	544,113	3,474,188	109,019
2041	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,929,275	430,000	112,063	542,063	3,471,338	111,869
2042	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,928,575	455,000	88,831	543,831	3,472,406	110,800
2043	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	2,927,775	480,000	64,288	544,288	3,472,063	111,144
2044	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	-	505,000	38,431	543,431	543,431	3,039,775
2045	2,919,730,366	0.00%	0.0989	2,858,737	724,469	3,583,206	-	530,000	12,588	542,588	542,588	3,040,619
							\$ 56,292,163	\$ 6,640,000	\$ 4,046,829	\$ 10,686,829	\$ 66,978,992	

Notes:

- (1) Actual freeze adjusted taxable assessed valuation for FY 2025 as provided by the Rockwall & Kaufman CAD. FY 2026 preliminary values as provided by Rockwall CAD & Kaufman CAD at 98% capture.
- (2) Assumes 0% growth in AV for purposes of illustration only.
- (3) Fiscal Year 2025 I&S tax rate is actual.
- (4) For illustration purposes only, subject to change. Represents Allocated % of Frozen Value as provided by the Rockwall County Appraisal District.
- (5) Assumes "AA+" Tax-Exempt Interest Rates + 0.25% as of May 15, 2025. **Subject to Change at Anytime.**
- (6) Based on FY 2024 Unaudited Financials (\$668,543 debt service fund balance)

Combination Tax & Revenue Certificates of Obligation, Series 2025 Water and Wastewater Program



Fiscal Year Ending 30-Sep	Existing W&S GO Supported Debt Service	Project Fund = \$70,000,000 Certificates of Obligation, Series 2025 All-in True Interest Cost = 4.85% ⁽¹⁾			Projected W&S GO Supported Debt Service	W&S Fund Cashflow Available for Debt Service			Net Impact Fees ⁽⁴⁾			Total Annual W&S Fund Cash Flow and Impact Fees		W&S Fund and Impact Fees Cashflow Coverage Debt Service	
		Principal	Interest	Total D/S		Unaudited 2024 ⁽²⁾	Generated by New Customers ⁽³⁾	Total	Water	Sewer	Total	W&S Fund Cash Flow and Impact Fees	(N = M + F) W&S Fund Cashflow Coverage Annual Debt Service	Annual	Cumulative
2025	\$1,860,429	\$0	\$0	\$0	\$1,860,429	\$6,223,979	\$0	\$6,223,979	\$0	\$0	\$0	\$6,223,979	3.35x	\$6,223,979	\$6,223,979
2026	\$1,857,546	\$0	\$2,908,031	\$2,908,031	\$4,765,577	\$6,223,979	\$99,266	\$6,323,245	\$0	\$0	\$0	\$6,323,245	1.33x	\$1,557,668	\$7,781,647
2027	\$1,842,986	\$545,000	\$3,475,331	\$4,020,331	\$5,863,317	\$6,223,979	\$188,605	\$6,412,584	\$0	\$0	\$0	\$6,412,584	1.09x	\$549,267	\$8,330,914
2028	\$1,743,403	\$680,000	\$3,443,175	\$4,123,175	\$5,866,578	\$6,223,979	\$268,763	\$6,492,742	\$0	\$0	\$0	\$6,492,742	1.11x	\$626,164	\$8,957,078
2029	\$1,749,619	\$710,000	\$3,406,688	\$4,116,688	\$5,866,306	\$6,223,979	\$340,433	\$6,564,412	\$0	\$0	\$0	\$6,564,412	1.12x	\$698,106	\$9,655,184
2030	\$1,747,116	\$750,000	\$3,368,363	\$4,118,363	\$5,865,479	\$6,223,979	\$404,264	\$6,628,243	\$0	\$0	\$0	\$6,628,243	1.13x	\$762,764	\$10,417,948
2031	\$1,747,757	\$790,000	\$3,327,938	\$4,117,938	\$5,865,695	\$6,223,979	\$460,861	\$6,684,840	\$0	\$0	\$0	\$6,684,840	1.14x	\$819,145	\$11,237,093
2032	\$1,745,393	\$835,000	\$3,285,281	\$4,120,281	\$5,865,674	\$6,223,979	\$510,787	\$6,734,766	\$0	\$0	\$0	\$6,734,766	1.15x	\$869,092	\$12,106,185
2033	\$1,745,572	\$880,000	\$3,240,263	\$4,120,263	\$5,865,835	\$6,223,979	\$554,569	\$6,778,548	\$0	\$0	\$0	\$6,778,548	1.16x	\$912,714	\$13,018,899
2034	\$1,079,914	\$1,610,000	\$3,174,900	\$4,784,900	\$5,864,814	\$6,223,979	\$592,696	\$6,816,675	\$0	\$0	\$0	\$6,816,675	1.16x	\$951,861	\$13,970,760
2035	\$1,073,552	\$1,705,000	\$3,087,881	\$4,792,881	\$5,866,433	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$983,170	\$14,953,929
2036	\$1,070,382	\$1,800,000	\$2,995,875	\$4,795,875	\$5,866,257	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$983,345	\$15,937,274
2037	\$1,064,951	\$1,900,000	\$2,898,750	\$4,798,750	\$5,863,701	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$985,902	\$16,923,176
2038	\$4,258	\$3,095,000	\$2,767,631	\$5,862,631	\$5,866,889	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$982,713	\$17,905,889
2039	\$3,110	\$3,260,000	\$2,600,813	\$5,860,813	\$5,863,922	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$985,680	\$18,891,569
2040	\$0	\$3,440,000	\$2,424,938	\$5,864,938	\$5,864,938	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$984,665	\$19,876,234
2041	\$0	\$3,625,000	\$2,239,481	\$5,864,481	\$5,864,481	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$985,121	\$20,861,356
2042	\$0	\$3,820,000	\$2,044,050	\$5,864,050	\$5,864,050	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$985,552	\$21,846,908
2043	\$0	\$4,025,000	\$1,838,119	\$5,863,119	\$5,863,119	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$986,484	\$22,833,392
2044	\$0	\$4,245,000	\$1,621,031	\$5,866,031	\$5,866,031	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$983,571	\$23,816,963
2045	\$0	\$4,460,000	\$1,403,675	\$5,863,675	\$5,863,675	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$985,927	\$24,802,890
2046	\$0	\$4,685,000	\$1,180,625	\$5,865,625	\$5,865,625	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$983,977	\$25,786,868
2047	\$0	\$4,925,000	\$940,375	\$5,865,375	\$5,865,375	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$984,227	\$26,771,095
2048	\$0	\$5,180,000	\$687,750	\$5,867,750	\$5,867,750	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$981,852	\$27,752,948
2049	\$0	\$5,445,000	\$422,125	\$5,867,125	\$5,867,125	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$982,477	\$28,735,425
2050	\$0	\$5,720,000	\$143,000	\$5,863,000	\$5,863,000	\$6,223,979	\$625,623	\$6,849,602	\$0	\$0	\$0	\$6,849,602	1.17x	\$986,602	\$29,722,028
	\$20,335,987	\$68,130,000	\$58,926,088	\$127,056,088	\$147,392,075	\$161,823,454	\$13,430,220	\$175,253,674	\$0	\$0	\$0	\$175,253,674		\$27,861,599	

Notes:

- (1) Assumes "AA+" Tax-Exempt Interest Rates + 0.25% as of May 15, 2025. Subject to Change at Anytime.
- (2) 2024 Unaudited Financials Net Revenues. Excludes Depreciation and Includes Investment Income.
- (3) 2025 to 2034 - Cash flow available for debt service data from City Staff
- (4) Impact Fee data from City Staff, available one year after collection

Proposed Schedule of Events



Date	Event
Wednesday, 06/4/25	<p><u>City Council Budget Workshop</u></p> <p>1) Presentation of Plan of Finance to Fund 2025 CIP by issuance of Certificates of Obligation</p> <p>2) City Council approves Plan of Finance and directs staff to work with Finance Team to implement</p>
Tuesday, 06/24/25	<p><u>Regular City Council Meeting</u></p> <p>1) Presentation of Plan of Finance to Fund 2025 CIP by issuance of Certificates of Obligation</p> <p>2) City Council considers a Resolution for Publication of a Notice of Intent to issue Certificates of Obligation, Series 2025</p>
TBD	<p>1st Publication of Notice of Intent to issue the Certificates of Obligation, Series 2025 <i>(Notice to be on the City's website continuously until the Bond Ordinance is adopted)</i> <i>(Must be published a least 45 days prior to Issuance)</i></p>
TBD	<p>Second publication of Notice of Intent to issue Certificates of Obligation, Series 2025</p>
Friday, 07/25/25	<p>Certification of Taxable Assessed</p>
Tuesday, 08/26/25	<p>Pricing of Certificates of Obligation, Series 2025</p> <p><u>Regular City Council Meeting</u></p> <p>1) Presentation of Results of Bond Sale and Final Transaction Numbers</p> <p>2) City Council considers and approves Ordinances authorizing issuance of the Certificates of Obligation, Series 2025</p>
<i>Before Closing</i>	<p>Attorney General Approves Sale</p>
Thursday, 09/18/25	<p>Closing of Certificates of Obligation, Series 2025, and delivery of funds to the City</p>

Notes:

Key Actions to be Taken by City Council



Questions and Discussion