FY 2026–2027 BUDGET DISCUSSION

Presented by:

Andy Adams

August 4, 2026

What We'll Cover Tonight

Understanding the Budget

How Highland Haven Builds the Budget:

- City Services
- Essential Expenses
- Funding Sources

Taxes & Utility Rates

How Services Are Funded:

- Property Tax Revenue
- Water Base Rates
- Resident Impact

Planning Ahead

Maintaining Long-Term Stability:

- Fund Balance
- Infrastructure Planning
- Future Priorities

What Your City Provides

Public Safety

- Fire Protection
- EMS Services
- Emergency Management
- Emergency Communications

Essential Utilities

- Water System Operations
- Water Quality Compliance
- Trash Collection
- Recycling Services

City Services

- Streets & Drainage
- Permits & Inspections
- Elections
- Finance & Administration



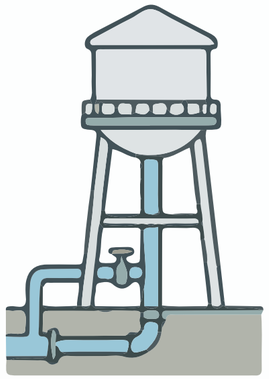




















The Challenges We Face

Revenue Constraints

- Property Taxes
- Utility Fees
- Few Alternative Revenues

Changing Service Costs

- Inflation & Market Costs
- Professional Services
- Compliance Requirements

Infrastructure Planning

- Aging Assets
- Future Capital Needs
- Grant Opportunities

Balancing these challenges with what the City provides requires a clear and consistent approach to budgeting.

Our Guiding Principle



Essential services should be funded using stable, reliable revenue sources that the City can control.

Essential services

Stable Revenue

Reliable Services

What Makes Up the General Fund

The General Fund is the City's primary operating fund and supports many of the services residents rely on every day.

Revenues

Franchise Fees

Charges for Services

Sales Tax

Property Taxes

Other Income

Interest Income

Building Development Fees

Expenses

Professional Services

Public Safety

Personnel

Membership Fees & Dues

Administrative & Office

Utilities

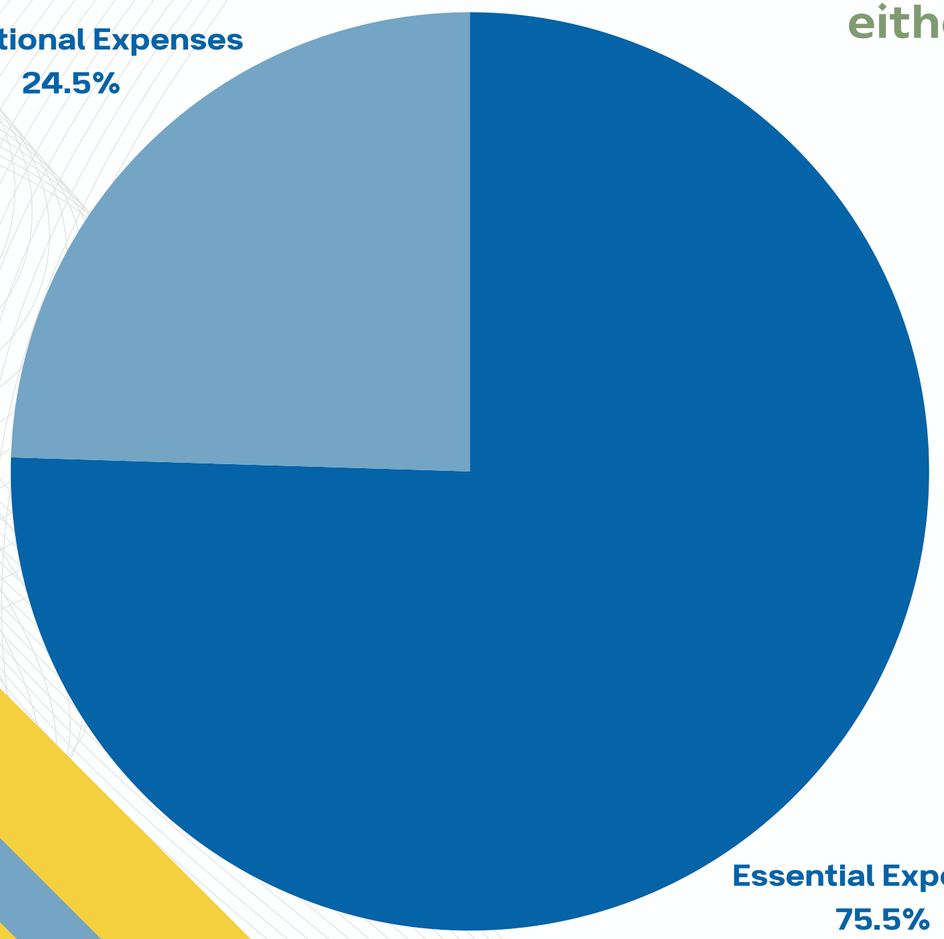
Maintenance & Repair

Street Maintenance & Repair

Bond Payment

General Fund Expenses

General Fund Expenses



Every expense in the General Fund is categorized as either an **essential expense** or an **operational expense**.

Essential Expenses

$ 526,568 - 75 %

- Personnel
- Public Safety
- Professional Services & Compliance
- Other Essential Services

Essential expenses are those which are necessary to comply with State law, mandated by State law, or are a core City function (like fire protection or EMS)

Operational Expenses

$ 170,995 - 25 %

- Activity-Based Programs
- Development-Related Activies
- Variable Operational Costs

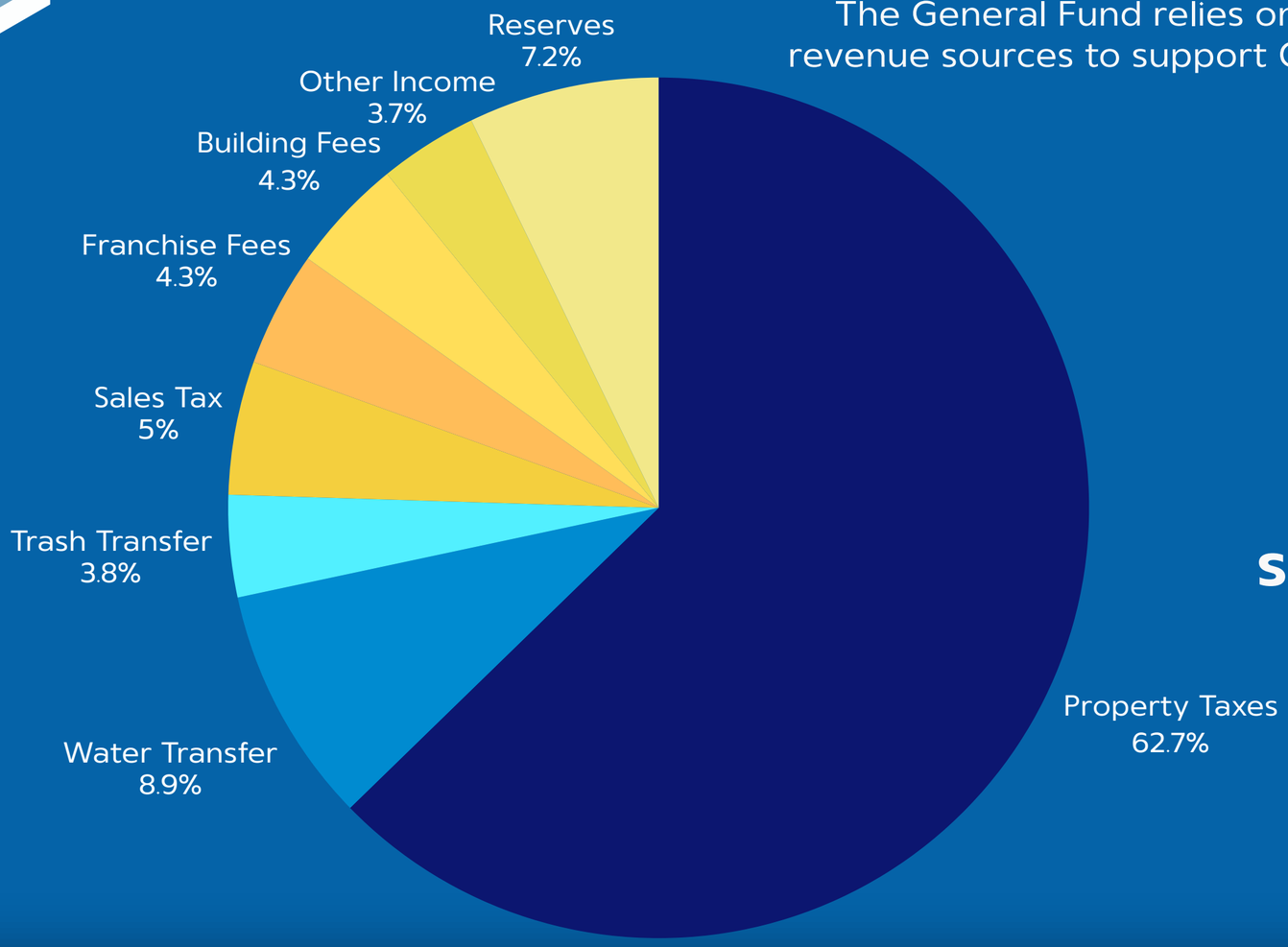
Operational expenses are tied to specific programs, like building permits or lot mowing, or have variable costs.

Total Expenses

$ 697,563

General Fund Revenue

The General Fund relies on multiple revenue sources to support City services.



Stable revenues in blue support essential expenses

Variable revenues in yellow support operational expenses

On the next two slides we will dive into how we fund essential costs in more detail

Funding Essential Services

Guiding Principle

Essential services should be funded using stable, reliable revenue sources that the City can control.

The General Fund relies on three stable, reliable revenue sources.

Water Fund Transfers

Solid Waste Fund Transfers

Property Taxes

How Water and Solid Waste (Utility Fund) Transfers Are Determined:

City Administrator



40% of Total Compensation

+

Accounting/Utility Coordinator



50% of Total Compensation

=

Total Transfer from Water and Solid Waste

$ 89,068.07

(This is amount is split with 70% from Water, and 30% from Solid Waste)

Determining Property Tax Revenue

Essential General Fund Expenses

$ 526,568

Minus

Utility Fund Transfers

$ 89,068

Equals

Property Tax Revenue Needed

$ 437,500

After utility fund contributions have been applied, property taxes fund the remaining cost of essential General Fund services.

From Revenue to Tax Rate

How the Tax Rax Is Calculated

Propery Tax Revenue Needed
(Determined by the City)

$ 437,500

Divided By ÷

Total Taxable Value
(Determined by the Burnet Central Appraisal District)

$ 271,568,597

Equals =

$0.001611

Tax rates are shown per $100 of valuation, so we take $0.001611 and multiply it by 100 to get:

$0.1611

per $100 of valuation

What This Means For Residents

For most residents, the cost of maintaining essential City services represents a relatively modest monthly impact.

Home Value Groups	Avg. Home Value	Annual Increase	Monthly Impact
82 Homes: $171,000-$427,000	**$343,613**	**$52**	$4.36
82 Homes: $427,000-$645,000	**$516,377**	**$79**	$6.55
82 Homes: $645,000-$1,100,000	**$864,057**	**$131**	$10.95
82 Homes: $1,100,000-$2,797,000	**$1,531,126**	**$233**	$19.41

Understanding Your Property Tax Bill

On average, the City's portion represents only about 11% of your property's total tax bill

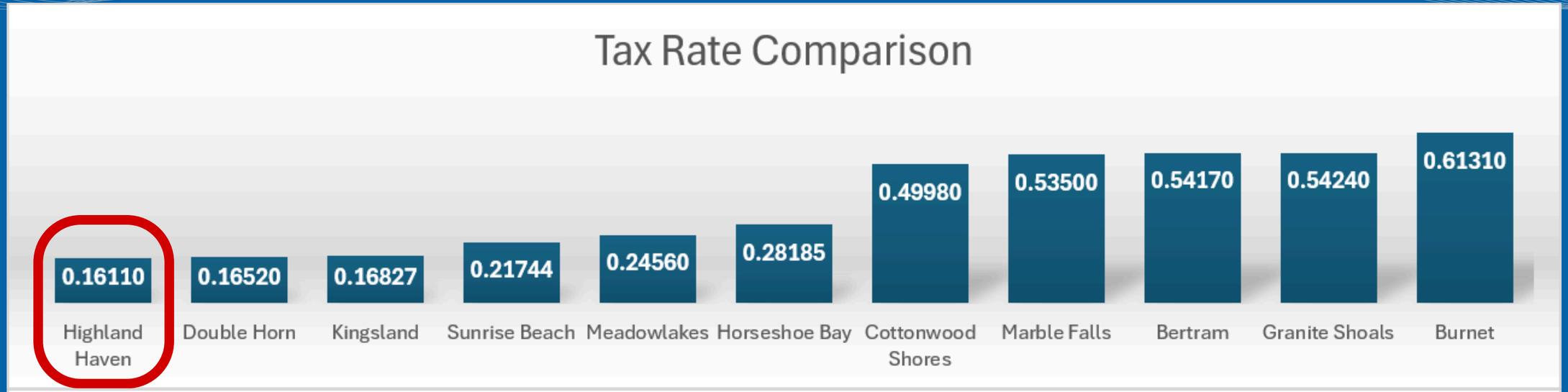
Entity	Description	Tax Rate	Market Value	Taxable Value	Estimated Tax	Freeze Ceiling
CHI	CITY OF HIGHLAND HAVEN	0.150500	$801,198	$801,198	$1,205.80	
GBU	BURNET COUNTY	0.286300	$801,198	$801,198	$2,293.83	$1,387.33
RSP	CO SPECIAL, ROAD & BRIDGE	0.046000	$801,198	$798,198	$367.17	$162.05
SMA	MARBLE FALLS ISD	0.885500	$801,198	$598,198	$5,297.04	$1,228.25
WCD	WATER CONSERV DIST OF CENTRAL TEXAS	0.005500	$801,198	$801,198	$44.07	
CAD	CENTRAL APPRAISAL DISTRICT	0.000000	$801,198	$801,198	$0.00	

Total Tax Rate: 1.373800

Estimated Taxes With Exemptions: $4,027.50

Estimated Taxes Without Exemptions: $11,006.86

How Highland Haven Compares





Lowest municipal tax rate in Burnet County

What Makes Up the Water Fund

The Water Fund operates differently than the General Fund. Water rates and other revenues are used to fund the operation, maintenance, compliance, and long-term reliability of the water system.

Revenues

Water Rates

Interest Income

Tap Fees

Expenses

Contract Operator

Personnel

Membership Fees & Dues

Bond Payment

Utilities

Chemicals

Professional Services

Services & Charges

Administrative & Office

Maintenance & Repair

Water Fund Expenses

Every expense in the Water Fund is categorized as either an **essential/fixed cost** or an **operational/variable cost**.

Essential/Fixed Costs

$ 333,972 - 82.4 %

- **Water Operations & Maintenance**
- **Professional Services**
- **Personnel & Administration**
- **Bond Payment** (last one)

Essential/Fixed Costs
Before a single gallon of water is used, the City must operate and maintain the water system. Operator contracts, bond payments, staffing, TCEQ compliance, and administrative costs exist regardless of water usage.

Operational/Variable Costs

$ 71,265 - 17.6 %

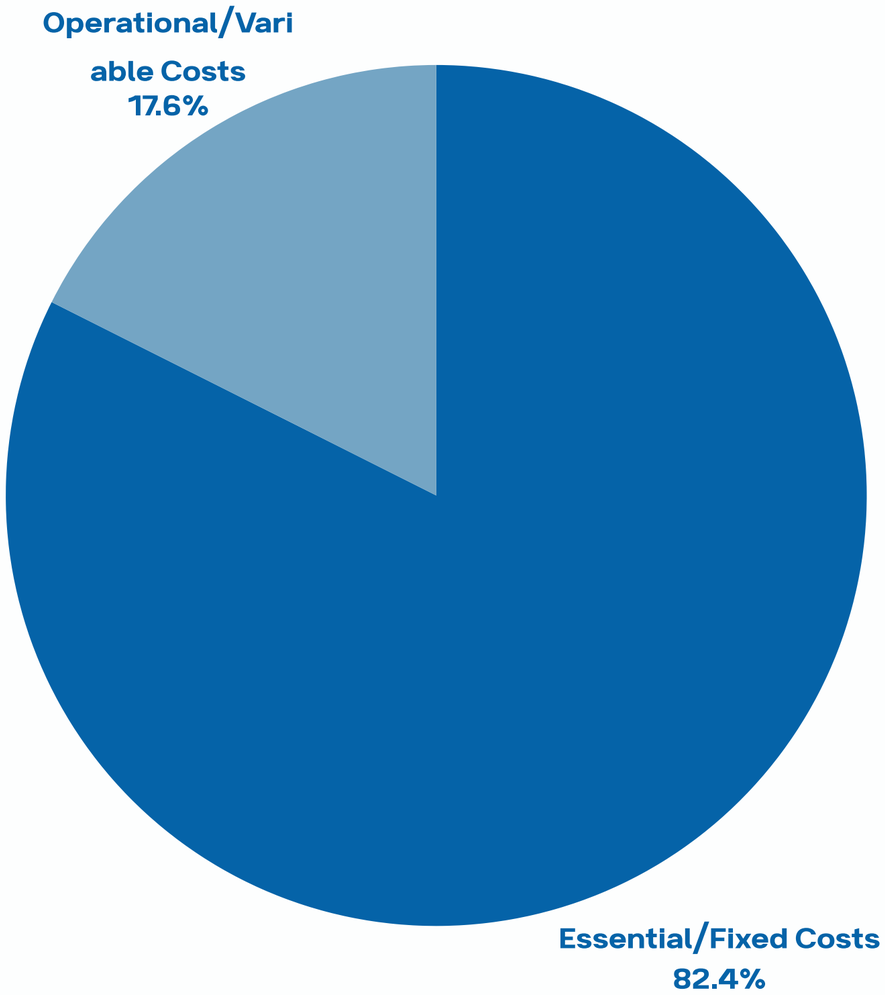
- **Water Production Costs**
- **Usage Related Costs**
- **Future Planning Activities**

Operational/Variable Costs
May vary from year to year based on the needs of the water system, and how much water is used.

Total Expenses

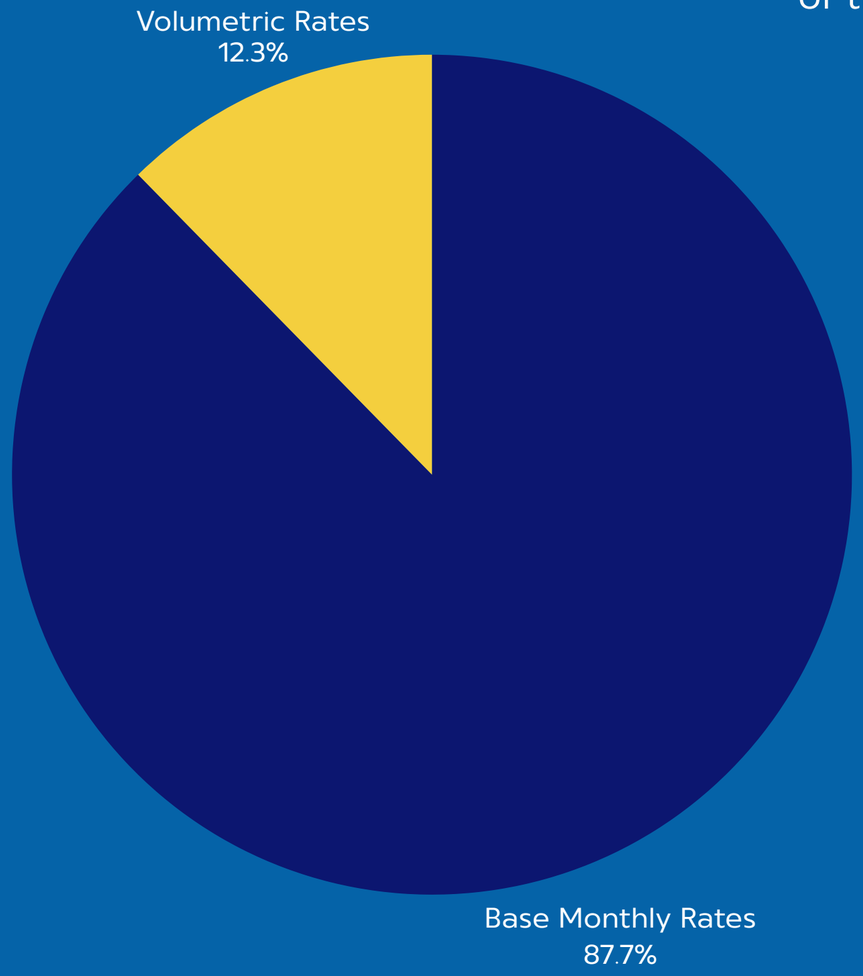
$ 405,237

Water Fund Expenses



Understanding Water Revenue

Revenue from Water Rates makes up almost all of the budgeted revenue for the Water Fund.



Base Monthly Rates Pay For:

- Bond Payment
- State Mandated Water Operator
- Personnel
- Professional Services
- Future Infrastructure Planning

These costs exist regardless of water usage

Volumetric Rates Pay For:

- Usage-Based Costs
- Chemicals (when more water is used)
- Electricity (when more water is used)

These costs vary based on comsumption

The Water Fund is structured so that base monthly rates pay for essential/fixed costs, while volumetric rates pay for variable/operational costs related to water usage

Why Current Rates Fall Short

Current monthly base rates no longer fully fund essential/fixed costs.

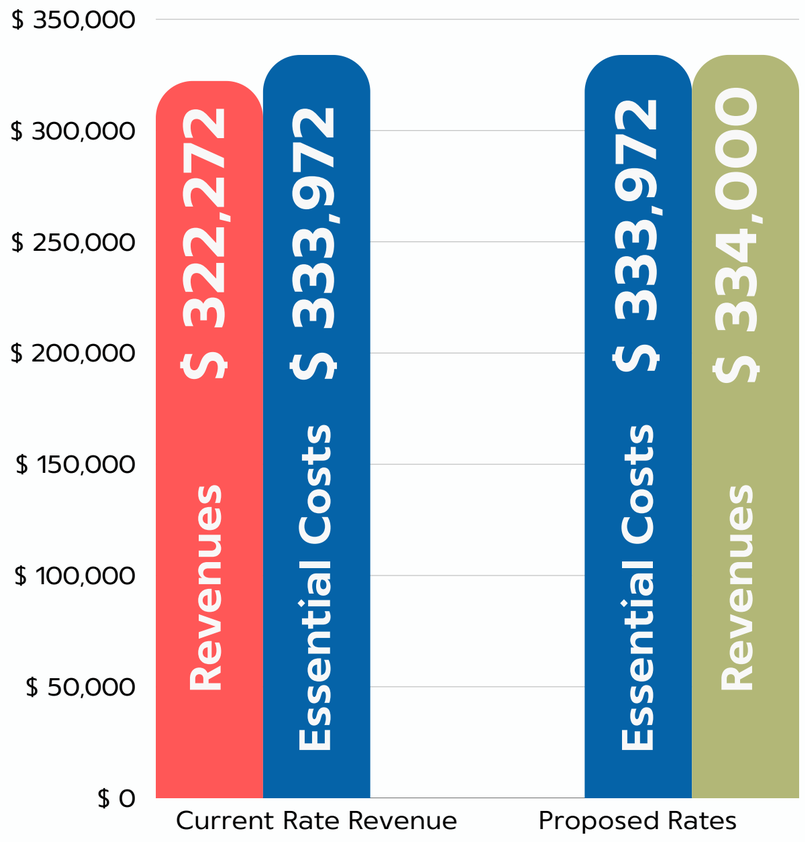
The rise in essential/fixed costs this year can be attributed to the following:

<u>Engineering & Future Planning</u>

- Water System Assessment
- Future Infrastructure Engineering
- Grant Application Preperation

<u>Professional Services</u>

- Audit Cost Increases
- Fund Accounting Software
- IT Support Services



As the cost of maintaining, operating, and planning for the water system has increased, the City's current base rates no longer generate enough revenue to fully fund essential/fixed costs.

Proposed Monthly Base Rates

Current vs Proposed Monthly Base Rates		
Customer Type	**Current**	**Proposed**
Highland Haven	$ 59.00	$ 62.00 (+$3.00)
Nobles/Shady Acres	$ 64.00	$ 67.50 (+$3.50)
Camp Champion	$ 2,250.00	$ 2,350.00 (+$100)

*Volumetric Rates Remain Unchanged

Proposed rates go into place on January 1, 2027

How Water Rates Compare

Even with the proposed adjustment, Highland Haven's water rates remain competitive with or below many comparable systems in the region

About This Comparison

The City reviewed 44 water systems across the region to provide meaningful comparison.

- Median System Size: 447 connections
- 12 public systems, 7 water corporations, 2 MUDs, and 23 private systems
- 22 ground water systems and 22 surface water systems
- 26 systems located in Burnet County

*Median values are used to prevent unusually high or low systems from skewing the comparison results.

Cost of a monthly 2,000 gallon water bill		
Category	Monthly Bill (HH)	Monthly Bill (N/SA)
Highland Haven	$ 62.00	$ 67.50
Median (All Systems)	$ 66.20	$ 69.44
Median (Burnet County)	$ 66.46	$ 76.28
Median (Groundwater Systems)	$ 68.69	$ 68.75
Median (Private Systems)	$ 62.63	$ 71.17

The Solid Waste Fund



The Solid Waste Fund is a self-supporting utility fund that pays for trash, recycling, and related services

Revenue Sources

Trash Service Revenue
$ 141,600

Franchise Fees
$ 5,640

Interest Income
$ 1,250

Total Revenue

$ 148,490

Major Expenses

Waste Management Contract
$ 112,800

Transfer to General Fund
$ 26,720

Fund Accounting & IT Services
$ 4,800

Other Waste Programs
$ 4,000

Total Expenses

$ 148,320



Like the Water Fund, the Solid Waste Fund is designed so that the revenues generated by the service fully fund the cost of providing the service.

Fund Balance & Financial Stability



- Emergencies
- Grant Funding
- Capital Projects
- Financial Stability
- Unexpected Costs

Fund balance is not intended to fund ongoing operations. Instead, it provides financial stability, supports emergency response, and helps prepare for future needs.

Planning for the Future

Priorities of Each Fund's Ending Balance

General Fund Priorities

- Drainage Study and Implementation Plan
- Street Replacement Plan
- Emergency Management Response
- Facilities & Equipment

Water Fund Priorities

- Water System Assessment & Engineering
- Emergency Power & Generators
- Grant Opportunities
- Future Infrastructure Improvements

By funding essential services with stable revenue sources, the City can save variable revenues when revenues exceed projections.

When variable revenues exceed projections, those additional dollars can be saved and used to support future needs.

Saving today allows the City to address future needs proactively rather than reacting to emergencies.

Key Takeaways

Five key takeaways from tonight's discussion:

- Essential services are funded first
- Stable, City-controlled revenue sources fund these essential services
- Variable revenues, projected conservatively, create flexibility and future opportunities
- Highland Haven maintains a low property tax rate, and competitive utility rates
- Planning and saving today helps prepare for future needs

The Proposed FY 2026-2027 budget maintains current service levels, aligns revenues with costs, and positions the City for long-term financial stability

Thank You

At this time we will take any questions or comments from the public

(830) 265-4366

www.highlandhaventx.com

cityadministrator@highlandhaventx.com