



FY2025 Budget Overview and General Fund Five Year Forecast

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Table of Contents

<u>Section</u>	<u>Page</u>
Forward Looking Statements	3
Connecting Budget to Strategy	5
Fiscal Year 2025 Budget Overview	10
General Fund Budget Revenues	16
General Fund Budget Expenditures	25
General Fund Five Year Forecast	32
Budget Gap Range	36



Forward Looking Statements

The statements contained in this presentation and made verbally in conjunction with the presentation that are not purely historical are forward looking statements, including statements regarding the City's expectations, intentions, or strategies regarding the future. Readers and viewers should not place undue reliance on forward looking statements. All forward-looking statements in this presentation and made verbally in conjunction with the presentation are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or development in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this presentation and made verbally in conjunction with the presentation would prove to be accurate and may be materially different.



Forward Looking Statements (Cont'd.)

Additionally, pension-related projections or forecasts, including projections of the amount of the UAAL and net pension liability and the amounts of actuarially calculated contributions by the City, constitute “forward-looking” information that reflects the judgment of the City, the boards of the Pension Systems and the actuaries as to the amount of assets that will be required to be accumulated for the payment of future benefits to both active and retired employees. Such judgments are based upon a variety of assumptions concerning future events and circumstances, any one or more of which could prove to be inaccurate and are subject to change in the future. The assumptions underlying the projections are material to the development of the projections, and variations in the assumptions may produce substantially different results.

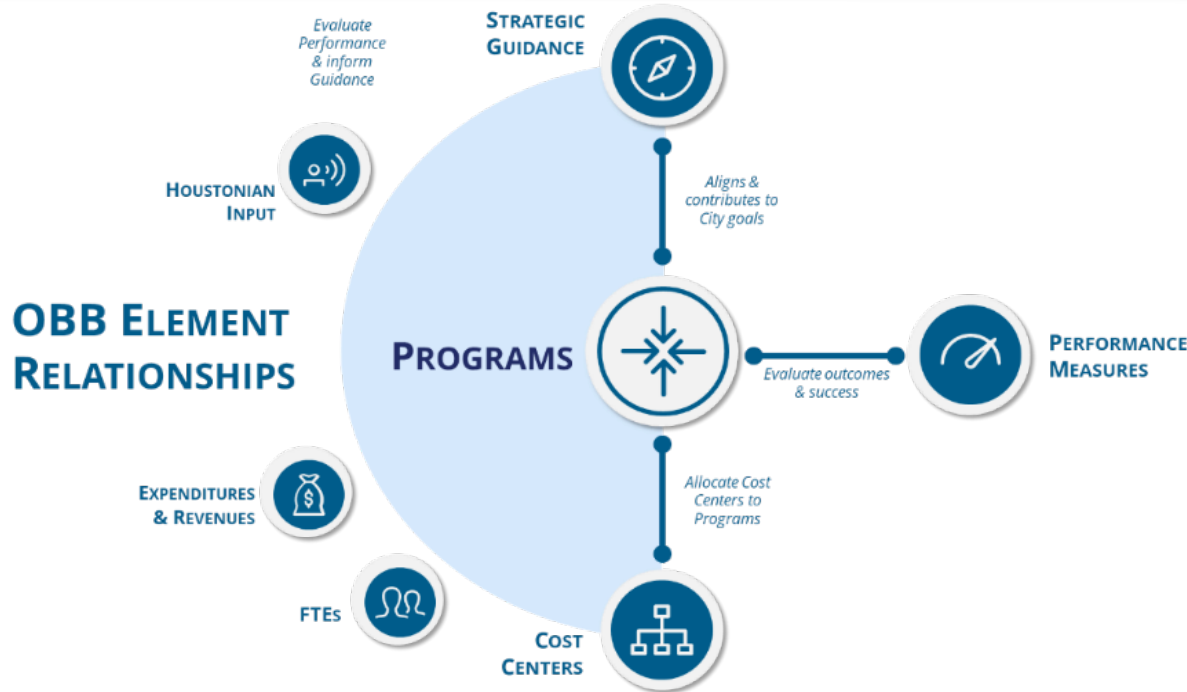
OPEB-related projections including projections of the net OPEB liability constitute “forward-looking” information that reflects the judgment of the City and the actuary. Long-term forecasts are generally good for relative magnitude but are unlikely to produce exact results. Actual projected liabilities will vary greatly based on interest rates, employee count, demographic changes, medical inflation, legislation, federal law, and many other factors. Sensitivity to changes with all other things kept constant can reveal the direction and relative magnitude of expected changes.



Connecting Budget to Strategy

Transforming Houston's Budgeting Practices

Connecting Budget to Strategy – OBB Elements



1. Houstonian Input

An increased emphasis on opportunities for public input into the budgeting process better informs the City's funding priorities and ensures that dollars are allocated towards programs and projects desired by the public.

2. Strategic Guidance

Expanded Mayoral Strategic Guidance provides direction before budget formulation on City Priorities and Initiatives to which City programs and enhancements align.

3. Program Budgeting

Programs are groupings of related services aimed at accomplishing a shared outcome. Programs provide the discrete budgetary units for which responsibility for results is assigned so resources can be allocated based on performance and desired outcomes.

4. Performance Measures

Performance measures are linked to each program and are used to evaluate how successful programs are at helping achieve their stated goals and furthering the Mayor's priorities and initiatives.

Connecting Budget to Strategy – Impactful Benefits of OBB



Data-Driven Decision-making

Help City Leadership make informed choices through increased visibility into departmental budgets, resource allocations, and service provision.



Measurable Results

Focus budget, capital, and spending decisions on specified, measurable results and outcomes.



Linkage to Goals

Link the City's operating budgets, capital improvement plan, and performance metrics to clear, measurable short and long-term goals.



Efficiency

Maximize City resources by eliminating waste, inefficiency, and redundancy within and across departments.



Transparency

Increase public understanding of City programs/services and the value City government provides.

OBB benefits will be increasingly realized as the City's budget processes mature over time



Connecting Budget to Strategy – Mayor Whitmire’s Priorities

Public Safety

- Increase the number of police officers and firefighters
- Strengthen Houston’s Community Policing Programs
- Improve police officer and firefighter retention and attrition rates
- Equip first responders with the skill to better address mental health situations
- Provide second chance programs that integrate former offenders back into the community
- Increase the use of technology to enhance crime fighting capabilities
- Collaborate with schools, nonprofits and businesses to increase youth engagement outside of the classroom

Infrastructure

- Repairing the City’s aging water and wastewater systems
- Reduce traffic congestion and fix City streets
- Ensure that City’s infrastructure accommodates growth and meets community needs
- Ensure the City is equitable, resilient, inclusive, and affordable
- Continue to grow our economy

Government that Works

- Move towards a structurally balanced budget by identifying expenditure reductions and new recurring revenue sources
- Proactively identifies and addresses service improvement needs
- Continue to reduce long-term liabilities
- Effectively manage and leverage state and federal grant dollars and partnerships
- Maintain a strong credit rating
- Embrace innovation in the delivery of City services

Quality of Life

- Protecting the laws and ordinances that encourage diversity and equity
- Ensure quality affordable housing options
- Provide vibrant and enjoyable activity, parks, and recreation centers
- Promote healthy, safe, livable, and connected neighborhoods

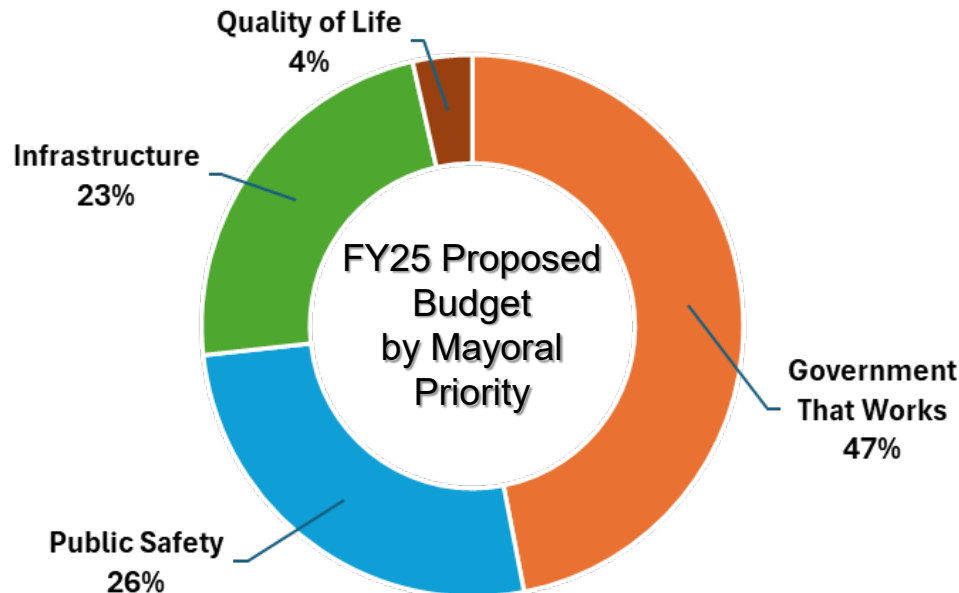


Connecting Budget to Strategy – Budget Summary by Mayor’s Priority

- The chart and table below show the operating budget (all funds) broken out by Mayoral Priority.

All Funds (\$ in thousands)

Priority	FY23 Actual	FY24 Budget	FY25 Proposed	Variance FY25 Proposed/ FY24 Budget	% Change
Public Safety	1,600,561	1,703,291	1,765,053	61,762	3.6%
Government that Works	2,666,594	2,906,039	3,174,420	268,381	9.2%
Quality of Life	202,499	244,948	238,148	(6,801)	-2.8%
Infrastructure	1,169,237	1,435,139	1,553,698	118,559	8.3%
Total Mayor Priorities	5,638,890	6,289,417	6,731,318	441,901	7.0%



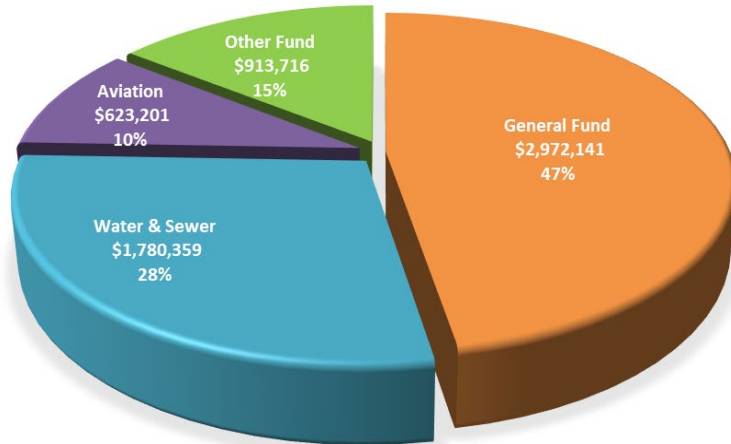


Fiscal Year 2025 Budget Overview

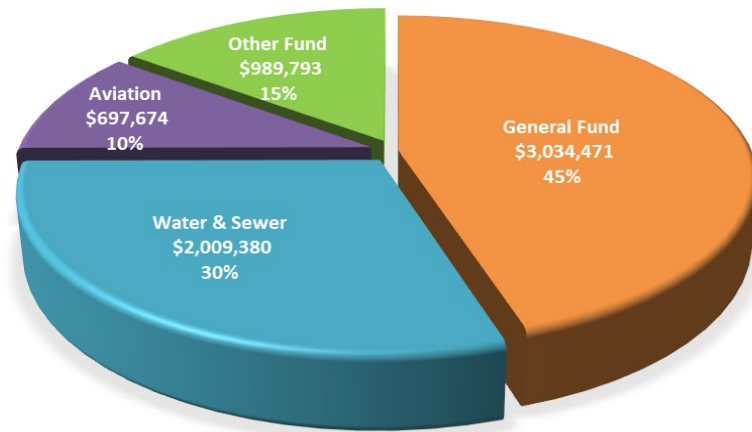
Citywide Expenditures Including Debt Service & PAYGO (\$ in thousands)



**FY2024 CURRENT BUDGET
OF \$6,289,417**



**FY2025 PROPOSED BUDGET
OF \$6,731,318**



Net Change
\$441,901
7.03%

Note:

Expenditures Budget above represents the total budget including General Fund, Special, and Enterprise Funds. Total does not include Service Chargeback and Internal Service Funds.

Long Term Liabilities



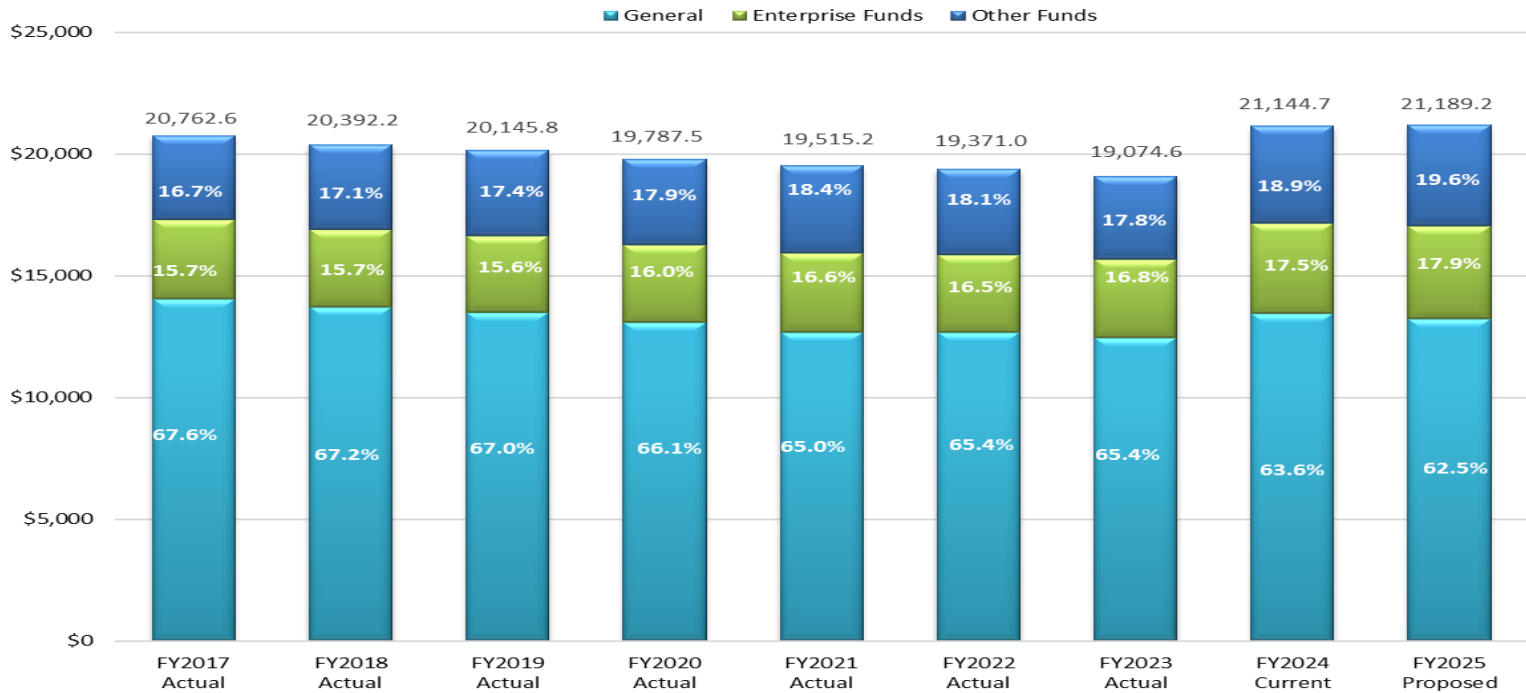
Pension Reform

- The pension liability now stands at \$2.4 billion. The FY2025 proposed budget includes contributions to the pension plans that will continue to address decreasing the liabilities over time.
- This funding is needed to continue to maintain and improve the financial health of the City's three pension plans, ensuring retirement funding for our hard-working current and retired employees.
- The three pension systems are healthier today - municipal, police, and fire because of the Mayor's support during his time in State Legislature.

OPEB Reform

- The OPEB liability now stands at \$1.8 billion. The FY2025 Proposed Budget, includes a contribution of \$12.5 million which will escalate over time. The goal of the trust is to save (and grow through investment earnings) funds that will offset pay-as-you-go costs in the future while simultaneously reducing the Net OPEB liability.
- The City's ongoing contributions to the trust are estimated to further reduce the liability down to \$1.1 billion by year 2048.

Citywide Full-Time Equivalents Civilian and Classified

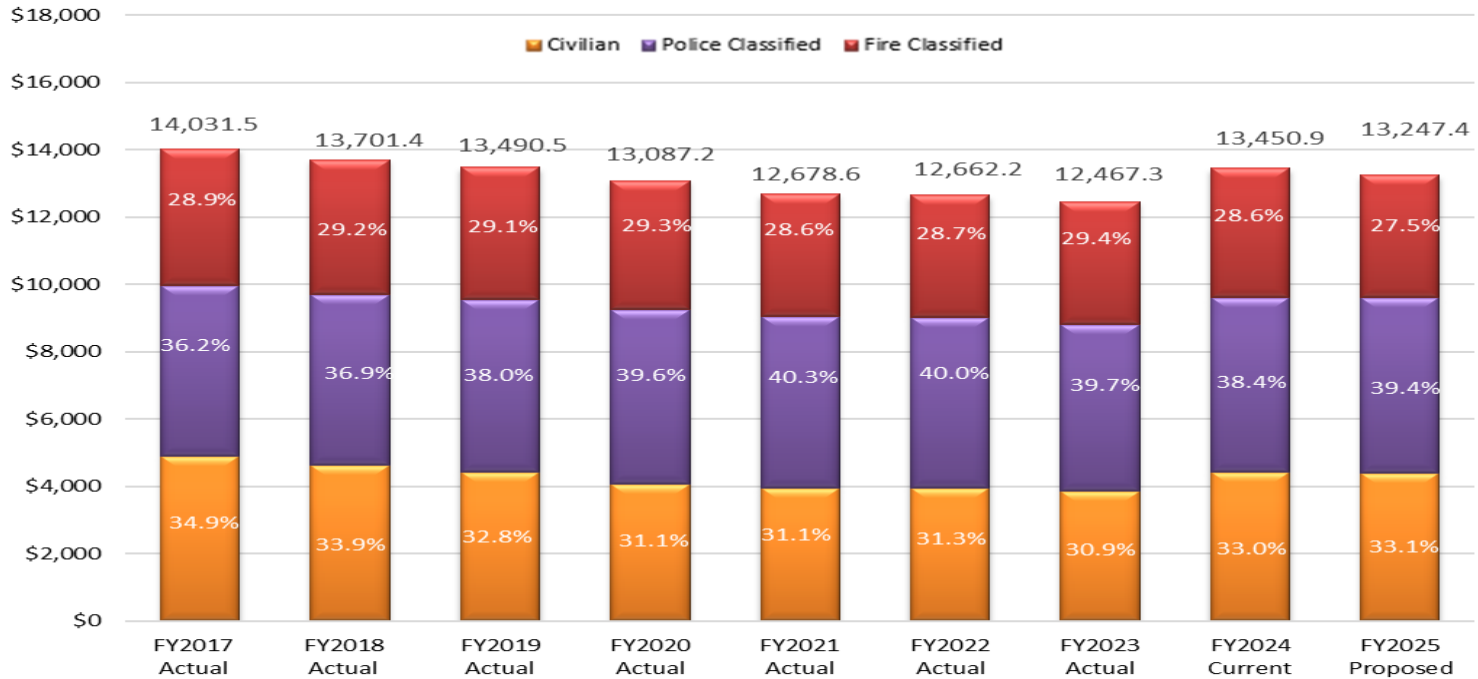


	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Current	FY2025 Proposed
General	14,031.5	13,701.4	13,490.5	13,087.2	12,678.6	12,662.2	12,467.3	13,450.9	13,247.4
Enterprise Funds	3,254.5	3,206.5	3,147.2	3,166.3	3,249.2	3,198.3	3,208.2	3,706.5	3,783.2
Other Funds	3,476.6	3,484.3	3,508.1	3,534.0	3,587.4	3,510.5	3,399.1	3,987.3	4,158.6
Grand Total	20,762.6	20,392.2	20,145.8	19,787.5	19,515.2	19,371.0	19,074.6	21,144.7	21,189.2

Notes:

- Citywide FTEs include General Fund, Enterprise, Special, Internal Service, and Service Chargeback Funds.
- **For General Fund :**
 - FY2020 and FY2021 includes lower FTEs due to redeployment funded out of CRF.
 - FY2024 Current and FY2023 Actual's variance is due to personnel vacancies.
 - FY2024 Budget and FY2025 Proposed Budget includes cadet classes (5 police, 4 fire in FY2024 and 5 police, 5 fire in FY2025).

General Fund Full-Time Equivalents



	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Current	FY2025 Proposed
Civilian	4,896.3	4,646.2	4,430.4	4,071.2	3,940.2	3,967.7	3,849.5	4,432.9	4,389.9
Police Classified	5,081.0	5,059.7	5,128.0	5,177.2	5,111.0	5,064.0	4,955.7	5,166.0	5,213.9
Fire Classified	4,054.2	3,995.5	3,932.1	3,838.8	3,627.4	3,630.5	3,662.1	3,852.0	3,643.6
Grand Total	14,031.5	13,701.4	13,490.5	13,087.2	12,678.6	12,662.2	12,467.3	13,450.9	13,247.4

Notes:

- FY2020 and FY2021 includes lower FTEs due to redeployment funded out of CRF.
- FY2024 Budget and FY2025 Proposed Budget includes cadet classes (5 police, 4 fire in FY2024 and 5 police, 5 fire in FY2025).



General Fund Budget

- This budget includes:
 - 11.1% Fund Balance of expenditures less debt service and pay-as-you-go transfers, above the desired minimum of 7.5% (\$91 million above the minimum 7.5%)
 - 10% increase to budgeted base pay for fire fighters (to be allocated based on final contract)
 - 3.5% pay raise for the police classified
 - Fully funded Budget Stabilization Fund (representing more than \$25 million)
 - Funds **for cadet classes**:
 - five (5) police cadet classes and five (5) fire cadet classes
 - Three fully funded pension systems
 - OPEB trust contribution of \$10.7 million (\$12.5 million in total for all funds)

- This budget includes:
 - Fund balance drawdown for FY25 as we prepare for FY26
 - No one-time land sales nor payment deferrals

FY2025 General Fund Revenue Including Other Resources Net Change vs FY2024 Estimates

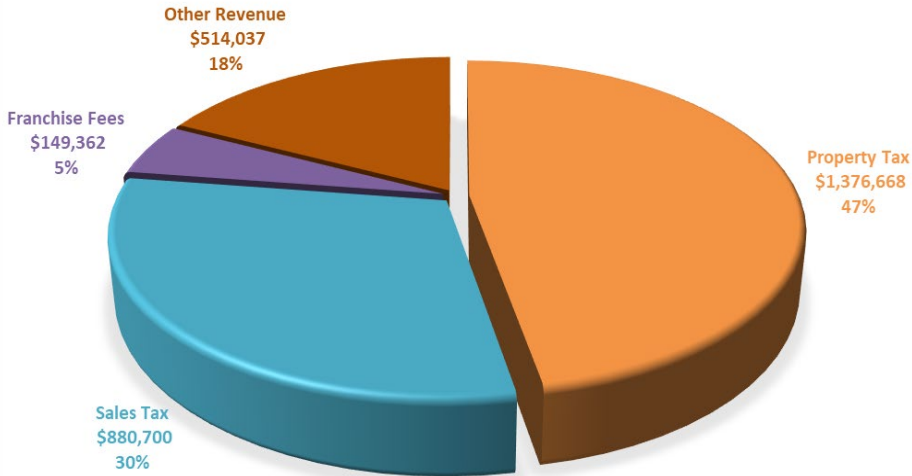


FY2025 General Fund Revenues - Net change to FY24 Estimates	
(\$ in thousands)	
FY2024 Estimates incl. Other Resources	\$2,942,761
FY2025 Proposed Budget incl. Other Resources	\$2,847,340
Incremental Increase/(Decrease)	(\$95,421)
	-3.24%
<u>Revenue Increases/(Decreases):</u>	
Intergovernmental ¹	(\$147,529)
Sale of Capital Assets ²	(\$8,408)
Others ³	(\$4,948)
Industrial Assessment	\$34
Charges for Services	\$79
Franchise Fees ⁴	\$1,184
Interest ⁵	\$2,993
Interfund Services ⁶	\$3,986
Sales Tax ⁷	\$12,682
Property Tax ⁸	\$44,506
Net Change of Revenues	(\$95,421)
Note:	
1. Decrease primarily due to lower ARPA receipts to cover revenue losses.	
2. Decrease due to anticipated lower sale of capital assets.	
3. Decrease primarily due to anticipated lower transfer from ParkHouston Fund and anticipated lower fire fighters' deployment reimbursement.	
4. Increase primarily due to higher consumption in electric franchise and gas franchise.	
5. Increase due to anticipated higher cash receipts.	
6. Increase primarily in Airport Police and Fire Protection Services.	
7. Increase due to anticipated higher sales tax receipts.	
8. FY2025 Proposed Budget is based on Proposition 1+H.	

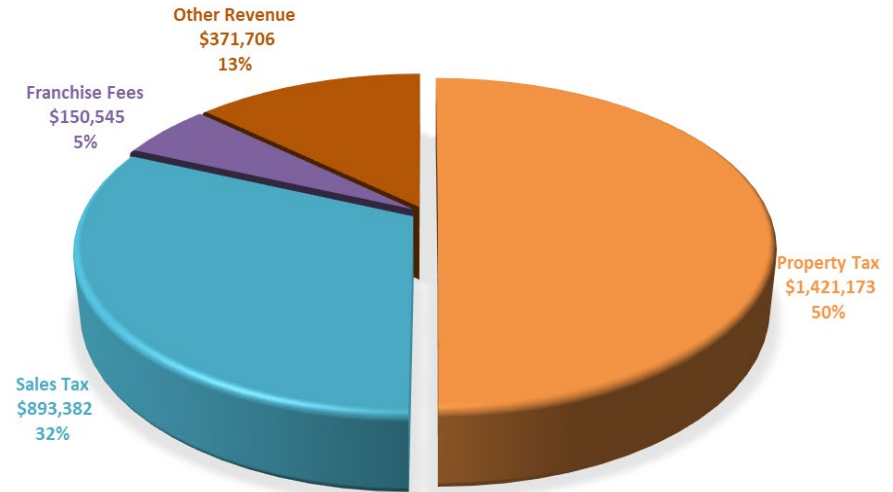
FY2025 General Fund Revenue Excluding Other Resources (\$ in Thousands)



FY2024 ESTIMATE
OF \$2,920,767



FY2025 PROPOSED BUDGET
OF \$2,836,807

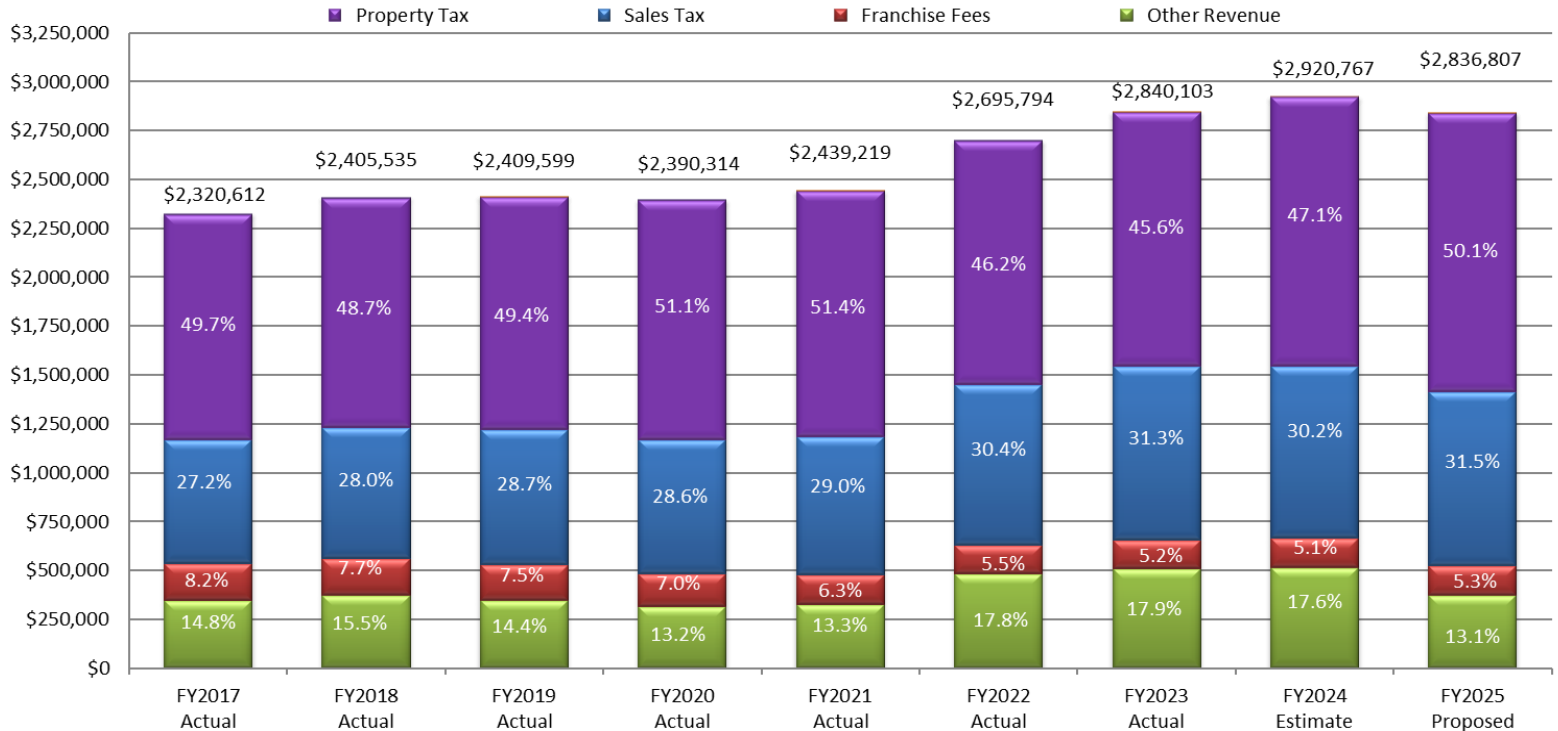


Net Change -\$83,960 -2.87%
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Note:

- Does not include Other Resources, such as Sale of Capital Assets and Transfers from Other Funds.
- Includes \$10.4 million of ARPA Funding.

General Fund Revenues Excluding Other Resources FY2017 – FY2025 (\$ in Thousands)



	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Estimate	FY2025 Proposed
Property Tax	\$ 1,153,823	\$ 1,172,543	\$ 1,190,243	\$ 1,222,154	\$ 1,254,016	\$ 1,244,722	\$ 1,295,496	\$ 1,376,668	\$ 1,421,173
Sales Tax	\$ 631,993	\$ 674,279	\$ 692,271	\$ 684,425	\$ 706,829	\$ 820,622	\$ 889,039	\$ 880,700	\$ 893,382
Franchise Fees	\$ 190,586	\$ 185,774	\$ 179,640	\$ 168,135	\$ 153,600	\$ 149,519	\$ 148,160	\$ 149,362	\$ 150,545
Other Revenue	\$ 344,042	\$ 372,939	\$ 347,445	\$ 315,600	\$ 324,774	\$ 480,932	\$ 507,409	\$ 514,037	\$ 371,706
Total GF Revenues	\$ 2,320,444	\$ 2,405,535	\$ 2,409,599	\$ 2,390,314	\$ 2,439,219	\$ 2,695,794	\$ 2,840,103	\$ 2,920,767	\$ 2,836,807
Change YOY (\$)	\$ 62,187	\$ 85,091	\$ 4,063	\$ (19,285)	\$ 48,905	\$ 256,575	\$ 144,309	\$ 80,663	\$ (83,960)
Change YOY (%)	2.75%	3.67%	0.17%	-0.80%	2.05%	10.52%	5.35%	2.84%	-2.87%

Notes:

- FY2022 Actual, FY2023 Actual, and FY2024 Estimate includes \$139.4 million, \$162.6 million, and \$160 million from ARPA funding relative to revenue reduction due to COVID-19 public health emergency, respectively.
- FY2025 Proposed Budget includes \$10.4 million from ARPA funding relative to unallocated projects funding due to COVID-19 public health emergency.

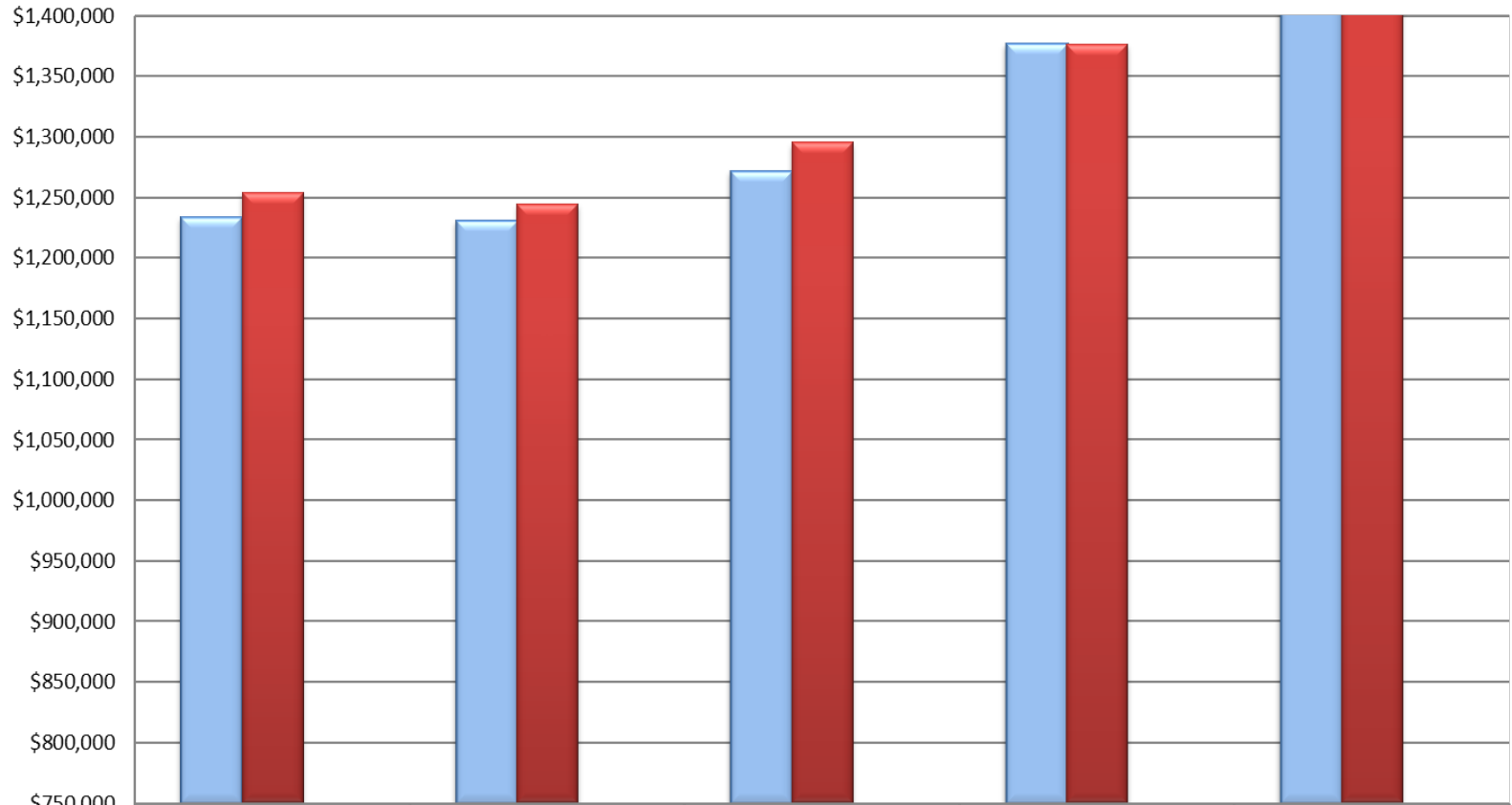


Property Tax Revenue

- Assumptions:
 - Estimated taxable value for the City of Houston is \$320.3 billion. Further information on the roll will be received in late Summer.
 - The estimated taxable value net of the tax increment agreements is \$273.2 billion.
 - Population data from U.S. Census Bureau as of July 1, 2023, has yet to be received. Therefore, the Finance Department applied the inflation rate of 3.46% plus 0% growth for population for purposes of calculating Proposition 1.
 - An increase in property tax revenue of 3.23%, which is \$44.5 million higher than FY2024 estimates.
 - Over 65/Disabled exemption currently at \$260,000.
 - The FY2025 Proposed Budget does not contemplate an increase to the property tax rate.

Trends in Property Tax Revenues

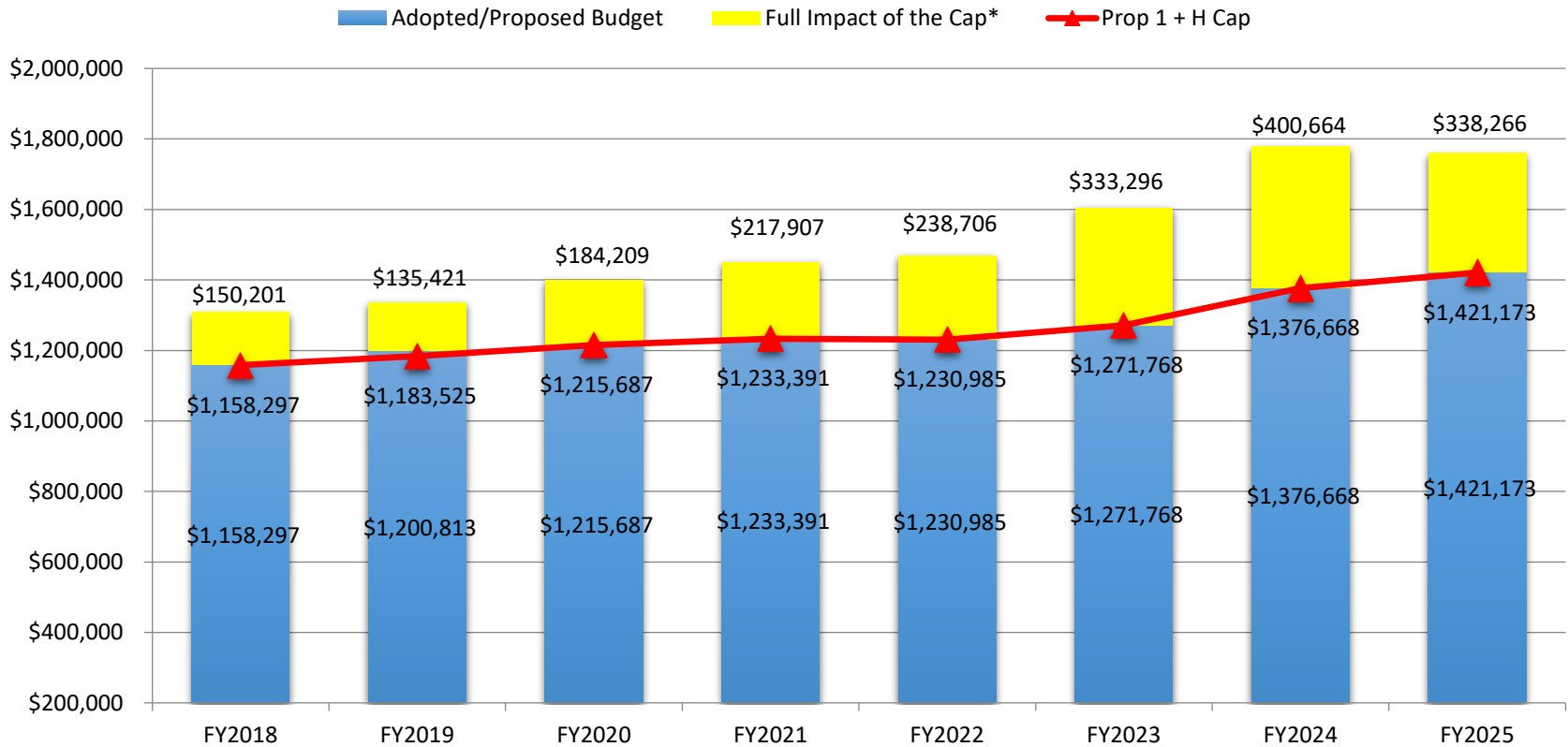
FY2021 - FY2025 (\$ in Thousands)



	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Estimate	FY2025 Proposed
Adopted/Proposed Budget	\$1,233,391	\$1,230,985	\$1,271,768	\$1,376,668	\$1,421,173
Actual/Estimate	\$1,254,016	\$1,244,722	\$1,295,496	\$1,376,668	\$1,421,173
Variance: Over/(Under)	\$20,625	\$13,737	\$23,728	\$0	\$0

Adopted Budget vs. Charter Cap

FY2018 - FY2025 (\$ in Thousands)



Property Tax Revenue	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Adopted/Proposed Budget	\$1,158,297	\$1,200,813	\$1,215,687	\$1,233,391	\$ 1,230,985	\$ 1,271,768	\$ 1,376,668	\$1,421,173
Prop 1 + H Cap	\$1,158,297	\$1,183,525	\$1,215,687	\$1,233,391	\$ 1,230,985	\$ 1,271,768	\$ 1,376,668	\$1,421,173
Full Impact of the Cap*	\$ 150,201	\$ 135,421	\$ 184,209	\$ 217,907	\$ 238,706	\$ 333,296	\$ 400,664	\$ 338,266

* Since FY2015, the full impact of the property tax revenue cap is \$2.23 billion.

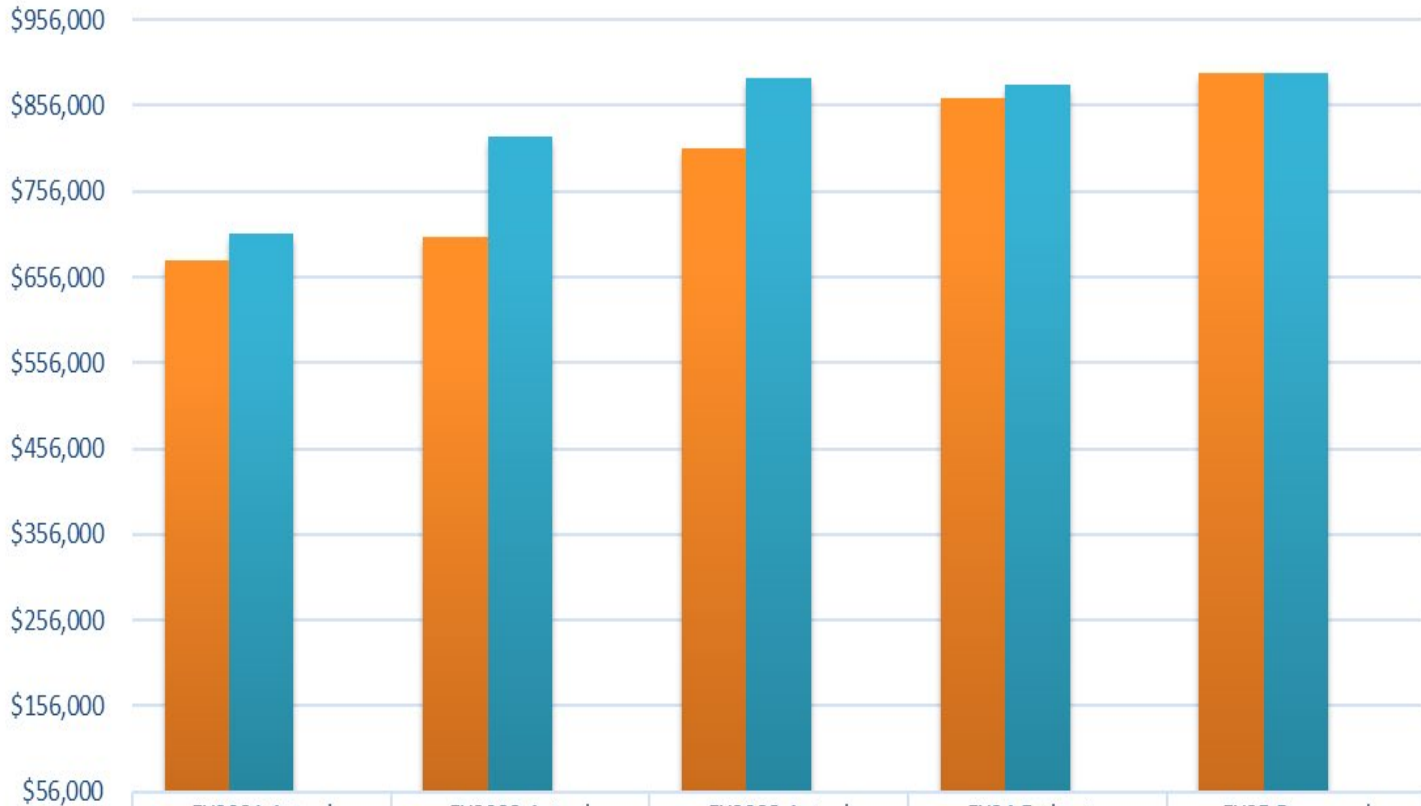


Sales Tax Revenue

- Assumption:
 - 1.44% increase from FY2024 estimates.
 - Employment is the key driver of sales tax revenue, including consumer sales and business to business sales. Historically, sales tax has responded in an immediate manner to changes in our employment growth and/or decline.
 - The energy sector contributes significantly to Houston's economy, oil prices are currently at \$80 per barrel which have improved the economy, strong travel demands, and increase power generation.
 - Furthermore, according to the latest economic reports the City's economy has returned to pre-COVID levels. Economists advise of an economic slowdown in the near future we proceed with a conservative outlook.

Trends in Sales Tax Revenues

FY2021 - FY2025 (\$ in Thousands)

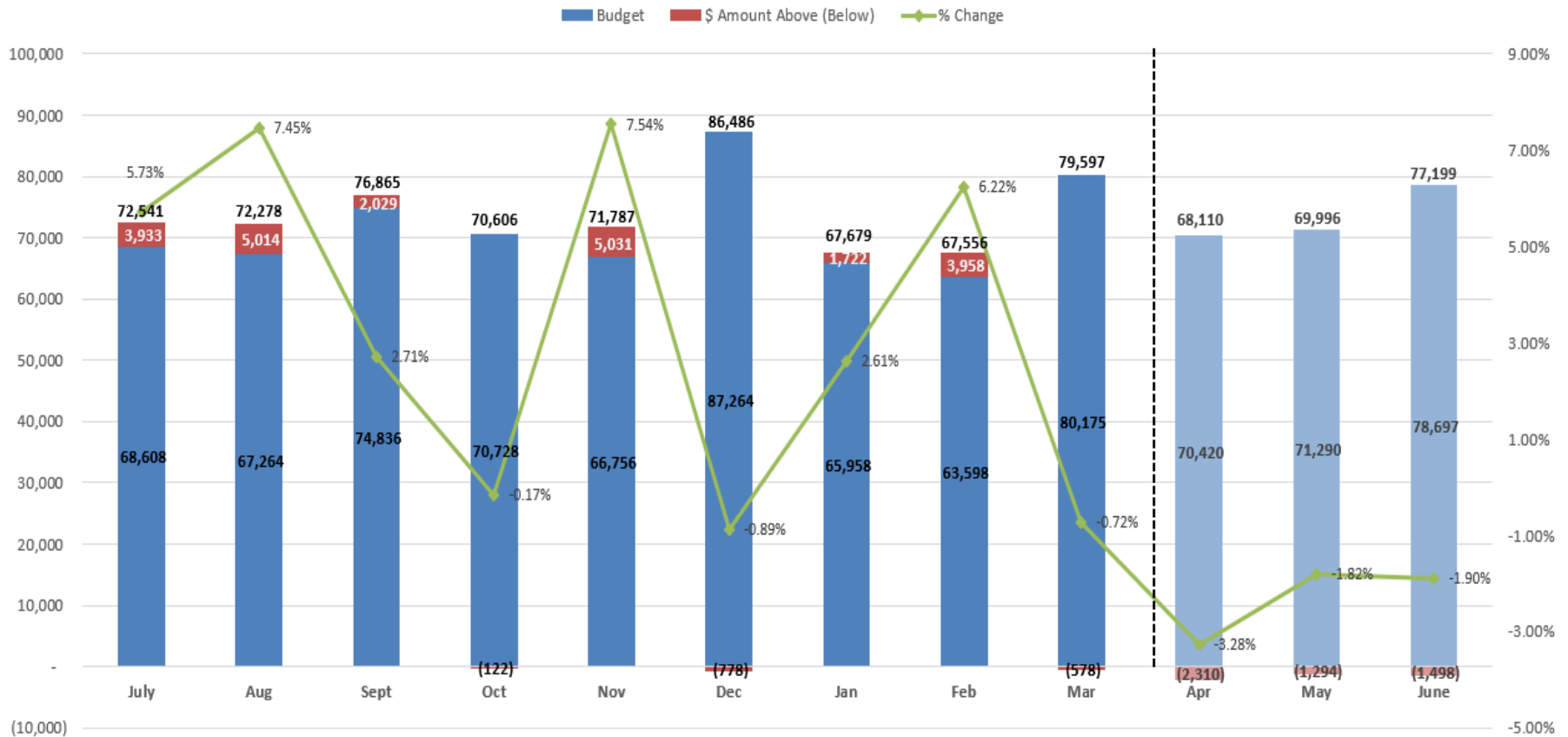


	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY24 Estimate	FY25 Proposed
Adopted Budget	\$675,000	\$703,000	\$806,920	\$865,593	\$893,382
Actual/Estimate	\$706,829	\$820,622	\$889,039	\$880,700	\$893,382
Variance: Over/(Under)	\$31,829	\$117,622	\$82,119	\$15,107	\$0

FY2024 Sales Tax Budget vs Actual (\$ in thousands)



- The remaining months would need to come in below prior year to meet the current estimate of \$880.7M.



FY2025 General Fund Expenditures Net Change vs. FY2024 Current Budget



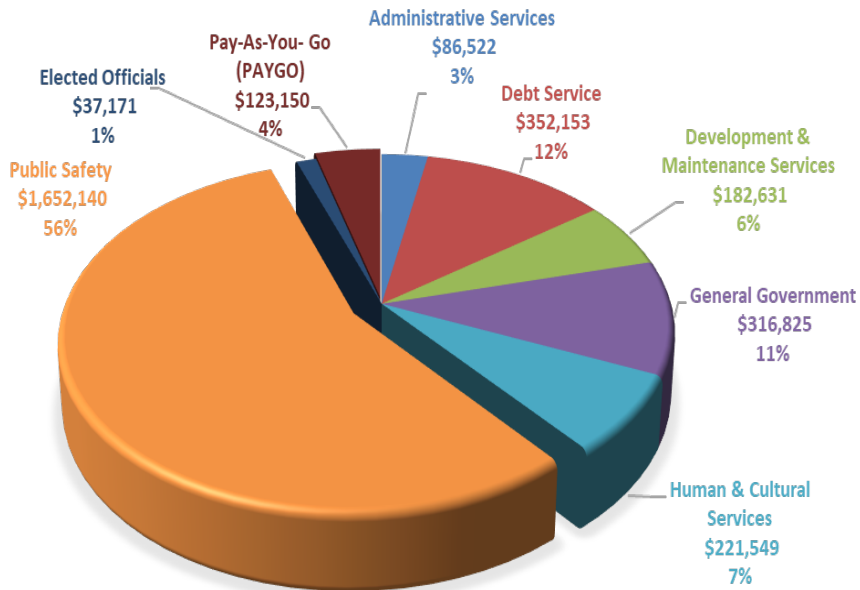
FY2025 General Fund Expenditures - Net Change vs. FY2024 Current Budget		
(\$ in thousands)		
FY2024 Current Budget		\$2,972,141
FY2025 Proposed Budget Incl. Other Resources		\$3,034,471
Incremental Increase/(Decrease)		\$62,330
		2.10%
<u>Operating Budget Adjustments</u>	<u>Notes</u>	
Employee Compensation	1	\$43,395
Health Benefits	2	\$16,413
Pension	3	\$12,661
Service Chargeback	4	\$8,311
OPEB Trust	5	\$2,142
Budget Reduction	6	(\$11,668)
Other Services & Charges	7	(\$50,019)
Subtotal Operating Budget		\$21,236
<u>Operating Budget Adjustments</u>		
Debt Service & PAYGO		\$41,094
Subtotal Debt Service		\$41,094
Net Change of Expenditures		\$62,330
Note:		
1. Includes the cost for employee pay raises: Fire Classified - 10% and Police Classified - 3.5%.		
2. Driven by rates increase.		
3. Driven by staffing and pay increases.		
4. Includes increased costs for items such as electricity, HR client services, and vehicle services.		
5. OPEB contribution.		
6. Citywide General Fund Budget Reduction for personnel, supplies, and services.		
7. Includes reduction for one-time funding such as Mayor Loves Our Parks Initiative, Sidewalk program, renovations for the Bethune Empowerment Center, MacGregor Park Development project, and Sharpstown Community Center project.		

General Fund Expenditures Including Debt Service & PAYGO

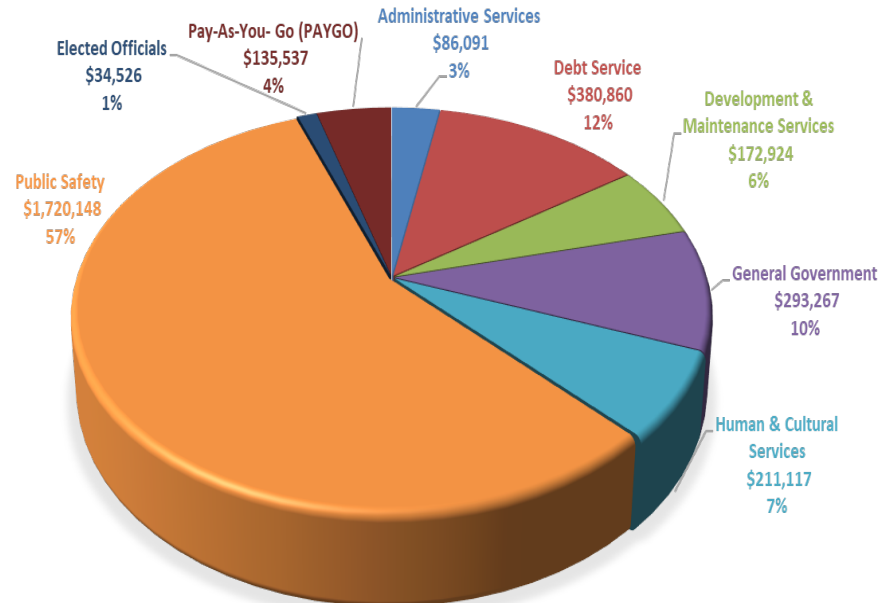
(\$ in Thousands)



FY2024 CURRENT BUDGET
\$2,972,141



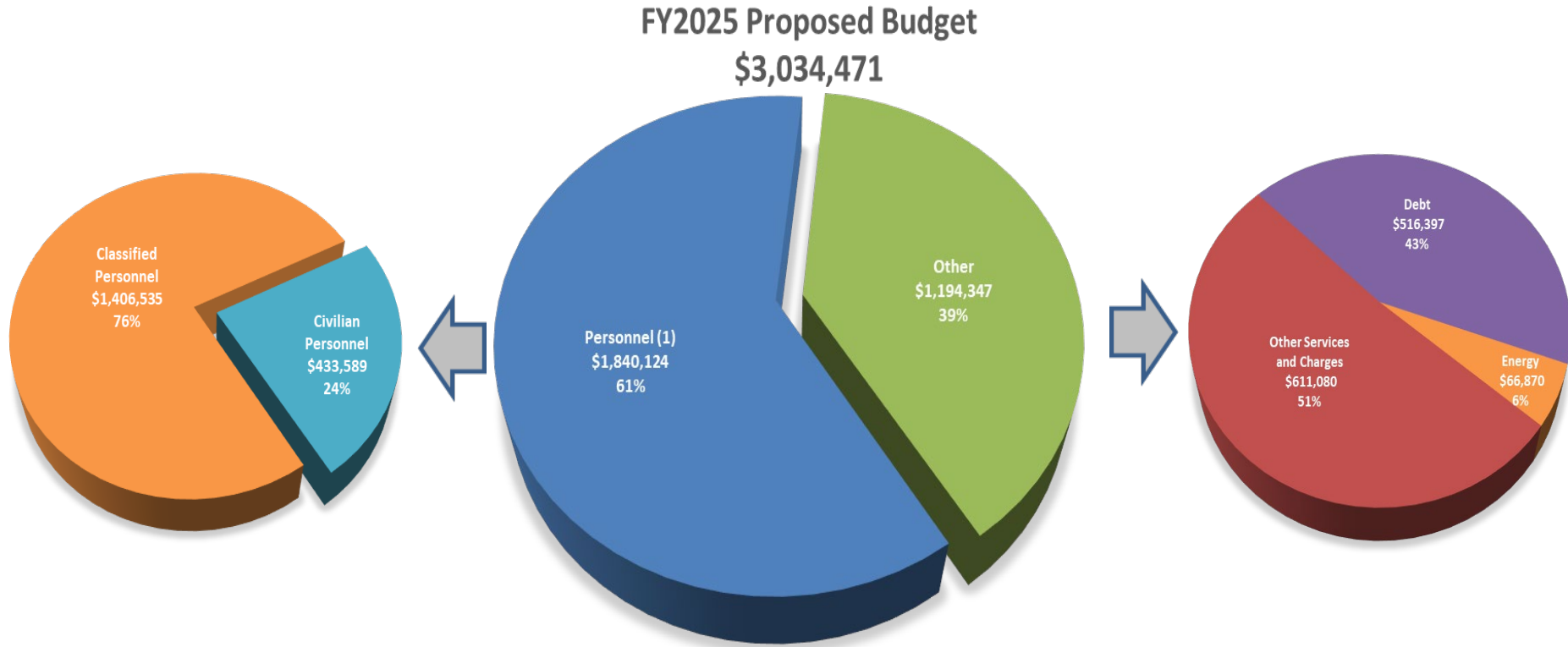
FY2025 PROPOSED BUDGET
\$3,034,471



Net Change
\$ 62,330
2.1%

Public Safety: Police, Fire, Houston Emergency Center (HEC), Municipal Courts
Other: General Services, Planning & Development, Houston Public Works, Solid Waste, Houston Health Department, Housing, Library, Neighborhoods, Parks, Administration and Regulatory Affairs, Controller, City Council, City Secretary, Finance, Human Resources, Legal, Mayor's Office, Office of Business Opportunity

FY2025 General Fund Expenditures Personnel vs. Non-Personnel (\$ in Thousands)



Note:

Includes items such as salary, FICA, pension, health benefits, overtime, workers' comp, other pays, temp personnel, etc.

FY2017-FY2025 General Fund - Historical Expenditure Budget



Budget (Including Debt Service & PAYGO)	\$ 2,308,371	\$ 2,372,419	\$ 2,479,414	\$ 2,531,094	\$ 2,512,745	\$ 2,609,959	\$ 2,743,547	\$ 2,972,141	\$ 3,034,471
Budget (Excluding Debt Service & PAYGO)	\$ 2,015,215	\$ 2,004,526	\$ 2,086,669	\$ 2,131,891	\$ 2,115,101	\$ 2,194,327	\$ 2,308,657	\$ 2,496,838	\$ 2,518,074
Debt Service & PAYGO Budget	\$ 293,156	\$ 367,893	\$ 392,745	\$ 399,203	\$ 397,644	\$ 415,633	\$ 434,890	\$ 475,303	\$ 516,397
Change YOY (\$)	\$ -	\$ 64,048	\$ 106,995	\$ 51,680	\$ (18,348)	\$ 97,214	\$ 133,587	\$ 228,595	\$ 62,330
Change YOY (%)	0.00%	2.77%	4.51%	2.08%	-0.72%	3.87%	5.12%	8.33%	2.10%

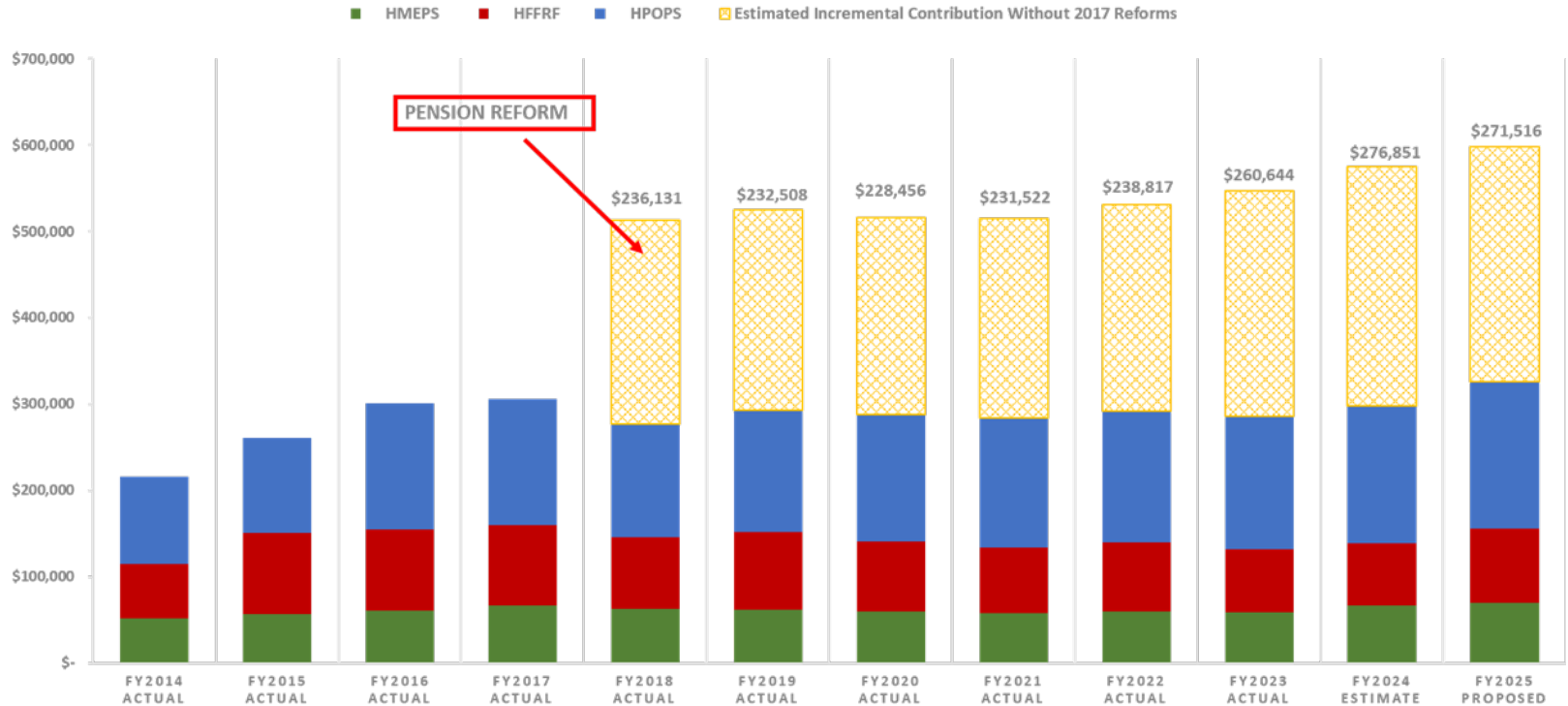
In FY2021, some costs in General Fund were transferred to CARES Act Fund.

General Fund Pension Contributions

FY2014- FY2024 (\$ in Thousands)



PENSION CONTRIBUTIONS OF THE THREE PENSION SYSTEMS



HMEPS	\$ 51,354	\$ 57,039	\$ 60,447	\$ 66,968	\$ 62,643	\$ 61,682	\$ 59,814	\$ 57,586	\$ 59,745	\$ 58,479	\$ 66,198	\$ 69,987
HFFRF	63,758	93,407	94,121	92,958	82,940	89,902	80,760	76,293	80,427	72,868	72,397	86,063
HPOPS	100,614	110,727	146,216	145,646	131,645	141,096	147,487	149,641	151,557	154,686	159,154	170,241
Pension Contributions	\$ 215,726	\$ 261,173	\$ 300,784	\$ 305,572	\$ 277,228	\$ 292,680	\$ 288,062	\$ 283,520	\$ 291,729	\$ 286,033	\$ 297,749	\$ 326,292
Change YOY (\$)	(29,857)	45,447	39,610	4,789	(28,344)	15,452	(4,619)	(4,541)	8,209	(5,696)	11,716	28,543
Change YOY (%)	-15.3%	21.1%	15.2%	1.6%	-9.3%	5.6%	-1.6%	-1.6%	2.9%	-2.0%	4.1%	9.6%
Estimated Incremental Contribution Without 2017 Reforms					\$ 236,131	\$ 232,508	\$ 228,456	\$ 231,522	\$ 238,817	\$ 260,644	\$ 276,851	\$ 271,516
Total Estimated Contribution Without 2017 Reform					\$ 515,196	\$ 526,665	\$ 517,869	\$ 516,703	\$ 530,546	\$ 546,677	\$ 574,600	\$ 597,808

Notes:

- FY2018 Actual excludes \$910 million Pension Obligation Bonds for General Fund.
- The full impact of pension reform on City's General Fund contribution is \$1.98 billion.

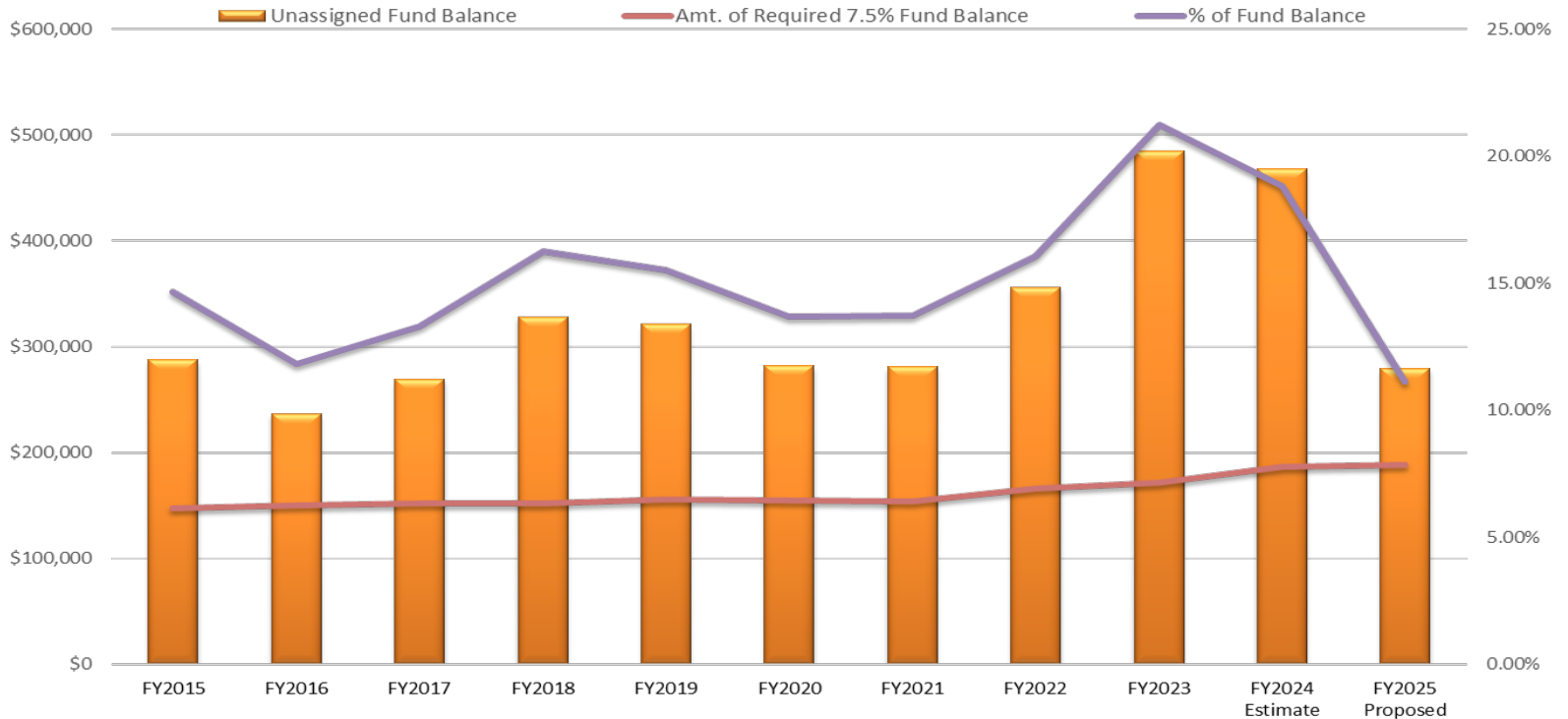
Addressing FY2025 Budgetary Gap



(\$ in thousands)

FY2025 Initial Budgetary GAP	\$	158,713
Revenue Adjustments		
Property Tax	\$	2,957
Sales Tax	\$	19,133
Other Revenues	\$	24,986
Transfer from ParkHouston	\$	(2,940)
ARPA Revenue Loss	\$	10,400
Franchise Fees	\$	1,572
Total Revenue Adjustments	\$	56,109
Expenditure Adjustments		
Department Budget Reductions	\$	(11,668)
Draft CBA for Firefighter 10% impact to budgeted base pay	\$	36,000
Firefighter assignment and educational pay	\$	10,000
Debt Service for firefighter settlement	\$	30,585
Other Expenditure Adjustments	\$	19,610
Total Expenditure Adjustments	\$	84,527
FY2025 Final Budgetary GAP	\$	187,131

General Fund Unassigned Ending Fund Balance FY2015 - FY2025



Unassigned Fund Balance	\$ 287,842	\$ 236,947	\$ 269,558	\$ 328,346	\$ 321,436	\$ 282,068	\$ 281,202	\$ 356,332	\$ 485,383	\$ 467,776	\$ 279,878
Amt. of Required 7.5% Fund Balance	\$ 147,331	\$ 150,143	\$ 151,972	\$ 151,587	\$ 155,450	\$ 154,765	\$ 153,812	\$ 166,432	\$ 171,465	\$ 186,280	\$ 188,856
% of Fund Balance	14.65%	11.84%	13.30%	16.25%	15.51%	13.67%	13.71%	16.06%	21.23%	18.83%	11.11%
M&O Expenditures	\$1,964,412	\$2,001,911	\$2,026,297	\$2,021,156	\$2,072,672	\$2,063,529	\$2,050,824	\$2,219,090	\$2,286,200	\$2,483,739	\$2,518,074

Notes:

- FY2018 7.5% fund balance requirement was adjusted to exclude \$910 million Pension Obligation Bonds.
- FY2022 - FY2025 includes the use of ARPA funding relative to revenue reduction due to COVID-19 public health emergency.



General Fund Five Year Forecast FY2025 – FY2029



Overview

- Shows the projected budget gap range based on a conservative and optimistic growth in revenue
- Does not include one-time land sales
- In compliance with Prop 1+H limitations and holding the senior/disabled exemption at \$260,000
- Pension assumptions based on midpoint of the corridor
- Expenditures include legal mandates, staffing for new facilities, and contractual escalators.



Key Assumptions – Revenue

Revenue Category	FY2025 Proposed	FY2026 - FY2029	Comments
Property Tax Growth %	3.2%	(Low) 2% to 3.9% (High)	FY2026 - 2029 estimate is based on the maximum allowed revenue by 2004 Proposition 1 and modified by 2006 Proposition H. Range varies using different assumption for CPI and population growth.
Sales Tax Growth %	1.4%	(Low) 1.5% to 2.1% (High)	FY2026 - 2029 estimate derived from econometric models which consider the sectors of the Houston economy and estimates of income, prices, population and Primary Metropolitan Statistical Area (PMSA) retail sales Range varies using different assumptions for employment and oil prices.
Franchise Fee Growth %	0.8%	(Low) -1.4% to -0.5% (High)	FY2026 - 2029 estimate based on historical growth. High range assumes slower decline in franchise fee revenue.
Other Revenue Growth %	2.1%	(Low) -2.6% to 1.1% (High)	FY2026 – 2029 estimate based on historical growth.
One-time sale of Capital Assets \$mm	\$0.00	(Low) 0.0% to 0.0% (High)	No one-time land sales included.

Notes:

Other Revenue Category includes items such as Industrial Assessment, Licenses and Permits, Charges for Services, Interfund Services, Fines and Forfeits



Key Assumptions – Expenditures

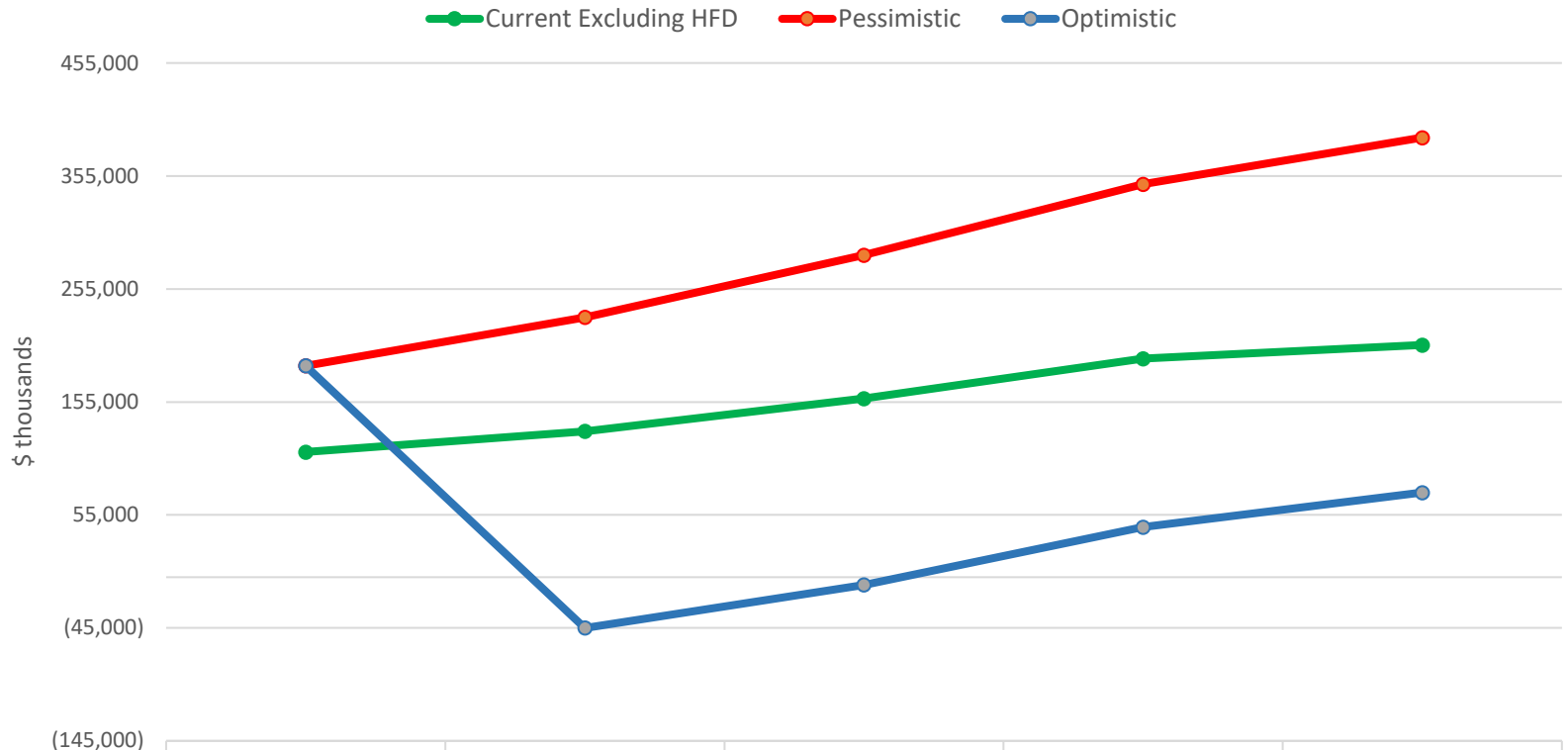
Expenditure Category	FY2025 Proposed	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast	FY2029 Forecast	Comments
<u>Personnel</u>						
• Police Classified	3.5%	TBD	TBD	TBD	TBD	FY25 includes cost of contractually mandated increase for police.
• Fire Classified	10%	3-6%	3-6%	4-6%	4-6%	Percentages based on impact to budgeted base pay as contemplated by the draft CBA
• Municipal Employees	TBD	TBD	TBD	TBD	TBD	Contract negotiations are ongoing
<u>Pension Contribution</u>						
• HMEPS	8.51%	8.54%	8.57%	8.59%	8.61%	Based on the midpoint of the corridor
• HMEPS Legacy (\$mm)	\$150	\$154	\$158	\$163	\$167	Legacy liability contribution
• HPOPS	32.07%	(Low) 27.10% to 32.13% (High)				Based on min-mid point of corridor
• HFRFF	26.89%	(Low) 26.89% to 31.89% (High)				Based on min-mid point of corridor
<u>Health Benefits</u>						
• Growth %	4.4%	(Low) 4% to 5% (High)				
<u>Total Debt Service and PAYGO (\$mm)</u>	\$516.4	\$493.1	\$509.2	\$531.7	\$547.5	

Current Budget Gap FY2025 - FY2029

(\$ in Thousands)



Five Year Gap Range



	FY2025 Estimate	FY2026 Estimate	FY2027 Estimate	FY2028 Estimate	FY2029 Estimate
Current Excluding HFD	110,645	128,977	158,041	193,365	205,440
Pessimistic	187,131	229,996	285,043	347,876	389,082
Optimistic	187,131	(45,091)	(6,984)	44,230	74,835



Addressing the Gap – What's Next?

- Limitations
 - Property tax revenue cap in City Charter and State Cap
 - Police and Fire cost make up 68% of General Fund expenditures other than debt/PAYGO
 - Any potential legislative changes
- Short-term
 - Citywide efficiency assessment
 - Continue hiring control
 - Continue to look for cost collaboration with other levels of government
 - Develop new revenue sources
- Long-term
 - Implement recommendations from citywide efficiency assessment
 - Collaborate with other jurisdictions