



Finance Department

**FY2026 Proposed Budget
Workshop Presentation
May 13, 2025**

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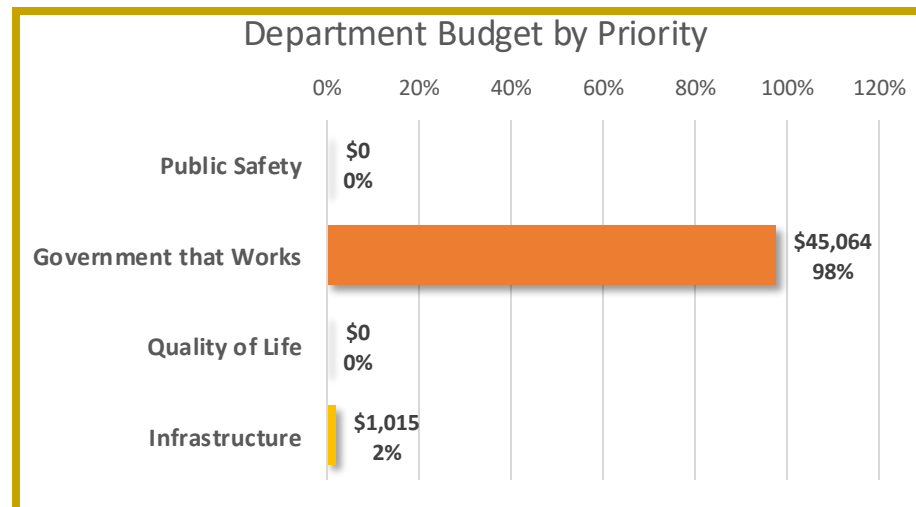
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Strategic Alignment

Government that Works	Infrastructure
Accounting & Financial Reporting	Disaster Cost Recovery Management
Administrative Services	Energy Management
Capital Projects and Debt Management	
Citywide Procurement and Contract Management	
Financial Management Services	
Financial Planning & Budgetary Services	
Grants Management	
Performance Improvement	
Treasury	



Plans to Eliminate the Gap (PEG) – General Fund

Program Name	FTEs Filled	FTEs Vacant	Personnel Cost	Other Cost	Total Approved Reduction
Performance Improvement	-	0.3	33,981	-	33,981
Capital Projects and Debt Management	-	1.0	113,025	-	113,025
Treasury Capital Management Services	-	-	-	18,118	18,118
Financial Planning & Budgetary Services	-	2.0	278,058	-	278,058
Audit Services	-	-	-	265,190	265,190
Citywide Procurement and Contract Management	-	3.0	279,404	-	279,404
Total	-	6.3	704,468	283,308	987,776

Plans to Eliminate the Gap (PEG) – Central Service Revolving Fund



Program Name	FTEs Filled	FTEs Vacant	Personnel Cost	Other Cost	Total Approved Reduction
Citywide Procurement and Contract Management	-	1.0	97,296	-	97,296
Financial Management Services-HFD	-	1.0	93,734	-	93,734
Financial Management Services-Energy	-	1.0	90,129	-	90,129
Citywide Accounts Payable Services	-	1.0	84,296	-	84,296
Total	-	4.0	365,455	-	365,455

Voluntary Municipal Employee Retirement Payout Option (VMERPO)



Number Eligible for VMERPO	Number Accepting Option	% Accepting
39	4	10%

Reductions Included in Proposed Budget		
	Number of Employees	Value of Reduction
Non-Critical Positions Accepting Offer before April 20 th	4	\$452,158

Proposed Department Restructure



	Current State	Proposed State
Average Span of Control	3.61	Goal: 6-8
% Managers/Supervisors with Less Than 4 Direct Reports	46%	Goal: 15%
Layers of Management	7	Goal: 6

Recommended New Job Classifications

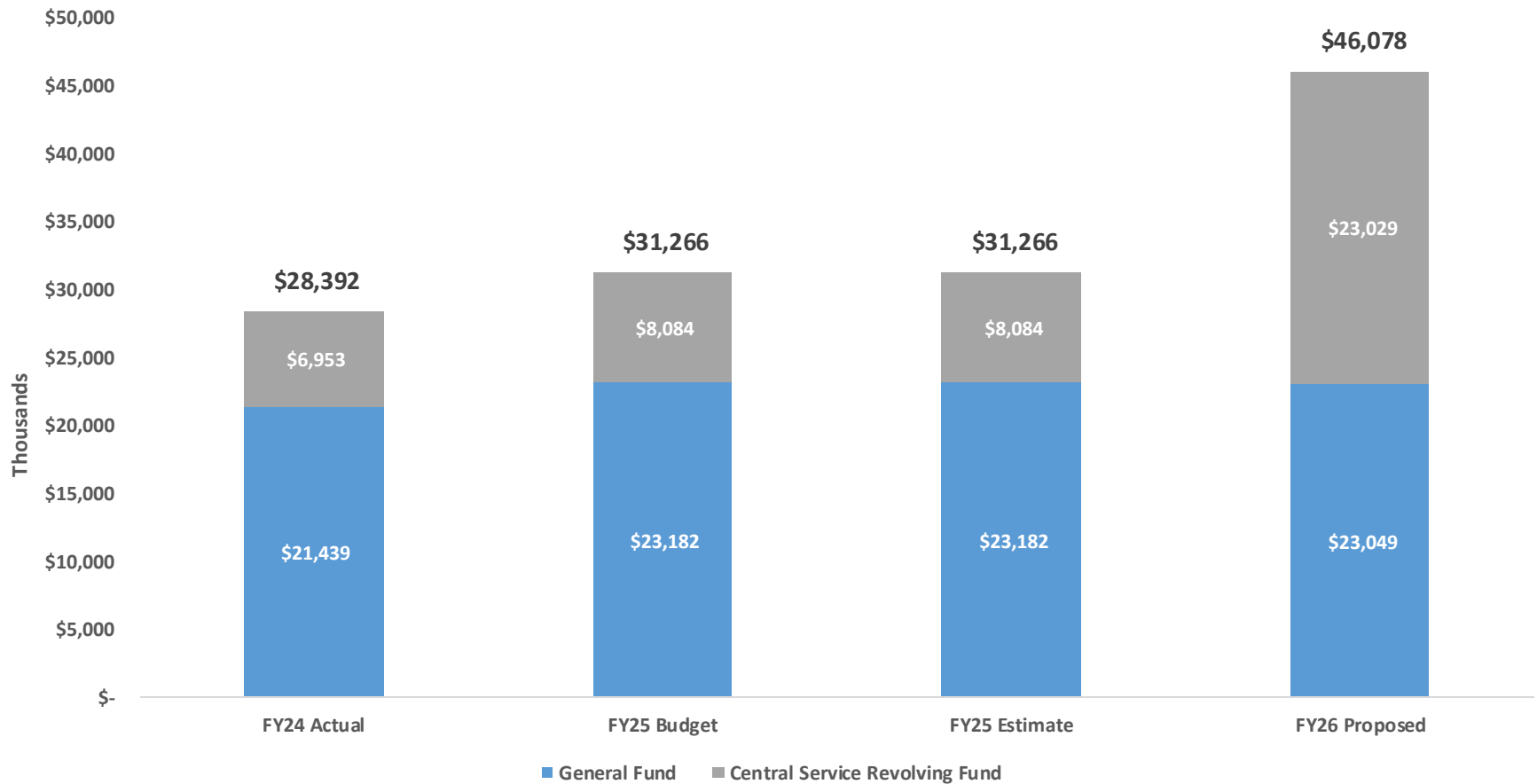
Financial Analyst V
Senior Financial Analyst
Budget Analyst V

Expenditures by Fund [in thousands]



Category	FY24 Actual	FY25 Budget	FY25 Estimate	FY26 Proposed	Variance FY26 Proposed / FY25 Budget	% Cha nge
General Fund	21,439	23,182	23,182	23,049	(133)	-1%
Central Service Revolving Fund	6,953	8,084	8,084	23,029	14,945	185%
Total	28,392	31,266	31,266	46,078	14,812	47%

Expenditures by Fund [in thousands]



Personnel vs. Non-Personnel [in thousands]



Personnel Breakdown

Non-Personnel Breakdown

General Fund



Supplies	\$	82	0%
Services	\$	3,805	17%
Restricted Account	\$	1,244	5%
Total	\$	5,132	22%

Central Service Revolving Fund



Supplies	\$	99	0%
Services	\$	717	3%
Restricted Account	\$	490	2%
Total	\$	1,306	6%

\$- \$5,000 \$10,000 \$15,000 \$20,000 \$25,000

■ Total Budget ■ Personnel

Expenditures by Program [in thousands]

Program	FY24 Actual	FY25 Budget	FY25 Estimate	FY26 Proposed	Variance FY26 Proposed/ FY25 Budget	% Change
Accounting and Financial Reporting	7,687	9,001	9,001	9,392	391	4%
Administrative Services	1,670	1,867	1,867	1,989	122	7%
Capital Projects and Debt Management	1,288	1,528	1,528	1,620	92	6%
Citywide Procurement and Contract Management	9,106	9,457	9,457	12,830	3,373	36%
Disaster Cost Recovery Management	525	600	600	611	11	2%
Energy Management	359	396	396	403	7	2%
Financial Management Services	2,564	2,881	2,881	13,146	10,265	356%
Financial Planning & Budgetary Services	2,206	2,201	2,201	2,718	517	23%
Grants Management	696	1,113	1,113	1,048	(64)	-6%
Performance Improvement	438	309	309	387	78	25%
Treasury	1,854	1,912	1,912	1,932	20	1%
Total	28,392	31,266	31,266	46,078	14,812	47%

Accounting & Financial Reporting

Priority:	Government that Works
FY2026 FTE Count:	53.6

Program Description

Directs the financial reporting and operations of internal controls, cost and fee analysis, capital fixed assets, trusts and funds management, accounts receivable, accounts payable, and the annual audit for the City of Houston. Develop annual indirect cost allocation plans in accordance with 2 CFR 200.

Significant Budget Items

- Savings of \$694,604 resulting from negotiated cost reduction on external audit services on new contract and proper allocation of costs to other departments.

FY26 Prop Budget by Fund

General Fund	\$5,192
CSRF	\$4,200
Total	\$9,392

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Collection Rate for EMS	38%	40%	47%	48%	Manage the revenue stream and maximize revenue collections
Collection Rate for Vendor Managed Revenues	45%	45%	50%	50%	Manage the revenue stream and maximize revenue collections
Cost per Invoice	\$38	\$45	\$45	\$48	Manage AP function for 10 departments cost effectively
Invoice Payments Processed within Payment Terms	94%	95%	93%	90%	Ensure compliance per Prompt Payment Act

Administrative Services



Priority:	Government that Works
FY2026 FTE Count:	4.0

Program Description

Provides support for leadership and executive support which includes development, monitoring and recording of the budget, accounts receivables and the procurement of goods and services for the department.

Significant Budget Items

FY26 Prop Budget by Fund

General Fund	\$1,989
Total	\$1,989

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Expenditures Adopted Budget vs Actual Utilization	91%	98%	98%	98%	Responsible for monitoring Finance Department expenditures to ensure spent are within budget
Revenues Adopted Budget vs Actual Utilization	101%	100%	98%	100%	Responsible for monitoring Finance Department revenue

Capital Projects & Debt Management

Priority:	Government that Woks
FY2026 FTE Count:	10.9

Program Description

Engage all departments in the annual preparation of the five-year Capital Improvement Plan. Work with Administration and City Council to adopt the CIP annually. Maintain asset replacement models and bring forth the equipment models. Maintain asset replacement model for Fleet and IT with possibility of others coming online.

Significant Budget Items

- Includes a reduction of \$113,025 as part of the department savings initiatives.

FY26 Prop Budget by Fund

General Fund	\$1,234
CSRF	\$386
Total	\$1,620

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Capital Improvement Plan adopted before the end of preceding fiscal year	June 21, 2023	June 30,2024	July 2, 2024	June 30, 2025	To be in compliance with Financial Policies
Ensures submission of three actuarial valuation reports to Pension Review Board annually	April 30, 2024	April 30, 2025	April 30,2025	April 30, 2026	To be in compliance with Financial Policies
Review all outstanding debt annually for purposes of identifying refunding opportunities	Review 4 credits	Review 4 credits	Review 4 credits	Review 4 credits	To be in compliance with Financial Policies
Debt Service Expenditures as % of General Fund Revenues	16%	18%	18%	17%	To be in compliance with Financial Policies

Citywide Procurement & Contract Management



Priority:	Government that Works
FY2026 FTE Count:	89.2

Program Description

Oversee the acquisition of goods and services, ensuring transparency, efficiency, and compliance with regulations. Manage sourcing, solicitation development, contract negotiation, award, contract management, supplier engagement – including MWSBE suppliers and initiatives – and performance evaluation supporting all City operations within a category management organizational structure.

Significant Budget Items

- Category Management
- Consolidation of all informal procurement and HPW construction procurement
- Includes a reduction of \$376,700 as part of the department savings initiatives.
- Revenue from lead agency procurement

FY26 Prop Budget by Fund

General Fund	\$7,199
CSRF	\$5,631
Total	\$12,830

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Average Days to Complete Direct Award Procurements from Project Acceptance to Council Award	39 days	45 days	36 days	45 days	Based on category management restructure and continued automation initiatives
Average Days to Complete Formal Invitation to Bid "ITB" Procurement Projects, from Project Acceptance to Council Award	146 days	120 days	185 days	120 days	Based on category management restructure and continued automation initiatives
Average Days to Complete Formal Requests for Proposals, Requests for Qualifications, and Requests for Information	269 days	180 days	253 days	180 days	Based on category management restructure and continued automation initiatives

Disaster Cost Recovery Management

Priority:	Infrastructure
FY2026 FTE Count:	4.3

Program Description

Oversee disaster cost recovery for city owned assets. This includes managing and reporting federal and state grants related to declared disasters.

• Significant Budget Items

FY26 Prop Budget by Fund

General Fund	\$611
Total	\$611

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
For New Disasters, Identify, and Submit Damaged City Assets within 60 Days of the Disaster's Recovery Scoping Meeting	N/A	60 days	60 days	60 days	Maximize cost recovery for damaged city assets.
Number of Project Worksheet (PW) Close Out Requests Submitted to the State/FEMA	14	8	8	15	Ensure timely close out of projects upon maximized reimbursements

Energy Management

Priority:	Infrastructure
FY2026 FTE Count:	2.0

Program Description

This program manages the energy and natural gas costs of the City of Houston. This process includes but is not limited to contract energy and natural gas rates negotiations with companies, monitoring of the respective markets, and annual projections.

Significant Budget Items

- Oversees the management of the electricity and natural gas contracts.
- Includes a reduction of \$90,129 as part of the department savings initiatives.

FY26 Prop Budget by Fund

CSRF	\$403
Total	\$403

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
% Renewable Energy for Electricity Contract	100%	100%	100%	N/A	Purchasing non-renewable energy in upcoming agreement to realize cost avoidance.
Amount (\$) of Utility Rebates Received for Energy Projects	\$198,305	\$186,497	\$186,497	\$186,497	Expand the City's investments in energy efficiency
Annual Energy Consumption (kWh)	1,190,712,481	1,168,730,585	1,299,992,543	1,358,324,301	Monitoring to measure progress towards optimizing building energy use per CAP
Tree Planting Initiative (Goal of 100,000 Trees Planted by 2024 Based on Electricity Contract Incentive)	57,475	20,447	20,447	N/A	Achieved goal as outlined in the contract.

Financial Management Services



Priority:	Government that Works
FY2026 FTE Count:	92.8

Program Description

Manages all aspects of financial management on behalf of client departments to ensure fiscal integrity.

Goal: To champion the Finance Department's mission to safeguard the fiscal integrity of the City, its component units, and other dependent entities by providing the necessary support and guidance to client departments thus ensuring sound fiscal management.

Significant Budget Items

- Manage the financial operations of CNL, FMD, GSD, HITS, HFD, HPD, HPL, OBO, PD, MYR and SWM.
- Includes a reduction of \$93,734 as part of the department savings initiatives.

FY26 Prop Budget by Fund

General Fund	\$816
CSRF	\$12,332
Total	\$13,148

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
# of Client Departments Supported	4	5	4	11	Standardizes the financial practices and increases efficiencies
Receive an Outstanding Rating (5) from Client Departments	4.3	5	N/A	5	Satisfactory ratings from client departments supports the adoption of centralizing financial management

Financial Planning & Budgetary Services



Priority:	Government that Works
FY2026 FTE Count:	15.1

Program Description

Develop and manage the City's Operating Budget, long-range financial planning, monthly financial reporting, and ad-hoc financial analysis.

Significant Budget Items

- Includes a reduction of \$278,058 as part of the department savings initiatives.

FY26 Prop Budget by Fund

General Fund	\$2,718
Total	\$2,718

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Citywide General Fund Expenditures Adopted Budget vs Actual Utilization	99%	98%	102%	98%	Responsible for monitoring citywide expenditures to ensure spent are within budget.
Citywide General Fund Revenues Adopted Budget vs Actual Utilization	103%	100%	102%	100%	Responsible for monitoring citywide revenues to ensure revenues are within budget.
Unassigned Fund Balance as % of General Fund Expenditures less Debt Service and PAYGO	23.4%	16.5%	14.7%	10.8%	Per the Financial Policies, the City desired minimum unassigned Fund Balance for any given fiscal year is 7.5% of General Fund exp. less Debt and PAYGO.

Grants Management



Priority:	Government that Works
FY2026 FTE Count:	7.4

Program Description

Grants Management is tasked with directing and monitoring grant acquisition, management, and compliance procedures to ensure consistent use by City Departments and compliance with all applicable federal, state, and local regulations.

Significant Budget Items

FY26 Prop Budget by Fund

General Fund	\$971
CSRF	\$77
Total	\$1,048

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Audit Findings	0	0	0	0	Accomplish zero audit findings for annual external audit
Complete and Upload Single Audit Report to the Federal Audit Clearing House within 30 Calendar Days of Receipt of the Auditors' Report(s)	30 days	30 days	30 days	N/A	To be in compliance with Federal requirements
Number of Grants Placed in Closing Status in SAP	164	140	100	75	Ensure the Grants are closed after seeking allowable funding

Performance Improvement

Priority:	Government that Works
FY2026 FTE Count:	2.7

Program Description

Performance Improvement Program works with departments to identify and implement innovative solutions that improve customer service and modernize government operations. This division also implements performance management processes and systems to ensure continued process excellence.

Significant Budget Items

- Includes a reduction of \$33,981 as part of the department savings initiatives.

FY26 Prop Budget by Fund

General Fund	\$387
Total	\$387

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Client Satisfaction Rating	100%	90%	90%	90%	Provide exceptional internal consulting services to City Departments
Number of In-House Consulting Engagements	26	24	24	24	Deliver/implement recommendations for City Departments
Number of Lean Six Sigma Green Belts Certified	4	6	6	6	Train departmental change agents on process improvement methods

Treasury

Priority:	Government that Woks
FY2026 FTE Count:	4.0

Program Description

Forecast all City taxes (property, sales, and mixed beverage) based on economic modeling. Collect and account for revenues in SAP. Ensure compliance with all applicable state laws. Perform the annual Truth in Taxation and setting of the property tax rate within 60 days of receipt of the certified roll as provided by state statute. Research, analyze, and provide recommendation of proposed tax laws and ensuring compliance with passed laws.

Significant Budget Items

- Oversees the largest two General Fund revenue sources, Property Tax and Sales Tax.
- Includes a reduction of \$18,118 as part of the department savings initiatives.

FY26 Prop Budget by Fund

General Fund	\$1,932
Total	\$1,932

Performance

Measure Name	FY24 Actual	FY25 Target	FY25 Estimate	FY26 Target	Target Context
Variance of Mixed Beverage Tax budget to Actual/Estimate	-4.4%	2.0%	2.0%	1.1%	Responsible for monitoring revenues to ensure revenues are within budget.
Variance of Property Tax Budget to Actual/Estimate	-0.8%	0.0%	0.0%	0.1%	Responsible for monitoring revenues to ensure revenues are within budget
Variance of Sales Tax Budget to Actual/Estimate	2.0%	7.6%	0.0%	6.4%	Responsible for monitoring revenues to ensure revenues are within budget

Revenue Highlights [in Thousands]

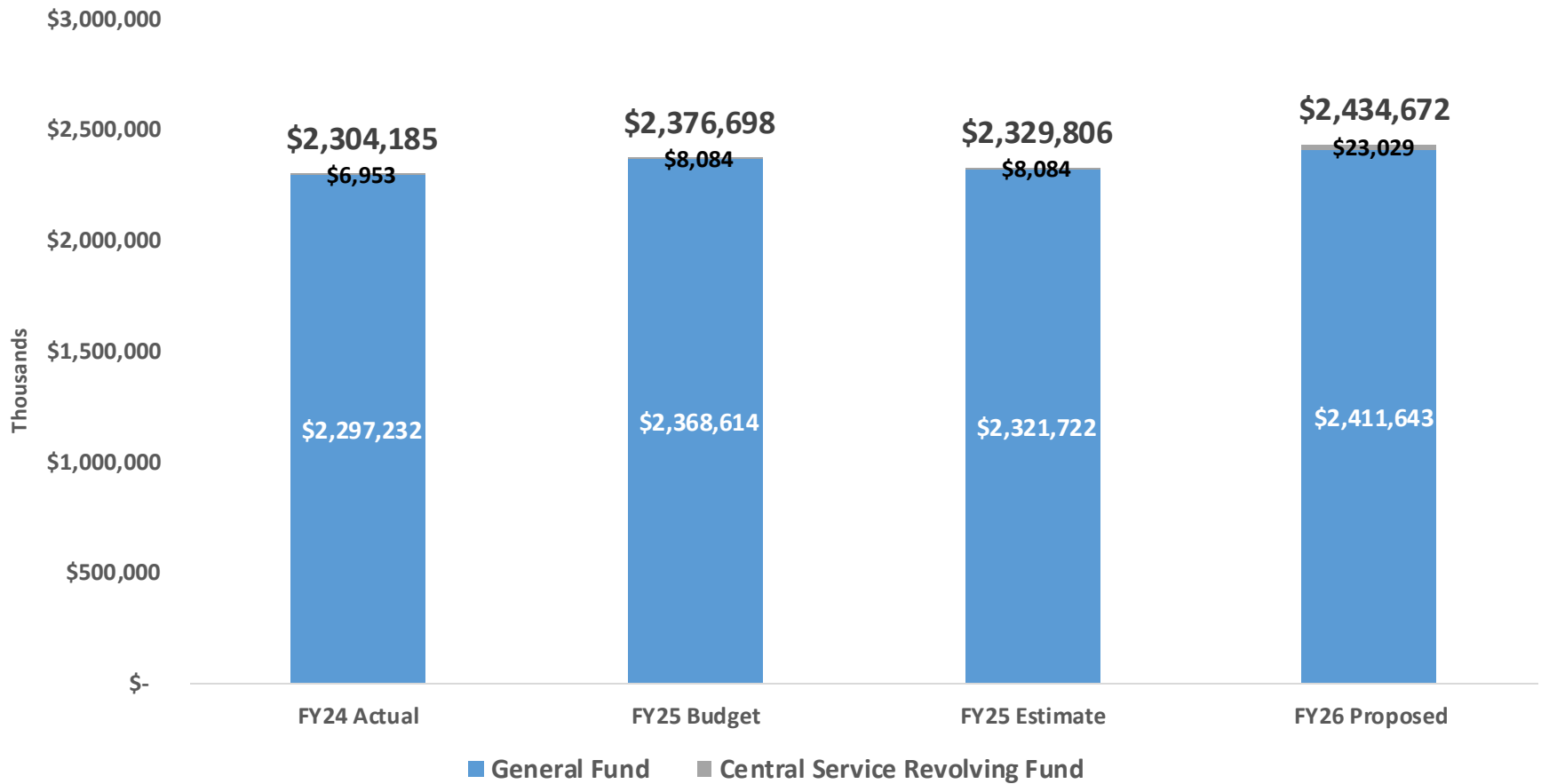
Property Tax

- An increase in property tax revenue of 5.74%, which is \$79.2 million higher than FY2025 estimates.
- Population data from U.S. Census Bureau as of July 1, 2024, has yet to be received. Therefore, the Finance Department applied the inflation rate of 2.46% plus 0% growth for population for purposes of calculating Proposition 1.

Sales Tax

- 1.00% increase from FY2025 estimates.

Revenue by Fund [in thousands]



Revenue by Fund [in thousands]

Category	FY24 Actual	FY25 Budget	FY25 Estimate	FY26 Proposed	Variance FY26 Proposed/ FY25 Estimate	% Change
General Fund	2,297,232	2,368,614	2,321,722	2,411,643	89,921	4%
Central Service Revolving Fund	6,953	8,084	8,084	23,029	14,945	185%
Total	2,304,185	2,376,698	2,329,806	2,434,672	104,866	5%

Revenue by Program [in thousands]



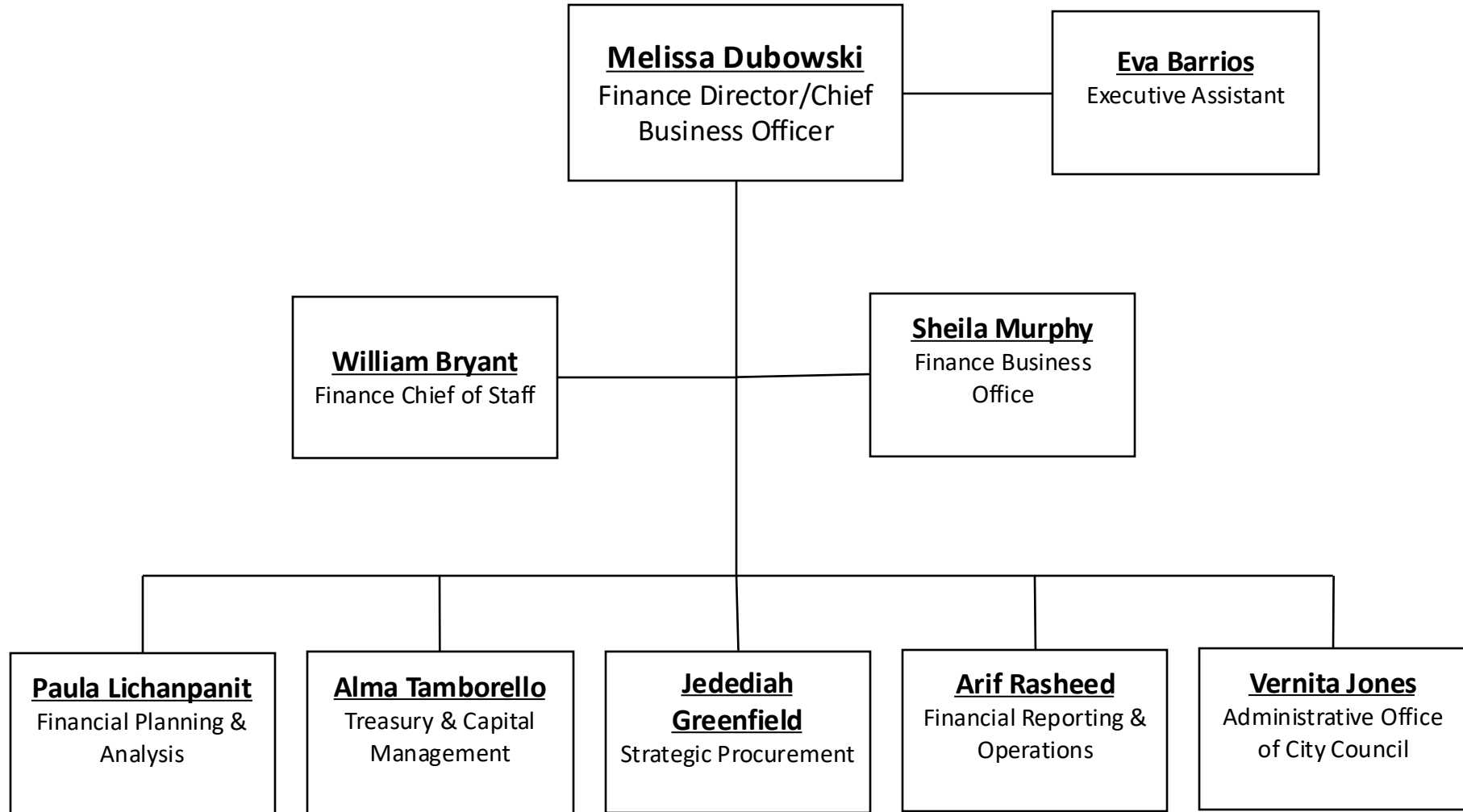
Program	FY24 Actual	FY25 Budget	FY25 Estimate	FY26 Proposed	Variance FY26 Proposed/ FY25 Estimate	% Change
Accounting and Financial Reporting	3,471	3,730	4,023	4,943	921	23%
Capital Projects and Debt Management	346	393	393	416	23	6%
Citywide Procurement and Contract Management	1,654	2,208	2,208	6,831	4,623	209%
Energy Management	359	396	396	403	7	2%
Financial Management Services	1,661	2,090	2,090	12,331	10,240	490%
Grants Management	78	84	84	77	(7)	-8%
Treasury	2,296,617	2,367,796	2,320,611	2,409,670	89,059	4%
Total	2,304,185	2,376,698	2,329,806	2,434,672	104,866	5%

Questions

Appendix

- Contents, to include:
 - Department demographic breakdown (gender & ethnicity)
 - Optional - Relevant operating information, examples:
 - Customer satisfaction surveys
 - Productivity or throughput trends impacted by recent initiatives
 - Special Considerations

Department Organization Chart



Department FY2025 Accomplishments (OPTIONAL)



- Change in chargeback methodology for new Professional Audit Services contract to Enterprise Funds (HAS and CUS) to realize additional recovery of \$293K

Workforce Analysis as of 4/30/2025

BY RACE AND GENDER as of 04/30/2025

Race	Female	F-%		Male	M-%	Grand Total	Grand Total %
American Indian or Alaskan Native	0	0%		0	0%	0	0%
Asian	33	19%		9	5%	42	24%
Asian /Pacific Islander	0	0%		0	0%	0	0%
Black or African American	48	27%		16	9%	64	37%
Hispanic/ Latino	33	19%		16	9%	49	28%
No Answer	0	0%		0	0%	0	0%
Others	0	0%		0	0%	0	0%
White	8	5%		12	7%	20	11%
Grand Total	122	70%		53	30%	175	100%

Restricted Account Details

GL Description	Justification & Cost Drivers
Interfund Electricity	Responsible for administering the electricity accounts for the City. Program is responsible for overseeing procurement contracts, forecasting, providing price certainty, and financial reporting. Electricity expenses are projected to be lower than the previous year as a function of the competitive bidding process.
Interfund HR Client Services	Include HR operation cost reflecting health benefits and restricted accounts increase.
Interfund KRONOS Service Charge	Software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS).
Interfund Drainage Charge	Fee is based on impervious service.
Interfund Application Services	Costs include Microsoft Enterprise licenses, 3-1-1 maintenance support and applications, SAP licenses maintenance and support, various Enterprise Application and Server support personnel, CSMART (MCD Only), eSignature, Project Management, Infor, eDiscovery, Cyber Security Office software and support, HITS Budget support via the Finance Department, eSignature.
Interfund Data Services	Costs associated with software and maintenance support contracts required to maintain city networks, applications, desktop devices, servers, payment card industry security, storage devices, cloud services, telephone systems and network equipment including Phonoscope circuits. Contracts cover Antivirus, Firewall and Network backup systems. Also, the Data Center costs are included in the Data Services restricted account.
Interfund Voice Services	Monthly costs for Voice/Communication Services. The services include: Local landlines, voice/data circuits, long distance, 1-800 numbers, calling cards, language lines, Citywide ISP/Internet Access. The major vendors are ATT, Department of Information Resources (DIR), Verizon and Century Link.
Interfund Wireless Services	Monthly charges for Verizon Business services and mobile devices including cell phones, air cards and tablets.
Interfund Voice Labor	Labor costs and parts needed to perform work associated with installation and/or upgrades of telephone systems and cabling. The sole vendor is Selrico.
Interfund Vehicle Accidents	Provides vehicle accidents repairs for all city departments' rolling stock equipment.
Interfund Permit Center Point of Sale	HPC Point of Sale chargeback.
Interfund Insurance Fees	Cost increase for property insurance premium.
Interfund GIS Services	Personnel, software licenses and maintenance costs associated with the city of Houston's Enterprise Geographic Information System (EGIS).
Interfund Permit Center Rent Chargeback	HPC lease chargeback.
Interfund Vehicle Services - Tires	Tire purchases and services costs for City's rolling stock equipment.
Interfund Vehicle Services	Provides repair, maintenance, and administrative support for all city departments' rolling stock equipment. Expense explanation - Vehicle Services are projected to increase driven by part cost, contractual increases, and an aging vehicle population.
Interfund Vehicle Fuel	Fuel Program operates and manages all City owned fuel sites. Expense explanation - Fuel services are driven primarily by market pricing.
Interfund Natural Gas	Responsible for administering the natural gas accounts for the City. Program is responsible for overseeing procurement contracts, forecasting, providing price certainty, and financial reporting. Natural gas expenses are projected to be lower than the previous year due to current market conditions and locking in a rate favorable to the City.
Interfund Radio System Access	Due to the consolidation of the radio group in General Fund to revolving fund for HITS. This group is responsible for the operation and maintenance of the City's public safety radio system.