

OFFICE OF THE HOUSTON CITY CONTROLLER



Understanding the Budget Process



CHRIS HOLLINS

HOUSTON CITY CONTROLLER

Meet your City Controller

Chris Hollins



Experience

White House alum, McKinsey consultant, former County Clerk



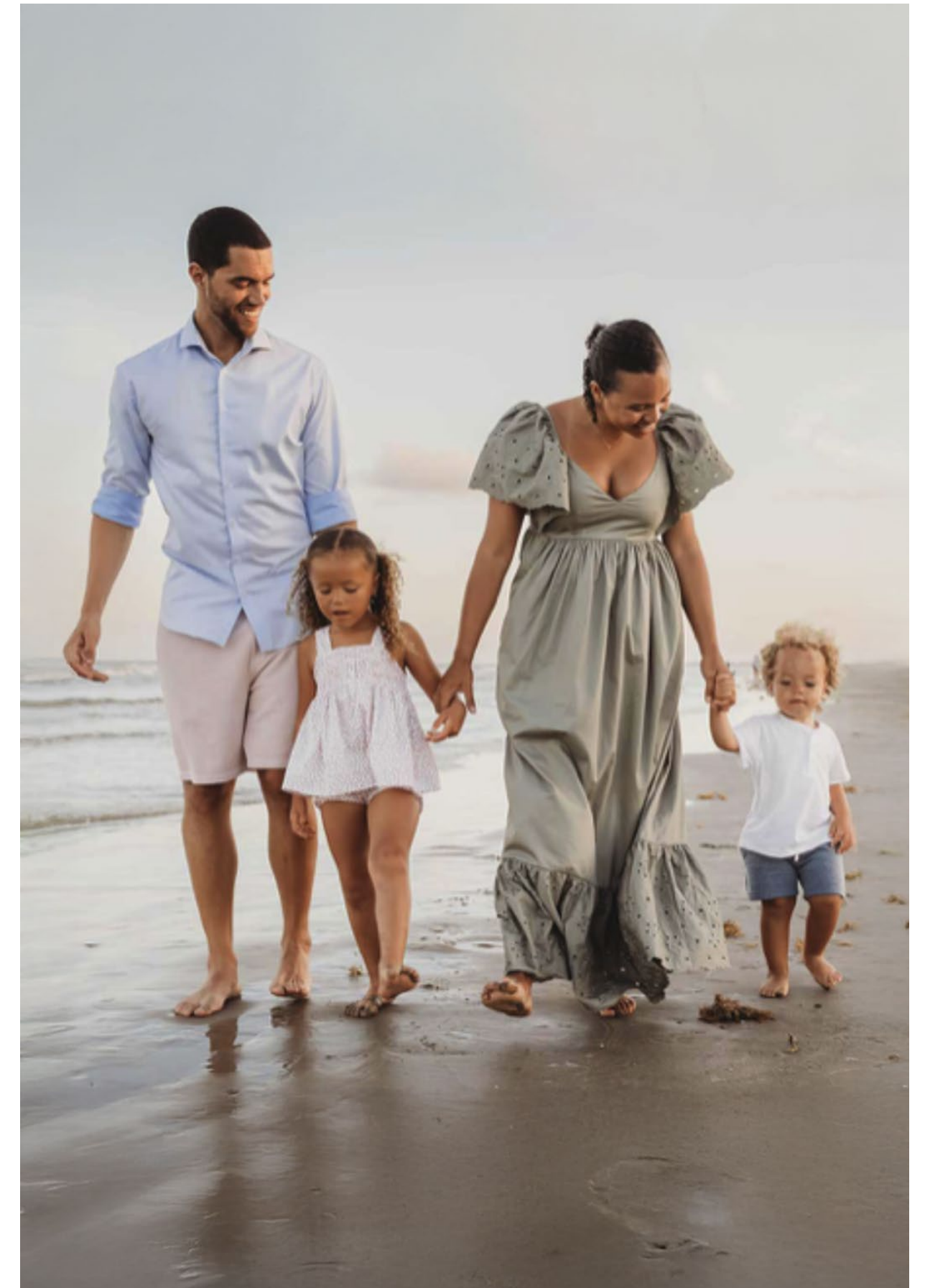
Education

Morehouse College, Yale Law, Harvard MBA



Personal life

Native Houstonian, husband of Morgan, father of Vivian & George





@CGHollins



COHController



@houstoncontroller
@cghollins

ICEBREAKER



LET US HEAR FROM YOU!

Priorities of the City Controller

City of Houston's Chief Financial Officer and taxpayer "watchdog," focused on:

Preventing waste, fraud and abuse through aggressive audits of City's financial transactions.

Increasing **transparency** by putting information about the City's finances and operations at your fingertips in language you understand.

Improving City operations by offering new ideas and best practices to City departments.

Charting a path to **fiscal sustainability** by identifying opportunities to increase revenue and decrease cost without lowering the standard of City services.



Office of the City Controller

CFO and
taxpayer
“watchdog”

Leads on
City’s financial
issues

Manages \$8B
investment
portfolio*

Manages \$18B
debt portfolio*

Conducts sale
of City’s bonds

Processes
payments

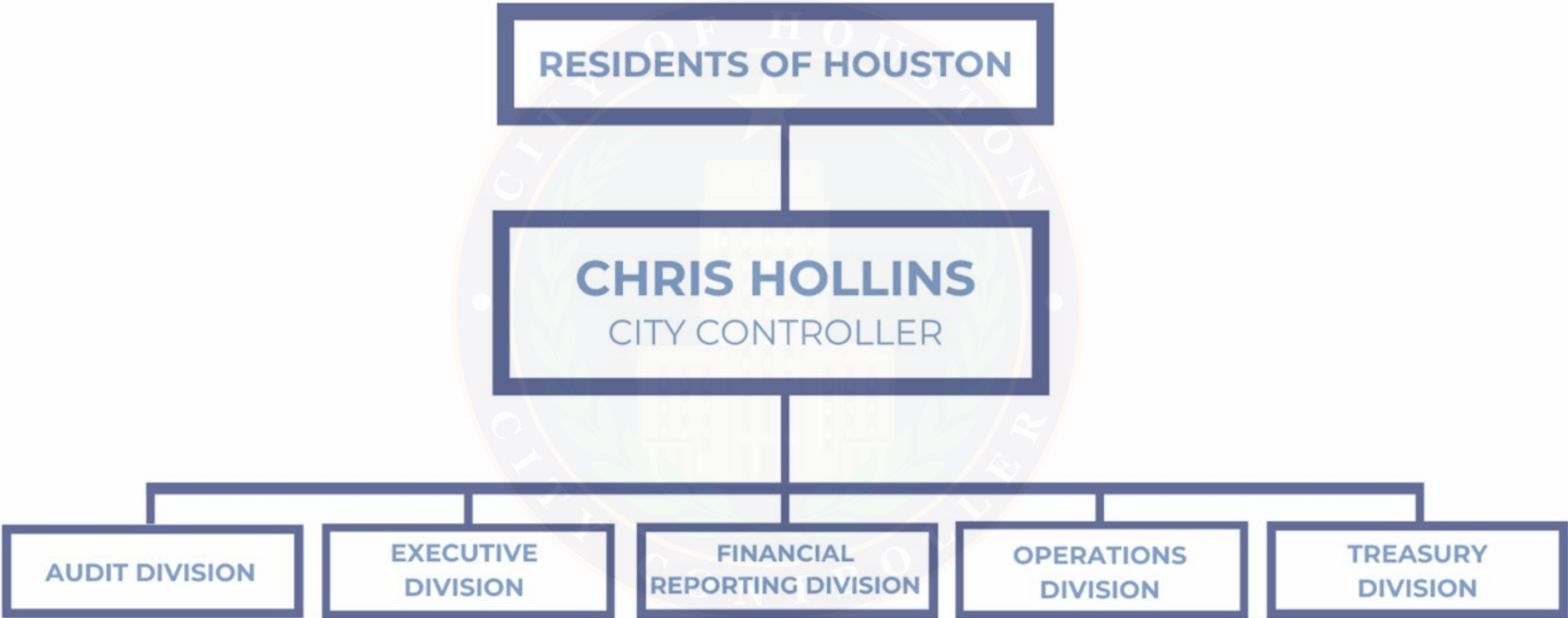
Certifies
availability
of funds

Conducts
internal audits

Produces
financial reports

60+ employees

Structure of the City Controller's Office





BUDGET PROCESS

Key Definitions

Budget

Spending plan for core services provided to residents, along with sources of funding

Structurally Balanced Budget

A budget where **recurring** revenue matches **recurring** costs
(not reliant on non-recurring resources)

Budget Deficit

Situation where recurring costs exceed recurring revenue

FY

Fiscal Year (Houston's fiscal year begins July 1 and ends June 30)

General Fund

Part of budget paid for with property taxes and sales taxes

Enterprise Funds

Part of budget paid for by fees (water bill, airport surcharges, etc.)

Mayor's Role in the Budget Process

The Mayor plays a central executive role in the city's budget process

Sets budget
priorities and
fiscal policy

Proposes the
City's annual
budget

Works with Council
on final adoption

City Council's Role in the Budget Process

City Council members play a crucial role in the City of Houston's budget process as a legislative body

Votes on major proposals

Proposes budget amendments

Votes on Houston's annual operating and capital budgets

Budget and Fiscal Affairs Committee

Council Member Sallie Alcorn, Chair

Council Member Mario Castillo, Vice Chair

City Controller's Role in the Budget Process

The City Controller works to make sure the City can afford the proposed budget

Certifies availability of funds

Ensures the city won't run out of money

Analyzes trends and key assumptions

Performs a "sense check" and provides a longer-term outlook

"We have to be honest with Houstonians."

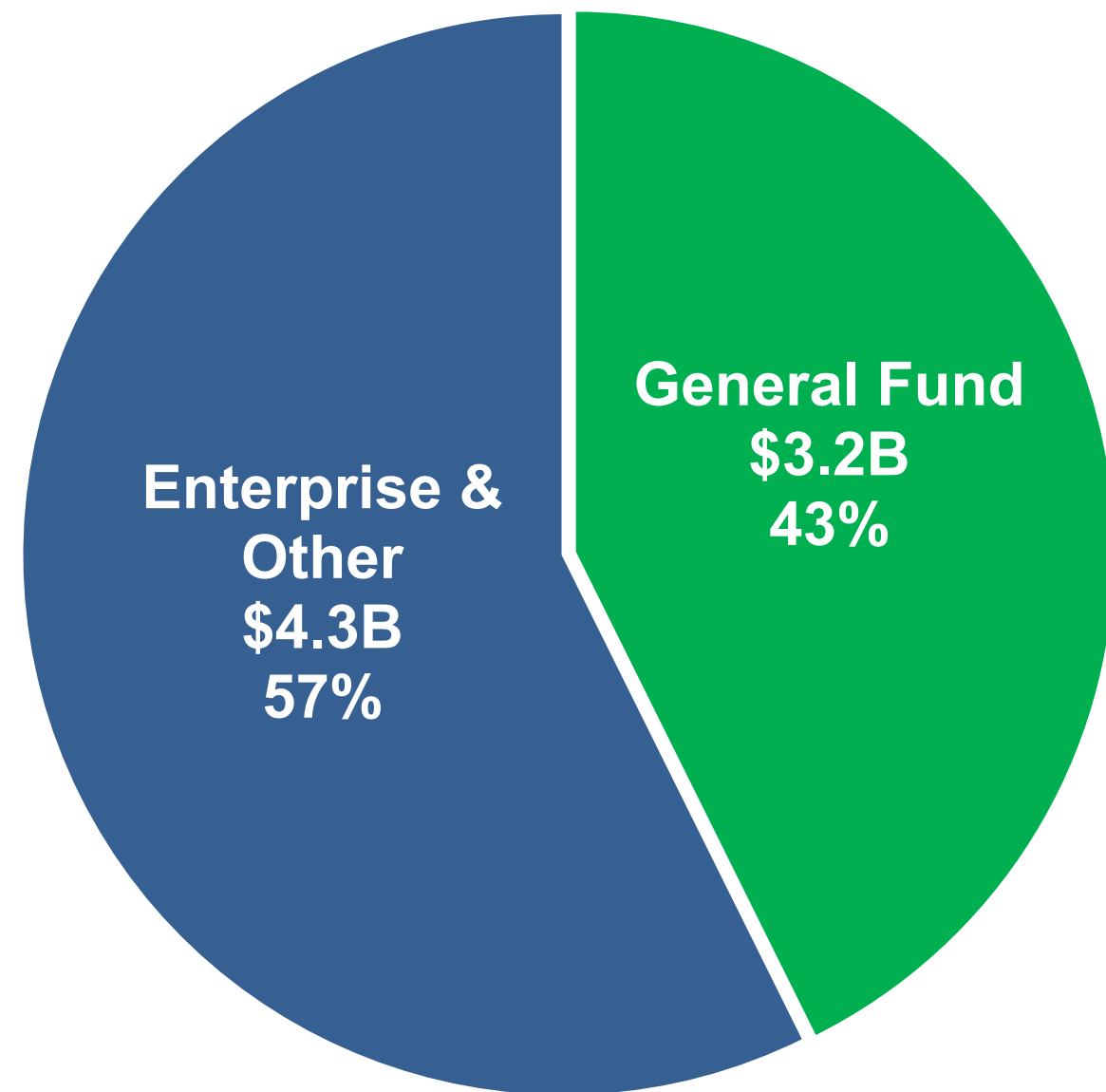
-Controller
Chris Hollins



FY2027 **PROPOSED**
BUDGET

FY2027 Proposed Budget

Total Proposed Budget: **\$7.5 Billion**



Budget includes more than 21,000 employees

General Fund

- Includes funding for **police, firefighters, parks** (included **trash pickup** previously)
- Paid for with **property** and **sales** taxes

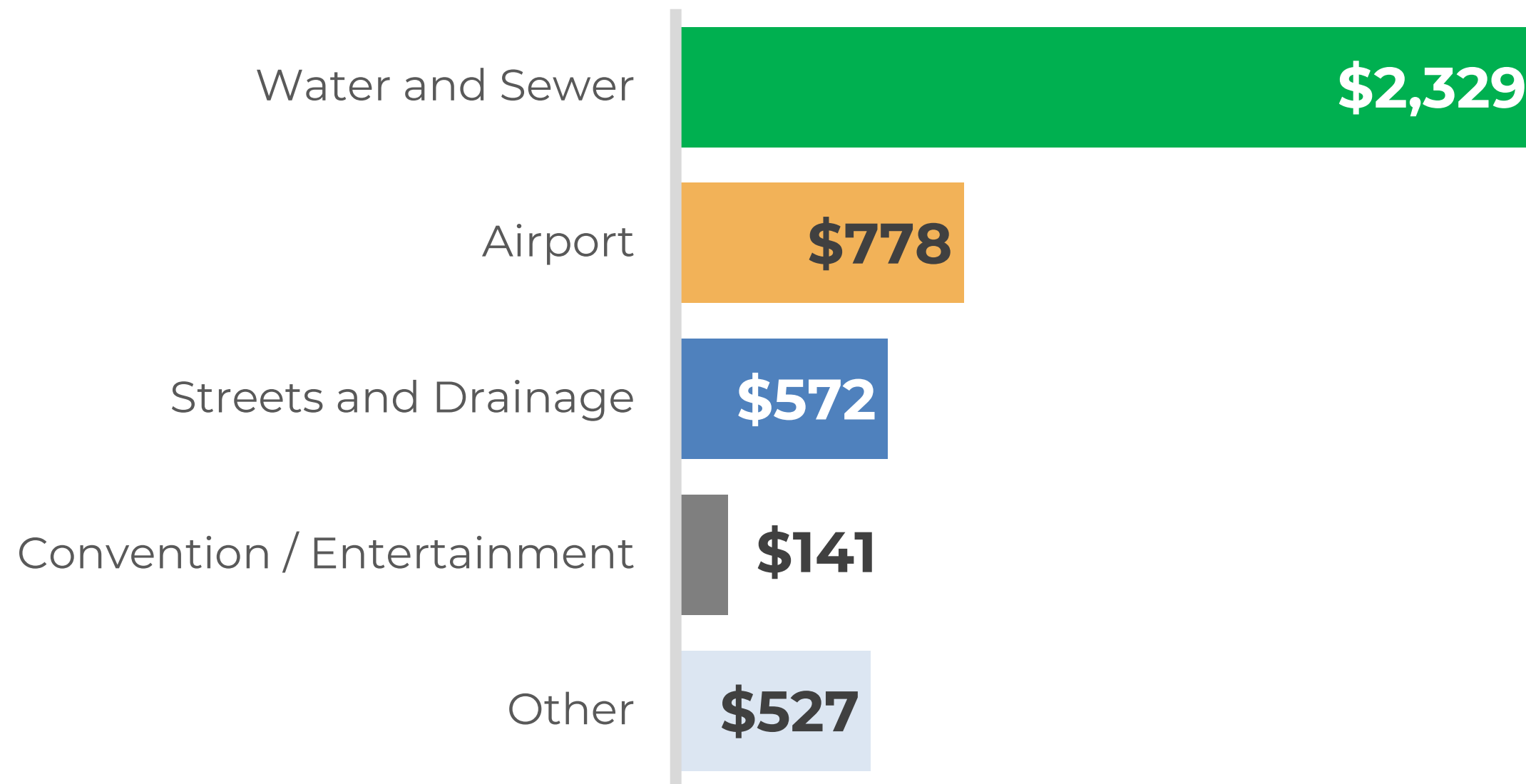
Enterprise & Other Funds

- Includes funding for **drinking water, roads, drainage, and wastewater, and trash pickup**
- Paid for with **fees** (e.g., water bill, airport surcharges)

Enterprise and Other City Funds

Are Largely Spent on Infrastructure

FY2027 Enterprise and Other Funds, \$ millions
Total = \$4.2 Billion



Water and Sewer Fund

Largest enterprise fund, making up 31% of the budget (incl. drinking water and wastewater operations, and **new trash pickup and right-of-way fees**)

Airport

Represents 10% of total budget & includes operations for IAH, Hobby, & Ellington Field

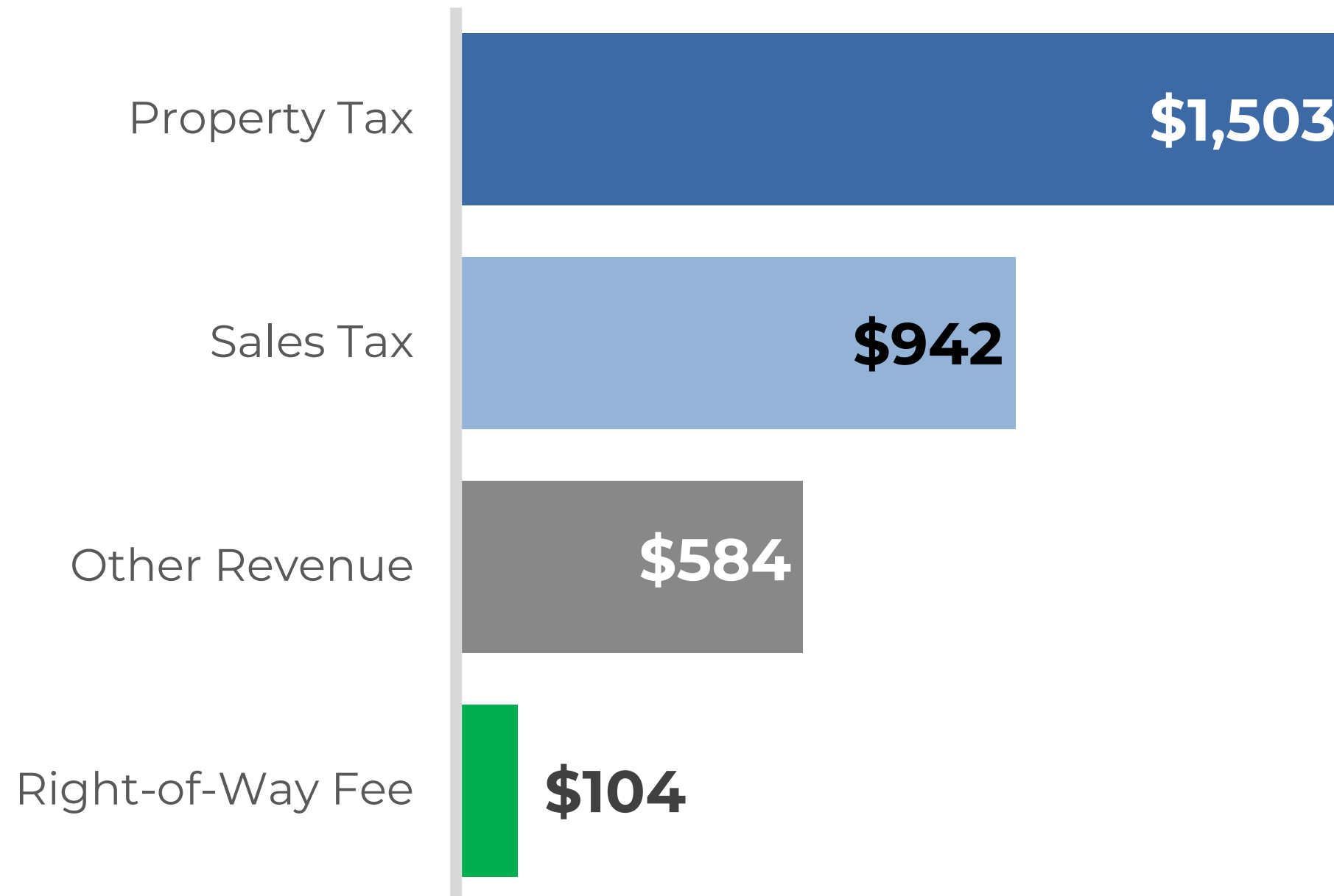
Dedicated Street / Drainage Funds

Includes pay-as-you-go drainage program, also known as “Build Houston Forward”

General Fund Revenues

Are Largely Based on Property Tax and Sales Tax

FY2027 General Fund Revenue, \$ millions
Total = \$3.1 Billion



Property Tax (49%) and Sales Tax (29%)

Together, these make up nearly 80% of General Fund revenue

Other Revenue (19%)

Includes franchise fees (5%), charges for services (3%), licenses and permits (1%)

Right-of-Way Fee (3%)

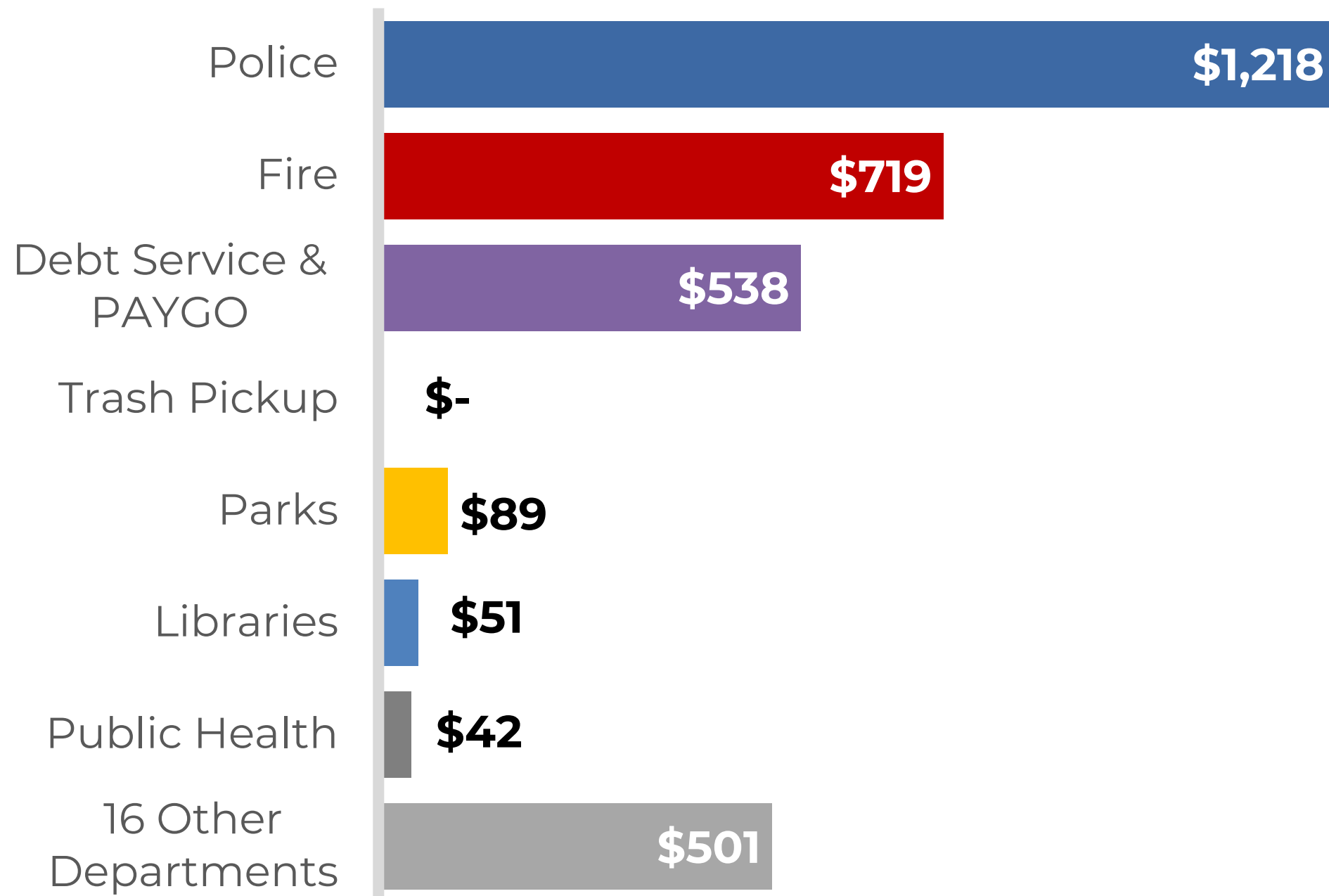
Charges the water and wastewater system for the use of public streets and infrastructure corridors to deliver services

FY2027 Budget General Fund By Department *(in millions of dollars)*

Most General Fund Dollars Go To Police, Fire, & Debt Service

FY2027 Proposed General Fund Budget, \$ millions

Total = \$3.2 Billion



Police and Fire

>60% percent of all General Fund dollars go to Police and Fire

Trash Pickup

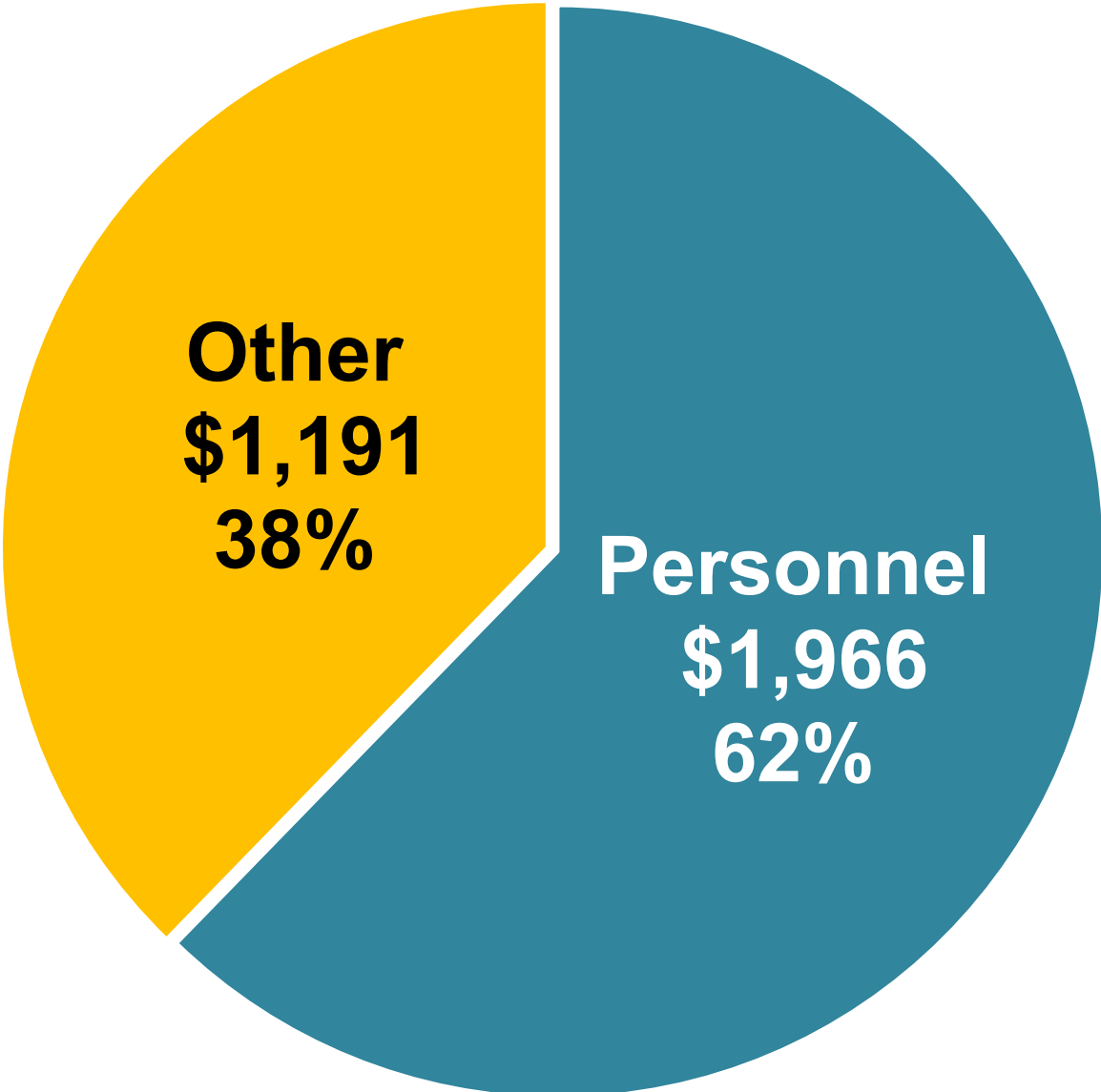
Trash Pickup is now funded out of the Water and Sewer Fund

No Other Department

Makes up more than 3% of the General Fund budget

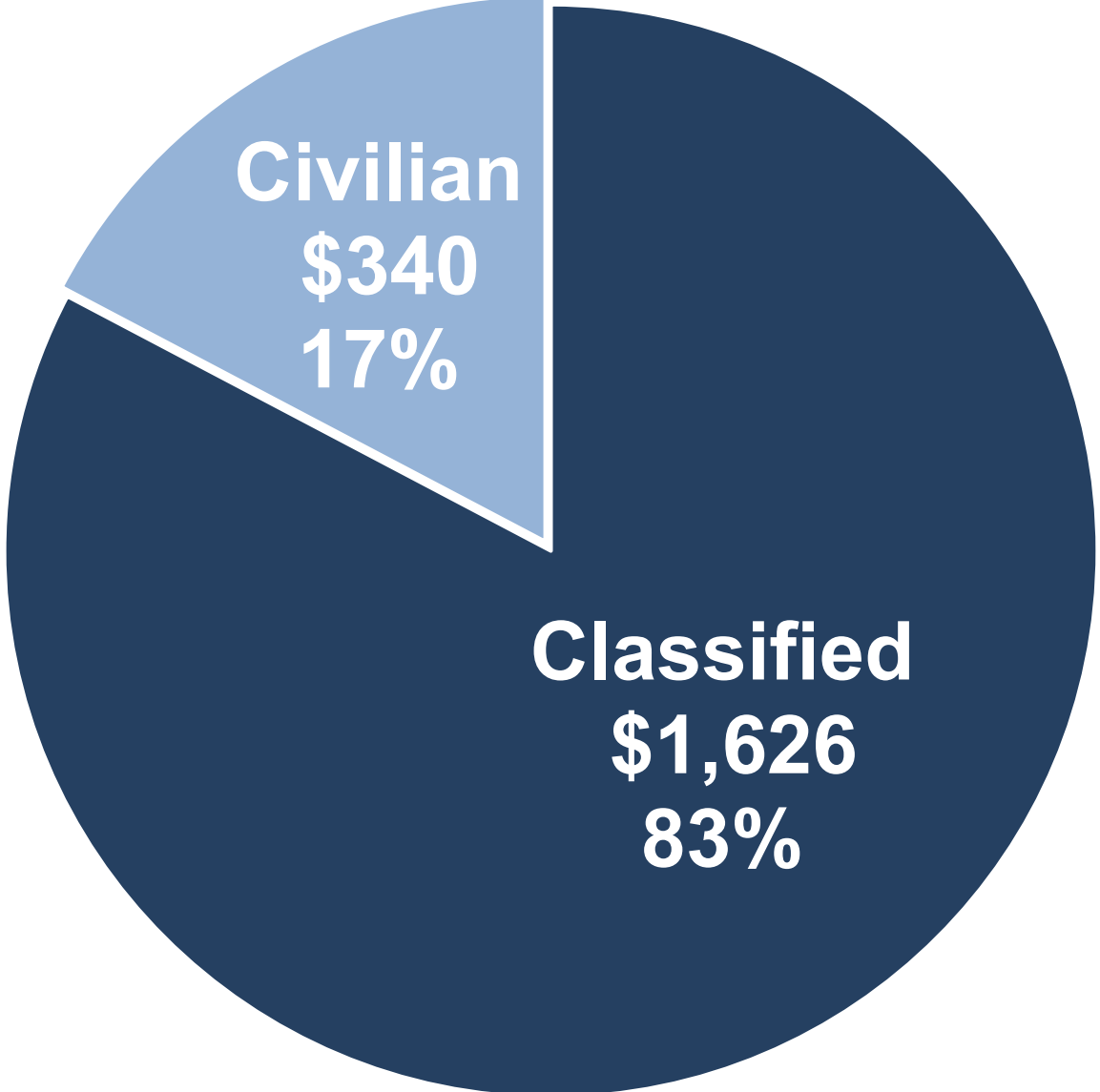
General Fund Personnel Costs *(in millions of dollars)*

The majority of General Fund spending is related to personnel costs



Other cost includes debt service payments, contracts, supplies, and equipment

Over 80% of personnel costs are related to classified employees



Classified costs include police officers and firefighters

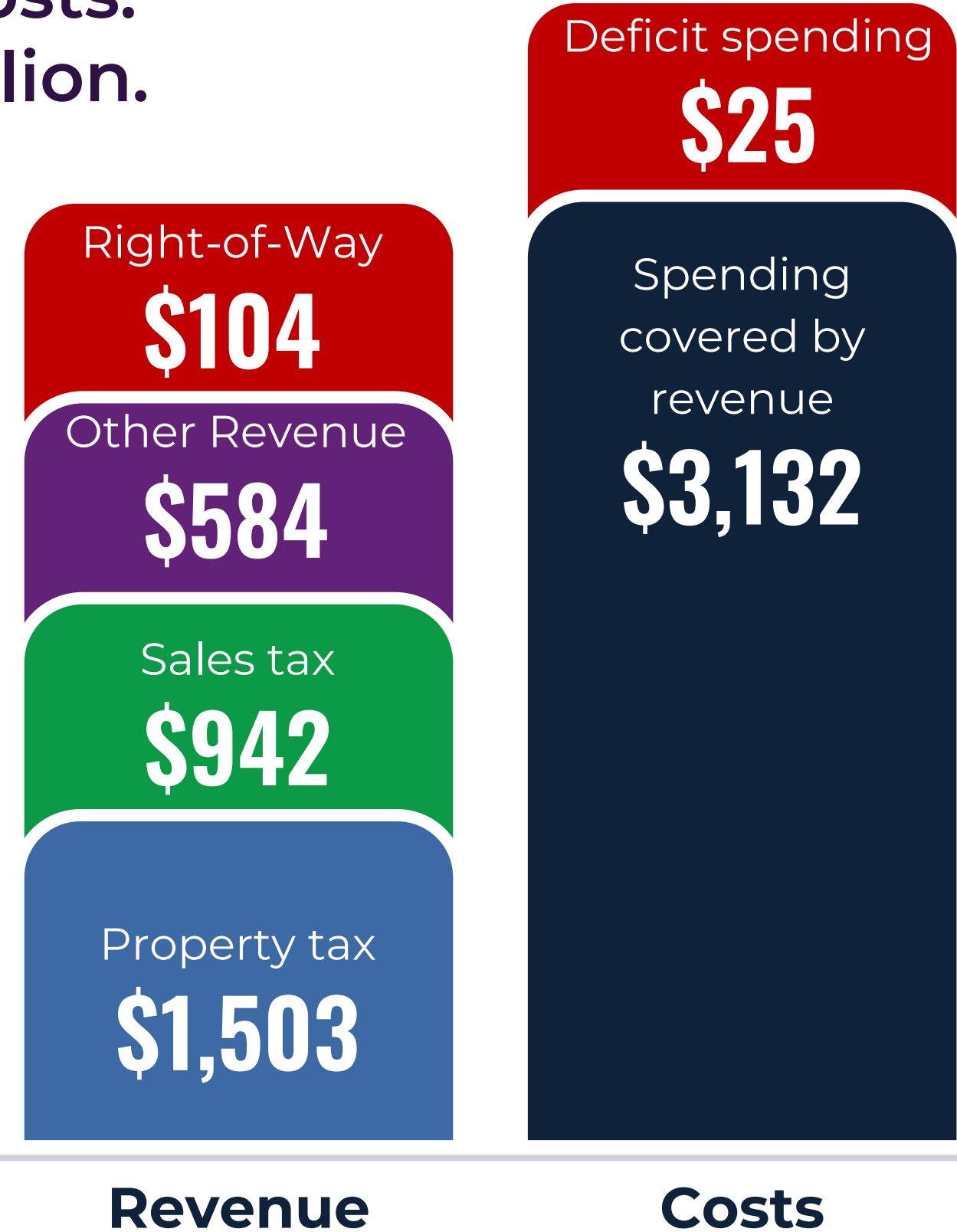
General Fund Revenue and Spending

General Fund revenues are not keeping up with costs. The deficit within the proposed budget is ~\$25 million.

FY2027 General Fund projected revenue & spending, \$ millions

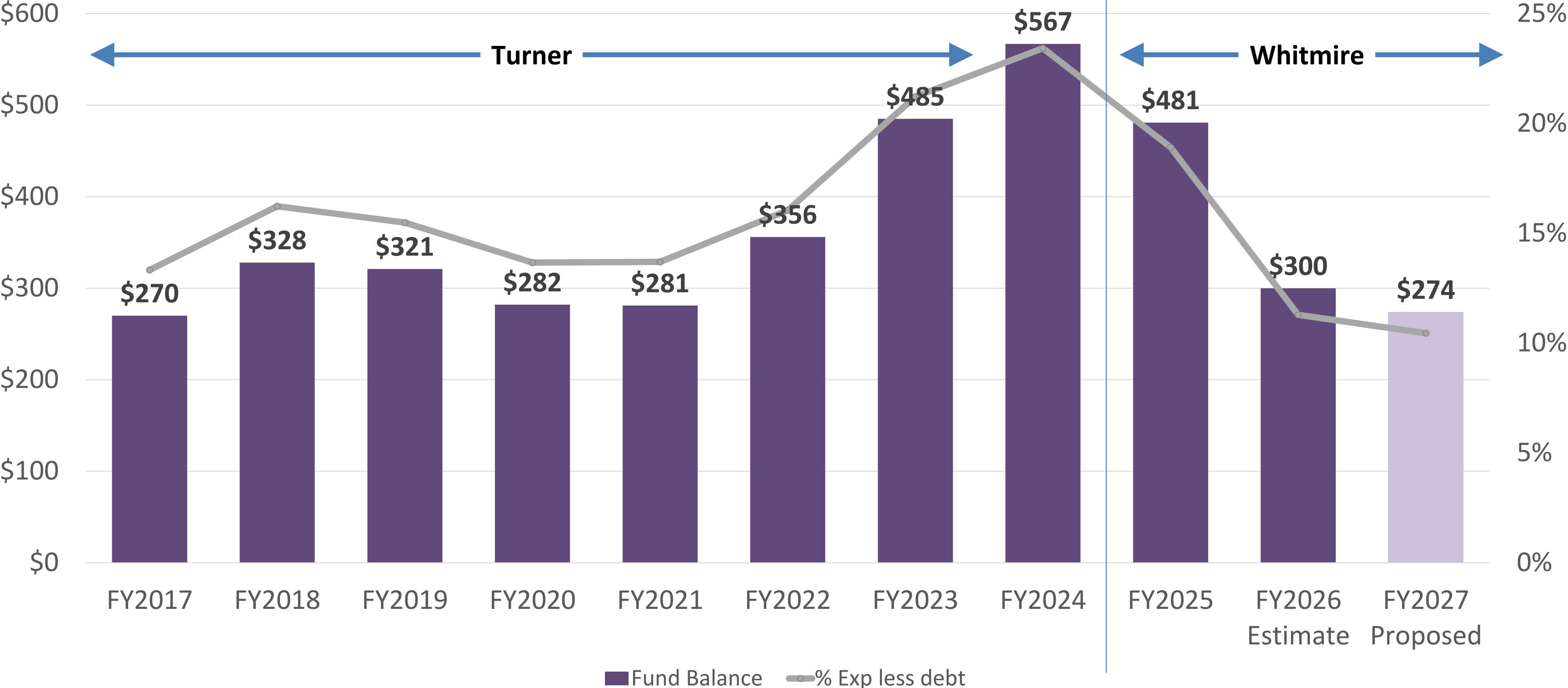
Projected Revenue and Spending Explained

- The Proposed FY2027 General Fund budget is **not structurally balanced**
- It still relies on approximately **\$25 million of deficit spending** to fund recurring expenditures



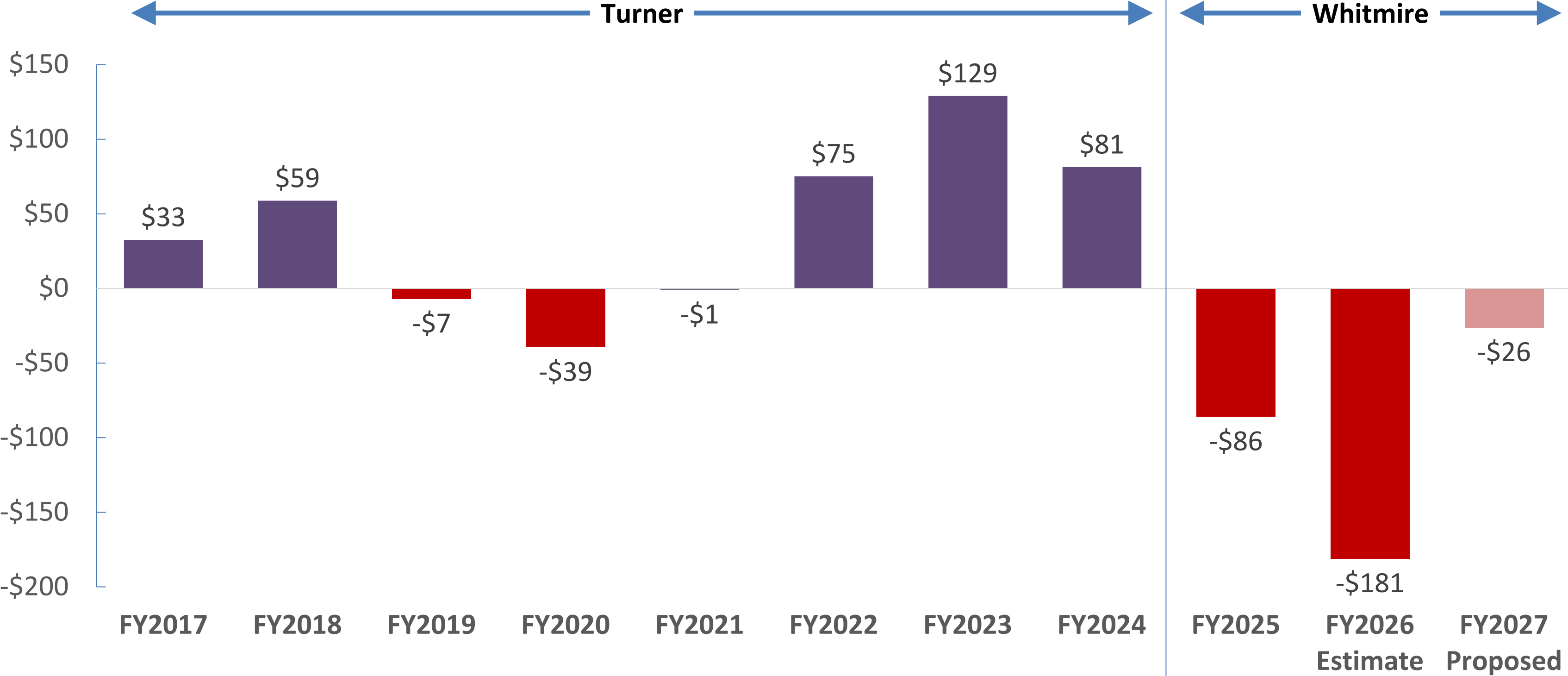
Fund Balance Over Time

(Amounts expressed in millions)



Change in Fund Balance by Year

(Amounts expressed in millions)

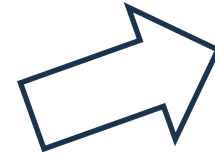




FY2027 **BUDGET**
REALITIES

Reality #1: This Budget Repeats Several of Last Year's Critical Mistakes

Ten
Hard
Truths

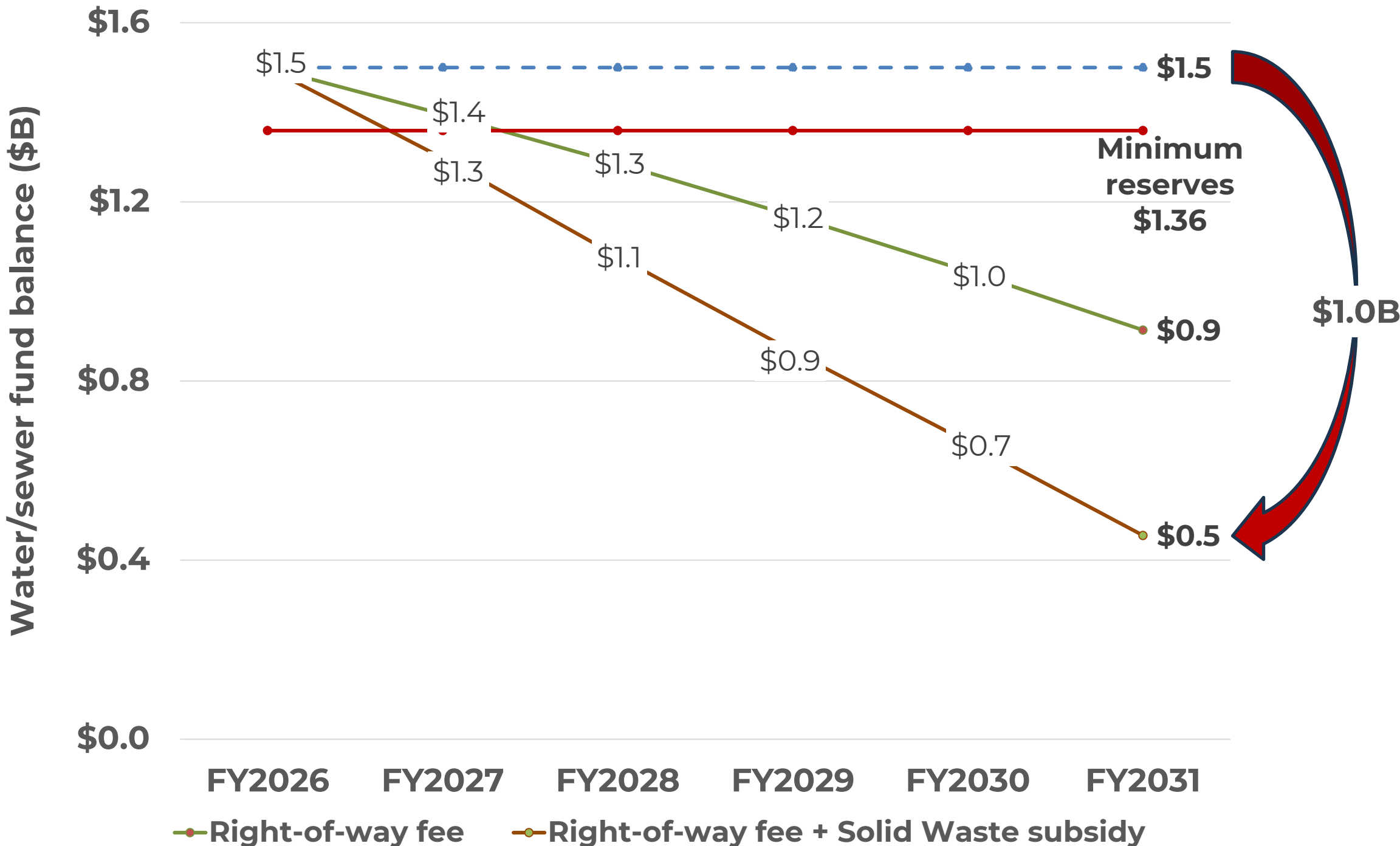


- During last year's budget season, the Controller's Office published "**Ten Hard Truths**" to provide clear, honest insight into the proposed budget
- **8 of the 10 problems we pointed out in last year's budget are repeated** in this proposal, including:
 - **Baked-in deficit spending** (\$25 million)
 - **Unrealistic overtime assumptions** (\$45 million below two-year average)
 - **Another water rate increase** (8%)
 - **Reductions in services** across several city departments
 - **Risks a credit downgrade**
 - **Shifts core services onto your water bill...** (see Reality #2)

Reality #2: This Budget Drains the Water Fund Below What It Can Absorb

PRELIMINARY

Depletion of water and sewer funds over time



- **This proposal diverts water and sewer funds** to pay for trash, police, and firefighters instead of committing them to water infrastructure
- **If the proposal is followed:**
 - The water fund will be **below its minimum reserve threshold in the first year.**
 - The water fund balance would be **squandered by \$1 billion in 5 years**, in a similar manner that Houston’s General Fund savings has been depleted

Reality #3: Houstonians Will Be Stuck with Higher Water and Trash Bills than What's Being Promised

IT'S TIME FOR...TWO LIES AND A TRUTH! CAN YOU SPOT THE TRUTH?

A



“That \$5 administration fee? It’s conceivable, if we’re smart, we may never have to raise it.”

-Mayor Whitmire

B



“We believe that the cost of the department will decrease over time because we're gonna be driving more efficiencies into it...I’m a little hesitant to say \$25 because it's the max. We think that it’s gonna be cheaper.”

-Mayor’s staff

C

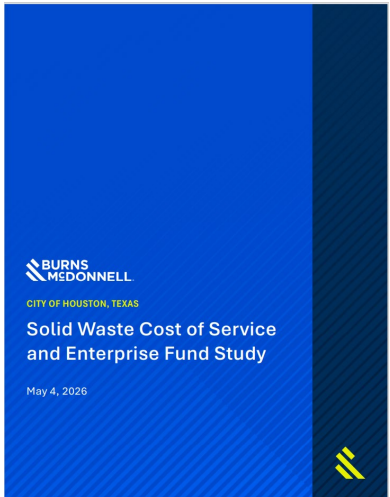


Table 3-21: Residential Cost of Service (Excluding Clean City Fee)

Cost Center	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cost per Household per Month ¹	\$31.82	\$35.08	\$37.84	\$40.87	\$45.97

-City’s official solid waste study, published last week

Reality #4: Proposed Garbage Fee Will Be More Costly for Working Families than Other Revenue Sources Would



HOUSTON · REVENUE COMPARISON · CITY CONTROLLER'S OFFICE

The mayor has proposed a \$5/month garbage fee to raise \$24 million in new revenue. Is this the best deal for your household?

Use this simple tool to find out!



[Check it out for yourself here!](#)

Thank You!



Let Us Hear From You!



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