

# CITY OF HOUSTON, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CHRIS B. BROWN  
CONTROLLER





OFFICE OF THE CITY CONTROLLER – 120 YEARS OF HOUSTON HISTORY



Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023

**Prepared by:**

Chris B. Brown, City Controller

Beverly Riggans, Deputy City Controller



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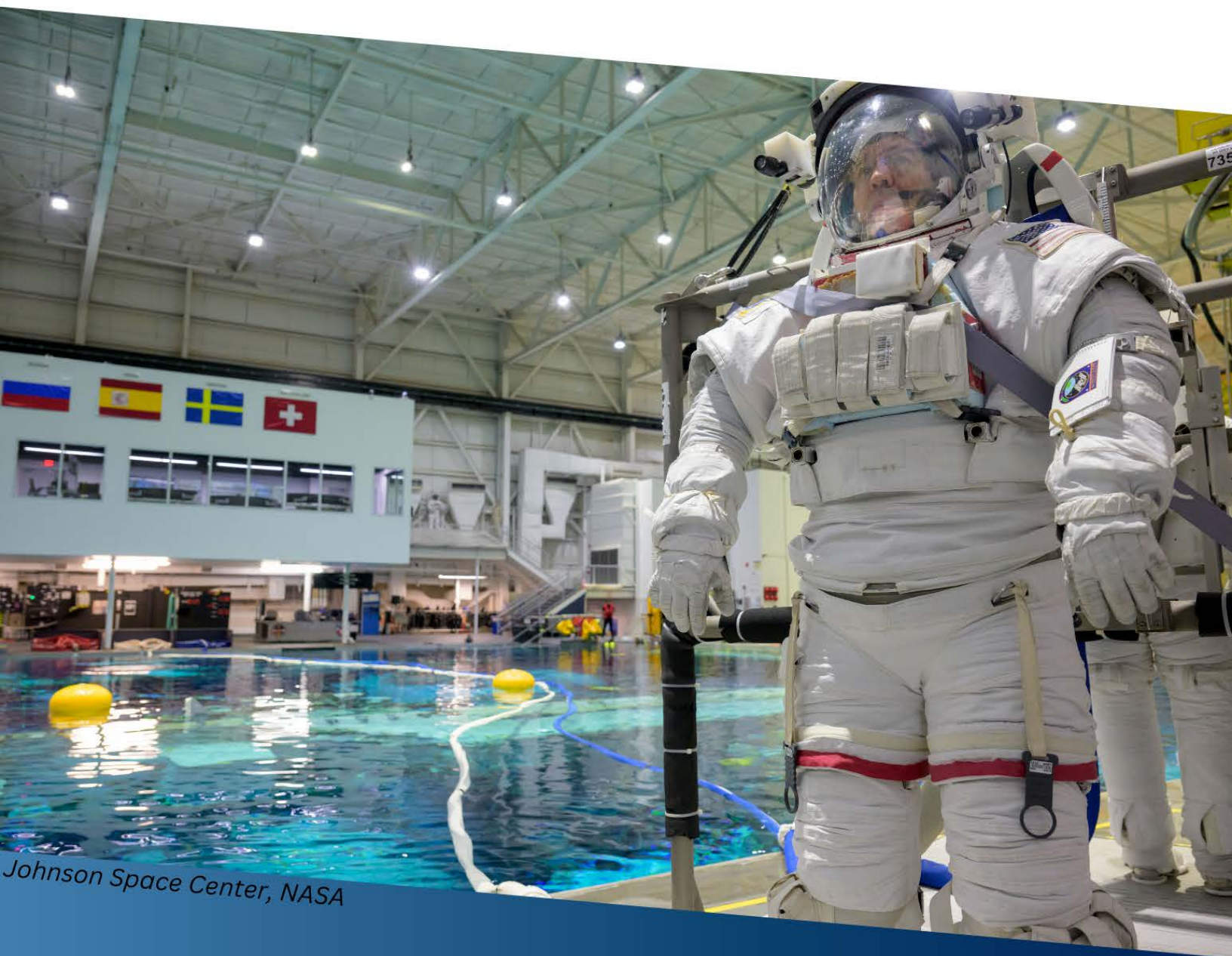
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CITY OF HOUSTON, TEXAS







*Johnson Space Center, NASA*

PART I

**INTRODUCTORY SECTION**

**Introductory Section:**

NASA's Johnson Space Center has served as a hub of human spaceflight activity for more than half a century. It is home to the nation's astronaut corps, the International Space Station mission operations, the Orion Program, and a host of future space developments. The center plays a pivotal role in enhancing scientific and technological knowledge to benefit all of humankind.

## OFFICE OF THE CITY CONTROLLER

Houston City Controller Chris B. Brown is the second highest elected official in the City of Houston Government (the “City”) and its Chief Financial Officer. The Office of the City Controller superintends the fiscal affairs of the City. This includes conducting internal audits, managing investments and debt, preparing financial statements, and providing leadership on policy issues pertaining to the City’s financial health. Controller Brown thus serves as an independently elected “financial watchdog” over the City’s fiscal affairs.

The Treasury Division is responsible for managing the City’s \$5.66 billion investment portfolio in accordance with state law and the City’s investment policy. Fitch has awarded the City’s general investment portfolio/pool its highest rating, AAA. The Treasury Division is also responsible for overseeing a debt program of approximately \$13.9 billion. The City has multiple general obligation commercial paper programs with a total authorization of \$2.03 billion. The current issuance capacity of the commercial paper program is \$550 million, which is supported by credit facilities or lines of credit. Additionally, the City has two appropriation facilities supported by a forward bond purchase agreement in the amount of \$400 million. The City has four interest rate swaps with a total notional amount of \$902.4 million. The City’s general obligation debt is rated Aa3 by Moody’s; AA by Standard and Poor’s; and AA by Fitch Ratings.

The Audit Division adheres to recognized professional auditing standards (*Government Auditing Standards* and International Standards as issued by the Institute of Internal Auditors). During fiscal year 2023, the Audit Division engaged in 21 audits and special projects that produced seven audit reports and a risk assessment report, as posted on the Office of the City Controller’s website. These audits and projects focused on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, consideration of fraud, waste or abuse, and quality assurance. These efforts resulted in policy and procedure changes, improved processes, and millions of dollars in potential recoveries. The Audit Division also provided updates to the City Controller regarding compliance efforts, fraud, waste or abuse reports, and quality assurance results. In the most recent peer review, the Association of Local Government Auditors concluded “the internal quality control system of the Office of the City Controller’s Audit Division within the City of Houston was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards.”

The Operations and Technical Services Division is responsible for funding certification for contracts, accounts payable, vendor payments and cash disbursement, travel advances, monthly bank account reconciliation, review and approval of City-wide personnel action requests, payroll payments processing, City-wide contract review, financial and accounting records retention and imaging retrieval, City-wide vendor liaison, and the Controller Office’s information technology operations.

The Financial Reporting Division is ultimately responsible for the preparation of both the Monthly Financial and Operations Report and the Annual Comprehensive Financial Report (“ACFR”), although every division of the Office of the City Controller contributes to the ACFR effort. The ACFR is available on the City Controller’s website: [www.houstontx.gov/controller](http://www.houstontx.gov/controller) and on a USB drive upon request. The division also produces the annual Trends Report.

## CITY CONTROLLER CHRIS B. BROWN



Controller Chris B. Brown is a lifelong Houstonian who was sworn into office as the City Controller of the City of Houston (the “City”) in January 2016 and re-elected to a second term in 2019.

As the Controller of the nation’s fourth largest city, Chris oversees a \$6.2 billion budget, manages the City’s \$5.66 billion investment portfolio and superintends its \$13.9 billion debt portfolio. Since first elected, Chris has identified approximately \$10 million in savings via increased efficiencies through the office’s Audit Division and helped save City taxpayers more than \$669 million in present value savings through refinancing the City’s existing debt.

In addition, Chris has led on the City’s most pressing financial issues, playing an instrumental role in solving the City’s pension crisis, addressing billions of dollars in unfunded other post-employment benefits liability, and championing the City’s pursuit of adopting a structurally balanced budget every fiscal year.

Chris’ career spans more than two decades across both the public and private sectors. Prior to being elected Controller in December 2015, Chris served as Chief Deputy City Controller in the Office of the City Controller, where he managed the day-to-day operations of the office and oversaw a staff of more than 65 employees. Before being appointed Chief Deputy City Controller in 2009, Chris worked as City Council Chief of Staff, spearheading community development initiatives and serving as a liaison to the Budget and Fiscal Affairs Committee.

Chris’ career began in the private sector, where he worked as a trader for Coastal Securities, an investment bank. After several years, Chris co-founded an equity trading firm where he worked as the head of operations. This work gave him first-hand experience with leadership, risk management, compliance, reporting, building operations, and negotiating complex agreements.

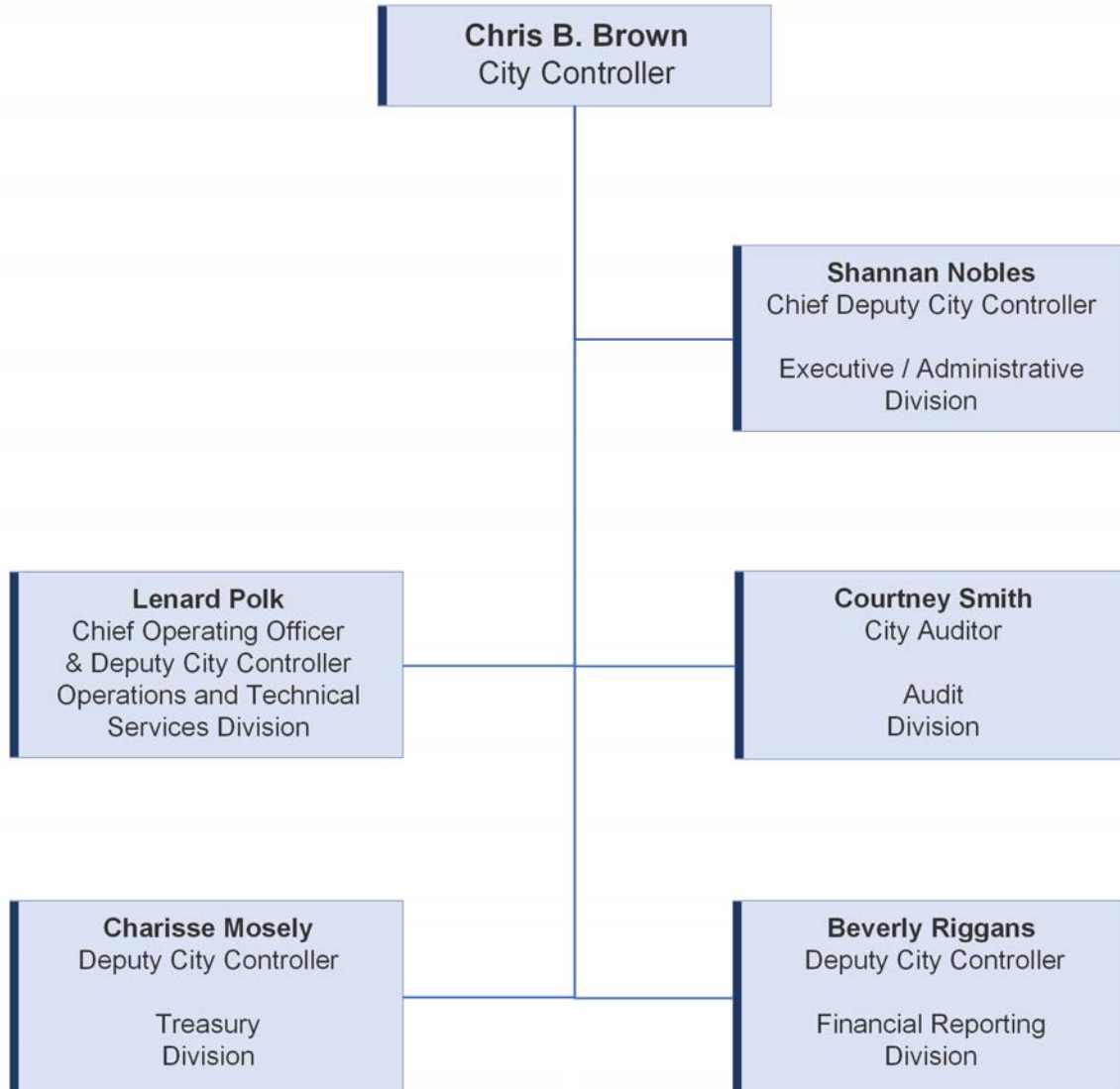
In addition to his professional experience, Chris is actively involved with several organizations in a leadership capacity.

Chris is the former Chair of the National League of Cities’ Finance, Administration & Intergovernmental Relations Committee (“FAIR Committee”), a role in which he played a key role in developing the organization’s policy positions on a range of issues for cities across the nation. Chris currently represents NLC on the Government Accounting Standards Board (GASB) Government Accounting Standards Advisory Council (GASAC) where he works to increase transparency of government finances by strengthening accounting and reporting standards.

Chris also serves on the board of the William A. Lawson Institute for Peace & Prosperity, the Asia Society of Texas Advisory Board, and the Texan-French Alliance for the Arts. In addition, he is a past board member of the Texas Christian University National Alumni Association and SEARCH Homeless Services.

As a fourth-generation Houstonian, Chris has deep roots across the community. He attended Texas Christian University, where he obtained a Bachelor of Business Administration in Finance, and later earned a Master’s in Business Administration from the University of Houston. Chris and his wife, Divya, are involved in many philanthropic causes, and are proud parents to their daughter, Milana, and son, Britton.

**ORGANIZATION CHART  
OFFICE OF THE CITY CONTROLLER  
AS OF JUNE 30, 2023**



### ELECTED OFFICIALS AS OF JUNE 30, 2023



**SYLVESTER TURNER**  
MAYOR



**CHRIS BROWN**  
CONTROLLER



**AMY PECK**  
DISTRICT A



**TARSHA JACKSON**  
DISTRICT B



**ABBIE KAMIN**  
DISTRICT C



**CAROLYN EVANS-SHABAZZ**  
DISTRICT D



**DAVE MARTIN**  
DISTRICT E



**TIFFANY D. THOMAS**  
DISTRICT F



**MARY NAN HUFFMAN**  
DISTRICT G



**KARLA CISNEROS**  
DISTRICT H



**ROBERT GALLEGOS**  
DISTRICT I



**EDWARD POLLARD**  
DISTRICT J



**MARTHA CASTEX-TATUM**  
DISTRICT K



**MIKE KNOX**  
AT-LARGE POSITION 1



**DAVID ROBINSON**  
AT-LARGE POSITION 2



**MICHAEL KUBOSH**  
AT-LARGE POSITION 3

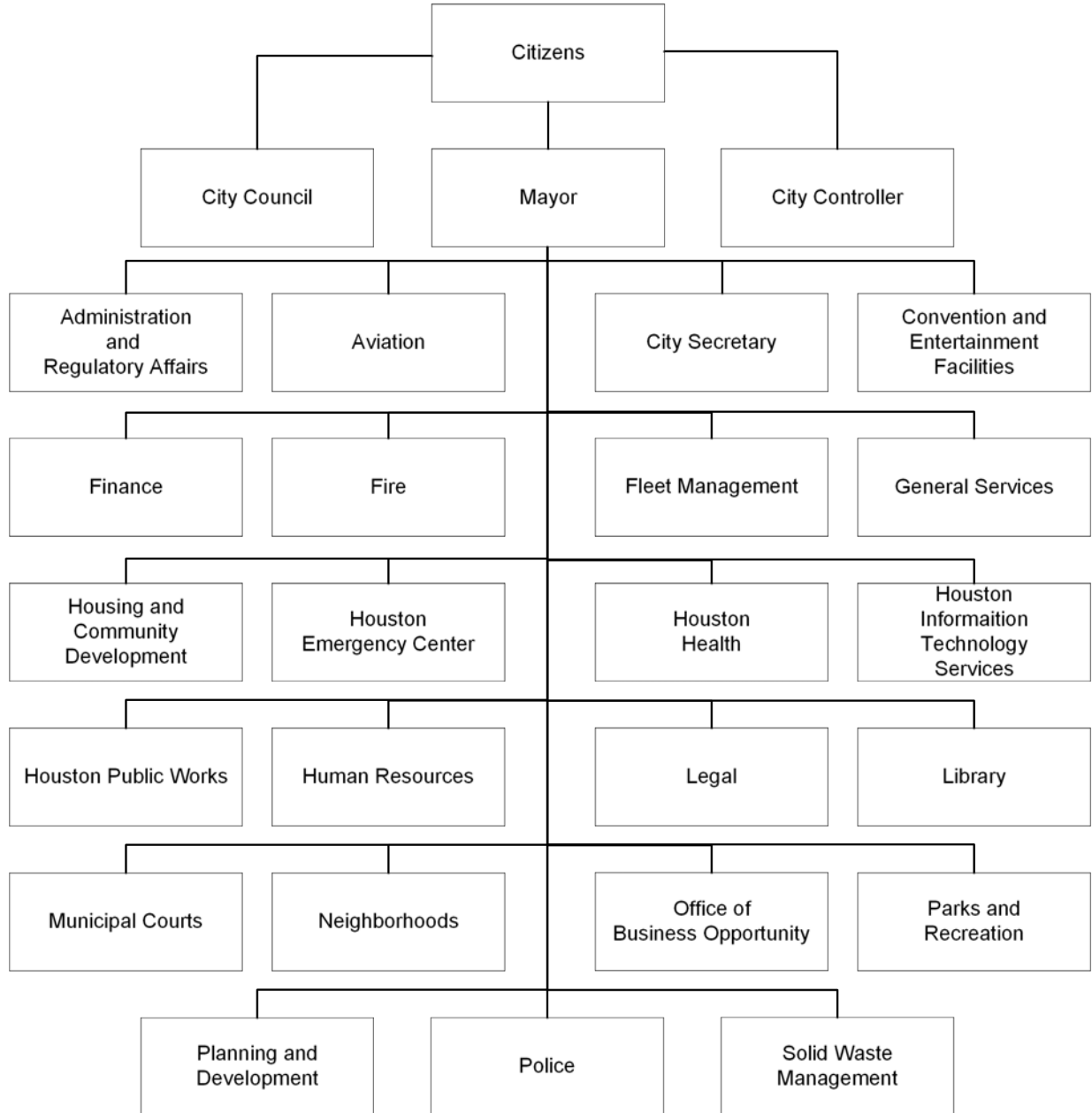


**LETTIA PLUMMER**  
AT-LARGE POSITION 4



**SALLIE ALCORN**  
AT-LARGE POSITION 5

# ORGANIZATION CHART CITY GOVERNMENT





**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

CHRIS B. BROWN

**TRANSMITTAL LETTER**

November 17, 2023

Citizens of Houston, Honorable Mayor and City Council Members:

I am pleased to provide you with the Annual Comprehensive Financial Report (“ACFR”) for the City of Houston, Texas, (the “City”) for the fiscal year ended June 30, 2023, including the independent auditor’s report, on pages 1 through 3, prepared by McConnell & Jones/Banks, Finley, White & Co. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on the City’s basic financial statements as of and for the year ended June 30, 2023.

The ACFR was prepared by the City Controller’s Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the data presented, as well as the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

The City’s management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable, but not absolute, assurance that the assets of the City are protected from loss, theft or misuse, and for the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

The ACFR is presented in three sections.

The Introductory Section includes this transmittal letter, a list of elected City officials, and organizational charts for both the Office of City Controller and for City government.

The Financial Section includes Management’s Discussion and Analysis (“MD&A”), basic financial statements, combined and individual fund statements and schedules, as well as the independent auditor’s report on the basic financial statements. MD&A immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Statistical Section includes selected financial, demographic, and other information generally presented on a multi-year basis.

The basic financial statements of the City include all government activities, organizations, and functions, including those legally separate organizations for which the City is financially accountable as defined by the Governmental Accounting Standards Board (“GASB”). These financial statements have been prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) for local governments, as prescribed by GASB.



## The Reporting Entity and Its Services

The Mayor serves as the Chief Executive Officer of the City. The City Controller is the second-highest elected official within City Government and serves as the Chief Financial Officer. The legislative body of the City is the City Council, which consists of the Mayor, eleven district members, and five at-large members. In November 2015, voters approved a proposition changing the terms of Mayor, Controller, and Council members to four years, with a limit of two terms, which became effective in January 2016.

The City provides a full range of municipal government services including police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, water production and distribution, solid waste collection, sanitary code enforcement, wastewater treatment, health and human services, building and maintenance, parks and recreation, library, convention and cultural activities; operation of three municipal airports, including George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport; as well as operation of the Houston Spaceport.

The City does not operate hospitals, schools, transportation, or higher education systems. Special districts and governmental entities with independent taxing authority administer these services.

## History and Population

Houston was founded on August 30, 1836, by New York real estate brokers John Kirby Allen and Augustus Chapman Allen. The Allen brothers paid \$9,428 for 6,642 acres of land at the headwaters of Buffalo Bayou. About a year later, General Sam Houston, the first president of the Republic of Texas, authorized Houston to incorporate. For the next four years Houston was the capital of the Republic. In the early years, cotton and the railroad were the key drivers of Houston's economy. That changed in 1901 with the discovery of oil at Spindletop in Beaumont, Texas. Energy is still prevalent, but the area's increasingly diverse economy is also supported by other economic engines such as Port Houston, the Texas Medical Center, NASA's Johnson Space Center, and a blossoming technology ecosystem bolstered by the region's startup space responsible for employing nearly a quarter-million of the region's residents. Houston is also home to several world-class colleges and universities.

At the time of the first census in Texas in 1850, Houston had a population of 2,397 and Galveston, a bustling port 45 miles south of Houston, was the state's largest city. Today, Houston is the largest city in Texas and the fourth largest city in the U.S. In the first decade of the new century, a quarter million people from other U.S. cities and towns relocated to Houston. Houston, with more than 2.30 million people as of July 1, 2022, is a melting pot of ethnicities and remains the nation's most diverse metro area. The City is the seat of a burgeoning metropolitan area encompassing nine counties with a total population surpassing 7.34 million.

## Budgetary Information

In accordance with State law and the City Charter, Houston City Council shall, in collaboration with the Mayor and City departments, adopt balanced budgets each year for the General Fund, Debt Service Fund, Special Revenue Funds, Internal Service Funds, and Proprietary Funds. Exceptions are permitted for the Grant Revenue, Disaster Recovery, Health Special, and Housing Special Revenue Funds, for which City Council adopts separate operating or program budgets throughout the year. The City also does not budget capital projects and other capital expenditures from the General Fund. Instead, City Council authorizes these expenditures through individual appropriation ordinances. Proprietary Fund budgets, also called Enterprise Funds, exclude depreciation and amortization expenses. These Proprietary Fund budgets include debt service and capital equipment costs, but exclude buildings and improvements, with the exception of Aviation, which budgets its current year expenses for these projects. As with the General Fund capital projects, approval of each Proprietary Fund capital project is accomplished through individual appropriation ordinances. No City expenditures may be made without an appropriation. City Council can legally appropriate only those amounts of money that the City Controller has previously certified are, or will be, in the City treasury. Although the legal level of budgetary control is at the departmental level within a fund, the City maintains internal budgetary control at the expenditure category (i.e., Personnel Services, Supplies, Other Services and Capital Outlay). Budget control is primarily managed using an automated encumbrance and accounts payable system. The City is required to undergo an annual Single Audit in conformity with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements of the Texas Grants Management Standards. These audits are conducted

simultaneously with the City's annual financial statement audit. Information related to these Single Audits, including the schedules of expenditures of federal and state awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations is included in the separately issued Single Audit Report.

### **The Area's Economy**

In the early 2010's, Houston joined other cities across the country in benefiting from strong economic growth as the nation recovered from the Great Recession. With rising energy prices as its catalyst, Houston's regional economy became one of the most rapidly growing in the nation, resulting in thousands of new jobs and robust population growth.

The Houston metro area's Gross Domestic Product (GDP) of \$537.1 billion ranks Houston as the seventh largest metro economy in the United States. If the Houston Metropolitan Statistical Area ("MSA") were an independent nation, it would rank as the world's 26th largest economy, behind Norway (\$546.8 billion) and ahead of Austria (\$526.2 billion), per the International Monetary Fund's 2023 ranking. Despite the resiliency exhibited by the regional economy in the wake of COVID-19, due in large part to federal stimulus, the City of Houston's organizational financial health has the potential to incur added stress as the region continues to grow.

### **Employment**

Comfort is found in the resilience shown by our region's workforce in the last decade, and in particular, the last two years. Houston's economic prowess is buoyed by a bustling port, a world-class medical complex, and a vast network of leading institutions of higher education.

Oil and gas employment in Houston peaked at 300,100 jobs in November 2014. In the years following, roughly 93,000 jobs, or close to 30 percent of the local industry workforce, were lost. Fortunately, an increase in exploration activity in late 2016 sparked a resurgence in hiring, but only in services and equipment manufacturing. In fiscal year 2023, the region's employment continues to be closely tied to energy.

As of June 30, 2023, the regional economy has added nearly 528,300 jobs, exceeding the roughly 349,300 lost to the COVID-19 pandemic.

### **Population growth**

The Houston MSA has seen a loss of population only once in the past 40 years, in 1988 following the loss of 220,000 jobs. After several years of slowing growth, Houston's population estimates have decreased in recent years from 2.30 million residents estimated in 2020; to 2.28 million residents estimated in 2021; and to 2.30 million residents estimated in 2022, per the Census Bureau. It is incumbent on the region's leaders to increase affordable housing supply, address failing infrastructure, and enhance both the quality of life and service delivery demanded by a growing population. While these charges incur significant costs, failing to address these challenges has the potential to hamper future economic success.

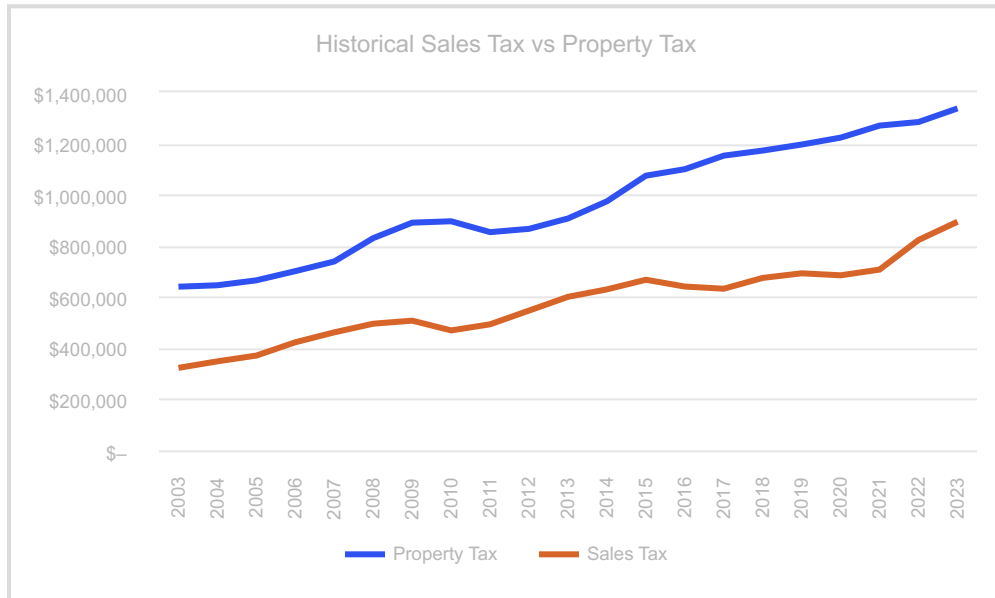
### **Housing and real estate**

At the end of fiscal year 2023, the City's real estate market is indicating a strained recovery from the downturn resulting from the COVID-19 pandemic. . As of June 2023, single-family home sales fell 12.8 percent compared to the same period prior year with single-family home median sales prices falling to \$345,000, well below the June 2022 median of \$354,000. Houston's real estate market continues to exhibit volatility as we anticipate the potential for a changing interest rate environment and the heightened likelihood of a looming recession.

Since 2015, the Houston MSA continues to see a slow rise in the cost of living. While most of those costs remain below the national average – particularly as compared to other major metropolitan regions – that trend is expected to continue. With that, Houston is not as affordable as it once was. Per the Council for Community and Economic Research (C2ER), the cost of living in Houston was 12.3 percent below the national average in 2007 but only 5.8 percent below at the end of fiscal year 2023. How the region manages the demands of a growing population – and the rising costs associated with that – will play a key role in future growth.

**Purchasing and income:** The Houston Purchasing Managers Index (PMI), a short-term indicator for regional production, registered at 55.5 at the end of fiscal year 2022, but fell slightly to 50.7 at the end of fiscal year 2023. Despite the nominal decrease, this is an encouraging sign for the ongoing economic recovery, as readings above 50 signal economic expansion for the next three- to four-months.

The graph below illustrates a rebounding economy. Property tax revenue for the City, represented by the top line, has seen sustained growth following the recession of the late 2000s. More elastic to economic trends, sales tax, the lower line, experienced a slowdown during the downturn before experiencing positive growth following Hurricane Harvey in August 2017.



**Property and Sales Taxes**

Property tax is the City’s single largest source of revenue. Fiscal year 2023 was the ninth year the City was affected by the Proposition One revenue cap, which resulted in the lowering of the property tax rate.

Historically, the City’s sales tax receipts have been closely tied to the rising price of oil, but as we diversify our regional economy, our reliance on energy may become less prevalent. The short economic contraction caused by the COVID-19 pandemic and a struggling energy sector caused a significant drop in sales tax revenue in the later months of fiscal year 2019, punctuated by a slowing in consumer activity. Following the infusion of federal stimulus and receipt of COVID federal recovery funding, Houston, among other localities, benefited from robust sales tax receipts between fiscal year 2021 and fiscal year 2023. As revenues normalize, a changing interest rate environment sustains and discretionary household spending wanes, sales tax has the potential to show more volatility in following reporting periods.

**Property Tax Abatements:** The City has entered into several property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Chapter 312. The agreements have investment and employment requirements that must be met to have a portion of property taxes abated. The total amount abated for the year ended June 30, 2023, totaled approximately 1.2 million to eight businesses. Additional details on the agreements and projects are disclosed in the accompanying Notes to the Basic Financial Statements (Note 5 – Property Tax).

## Financial Policies and Planning

The City has had formal financial and budgetary procedures in place since 1987. They require, among other things, a balanced budget, annual review of all fees and charges, funding of employee pensions and other benefits in a manner that systematically funds liabilities and maintenance of an Unassigned Fund Balance in its General Fund of a minimum of 7.5 percent of total expenses less debt service. Any funds in excess of 7.5 percent of total expenses less debt service are available for non-recurring expenses. A 1983 resolution adopted by City Council requires the Mayor to develop and submit annually to the City Council for approval a continuous five-year Capital Improvement Plan (CIP). Each year, the Mayor must review the CIP, revise it as necessary, and obtain approval and adoption by City Council. The 2024 – 2028 CIP calls for the appropriation of \$8.18 billion over the five-year period for both enterprise and property tax supported projects. About \$4.5 billion of this total will be paid for with income generated by the self-supporting enterprise funds. The City's financial policies further require that capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20 percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City's total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City. As of June 30, 2023, the City's outstanding debt payable from taxes and other revenue sources totaled \$14.2 billion. This is in compliance with all applicable financial policies and considered manageable. The City has investments totaling approximately \$5.7 billion. The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity, and return on investment. The success of this deliberate approach is evident in the 'AAA' credit quality rating and "V1" volatility rating assigned to the City's general investment portfolio by Fitch Rating Services.

## Long-term Financial Forecast and Major Initiatives

The most recent five-year planning scenario available from the City's Finance Department indicates anticipated cost increases are bound to continue straining the City's fiscal health. While some drivers of increased expenditures may be attributable to increased employee and retiree health costs, recent expenditures requiring subsequent recurring investment have the potential to bear added stress. Without increasing efficiencies or creating new revenue, few viable long-term options to address rising costs and a growing deficit remain except to drastically cut costs.

## Structural Budget Deficit

Another critical goal the City must work toward is achieving a structurally balanced budget each fiscal year. A balanced budget is achieved when revenues equal expenditures while a structurally balanced budget avoids the use of one-time nonrecurring funding sources to fill budget shortfalls. Historically, the administration has used nonrecurring funding to address a recurring budget deficit ranging between \$160 million and \$200 million each year since fiscal year 2016. In recent years, federal COVID recovery grant funding – a nonrecurring funding source – has been used to address shortfalls seen in recent budgets.

As it relates to the City's budgeting process, net current activity is calculated by subtracting the City's total expenditures from its total revenue. Achieving structural budgetary balance is and must continue to be the foremost financial priority for the City.

## Retiree & Other-Post Employment Benefits (OPEB)

The City provides certain health care benefits for its retired employees, their spouses, and survivors. Beginning with fiscal year 2018, the City is required by the GASB Statement No. 75 to recognize the full other post-employment benefits ("OPEB") liability on the City's balance sheet. The OPEB plan includes benefits such as health and life insurance for current and future retirees. Nearly all City employees become eligible for these benefits after they reach normal retirement age.

As of June 30, 2023, the City's total OPEB liability is in excess \$1.76 billion. It has been the City's practice to fund the cost of OPEB on an annual pay-as-you-go (PAYGO) basis and account for OPEB costs as a current expenditures on the governmental fund financial statements in the fiscal year in which the OPEB cost is paid. This practice satisfies debt obligations but fails to structurally reduce the accruing liability.

For the fiscal year ended June 30, 2023, total OPEB liability decreased from approximately \$2.34 billion as of June 30, 2022, to approximately \$1.76 billion as of June 30, 2023, primarily due to the change in the discount rate used in the actuarial valuation from 2.16% for the fiscal year ended June 30, 2022, to 3.54% for the fiscal year ended June 30, 2023. The City is currently finalizing the plan set up a qualifying OPEB trust, with contributions from all City departments, during fiscal year 2024. By establishing a qualifying trust, total OPEB liability is expected to be further reduced. Without a solution to meaningfully address this growing unfunded liability, the City can expect to face serious constraints in the future.

### **Award**

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended June 30, 2022. This was the 26th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The preparation of this report on a timely basis could not have been accomplished without the dedicated services and hard work of a highly qualified staff. The City of Houston has such a staff in the City Controller's Office. Although much time and effort in preparation of this report lies in the Financial Reporting Division, there was support from the other divisions of the Office: Administration, Executive, Operations and Technical Services, and Treasury. I would like to express my appreciation to the entire staff of the City Controller's Office, and to the staffs of the Finance, Aviation, Houston First (formerly, Convention and Entertainment Facilities), and Houston Public Works departments who assisted and contributed to the preparation of this report. The City Controller’s Office also received invaluable assistance and support from many others outside its immediate organization. Within the City of Houston, the accounting staffs of the operating departments and the technical staff of the Information Services Division all played key roles in producing this report. McConnell & Jones/Banks, Finley, White & Co was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way City finances are reported.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Houston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, 901 Bagby Street, 8th Floor, Houston, Texas 77002. The Annual Comprehensive Financial Report is accessible on the City's web site and is also available in USB drive format.



Chris B. Brown  
City Controller



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Government Finance Officers Association

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Presented to

**City of Houston  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO



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*The Texas Medical Center*

PART II  
**FINANCIAL SECTION**

**Financial Section:**

Home to the world's largest children's hospital and world's largest cancer hospital, the Texas Medical Center delivers one baby every 20 minutes, resulting in more than 26,000 births per year, and begins one surgery every three minutes. Since 1925, TMC has attracted the brightest minds in medicine, rising to the forefront of advancing life sciences. With more than 10 million patient encounters per year, the TMC plays a key role in the region's economic success and continued future prosperity.



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Members of City Council and  
City Controller of the City of Houston, Texas

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Houston Firefighters' Relief and Retirement Fund, Houston Municipal Employees' Pension Trust Fund and Houston Police Officers' Pension Trust Fund, fiduciary component units of the City, which represent 100% of the assets, net position, and additions/deductions of the pension trust funds, within the fiduciary funds as of and for the year ended June 30, 2023. We did not audit the financial statements of governmental and business-type discretely presented component units which represent 100% of the assets, net position (deficit)/fund balance, and revenues of the aggregate discretely presented component units. Those statements, except for the Houston Area Library Automated Network and Lamar Terrace Public Improvement District which were unaudited and represent less than .1% of the assets, net position and revenues of the governmental and business-type discretely presented component units, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such governmental and business-type discretely presented component units, are based solely on the reports of the other auditors. The financial statements of the Houston Firefighters' Relief and Retirement Fund were not audited in accordance with *Government Auditing Standards*. Additionally, except for the Houston Forensic Science Center, Houston Recovery Center LGC, and Memorial-Heights Redevelopment Authority, the governmental and business-type discretely presented component units were not audited in accordance with *Government Auditing Standards*.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As described in Notes 1 and 7 to the financial statements, for the year ended June 30, 2023, the City adopted new accounting guidance, GASBS No. 96, *Subscription – Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.



To the Honorable Mayor, Members of the City Council  
and City Controller of the City of Houston, Texas  
Page 2

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5 through 15), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 152 through 157), Pension System Supplementary Information (pages 158 through 161), and Other Post-Employment Benefits Supplementary Information (pages 162 through 164) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers



To the Honorable Mayor, Members of the City Council  
and City Controller of the City of Houston, Texas  
Page 3

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it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*McConnell Jones LLP Banks, Finley, White & Co.*

November 17, 2023

**CITY OF HOUSTON, TEXAS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### June 30, 2023

### (Unaudited)

As management of the City of Houston, Texas (the "City"), we offer readers of this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023 ("FY2023"). Please read this information in conjunction with the transmittal letter that precedes this section and the basic financial statements that follow this section. The discussion and analysis include comparative data for the fiscal year ended June 30, 2022 ("FY2022").

#### **Financial Highlights**

Some of the City's financial highlights for the fiscal year ended June 30, 2023 include:

- Total assets and deferred outflows of resources of the City exceeded its total liabilities and deferred inflows of resources by \$7.6 billion. This is a net increase from the prior year of \$1.7 billion and is mainly attributable to an increase of approximately \$802.6 million in total assets and a decrease in total liabilities of \$919.5 million. Of the \$802.6 million increase in total assets, approximately \$906.4 million is due to increases in capital assets in both governmental and business-type activities, offset by a decrease of \$103.9 million in current and other assets. Total liabilities decreased by \$919.5 million in FY2023 mainly due to a decrease in total other post-employment benefit ("OPEB") liability of \$576.6 million and a decrease of \$407.8 million in total outstanding debt.
- The City's unrestricted net position is a deficit of \$4.8 billion. This is an improvement of approximately \$1.5 billion compared to FY2022. The deficit is mainly attributable to the outstanding net pension liabilities for the pension plans, pension obligation bonds, and total OPEB liabilities.
- The City's total expenses totaled \$5.1 billion compared to \$4.6 billion in FY2022. The increase was primarily due to an increase of \$366.2 million in general government and public safety expenses and an increase of \$236.3 million in business-type activities.

#### **Impact of COVID-19 Pandemic (the "Pandemic")**

Since the Pandemic began in early 2020, the Federal Government infused an unprecedented amount in economic stimulus into the economy in response to the Pandemic. As of June 30, 2022, the City has fully expended the entire \$404.8 million Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funds the City received in the fourth quarter of fiscal year 2020 from the Federal Government. The funds were used for direct response to the Pandemic.

On March 11, 2021, the American Rescue Plan Act ("ARPA") was signed into law. Under ARPA, the State and Local Fiscal Recovery Fund ("SLFRF") provided additional funding to state and local governments for response and recovery from the Pandemic. The City was awarded a total of \$607.7 million, which was received in two separate payments of \$303.8 million each in FY2021 and FY2022. As of June 30, 2023, the City has expended approximately \$360.4 million on revenue replacement, public safety, and other programs.

Furthermore, the City's Airport System, (the "Airport System"), received a total of \$200.2 million of CARES Act funds through the Federal Aviation Administration (the "FAA"). The Airport System also received funds under the Coronavirus Response and Relief Supplemental Appropriation Act ("CRRSA Act"), passed by the U.S. Congress on December 27, 2020. The Airport System and its airport concessions were awarded approximately \$45.8 million and \$6.2 million, respectively, of CRRSA Act funds through the FAA. All CARES Act and CRRSA Act funds have been expended as of June 30, 2023. Under ARPA, the Airport System and its concessions are eligible to receive approximately a total of \$181.0 million and \$24.8 million, respectively. As of June 30, 2023, approximately \$50.9 million of the \$181.0 million ARPA funds remain unexpended.

#### **Adoption of New Accounting Standards - Subscription-Based Information Technology Arrangements**

The City implemented Government Accounting Standards Board ("GASB") Statement No. 96, Subscription-Based Information Technology Arrangements ("SBITA"), for the fiscal year beginning July 1, 2022. Upon adoption of the new standard, the City recognized subscription right-of-use assets totaling \$43.8 million and subscription liabilities totaling \$43.8 million. See Notes 1, 7, and 9 for disclosures on significant accounting policies, summary description of SBITA, and information on estimated future subscription payments.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements ("GWFS"), (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** GWFS are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The GWFS distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health, housing and community development, parks and recreation, and library. The business-type activities of the City include the Airport System, Combined Utility System (the "Combined Utility"), and Convention & Entertainment Facilities (the "Convention and Entertainment").

The GWFS include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable. Except for the three pension systems, financial information for the component units is reported separately from the financial information presented for the primary government itself. The pension systems, although also legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

**Fund financial statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of GWFS, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet displays a reconciliation to facilitate this comparison between governmental funds. The reconciliation between the governmental fund statement of revenues, expenditures, and changes in fund balances and governmental activities is provided on a separate schedule.

The City maintains ten individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, the ARPA fiscal recovery fund and the grants fund, all of which are considered as major funds. Data from the other funds is combined in the column labeled "Nonmajor Governmental Funds" on both of these statements (see the separate tab labeled "Governmental Funds" for more information on these funds).

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget in the Required Supplementary Information section of this report.



**Proprietary funds.** The City maintains two different types of proprietary funds: Enterprise funds (see separate tab of same name) and internal service funds (see separate tab of same name). Enterprise funds are used to report the same functions presented as business-type activities in the GWFS. The City uses enterprise funds to account for its Airport System, Combined Utility, and Convention and Entertainment. The City uses internal service funds to account for health benefits and long-term disability activities. Because both health benefits and long-term disability activities predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the GWFS.

Proprietary funds provide the same type of information as the GWFS, only in more detail. The proprietary fund financial statements provide separate information for the Airport System, Combined Utility, and Convention and Entertainment, all of which are major funds for the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds (see separate tab of same name) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the GWFS because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes (see separate tab of same name) provide additional information that is essential to a full understanding of the data provided in the GWFS and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning: General fund – budget vs. actual, the City's three defined benefit pension plans, and the two other post-employment benefits plans.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, on a government-wide basis, assets and deferred outflows were higher than liabilities and deferred inflows by \$7.6 billion at June 30, 2023.

The largest portion of the City's net position is net investment in capital assets of approximately \$9.8 billion (e.g., land, building, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Resources that are subject to external restrictions on how they may be used represents approximately \$2.6 billion of the City's net position.

**Net Position  
June 30, 2023  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 3,057,388	\$ 2,916,949	\$ 5,183,868	\$ 5,428,191	\$ 8,241,256	\$ 8,345,140
Capital assets	8,954,991	8,774,563	12,921,489	12,195,476	21,876,480	20,970,039
Total assets	<u>12,012,379</u>	<u>11,691,512</u>	<u>18,105,357</u>	<u>17,623,667</u>	<u>30,117,736</u>	<u>29,315,179</u>
Deferred outflows of resources	695,712	698,768	308,631	322,737	1,004,343	1,021,505
Long-term liabilities	7,194,469	7,861,945	11,621,135	12,157,090	18,815,604	20,019,035
Other liabilities	1,569,263	1,486,580	1,198,240	996,950	2,767,503	2,483,530
Total liabilities	<u>8,763,732</u>	<u>9,348,525</u>	<u>12,819,375</u>	<u>13,154,040</u>	<u>21,583,107</u>	<u>22,502,565</u>
Deferred inflows of resources	1,538,715	1,540,176	405,288	413,308	1,944,003	1,953,484
Net position						
Net investment in capital assets	6,891,601	6,755,792	2,890,574	2,135,190	9,782,175	8,890,982
Restricted	934,428	1,863,712	1,696,746	1,442,434	2,631,174	3,306,146
Unrestricted (deficit)	(5,420,385)	(7,117,925)	602,006	801,432	(4,818,379)	(6,316,493)
Total net position (deficit)	<u>\$ 2,405,644</u>	<u>\$ 1,501,579</u>	<u>\$ 5,189,326</u>	<u>\$ 4,379,056</u>	<u>\$ 7,594,970</u>	<u>\$ 5,880,635</u>

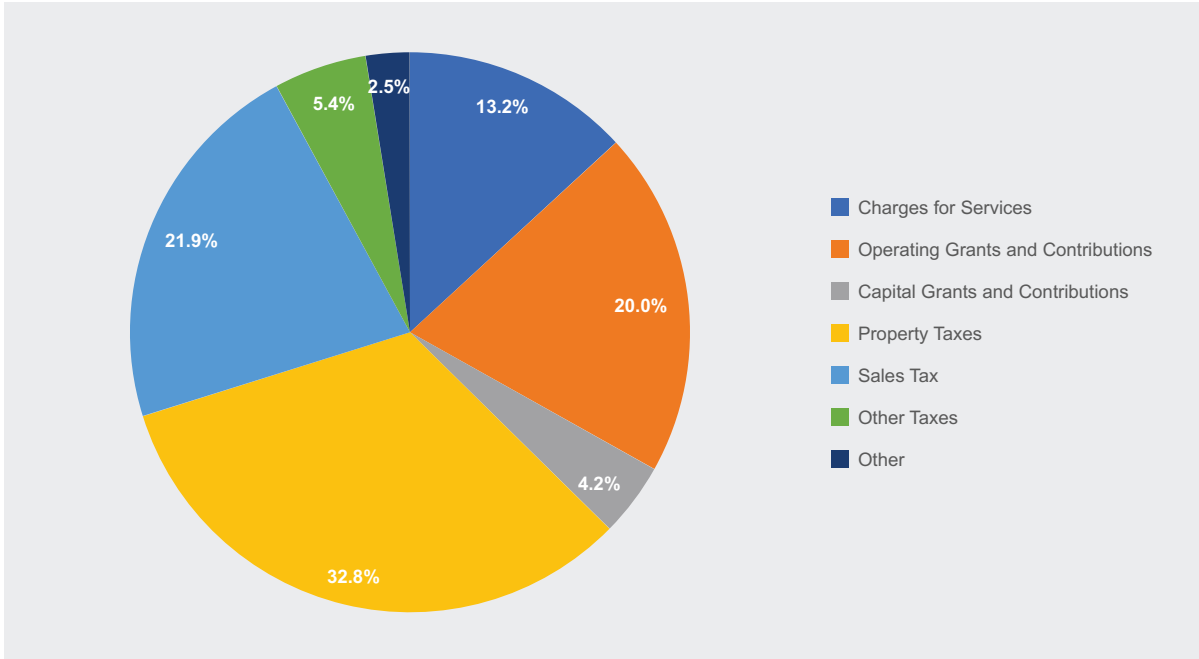
**Change in Net Position**  
**For the Fiscal Years Ended June 30, 2023 and 2022**  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Program Revenues:</b>						
Charges for services	\$ 536,334	\$ 416,101	\$ 2,199,456	\$ 1,909,213	\$ 2,735,790	\$ 2,325,314
Operating grants and contributions	814,747	1,011,670	59,665	145,817	874,412	1,157,487
Capital grants and contributions	172,908	199,231	238,251	587,354	411,159	786,585
<b>General revenues:</b>						
Property taxes	1,337,128	1,283,942	—	—	1,337,128	1,283,942
Sales taxes	893,905	822,656	—	—	893,905	822,656
Other taxes	218,757	211,542	104,853	82,505	323,610	294,047
Other	105,785	35,479	173,873	59,570	279,658	95,049
Gain (loss) on sale of asset	(2,326)	3,630	(2,550)	(5,398)	(4,876)	(1,768)
<b>Total revenues</b>	<b>4,077,238</b>	<b>3,984,251</b>	<b>2,773,548</b>	<b>2,779,061</b>	<b>6,850,786</b>	<b>6,763,312</b>
<b>Expenses:</b>						
General government	431,174	314,357	—	—	431,174	314,357
Public safety	1,455,215	1,205,824	—	—	1,455,215	1,205,824
Public works	413,454	355,357	—	—	413,454	355,357
Health	246,163	225,312	—	—	246,163	225,312
Housing and community development	208,397	390,235	—	—	208,397	390,235
Parks and recreation	122,018	81,696	—	—	122,018	81,696
Library	54,954	33,753	—	—	54,954	33,753
Interest on Long-term Debt	118,251	108,938	—	—	118,251	108,938
Depreciation and amortization	179,465	180,676	—	—	179,465	180,676
Airport System	—	—	649,909	559,777	649,909	559,777
Convention & Entertainment Facilities	—	—	120,981	106,599	120,981	106,599
Combined Utility System	—	—	1,136,470	1,004,623	1,136,470	1,004,623
<b>Total expenses</b>	<b>3,229,091</b>	<b>2,896,148</b>	<b>1,907,360</b>	<b>1,670,999</b>	<b>5,136,451</b>	<b>4,567,147</b>
Change in net position before contributions, special items and transfers	848,147	1,088,103	866,188	1,108,062	1,714,335	2,196,165
Transfers	55,918	59,396	(55,918)	(59,396)	—	—
<b>Change in net position</b>	<b>904,065</b>	<b>1,147,499</b>	<b>810,270</b>	<b>1,048,666</b>	<b>1,714,335</b>	<b>2,196,165</b>
Net position, July 1 as previously reported	1,501,579	276,546	4,379,056	3,330,390	5,880,635	3,606,936
Prior period adjustment	—	77,534	—	—	—	77,534
Beginning net position, July 1	1,501,579	354,080	4,379,056	3,330,390	5,880,635	3,684,470
<b>Net position, June 30</b>	<b>\$ 2,405,644</b>	<b>\$ 1,501,579</b>	<b>\$ 5,189,326</b>	<b>\$ 4,379,056</b>	<b>\$ 7,594,970</b>	<b>\$ 5,880,635</b>

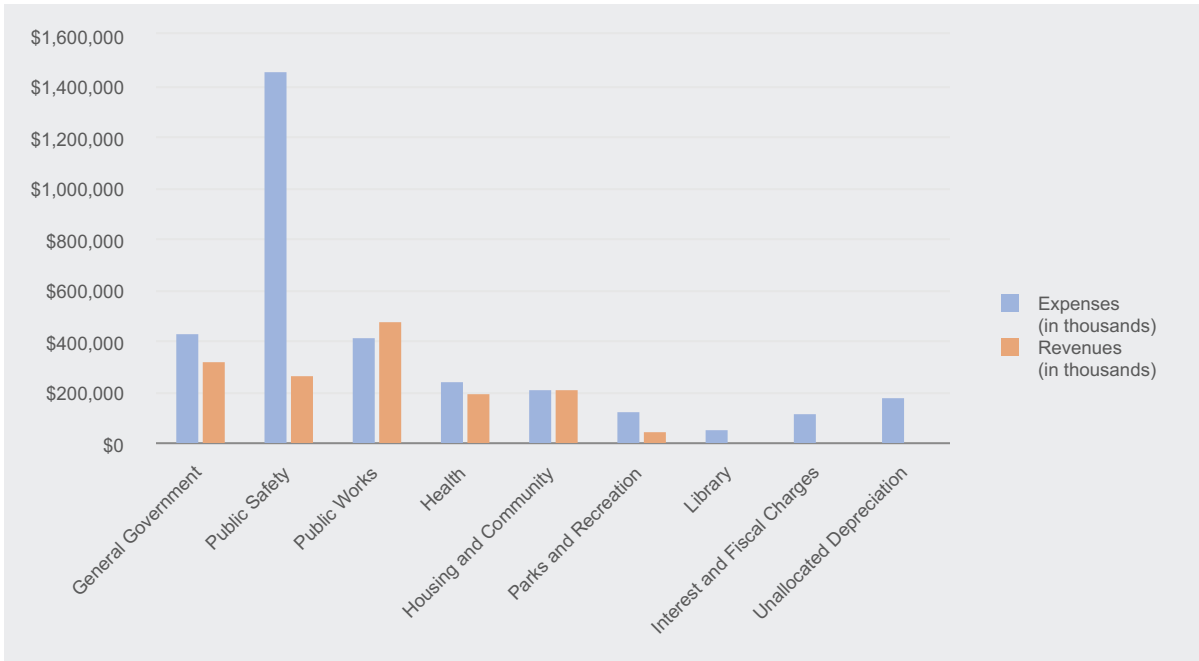
**Governmental activities.** Governmental activities increased the City's net position from FY2022 by approximately \$904.1 million. The key elements of this change are as follows:

- Charges for services increased by approximately \$120.2 million due to higher activities resulting in more fees collected.
- Operating grants and contributions decreased by approximately \$196.9 million to \$814.7 million in FY2023. The decrease was due to less federal award expenditures during FY2023 compared to FY2022.
- Sales tax revenue for FY2023 increased by approximately \$71.2 million as both commercial and personal activities returned to pre-pandemic levels in the City. In addition, federal funds distributed to organizations and individuals contributed to the growing economy in the City.
- Total expenses increased by approximately \$332.9 million due to increases in public safety and general government spending, offset by a decrease in housing and community development spending due to expiring grants.

**FY2023 Governmental Activities – Revenue by Source**

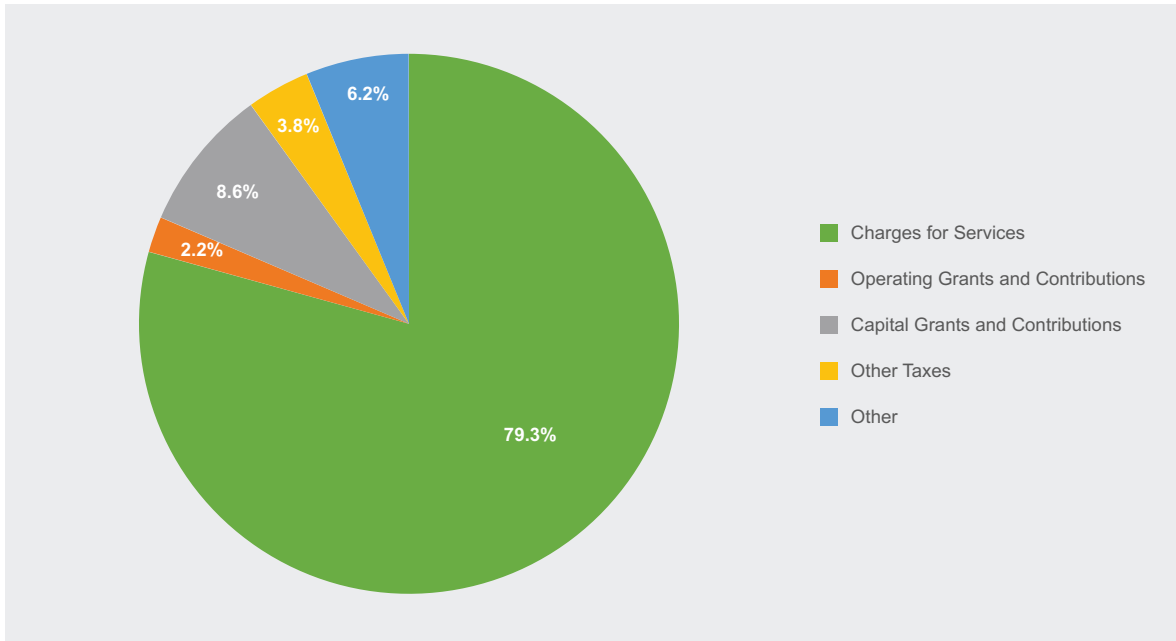


**FY2023 Governmental Activities – Program Revenues and Expenses**

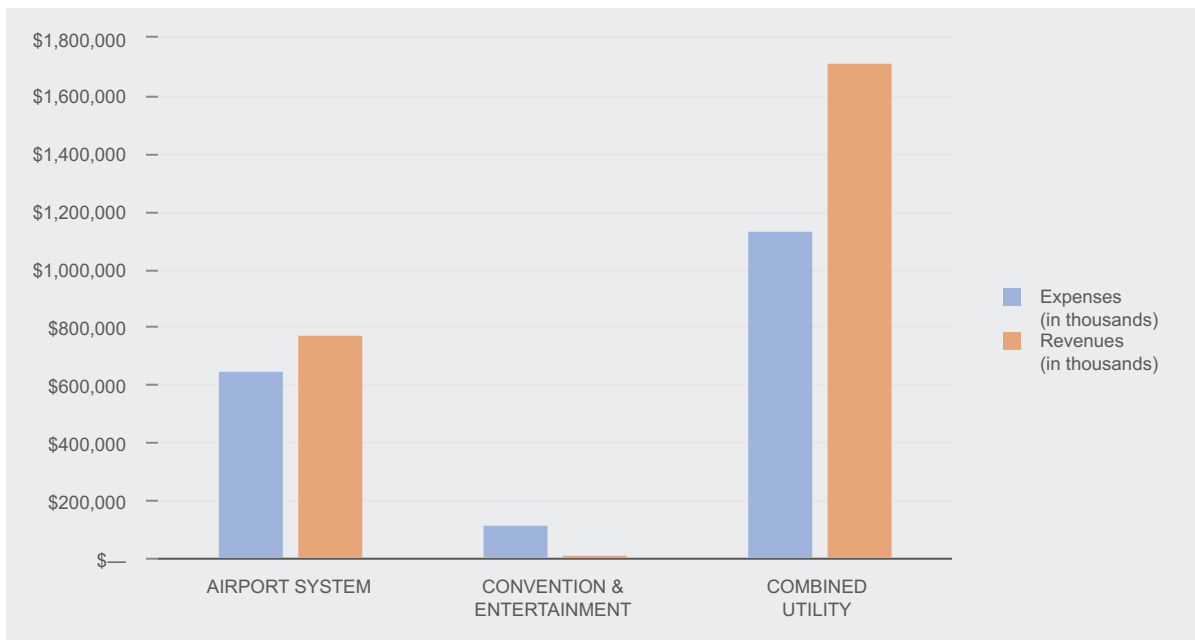


**Business-type activities.** Change in net position totaled \$810.3 million for the City’s business-type activities in FY2023. Total net position increased from \$4.4 billion at the end of FY2022 to \$5.2 billion at the end of FY2023. Of the \$5.2 billion total net position, the Airport System accounted for approximately 37.9% or \$2.0 billion, while the Combined Utility accounted for approximately 60.0% or \$3.1 billion of the total, the remaining 2.1% of total net position is for the Convention & Entertainment.

**FY2023 Business-Type Activities – Revenue by Source**



**FY2023 Business-Type Activities – Program Revenues & Expenses**



Key elements of this change are as follows:

- The Airport System's operating revenues increased by approximately \$79.1 million or 16.4% to \$560.2 million in FY2023 mainly due to total number of passengers increasing from 52.0 million in FY2022 to 57.8 million in FY2023 as both business and leisure travel continue to recover since the Pandemic. Passenger Facility Charges earned also increased by \$10.3 million or 10.5% to \$108.8 million in FY2023. Operating expenses totaled approximately \$571.9 million in FY2023. This is an increase of \$89.1 million from \$482.8 million in FY2022. \$36.5 million of this increase was attributable to increases in personnel expenses - \$12.4 million in salaries and benefits, \$17.4 million in OPEB expenses, and \$5.1 million in pension expenses. Services and other operating expenses increased by approximately \$22.7 million and \$24.5 million, respectively, primarily due to increased passenger volume and activities related to the IAH Terminal Redevelopment Program.
- The Convention & Entertainment's maintenance and operating expenses increased by \$16.2 million or 19.8% as business and other activities increased in downtown Houston during FY2023 compared to FY2022. In addition, hotel occupancy tax revenue increased from \$82.5 million in FY2022 to \$104.9 million in FY2023, a \$22.3 million or 27.1% increase, due to a 14.7% increase in average daily rate in FY2023 from \$100.89/night to \$115.75/night and a 9.7% increase in occupancy rate from 56.6% to 62.1%.
- The Combined Utility's operating revenues increased by approximately \$196.5 million or 15.0% in FY2023 compared to FY2022. This increase was mainly due the rate increases implemented in April 2022 and April 2023 based on the rate study completed in fiscal year 2021. Operating expenses increased by approximately \$121.2 million or 16.2% primarily attributable to an increase in materials and supplies along with an increase in repairs in Q4 of FY2023. Record-setting high temperatures and lack of rainfall during FY2023 contributed to dry soil conditions that caused significant ground shifting resulting in increased water leaks and subsequent repair costs. In addition, personnel expenses increase by approximately \$8.2 million due to scheduled salary increase.
- Investment income (loss) for business-type activities increased by \$177.8 million from a loss of \$(89.8) million in FY2022 to an income of \$87.9 million in FY2023. This is mainly due to higher interest income as a result of higher interest rates.

### **Financial Analysis of the Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds (see separate tab of same name).** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of FY2023, the City's governmental funds reported combined ending fund balances of approximately \$1.7 billion. Approximately 29.6% of this total, or \$509.9 million, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is set aside to indicate that it is not available for new spending because it has already been assigned for capital expenditures, \$140.3 million; restricted to pay debt service, \$172.0 million; or a variety of other restricted purposes, \$899.9 million.

The general fund is the chief operating fund of the City. At the end of FY2023, unassigned fund balance of the general fund was \$509.9 million, while the total fund balance reached \$550.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 21.3% of total general fund expenditures, while total fund balance represents 23.0% of that same amount. Revenues increased by approximately \$160.5 million or 5.9% while expenditures increased by approximately \$122.9 million or 5.4%.

Key differences in the general fund activity between FY2023 and FY2022 are as follows:

- Property tax revenue increased by approximately \$50.8 million or 4.1% to \$1,295.5 million for FY2023 due to increases in total market and appraised values compared to FY2022. In addition, the Proposition 1 cap on property tax, as described in Note 13, increased primarily due to increases in Consumer Price Index in 2021 and 2022.
- Sales tax revenue increased by \$68.4 million or 8.3% due to more than \$5 trillion in economic stimulus injected into the economy in response to the Pandemic and rapid recovery in Houston's economy resulting increased consumer spending.
- Charges for services increased by \$7.5 million or 4.6% primarily due to an increase of \$5.0 million in ambulance fees collected and an increase of \$3.3 million of police services provided by the Houston Police Department to the Airport System during FY2023.

- Intergovernmental grants increased by \$8.5 million or 4.2% mainly due to an increase of \$23.1 million in ARPA grants expended for various governmental functions totaling \$162.6 million in FY2023 compared to \$139.4 million in FY2022. This increase is offset by decreases of \$11.8 million and \$3.8 million in ambulance supplemental reimbursements for the Fire Department and the Delivery System Reform Incentive Payment (DSRIP) program for the Health Department, respectively.
- Investment income (loss) increased by \$15.4 million or 219.8% due to higher interest income earned on deposits and investments as well as lower fair value adjustments/loss on investments.
- Expenditures for Public Safety increased by approximately \$36.2 million or 2.4% primarily due to increases in salaries and employee benefits totaling approximately \$33.1 million. Of the \$33.1 million, approximately \$20.3 million was for the Police Department, while \$12.8 million was for the Fire Department.
- Expenditures for Public Works increased by approximately \$14.6 million or 6.6% due to higher maintenance and repair costs.
- Park and Recreation Department's expenditures increased by approximately \$11.9 million or 16.2% mainly due to a \$4.4 million contribution made to a joint project between the City and the Houston Parks Board. In addition, building maintenance and structural work increased by approximately \$2.3 million, and salaries and benefits increased by approximately \$2.1 million.
- Capital Outlays increased by approximately \$24.8 million or 68.2% mainly due to the adoption of GASB Statement No. 96, with a total addition of \$36.6 million in SBITA, offset by a \$6.5 million decrease in leases and \$6.5 million in fleet purchases compared to FY2022.
- Debt service principal increased by approximately \$18.0 million or 273.7% mainly due to principal payments related to SBITA.

Debt service expenditures (principal and interest) for the debt service fund remained relatively unchanged compared to FY2022. Proceeds from issuance of debt totaled \$38.7 million in FY2023, all of which were from the general obligation commercial paper. No general obligation bonds were issued during FY2023.

The capital projects fund, which is used for the acquisition and/or construction of capital facilities by the City (except those financed by the three enterprise funds), has a fund balance of \$165.3 million as compared to \$132.2 million a year ago. Intergovernmental grants decreased by \$16.2 million or 21.9% primarily due to decreases in funding from the Metropolitan Transit Authority of Harris County and other governments related to construction projects and purchases of land. Capital outlay decreased by \$84.9 million or 27.1% primarily due to decreased construction activities in the Police Department, Fire Department, Parks Department, Health Department, and General Government totaling approximately \$74.3 million, offset by an increase in construction work in the Public Works Department. In addition, fleet purchases decreased by approximately \$16.2 million by the Police and Fire departments compared to FY2022.

The ARPA fiscal recovery fund is used to receive funds from the U.S. Department of the Treasury to be used for the response efforts relating to local fiscal recovery from the Pandemic pursuant to the ARPA. Cash and cash equivalents and unearned revenue decreased by \$197.3 million or 43.2% and \$206.6 million or 45.5%, respectively, due to additional federal awards expended during FY2023. See Note 13.G. to the basic financial statements for additional details on the ARPA funds received and expended.

The grants fund, which is used to account for grant resources received from various local, state, and federal agencies and organizations, has a fund balance of \$191.5 million at June 30, 2023, a 0.5% increase from \$190.6 million at the June 30, 2022. Significant amount of grants was received by the City during FY2022 in response to the Pandemic. In comparison, grant revenues decreased by \$228.3 million or 34.1% to approximately \$441.6 million in FY2023. This decrease was primarily due to many activities related to the Pandemic being ceased/completed. Expenditures totaled approximately \$435.9 million, a decrease of \$207.4 million or 32.2% compared to FY2022. Many governmental functions had lower expenditures in FY2023 compared to FY2022, with the most significant decrease, approximately \$176.3 million, in the Housing and Community Development Department. Of the \$176.3 million decrease, approximately \$74.9 million was related to the Emergency Rental Assistance program, and approximately \$84.9 million was related to various single family, multi-family, public services, and economic revitalization programs.

**Tax revenues reported in Nonmajor Governmental Funds.** In FY2023, two sub-funds of the Other Special Revenue Fund, reported collections of incremental property taxes, sales tax, and mixed beverage tax totaling approximately \$46.4 million. These collections are considered as special revenues and are restricted for two of the Tax Incremental Reinvestment Zones ("TIRZs"), which are to be set up as separate legal entities in the future similar to other TIRZs, which are discretely presented component units of the City. See Note 1 for a list of discretely presented component units and Note 5 regarding TIRZs.

**Proprietary funds (see tabs labeled “Enterprise Funds” and “Internal Services Funds”).** The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At June 30, 2023, the Airport System, Convention and Entertainment, and Combined Utility had an unrestricted net position (deficit) of \$(68.0) million, \$22.2 million, and \$647.8 million, respectively. Major factors concerning the finances and change in net position of these funds are addressed in the discussion of the City’s business-type activities.

**General Fund Budgetary Highlights**

Total revenues were above the final budget by approximately \$115.5 million due to higher-than-expected collections in property tax and sales tax by \$23.7 million and \$82.1 million, respectively. The increase in property tax was attributable to increase in assessed property values, which rose significantly in FY2023 or tax year 2022. The increase in sales tax was attributable to overall economic environment in the City and the State of Texas post-Pandemic as well as inflation. Additionally, charges for services exceeded the budget by approximately \$5.3 million primarily due to higher collections from ambulance services. The details of the more significant variances are summarized below:

- \$23.7 million above budget in property tax
- \$3.6 million above budget in industrial assessments
- \$82.1 million above budget in sales taxes
- \$2.9 million above budget in mixed beverage tax
- \$5.4 million above budget in ambulance services
- \$1.7 million above budget in interest income
- \$3.1 million above budget in other income

Total expenditures for the general fund were \$48.9 million below the final expenditure budget and was mainly due to savings in personnel, supplies, and services. Personnel costs were approximately \$21.8 million under the budgeted amount, and other departmental expenditures were approximately \$20.9 million under the budgeted amount. Lower personnel costs were mainly due to many open positions still to be filled at the end of FY2023. The details of the more significant variances are highlighted below:

- \$16.6 million under budget in general government
- \$15.3 million under budget in public safety
- \$4.9 million under budget in parks and recreation
- \$1.6 million under budget in library
- \$4.1 million under budget in transfers out

**Capital Assets and Debt Administration**

**Capital assets:** The City’s investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2023 totaled approximately \$21.9 billion. This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges. The City’s capital assets, net, increased by more than \$906.4 million in FY2023.

**Capital Assets  
June 30, 2023  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land and right of way	\$ 2,437,390	\$ 2,400,123	\$ 504,434	\$ 493,093	\$ 2,941,824	\$ 2,893,216
Buildings, improvements and equipment	3,085,764	2,982,100	6,251,468	6,094,494	9,337,232	9,076,594
Construction in progress	903,864	860,871	3,319,330	2,781,536	4,223,194	3,642,407
Water rights	—	—	846,948	846,510	846,948	846,510
Garage rights	—	—	13,144	13,144	13,144	13,144
Intangibles	17,278	17,021	21,692	21,011	38,970	38,032
Infrastructure assets	8,495,242	8,319,747	12,909,599	12,525,609	21,404,841	20,845,356
Lease right-of-use assets	84,845	88,287	295	305	85,140	88,592
Subscription right-of-use assets	75,167	—	5,254	—	80,421	—
Less accumulated depreciation and amortization	(6,144,559)	(5,893,586)	(10,950,675)	(10,580,226)	(17,095,234)	(16,473,812)
<b>Total</b>	<b>\$ 8,954,991</b>	<b>\$ 8,774,563</b>	<b>\$ 12,921,489</b>	<b>\$ 12,195,476</b>	<b>\$ 21,876,480</b>	<b>\$ 20,970,039</b>

Major capital asset events during FY2023 included the following:

- Governmental fund activities recorded a total of \$472.0 million additions to capital assets. Of the \$472.0 million, more than \$316.6 million was added to construction in progress for drainage, roads, and other projects. In addition, the City continued to work on various projects related to disaster recoveries during FY2023. Construction in progress, after placing a total of \$273.6 million of assets in service, totaled approximately \$903.9 million as of June 30, 2023. Furthermore, the City adopted GASB Statement No. 96 as of July 1, 2022, and SBITA, net of accumulated amortization, totaled approximately \$56.2 million as of June 30, 2023.
- Business-type activities had approximately \$1.2 billion of additions to capital assets during FY2023.
  - The Airport System added approximately \$500.1 million of capital assets during FY2023, with \$488.1 million to construction in progress. Majority of the additions to construction in progress is related to the Airport System's IAH Terminal Redevelopment Program. At June 30, 2023, the Airport System had approximately \$869.1 million in construction in progress.
  - The Combined Utility added approximately \$702.6 million of capital assets during FY2023. Construction in progress increased from \$2.2 billion at the end of FY2022 to more than \$2.5 billion at the end of FY2023. The increase was mainly due to expansion work at the Northeast Water Purification Plant, which accounted for approximately \$255.7 million of the \$679.9 million additions to construction in progress. In addition, various water and sewer projects were placed in service during the year, resulting transfers totaling \$454.2 million from construction in progress to infrastructure and other capital assets.

More detailed information regarding capital assets can be found in Note 6 to the financial statements.

**Long-term debt:** The City's total debt remained stable in FY2023. At the end of FY2023, the City had total bonded debt of \$14.3 billion outstanding. The two largest portions of this total consisted of approximately \$2.0 billion debt backed by the full faith and credit of the government and \$9.9 billion of revenue bonds payable from the three enterprise funds' revenues. The remainder of the City's debt represents various long-term contracts, leases, SBITA, and \$1.4 billion in pension bonds.

New debt issued during FY2023 included borrowings from the general obligation commercial paper totaling \$148.7 million and the Airport System commercial paper totaling \$165.0 million. The proceeds were used for construction and various capital projects/purchases. The outstanding balances of the general obligation and Airport System commercial paper as of June 30, 2023, were fully refunded through the issuances of the Public Improvement and Refunding Bonds Series 2023A and the Airport System Subordinate Lien Revenue and Refunding Bonds Series 2023A. See Note 16 - Subsequent Events - to the financial statements for additional details.

**Outstanding Debt**  
**June 30, 2023**  
**(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General obligation bonds and commercial paper	\$ 2,009,950	\$ 2,121,260	\$ 350,000	\$ 185,000	\$ 2,359,950	\$ 2,306,260
Pension bonds	1,348,318	1,375,473	90,103	93,938	1,438,421	1,469,411
Special facility bonds	—	—	52,515	60,680	52,515	60,680
Revenue bonds	—	—	9,904,513	10,362,665	9,904,513	10,362,665
Notes and long-term contracts payable	28,576	28,636	430,852	441,388	459,428	470,024
Lease and subscription liabilities	126,418	83,815	3,957	123	130,375	83,938
Total	<u>\$ 3,513,262</u>	<u>\$ 3,609,184</u>	<u>\$ 10,831,940</u>	<u>\$ 11,143,794</u>	<u>\$ 14,345,202</u>	<u>\$ 14,752,978</u>



Standard & Poor's, Moody's, Fitch's and Kroll's underlying ratings of the City's obligations as of June 30, 2023, are as follows:

	<u>Standard &amp; Poor's</u>	<u>Moody's</u>	<u>Fitch's</u>	<u>Kroll</u>
General Obligation	AA	Aa3	AA	N/R
Water & Sewer System Junior Lien	AA+	Aa1	AA+	N/R
Combined Utility System First Lien	AA	Aa2	AA	N/R
Houston Airport System-Subordinate Lien	A+	A1	A+	AA-
Houston Airport System-CRCF Special Facility	A	A3	A-	N/R
Convention & Entertainment - Senior Lien	A	A2	N/R	N/R
Combined Utility System - CWA	AA	N/R	AA+	N/R

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. At June 30, 2023, total assessed valuation is approximately \$380.3 billion, and therefore, the City's debt limit is \$38.0 billion. The City's outstanding general obligation debt of \$3.2 billion as of June 30, 2023 is well below the current debt limitation.

More detailed information on long-term debt can be found in Note 8 to the financial statements.

### **Economic Factors and Next Year's Budget and Rates**

The unemployment rate for the Houston-The Woodlands-Sugarland Metropolitan Statistical Area decreased to 4.5% as of June 2023 compared to 4.8% as of June 2022 according to the U.S. Bureau of Labor Statistics. As of September 2023, the unemployment rate remained stable at 4.4% compared to June 2023.

Highlights of the fiscal year 2024 budget are as follows:

- The property tax rate was decreased to 51.9190 cents per \$100 of valuation in fiscal year 2024 ("FY2024") compared to 53.3640 cents for FY2023. While assessed property values increased for FY2024, due to the Proposition 1 restriction discussed in Note 13.A, property tax revenues cannot exceed the limit of \$1,376,663 thousand.
- Budgeted sales tax revenue decreased to \$865.6 million in FY2024. The budgeted amount for FY2024 is mainly based on the actual amount earned in FY2023 and assumes a 3% decrease from FY2023. Although inflation results higher sales tax revenue, rising interest rates have opposite effect to the revenue.
- Total expenditures and other uses increased by approximately \$120.0 million to \$2.77 billion in FY2024, primarily due to pay increases for all employee groups, including 3 percent for municipal employees, 3 percent for police, and 6 percent for fire.
- Public safety remains a top priority of the City representing \$1.6 billion or 68.1% of the total general fund expenditures, excluding debt service and other pay-as-you-go expenditures.

### **Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, Attention: Financial Reporting Division, 901 Bagby Street, Houston, Texas 77002.

**STATEMENT OF NET POSITION**  
**June 30, 2023**  
*(amounts expressed in thousands)*

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental	Business-type
<b>Assets</b>					
Cash and cash equivalents (Note 3A)	\$ 600,510	\$ 405,100	\$ 1,005,610	\$ 212,605	\$ 50,155
Investments (Note 3A)	1,503,933	1,606,086	3,110,019	389,877	57,662
Receivables, net of allowances					
Accounts receivable	150,340	299,297	449,637	42,949	9,261
Hotel occupancy tax receivable	—	32,511	32,511	—	—
Property taxes receivable	53,147	—	53,147	80,296	—
Sales taxes receivable	150,955	—	150,955	—	—
Mixed beverage taxes receivable	4,028	—	4,028	—	—
Franchise taxes receivable	9,531	—	9,531	—	—
Special assessments receivable	8,011	93	8,104	26	—
Accrued interest and other	—	—	—	2,444	1,268
Due from component units	—	23,724	23,724	—	—
Internal balances	34,303	(34,303)	—	—	—
Due from other governments	372,553	486,777	859,330	7,823	100
Inventory	24,853	21,556	46,409	—	—
Prepaid items	3,770	18,847	22,617	5,575	5,932
Notes receivable	104,864	—	104,864	—	—
Restricted:					
Cash and cash equivalents (Note 3A)	—	209,619	209,619	—	23,787
Investments (Note 3A)	—	1,575,749	1,575,749	21,575	62,945
Receivables and deposits	—	11,762	11,762	1,690	137,201
Due from component units	—	258,975	258,975	—	—
Property held for sale	—	—	—	34,340	—
Amounts held by other governments	—	14,851	14,851	—	—
Lease receivable	36,590	253,224	289,814	—	56,176
Due from primary government	—	—	—	35,792	—
Capital assets:					
Land and right-of-way	2,437,390	504,434	2,941,824	156,366	46,677
Buildings	1,487,977	3,941,621	5,429,598	172,442	932,232
Improvements and equipment	1,597,787	2,309,847	3,907,634	—	—
Construction in progress	903,864	3,319,330	4,223,194	55,093	123,590
Water rights	—	846,948	846,948	—	—
Garage rights	—	13,144	13,144	—	—
Rights and intangibles	17,278	21,692	38,970	—	—
Infrastructure assets	8,495,242	12,909,599	21,404,841	—	—
Lease right-of-use assets	84,845	295	85,140	38,197	17,252
Subscription right-of-use assets	75,167	5,254	80,421	—	—
Less accumulated depreciation and amortization	(6,144,559)	(10,950,675)	(17,095,234)	(55,219)	(338,009)
<b>Total assets</b>	<b>12,012,379</b>	<b>18,105,357</b>	<b>30,117,736</b>	<b>1,201,871</b>	<b>1,186,229</b>
<b>Deferred outflows of resources</b>					
Deferred outflows of resources	695,712	308,631	1,004,343	1,695	16,812
<b>Total deferred outflows of resources</b>	<b>\$ 695,712</b>	<b>\$ 308,631</b>	<b>\$ 1,004,343</b>	<b>\$ 1,695</b>	<b>\$ 16,812</b>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

## STATEMENT OF NET POSITION

June 30, 2023

(amounts expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental	Business-type
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 446,733	\$ 287,647	\$ 734,380	\$ 67,938	\$ 31,272
Accrued payroll liabilities	47,008	6,029	53,037	202	2,227
Cost of issuance	—	515	515	—	—
Accrued interest payable	41,939	82,216	124,155	9,555	7,609
Due to other governments	31,283	5,236	36,519	23,591	—
Other liabilities	—	—	—	57	4,261
Advances and deposits	13,305	69,755	83,060	541	—
Unearned revenue	435,071	43,389	478,460	22,746	4,732
Due to component units	—	32,949	32,949	—	—
Due to primary government	—	—	—	—	18,377
Contracts and retainages payable	—	185,666	185,666	3,917	9,609
Contracts payable - debt current maturities	—	9,200	9,200	—	—
<b>Non-current liabilities</b>					
Due within one year					
Notes payable	472	1,217	1,689	12,578	26,904
Bonds payable	200,780	438,403	639,183	46,743	—
Commercial paper	94,000	—	94,000	—	—
Claims and judgments	64,772	2,282	67,054	—	—
Compensated absences	138,277	19,001	157,278	—	—
Lease liability	5,607	45	5,652	1,754	2,577
Subscription liability	20,187	1,303	21,490	—	—
Special facility bonds payable	—	8,870	8,870	—	—
Arbitrage rebate liability	—	395	395	—	—
Pension bonds payable	29,829	4,121	33,950	—	—
Due in more than one year					
Notes payable	28,104	13,583	41,687	111,304	485,309
Bonds payable	1,533,770	9,466,110	10,999,880	774,076	—
Claims and judgments	142,748	6,703	149,451	—	—
Compensated absences	435,199	17,614	452,813	1,359	—
Contracts payable	—	406,852	406,852	—	—
Special facility bonds payable	—	43,645	43,645	—	—
Commercial paper	181,400	350,000	531,400	—	—
Due to other governments	—	11,518	11,518	—	—
Unearned revenue	—	368,840	368,840	—	6,628
Lease liability	64,151	18	64,169	31,164	7,846
Subscription liability	36,473	2,591	39,064	—	—
Arbitrage rebate liability	23	471	494	—	—
Accrued interest payable	—	62,007	62,007	—	—
Other liabilities	—	—	—	11,486	17,256
SWAP liability	—	123,043	123,043	—	—
Pension obligation bonds payable	1,318,489	85,982	1,404,471	—	—
Other post employment benefits liability	1,578,305	195,661	1,773,966	—	—
Municipal net pension liability	1,133,680	466,497	1,600,177	—	11,069
Firefighter's net pension liability	58,411	—	58,411	—	—
Police officers' net pension liability	683,716	—	683,716	—	—
<b>Total liabilities</b>	<b>8,763,732</b>	<b>12,819,375</b>	<b>21,583,107</b>	<b>1,119,011</b>	<b>635,676</b>
<b>Deferred inflows of resources</b>					
Deferred inflows of resources	1,538,715	405,288	1,944,003	6,006	73,282
<b>Total deferred inflows of resources</b>	<b>1,538,715</b>	<b>405,288</b>	<b>1,944,003</b>	<b>6,006</b>	<b>73,282</b>
<b>Net position</b>					
Net investment in capital assets	6,891,601	2,890,574	9,782,175	256,356	357,454
Restricted net position					
Restricted for debt service	146,883	582,546	729,429	93,819	6,000
Restricted for renewal and replacement	—	10,000	10,000	—	—
Restricted for maintenance and operations	—	180,240	180,240	3,961	—
Restricted for others' capital improvement	—	55,143	55,143	—	—
Restricted for capital improvement	26,184	868,817	895,001	26,228	—
Other restricted	761,361	—	761,361	91,647	82,944
Unrestricted (deficit)	(5,420,385)	602,006	(4,818,379)	(393,462)	47,685
<b>Total net position (deficit)</b>	<b>\$ 2,405,644</b>	<b>\$ 5,189,326</b>	<b>\$ 7,594,970</b>	<b>\$ 78,549</b>	<b>\$ 494,083</b>

\* The notes to the basic financial statements are an integral part of this statement \*

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2023**  
*(amounts expressed in thousands)*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government	\$ 431,174	\$ 77,817	\$ 240,001	\$ —
Public safety	1,455,215	181,793	86,652	—
Public works	413,454	239,223	97,265	138,253
Health	246,163	25,002	174,126	—
Housing and community development	208,397	—	212,454	—
Parks and recreation	122,018	11,278	2,403	34,655
Library	54,954	1,221	1,846	—
Interest and fiscal charges	118,251	—	—	—
Unallocated depreciation expense	179,465	—	—	—
<b>Total governmental activities</b>	<b>3,229,091</b>	<b>536,334</b>	<b>814,747</b>	<b>172,908</b>
<b>Business-type activities</b>				
Airport System	649,909	685,076	50,230	37,087
Convention & Entertainment Facilities	120,981	10,398	—	—
Combined Utility System	1,136,470	1,503,982	9,435	201,164
<b>Total business-type activities</b>	<b>1,907,360</b>	<b>2,199,456</b>	<b>59,665</b>	<b>238,251</b>
<b>Total primary government</b>	<b>\$ 5,136,451</b>	<b>\$ 2,735,790</b>	<b>\$ 874,412</b>	<b>\$ 411,159</b>
<b>Component Units</b>				
Governmental	\$ 348,310	\$ 37,821	\$ 56,397	\$ 22,163
Business-type	254,204	199,729	87,798	—
<b>Total component units activities</b>	<b>\$ 602,514</b>	<b>\$ 237,550</b>	<b>\$ 144,195</b>	<b>\$ 22,163</b>

**General Revenues and Transfers:**

Taxes:

- Property taxes levied for general purposes/tax increments
- Property taxes levied for debt service
- Industrial assessments tax
- Sales tax
- Franchise tax
- Mixed beverage tax
- Hotel occupancy tax
- Investment income (loss)
- Other
- Gain (loss) on disposal of asset

Transfers

- Total general revenues and transfers
- Change in net position
- Net position beginning, as previously reported
- Prior period adjustment
- Net position, beginning, as restated
- Net position, ending

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Governmental	Business-type	
\$ (113,356)	\$ —	\$ (113,356)	\$ —	\$ —	
(1,186,770)	—	(1,186,770)	—	—	
61,287	—	61,287	—	—	
(47,035)	—	(47,035)	—	—	
4,057	—	4,057	—	—	
(73,682)	—	(73,682)	—	—	
(51,887)	—	(51,887)	—	—	
(118,251)	—	(118,251)	—	—	
(179,465)	—	(179,465)	—	—	
(1,705,102)	—	(1,705,102)	—	—	
—	122,484	122,484	—	—	
—	(110,583)	(110,583)	—	—	
—	578,111	578,111	—	—	
—	590,012	590,012	—	—	
(1,705,102)	590,012	(1,115,090)	—	—	
—	—	—	(231,929)	—	
—	—	—	—	33,323	
—	—	—	(231,929)	33,323	
1,001,878	—	1,001,878	245,569	—	
335,250	—	335,250	—	—	
28,021	—	28,021	—	—	
893,905	—	893,905	—	—	
148,605	—	148,605	—	—	
24,013	—	24,013	—	—	
18,118	104,853	122,971	19,386	—	
33,999	87,945	121,944	16,430	(2,783)	
71,786	85,928	157,714	17,395	16,561	
(2,326)	(2,550)	(4,876)	—	—	
55,918	(55,918)	—	—	—	
2,609,167	220,258	2,829,425	298,780	13,778	
904,065	810,270	1,714,335	66,851	47,101	
1,501,579	4,379,056	5,880,635	7,537	447,044	
—	—	—	4,161	(62)	
1,501,579	4,379,056	5,880,635	11,698	446,982	
\$ 2,405,644	\$ 5,189,326	\$ 7,594,970	\$ 78,549	\$ 494,083	

\* The notes to the basic financial statements are an integral part of this statement \*

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2023**  
*(amounts expressed in thousands)*

	General	Debt Service	Capital Projects
<b>Assets</b>			
Cash and cash equivalents	\$ 143,417	\$ 23,475	\$ 54,866
Investments	438,257	148,717	333,739
Receivables, net of allowances			
Accounts receivable	124,270	—	1
Property taxes receivable	53,147	—	—
Sales taxes receivable	150,955	—	—
Mixed beverage taxes receivable	4,028	—	—
Franchise taxes receivable	9,531	—	—
Special assessments receivable	8,011	—	—
Lease receivable	36,590	—	—
Due from other funds	67,351	—	11,698
Due from other governments	26,051	—	22,784
Inventory	21,310	—	—
Prepaid items	2,874	—	896
Notes receivable	—	—	2,400
Total assets	<u>\$ 1,085,792</u>	<u>\$ 172,192</u>	<u>\$ 426,384</u>
<b>Liabilities and fund balance</b>			
Liabilities			
Accounts payable	\$ 271,580	\$ 144	\$ 77,676
Accrued payroll liabilities	42,161	—	—
Due to other funds	8,366	—	21,209
Due to other governments	12,935	—	1,373
Advances and deposits	7,354	—	—
Claims and judgments	2,274	—	—
Compensated absences	4,357	—	—
Unearned revenue	—	—	160,793
Total liabilities	<u>349,027</u>	<u>144</u>	<u>261,051</u>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources	186,510	—	—
Total deferred inflows of resources	<u>186,510</u>	<u>—</u>	<u>—</u>
<b>Fund balances</b>			
Non-Spendable			
Prepays	2,874	—	896
Inventory	21,310	—	—
Restricted	1,153	172,048	24,122
Committed	14,994	—	—
Assigned	—	—	140,315
Unassigned	509,924	—	—
Total fund balances	<u>550,255</u>	<u>172,048</u>	<u>165,333</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,085,792</u>	<u>\$ 172,192</u>	<u>\$ 426,384</u>

\* The notes to the basic financial statements are an integral part of this statement \*

ARPA Fiscal Recovery Fund	Grants	Nonmajor Governmental Funds	Total
\$ 259,149	\$ 18,222	\$ 87,693	\$ 586,822
—	—	502,944	1,423,657
—	1,608	24,458	150,337
—	—	—	53,147
—	—	—	150,955
—	—	—	4,028
—	—	—	9,531
—	—	—	8,011
—	—	—	36,590
11	281	652	79,993
—	251,965	71,739	372,539
—	752	2,791	24,853
—	—	—	3,770
—	98,518	3,946	104,864
<u>\$ 259,160</u>	<u>\$ 371,346</u>	<u>\$ 694,223</u>	<u>\$ 3,009,097</u>

\$ 4,763	\$ 65,830	\$ 25,879	\$ 445,872
355	1,776	2,658	46,950
—	6,676	5,773	42,024
—	15,224	1,751	31,283
—	290	5,661	13,305
—	—	—	2,274
—	—	148	4,505
247,417	24,069	—	432,279
<u>252,535</u>	<u>113,865</u>	<u>41,870</u>	<u>1,018,492</u>

—	66,018	15,928	268,456
—	66,018	15,928	268,456

—	—	—	3,770
—	752	2,791	24,853
6,625	190,711	549,223	943,882
—	—	84,411	99,405
—	—	—	140,315
—	—	—	509,924
<u>6,625</u>	<u>191,463</u>	<u>636,425</u>	<u>1,722,149</u>
<u>\$ 259,160</u>	<u>\$ 371,346</u>	<u>\$ 694,223</u>	

**Amounts reported in the Statement of Net Position are different because:**

1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,954,991
2. Revenues earned but not available are not recognized as revenues on the fund financial statements	169,541
3. Deferred inflows and outflows related to pension and debt are not recognized on the fund financial statements	(744,088)
4. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Capital assets are included in number 1.	43,729
5. Liabilities, including bonds payable, not due and payable in the current period are not reported in the funds	(7,740,678)
Net position of governmental activities	<u>\$ 2,405,644</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2023**  
*(amounts expressed in thousands)*

	General	Debt Service	Capital Projects
<b>Revenues</b>			
Taxes and assessments	\$ 2,402,440	\$ —	\$ —
Licenses and permits	34,333	—	—
Charges for services	172,901	—	—
Intergovernmental - grants	209,228	—	57,867
Fines and forfeitures	20,689	—	—
Contributions	500	—	—
Investment income (loss)	8,373	3,044	3,028
Other	19,273	417	13,330
Total revenues	<u>2,867,737</u>	<u>3,461</u>	<u>74,225</u>
<b>Expenditures</b>			
Current			
General government	295,132	—	9,478
Public safety	1,572,391	—	13,756
Public works	235,064	—	5,718
Health	57,141	—	4,503
Housing and community development	1,070	—	152
Parks and recreation	85,184	—	5,675
Library	48,190	—	1,321
Retiree benefits	12,612	—	—
Capital outlay	61,135	—	228,941
Debt Service			
Debt service principal	24,570	270,745	—
Debt service interest	3,362	138,761	—
Debt service fiscal agent & fees	—	2,740	—
Total expenditures	<u>2,395,851</u>	<u>412,246</u>	<u>269,544</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>471,886</u>	<u>(408,785)</u>	<u>(195,319)</u>
<b>Other financing sources (uses)</b>			
Issuance of debt	25,000	38,700	85,000
Issuance of debt for leases and SBITA	36,891	—	—
Sale of capital assets	5,815	—	—
Transfers in	72,192	392,638	147,176
Transfers out	(482,188)	—	(3,738)
Total other financing sources (uses)	<u>(342,290)</u>	<u>431,338</u>	<u>228,438</u>
Changes in fund balance	129,596	22,553	33,119
Fund balances, July 1	420,659	149,495	132,214
<b>Fund balances, June 30</b>	<u>\$ 550,255</u>	<u>\$ 172,048</u>	<u>\$ 165,333</u>

\* The notes to the basic financial statements are an integral part of this statement \*



ARPA Fiscal Recovery Fund	Grants	Nonmajor Governmental Funds	Total
\$ —	\$ —	\$ 46,864	\$ 2,449,304
—	—	84,074	118,407
—	—	184,436	357,337
44,035	441,648	119,824	872,602
—	—	10,256	30,945
—	—	—	500
6,151	(707)	12,670	32,559
—	3	37,218	70,241
<u>50,186</u>	<u>440,944</u>	<u>495,342</u>	<u>3,931,895</u>
3,530	17,092	82,040	407,272
23,461	31,166	51,649	1,692,423
3,735	8,316	158,830	411,663
—	145,025	37,149	243,818
—	205,612	13	206,847
444	1,346	10,472	103,121
1,782	136	—	51,429
—	—	—	12,612
11,083	26,471	29,912	357,542
—	60	—	295,375
—	646	—	142,769
—	—	520	3,260
<u>44,035</u>	<u>435,870</u>	<u>370,585</u>	<u>3,928,131</u>
<u>6,151</u>	<u>5,074</u>	<u>124,757</u>	<u>3,764</u>
—	—	—	148,700
—	—	—	36,891
—	—	21	5,836
—	399	93,553	705,958
—	(4,591)	(159,523)	(650,040)
—	(4,192)	(65,949)	247,345
6,151	882	58,808	251,109
474	190,581	577,617	1,471,040
<u>\$ 6,625</u>	<u>\$ 191,463</u>	<u>\$ 636,425</u>	<u>\$ 1,722,149</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of  
Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2023  
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	251,109
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation of \$335,303 and net disposal of assets of \$8,194 was less than the increase in capital assets of \$472,005 in the current period. For capital outlay, the Statement of Revenues, Expenditures and Changes in Fund Balance is \$357,542 of which \$36,967 is related to right of use assets which were offset by proceeds from financing related to leases and subscriptions. The City also recorded donated capital assets of \$172,908 which is recorded as capital contributions in the Statement of Activities.</p>		
		136,995
<p>Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.</p>		
		169,541
<p>Generally, governmental funds report revenue when cash is actually received, or is expected 60 days after the close of the fiscal year. Cash received during the period relates to prior periods.</p>		
		(137,852)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, as expenditures, the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		138,850
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Governmental funds report payments as expenditures in the period of disbursement. The liquidation of long-term liabilities previously accrued should not be reported in the statement of activities.</p>		
		326,242
<p>Internal service funds are used by management to charge the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.</p>		
		19,180
Change in net position of governmental activities	<u>\$</u>	<u>904,065</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**

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**PROPRIETARY FUNDS**  
**Statement of Net Position**  
**June 30, 2023**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 119,296	\$ 14,067	\$ 271,737
Investments	71,589	49,503	1,484,994
Receivables, net of allowances			
Accounts receivable	10,745	13	288,539
Hotel occupancy tax receivable	—	32,511	—
Special assessments receivable	—	—	93
Due from component units	—	23,724	—
Due from other funds	559	—	9
Due from other governments	57,726	—	7,387
Inventory	2,428	—	19,128
Prepaid items	7,997	—	8,262
Lease receivable	12,235	1,456	—
Restricted assets			
Cash and cash equivalents	209,582	—	37
Restricted accounts receivable	11,762	—	—
Investments	93,507	—	—
Total current assets	<u>597,426</u>	<u>121,274</u>	<u>2,080,186</u>
<b>Noncurrent Assets</b>			
Investments	10,532	35,061	64,604
Due from component units	—	258,975	—
Prepaid items	150	—	2,438
Lease asset receivable	235,744	3,789	—
Due from other governments	—	—	421,664
Amounts held by other governments	—	—	14,851
Restricted assets			
Investments	1,372,045	—	—
Total noncurrent restricted assets	<u>1,372,045</u>	<u>—</u>	<u>—</u>
<b>Capital assets</b>			
Land	214,457	93,860	196,117
Buildings	3,173,385	566,148	202,088
Improvements and equipment	2,101,279	8,409	200,160
Infrastructure	563,260	334	12,346,005
Construction in progress	869,080	—	2,450,250
Intangibles	21,692	—	—
Water rights	—	—	846,948
Garage rights	—	13,144	—
Lease right-of-use assets	295	—	—
Subscription right-of-use assets	5,254	—	—
Less accumulated depreciation and amortization	<u>(3,751,302)</u>	<u>(355,690)</u>	<u>(6,843,683)</u>
Net capital assets	<u>3,197,399</u>	<u>326,205</u>	<u>9,397,885</u>
Total noncurrent assets	<u>4,815,870</u>	<u>624,030</u>	<u>9,901,442</u>
<b>Total assets</b>	<u>5,413,296</u>	<u>745,304</u>	<u>11,981,628</u>
<b>Deferred outflows of resources</b>			
Deferred outflows of resources	38,591	1,455	268,585
Total deferred outflows of resources	<u>\$ 38,591</u>	<u>\$ 1,455</u>	<u>\$ 268,585</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Business-type Activities - Enterprise Funds		Governmental Activities	
Total		Internal Service Funds	
\$	405,100	\$	13,688
	1,606,086		80,276
	299,297		3
	32,511		—
	93		—
	23,724		—
	568		—
	65,113		14
	21,556		—
	16,259		—
	13,691		—
	209,619		—
	11,762		—
	93,507		—
	<u>2,798,886</u>		<u>93,981</u>
	110,197		—
	258,975		—
	2,588		—
	239,533		—
	421,664		—
	14,851		—
	<u>1,372,045</u>		<u>—</u>
	<u>1,372,045</u>		<u>—</u>
	504,434		—
	3,941,621		963
	2,309,848		—
	12,909,599		—
	3,319,330		1,654
	21,692		—
	846,948		—
	13,144		—
	295		—
	5,254		—
	<u>(10,950,675)</u>		<u>(707)</u>
	<u>12,921,489</u>		<u>1,910</u>
	<u>15,341,342</u>		<u>1,910</u>
	<u>18,140,228</u>		<u>95,891</u>
	308,631		—
\$	<u>308,631</u>	\$	<u>—</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**PROPRIETARY FUNDS**  
**Statement of Net Position**  
**June 30, 2023**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 18,623	\$ 21	\$ 269,003
Accrued payroll liabilities	2,299	—	3,730
Accrued interest payable	42,405	4,865	34,946
Notes payable	1,217	—	—
Contracts and retainages payable	185,666	—	—
Due to other funds	609	—	37,845
Due to component units	—	32,949	—
Due to other governments	1,843	—	3,393
Special facility bonds payable	8,870	—	—
Advances and deposits	2,824	—	66,931
Contracts payable - debt current maturities	—	—	9,200
Cost of issuance payable	—	515	—
Claims and judgments	1,064	—	1,218
Compensated absences	6,887	—	12,114
Arbitrage rebate	—	—	395
Pension obligation bonds payable	—	220	3,901
Other liabilities	—	—	—
Lease liabilities	45	—	—
Subscription liability	1,303	—	—
Revenue bonds payable	119,710	26,312	292,381
Unearned revenue	43,389	—	—
<b>Total current liabilities</b>	<b>436,754</b>	<b>64,882</b>	<b>735,057</b>
<b>Noncurrent liabilities</b>			
Accrued interest payable	—	—	62,007
Revenue bonds payable	2,113,786	540,530	6,811,794
Special facility bonds payable	43,645	—	—
Claims and judgments	1,890	—	4,813
Compensated absences	8,277	—	9,337
Contracts payable	—	—	406,852
Commercial paper	350,000	—	—
Arbitrage rebate liability	—	—	471
Due to other governments	—	—	11,518
Lease liabilities	18	—	—
Subscription liabilities	2,591	—	—
Municipal net pension liability	178,211	4,879	283,407
Other post employment benefits	54,384	7,404	133,873
Notes payable	13,583	—	—
SWAP liability	—	—	123,043
Unearned revenue	—	5,151	363,689
Pension obligation bonds payable	2,006	2,569	81,407
<b>Total noncurrent liabilities</b>	<b>2,768,391</b>	<b>560,533</b>	<b>8,292,211</b>
<b>Total liabilities</b>	<b>3,205,145</b>	<b>625,415</b>	<b>9,027,268</b>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources	278,418	17,226	109,644
<b>Total deferred inflows of resources</b>	<b>278,418</b>	<b>17,226</b>	<b>109,644</b>
<b>Net position</b>			
Net investment in capital assets	591,494	27,475	2,271,605
Restricted net position			
Restricted for debt service	472,782	35,061	74,703
Restricted for renewal and replacement	10,000	—	—
Restricted for maintenance and operations	55,457	19,361	101,839
Restricted for others' capital improvement	55,143	—	—
Restricted for capital improvements	851,491	—	17,326
Unrestricted (deficit)	(68,043)	22,221	647,828
<b>Total net position</b>	<b>\$ 1,968,324</b>	<b>\$ 104,118</b>	<b>\$ 3,113,301</b>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net position of business-type activities

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Business-type Activities - Enterprise Funds		Governmental Activities	
Total		Internal Service Funds	
\$	287,647	\$	863
	6,029		60
	82,216		—
	1,217		—
	185,666		—
	38,454		83
	32,949		—
	5,236		—
	8,870		—
	69,755		—
	9,200		—
	515		—
	2,282		27,638
	19,001		237
	395		—
	4,121		—
	—		—
	45		—
	1,303		—
	438,403		—
	<u>43,389</u>		<u>2,792</u>
	<u>1,236,693</u>		<u>31,673</u>
	62,007		—
	9,466,110		—
	43,645		—
	6,703		15,000
	17,614		—
	406,852		—
	350,000		—
	471		—
	11,518		—
	18		—
	2,591		—
	466,497		—
	195,661		—
	13,583		—
	123,043		—
	368,840		—
	85,982		—
	<u>11,621,135</u>		<u>15,000</u>
	<u>12,857,828</u>		<u>46,673</u>
	<u>405,288</u>		<u>—</u>
	<u>405,288</u>		<u>—</u>
	2,890,574		1,910
	582,546		—
	10,000		—
	176,657		—
	55,143		—
	868,817		—
	<u>602,006</u>		<u>47,308</u>
\$	<u>5,185,743</u>	\$	<u>49,218</u>
\$	<u>3,583</u>		
\$	<u>5,189,326</u>		

\* The notes to the basic financial statements are an integral part of this statement \*

**PROPRIETARY FUNDS**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2023**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Operating Revenues</b>			
Landing area fees	\$ 92,601	\$ —	\$ —
Terminal space rentals	234,751	—	—
Parking	117,460	8,877	—
Concession	107,691	—	—
Other	7,744	—	—
Rental	—	1,521	—
Water/Sewer billing	—	—	1,503,982
Health benefit premiums	—	—	—
Total operating revenue	560,247	10,398	1,503,982
<b>Operating Expenses</b>			
Administrative costs	—	—	—
Claims costs	—	—	—
Maintenance and operating	400,956	85,544	578,050
Depreciation and amortization	170,922	12,844	289,362
Total operating expenses	571,878	98,388	867,412
Operating income (loss)	(11,631)	(87,990)	636,570
<b>Nonoperating revenues (expenses)</b>			
Investment income (loss)	38,706	9,491	39,748
Hotel occupancy tax	—	104,853	—
Other revenue	9,911	307	75,709
Gain (loss) on disposal of assets	405	—	(2,955)
Interest expense	(78,655)	(22,706)	(269,535)
Cost of issuance	—	—	(550)
CARES grant	50,230	—	—
Passenger facility charges	108,754	—	—
Contributions	—	—	9,435
Customer facility charges	16,075	—	—
Special facility cost	(283)	—	—
Total nonoperating revenues (expenses)	145,143	91,945	(148,148)
Income (loss) before capital contributions and transfers	133,512	3,955	488,422
Capital contributions	37,087	—	201,164
Transfers out	—	(1,522)	(54,396)
Total transfers	—	(1,522)	(54,396)
Change in net position	170,599	2,433	635,190
Total net position, July 01,	1,797,725	101,685	2,478,111
<b>Total net position, June 30,</b>	<b>\$ 1,968,324</b>	<b>\$ 104,118</b>	<b>\$ 3,113,301</b>

Change in net position  
Internal service fund activity is reported with governmental activities.  
The amount shown represents the net expense allocated to business-type activities.  
Total change in net position business-type activities

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*



Business-type Activities - Enterprise Funds	Governmental Activities
Total	Internal Service Funds
\$ 92,601	\$ —
234,751	—
126,337	—
107,691	—
7,744	914
1,521	—
1,503,982	—
—	408,989
<u>2,074,627</u>	<u>409,903</u>
—	7,815
—	382,299
1,064,550	—
473,128	33
<u>1,537,678</u>	<u>390,147</u>
<u>536,949</u>	<u>19,756</u>
87,945	1,440
104,853	—
85,927	—
(2,550)	31
(370,896)	—
(550)	—
50,230	—
108,754	—
9,435	—
16,075	—
(283)	—
<u>88,940</u>	<u>1,471</u>
<u>625,889</u>	<u>21,227</u>
238,251	—
(55,918)	—
(55,918)	—
808,222	21,227
4,377,521	27,991
<u>\$ 5,185,743</u>	<u>\$ 49,218</u>
\$ 808,222	
2,048	
<u>\$ 810,270</u>	

\* The notes to the basic financial statements are an integral part of this statement \*

**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2023**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 561,055	\$ 10,401	\$ 1,538,751
Payments to employees	(280,257)	(251)	(218,635)
Payments to suppliers	(128,669)	(137)	(325,616)
Internal activity-payments (to) from other funds	(721)	—	(86,876)
Payments to Houston First Corporation	—	(83,183)	—
Claims paid	—	—	(2,072)
Due to(from) other governments	—	—	—
Other receipts	7,744	—	79,288
Other payments	—	—	—
Receipts from component units	—	38,467	—
Net cash provided by (used in) operating activities	<u>159,152</u>	<u>(34,703)</u>	<u>984,840</u>
<b>Cash flows from investing activities</b>			
Interest income on investments	36,188	9,676	34,826
Purchases of investments	(2,311,957)	(102,378)	(2,447,001)
Sales of investments	2,240,360	96,648	2,450,790
Net cash provided by (used in) investing activities	<u>(35,409)</u>	<u>3,946</u>	<u>38,615</u>
<b>Cash flows from capital and related financing activities</b>			
Retirement of revenue bonds	(77,700)	(33,670)	(266,695)
Lease liabilities	(48)	—	—
Subscription liabilities	3,894	—	—
Retirement of special facility bonds	(8,165)	—	—
Retirement of SECO Loans	(1,193)	—	—
Proceeds from issuance of revenue bonds	—	—	—
Retirement of subordinate lien bonds	—	—	(12,625)
Proceeds from issuance of commercial paper	165,000	—	—
Passenger facilities charges	107,285	—	—
Customer facilities charges	15,870	—	—
Retirement of Junior Lien bonds	—	—	(4,604)
Interest expense on debt	(96,256)	(30,499)	(280,369)
Proceeds from disposition of assets	—	—	2,077
Grant receipts	59,470	—	—
Retirement of contracts payable	—	—	(8,865)
Acquisition of property, plant and equipment	(405,436)	—	(645,696)
Capital contributions from other local governments	—	—	194,795
Cost of issuance on debt	—	—	(550)
Special facility cost	(283)	—	—
Net cash used in capital and related financing activities	<u>\$ (237,562)</u>	<u>\$ (64,169)</u>	<u>\$ (1,022,532)</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Business-type Activities - Enterprise Funds		Governmental Activities	
Total		Internal Service Funds	
\$	2,110,207	\$	409,984
	(499,143)		(4,439)
	(454,422)		(1,959)
	(87,597)		(1,508)
	(83,183)		—
	(2,072)		(386,877)
	—		(3)
	87,032		914
	—		2
	38,467		—
	<u>1,109,289</u>		<u>16,114</u>
	80,690		1,693
	(4,861,336)		(114,033)
	4,787,798		98,400
	<u>7,152</u>		<u>(13,940)</u>
	(378,065)		—
	(48)		—
	3,894		—
	(8,165)		—
	(1,193)		—
	—		—
	(12,625)		—
	165,000		—
	107,285		—
	15,870		—
	(4,604)		—
	(407,124)		—
	2,077		—
	59,470		—
	(8,865)		—
	(1,051,132)		(834)
	194,795		—
	(550)		—
	(283)		—
\$	<u>(1,324,263)</u>	\$	<u>(834)</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2023**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Cash flows from noncapital financing activities</b>			
Interest expense on pension obligation bonds	\$ —	\$ —	\$ (4,569)
CARES Act/CRRSAA/ARPA grants	60,625	—	—
Retirement of pension bonds	—	(210)	(3,625)
Hotel occupancy tax revenue	—	94,773	—
Transfers to debt service fund	—	—	(4,898)
Transfers to other funds	—	(1,522)	(49,497)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>60,625</b>	<b>93,041</b>	<b>(62,589)</b>
Net increase (decrease) in cash and cash equivalents	(53,194)	(1,885)	(61,669)
Cash and cash equivalents, July 01,	382,072	15,952	333,443
<b>Cash and cash equivalents, June 30,</b>	<b>\$ 328,878</b>	<b>\$ 14,067</b>	<b>\$ 271,774</b>
<b>Cash and cash equivalents</b>			
Pooled cash and cash equivalents (Note 3A)	\$ 119,296	\$ 14,067	\$ 271,737
Current restricted cash and cash equivalents (Note 3A)	209,582	—	37
<b>Total cash and cash equivalents, June 30,</b>	<b>\$ 328,878</b>	<b>\$ 14,067</b>	<b>\$ 271,774</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (11,631)	\$ (87,990)	\$ 636,570
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	170,922	12,844	289,362
Changes in assets and liabilities			
Accounts receivable	(5,904)	—	(38,899)
Other revenues (expenses)	—	—	79,288
Due from other funds	136	—	2,656
Due from/to component unit	—	39,600	—
Receipts from other governments	—	—	—
Inventory and prepaid items	(877)	—	(6,601)
Lease receivable	22,507	1,738	—
Accounts payable	6,895	(44)	(12,660)
Accrued payroll liabilities	(2,281)	—	(4,721)
Due to (from) other funds	(857)	—	6,642
Advances and deposits	34	—	7,492
Due from other governments	—	—	1,738
Claims and judgments-workers' compensation	730	—	(803)
Compensated absences	884	—	(109)
Other current liabilities	9,339	—	—
Other post employment benefits	(865)	1,292	(11,769)
Pension obligation payable	(11,128)	(408)	(26,094)
Unearned revenue	—	(291)	—
Deferred inflows - leases	(18,752)	(1,444)	—
Other long-term liabilities	—	—	62,748
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 159,152</b>	<b>\$ (34,703)</b>	<b>\$ 984,840</b>
<b>Non cash transactions</b>			
Capital additions included in liabilities	\$ (185,666)	\$ —	\$ (45,327)
Amortization of premium and discount	(20,216)	(6,873)	(30,078)
Unrealized gain (loss) on investments	2,518	(185)	4,923
Donated capital	—	—	(23,249)
CAB accretion interest	—	—	7,462
Gain (loss) on disposal of assets	405	—	(2,955)

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Business-type Activities - Enterprise Funds		Governmental Activities	
Total		Internal Service Funds	
\$	(4,569)	\$	—
	60,625		—
	(3,835)		—
	94,773		—
	(4,898)		—
	(51,019)		—
	91,077		—
	(116,748)		1,340
	731,467		12,348
<u>\$</u>	<u>614,719</u>	<u>\$</u>	<u>13,688</u>
\$	405,100	\$	13,688
	209,619		—
<u>\$</u>	<u>614,719</u>	<u>\$</u>	<u>13,688</u>
\$	536,949	\$	19,756
	473,128		33
	(44,803)		(2)
	79,288		—
	2,792		40
	39,600		—
	—		—
	(7,478)		2
	24,245		—
	(5,809)		(3,897)
	(7,002)		(141)
	5,785		(41)
	7,526		—
	1,738		(3)
	(73)		(681)
	775		50
	9,339		—
	(11,342)		—
	(37,630)		—
	(291)		998
	(20,196)		—
	62,748		—
<u>\$</u>	<u>1,109,289</u>	<u>\$</u>	<u>16,114</u>
\$	(230,993)	\$	—
	(57,167)		—
	5,143		(253)
	(23,249)		—
	7,462		—
	(2,550)		39

\* The notes to the basic financial statements are an integral part of this statement \*

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2023**  
*(amounts expressed in thousands)*

	<b>Pension Trust Funds</b>	<b>Private-Purpose Trust Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 160,331	\$ 336
Investments		
Investments held by trust	—	6,710
Other fixed income securities	2,775,039	—
Commingled equity funds	2,312,346	—
Common and preferred stock	3,706,824	—
Real estate, partnerships and alternatives	6,336,092	—
Short-term investment funds	1,057,548	—
Invested securities lending collateral	252,182	—
Receivables, net of allowances		
Accounts receivable	14,205	—
Contributions	11,257	—
Accrued interest and dividends	22,394	—
Other receivable	8,370	—
Other Assets	13,704	—
Land	5,805	—
Building	2,813	—
Lease right-of-use assets, net of accumulated amortization	2,534	—
Total assets	16,681,444	7,046
<b>Liabilities</b>		
Accounts payable	9,497	—
Security lending collateral	252,182	—
Foreign funds contracts payable	7,759	—
Lease liabilities	2,534	—
Other liabilities	10,094	—
Total liabilities	282,066	—
<b>Net position</b>		
Restricted net position for		
Pensions	16,399,378	—
Individuals and organizations	—	7,046
Total net position	\$ 16,399,378	\$ 7,046

\* The notes to the basic financial statements are an integral part of this statement \*

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2023**  
*(amounts expressed in thousands)*

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Fund</u>
<b>Additions</b>		
Contributions:		
City of Houston	\$ 437,285	\$ —
Plan members	118,972	—
Total contributions	<u>556,257</u>	<u>—</u>
Investment earnings		
Interest and dividends	197,214	601
Net increase in the fair value of investments	778,505	66
Total investment income	<u>975,719</u>	<u>667</u>
Less investment expense	<u>(28,402)</u>	<u>—</u>
Net investment income	<u>947,317</u>	<u>667</u>
Total additions	<u>1,503,574</u>	<u>667</u>
<b>Deductions</b>		
Benefits	1,000,904	—
Refund of contributions	4,962	—
Administrative expense	15,503	—
Total deductions	<u>1,021,369</u>	<u>—</u>
Change in net position	<u>482,205</u>	<u>667</u>
Total net position restricted, July 01	<u>15,917,173</u>	<u>6,379</u>
Total net position restricted, June 30	<u>\$ 16,399,378</u>	<u>\$ 7,046</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL**  
**Combining Statement of Net Position**  
**June 30, 2023**  
*(amounts expressed in thousands)*

	<b>Houston Forensic Science, LGC</b>	<b>Houston Parks Board LGC, Inc.</b>	<b>Lake Houston Redevelopment Authority</b>	<b>Memorial Heights Redevelopment Authority</b>	<b>Midtown Redevelopment Authority</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 2,773	\$ 21,860	\$ 27,389	\$ 433	\$ 20,858
Investments	—	—	27,329	47,567	22,189
Equity in pooled cash and investments	—	—	—	—	—
Receivables, net of allowances	—	—	—	—	—
Accounts receivable	—	1,188	—	—	—
Property taxes receivable, net	—	—	—	11,902	13,101
Special assessments receivable	—	—	—	—	—
Accrued interest and other	—	—	—	—	—
Due from primary government	1,085	1,202	7,339	—	—
Due from other governments	—	—	—	3,435	—
Property held for resale	—	—	—	—	34,340
Prepaid items	1,087	—	—	—	—
Restricted assets	—	—	—	—	—
Investments	—	—	—	—	7,306
Other receivables	—	—	—	—	—
Total current assets	<u>4,945</u>	<u>24,250</u>	<u>62,057</u>	<u>63,337</u>	<u>97,794</u>
<b>Noncurrent Assets</b>					
Restricted assets	—	—	—	—	—
Investments	—	—	—	—	—
Total noncurrent assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Capital assets</b>					
Land	—	15,916	—	—	13,948
Buildings, improvements and equipment	6,794	—	—	—	85,209
Construction in progress	1	40,518	—	—	—
Lease right-of-use assets	33,102	—	—	—	—
Less accumulated depreciation and amortization	(9,301)	—	—	—	(15,706)
Total capital assets	<u>30,596</u>	<u>56,434</u>	<u>—</u>	<u>—</u>	<u>83,451</u>
<b>Total assets</b>	<u>35,541</u>	<u>80,684</u>	<u>62,057</u>	<u>63,337</u>	<u>181,245</u>
<b>Deferred outflows of resources</b>					
Deferred outflows of resources	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	1,177	7,802	591	4,330	4,246
Accrued payroll liabilities	—	—	—	—	—
Accrued interest payable	—	—	265	210	1,345
Contracts and retainages payable	—	—	—	—	158
Notes payable	—	—	—	—	2,759
Lease payable	841	—	—	—	—
Due to other governments	—	—	—	—	—
Advances and deposits	—	—	—	—	—
Unearned revenue	—	16,417	—	—	—
Current liabilities payable from restricted assets	—	—	—	—	—
Bonds payable	—	—	—	880	3,985
Account held for others	—	—	—	—	—
Total current liabilities	<u>2,018</u>	<u>24,219</u>	<u>856</u>	<u>5,420</u>	<u>12,493</u>
<b>Noncurrent liabilities</b>					
Notes payable	—	—	20,632	22,099	8,326
Bonds payable	—	—	48,686	39,949	72,151
Lease payable	30,740	—	—	—	—
Other liabilities	—	—	—	—	—
Compensated absences	1,359	—	—	—	—
Total Noncurrent liabilities	<u>32,099</u>	<u>—</u>	<u>69,318</u>	<u>62,048</u>	<u>80,477</u>
<b>Total liabilities</b>	<u>34,117</u>	<u>24,219</u>	<u>70,174</u>	<u>67,468</u>	<u>92,970</u>
<b>Deferred inflows of resources</b>					
Deferred inflows of resources	—	—	—	—	6,006
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,006</u>
<b>Net position</b>					
Net investment in capital assets	(985)	56,434	—	—	68,923
Restricted net position	—	—	—	—	—
Restricted for debt service	—	—	2,501	1,929	13,128
Restricted for maintenance and operations	—	—	—	—	—
Restricted for capital improvements	—	—	—	—	5
Other restricted	—	—	—	—	44,580
Unrestricted (deficit)	2,409	31	(10,618)	(6,060)	(44,367)
Total net position (deficit)	<u>\$ 1,424</u>	<u>\$ 56,465</u>	<u>\$ (8,117)</u>	<u>\$ (4,131)</u>	<u>\$ 82,269</u>

\* The notes to the basic financial statements are an integral part of this statement \*



Uptown Development Authority	Nonmajor Component Units	Total
\$ 66,055	\$ 73,237	\$ 212,605
—	292,792	389,877
—	41,761	42,949
—	55,293	80,296
—	26	26
924	1,520	2,444
—	26,166	35,792
134	4,254	7,823
—	—	34,340
1,282	3,206	5,575
—	3,838	11,144
—	1,690	1,690
<u>68,395</u>	<u>503,783</u>	<u>824,561</u>
—	10,431	10,431
—	10,431	10,431
17,101	109,401	156,366
30,568	49,871	172,442
—	14,574	55,093
—	5,095	38,197
(9,221)	(20,991)	(55,219)
<u>38,448</u>	<u>157,950</u>	<u>366,879</u>
106,843	672,164	1,201,871
1,520	175	1,695
<u>1,520</u>	<u>175</u>	<u>1,695</u>
24,146	25,646	67,938
—	202	202
3,283	4,452	9,555
—	3,759	3,917
906	8,913	12,578
—	913	1,754
9,077	14,514	23,591
—	541	541
1,939	4,390	22,746
24,048	17,830	46,743
—	57	57
<u>63,399</u>	<u>81,217</u>	<u>189,622</u>
7,178	53,069	111,304
287,779	325,511	774,076
—	424	31,164
—	11,486	11,486
—	—	1,359
<u>294,957</u>	<u>390,490</u>	<u>929,389</u>
<u>358,356</u>	<u>471,707</u>	<u>1,119,011</u>
—	—	6,006
—	—	6,006
22,396	109,588	256,356
43,661	32,600	93,819
—	3,961	3,961
—	26,223	26,228
—	47,067	91,647
(316,050)	(18,807)	(393,462)
<u>\$ (249,993)</u>	<u>\$ 200,632</u>	<u>\$ 78,549</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2023**  
 (amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Houston Forensic Science LGC, Inc.
<b>Component Units</b>					
Houston Forensic Science LGC, Inc.	\$ 30,943	\$ —	\$ 31,870	\$ —	\$ 927
Houston Park Board LGC, Inc.	20,544	26,693	—	7,039	—
Lake Houston Redevelopment Authority	18,533	—	—	—	—
Memorial Heights Redevelopment Authority	47,239	—	9,537	—	—
Midtown Redevelopment Authority	21,048	—	—	—	—
Uptown Development Authority	53,476	—	—	13,662	—
Nonmajor component units	156,527	11,128	14,990	1,462	—
<b>Total component units</b>	<u>\$ 348,310</u>	<u>\$ 37,821</u>	<u>\$ 56,397</u>	<u>\$ 22,163</u>	<u>927</u>
<b>General Revenues:</b>					
Taxes					
Property Taxes - general purposes / tax increments					
Hotel occupancy tax					
Unrestricted investment earnings (loss)					
Other					
<b>Total general revenues and transfers</b>					
Change in net position					
Net position (deficit), beginning					
Prior period adjustments					
Net position (deficit), ending					

\* The notes to the basic financial statements are an integral part of this statement \*

Net (Expense) Revenue and Change in Net Position						
Houston Park Board LGC, Inc.	Lake Houston Redevelopment Authority	Memorial Heights Redevelopment Authority	Midtown Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 927
13,188	—	—	—	—	—	13,188
—	(18,533)	—	—	—	—	(18,533)
—	—	(37,702)	—	—	—	(37,702)
—	—	—	(21,048)	—	—	(21,048)
—	—	—	—	(39,814)	—	(39,814)
—	—	—	—	—	(128,947)	(128,947)
13,188	(18,533)	(37,702)	(21,048)	(39,814)	(128,947)	(231,929)
—	21,435	12,528	28,494	47,551	135,561	245,569
—	—	—	—	—	19,386	19,386
—	1,803	1,801	1,146	1,024	10,656	16,430
—	9,460	—	1,566	—	6,142	17,395
—	32,698	14,329	31,206	48,575	171,745	298,780
13,188	14,165	(23,373)	10,158	8,761	42,798	66,851
43,277	(22,282)	19,242	72,111	(251,879)	146,798	7,537
—	—	—	—	(6,875)	11,036	4,161
\$ 56,465	\$ (8,117)	\$ (4,131)	\$ 82,269	\$ (249,993)	\$ 200,632	\$ 78,549

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**

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**DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE**  
**Combining Statement of Net Position**  
**June 30, 2023**  
*(amounts expressed in thousands)*

	Houston First Corporation	Houston Housing Finance Corp	Houston Zoo, Inc.	Total Component Units
<b>ASSETS</b>				
Cash	\$ 25,771	\$ 20,511	\$ 3,873	\$ 50,155
Investments	—	—	57,662	57,662
Receivables, net of allowances				
Accounts receivable	7,437	749	1,075	9,261
Accrued interest and other	—	1,268	—	1,268
Prepaid items	4,478	33	1,421	5,932
Lease receivable	2,042	—	—	2,042
Restricted assets				
Investments	32,822	—	—	32,822
Other receivables	14,231	127	50,946	65,304
Due from other governments - grants	—	100	—	100
Total current assets	<u>86,781</u>	<u>22,788</u>	<u>114,977</u>	<u>224,546</u>
Noncurrent Assets				
Restricted cash and cash equivalents	5,478	4,016	14,293	23,787
Investments	26,441	—	3,682	30,123
Receivable and deposits	59,738	12,159	—	71,897
Lease receivable	54,134	—	—	54,134
Total noncurrent assets	<u>145,791</u>	<u>16,175</u>	<u>17,975</u>	<u>179,941</u>
Capital Assets				
Land	14,824	31,853	—	46,677
Buildings, improvements and equipment	656,011	56,069	220,152	932,232
Construction in progress	22,214	13,045	88,331	123,590
Lease right-of-use assets	16,780	—	472	17,252
Less accumulated depreciation and amortization	(232,348)	(12,643)	(93,018)	(338,009)
Capital assets, net	<u>477,481</u>	<u>88,324</u>	<u>215,937</u>	<u>781,742</u>
Total assets	<u>710,053</u>	<u>127,287</u>	<u>348,889</u>	<u>1,186,229</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources	16,812	—	—	16,812
Total deferred outflows of resources	<u>16,812</u>	<u>—</u>	<u>—</u>	<u>16,812</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	25,381	2,735	3,156	31,272
Accrued payroll liabilities	—	—	2,227	2,227
Accrued interest payable	7,609	—	—	7,609
Contracts and retainages payable	—	—	9,609	9,609
Due to primary government	18,377	—	—	18,377
Notes payable	18,925	1,359	6,620	26,904
Lease payable	2,372	—	205	2,577
Other liabilities - current	1,342	801	2,118	4,261
Unearned revenue	337	—	4,395	4,732
Total current liabilities	<u>74,343</u>	<u>4,895</u>	<u>28,330</u>	<u>107,568</u>
Long-term liabilities				
Notes payable	411,295	47,764	26,250	485,309
Lease payable	7,572	—	274	7,846
Unearned revenue	6,376	252	—	6,628
Net pension liability	11,069	—	—	11,069
Other liabilities - noncurrent	16,080	1,176	—	17,256
Total noncurrent liabilities	<u>452,392</u>	<u>49,192</u>	<u>26,524</u>	<u>528,108</u>
Total liabilities	<u>526,735</u>	<u>54,087</u>	<u>54,854</u>	<u>635,676</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources	54,079	19,203	—	73,282
Total deferred inflows of resources	<u>54,079</u>	<u>19,203</u>	<u>—</u>	<u>73,282</u>
<b>NET POSITION</b>				
Investment in capital assets	136,840	38,026	182,588	357,454
Restricted net position				
Restricted for debt service	6,000	—	—	6,000
Other restricted	5,479	—	77,465	82,944
Unrestricted (deficit)	(2,268)	15,971	33,982	47,685
Total net position	<u>146,051</u>	<u>53,997</u>	<u>294,035</u>	<u>494,083</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 726,865</u>	<u>\$ 127,287</u>	<u>\$ 348,889</u>	<u>\$ 1,203,041</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2023**  
*(amounts expressed in thousands)*

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Component Units</b>			
Houston First Corporation	\$ 191,721	\$ 145,792	\$ 74,217
Houston Housing Finance Corp.	8,491	415	—
Houston Zoo, Inc.	53,992	53,522	13,581
Totals	<u>\$ 254,204</u>	<u>\$ 199,729</u>	<u>\$ 87,798</u>

**General Revenues:**

Unrestricted investment earnings

Other

**Total general revenues and transfers**

Change in net position

Net position, beginning of year

Cumulative effect of change in accounting principle

Net position, end of year

\* The notes to the basic financial statements are an integral part of this statement \*

<b>Net (Expense) Revenue and Change in Net Position</b>				
<b>Houston First Corporation</b>	<b>Houston Housing Finance Corp.</b>	<b>Houston Zoo, Inc.</b>	<b>Total</b>	
\$ 28,288	\$ —	\$ —	\$	28,288
—	(8,076)	—		(8,076)
—	—	13,111		13,111
<u>28,288</u>	<u>(8,076)</u>	<u>13,111</u>		<u>33,323</u>
2,877	1,648	(7,308)		(2,783)
6,794	5,523	4,244		16,561
<u>9,671</u>	<u>7,171</u>	<u>(3,064)</u>		<u>13,778</u>
37,959	(905)	10,047		47,101
108,092	54,902	284,050		447,044
—	—	(62)		(62)
<u>\$ 146,051</u>	<u>\$ 53,997</u>	<u>\$ 294,035</u>	<u>\$</u>	<u>494,083</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**

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Hermann Park

# NOTES TO FINANCIAL STATEMENTS

**Notes to Financial Statements:**

In 1914, Houston-born oilman and philanthropist, George H. Hermann, gifted the City 278 acres of land for use as a park. Between 1922 and 1924, the City purchased an additional 122 acres, growing to what is now considered one of the nation's preeminent urban parks. With more than six million annual visitors, Hermann Park is home to the Houston Zoo, the Miller Outdoor Theatre and Hermann Park Golf Course, among other attractions.

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Houston, Texas (the “City”) was incorporated under the laws of the Republic of Texas in 1837 and again under the laws of the State of Texas in 1905. The City operates under a Home Rule Charter with a Mayor-Council form of government and provides the following services as authorized or required by its charter: public safety (police and fire), highways and streets, sanitation, water, airports, health services, culture-recreation, storm drainage, solid waste disposal, planning and inspection, civil defense, public improvements, and general administrative services, including pension and other benefits for its employees.

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board (“GASB”), which establishes combined statements at the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

The significant accounting policies of the City are as follows:

**A. Principles Used in Determining the Reporting Entity for Financial Reporting Purposes**

The accompanying financial statements include the City and all of its component units, collectively referred to as “the financial reporting entity”. In accordance with GASB Statement No. 14 and GASB Statement No. 61, the component units have been included in the City’s reporting entity because of the significance of their operational and financial relationships with the City. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City’s ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

Component units are related organizations to the primary government. They are legally separate, independently audited, and are incorporated into the City’s Annual Comprehensive Financial Report (“ACFR”). Factors for determining if an entity should be treated as a component unit of a primary government are as follows:

- Fiscal dependency: does the primary government appoint a voting majority of the governing body
- Financial benefit or burden relationship or the ability for the primary government to impose its will
- Financial presentation: the potential that exclusion would result in misleading financial reporting

There are 2 classifications of component units: blended and discretely presented.

A blended component unit functions, for all practical purposes, as an integral part of the primary government, much like a department. The following criteria is utilized to determine if a component unit is blended:

- Substantively the same governing body and a financial benefit or burden relationship exists
- Substantively the same governing body and operational responsibility falls with the primary government
- (Almost) exclusive service or benefit to the primary government itself rather than its citizens
- Total debt of the component unit repayable (almost) entirely from resources of the primary government

If a component unit does not function as an integral part of the primary government, it is reported as a discretely presented component unit.

**B. Basis of Presentation - Financial Reporting Entity**

**1. Component Units**

Most component units of the City issue separately audited financial statements and are reported in this ACFR. Additional information is available by contacting the entities at the addresses shown herein.

All component units of the City have the same fiscal year end as the City, June 30, except the following component units, which have December 31 year end: Houston First Corporation, Houston Housing Finance Corporation, Houston Zoo Inc., Miller Theatre Advisory Board Inc., Greater Houston Convention and Visitors Bureau Inc., and Houston Arts Alliance.

The City has two blended component units, and they are incorporated into the financial statements of the City.

<b>Blended Component Units</b>	<b>Brief Description of Activities, Relationship to the City and Key Inclusion Criteria</b>
<p><b><i>TechConnect Houston</i></b>  <b><i>900 Bagby St.</i></b>  <b><i>4th Floor</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Created on June 13, 2022, TechConnect Houston (“TechConnect”) has a four-member board of directors, appointed by the Mayor. This public, 501(c)(3) non-profit corporation, is organized and operated exclusively for charitable and education purposes, for the use and benefit of the City in its efforts to provide digital equity and technological opportunities for the underserved youth in the City. The programs are offered at various Houston Parks and Recreation centers. TechConnect received \$1,050 private contributions for the fiscal year ended June 30, 2023, and the contributions received are reported in the Park Special Revenue Fund.</p> <p><b>Reporting Fund:</b> Park Special Revenue Fund</p>
<p><b><i>Houston Spaceport Development Corporation</i></b>  <b><i>16930 JFK Boulevard</i></b>  <b><i>Houston, TX 77032</i></b></p>	<p>Created on September 15, 2021, Houston Spaceport Development Corporation (“HSDC”) has a seven-member board of directors, including the Director of Aviation of Houston Airport System, which is appointed by the Mayor. This corporation is responsible for managing and promoting the development of Houston Spaceport as well as applying for funds under the Texas Spaceport Trust Fund. During the year ended June 30, 2023, HSDC did not have any financial activities and had no impact to the operating results of the Airport System Fund.</p> <p><b>Reporting Fund:</b> Airport System Fund</p>

Following are the City's fiduciary component units:

<b>Fiduciary Component Units</b>	<b>Brief Description of Activities, Relationship to the City and Key Inclusion Criteria</b>
<p><b><i>Houston Firefighters' Relief and Retirement Fund ("HFRRF")</i></b>  <b><i>4225 Interwood North Parkway</i></b>  <b><i>Houston, TX 77032</i></b></p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired City of Houston firefighters. One member of the Board is either the Mayor or an appointed representative, five members are elected by active firefighters, one member is elected by retired firefighters, two members are citizen representatives, and one member is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p><b>Reporting Fund:</b> Houston Firefighters' Relief and Retirement Pension Trust Fund.</p>
<p><b><i>Houston Municipal Employees Pension System ("HMEPS")</i></b>  <b><i>1201 Louisiana, Suite 900</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired municipal (non-classified) employees of the City. One member of the Board is appointed by the Mayor, one member of the Board is appointed by the City Controller, four are elected by active employees, two are elected by retirees, one is appointed by the elected trustees and two are appointed by the governing body of the City. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p><b>Reporting Fund:</b> Houston Municipal Employees' Pension Trust Fund.</p>
<p><b><i>Houston Police Officers' Pension System ("HPOPS")</i></b>  <b><i>602 Sawyer, Suite 300</i></b>  <b><i>Houston, TX 77007</i></b></p>	<p>Responsible for administration, management, and operation of the pension system solely for active and retired police officers of the City. One member of the Board is appointed by the Mayor, three are elected by employees, two are elected by retirees, and one is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p><b>Reporting Fund:</b> Houston Police Officers' Pension Trust Fund.</p>

Discretely presented component units, both business-type and governmental, are reported in separate columns in the government-wide financial statements of the City. Discretely presented component units are classified as major and minor component units. Whether a given component unit is major depends on the nature and significance of its relationship to the primary government as follows:

- It is essential that financial statement users have separate information on the component unit because of the type of services it provides to citizens.
- The component unit is engaged in significant transactions with the primary government.
- There is a significant financial benefit or burden relationship with the primary government.

Major discretely presented component units, both business-type and governmental, are reported in detail within combining statements included as part of the basic financial statements. Non-major discretely presented component units are summarized in one column within said combining statements.

Following are the City's discretely presented business-type component units: (\* indicates a major designation)

<b>Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<p><b><i>*Houston First Corporation 701 Avenida de las Americas Houston, TX 77010</i></b></p>	<p>On June 1, 2011, City of Houston City Council approved the consolidation of the City's Convention &amp; Entertainment Facilities Department's operations into the Hotel Corporation ("Consolidation"), effective July 1, 2011, in order to bring various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as Houston First Corporation ("HFC"), which assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. The City appoints a voting majority of HFC's board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.</p>
<p><b><i>*Houston Housing Finance Corporation 9545 Katy Freeway, Suite 105 Houston, TX 77024</i></b></p>	<p>Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate-income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><b><i>*Houston Zoo, Inc 1513 Cambridge Street Houston, TX 77030</i></b></p>	<p>Houston Zoo, Inc. ("HZI") is a 501(c)(3) non-profit corporation and has a contract with Houston Zoo Development Corporation to operate the Zoo. The Mayor may appoint up to 20% of the Board of Directors of HZI. Houston Zoo Development Corporation ("HZDC") is a local government corporation that leases the zoo from the City. The lease provides for the City to make payments in support of capital and operating expenses over the lease term, which it makes available to HZI. The City appoints a voting majority to the HZI board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.</p>



Following are the City's discretely presented governmental component units: (\* indicates a major designation)

<b>Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<p><b><i>City Park Redevelopment Authority c/o Hawes Hill and Assoc, LLP P.O. Box 22167 Houston, TX 77227-2167</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the City Park Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood northwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><b><i>East Downtown Redevelopment Authority 711 Louisiana Street, Suite 2300 Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the East Downtown Tax Increment Zone Board in the redevelopment of a blighted neighborhood east of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p>
<p><b><i>Fifth Ward Redevelopment Authority c/o Fifth Ward Community Redevelopment Corporation 4300 Lyons Avenue, Suite 300 Houston, TX 77020</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fifth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p><b><i>Fourth Ward Redevelopment Authority 410 Pierce Street, Suite 355 Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fourth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p>
<p><b><i>Greater Greenspoint Redevelopment Authority 12257 Kuykendahl Houston, TX 77067</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Greater Greenspoint Tax Increment Reinvestment Zone Board in the redevelopment of the Greenspoint Mall and a blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>

<b>Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<p><b><i>Greater Houston Convention and Visitors Bureau</i></b>  <b><i>701 Avenida De Las Americas</i></b>  <b><i>Houston, TX 77010</i></b></p>	<p>A non-profit organization established in 1963. Prior to July 1, 2014 the organization was funded by both private sector memberships and a portion of the hotel occupancy tax. Subsequent to July 1, 2014 it is funded by only private sector memberships. Their mission is to improve the economy of Greater Houston by attracting conventions, tourists and film projects to the area through sales and marketing efforts. The City has financial accountability because there is a fiscal dependence on the City and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><b><i>Gulfgate Redevelopment Authority</i></b>  <b><i>c/o Bracewell LLP</i></b>  <b><i>711 Louisiana Street, Suite 2300</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and a blighted adjacent neighborhood southeast of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p>
<p><b><i>Harrisburg Redevelopment Authority</i></b>  <b><i>c/o Hawes Hill &amp; Associates, LLP</i></b>  <b><i>9610 Long Point Rd., Suite 150</i></b>  <b><i>Houston, TX 77055</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Harrisburg Tax Increment Reinvestment Zone Board in the redevelopment of the East End area of Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p>
<p><b><i>Hiram Clarke/Fort Bend Redevelopment Authority</i></b>  <b><i>14083 South Main Street</i></b>  <b><i>Houston, TX 77035</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Hiram Clarke/Fort Bend Tax Increment Reinvestment Zone Board in the redevelopment of the Hiram Clarke area of Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p>
<p><b><i>Houston Area Library Automated Network</i></b>  <b><i>Houston Central Library</i></b>  <b><i>500 McKinney Street</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Provides review and guidance to the operation, funding and development of the Houston Area Library Automated Network, which provides library services to Houston and surrounding communities. Three members are appointed by City Council, two by the County, and one elected by the smaller libraries. The City does appoint a voting majority, and is financially accountable for this organization because HALAN is fiscally dependent on the City for revenues, allowing the City the ability to impose its will.</p>
<p><b><i>Houston Arts Alliance</i></b>  <b><i>5280 Caroline Street</i></b>  <b><i>Houston, TX 77004</i></b></p>	<p>A 501(c)(3) non-profit corporation with a mission to enhance the city's quality of life through advancing and investing in the arts and diverse cultural programming. The Alliance awards grants, provides arts-related services and manages portions of the City's Civic Art Program. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.</p>

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><b><i>Houston BARC Foundation c/o City of Houston, Administration and Regulatory Affairs Department 611 Walker Street, 13<sup>th</sup> Floor Houston, TX 77002</i></b></p>	<p>A 501(c)(3) non-profit corporation with a mission to enhance the City's quality of life through advancing and investing in the care and humane treatment of animals. The Foundation solicits funds, gifts, and bequests for use at BARC. It promotes awareness to Houston area residents on responsible pet ownership, and the humane treatment of all animals. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><b><i>Houston Civic Events, Inc 901 Bagby Street, 1<sup>st</sup> Floor Houston, TX 77002</i></b></p>	<p>A 501(c)(3) non-profit, local government corporation and component unit created specifically to support the City's Civic Celebration Program. Under the existing structure, donations and sponsorship revenues received by the Mayor's Office of Special Events are currently housed with two component units, Houston Parks Board, Inc. and Central Houston Civic Improvement, Inc. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><b><i>Houston Downtown Park Corporation 1500 McKinney Street Houston, TX 77010</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to aid and act on behalf of the City to accomplish the City's governmental purpose of providing for the acquisition, development, operation, and maintenance of a new public park, open space and related amenities and facilities to provide recreational, educational and tourism opportunities within, and beautification of the Central Business District of the City. Additionally, the corporation maintains an enterprise fund to account for the activities of the Discovery Green Parking Garage. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><b><i>*Houston Forensic Science Center, Inc. 500 Jefferson Street, 13<sup>th</sup> Floor Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide forensic science services previously provided by the Houston Police Department. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><b><i>Houston Land Bank c/o City of Houston, Housing and Community Department 1919 Decatur Houston, TX 77007</i></b></p>	<p>The Houston Land Bank ("HLB") formerly known as Land Assemblage Redevelopment Authority is a 13-member board appointed by the Mayor, City Council, Harris County and the Houston Independent School District. The HLB is organized for the purpose of aiding, assisting and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City and in undertaking and completing one or more projects, as may be defined or determined by the City Council. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</p>

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><b>Houston Media Source</b>  <b>410 Roberts Street</b>  <b>Houston, TX 77003</b></p>	<p>A non-profit organization organized to coordinate and develop all public and educational cable access activities within the City of Houston. Funding is provided by Public and Educational, and Government Access ("PEG") payments made to the City by cable operators under the City's cable franchises with respect to the annual support of the PEG Channels for the support of public, educational, and governmental access programming. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.</p>
<p><b>*Houston Parks Board LGC, Inc</b>  <b>300 N. Post Oak Lane</b>  <b>Houston, TX 77024</b></p>	<p>Acquires land for and develops and improves new and existing public parks and open spaces and advises the Mayor and City Council on park acquisitions and improvements. These activities provide a direct benefit to the City. The Houston Parks Board administers and manages the LGC's business operations and grants privately raised funds to the LGC in support of its purpose. LGC board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, the LGC's assets revert to the City. There is a potential that exclusion of the LGC would result in misleading financial reporting.</p>
<p><b>Houston Public Library Foundation</b>  <b>Houston Central Library</b>  <b>550 McKinney Street</b>  <b>Houston, TX 77002</b></p>	<p>A 501(c)(3) non-profit corporation that solicits and manages funds raised privately for library improvements and advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. There is a potential that exclusion would result in misleading financial reporting.</p>
<p><b>Houston Recovery Center, LGC</b>  <b>150 North Chenevert Street,</b>  <b>Suite 100</b>  <b>Houston, TX 77002</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide management of the Houston Center for Sobriety. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial burden to the City, allowing the City to impose its will.</p>
<p><b>*Lake Houston Redevelopment Authority</b>  <b>c/o TIFWorks, LLC</b>  <b>P.O. Box 10330</b>  <b>Houston, TX 77206</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist Tax Increment Reinvestment Zone 10 Board in the redevelopment of the Lake Houston area. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b>Lamar Terrace Public Improvement District</b>  <b>City of Houston</b>  <b>P. O. Box 1562</b>  <b>Houston, TX 77251</b></p>	<p>Special tax district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City, allowing the City to impose its will.</p>

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><b>Leland Woods Redevelopment Authority I</b>  <b>c/o Bracewell, LLP</b>  <b>711 Louisiana Street, Suite 2300</b>  <b>Houston, TX 77002-2770</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><b>Leland Woods Redevelopment Authority II</b>  <b>c/o Bracewell, LLP</b>  <b>711 Louisiana, Suite 2300</b>  <b>Houston, TX 77002-2770</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City, Leland Woods Redevelopment Authority and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><b>Main Street Market Square Redevelopment Authority</b>  <b>909 Fannin, Suite 1650</b>  <b>Houston, TX 77010</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Main St./Market Square Tax Increment Reinvestment Zone Board in the redevelopment of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b>Memorial City Redevelopment Authority</b>  <b>c/o Hawes Hill &amp; Associates, LLP</b>  <b>P.O. Box 22167</b>  <b>Houston, TX 77227-2167</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and the Town &amp; Country Mall areas west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b>*Memorial-Heights Redevelopment Authority</b>  <b>c/o John Kuhl, Attorney</b>  <b>SKLaw</b>  <b>1980 Post Oak Boulevard,</b>  <b>Suite 1380</b>  <b>Houston, TX 77056</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial Heights Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b>*Midtown Redevelopment Authority</b>  <b>410 Pierce Street, Suite 355</b>  <b>Houston, TX 77002</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Midtown Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<p><b>Miller Theatre Advisory Board, Inc</b>  <b>6000 Hermann Park Drive</b>  <b>Houston, TX 77030-1702</b></p>	<p>A 501(c)(3) non-profit corporation with a mission to act as a steward of public and private funds to provide professional-caliber performances, free to the public, at the Miller Outdoor Theatre for the cultural enrichment of Houston's diverse communities and visitors to this great city. Miller Outdoor Theatre is owned by the City and the Board awards grants to various artistic and performing groups for performances at Miller Outdoor Theatre. The City has financial accountability because the directors are appointed by the Mayor and approved by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.</p>
<p><b>Montrose Redevelopment Authority</b>  <b>c/o Knudson, LP</b>  <b>Zone Administrator</b>  <b>8588 Katy Freeway, Suite 441</b>  <b>Houston, TX 77024</b></p>	<p>Montrose Redevelopment Authority ("Montrose RA") was set up as a local government corporation pursuant to provisions of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. Montrose RA is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number Twenty-Seven and neighboring areas and to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. Montrose RA may issue bonds with consent of City Council. Montrose RA is managed by a board of directors consisting of seven members who are appointed by the Mayor with the approval of City Council.</p>
<p><b>Near Northside Redevelopment Authority</b>  <b>c/o Bracewell LLP</b>  <b>711 Louisiana Street, Suite 2300</b>  <b>Houston, TX 77002-2770</b></p>	<p>A local government corporation established by the City of Houston in 2009 in accordance with Chapter 311 of the Texas Tax Code. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p>
<p><b>Old Sixth Ward Redevelopment Authority</b>  <b>c/o City of Houston, Mayor's Office of Economic Development</b>  <b>901 Bagby Street, 4<sup>th</sup> Floor</b>  <b>Houston, TX 77002</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, and the City has investment authority for the Authority's assets.</p>
<p><b>OST/Almeda Corridors Redevelopment Authority</b>  <b>3131 Emancipation Avenue</b>  <b>Suite 225</b>  <b>Houston, TX 77004</b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Almeda Corridors Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>

<b>Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<p><b><i>Saint George Place Redevelopment Authority</i></b>  <b><i>c/o Hawes Hill &amp; Associates, LLP</i></b>  <b><i>P.O. Box 22167</i></b>  <b><i>Houston, TX 77227-2167</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the St. George Place Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood in southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council. The operations provide financial benefits to the City and the City has investment authority for the Authority's assets.</p>
<p><b><i>South Post Oak Redevelopment Authority</i></b>  <b><i>c/o City of Houston, Mayor's Office of Economic Development 901 Bagby Street, 4<sup>th</sup> Floor</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the South Post Oak Tax Increment Reinvestment Zone Board in the development of an affordable housing project in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, and the operations provide financial benefits to the City.</p>
<p><b><i>Southwest Houston Redevelopment Authority</i></b>  <b><i>c/o Hawes Hill &amp; Associates, LLP</i></b>  <b><i>P.O. Box 22167</i></b>  <b><i>Houston, TX 77227-2167</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Southwest Houston Tax Increment Reinvestment Zone Board (TIRZ 20) in the redevelopment of the Sharpstown Mall and adjacent neighborhoods southwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b><i>Sunnyside Redevelopment Authority</i></b>  <b><i>3200 Southwest Freeway Suite 2600</i></b>  <b><i>Houston, TX 77027</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Sunnyside Tax Increment Reinvestment Zone Board in the redevelopment of the neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b><i>Upper Kirby Redevelopment Authority</i></b>  <b><i>3120 Southwest Freeway, Suite 102</i></b>  <b><i>Houston, TX 77098</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Upper Kirby Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b><i>*Uptown Development Authority</i></b>  <b><i>1980 Post Oak Boulevard, Suite 1700</i></b>  <b><i>Houston, TX 77056</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Uptown Tax Increment Reinvestment Zone Board in the redevelopment of the Galleria Mall area, west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>

## 2. Related Organizations

The following entities are related organizations to which the City appoints board members but for which the City has no significant financial accountability. Some of these organizations are Access Houston Cable Corporation, Coastal Water Authority, Employees Deferred Compensation Plan, Harris County–Houston Sports Authority, Metropolitan Transit Authority of Harris County, Houston Clean City Commission, and the Miller Theatre Advisory Council. All transactions with these related organizations are conducted in the ordinary course of business. Further financial information is available from the respective organizations.

## C. Basis of Presentation

### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity between governmental funds has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable and is a financial burden/benefit.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized on the basis of funds, each of which is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balance/net position, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The type and purpose of funds are described below.

### Fund Accounting

#### 1. The City reports the following major governmental funds:

- a. **General Fund** - is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Debt Service Fund** - is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of tax supported debt.
- c. **Capital Projects Fund** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of public improvement bonds and from special assessments.
- d. **ARPA Fiscal Recovery Fund** - The ARPA Fiscal Recovery Fund is used to receive funds from the U.S. Department of the Treasury to be used for the response efforts relating to local fiscal recovery from the COVID-19 pandemic pursuant to the American Rescue Plan Act of 2021. Based on management judgement, the ARPA Fiscal Recovery Fund is particularly important to financial statement users due to its significance; therefore, this fund is being reported as a major fund. Even though, this fund is a sub-fund of the Grants Fund.



- e. **Grants Fund** - is used to account for grant resources received from various local, state and federal sources. The use of these resources is restricted to a particular function of the City by each grantor.

**2. The City reports the following major enterprise funds:**

- a. **Airport System Fund (the "Airport System")** - is used to account for the operations of the City's Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.
- b. **Convention and Entertainment Facilities Fund (the "Convention and Entertainment")** - is used to account for the operations of the City's major entertainment facilities, outdoor venues, and parking garages and surface lots. These assets include, but are not limited to, the following: George R. Brown Convention Center, Gus S. Wortham Center, Jesse H. Jones Hall, Talento Bilingue de Houston, Jones Plaza, and Theater District parking garages.
- c. **Combined Utility System Fund (the "Combined Utility")** – is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

**3. The City reports the following additional funds:**

- a. **Nonmajor Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than identified major fund) that are legally restricted to expenditures for specific purposes.
- b. **Internal Service Funds** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.
- c. **Fiduciary Fund Types** - are used to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governmental units. These include the following:
  - (1) **Pension Trust Funds** - are used to account for the assets held in trust for the members and beneficiaries of the City's three defined benefit pension plans.
  - (2) **Private-Purpose Trust Fund** – is used to account for assets held in a trust of the Houston Foundation which is dedicated to providing benefits to recipients in accordance with the benefit terms. The Houston Foundation was created by City ordinance on March 22, 1915, as a general-purpose charity trust and is administered by an outside board of directors. The City's Finance Director serves as the treasurer of the board in accordance with the ordinance. Additions to the trust consist of individual donor contributions and investment income. Distributions from the fund, primarily to external/eligible 501(c)(3) organizations, may be made for humanitarian needs of the people of Houston.

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements display information about the City as a whole. Government-wide statements exclude both fiduciary funds and fiduciary component units. The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions". Program revenues include (1) amounts received from those who purchase, use, or directly benefit from a program, (2) amounts received from parties outside the City of Houston's citizenry that are restricted to one or more specific programs, and (3) earnings on investments that are legally restricted for a specific program. Program revenue is divided into three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current period. Expenditures are recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Claims, judgments, and compensated absences are recognized when matured.

The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: property taxes, including delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; mixed beverage tax; franchise fees; fines and forfeitures; ambulance receipts; and investment earnings. Intergovernmental revenue from reimbursable grants and capital projects is recognized when the related expenditure is incurred. See Note 5 for dates and additional disclosures related to property tax.

All governmental funds and certain component units are accounted for using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheets of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables and are reported as deferred inflows of resources.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Proprietary funds, fiduciary funds of the primary government, and certain component units are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position.

All proprietary funds define operating revenues and expenses consistent with the precepts of GASB Statement No. 9, paragraphs 16 – 19 and 31: cash receipts from customers, cash receipts from interfund services provided and used with other funds and other operating cash receipts. All other revenues or expenses recognized are non-operating.

All proprietary and fiduciary funds use the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and compensated absences, are recognized when they are incurred.

When restricted and unrestricted resources are available to cover expenses, unrestricted resources are first applied. Administrative overhead charges are included in direct program expenses.

In accordance with GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", paragraphs 114-123, the City utilizes the percentage-of-completion method for a long-term construction contract when estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable.

## E. Assets and Liabilities

### 1. Deposits and Investments

Substantially all cash, except for imprest accounts, is deposited with financial institutions in non-interest-bearing accounts. The City's deposit account is considered as a non-interest-bearing account. Instead of receiving interest on the accounts, the City receives the "Earnings Credit Rate". The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. All cash and investments are displayed on the statement of net position as "Cash and cash equivalents" and "Investments" and in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

Investments are carried at fair value as defined in GASB Statement No. 72, "Fair Value Measurement and Application". Consistent with GASB Statement No. 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note 3 to the financial statements. Similar disclosure for debt held by the City at fair values is disclosed in Note 8.C.14 to the financial statements. The fiduciary and discretely presented component units separately invest their funds and report investments pursuant to their respective investment policies described in their separately audited financial statements.

"Cash and cash equivalents" and "Investments" are further split into current and non-current in accordance with GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements".

The City considers all highly liquid debt securities with a maturity date of three months or less to be cash equivalents.

Investments authorized by the City's investment policy, which is guided by state laws and city ordinances, generally include: obligations of the United States of America or its agencies and instrumentalities; fully-collateralized certificates of deposit from City Council-approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions; no-load money market mutual funds registered and regulated by the Securities and Exchange Commission; corporate commercial paper; fully collateralized repurchase agreements; and reverse repurchase agreements within specific terms.

### 2. Inventories of Materials and Supplies

With the exception of fuel, inventories are carried at the average cost in government-wide, proprietary and governmental funds. Inventories are presented under the consumption method. These inventories include: automobile parts, chemical and medical supplies, uniforms and their accessories, vaccines and office supplies. Fuel is carried at the lower of market or replacement cost.

### 3. Capital Assets

#### a. Governmental Funds and Governmental Activities - Property, Plant, Equipment, and Infrastructure

Capital assets are defined by the general government as assets with an initial cost of \$5,000 or more, and an estimated useful life in excess of one fiscal year. The costs of maintenance and repairs that do not significantly add to the utility of an asset, or materially extend its useful life beyond its initially estimated useful life are not capitalized.

Capital asset valuation is based on historical costs if purchased or constructed, or based on estimated historical costs if original costs are not available - such as for the costs of infrastructure acquired prior to fiscal year 1981. Donated capital assets are recorded at acquisition value on the dates of donation.

General governmental capital acquisition and construction charges for land; buildings and improvements; improvements other than buildings; machinery and equipment; construction in progress; and infrastructure (e.g., storm drainage, streets and bridges) are reflected as capital outlay expenditures in the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances. Capitalizable expenditures are reported also as capital assets in the Governmental Activities column of the government-wide Statement of Net Position.

During any construction phase, capitalizable outlays are reported as construction-in-progress on the government-wide Statement of Net Position. There is no depreciation expense for this class of capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life</u>
Buildings and improvements	Range from 20 to 45 years
Improvements other than buildings	Range from 15 to 30 years
Machinery	Range from 5 to 20 years
Equipment	Range from 3 to 15 years
Storm drainage	Range from 40 to 50 years
Streets	Range from 6 to 50 years
Bridges	Range from 20 to 50 years

**b. Enterprise Funds – Property, Plant, and Equipment**

Property, plant, and equipment owned by the enterprise funds are stated at cost or estimated historical cost if original cost is not available. Construction costs (excluding land and equipment) are added to work-in-progress until the assets are substantially complete. At that point, the project is moved to the appropriate asset category and depreciation begins. Land and equipment costs are added to the capital asset base in the year of acquisition. Depreciation on equipment begins in the year of acquisition.

Depreciation is computed using the straight-line method on the composite asset base over the estimated useful lives as follows:

<u>Assets</u>	<u>Useful Life</u>
Airport System Facilities	Range from 3 to 50 years
Convention & Entertainment Facilities	Range from 5 to 45 years
Combined Utility Facilities	Range from 5 to 50 years

Water rights and conveyance system rights of the Combined Utility are not amortized. Garage rights of the Convention and Entertainment are amortized over the life of the related contracts. These rights are reported as capital assets. Land use and navigation easements of the Airport System are not amortized.

**c. Leases**

Leases are defined by the general government as the right to use an underlying asset. As a lessee, the City recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease that have a term exceeding one year and the cumulative future payments on the contract exceeding \$100,000, unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the incremental borrowing rate or the weighted average cost of capital, which approximate the incremental borrowing rate. Re-measurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The City calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

As a lessor, the City recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflows of resources at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflows of resources will be reduced and will include a gain or loss for the difference.

For lease contracts that are short-term, the City recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contracts. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases between the Airport System and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASB Statement No. 87, paragraph 43, the Airport System recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies described above do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note 9.

**d. Subscription Based Information Technology Arrangements**

SBITA assets are defined by the general government as the right to use vendor-provided information technology ("IT") with access to vendors' IT assets. The City recognizes a subscription liability and an intangible subscription right-of-use asset at the beginning of the subscription term that have a term exceeding one year and the cumulative future payments on the contract exceed \$100,000 unless the contract is considered a short-term SBITA. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Re-measurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

#### 4. Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and prepaid bond insurance costs are amortized over the term of the bonds using the effective interest or straight-line amortization method. Gains or losses on refundings are reported as deferred inflows or outflows, respectively, and are amortized over the term of the lesser of the new bonds or the refunded bonds using the straight-line or effective interest method. Debt issuance costs are recognized as expenditures/expenses when incurred.

#### F. Deferred Outflows and Inflows of Resources

In accordance with GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," the City reports deferred outflows of resources in the Statement of Net Position in a separate section following assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following liabilities.

The components of the deferred outflows of resources and deferred inflows of resources are as follows (in thousands):

	Business Type Activities				Total
	Governmental Activities	Houston Airport System	Convention & Entertainment	Combined Utility System	
<b>Deferred Outflows of Resources:</b>					
Municipal pension activities	\$ 11,829	\$ 11,588	\$ 51	\$ 2,957	\$ 26,425
Police pension activities	165,016	-	-	-	165,016
Firefighter's pension activities	216,283	-	-	-	216,283
Deferred outflows of resources for pensions	<u>393,128</u>	<u>11,588</u>	<u>51</u>	<u>2,957</u>	<u>407,724</u>
OPEB activities - long-term disability	2,317	232	-	407	2,956
OPEB activities - health benefits	270,666	9,276	1,261	22,747	303,950
Unamortized refunding costs/SWAP liability	29,601	17,495	143	242,474	289,713
<b>Total Deferred Outflows of Resources</b>	<u>\$ 695,712</u>	<u>\$ 38,591</u>	<u>\$ 1,455</u>	<u>\$ 268,585</u>	<u>\$ 1,004,343</u>
<b>Deferred Inflows of Resources:</b>					
Municipal pension activities	\$ (175,933)	\$ (23,861)	\$ (653)	\$ (43,532)	\$ (243,979)
Police pension activities	(188,856)	-	-	-	(188,856)
Firefighter's pension activities	(292,739)	-	-	-	(292,739)
Deferred inflows of resources for pensions	<u>(657,528)</u>	<u>(23,861)</u>	<u>(653)</u>	<u>(43,532)</u>	<u>(725,574)</u>
OPEB activities - health benefits	(777,893)	(26,446)	(3,675)	(65,483)	(873,497)
OPEB activities - long term disability	(3,577)	(358)	-	(629)	(4,564)
Property tax and other unavailable revenues	(65,091)	-	-	-	(65,091)
Unamortized cost on refunded debt	-	-	(7,839)	-	(7,839)
Leases (as lessor)	(34,626)	(227,753)	(5,059)	-	(267,438)
<b>Total Deferred Inflows of Resources</b>	<u>\$ (1,538,715)</u>	<u>\$ (278,418)</u>	<u>\$ (17,226)</u>	<u>\$ (109,644)</u>	<u>\$ (1,944,003)</u>

In the fund financial statements, revenues that have met the eligibility criteria for future years except for the time availability have been reclassified from liabilities to deferred inflows of resources. In the government-wide financial statements, the unamortized loss on refunding has been reclassified from long-term debt to deferred outflows of resources.

## G. Fund Balances and Budget Stabilization Arrangements

### 1. Fund Balance Descriptions

- a. **Non-spendable** - indicates that portion of a fund balance that cannot be spent because they are either:
  - 1) not in spendable form (such as inventories and prepaid amounts); or
  - 2) legally or contractually required to be maintained intact.
- b. **Restricted** - indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either:
  - 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
  - 2) imposed by law through constitutional provisions or enabling legislation.
- c. **Committed** – refers to that portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council. The same formal action is required to remove the limitation.
- d. **Assigned** – indicates that portion of a fund balance that are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations.
- e. **Unassigned** – residual net resources as a positive balance within the general fund only.

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## 2. Fund Balance Summary

A summary of the nature and purpose of governmental fund balances at June 30, 2023, is as follows (in thousands):

	General	Debt Service	Capital Projects	Grants	ARPA	Non-Major Special Revenue Funds					Total Nonmajor	Total
						Public Safety	Public Works	Health & Housing	Parks	Other		
<b>Fund balances:</b>												
<b>Non-spendable:</b>												
Inventory	\$ 21,310	\$ -	\$ -	\$ 752	\$ -	\$ -	\$ 2,791	\$ -	\$ -	\$ -	\$ 2,791	\$ 24,853
Prepaid items	2,874	-	896	-	-	-	-	-	-	-	-	3,770
<b>Total non-spendable</b>	<b>24,184</b>	<b>-</b>	<b>896</b>	<b>752</b>	<b>-</b>	<b>-</b>	<b>2,791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,791</b>	<b>28,623</b>
<b>Restricted for:</b>												
Grants and other purposes	-	-	-	-	-	-	-	-	-	5,823	5,823	5,823
Police special purpose	453	-	-	-	-	8,339	-	-	-	-	8,339	8,792
Public transit operations	-	-	-	-	-	-	-	-	-	3,846	3,846	3,846
Affordable housing programs	-	-	-	-	-	-	-	134,358	-	-	134,358	134,358
Health services	700	-	-	190,711	6,625	-	-	-	-	49,005	49,005	247,041
Community development	-	-	-	-	-	-	-	-	162	51,756	51,918	51,918
Capital construction	-	-	24,122	-	-	-	279,047	-	-	16,887	295,934	320,056
Debt service	-	172,048	-	-	-	-	-	-	-	-	-	172,048
<b>Total restricted</b>	<b>1,153</b>	<b>172,048</b>	<b>24,122</b>	<b>190,711</b>	<b>6,625</b>	<b>8,339</b>	<b>279,047</b>	<b>134,358</b>	<b>162</b>	<b>127,317</b>	<b>549,223</b>	<b>943,882</b>
<b>Committed to:</b>												
Community development	1,292	-	-	-	-	6	-	-	1,569	471	2,046	3,338
Economic development	-	-	-	-	-	-	-	-	-	1,455	1,455	1,455
Court operations	-	-	-	-	-	1,287	-	-	-	-	1,287	1,287
Police special purpose	-	-	-	-	-	18,783	(5)	-	-	-	18,778	18,778
Emergency services	-	-	-	-	-	4,922	-	-	-	-	4,922	4,922
Capital construction	11,874	-	-	-	-	-	-	-	-	-	-	11,874
Public parks and preserves	1,828	-	-	-	-	-	1,913	-	5,705	-	7,618	9,446
Recycling programs	-	-	-	-	-	-	3,845	-	-	-	3,845	3,845
Development services	-	-	-	-	-	-	33,435	-	-	-	33,435	33,435
Health services	-	-	-	-	-	-	-	8,865	-	-	8,865	8,865
Affordable housing programs	-	-	-	-	-	-	-	-	-	98	98	98
Public transit operations	-	-	-	-	-	-	-	-	-	2,062	2,062	2,062
<b>Total committed</b>	<b>14,994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,998</b>	<b>39,188</b>	<b>8,865</b>	<b>7,274</b>	<b>4,086</b>	<b>84,411</b>	<b>99,405</b>
<b>Assigned:</b>												
Capital construction	-	-	140,315	-	-	-	-	-	-	-	-	140,315
<b>Total assigned</b>	<b>-</b>	<b>-</b>	<b>140,315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,315</b>
<b>Unassigned:</b>	<b>509,924</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>509,924</b>
<b>Total</b>	<b>\$ 550,255</b>	<b>\$ 172,048</b>	<b>\$ 165,333</b>	<b>\$ 191,463</b>	<b>\$ 6,625</b>	<b>\$ 33,337</b>	<b>\$ 321,026</b>	<b>\$ 143,223</b>	<b>\$ 7,436</b>	<b>\$ 131,403</b>	<b>\$ 636,425</b>	<b>\$ 1,722,149</b>

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications are available.



### 3. Budget Stabilization Arrangements

In accordance with the City's Financial Policies (as amended by Ordinance 2018-390) (the "Financial Policies"), the City created a Budget Stabilization Fund in an amount not less than the greater of (a) 1% of Adopted Budget General Fund expenditures (excluding debt service payments and transfers for pay-as-you-go ("PAYGO") capital expenditures) or (b) \$20 million, which may be used in accordance with the definition of the fund. Transfers necessary to meet this requirement shall occur by July 31 of each fiscal year. Any proposed use of the Budget Stabilization Fund shall be accompanied by a justification to City Council and shall require approval from two-thirds of the City Council present and voting. When an event causing use of the Budget Stabilization Fund has concluded, the City shall allocate sufficient funds by the end of the second subsequent full fiscal year to restore the Budget Stabilization Fund to at least minimum levels. Also, in accordance with the Financial Policies, the City will maintain fund balance as additional insurance against disasters, emergencies, and economic instability. The City's desired minimum unassigned fund balance for any given fiscal year is 7.5% of General Fund expenditures for that fiscal year, excluding debt service payments and transfers for PAYGO capital expenditures. These amounts are included in the General Fund's unassigned fund balance.

On February 24, 2021, Ordinance 2021-144 was passed authorizing the appropriation of \$10 million from the Budget Stabilization Fund to the Disaster Recovery Fund for immediate relief during Winter Storm Uri. During fiscal year 2022, a total of \$5 million was replenished to the Budget Stabilization Fund from Disaster Recovery Fund (Fund 5303) for Winter Storm Uri. The remaining \$5 million from Winter Storm Uri has been fully replenished in fiscal year 2023.

## H. Transfers, Revenues, Expenditures and Expenses

### 1. Interfund Transactions

A description of the four basic types of interfund transactions and the related accounting policies are as follows:

- a. Loans are reported as receivables and payables as appropriate.
- b. Charges for services are reported as revenues for the performing fund and expenditures of the requesting fund.
- c. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.
- d. All other interfund transfers, such as legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, are transfers. Transfers are classified as other financing sources or uses (or transfers for proprietary funds) in the Statement of Revenues, Expenditures (or expenses) and Changes in Fund Balances (or net position). For reporting at the government-wide financial statements level, the City eliminates direct interfund charges for services and the balances created within the same fund categories (i.e. governmental vs. business-type). This process ensures neither business-type nor governmental funds report direct internal revenue/expenditures. Interfund activity and balances resulting from transactions with the fiduciary funds are not eliminated. Instead, the fiduciary interfund activity and balances are treated as transactions with an external party. Interfund activity with discretely presented component units are handled in the same manner as fiduciary interfund activity balances. However, the discretely presented balances are reported on a separate line of the Statement of Net Position. The Internal Service Fund reports any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

## 2. Compensated Absences

Full-time civilian employees of the City are eligible for 10 days of vacation leave per year. After four years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees may accumulate up to 105 days of vacation leave or 60 days for employees with a computation date after December 31, 1999. However, upon termination or retirement, full-time civilian employees are paid a maximum of 90 days of unused vacation leave or 45 days for employees with a computation date after December 31, 1999, which is based on the average rate of pay during the employee's highest 60 days of employment. Part-time and temporary employees are not eligible for vacation or sick leave benefits. Firefighters accrue 15 to 22 days of vacation annually, based upon years of service. Police officers participate in a paid time off program that combines sick and vacation leave. Officers enter the program upon completion of their probationary period and then accrue 15 to 40 days annually, based upon years of service.

The majority of full-time civilian employees and firefighters are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses less than 16 hours of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave but will not accumulate and will not be paid out at termination. The balance of full-time civilian employees and firefighters are covered by a sick plan that was closed to employees in 1985. That plan accumulates a cash value for every sick day not used, which is payable upon resignation or retirement.

The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation and compensatory time benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

### I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### J. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. This reclassification had no effect on previously reported change in net position.

## K. Internal Service Funds

The Internal Service Funds' purpose is to measure the full cost of providing health benefits and long-term disability to City employees and dependents for the purpose of fully recovering that cost through fees or charges – employee payroll deductions and expenditures in departmental personnel budgets. Any profit (loss) during a period is credited (charged) back to participating programs. All assets and liabilities are reported in the governmental activities column of the Statement of Net Position.

## L. New Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The City has implemented GASB Statement No. 91 in this annual report.

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates". This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement are effective for reporting periods ending after December 31, 2021. The City has identified two applicable hedging derivative instruments that utilize a London Interbank Offered Rate ("LIBOR"), and the agreements were amended as of July 2023 as the LIBOR tenor ceased to be published.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This Statement establishes standards of accounting and financial reporting for Public-Public Partnerships and Availability Payment Arrangements for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The City has implemented GASB Statement No. 94 in this annual report. There was no material impact to the basic financial statements upon adoption.

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements ("SBITA") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has implemented GASB Statement No. 96 in this annual report.

In April 2022, the GASB issued Statement No. 99, "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of Statement No. 99 are effective upon issuance, while other provisions of Statement No. 99 are effective for fiscal years beginning after June 15, 2022, or 2023. The City has implemented the provisions of Statement No. 99 that are effective upon issuance in fiscal year ended June 30, 2022, and the City has implemented the provisions of GASB Statement No. 99 that are effective as of July 1, 2022, in this annual report. The City is evaluating the effect of other provisions not yet effective.

In June 2022, the GASB issued Statement No. 100, "Accounting Changes and Error Corrections – Amendment of GASB Statement No. 62". This Statement prescribes the accounting and financial reporting for (1) each type of accounting change, and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for financial statement for reporting period beginning after June 15, 2023. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

In June 2022, the GASB issued Statement No. 101, "Compensated Absences". This Statement clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

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**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Position**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental fund statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the government-wide statement of net position. Also, during the year, the City had proceeds from its general obligation commercial paper. The amount borrowed is received in the governmental funds and increases fund balance.

Balances at June 30, 2023, were (in thousands):

Deferred outflows of resources	\$ 695,712
Deferred inflows of resources	<u>(1,538,715)</u>
	<u>\$ (843,003)</u>
Internal Service Fund total assets	\$ 95,891
Internal Service Fund liabilities	(46,673)
Allocation to Proprietary Funds	<u>(3,583)</u>
	<u>\$ 45,635</u>
Bonds and notes payable	\$ (3,386,844)
Arbitrage liability	(23)
Accrued interest	(41,939)
Compensated absences not reported at the fund level	(568,734)
Claims and judgments not reported at the fund level	(162,608)
Net pension liability	(1,875,807)
Lease liability	(69,758)
Subscription liability	(56,660)
Other post employment benefits obligation	<u>(1,578,305)</u>
	<u>\$ (7,740,678)</u>

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

Proceeds from issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statement of net position, however, issuing debt increases long-term liabilities and does not affect the government-wide statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the government-wide statement of net position.

Balances at June 30, 2023, were (in thousands):

Debt issued:	
Commercial paper	\$ 148,700
	<u>148,700</u>
Repayments:	
Payment to escrow	(270,805)
	<u>(270,805)</u>
Amortization of:	
Premium	(16,745)
Net adjustment	(16,745)
Total	<u>\$ (138,850)</u>

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment is a combination of the following items (in thousands):

Property taxes earned but not available	\$ 43,051
Ambulance fees earned but not available	82,980
Fines and forfeits earned but not available	2,855
Other (primarily storm water drainage fees) earned but not available	40,655
Total revenue not reported at fund level	<u>\$ 169,541</u>
Property taxes for prior periods	\$ (42,565)
Ambulance fees for prior periods	(64,416)
Fines and forfeits for prior periods	(2,838)
Other (primarily storm water drainage fees) earned but not available	(28,033)
Total revenue for prior period transactions	<u>\$ (137,852)</u>
Accrued interest	\$ 2,751
Municipal Employees pension	104,767
Police Officers' pension	134,670
Firefighters' pension	77,027
Claims and judgments	(1,728)
Compensated absences	(39,709)
Other post employment benefits	48,487
Arbitrage liability	(23)
Total differences in accrued expenses	<u>\$ 326,242</u>

**NOTE 3: DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City’s Investment Policy (the “Investment Policy”) requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage-backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities should have a fair value of not less than 102% of the amount of the deposits collateralized thereby, adjusted by the amount of applicable depository insurance. There were no deposits with custodial risk at year end.

**Cash, Cash Equivalents, and Investments**

The City maintains a cash and investment pool (the “Pool”) that is available for use by all funds. On the Statement of Net Position, “Cash and Cash Equivalents” includes each fund’s portion of the Pool and each fund’s non-pooled cash; “Investments” represents each fund’s portion of the Pool and non-pooled investment. Participation in the Pool is limited to normal operating activities of the fund and other funds that are restricted because of statutory or contractual considerations but does not include cash on hand (petty cash and change funds), which is included in non-pooled cash. Earnings from the Pool are allocated to the funds based upon each fund’s average daily balance in the Pool. A summary of balances in pooled and non-pooled accounts as of June 30, 2023, is as follows (in thousands):

	<u>Pooled Cash and Cash Equivalents</u>	<u>Pooled Investments</u>	<u>Total Pooled Cash and Investments</u>	<u>Non-Pooled Cash</u>	<u>Non-Pooled Investments</u>	<u>Total Cash and Investments</u>
<b>Governmental Funds:</b>						
General	\$ 143,327	\$ 438,257	\$ 581,584	\$ 90	\$ —	\$ 581,674
Debt Service	23,423	141,103	164,525	53	7,614	172,192
Capital Projects	54,866	333,739	388,605	—	—	388,605
Grants	18,221	—	18,221	1	—	18,222
ARPA Fiscal Recovery	259,149	—	259,149	—	—	259,149
Non-major:						
Health and Housing	21,763	123,882	145,645	—	—	145,645
Parks and Recreation	1,257	6,954	8,211	5	—	8,215
Public Safety	5,504	29,255	34,759	—	—	34,759
Public Works	39,511	221,329	260,840	2	—	260,842
Other Special Revenue	19,652	121,524	141,176	—	—	141,176
<b>Enterprise Funds:</b>						
Airport System	275,113	1,547,673	1,822,787	53,764	—	1,876,551
Convention & Entertainment	14,067	84,564	98,631	—	—	98,631
Combined Utility	271,737	1,549,598	1,821,335	37	—	1,821,372
<b>Internal Service:</b>						
Health Benefits	12,404	72,826	85,230	—	—	85,230
Long-term Disability	1,284	7,450	8,734	—	—	8,734
<b>Fiduciary:</b>						
Private-purpose Trust	—	—	—	336	6,710	7,046
<b>Total</b>	<u>\$ 1,161,277</u>	<u>\$ 4,678,154</u>	<u>\$ 5,839,431</u>	<u>\$ 54,288</u>	<u>\$ 14,323</u>	<u>\$ 5,908,042</u>

## B. Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2023. The City held \$5.7 billion in high grade, fixed income investments in three separate investment pools, each serving a specific purpose as described below. All investments are governed by state law and the Investment Policy, which dictates the following objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investment
4. Legal Requirements

These funds are managed internally by City personnel. The investments listed in this section do not include the City's three pension funds, which are described separately in Note 3.C.

### Fair Value Measurements

To the extent available, the City's investments are recorded at fair value. GASB Statement No. 72, "Fair Value Measurement and Application," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



## 1. General Investment Pool

The General Investment Pool consists of all working capital, construction, and debt service funds not subject to yield restriction under Internal Revenue Service ("IRS") arbitrage regulations. The funds of the City's enterprise systems, as well as the general fund, are commingled in this pool to gain operational efficiency. Approximately 98.7% of the City's total pooled investable funds are held in this portfolio.

Investments As Of June 30, 2023	Credit Quality Ratings <sup>(1)(2)</sup>	Fair Value (in thousands)	WAM* (years)
U.S. Treasury Securities	AAA	\$ 2,824,414	1.5
Agency Discount Notes	AAA	247,277	0.2
Govt. Agency Securities <sup>(3)</sup>	AAA	1,034,987	1.4
Govt. Agency Securities (State of Israel Bond)	AA	9,978	0.1
Govt. Agency Securities <sup>(3)(4)</sup>	Not Rated	237,892	0.9
Govt. Mortgaged Backed Securities <sup>(3)(4)</sup>	Not Rated	160	0.6
MMF - TexSTAR Cash Reserves	AAA Short Term	268,853	—
Commercial Paper	A-1/P-1 Short Term	621,218	0.2
Municipal Securities	AAA Long Term	221,362	1.4
Municipal Securities	AA Long Term	203,713	1.6
Total Investments		\$ 5,669,854	

\*Weighted Average Maturity ("WAM") is computed using average life of mortgage-backed securities and effective maturity of callable securities.

<sup>(1)</sup> Fitch Ratings Inc. has assigned an AAA credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAA signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.

<sup>(2)</sup> All credit ratings shown are either actual Fitch ratings, or if a Fitch credit rating is not available, the equivalent Fitch credit rating is shown to represent the actual Moody's or Standard & Poor's credit rating.

<sup>(3)</sup> These are securities issued by government sponsored enterprises, including the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal National Mortgage Corporation ("Fannie Mae"), and Federal Farm Credit Bank ("Farmer Mac").

<sup>(4)</sup> These securities were issued by the Federal Home Loan Bank, Freddie Mac, Fannie Mae, and Farmer Mac. While these individual issues were not rated, senior lien debt of these entities is rated AAA.

### Risk Disclosures:

**Interest Rate Risk.** In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the Investment Policy limits this investment portfolio's WAM to 2.5 years maximum. As of June 30, 2023, this investment portfolio's WAM was 1.343 years. Modified duration was 1.305 years. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.305 years would experience approximately a 1.305% change in market price for every 100 basis point change in yield.

**Credit Risk – Investments.** The U.S. Treasury Securities and Housing and Urban Development Securities are direct obligations of the United States government. Government Agency Securities and Mortgage-backed Securities were issued by government sponsored enterprises but are not direct obligations of the U.S. Government. The Money Market Mutual Funds were rated AAA. Municipal Securities were rated at least AA. The Investment Policy limits investments in the General Investment Pool to high quality securities with maximum maturity of five years for all U.S. Treasuries, Government Agency, and Municipal Securities except for Government Mortgaged-backed Securities which can have maximum maturity of 15 years. Certificates of Deposit maximum maturity is two years, and Commercial Paper maximum maturity is 365 days. The General Investment Pool maximum sector exposure are as follow: U.S. Treasuries up to 100%; Government Agency Securities up to 85% with maximum exposure to any one Agency issuer is 35%; Mortgage- backed Securities up to 20%; Municipal Securities up to 20% with a rating not less than A by a nationally recognized rating agency; Money Market Mutual Funds up to 25%; Certificates of Deposit up to 15%; and Commercial Paper up to 20%.

**Credit Risk – Securities Lending.** Under its securities lending program, the City receives 102% of fair value for its U.S. Treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. At June 30, 2023, there were no securities lending agreements outstanding.

**Custodial Credit Risk.** The custodial credit risk for investments is the risk that in the event of failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2023, none of the City's investments in the General Investment Pool were subject to custodial credit risk.

**Foreign Currency Risk.** Foreign currency risk is the risk that investments will change value due to changes in exchange rates between time of purchase and reporting or sale. The City's General Investment Pool investments are limited by policy to U.S. dollar denominated investments and not subject to this risk.

A summary of the General Investment Pool's investment under the requirements of the fair value hierarchy follows:

	Fair Value Measurements Using (in thousands)			
	June 30, 2023	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant observable inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Treasury Securities	\$ 2,824,414	\$ 2,824,414	\$ —	\$ —
Agency Discount Notes	247,277	247,277	—	—
Govt. Agency Securities	1,272,878	—	1,272,878	—
Govt. Agency Securities (State of Israel Bonds)	9,978	—	—	9,978
Govt. Mortgage Backed Securities	160	—	160	—
Municipal Securities	425,076	—	425,076	—
Commercial Paper	621,218	—	621,218	—
Total Investment by Fair Value Level	5,401,001	\$ 3,071,691	\$ 2,319,332	\$ 9,978
<b>Investments measured at net asset value (NAV)</b>				
MMF - TexSTAR Cash Reserves	268,853			
Total investments measured at the net asset value (NAV)	268,853			
Total investments measured at fair value and NAV	\$ 5,669,854			

TexSTAR uses the fair value method to determine the Net Asset Value (“NAV”) per unit of the Cash Reserve Fund. Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third-party broker-dealers. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

TexSTAR Cash Reserve Fund has not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Net Position. For additional information regarding TexSTAR, visit: [https://www.texstar.org/GetDocument.aspx?FileName=TexSTAR\\_InformationStatement.pdf](https://www.texstar.org/GetDocument.aspx?FileName=TexSTAR_InformationStatement.pdf).

**2. Tax Exempt Pool**

The Tax Exempt Pool consists of those funds which are subject to yield restrictions and arbitrage regulation under the 1986 Tax Reform Act. All these investments were held in a tax-exempt municipal bonds and cash.

<b>Investments as of June 30, 2023</b>	<b>Credit Quality Ratings</b>	<b>Fair Value (in thousands)</b>	<b>WAM (Days)</b>
Municipal Securities	AAA Long Term	\$ 7,890	226

**Risk Disclosures:**

*Interest Rate Risk.* In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the Investment Policy limits this pool's WAM to 1.5 years. As of June 30, 2023, the pool's dollar-weighted average maturity was 226 days or 0.619 years. Modified duration was 0.829 years.

*Credit Risk.* The Investment Policy limits investments in the Tax-Exempt Pool to high quality securities with a maturity of less than three years and a minimum rating of AA.

*Custodial Credit Risk.* As of June 30, 2023, none of the City's investments in this pool were subject to custodial credit risk.

*Foreign Currency Risk.* The City's investments in this pool are all U.S. dollar denominated and not subject to foreign currency risk.

A summary of the Tax Exempt Pool's investment under the requirements of the fair value hierarchy follows:

	<b>Fair Value Measurements Using (in thousands)</b>			
	<b>June 30, 2023</b>	<b>Quoted prices (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant observable inputs (Level 3)</b>
<b>Investments by fair value level</b>				
Municipal Securities	\$ 7,890	\$ —	\$ 7,890	\$ —
<b>Total Investment by Fair Value Level</b>	<b>\$ 7,890</b>	<b>\$ —</b>	<b>\$ 7,890</b>	<b>\$ —</b>

**3. Housing Department Section 108 Pool**

The Housing Department Pool was created to comply with rules of the U.S. Department of Housing and Urban Development ("HUD"), which requires that funds provided by HUD must be held in a separate custodial account for HUD's benefit. The primary goal of this fund is to meet the cash flow and investment needs of the City's Housing and Community Development HUD program.

<b>Investments as of June 30, 2023</b>	<b>Credit Quality Ratings</b>	<b>Fair Value (in thousands)</b>	<b>WAM (Days)</b>
U.S. Treasury Bills	F1+	\$ 7,963	35

**Risk Disclosures:**

*Interest Rate Risk.* In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the Investment Policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2023, this investment portfolio's dollar-weighted average stated maturity was 35 days. Modified duration was 0.096 years.

*Credit Risk.* HUD requires that investment of these funds must be in direct obligations of the U.S. Government.

*Custodial Credit Risk.* As of June 30, 2023, none of the City's investments in this pool were subject to custodial credit risk.

*Foreign Currency Risk.* The City's investments in this pool are all U.S. dollar denominated and not subject to foreign currency risk.

A summary of the Housing Department Section 108 Pool's investment under the requirements of the fair value hierarchy follows:

	<b>Fair Value Measurements Using (in thousands)</b>			
	<b>June 30, 2023</b>	<b>Quoted prices (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant observable inputs (Level 3)</b>
<b>Investments by fair value level</b>				
Debt Securities				
U.S. Treasury Bills	\$ 7,963	\$ 7,963	\$ —	\$ —
<b>Total Investment by Fair Value Level</b>	<b>\$ 7,963</b>	<b>\$ 7,963</b>	<b>\$ —</b>	<b>\$ —</b>

**4. Miscellaneous Money Market Accounts**

In addition to its investment pools, the City maintains several money market accounts for various purposes. These accounts are considered cash and cash equivalents on the Statements of Cash Flows because they maintain a weighted average maturity of less than three months. These accounts are described below:

<b>Investments as of June 30, 2023</b>	<b>Credit Quality Ratings</b>	<b>Fair Value (in thousands)</b>	<b>WAM (Days)</b>
BlackRock Institutional Temporary Liquidity Fund: Balances held for Consolidated Rental Car Facility operations, improvements, debt service	AAA	\$ 53,749	24
First American US Treasury Money Market Fund: Balances held for commercial paper debt service	AAA	105	32
<b>Total Miscellaneous Money Market Funds</b>		<u><u>\$ 53,854</u></u>	

**Risk Disclosures:**

*Interest Rate Risk.* These money market funds maintain an average maturity of less than 60 days and seek to maintain a stable net asset value of \$1.00. These funds are redeemable on a same day notice.

*Credit Risk.* These funds hold only U.S. dollar denominated securities that present minimal credit risk. They have the highest credit ratings.

*Custodial Credit Risk.* As of June 30, 2023, none of the City's investments in this pool were subject to custodial credit risk.

*Foreign Currency Risk.* The City's investments in this pool are all U.S. dollar denominated and not subject to foreign currency risk.

A summary of the investment under the fair value hierarchy follows (in thousands):

	<b>June 30, 2023</b>
<b>Investments measured at net asset value (NAV)</b>	
BlackRock FedFund-Institutional	\$ 53,749
First American U.S. Treasury MMF	105
<b>Total investment measured at net asset value (NAV)</b>	<u><u>\$ 53,854</u></u>

**5. Houston Foundation**

The Houston Foundation (the “Foundation”) consists of the Hill Trust. It is reported as a private-purpose trust fund (a fiduciary fund); its investments are laid out below. The Hill Trust was established by will in the early 1900's as a general purpose charity trust. The trust is administered by an outside trustee. The City's Administration and Regulatory Affairs Department provides administrative support to the foundation and its board.

<b>Investments as of June 30, 2023</b>	<b>Credit Quality Ratings</b>	<b>Fair Value (in thousands)</b>	<b>WAM (years)</b>
Cash and Equivalents	Not Rated	\$ 73	N/A
Fixed Income	Not Rated	1,293	9.0
Equities	N/A	5,241	N/A
Tangible Assets	N/A	103	N/A
Total Assets		\$ 6,710	

**Risk Disclosures:**

*Interest Rate Risk.* The cash and equivalents portions of this portfolio are invested in money market mutual funds. The fixed income portfolio is invested in bond mutual funds with WAM equal to or less than 8.14 years. The WAM for the fixed income portfolio is 9.0 years, and the weighted average duration is 5.4 years.

*Credit Risk.* The allocations of assets among various asset classes are set by the Foundation's board. The fixed income portfolio consists of unrated mutual funds. The equities portion of this portfolio is invested in common stocks.

*Custodial Credit Risk.* As of June 30, 2023, all of the Foundation's holdings were subject to custodial credit risk.

*Foreign Currency Risk.* Foreign currency risk is the risk that investments will change value due to changes in exchange rates between times of purchase, reporting or sale. The equity investments of the Foundation are subject to this risk to the extent that the Foundation held have not fully hedged their foreign currency dealings.

A summary of the Foundation's investment under the requirements of the fair value hierarchy follows follows:

	<b>Fair Value Measurements Using (in thousands)</b>			
	<b>June 30, 2023</b>	<b>Quoted prices (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant observable inputs (Level 3)</b>
<b>Investments by fair value level</b>				
Cash and Equivalents	\$ 73	\$ 73	\$ —	\$ —
Fixed Income	1,293	945	348	—
Equities	5,241	5,239	2	—
Tangible Assets	103	—	—	103
<b>Total Investment by Fair Value Level</b>	<b>\$ 6,710</b>	<b>\$ 6,257</b>	<b>\$ 350</b>	<b>\$ 103</b>

**C. Pension Systems Investments and Risk Disclosures**

**1. Houston Municipal Employees Pension System (“HMEPS”)**

HMEPS’ Board, in accordance with the power and authority conferred under the Texas Statutes, engaged State Street Bank and Trust Company (the “Custodian”) as custodian of the assets of HMEPS, and in said capacity, the Custodian is a fiduciary of HMEPS’ assets with respect to its discretionary duties including safekeeping of HMEPS’ assets.

The Custodian has established and maintains a custodial account to hold, or direct its agents to hold, for the account of HMEPS all assets that the Board shall from time-to-time deposit with the Custodian. All rights, title, and interest in and to HMEPS’ assets shall at all times be vested in HMEPS.

HMEPS’ Board shall manage the investment program of HMEPS in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. HMEPS’ Board has adopted an investment policy statement to set forth the factors involved in the management of investment assets for HMEPS and which is made part of every investment management agreement. Representative guidelines by type of investment are disclosed in HMEPS’ separately issued financial statements.

**Fair Value Disclosures:**

A summary of the fair value hierarchy is as follows (in thousands):

<b>June 30, 2023</b>	<b>Fair Value Measurements Using</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments by fair value level</b>				
Global equity and inflation linked	\$ 926,537	\$ 920,850	\$ —	\$ 5,687
Fixed income	190,254	—	185,675	4,579
Short-term investment funds	115,072	—	115,072	—
Securities lending collateral arrangements	61,029	61,029	—	—
Total investment by fair value level	<u>1,292,892</u>	<u>\$ 981,879</u>	<u>\$ 300,747</u>	<u>\$ 10,266</u>
<b>Investments measured at NAV</b>				
Collective trusts	840,792			
Hedge funds	133,374			
Limited partnerships	1,823,555			
Total investments measured at NAV	<u>2,797,721</u>			
Total investments	<u>\$ 4,090,613</u>			

Details of investments measured at NAV at June 30, 2023, are as follows (in thousands):

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity collective trusts	\$ 579,079	\$ —	Daily	< 1 month
Inflation linked collective trusts	89,018	—	Daily	< 1 month
Fixed income collective trusts	38,295	—	Daily	< 1 month
Real estate collective trust	134,399	—	Daily	< 1 month
Absolute return hedge funds	133,374	—	Monthly, Quarterly, Semi-annually, or Annually	30-90 days
Inflation linked limited partnerships	247,494	145,629	N/A	N/A
Private equity limited partnerships	1,151,363	331,904	N/A	N/A
Private credit limited partnerships	152,324	238,216	N/A	N/A
Real estate limited partnerships	272,375	172,048	N/A	N/A
	<u>\$ 2,797,721</u>	<u>\$ 887,797</u>		

#### Risk Disclosures:

*Custodial Credit Risk.* Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of HMEPS and are held by either the counterparty or the counterparty's trust department or agent but not in the HMEPS' name.

*Concentration Risk.* The allocation of assets among various asset classes is set by HMEPS' Board. For major asset classes (e.g., global equity, fixed income, real estate, private equity, inflation-linked, absolute return and private credit), HMEPS will further diversify by employing managers with demonstrated skills in complementary areas of expertise. The managers retained will utilize varied investment approaches, but when combined will exhibit characteristics that are similar, but not identical, to the asset class proxy utilized in the strategic asset allocation plan. The investment portfolio as of June 30, 2023, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio, excluding passive index funds.

*Interest Rate Risk.* Duration is the measure of a bond prices sensitivity to a 100-basis point change in interest rates. The duration of HMEPS' debt securities is managed by the active managers.

At June 30, 2023, the following table shows HMEPS' investments by type, fair value and the effective duration rate (in thousands):

	Effective Duration	Domestic	International	Total
Collateralized mortgage obligations	3.2	\$ 2,788	\$ —	\$ 2,788
Convertible bonds	—	487	—	487
Corporate bonds	5.8	74,820	10,364	85,185
GNMA/FNMA/FHLMC	5.4	24,683	—	24,683
Municipal	8.7	201	—	201
Government issues	8.2	23,673	2,436	26,109
Misc. receivable (auto/credit card)	1.2	3,119	—	3,119
Other ABS	N/A	614	—	614
Bank loan	N/A	46,776	293	47,068
Commingled funds	N/A	38,295	—	38,295
Total		<u>\$ 215,456</u>	<u>\$ 13,093</u>	<u>\$ 228,549</u>



*Credit Risk.* The quality ratings of investments in fixed income securities are set forth in HMEPS' Investment Policy Statement. All issues purchased by investment grade fixed income managers must be of investment grade quality, unless expressly authorized by HMEPS' Board. Fixed income investments should emphasize high-quality and reasonable diversification.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2023, are as follows (in thousands):

<b>Quality Rating</b>	<b>Fair Value</b>	<b>Percentage</b>
AAA	\$ 2,309	1.01 %
AA	2,046	0.90 %
A	6,583	2.88 %
BBB	19,620	8.58 %
BB	10,006	4.38 %
B	24,091	10.54 %
CCC	24,694	10.80 %
Commingled funds	33,724	14.76 %
Not available	105,476	46.15 %
<b>Total</b>	<b>\$ 228,549</b>	<b>100.00 %</b>

*Securities Lending.* HMEPS is authorized under its Investment Policy Statement to participate in a securities lending program through its agent and Custodian. Under this program, for an agreed-upon fee, HMEPS-owned investment are loaned to a borrowing financial institution. During the year ended June 30, 2023, the Custodian lent HMEPS securities and received cash and securities issued or guaranteed by the U.S. government as collateral. The following table show the fair value measurement of the securities lent, cash collateral received, and the reinvested cash collateral at June 30, 2023 (in thousands):

	<b>Fair Value of Underlying Securities Lent</b>	<b>Cash Collateral Received</b>	<b>Collateral Reinvestment Value</b>
Domestic bond and equities	\$ 59,773	\$ 60,706	\$ 60,706
International equities	323	323	323
<b>Total</b>	<b>\$ 60,096</b>	<b>\$ 61,029</b>	<b>\$ 61,029</b>

*Foreign Currency Risk.* International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using HMEPS' Investment Policy.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

HMEPS' has an indirect exposure to foreign currency fluctuation as of June 30, 2023, as follows (in thousands):

	<u>Fair Value</u>
Australian Dollar	\$ 8,879
Brazilian Real	5,408
Canadian Dollar	30,363
Czech Koruna	191
Danish Krone	7,288
Euro Currency	143,101
Hong Kong Dollar	14,513
Hungarian Forint	335
Indonesian Rupiah	2,347
Israeli New Sheqel	315
Japanese Yen	43,374
Mexican Peso	2,157
New Taiwan Dollar	5,882
New Zealand dollar	139
Norwegian Krone	546
Philippine Peso	814
Pound Sterling	46,792
Singapore Dollar	2,760
South African Rand	995
South Korean Won	3,095
Swedish Krona	13,438
Swiss Franc	17,602
Turkish Lira	795
Total	<u>\$ 351,128</u>

## 2. Houston Firefighters' Relief and Retirement Fund ("HFRRF")

Statutes of the State of Texas authorize HFRRF to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets as described in section 802.202 of the Government Code. HFRRF's Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of HFRRF given prevailing economic and capital market conditions. While HFRRF's Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk-taking is justifiable.

HFRRF's Board manages the investment program of HFRRF in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. HFRRF has adopted an Investment Policy Statement to set forth the factors involved in the management of investment assets for HFRRF. HFRRF's Board has established an Investment Committee to act on all matters related to investments.

**Fair Value Disclosures:**

A summary of the fair value hierarchy is as follows (in thousands):

June 30, 2023	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
Short-term investment funds	\$ 61,183	\$ 61,183	\$ —	\$ —
Government securities	74,168	40,183	33,985	—
Corporate bonds	458,222	26,283	431,940	—
Convertible debt securities	3,133	—	3,133	—
Equity securities	7,582	7,582	—	—
Inflation hedge securities	84,104	84,104	—	—
Private debt	20,122	20,122	—	—
Private equity - energy	1,075	—	—	1,075
Real estate	1,170	—	—	1,170
Total investment by fair value level	<u>710,759</u>	<u>\$ 239,456</u>	<u>\$ 469,057</u>	<u>\$ 2,245</u>
<b>Investments measured at NAV</b>				
Commingled investment funds	1,727,362			
Hedge funds	56,757			
Private debt funds	411,632			
Private equity funds	1,683,139			
Real estate funds	394,984			
Total investments measured at the NAV	<u>4,273,874</u>			
Total investments	<u>\$ 4,984,632</u>			

*Alternative Investments* – As of June 30, 2023, HFRRF was invested in various private equity funds as detailed in the table below (in thousands).

Investment Type	Fair Value
<i>Private Equity</i>	
Buyout partnerships/funds	\$ 731,364
Co-investments	240,891
Digital assets	12,457
Distressed debt partnerships/funds	83,310
Direct investments	1,075
Infrastructure partnerships/funds	101,104
Mixed strategies	74,878
Secondary partnerships/funds	190,950
Special situations investments	79,677
Venture capital partnerships/funds	168,509
Total	<u>\$ 1,684,214</u>

**Risk Disclosures:**

*Custodial Credit Risk.* Portions of HFRRF's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in companies, partnerships and real estate are investments that are evidenced by contracts rather than securities. At June 30, 2023, HFRRF's security investments (excluding cash) that were not subject to custodial credit risk were the investments not registered on an exchange.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributable to the magnitude of HFRRF's investment in a single issue. The allocation of assets among various asset classes is set by HFRRF's Board with the objective of optimizing the investment return of HFRRF within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, hedge funds, private equity and real estate), HFRRF further diversifies by employing investment managers who implement the strategies selected by the Investment Committee (IC). In addition, Exchange Traded Funds (ETFs) may be used.

Significant risk management asset allocation guidelines and actual allocations are disclosed in HFRRF's separately issued financial statements.

*Interest Rate Risk.* HFRRF invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of external investment managers, subject to compliance with its investment management agreement and HFRRF's Investment Policy.

HFRRF does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the external manager's investment management agreement.

At June 30, 2023, the following table shows HFRRF's investments by type, with weighted average maturity and fair value (amounts in thousands):

	<b>Weighted Average Maturity</b>	<b>Fair Value</b>
Commingled Funds	4.4	\$ 319,103
Non-U.S. Convertibles	0.8	2,719
Non-U.S. Corporate	3.1	69,168
Taxable Municipals	20.8	1,325
U.S. Agencies	29.0	32,660
U.S. Collateralized	10.4	536
U.S. Convertibles	0.6	414
U.S. Corporate	2.7	404,956
U.S. Treasuries	14.4	40,183
Total Fixed Income Securities		\$ 871,063

*Credit Risk.* HFRRF does not have a formal policy limiting investment credit risk, but rather mandates such limits within the investment management agreement of each manager as may be appropriate to strategy.

HFRRF's exposure to investment credit risk in fixed income securities (which includes government securities, corporate bonds, convertibles) as of June 30, 2023, is as follows (in thousands):

Quality Rating	Fair Value	Percentage of Holdings
AGY	\$ 32,660	0.66%
AAA	1,831	0.04%
AA1	1,238	0.02%
AA2	—	0.00%
AA3	1,408	0.03%
A1	2,622	0.05%
A2	3,257	0.07%
A3	9,256	0.19%
BAA1	15,151	0.30%
BAA2	12,897	0.26%
BAA3	26,766	0.54%
BA1	30,522	0.61%
BA2	71,890	1.44%
BA3	90,329	1.81%
B1	77,353	1.55%
B2	48,493	0.97%
B3	18,799	0.38%
B	—	0.00%
CAA1	332,170	6.66%
CAA2	7,650	0.15%
CAA3	—	0.00%
CA	737	0.01%
Not rated	45,852	0.91%
Total credit risk debt securities*	\$ 830,880	16.65%

\*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, have not been included in this disclosure.

*Foreign Currency Risk.* HFRRF's policy allows external investment managers to decide what action to take regarding their respective portfolio's foreign currency exposures subject to compliance with its respective investment management agreement of each manager as may be appropriate to strategy.

HFRRF's exposure to foreign currency fluctuation as of June 30, 2023, is as follows (in thousands):

	Fair Value	Percentage of Holdings
Euro Currency Unit	\$ 218,849	4.39 %
Total securities subject to foreign currency risk	\$ 218,849	4.39 %

### 3. Houston Police Officers' Pension System ("HPOPS")

Statutes of the State of Texas authorize HPOPS to invest surplus funds in a manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. These statutes stipulate that the governing body of HPOPS is responsible for the management and administration of the funds of HPOPS and shall determine the procedure it finds most efficient and beneficial for the management of the reserve fund of HPOPS. The governing body may directly manage the investments of HPOPS or may choose and contract for professional investment management services.

#### Fair Value Disclosures:

A summary of the fair value hierarchy is as follows (in thousands):

June 30, 2023	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
Short-term investment funds	\$ 881,293	\$ —	\$ 881,293	\$ —
Fixed income	451,823	—	451,823	—
Domestic equities	2,857	2,857	—	—
Private equity	1,431,023	—	—	1,431,023
Real estate	769,367	—	—	769,367
Private credit	511,339	—	—	511,339
Foreign currency contracts	2,067	2,067	—	—
Total investment by fair value level	<u>4,049,769</u>	<u>\$ 4,924</u>	<u>\$ 1,333,116</u>	<u>\$ 2,711,729</u>
<b>Investments measured at NAV</b>				
Domestic equities commingled funds	1,268,013			
International equities commingled funds	1,036,550			
Fixed income commingled funds	409,085			
Hedge funds	412,282			
Total investments measured at the NAV	<u>3,125,930</u>			
Total investments measured at fair value	<u>\$ 7,175,699</u>			

*Alternative Investments* – As of June 30, 2023, HPOPS was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the table below (in thousands).

Investment Type	Fair Value
<i>Private Equity</i>	
Leveraged Buyouts	\$ 1,019,930
Energy	135,593
Special Situations	151,041
Private Equity Secondaries	120,349
Venture Capital	4,110
<i>Other Alternatives</i>	
Real Estate	769,367
Private Credit	511,339
Hedge Funds	
Global macro hedge funds	119,535
Multi-strategy hedge funds	188,952
Long/short credit hedge funds	3,268
Long/short equity hedge funds	100,527
Total	\$ 3,124,011

#### Risk Disclosures:

*Custodial Credit Risk for Deposits and Investments.* As of June 30, 2023, HPOPS had a balance of \$152 thousand on deposit at a financial institution. The Federal Deposit Insurance Corporation (“FDIC”) covered cash on deposit up to \$250 thousand at this financial institution. Therefore, as of June 30, 2023, none of the \$152 thousand of HPOPS’ bank balance was exposed to custodial credit risk. At June 30, 2023, HPOPS did not have any other investments with other financial institutions subject to custodial credit risk.

*Credit Risk.* As of June 30, 2023, HPOPS’ fixed income assets that are not U.S. government guaranteed represented 86.4% of HPOPS’ fixed income plus short term investments portfolio. The tables below and on the following page summarize the HPOPS’ fixed income portfolio and short term investment exposure levels and credit qualities as of June 30, 2023 (in thousands).

#### Average Credit Quality and Exposure Levels of Non-U.S. Government Guaranteed Securities

Fixed Income Security Type	Fair Value	Percent of Total	Weighted Average Credit Quality
Corporate Bonds	\$ 415,783	23.8 %	BB
Corporate Convertible Bonds	36,040	2.1	BB
Mutual Bond Funds	409,085	23.5	Not Rated
Short Term Investment Funds	881,293	50.6	Not Rated
Total	\$ 1,742,201	100.0 %	

## Ratings Dispersion Detail

Credit Rating Level	Corporate Bonds	Corporate Convertible Bonds	Mutual Bond Funds	Short Term Investment Funds
BBB	\$ 26,809	\$ 466	\$ —	\$ —
BB	224,253	1,286	—	—
B	124,021	—	—	—
CCC	29,921	783	—	—
D	422	—	—	—
Not Rated	10,357	33,505	409,085	881,293
Total	<u>\$ 415,783</u>	<u>\$ 36,040</u>	<u>\$ 409,085</u>	<u>\$ 881,293</u>

HPOPS' investment policy allows investment managers full discretion in adopting investment strategies to deal with these risks. Specific guidelines governing risks and concentrations and portfolio quality are established in contracts with each manager and are monitored by HPOPS' staff.

*Concentration of Credit Risk.* HPOPS' investment policy does not provide for specific limits on investment in any one single security, as this is governed by contracts with individual managers. As of June 30, 2023, HPOPS did not have any single investment in any one organization which represented greater than 5% of plan net position.

*Interest Rate Risk.* HPOPS' investment policy delegates the management of interest rate risk to the individual investment managers in accordance with each manager's designated strategy. Investment managers have full discretion in adopting investment strategies to deal with these risks, and all of HPOPS' fixed income portfolios are managed in accordance with guidelines that are specific as to the degree of interest rate risk taken. The reporting of modified duration as of June 30, 2023, found in the tables below quantify the interest rate risk of HPOPS' fixed income and short-term investments.

## Modified Duration by Security Type

Security Type	Fair Value	Percent of Total	Weighted Average Modified Duration (years)
Corporate Bonds	\$ 415,783	23.8 %	3.1
Corporate Convertible Bonds	36,040	2.1	3.3
Mutual Bond Funds	409,085	23.5	4.5
Short Term Investment Funds	881,293	50.6	0.1
Total	<u>\$ 1,742,201</u>	<u>100.0 %</u>	



## Modified Duration Analysis by Security Type

	Fair Value	Average Modified Duration	Contribution to Modified Duration
<b>Corporate Bonds</b>			
Less than 1 year	\$ 18,793	0.6	0.0
1 to 5 years maturities	317,543	2.7	2.0
5 to 10 years maturities	72,651	5.3	0.9
Greater than 10 years maturities	6,796	9.6	0.2
Total	<u>\$ 415,783</u>		<u>3.1</u>
<b>Corporate Convertible Bonds</b>			
Less than 1 year	\$ 2,989	0.7	0.1
1 to 5 years maturities	30,773	3.0	2.5
5 to 10 years maturities	1,354	5.3	0.2
Greater than 10 years maturities	924	18.2	0.5
Total	<u>\$ 36,040</u>		<u>3.3</u>
<b>Mutual Bond Funds</b>			
Less than 1 year	\$ 9,849	4.6	0.1
1 to 5 years maturities	196,144	4.6	2.2
5 to 10 years maturities	163,485	4.6	1.8
Greater than 10 years maturities	39,607	4.6	0.4
Total	<u>\$ 409,085</u>		<u>4.5</u>
<b>Short Term Investment Funds</b>			
Less than 1 year	\$ 844,221	0.1	0.1
1 to 5 years maturities	37,072	0.1	0.0
Total	<u>\$ 881,293</u>		<u>0.1</u>

*Foreign Currency Risk.* The books and records of HPOPS are maintained in U.S. dollars. Foreign currencies and non-U.S. dollar denominated investments are translated into U.S. dollars at the bid prices of such currencies against U.S. dollars at each balance sheet date. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation in fair value of investments. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of HPOPS and the amount actually received. International and global managers have the permission to use currency forward and futures contracts to hedge currency against the U.S. dollar.

Currency forwards and futures used for the purpose of hedging currency shall be subject to the following guidelines: 1) net forward and futures sales of any currency may not exceed total fair value of the assets denominated in that currency (this limitation does not apply to global fixed income managers and currency overlay managers if provided for in their contracts), 2) foreign currency exchange contracts with a maturity exceeding 12 months are not permitted, 3) currency options may be entered into in lieu of or in conjunction with forwards sales of currencies with the same limitations as currency forwards and futures. Cross hedging, the selling of one foreign currency for another foreign currency, which may or may not be the base currency of the portfolio, is permitted.

HPOPS' exposure to foreign currency risk in U.S. dollars as of June 30, 2023, is shown in the table below (in thousands).

### Foreign Currency Exposure by Asset Class

Currency	Short Term Investments	Fixed Income	Equities	Alternative Investments	Foreign Currency Contracts	Total
Euro	\$ (78,017)	\$ —	\$ 310,909	\$ 483	\$ —	\$ 233,375
Japanese yen	(102,032)	—	206,837	—	—	104,805
British pound sterling	(34,446)	—	135,851	—	—	101,405
Swiss franc	—	—	92,708	—	—	92,708
Chinese yuan renminbi	—	—	85,057	—	—	85,057
Canadian dollar	(10)	—	78,491	—	—	78,481
Australian dollar	—	—	67,776	6,762	—	74,538
New Taiwan dollar	—	—	44,863	—	—	44,863
Indian rupee	—	—	42,086	—	—	42,086
South korean won	—	—	35,379	—	—	35,379
HK offshore Chinese yuan renminbi	—	—	—	—	(33,239)	(33,239)
Swedish krona	—	—	30,031	—	—	30,031
Danish krone	—	—	28,217	—	—	28,217
Hong Kong dollar	—	—	22,986	—	—	22,986
Brazilian real	—	—	16,060	—	—	16,060
Singapore dollar	—	—	12,911	—	—	12,911
South African rand	—	—	8,907	—	—	8,907
Mexican peso	—	—	8,069	—	—	8,069
Norwegian krone	—	—	5,810	—	—	5,810
Indonesian rupiah	—	—	5,737	—	—	5,737
New Israeli shekel	—	—	5,726	—	—	5,726
Thai baht	—	—	5,562	—	—	5,562
Malaysian ringgit	—	—	3,826	—	—	3,826
United Arab Emirates dirham	—	—	3,733	—	—	3,733
Qatari riyal	—	—	2,575	—	—	2,575
Polish zloty	—	—	2,437	—	—	2,437
Kuwaiti dinar	—	—	2,384	—	—	2,384
New Zealand dollar	—	—	1,884	—	—	1,884
Philippine peso	—	—	1,860	—	—	1,860
Turkish lira	—	—	1,591	—	—	1,591
Chilean peso	—	—	1,565	—	—	1,565
Peruvian nuevo sol	—	—	760	—	—	760
Hungarian forint	—	—	682	—	—	682
Czech koruna	—	—	440	—	—	440
Colombian peso	—	—	288	—	—	288
Egyptian pound	—	—	231	—	—	231
	<u>\$ (214,505)</u>	<u>\$ —</u>	<u>\$ 1,274,229</u>	<u>\$ 7,245</u>	<u>\$ (33,239)</u>	<u>\$ 1,033,730</u>

*Securities Lending Program.* HPOPS' Board of Trustees' policies permit HPOPS to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. HPOPS receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having fair values equal to or exceeding 102% and 105% of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever the fair value of the securities on loan changes, the borrower must adjust the collateral accordingly. HPOPS' bank pools all collateral received from securities lending transactions and invests any cash collateral. HPOPS holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2023, the weighted-average maturity of the collateral pool was 13 days. The relationship between the maturities of the collateral pool and HPOPS' loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2023, was \$158.5 million. HPOPS also had non-cash collateral at June 30, 2023, of \$22.1 million consisting of U.S. Treasury securities and letters of credit. HPOPS cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed.

The fair value of securities on loan at June 30, 2023, was \$177.1 million. At June 30, 2023, HPOPS had no credit risk exposure to borrowers because the amounts HPOPS owes the borrowers, \$180.5 million, exceeds the amounts the borrowers owe HPOPS, \$177.1 million.

*Derivatives.* HPOPS' investment managers may invest in derivatives if permitted by the guidelines established by HPOPS' Board of Trustees. HPOPS' staff monitors guidelines and compliance. From time to time HPOPS' investment managers will invest in equity, fixed income and short term futures contracts along with foreign currency forward contracts. No derivatives are purchased with borrowed funds. These investments derivatives are primarily classified in Level 1 of the fair value hierarchy as futures contracts are price base on market quotes.

The fair value balance of posted margin and collateral and notional amounts of derivative instruments outstanding at June 30, 2023, classified by type, and the changes in fair value of such derivative instruments for the year then ended is shown in the table below (in thousands).

	Fair Value				
	Changes in Fair Value	Posted Margin	Collateral Held at Custodian Bank	Collateral Held at Broker	Notional Value
Equity Futures	\$ 119,219	\$ 28,059	\$ 994,455	\$ —	\$ 1,007,486
Currency Futures	6,205	(911)	106,117	—	(214,518)
Currency Forwards	2,957	—	—	—	(33,238)
Commodity Futures	(503)	—	65	—	—
Equity Options	(11,744)	—	38,250	—	897,250

Futures are used to obtain market exposure and to take advantage of mis-pricing opportunities. When a position is taken in a futures contract, a margin is posted and the contract is subject to daily mark-to-market adjustments. For options, no margin is posted. Instead, options are purchased at a premium, which is either forfeited or recouped, depending on the gain or loss on the contract. Foreign currency contracts are used to hedge against the currency risk in the System's investments in foreign equity and fixed income securities. To liquidate the contract prior to expiration an offsetting position in the same contract must be taken.

These derivative instruments are subject to the following risks:

- *Custodial Credit Risk* – Consistent with HPOPS' investment policy, HPOPS' derivative instruments were held by the counterparty that was acting as HPOPS' agent.
- *Credit Risk* – HPOPS' investment policy allows investment managers full discretion in adopting investment strategies to deal with this risk. HPOPS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.

- *Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the HPOPS' derivative instruments.
- *Foreign Currency Risk* – HPOPS' exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments as outlined in the following schedule. HPOPS has a currency hedging program in place that hedges fifty percent of the exposure to the Euro, Pound, and Yen exposure in these investment programs. This hedging program is disclosed elsewhere in this footnote.

HPOPS' derivative instruments exposure to foreign currency risk in U.S. dollars as of June 30, 2023, is shown in the table below (in thousands).

#### Foreign Currency Exposure for Derivatives

Currency	Equity Derivatives	Currency Derivatives	Total
Japanese yen	\$ 56,626	\$ (102,032)	\$ (45,406)
HK offshore Chinese Yuan Renminbi	—	(33,239)	(33,239)
Swiss franc	25,381	—	25,381
Australian dollar	18,555	—	18,555
Swedish krona	8,222	—	8,222
Danish krone	7,725	—	7,725
Euro	84,762	(78,040)	6,722
Hong Kong dollar	6,293	—	6,293
Singapore dollar	3,535	—	3,535
British pound sterling	37,192	(34,446)	2,746
Norwegian krone	1,591	—	1,591
New Israeli shekel	1,568	—	1,568
New Zealand dollar	516	—	516
Total	<u>\$ 251,966</u>	<u>\$ (247,757)</u>	<u>\$ 4,209</u>

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**NOTE 4: ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE****Accounts and Other Receivables**

Accounts and other receivables by fund as of June 30, 2023, are as follows (in thousands):

**Governmental Activities**

	General	Capital Projects	Nonmajor	Grants	Internal Service Fund	Total Governmental Activities
Receivables:						
Accounts	\$ 940,100	\$ 923	\$ 223,479	\$ 1,608	\$ 80	\$ 1,166,190
Property tax	83,804	—	—	—	—	83,804
Sales tax	150,955	—	—	—	—	150,955
Mixed beverage	4,028	—	—	—	—	4,028
Franchise	9,531	—	—	—	—	9,531
Special assessment	8,011	—	—	—	—	8,011
Due from other governments	26,051	22,784	71,739	251,965	14	372,553
Gross receivables	1,222,480	23,707	295,218	253,573	94	1,795,072
Less: allowance for doubtful accounts	(846,487)	(922)	(199,021)	—	(77)	(1,046,507)
Receivables, net	\$ 375,993	\$ 22,785	\$ 96,197	\$ 253,573	\$ 17	\$ 748,565

**Business-type Activities**

	Airport System	Convention and Entertainment	Combined Utility	Total Business-type Activities
Receivables:				
Accounts	\$ 14,572	\$ 531	\$ 582,361	\$ 597,464
Hotel occupancy tax	—	32,511	—	32,511
Special assessment	—	—	93	93
Due from other governments (current)	57,726	—	7,387	65,113
Due from other governments (non-current)	—	—	421,664	421,664
Gross receivables	72,298	33,042	1,011,505	1,116,845
Less allowance for doubtful accounts	(3,827)	(518)	(293,822)	(298,167)
Receivables, net	\$ 68,471	\$ 32,524	\$ 717,683	\$ 818,678

**Notes Receivable**

The City entered into various loan agreements with various third parties related to Hurricane Harvey projects and its affordable housing and community development programs. Of the \$104.9 million recorded in notes receivable, approximately \$100.7 million is not expected to be collected within one year. Included in the \$104.9 million is a loans receivable totaling \$34.9 million for loans to Houston First Corporation, a component unit of the City, associated with Hurricane Harvey project costs. These loans have maturity date from 2024 to 2030, with interest rates ranging from 1.30% to 2.134%. The remaining \$70.0 million note and loans receivables are related to Grants Fund and Special Revenue Funds totaling \$184.3 million, net of allowance for doubtful accounts of \$114.3 million. Those loans have maturity date from 2025 to 2059, with interest rates ranging from 0% to 7%. The \$70.0 million of notes and loans have corresponding deferred inflows of resources balance recorded within the governmental funds.

In addition, the City entered into loan agreements with various third parties and organizations for the purpose of financing housing and redevelopment projects. These projects include a mix of affordable housing and market rate units. Principal and interest of these loans may be forgiven by the City upon meeting certain requirements, such as affordability period of the housing project. Payments on these loans may be required to be made from the project's surplus cash flows. Due to the uncertainty of payment, the City is not recognizing a receivable in the financial statements and will record all payments as revenue at the time of receipt. The total amount of these notes outstanding is \$595.1 million as of June 30, 2023.

**NOTE 5: PROPERTY TAX**

The City's annual ad valorem property tax is required to be levied by October 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31 of the year following the year of the levy. A tax lien attaches to all property on January 1 of each year to secure the payment of all taxes, penalties and interest that is ultimately imposed on the property. The tax rate established by the City Council for the 2022 tax year was \$0.533640 per \$100 of assessed value with \$0.385127 for operations and \$0.148513 for debt service.

In 2004, Houston voters approved Proposition 1, which limits increases in ad valorem tax revenues collected by the City. In each fiscal year, Proposition 1 limits increases in ad valorem tax revenues collected by the City by limiting such annual ad valorem collections to the lesser of (i) the actual ad valorem tax revenues collected in the preceding fiscal year, plus 4.5%, or (ii) actual ad valorem revenues received in fiscal year 2005, adjusted for the cumulative combined rates of inflation and the City's population growth (as determined by the U.S. Census). The Texas Property Tax Code (the "Code"), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for countywide appraisal districts.

**Tax Increment Reinvestment Zones**

The City has 27 active Tax Increment Reinvestment Zones ("TIRZs") as of June 30, 2023.

TIRZ #	TIRZ Name	TIRZ #	TIRZ Name	TIRZ #	TIRZ Name
1	St. George Place	11	Greenspoint	20	Southwest
2	Midtown	12	City Park	21	Near Northside
3	Main St/Market Square	13	Old Sixth Ward	22	Leland Woods
5	Memorial Heights	14	Fourth Ward	23	Harrisburg
6	**Eastside	15	East Downtown	24	**Greater Houston
7	OST/Almeda	16	Uptown	25	Hiram Clarke/Fort Bend County
8	Gulfgate	17	Memorial City	26	Sunnyside
9	South Post Oak	18	Fifth Ward	27	Montrose
10	Lake Houston	19	Upper Kirby	28	**Medical Center Area

The TIRZs were created pursuant to Chapter 311 of the Code to aid in financing the development or redevelopment of unproductive, underdeveloped or blighted areas.

The City, through its agreement with each individual TIRZ, contributes tax increment dollars to finance capital projects such as streets, drainage, water, parks and public facilities, streetscape (sidewalks, lighting, landscaping), parking facilities, and affordable housing to enhance economic growth. The amount of tax increment contributed by the City is based on the incremental taxable value generated by each individual TIRZ above its taxable value at creation.

Each TIRZ is required by Chapter 311 of the Code to create a project plan and reinvestment zone financing plan that reflects the TIRZ's goals and priorities for its term. The plan is subsequently approved by City Council for implementation. Annually, the City Council reviews and approves each TIRZ budget for implementation of capital projects.

During the year ended June 30, 2023, the City contributed \$186 million in tax increments to the City-led TIRZs. A summary of taxing units that participate in various TIRZs through interlocal agreements are listed below. These taxing units contributed a combined \$50.3 million to the TIRZs.

City of Houston TIRZ Interlocal Participation Agreements	
Taxing Jurisdiction	TIRZ Number
Harris County <sup>1,2</sup>	1, 2, 3, 5, 7, 8, 9, 10, 11, 13, 15, 24
Harris County Flood Control District <sup>1</sup>	3
Harris County Hospital District <sup>1</sup>	3
Harris County Port of Houston Authority <sup>1</sup>	3
Houston Community College District	2
Houston Independent School District	1, 2, 3, 4, 5, 7, 8, 9, 12, 13, 14, 15, 16, 18, 19
Humble Independent School District	10
Aldine and Spring Independent School Districts, Lone Star College District	11

- <sup>1</sup> Included in the Harris County Interlocal Agreement
- <sup>2</sup> Harris County no longer participates in TIRZ No. 1, 2, 5, 7, 8, 9, 10, 11 and 13
- <sup>3</sup> Harris County Hospital District and Harris County Flood Control no longer participates in TIRZ No. 2 and 3
- <sup>4</sup> Houston Independent School District no longer participates in TIRZ No. 5 and 19
- \*\* These TIRZs are not a legally separated entity from the City or a component unit of the City. Activities of this TIRZ are accounted for in the City's special revenue funds.

**Tax Abatements**

The City also enters into property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Chapter 312. These have investment and employment requirements that must be met to have a portion of their property taxes abated. The total amount abated was \$1,219,042, to eight businesses.

Company Name	Abatement Project Information	Investment Requirement	City's Abatement Commitments	Amount Eligible for Abatement (HCAD Value)	Tax abatement for Tax Year 2022 (COH tax rate - 0.53364%)
<b>BVSW Garden Oaks</b>	To renovate, develop, upgrade, and expand the existing 136 units of deteriorated, vacant apartment property into 166 units of upscale multi-family housing accommodations.	\$ 8,000,000	City agrees to grant the Owner a fifty percent (50%) of the ad valorem taxes levied on the Improvements in the Zone.	\$ 10,000,305	\$ 53,366
<b>Brittmoore Founders District</b>	Development of a multi-use facility including office space, co-working space, retail, regional community events center, 250+ units of multi-family apartments, athletic facilities and park amenities; the use of the facility is to create a 32 acre mixed-use entrepreneurial hub for startups, technology firms, and other high-growth businesses.	\$ 150,000,000	City agrees to grant the Owner a ninety percent (90%) of the ad valorem taxes levied on the Improvements in the Zone.	\$ 17,747,389	\$ 94,707
<b>UPS</b>	The facility will be approximately 400,000 to 500,000 square feet comprising package handling and distribution center and ancillary office facilities.	\$ 59,000,000	City agrees to grant the Owner a seventy-five percent (75%) of the ad valorem taxes levied on the Improvements in the Zone.	\$ 79,225,520	\$ 422,779
<b>CyrusOne</b>	CyrusOne will invest a minimum of \$10,000,000.00 in constructing and installing the improvements in the Zone by Effective date of Abatement and \$90,000,000.00 by the end of 2017. If, at the end of 2017, CyrusOne has not invested at least 70% of the \$90,000,000 investment commitment or \$63,000,000 the City will reduce the tax abatement percentage to 40%.	\$ 90,000,000	City agrees to grant CyrusOne a fifty percent (50%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. The tax abatement will apply to the appraised value up to \$72,000,000.00 and is capped at that value. Any value in excess of \$72,000,000.00 will not be subject to the abatement.	\$ 24,384,379	\$ 130,125

(Continued)

<p><b>Halliburton</b></p>	<p>The Owner represents that it will complete construction of the Facility on the Real Property no later than December 31,2015. The Owner represents and warrants that it will invest a minimum of \$145,000,000 in designing, construction, and installing the Improvements by the Effective Date of Abatement.</p>	<p>\$ 145,000,000</p>	<p>City agrees to grant Halliburton a fifty percent (50%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. Maximum abatement amount is \$1,500,000.</p>	<p>\$ 13,651,094</p>	<p>\$ 72,848</p>
<p><b>Kroger</b></p>	<p>The Company represents and warrants that it will invest approx. \$24M related to an upgrade of the Facility and approx. \$17M related to the expansion of the Facility in the Zone by the Effective Date of Abatement.</p>	<p>\$ 10,097,947</p>	<p>City agrees to grant Kroger a Seventy five percent (75%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. The real property improvements subjects to tax abatement are \$17M.</p>	<p>\$ 11,880,133</p>	<p>\$ 63,397</p>
<p><b>Cullen SH Apartments</b></p>	<p>The Company represents and warrants that it will invest a minimum of \$22M in acquiring the Real Property and constructing and installing the Improvements in the Zone by the Effective Date of Abatement.</p>	<p>\$ 22,000,000</p>	<p>City agrees to grant Cullen SH Apartments 90% abatement of the improvements.</p>	<p>\$ 24,855,444</p>	<p>\$ 132,639</p>
<p><b>Converge Midstream Services (formerly Fairway Energy)</b></p>	<p>The Company represents and warrants that it will invest a minimum of \$218M in capital improvements to the Facility by the Effective Date of Abatement and has provided a pro forma of projected annual Net Operating Income.</p>	<p>\$ 218,000,000</p>	<p>City agrees to grant a 50% abatement of the ad valorem taxes on the Improvements in the Zone during the Abatement Period.</p>	<p>\$ 46,694,522</p>	<p>\$ 249,181</p>

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**NOTE 6: CAPITAL ASSETS****A. Governmental Activities**

A summary of changes in capital assets for the year ended June 30, 2023, is as follows (in thousands):

	Balance July 01, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 557,345	\$ 8,089	\$ (289)	\$ 7,216	\$ 572,361
Right of way	1,842,778	2,400	(22)	19,873	1,865,029
Construction work in progress	860,871	316,600	—	(273,607)	903,864
Total capital assets not being depreciated	<u>3,260,994</u>	<u>327,089</u>	<u>(311)</u>	<u>(246,518)</u>	<u>3,341,254</u>
Depreciable capital assets:					
Buildings	1,412,125	948	(104)	75,008	1,487,977
Rights & intangibles - amortizable	17,021	257	—	—	17,278
Improvements and equipment	1,569,975	39,559	(42,411)	30,665	1,597,788
Infrastructure	8,319,747	67,261	(32,611)	140,845	8,495,242
Total other capital assets	<u>11,318,868</u>	<u>108,025</u>	<u>(75,126)</u>	<u>246,518</u>	<u>11,598,285</u>
Less accumulated depreciation for:					
Buildings	(623,295)	(38,881)	81	—	(662,095)
Rights and intangibles	(15,365)	(1,534)	—	—	(16,899)
Improvements and equipment	(1,106,168)	(74,837)	39,915	—	(1,141,090)
Infrastructure	(4,135,425)	(180,454)	29,435	—	(4,286,444)
Total accumulated depreciation	<u>(5,880,253)</u>	<u>(295,706)</u>	<u>69,431</u>	<u>—</u>	<u>(6,106,528)</u>
Depreciable capital assets, net	<u>5,438,615</u>	<u>(187,681)</u>	<u>(5,695)</u>	<u>246,518</u>	<u>5,491,757</u>
Lease right-of-use assets:					
Land	168	—	—	—	168
Buildings	75,303	311	(3,348)	—	72,266
Equipment	12,816	—	(405)	—	12,411
Total lease right-of-use assets	<u>88,287</u>	<u>311</u>	<u>(3,753)</u>	<u>—</u>	<u>84,845</u>
Less accumulated amortization for:					
Land	(34)	(17)	—	—	(51)
Buildings	(9,954)	(5,558)	1,160	—	(14,352)
Equipment	(3,345)	(1,695)	405	—	(4,635)
Total accumulated amortization	<u>(13,333)</u>	<u>(7,270)</u>	<u>1,565</u>	<u>—</u>	<u>(19,038)</u>
Lease-right-of-use assets, net	<u>74,954</u>	<u>(6,959)</u>	<u>(2,188)</u>	<u>—</u>	<u>65,807</u>
Subscription right-of-use assets	38,587	36,580	—	—	75,167
Less accumulated amortization for:					
Subscription right-of-use assets	—	(18,994)	—	—	(18,994)
Subscription right-of-use assets, net	<u>38,587</u>	<u>17,586</u>	<u>—</u>	<u>—</u>	<u>56,173</u>
Governmental Activities capital assets, net	<u>\$ 8,813,150</u>	<u>\$ 150,035</u>	<u>\$ (8,194)</u>	<u>\$ —</u>	<u>\$ 8,954,991</u>

**B. Business-type Activities**

A summary of changes in capital assets for the year ended June 30, 2023, is as follows (in thousands):

	Balance July 01, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 491,901	\$ 1,527	\$ (1,758)	\$ 11,569	\$ 503,239
Right of way	1,192	—	—	3	1,195
Rights and intangible - non-amortizable	865,773	—	—	682	866,455
Construction work in progress	2,781,536	1,167,971	—	(630,177)	3,319,330
Total capital assets not being depreciated	<u>4,140,402</u>	<u>1,169,498</u>	<u>(1,758)</u>	<u>(617,923)</u>	<u>4,690,219</u>
Depreciable capital assets:					
Buildings	3,865,904	3,721	(1,594)	73,590	3,941,621
Rights & intangibles - amortizable	14,891	438	—	—	15,329
Improvements and equipment	2,228,590	14,726	(42,573)	109,104	2,309,847
Infrastructure	12,525,609	14,299	(65,538)	435,229	12,909,599
Total other capital assets	<u>18,634,994</u>	<u>33,184</u>	<u>(109,705)</u>	<u>617,923</u>	<u>19,176,396</u>
Less accumulated depreciation for:					
Buildings	(2,179,083)	(111,732)	202	—	(2,290,613)
Rights and intangibles - amortizable	(7,504)	(634)	—	—	(8,138)
Improvements and equipment	(1,646,424)	(74,001)	41,695	—	(1,678,730)
Infrastructure	(6,747,029)	(285,241)	60,739	—	(6,971,531)
Total accumulated depreciation	<u>(10,580,040)</u>	<u>(471,608)</u>	<u>102,636</u>	<u>—</u>	<u>(10,949,012)</u>
Depreciable capital assets, net	<u>8,054,954</u>	<u>(438,424)</u>	<u>(7,069)</u>	<u>617,923</u>	<u>8,227,384</u>
Lease right-of-use assets:					
Buildings	192	—	—	—	192
Equipment	113	32	(42)	—	103
Total lease right-of-use assets	<u>305</u>	<u>32</u>	<u>(42)</u>	<u>—</u>	<u>295</u>
Less accumulated amortization for:					
Buildings	(110)	(55)	—	—	(165)
Equipment	(76)	(35)	42	—	(69)
Total accumulated amortization	<u>(186)</u>	<u>(90)</u>	<u>42</u>	<u>—</u>	<u>(234)</u>
Lease-right-of-use assets, net	<u>119</u>	<u>(58)</u>	<u>—</u>	<u>—</u>	<u>61</u>
Subscription right-of-use assets	5,254	—	—	—	5,254
Less accumulated amortization for:					
Subscription right-of-use assets	—	(1,429)	—	—	(1,429)
Subscription right-of-use assets, net	<u>5,254</u>	<u>(1,429)</u>	<u>—</u>	<u>—</u>	<u>3,825</u>
Business-type activities capital assets, net	<u>\$ 12,200,729</u>	<u>\$ 729,587</u>	<u>\$ (8,827)</u>	<u>\$ —</u>	<u>\$ 12,921,489</u>

**C. Depreciation and Amortization Expense**

Depreciation expense was charged to functions programs of the primary government as follows (in thousands):

<b>Governmental activities</b>	
General government	\$ 22,787
Public safety	38,702
Public works	14,276
Health	6,803
Housing	1,498
Parks and recreation	25,088
Library	7,087
Infrastructure	179,465
Total depreciation expense - governmental activities	\$ 295,706
<b>Business-type activities</b>	
Airport System	169,414
Convention & Entertainment Facilities	12,844
Combined Utility System	289,350
Total depreciation expense - business-type activities	\$ 471,608

Amortization expense for leases and subscription right-of-use assets was charged to functions programs of the primary government as follows (in thousands):

<b>Governmental activities</b>	
General government	\$ 14,039
Public safety	7,081
Public works	2,603
Health	886
Housing	1,655
Total amortization expense - governmental activities	\$ 26,264
<b>Business-type activities</b>	
Airport System	\$ 1,507
Combined Utility System	12
Total amortization expense - business-type activities	\$ 1,519

See Note 9 for further details and disclosures on leases, including regulated leases, and subscription-based information technology arrangements, as well as lease and subscription liabilities.

**NOTE 7: CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2022, the City adopted GASBS No. 96, "Subscription-Based Information Technology Arrangements", using the facts and circumstances that existed at the beginning of the period of implementation. There was no impact to the City's beginning net position upon adoption of the new accounting standard.

At July 1, 2022, the City recognized the following balances for subscription right-of-use assets and subscription liabilities (in thousands):

<b>Governmental activities</b>		
<hr/>		
Subscription right-of-use assets	\$	38,587
Subscription liability		38,587
<b>Business-type activities</b>		
<hr/>		
Subscription right-of-use assets	\$	5,254
Subscription liability		5,254

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**NOTE 8: LONG-TERM LIABILITIES****A. General Long-Term Liabilities**

Changes in general long-term liabilities for the year ended June 30, 2023, are summarized as follows (in thousands):

	Balance July 01, 2022	Additions	Retirements/ Transfers	Balance June 30, 2023	Amounts Due within One Year
<b>Governmental Activities</b>					
Bonds and notes payable:					
General tax obligation debt	\$ 3,237,858	\$ 148,700	\$ (270,745)	\$ 3,115,813	\$ 324,609
HUD Section 108 Loans	28,636	—	(60)	28,576	472
Plus premium (discount) on bonds	258,875	—	(16,420)	242,455	—
Total bonds and notes payable	<u>3,525,369</u>	<u>148,700</u>	<u>(287,225)</u>	<u>3,386,844</u>	<u>325,081</u>
Other liabilities:					
Claims and judgments	206,361	340,871	(339,712)	207,520	64,772
Compensated absences	534,401	108,765	(69,690)	573,476	138,277
Arbitrage rebate	—	23	—	23	—
Lease liability	83,815	311	(14,368)	69,758	5,607
Subscription liability	38,587	36,580	(18,507)	56,660	20,187
Total OPEB liability	2,087,138	180,171	(689,004)	1,578,305	—
Net pension liability	1,867,331	384,166	(375,690)	1,875,807	—
Total other liabilities	<u>4,817,633</u>	<u>1,050,887</u>	<u>(1,506,971)</u>	<u>4,361,549</u>	<u>228,843</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 8,343,002</u>	<u>\$ 1,199,587</u>	<u>\$ (1,794,196)</u>	<u>\$ 7,748,393</u>	<u>\$ 553,924</u>
<b>Discretely Presented Component Units:</b>					
Notes payable	\$ 702,331	\$ 40,090	\$ (106,326)	\$ 636,095	\$ 39,482
Bonds payable	823,368	62,476	(65,025)	820,819	46,743
Net pension liability (Note 10.C)	—	11,069	—	11,069	—
<b>Discretely Presented Component Units Long-Term Liabilities</b>	<u>\$ 1,525,699</u>	<u>\$ 113,635</u>	<u>\$ (171,351)</u>	<u>\$ 1,467,983</u>	<u>\$ 86,225</u>

Within governmental funds, contributions toward the other post-employment benefit obligations and liquidation of the net pension liability are made from the general fund.

	Balance July 01, 2022	Additions	Retirements/ Transfers	Balance June 30, 2023	Amounts Due within One Year
<b>Business-type activities</b>					
Bonds and notes payable:					
Airport System debt	\$ 2,397,344	\$ 165,000	\$ (87,058)	\$ 2,475,286	\$ 129,797
Convention and Entertainment debt	413,306	—	(33,890)	379,416	26,532
Combined Utility System debt	6,897,045	—	(287,549)	6,609,496	296,282
Long-term contracts - Combined Utility	422,026	—	(8,865)	413,161	9,200
Premiums, discounts amount	1,022,554	—	(71,930)	950,624	—
Total bonds and notes payable	<u>11,152,274</u>	<u>165,000</u>	<u>(489,291)</u>	<u>10,827,983</u>	<u>461,811</u>
Other liabilities:					
Claims and judgments	9,058	1,097	(1,170)	8,985	2,282
Compensated absences	35,840	21,273	(20,498)	36,615	19,001
Arbitrage rebate liability	926	319	(379)	866	395
Lease liability	123	—	(60)	63	45
Subscription liability	5,254	—	(1,360)	3,894	1,303
Total OPEB liability	263,457	22,396	(90,192)	195,661	—
Net pension liability	455,141	69,432	(58,076)	466,497	—
Total other liabilities	<u>769,799</u>	<u>114,517</u>	<u>(171,735)</u>	<u>712,581</u>	<u>23,026</u>
<b>Business-type activities Long-Term Liabilities</b>	<u>\$ 11,922,073</u>	<u>\$ 279,517</u>	<u>\$ (661,026)</u>	<u>\$ 11,540,564</u>	<u>\$ 484,837</u>
<b>Total Reporting Entity Long-Term Liabilities</b>	<u>\$ 21,790,774</u>	<u>\$ 1,592,739</u>	<u>\$ (2,626,573)</u>	<u>\$ 20,756,940</u>	<u>\$ 1,124,986</u>

**B. Schedule of Changes in Bonds and Long-Term contracts (amounts expressed in thousands):**

	Stated Interest Rate Range, %	Face Value Outstanding 07/01/2022	FY23 Issued/ Increased
<b>General Tax Obligation Debt</b>			
Public improvement bonds	0.25 to 6.32	\$ 1,682,020	\$ —
Pension obligations bonds	5.31 to 6.29	1,375,473	—
Commercial paper	0.12 to 10.00	168,000	148,700
Tax and revenue certificates of obligation	4.00 to 5.00	12,365	—
<b>Total General Tax Obligation Debt</b>		<u>\$ 3,237,858</u>	<u>\$ 148,700</u>
<b>HUD Section 108 Loans</b>		<u>\$ 28,636</u>	<u>\$ —</u>
<b>Revenue Bonded Debt</b>			
<b>Airport System</b>			
Subordinate lien revenue and refunding bonds	0.883 to 5.70	\$ 2,133,665	\$ —
Special facility bonds	0.40 to 6.88	60,680	—
Pension obligations bonds	5.31	2,006	—
State Energy Conservation (SECO) Loans	2.00	15,993	—
Commercial paper	0.11 to 1.4	185,000	165,000
		<u>2,397,344</u>	<u>165,000</u>
<b>Convention and Entertainment Facilities</b>			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	410,307	—
Pension obligations bonds	5.31 to 6.29	2,999	—
		<u>413,306</u>	<u>—</u>
<b>Combined Utility System</b>			
<b>Combined Utility System first lien bonds</b>			
Water and Sewer System junior lien revenue bonds	0.02 to 6.00	6,324,050	—
Combined Utility System commercial paper	1.25 to 6.90	38,946	—
Combined Utility System subordinate lien bonds	0.12 to 10.00	—	—
Pension obligations bonds	0.22 to 3.42	445,116	—
	5.31 to 6.29	88,933	—
		<u>6,897,045</u>	<u>—</u>
<b>Long-Term Contracts-Water and Sewer System</b>			
Coastal Water Authority	2.00 to 7.50	48,870	—
Other long-term contracts	3.22 to 5.85	373,156	—
		<u>422,026</u>	<u>—</u>
<b>Total Revenue Bonded Debt and Long-Term Contracts, Primary Government</b>		<u>\$ 10,129,720</u>	<u>\$ 165,000</u>
<b>Total Bonds and Long-Term Contracts Payable, Primary Government</b>		<u>\$ 13,396,214</u>	<u>\$ 313,700</u>

(Continued)

(1) Adjustments consist of unamortized bond premiums, discounts, and capital appreciation bond accretions.

(2) Amount of refunding general tax obligation debt paid to escrow agent included payment of premiums and accrued interest on refunded bonds. Loss on refunding is reported as deferred outflow of resources.

FY23 Redeemed/ Refunded (2)	Face Value Outstanding 06/30/2023	Adjustments <sup>(1)</sup>	Net Outstanding 06/30/2023
\$ 200,910	\$ 1,481,110	\$ 242,251	\$ 1,723,361
27,155	1,348,318	—	1,348,318
41,300	275,400	—	275,400
1,380	10,985	204	11,189
<u>\$ 270,745</u>	<u>\$ 3,115,813</u>	<u>\$ 242,455</u>	<u>\$ 3,358,268</u>
<u>\$ 60</u>	<u>\$ 28,576</u>	<u>\$ —</u>	<u>\$ 28,576</u>

\$ 77,700	\$ 2,055,965	\$ 177,531	\$ 2,233,496
8,165	52,515	—	52,515
—	2,006	—	2,006
1,193	14,800	—	14,800
—	350,000	—	350,000
<u>87,058</u>	<u>2,475,286</u>	<u>177,531</u>	<u>2,652,817</u>
33,680	376,627	190,215	566,842
210	2,789	—	2,789
<u>33,890</u>	<u>379,416</u>	<u>190,215</u>	<u>569,631</u>
266,695	6,057,355	480,526	6,537,881
4,604	34,342	99,461	133,803
—	—	—	—
12,625	432,491	—	432,491
3,625	85,308	—	85,308
<u>287,549</u>	<u>6,609,496</u>	<u>579,987</u>	<u>7,189,483</u>
4,300	44,570	2,891	47,461
4,565	368,591	—	368,591
<u>8,865</u>	<u>413,161</u>	<u>2,891</u>	<u>416,052</u>
<u>\$ 417,361</u>	<u>\$ 9,877,359</u>	<u>\$ 950,624</u>	<u>\$ 10,827,983</u>
<u>\$ 688,166</u>	<u>\$ 13,021,748</u>	<u>\$ 1,193,079</u>	<u>\$ 14,214,827</u>

## **C. Terms of Long-Term Debt**

### **1. Public Improvement Bonds**

The City has issued Public Improvement Bonds on numerous occasions. The bonds are payable from ad valorem tax revenues. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable in various amounts annually through March 1, 2043. At June 30, 2023, the public improvement bonds have an outstanding balance totaling \$1,481.1 million.

### **2. Pension Obligation Bonds**

The City has issued several series of General Obligation Taxable Pension Bonds. The proceeds were used to reduce the unfunded actuarial accrued liability of the Houston Municipal Employees Pension System and the Houston Police Officers Pension System. Interest is payable semi-annually, and principal is payable in varying amounts through 2047. Although these obligations have an ad valorem tax pledge, a portion of the liabilities is recorded in the enterprise funds because the liabilities are directly related and expected to be paid from those funds based on percentages of payroll. At June 30, 2023, the pension obligation bonds have an outstanding balance totaling \$1,438.4 million.

### **3. General Obligation Commercial Paper**

The City currently multiple General Obligation Commercial Paper Programs (“GO Commercial Paper”) with total authorization of \$975 million. The programs’ current issuance capacity is \$925 million, of which \$625 million is supported by credit facilities: GO Commercial Paper, \$200 million Series E Program, \$200 million Series G Program, \$100 million Series H-2 Program, \$125 million Series J. The GO Commercial Paper may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the GO Commercial Paper, but not to exceed 10%. Principal on the GO Commercial Paper is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under credit lines. Interest is payable from ad valorem tax revenue collected by the City. Proceeds from the GO Commercial Paper are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the GO Commercial Paper will be remarketed by the commercial paper dealers or extinguished with long-term debt. At June 30, 2023, \$275.4 million (par amt) of GO Commercial Paper was outstanding. The City’s outstanding notes from credit agreements contain a two – three-year repayment provision in the event of default or material adverse change.

The City has two unused programs, \$200 million Series K-1 and \$100 million Series K-2 that are Forward Bond Purchase Agreements.

During fiscal year 2023, the average interest rate for the outstanding GO Commercial Paper was 1.166%. This does not include Series K-1, K-2 and G-1 which was established mainly for appropriation purposes; therefore, there were no draws during fiscal year 2023. The average fees related to Series K-1 was 0.13%, K-2 is 0.13% and G-1 is 0.22% without any notes outstanding during fiscal year 2022. The Credit Agreements expire on the following dates: Series E-1 on July 10, 2026, Series E-2 on April 22, 2025, Series G-1 on April 11, 2024, Series G-2 on November 19, 2025, Series H-2 on November 8, 2023, Series J on May 20, 2023, Series K-1 on February 2, 2026, and Series K-2 on February 2, 2026.

### **4. Certificates of Obligation**

Since 1988, the City has issued Certificates of Obligation each year to provide for the purchase of equipment utilized in general City operations including, without limitation, police vehicles, maintenance vehicles and equipment, computer equipment, and costs associated with demolishing dangerous structures. Each year the City is obligated to levy, assess, and collect ad valorem taxes sufficient to pay principal and interest on the certificates payable semi-annually until maturity. At June 30, 2023, the certificates of obligation bonds have an outstanding balance totaling \$11.0 million.



## 5. HUD Section 108 Loan

The City has borrowed money from the United States Department of Housing and Urban Development (“HUD”) and loaned it to the Houston Business Development Initiative (“HBDI”) and three hotels in the downtown business district. HBDI in turn makes small business loans to under-served areas of the community. The City has pledged only certain grant revenues and its receipts from the loans to repay HUD.

## 6. Airport System Revenue Bonds

At June 30, 2023, the Airport System has no senior lien revenue bonds outstanding. Any bonds issued on the senior lien would require net revenues, as defined by the Master Bond Ordinance for the Airport System, totaling 125% of the debt service requirements for such fiscal year. The Airport System has issued subordinate lien revenue bonds which are paid solely from a lien on the Airport System’s net revenues, which must total 110% of the debt service requirements for subordinate lien revenue bonds for such fiscal year. At June 30, 2023, the subordinate lien revenue bonds have an outstanding balance totaling \$2,056.0 million with a final maturity in 2048.

## 7. Airport System Inferior Lien Contract

On October 21, 2015, the City authorized up to \$450.0 million in Airport System Inferior Lien Revenue Bonds, in one or more series. On November 5, 2015 the City authorized execution of a forward delivery purchase agreement with the Royal Bank of Canada (“RBC”), to expire February 5, 2027, for the issuance of \$450.0 million in Inferior Lien Revenue Bonds. City Council must reauthorize this liquidity arrangement annually. For the year ended June 30, 2023, no Inferior Lien Revenue Bonds have been issued and outstanding.

## 8. Airport System Special Facility Bonds

The Airport System Special Facilities Taxable Revenue Bonds, (CRCF Project), Series 2001, original par value \$130.3 million, financed the design and construction of a common car customer service building, a parking structure, maintenance, storage and administrative facilities for each car rental company lessee, a common bus fleet and maintenance facility, and related infrastructure at Intercontinental. The City holds legal title to the completed CRCF, as it was constructed on airport property, but the facility is operated and maintained by IAH RACS, LLC, a limited liability company formed by various car rental companies. The bonds are payable from Customer Facility Charges (“CFC”) collected by the car rental companies from their customers and remitted to a trustee for payment of debt service and other uses allowable by a trust indenture. As of June 30, 2023, the daily usage charge per customer is set at \$4.00. The trust indenture determines when and how the City is responsible for changing the rate, which under the Bond covenants must be set to provide a debt service coverage ratio of at least 125%. The bonds are limited special obligations of the City, payable solely from and secured by pledged CFC. There is no pledge of car rental company revenues or any general revenue of the City.

At June 30, 2023, special facilities revenue and refunding bonds (CRCF) outstanding totaled \$52.5 million.

## 9. Airport System Commercial Paper Notes

During the year ended June 30, 2013, the City authorized up to \$150 million in Airport System Commercial Paper Notes (“Airport Commercial Paper”). On November 20, 2013, the City re-authorized and amended the Series A and B Airport Commercial Paper. A new direct pay letter of credit was issued on December 18, 2013, covering \$150 million in face value of Series A and B Airport Commercial Paper, plus \$11.1 million in respect of 270 days accrued interest computed at 10%. This letter of credit expired on December 16, 2016 and was replaced by a letter of credit for the same amount issued by Sumitomo Mitsui Banking Corporation (“SMBC”), which expires on December 15, 2025. Any advances made under the letter of credit and not repaid within 90 days will be converted to term loans payable in twenty quarterly installments, subject to the greater of several options for interest rates. The maximum interest rate permitted under the ordinance is 15%.

On April 1, 2020, the agreement with SMBC was expanded to \$350 million, plus interest. At June 30, 2023, the outstanding balance of Commercial Paper was \$350.0 million, with an average interest rate of 3.679%, and there was no available limit for additional borrowings.

## 10. Airport System Direct Borrowing Loans

During the year ended June 30, 2020, the Airport System began to borrow and incur interest on two loans obtained from the State Energy Conservation Office (“SECO”), a segment within the State of Texas Comptroller. The SECO program affords low-rate 2% loans for borrowers approved to build or acquire energy efficient equipment or other assets.

The Airport System entered into two reimbursement loan agreements with SECO, each with a SECO-approved list of projects, which have been completed during fiscal year 2022, and the initial repayment to commenced shortly thereafter.

Loan No. 1 has a maximum amount of \$8.0 million is to be repaid over approximately ten years. Loan No. 2 has a maximum amount of \$7.5 million, and similar terms to Loan No. 1. The replacement projects were completed during the fiscal year ended June 30, 2022. At June 30, 2023, the Airport System has a total of \$14.8 million loan balance outstanding.

There are no unique default provisions, payment provisions, or collateral pledged to either of these loans. In the event of default, such as failing to make timely payments in accordance with the agreements, the outstanding balances, including accrued interest, may become due immediately. As of June 30, 2023, the Airport System is in compliance with terms and conditions of these loan agreements.

## 11. Convention and Entertainment Facilities Bonds

These bonds are special limited obligations of the City that are paid from a lien on the pledged receipts of the Hotel Occupancy Tax (“HOT”), and revenues collected from certain City-owned parking facilities. The pledged HOT receipts are equal to 5.65% of the cost of substantially all hotel room rentals in the City, plus related penalties and interest for delinquent payments. As long as any of the Senior Lien Bonds remain outstanding, the City is required to levy HOT at a rate not less than 7%. The City currently levies HOT at the rate of 7%. Final maturity of the bonds is September 1, 2044.

Flexible Rate Notes from direct borrowings are paid from a lien on the pledged receipts of the HOT, as of June 30, 2023, Flexible Rate Notes totaled \$20 million and contain a provision that in an event of default, outstanding amounts are due immediately.

The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Bonds. The surety policy expires upon final maturity of the outstanding Bonds that are due through September 1, 2033.

## 12. Water and Sewer System Junior Lien Revenue Bonds

The City’s Water and Sewer System Junior Lien Revenue Bonds are all bonds outstanding under the Previous Ordinance, prior to the Master Ordinance for the Combined Utility (the “Utility Master Ordinance”). The Utility Master Ordinance defines “Previous Ordinance” as, collectively, the City’s ordinances that authorized the issuance of outstanding “Previous Ordinance Bonds.” “Previous Ordinance Bonds” are defined as, on any date, all of the City’s Water and Sewer System Junior Lien Revenue Bonds that are outstanding under the Previous Ordinance.

On September 3, 2003, City Council authorized creation of the Combined Utility, which currently consist of the City’s Water and Sewer System. On June 10, 2004, as part of the restructuring to the new Combined Utility, the City refunded a substantial portion of its outstanding junior lien bonds and reissued bonds as Combined Utility System bonds. The only Previous Ordinance Bonds that are currently outstanding are the Series 1998A Bonds. Debt service payments on remaining Water and Sewer Junior Lien Revenue Bonds (“WS Junior Lien Bonds”) will be made after payment of operating expenses and prior to any “other” debt service payments on the Combined Utility System bonds. The final maturity date for the remaining WS Junior Lien Bonds is December 1, 2028. No additional WS Junior Lien Bonds may be issued. As of June 30, 2023, the current principal balance outstanding is \$34.3 million.

### 13. Combined Utility System First Lien Revenue Bonds

On April 21, 2024, the City council approved the Utility Master Ordinance for issuance of City of Houston, Combined Utility System Revenue obligations. The Utility Master Ordinance includes covenants and agreements relating to the operation and management of the Combined Utility. The Combined Utility's First Lien Revenue Bonds are special obligations of the City, payable from and secured by a lien on Net Revenues of the Combined Utility, after payment of all required payments, including and not limited to, those defined as maintenance and operation expenses under Previous Ordinance, and debt service on WS Junior Lien Bonds. Therefore, the lien on Net Revenues securing these bonds is subordinate to the lien securing WS Junior Lien Bonds. So long as any Bonds remain outstanding, the Utility Master Ordinance requires the Combined Utility to generate Net Revenues in each fiscal year at least equal to the greater of 120% of the combined debt service on all Previous Ordinance and First Lien Revenue Bonds outstanding, or 110% of the combined debt service on all Previous Ordinance, First Lien and Second Lien Revenue Bonds outstanding, in such fiscal year. At June 30, 2023, the Combined Utility System First Lien Revenue Bonds have an outstanding balance totaling \$6,057.4 million.

In June 2004, the Combined Utility issued First Lien Revenue Refunding Bonds, Series 2004B and 2004C (Taxable) bonds as auction rate securities, each consisting of various sub-series, i.e., Series 2004B-1 through 2004B-6 and Series 2004C-1 through 2004C-5. In 2008, as a result of the credit/liquidity crisis, the series 2004B bonds were converted to variable rate demand bonds. In 2012, the Series 2004B-1 bonds were refunded by SIFMA Index Floating Rate Bonds, consisting of \$125 million and \$100 million of First Lien Revenue Refunding Bonds, Series 2012A and 2012B, respectively. In June 2018, the Series 2012B bonds were remarketed as variable rate demand bonds ("VRDB") and continue to remain outstanding as VRDBs. In 2020, the Series 2012A were remarketed as VRDBs and continue to remain outstanding as such. The remaining Series 2004B-2, B-3, B-4, B-5, and B-6 remain outstanding as VRDBs.

With respect to the Series 2004C bonds, in May 2008, these bonds were refunded by \$249.08 million of First Lien Revenue Refunding Bonds, Series 2008A and \$205.3 million first Lien Revenue Refunding Bonds, Series 2008D Bonds (Taxable), both of which were issued as adjustable rate bonds in multiple subseries. The Series 2008D-1, D-2, and D-3 sub-series have since been refunded with fixed rate bonds. In 2010, the Series 2008A-1 and A-2 bonds were refunded by the Series 2010B bonds, which were direct purchase adjustable rate bonds issued in the Indexed Floating Rate mode, with a mandatory tender date ("MDT") of March 22, 2013. In 2012, the Series 2010B bonds were refunded by the Series 2012C bonds, which were publicly offered Securities Industry and Financial Markets Association ("SIFMA") Index Floating Rate Bonds with a MDT of August 1, 2016. In 2016, the Series 2012C bonds were refunded by the Series 2016C bonds, which were a direct purchase by Bank of America Merrill Lynch. The 2016C bonds were issued as adjustable rate bonds with a MDT of August 1, 2019. In 2018, as a direct result of tax reform and the decrease in the corporate tax rate, the 2016C were refunded by the Series 2018C bonds, which as of July 30, 2023 are VRDBs.

#### Combined Utility System Direct Placement First Lien Revenue Bonds

On December 21, 2021, the City issued \$130.0 million of Combined Utility System, First Lien Revenue Bonds, Series 2021C, as a direct placement with Texas Water Development Board ("TWDB"), with coupons ranging from 0.600% – 1.610%. Proceeds will be used to pay for projects, a debt service reserve fund and to pay costs of issuance of the bonds. The bonds mature in varying amounts from 2023 to 2041.

There are no unique default provisions, payment provisions, or collateral pledged to either of these loans. In the event of default, such as failing to make timely payments in accordance with the agreements, the outstanding balances, including accrued interest, may become due immediately. As of June 30, 2023, the Combined Utility is in compliance with terms and conditions of these loan agreements.

#### 14. Combined Utility System SWAP Agreements

In accordance with the GASB Statement No. 72, "Fair Value Measurement and Application", the City has determined the swap liability to be a level 2 measurement. The fair value below includes consideration of the City's credit rating and an adjustment for nonperformance risk. The City has determined that the swaps are effective hedges and the change in the fair values are reported as deferred inflows/outflows on the statement of net position (GASB 53, para.75). A summary of the total fair value is as follows:

Notional Amount	Change in Fair Value	Fair Value at June 30, 2023
\$ 902,400,000	\$ (49,610,475)	\$ 123,043,331
	(Deferred Outflows)	(SWAP Liability)

#### General Terms:

Objective (GASB 53, para. 71): To manage interest rate exposure and to reduce the cost of capital related to the City's Combined Utility System First Lien Revenue Refunding Bonds, Series 2004B (the "Series 2004B Bonds"), the City entered into several interest rate swap agreements (the "Series 2004B Swaps"). Additionally, to manage interest rate exposure and to reduce the cost of capital related to the City's Combined Utility System First Lien Revenue Refunding Bonds, Series 2018C (the "Series 2018C Bonds"), the City entered into an interest rate swap agreement (the "Series 2018C Swap"). The Series 2004B Swaps and Series 2018C Swap are collectively referred to herein as the "Swaps". Moreover, the Series 2004B Bonds and the Series 2018C Bonds are collectively referred to herein as the "Bonds".

Hedging Relationship (GASB 53): Hedge accounting can be applied for derivative instruments that are found to be effective hedges under GASB 53. The City has determined that the swaps are effective hedges and the changes in fair values are reported as deferred inflows/outflows on the statement of net assets.

Non-Performance Adjustments (GASB 72, para. 62): GASB 72 requires a government to consider nonperformance risk when measuring the fair value of a liability. The fair values include consideration of the City's credit rating and an adjustment for nonperformance risk.

Credit risk (GASB 53, para. 73(a)): As of June 30, 2023, the City was not exposed to credit risk because the Swaps had a negative fair value. However, should interest rates change and the fair value of the Swaps become positive, then the City will be exposed to credit risk in the amount of the fair value of the Swaps. In accordance with the City's swap policy and as established the Swaps, if a counterparty's credit rating falls below AA, collateral must be posted in varying amounts, depending on the credit rating and the fair value of the Swaps. No collateral has been required to date.

Basis risk (GASB 53, para. 73(c)): Basis risk is measured by the difference between variable receipts on the Swaps and variable payments on the Bonds. In the case of the Series 2004B Bonds, the basis is the difference between the 1-Week SIFMA and 10-Year Constant Maturity Swap Rate ("10-Year CMS"). In the case of the Series 2018C Bonds, the basis is the difference between 1-Month London Interbank Offered Rate ("LIBOR") and 10-Year CMS.

As of July 1, 2023, the ICE Benchmark Administration ceased publishing any LIBOR setting using the methodology in place as of December 31, 2021. As a result, as of July 1, 2023, LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt for purposes of GASB Statement No. 53. The agreements have been amended in July 2023 to reflect this change.

Termination risk (GASB 53, para. 73(d)): The City retains the right to terminate the Swaps at any time and for any reason. If the City terminates any of the Swaps, then a termination payment reflecting the "then-current" market value of the Swaps will be payable to or receivable by the City. By comparison, the City's counterparties may only terminate the Swaps in the event that the City fails to perform under the terms of the swap agreement, e.g., the City defaults on any swap payments.

*Hedged Debt (GASB 53, para. 74):* As of June 30, 2023, debt service requirements for the swap agreements are reported in Note 8D as if the swap was in effect, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated bonds are included with other Combined Utility System Bonds on Note 8.D.

#### a. Combined Utility System Synthetic Fixed Rate Swap Agreements

*Combined Utility System Synthetic Fixed Rate Swaps.* On June 10, 2004, the City entered into three identical pay-fixed, receive variable rate swap agreements. The City pre-qualified six firms to submit competitive bids on the swap. The bidding took place on June 7, 2004. The three firms selected all matched the lowest fixed rate bid of 3.7784%. On November 15, 2018, the City amended the swap by changing the floating rate index from one-month LIBOR to 10-year constant maturity swap rate (CMS).

*Terms.* The notional amount totals \$653.3 million, the principal amount of the associated 2004B Bonds. The City's swap agreements contain scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the 2004B Bonds in varying amounts during the years 2028 to 2034.

Under the terms of the swaps, the City will pay a fixed rate of 3.7784% and receive a floating rate equal to 57.6% of One-Month U.S. Dollar LIBOR plus 37 basis points. All agreements were effective June 10, 2004, the date of issuance of the 2004B Bonds, and will terminate on May 15, 2034.

However, effective November 15, 2018, as per the amended terms, the City will now receive variable payments based on 58.55% of 10-year CMS.

At June 30, 2023, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

	<u>Amended Terms</u>	<u>Rate (%) Received (Paid)</u>
Variable rate payment from counterparties	10Y CMS x 58.55%	2.0439
Swap Receipt		2.0439
Fixed rate paid to counterparties		(3.7784)
Net rate (paid)/received for swap		(1.7345)
Year-end variable rate on 2004B bonds, year-end		(2.4735)
Plus: dealer and credit fees on 2004B bonds		(0.5356)
Effective rate of the 2004B bonds		<u>(4.7436)</u>

In contrast, the fixed rate the City paid on its Combined Utility System Series 2004A fixed rate bonds, which have a comparable maturity, was 5.08%.

*Fair Value.* Because long-term interest rates have changed since inception of the swaps, the swaps had a negative fair value of \$95.4 million on June 30, 2023. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the balance sheet of the Combined Utility in the SWAP liability. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Counterparty	Notional Amount	GAAP Fair Value	Counterparty Rating (Moody's /S&P/Fitch)
Goldman Sachs	\$ 353,325,000	\$ (51,623,495)	A1/A+/A+
JP Morgan Chase	\$ 150,000,000	\$ (21,916,151)	Aa2/A+/AA
Wells Fargo	\$ 150,000,000	\$ (21,903,764)	Aa2/A+/AA-
Total	\$ 653,325,000	\$ (95,443,410)	

**b. Combined Utility System Forward Interest Rate Swap**

Combined Utility System Forward Starting Swap. On November 1, 2005, the City entered into a forward interest rate swap transaction with RBC. The City pre-qualified eight firms to submit competitive bids on the swap. RBC submitted the lowest fixed rate bid of 3.761% and was selected. On September 1, 2015, the swap agreement was novated to Wells Fargo.

On November 15, 2018, the City amended the swap by changing the floating rate index from one-month LIBOR to 10-year constant maturity swap rate (CMS). The transaction was conducted through a competitive bid process.

Terms. Under the terms of the initial contract, the City will pay a fixed rate of 3.761% on a par value of \$249.1 million, and it will receive variable payments based on 70% of One-Month U.S. Dollar LIBOR. The City's scheduled net swap payments are insured by Ambac Assurance Corporation.

However, effective November 15, 2018, as per the amended terms, the City will now receive variable payments based on 58.55% of 10- year CMS.

At June 30, 2023, the effective rate on the 2018C Bonds associated with the swap was computed as follows:

	Initial Terms	Amended Terms	RATE (%) Received (Paid)
Variable rate payment from counterparties		10Y CMS x 58.55%	2.0439
Swap Receipt			2.0439
Fixed rate paid to counterparties	Fixed		(3.7610)
Net rate (paid)/received for swap			0.3268
Year-end variable rate on 2018C bonds			(2.5431)
Effective rate of 2018C bonds			(2.2163)

Fair value. The swap had a reported negative fair value of \$27.6 million on June 30, 2023. The fair value is recorded on the balance sheet of the Combined Utility in the SWAP liability. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Counterparty	Notional Amount	GAAP Fair Value	Counterparty Rating (Moody's /S&P/Fitch)
Wells Fargo	\$ 249,075,000	\$ (27,599,921)	Aa2/A+/AA-

## 15. Combined Utility System Commercial Paper

Effective December 17, 2009, the City established a \$700 million Series B Commercial Paper Note program (the "Utility Commercial Paper") that provides for the issuance of Utility Commercial Paper notes to finance costs of eligible projects, including acquisition, construction, improvements and additions or extension for the Combined Utility, and pay costs of issuance. The program is structured as a revolving commercial paper note program, whereby the Utility Commercial Paper may be issued for a period that does not exceed 270 days and the maximum interest rate may not exceed 10%. The Utility Commercial Paper are issued as third lien obligations and are payable from and secured by a lien on Net Revenues of the Combined Utility which is subordinate to the lien securing payment of First Lien Bonds. The Combined Utility's outstanding notes from credit agreements contain a two – four-year repayment provision in the event of default or material adverse change. Effective May 17, 2023, the City amended and restated the Series B Ordinance authorizing for issuance \$1 billion of Utility Commercial Paper notes.

A portion of the Utility Commercial Paper, in the amount of \$475 million, is secured by credit facilities from Bank of America (Series B-1 and Series B-6) with an expiration date of August 19, 2027, SMBC, acting through its New York Branch (Series B-3) with an expiration date of January 10, 2025, PNC Bank, N.A (Series B-4) with an expiration date of July 12, 2025, and JPMorgan (Series B-7) with an expiration date of May 30, 2025. The Series B-7 (\$100 million of principal) was established within the amended and restated ordinance of May 2023. As of June 30, 2023, the Combined Utility has no outstanding in Series B commercial paper notes.

In addition, the City has established an Extendable Commercial Paper ("ECP") Note program in the amounts of \$75 million and \$250 million, that provide for the issuance of Series B-2 and Series B-5 ECP Notes as third lien obligations. During FY23, the City amended and restated the Supplemental Ordinance authorizing the issuance of Series B-2 ECP notes in the aggregate principal amount not to exceed \$275 million outstanding at any time and provide for the issuance of Series B-2 notes through December 15, 2039. The Series B-2 ECP Notes and Series B-5 ECP Notes may each be issued for a period not to exceed 90 days (which may be extended, but in no event later than 270 days following the date of issuance) and bear interest at an annual rate not to exceed 9%. The Series B-2 and Series B-5 ECP Notes are (1) separately offered and remarketed by Morgan Stanley & Co. LLC, (2) issued as Third Lien Obligations, and (3) are separately payable from and secured by a lien on Net Revenues of the Combined Utility, which is subordinate to the lien securing payment of First Lien Bonds. Proceeds of Series B-2 and B-5 ECP Notes may each be used to finance various capital projects of the Combined Utility.

## 16. Combined Utility Subordinate Liens

In December 2015 and December 2016, the City closed on a TWDB subordinate lien State Water Implementation Fund for Texas ("SWIFT") Loans of \$25,915,000 and \$63,020,000, respectively. These loans were issued to fund the Northeast Plant Expansion and Northeast Transmission Line. Annual debt service is payable from the Combined Utility, General Purpose Fund. The annual debt service payments began in May 2016 and May 2017, respectively. As of June 30, 2023, \$4,570,000 and \$10,130,000 of the principal has been paid for the 2015 loan and 2016 loan, respectively. These bonds mature on November 15, 2045, and November 15, 2046, respectively. Two new SWIFT loans were issued in November 2017 (2017C) and June 2018 (2018B) for \$83,170,000 and \$106,910,000, respectively. The annual debt service payments began in May 2018 and November 2018, respectively, and the bonds mature in fiscal year 2047. As of June 30, 2023, \$10,775,000 of principal has been paid for 2017C and \$10,825,000 of principal has been made paid for 2018B. A new SWIFT loan was issued in November 2018 (2018F) for \$170,265,000. As of June 30, 2023, \$16,250,000 of principal was paid for this bond. This bond matures in fiscal year 2049. A new SWIFT loan was issued in November 2020 (2020E) for \$38,000,000. As of June 30, 2023, \$2,240,000 of principal was paid for this bond. This bond matures in fiscal year 2050. The outstanding debt for Subordinate Lien as of June 30, 2023 is \$432.5 million.

## 17. Coastal Water Authority (“CWA”)

The contract payable relating to CWA represents the outstanding balance of \$44.6 million at June 30, 2023, for Series 2010 and Series 2014 (both refunding) issued by CWA, a governmental agency of the State of Texas, to finance the construction of a water conveyance system. Pursuant to a series of exchange agreements with CWA, the City issued the Certificate and endorsed the bonds and is unconditionally obligated to pay from the gross revenues of the Combined Utility all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The outstanding bonds mature on December 15, 2025, and December 15, 2034, respectively.

### Luce Bayou

In January 2009, the City entered into a contract with CWA for the project design, property acquisition, construction and financing of the Luce Bayou Interbasin Transfer Project. This would include the construction of infrastructure sized to transfer approximately 450,000 acre feet per year of the City's permitted surface water from Trinity River to Lake Houston. The funding for this project is to be financed and paid through the TWDB financing program. The Water Infrastructure Fund (“WIF”) Bonds are secured by the City's pledged revenues to pay debt service. The current contract payable out of the General Purpose Fund relating to Luce Bayou as of June 30, 2023, represents \$28,754,000 of State Participation Loan (maturing in 2047), \$28,000,000 of Series 2009 WIF Loan (maturing in 2029, outstanding principal balance of \$17,650,000 as of June 30, 2023) and \$5,115,000 of Series 2010 WIF Loan (maturing in 2030, outstanding principal balance of \$3,410,000 as of June 30, 2023). The annual debt service payments for the State Participation Loan started in fiscal year 2015, Series 2009 started in fiscal year 2019 and Series 2010 WIF Loan started in fiscal year 2020.

In fiscal year 2017, two new State Water Implementation Revenue Fund for Texas (“SWIRFT”) bonds were issued in relation to Luce Bayou on November 2015 and December 2016 for \$66,565,000 and \$136,460,000, respectively. The annual debt service payments for these bonds started in fiscal year 2019 and their maturity is in 2050 and 2051, respectively. Additionally in fiscal year 2018, two new SWIRFT bonds were issued in relation to Luce Bayou on November 2017 for \$72,795,000 and \$24,180,000, respectively. The annual debt service payments for the \$72.795 million bond started in fiscal year 2019. This bond matures in 2052. The annual debt service payments for the \$24.1 million bond started in fiscal year 2018, with a current outstanding principal balance of \$20,435,000 as of June 30, 2023. This bond matures in 2047.

### Luce Bayou-Land & Mitigation Costs-ROW

Land and Mitigation Costs associated with the Luce Bayou Project relate to acquisition of land and costs of environmental mitigation. CWA advanced funds to pay for the City's share of Land and Mitigation costs from available CWA revenues in lump sums (\$6.4 million in 2009, \$3.2 million in 2010, \$3.2 million in 2012) for a total of \$12.8 million. Repayment of the loan started in FY 2019 with the accrued interest during 2009-2020 rolled into principal to be amortized over the next 20 years. As of June 30, 2023, the current principal balance is \$14.6 million.

## 18. Other Contracts

### U.S. Army Corps of Engineers

Payments on the following contracts will be made only after the Combined Utility has funded all maintenance and operation costs and debt service payments for the Combined Utility, including required reserves.

On June 20, 1967, the City, TRA, and Chambers-Liberty Counties Navigation District contracted with the United States of America to have the U.S. Army Corps of Engineers build a salinity control barrier and recreation facilities at Wallisville Lake. Because of legal actions, construction was blocked for a long period, and the project was not completed until April 2003. The City's share of the project cost was \$10,580,707, which will be paid to the U.S. government over 50 years at 3.222% interest with final payment due January 1, 2053. Current principal balance outstanding as of June 30, 2023, is \$7.9 million.



**D. Schedule for Debt Service Requirements to Maturity:**

Aggregate future debt service payments to maturity as of June 30, 2023, are as follows (in thousands):

**1. General Long-Term Tax Obligation Debt:**

Year Ending June 30	Public Improvement Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 192,390	\$ 62,318	\$ 29,829	\$ 61,352
2025	160,385	54,650	32,670	59,764
2026	146,040	47,865	35,697	58,034
2027	157,790	41,022	38,903	56,151
2028	156,380	33,982	42,311	54,109
2029-2033	380,430	92,673	312,876	227,015
2034-2038	191,245	34,680	279,105	152,683
2039-2043	66,410	10,358	285,258	93,461
2044-2048	23,570	3,440	291,669	29,866
2049-2052	6,470	184	—	—
Total	<u>\$ 1,481,110</u>	<u>\$ 381,172</u>	<u>\$ 1,348,318</u>	<u>\$ 792,435</u>

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation	
	Principal	Interest	Principal	Interest
2024	\$ 94,000	\$ 7,300	\$ 8,390	\$ 311
2025	5,000	6,227	2,595	130
2026	94,000	4,115	—	—
2027	82,400	78	—	—
2028	—	—	—	—
2029-2033	—	—	—	—
2034-2038	—	—	—	—
2039-2043	—	—	—	—
2044-2048	—	—	—	—
2049-2052	—	—	—	—
Total	<u>\$ 275,400</u>	<u>\$ 17,720</u>	<u>\$ 10,985</u>	<u>\$ 441</u>

Year Ending June 30	Total Future Requirements		
	Principal	Interest	Total Future Requirements
2024	\$ 324,609	\$ 131,281	\$ 455,890
2025	200,650	120,771	321,421
2026	275,737	110,014	385,751
2027	279,093	97,251	376,344
2028	198,691	88,091	286,782
2029-2033	693,306	319,688	1,012,994
2034-2038	470,350	187,363	657,713
2039-2043	351,668	103,819	455,487
2044-2048	315,239	33,306	348,545
2049-2052	6,470	184	6,654
Total	<u>\$ 3,115,813</u>	<u>\$ 1,191,768</u>	<u>\$ 4,307,581</u>

2. HUD Section 108 Loans:

Year Ending June 30	HUD Section 108 Loans		
	Principal	Interest	Total Future Requirements
2024	\$ 472	\$ 1,507	\$ 1,979
2025	280	1,496	1,776
2026	290	1,485	1,775
2027	300	1,474	1,774
2028	23,011	489	23,500
2029-2033	1,725	632	2,357
2034-2038	2,385	130	2,515
2039-2043	113	2	115
Total	\$ 28,576	\$ 7,215	\$ 35,791

3. Enterprise Funds:

Year Ending June 30	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Pension Obligations		Convention and Entertainment Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 26,312	\$ 31,044	\$ 220	\$ 174	\$ 26,532	\$ 31,218
2025	46,323	31,067	235	160	46,558	31,227
2026	26,177	30,256	250	145	26,427	30,401
2027	26,166	30,321	270	129	26,436	30,450
2028	26,135	30,339	285	112	26,420	30,451
2029-2033	130,429	151,920	1,493	251	131,922	152,171
2034-2038	63,560	37,257	36	2	63,596	37,259
2039-2043	23,035	3,998	—	—	23,035	3,998
2044-2048	8,490	343	—	—	8,490	343
Total	\$ 376,627	\$ 346,545	\$ 2,789	\$ 973	\$ 379,416	\$ 347,518

Year Ending June 30	Airport System Senior Lien Commercial Paper		Airport System Subordinate Lien Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ —	\$ 14,067	\$ 119,710	\$ 78,193
2025	350,000	10,557	122,925	74,809
2026	—	—	126,350	71,218
2027	—	—	131,635	67,096
2028	—	—	136,260	62,337
2029-2033	—	—	792,035	221,308
2034-2038	—	—	246,815	112,103
2039-2043	—	—	209,090	54,255
2044-2048	—	—	147,685	20,527
2049-2050	—	—	23,460	487
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 24,624</b>	<b>\$ 2,055,965</b>	<b>\$ 762,333</b>

Year Ending June 30	Airport System Pension Obligations		Airport System Special Facility Bonds-Rental Car Facility	
	Principal	Interest	Principal	Interest
2024	\$ —	\$ 107	\$ 8,870	\$ 3,613
2025	—	107	9,630	3,003
2026	—	107	10,445	2,340
2027	—	107	11,315	1,622
2028	—	107	12,255	843
2029-2033	1,627	369	—	—
2034-2038	379	40	—	—
2039-2043	—	—	—	—
2044-2048	—	—	—	—
2049-2050	—	—	—	—
<b>Total</b>	<b>\$ 2,006</b>	<b>\$ 944</b>	<b>\$ 52,515</b>	<b>\$ 11,421</b>

Year Ending June 30	SECO Direct Borrowing		Airport System Total Future Requirements		
	Principal	Interest	Principal	Interest	Total
2024	\$ 1,217	\$ 287	\$ 129,797	\$ 96,267	\$ 226,064
2025	1,241	262	483,796	88,738	572,534
2026	1,267	237	138,062	73,902	211,964
2027	1,292	212	144,242	69,037	213,279
2028	1,318	186	149,833	63,473	213,306
2029-2033	6,136	526	799,798	222,203	1,022,001
2034-2038	2,329	94	249,523	112,237	361,760
2039-2043	—	—	209,090	54,255	263,345
2044-2048	—	—	147,685	20,527	168,212
2049-2050	—	—	23,460	487	23,947
<b>Total</b>	<b>\$ 14,800</b>	<b>\$ 1,804</b>	<b>\$ 2,475,286</b>	<b>\$ 801,126</b>	<b>\$ 3,276,412</b>

Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Revenue Bonds		Combined Utility System Swap Agreement
	Principal	Interest	Principal	Interest	Net Swap Payment
2024	\$ 4,766	\$ 14,239	\$ 274,820	\$ 244,152	\$ 16,005
2025	4,274	13,716	285,975	233,374	15,988
2026	4,085	14,070	292,200	221,777	16,005
2027	6,567	24,248	296,460	209,559	16,005
2028	6,219	24,591	309,005	197,014	16,018
2029-2033	8,431	35,664	1,843,460	121,173	55,151
2034-2038	—	—	1,418,050	51,983	2,900
2039-2043	—	—	732,360	24,954	—
2044-2048	—	—	466,880	6,528	—
2049-2053	—	—	138,145	6,816	—
Total	\$ 34,342	\$ 126,528	\$ 6,057,355	\$ 1,317,330	\$ 138,072

Year Ending June 30	Combined Utility System Subordinate Lien		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2024	\$ 12,795	\$ 11,405	\$ 3,901	\$ 4,353
2025	12,975	11,211	4,195	4,121
2026	13,180	11,001	4,503	3,872
2027	13,395	10,775	4,837	3,605
2028	13,630	10,532	5,184	3,319
2029-2033	72,555	48,171	28,694	11,266
2034-2038	82,340	38,310	8,720	6,092
2039-2043	95,030	25,587	12,031	4,124
2044-2048	104,760	9,982	13,243	1,357
2049-2053	11,831	229	—	—
Total	\$ 432,491	\$ 177,203	\$ 85,308	\$ 42,109

Year Ending June 30	Combined Utility System Total Future Requirements			
	Principal	Interest	Net Swap Payment	Total Future Requirements
2024	\$ 296,282	\$ 274,149	\$ 16,005	\$ 586,436
2025	307,419	262,422	15,988	585,829
2026	313,968	250,720	16,005	580,693
2027	321,259	248,187	16,005	585,451
2028	334,038	235,456	16,018	585,512
2029-2033	1,953,140	216,274	55,151	2,224,565
2034-2038	1,509,110	96,385	2,900	1,608,395
2039-2043	839,421	54,665	—	894,086
2044-2048	584,883	17,867	—	602,750
2049-2053	149,976	7,045	—	157,021
Total	\$ 6,609,496	\$ 1,663,170	\$ 138,072	\$ 8,410,738

**4. Long-Term Contracts-Water and Sewer System:**

Year Ending June 30	Maintenance and Operation Lien		U.S. Army Corps of Engineers		CWA Luce Bayou	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 4,515	\$ 1,835	\$ 160	\$ 255	\$ 3,200	\$ 1,878
2025	4,735	1,604	166	250	3,280	2,325
2026	9,535	1,247	171	244	3,375	2,768
2027	2,430	948	176	239	3,460	2,675
2028	2,555	823	182	233	3,560	2,577
2029-2033	14,305	2,663	1,002	1,074	5,560	10,462
2034-2038	6,495	262	1,175	902	7,860	5,502
2039-2043	—	—	1,376	700	9,845	3,464
2044-2048	—	—	1,613	464	9,674	934
2049-2053	—	—	1,892	187	—	—
Total	\$ 44,570	\$ 9,382	\$ 7,913	\$ 4,548	\$ 49,814	\$ 32,585

Year Ending June 30	CWA Luce Bayou ROW		CWA Luce Bayou SWIRFT		Other Contracts Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 670	\$ 570	\$ 655	\$ 6,815	\$ 9,200	\$ 11,353
2025	697	542	660	8,367	9,538	13,088
2026	724	514	670	9,918	14,475	14,691
2027	753	484	680	10,694	7,499	15,040
2028	783	454	695	10,889	7,775	14,976
2029-2033	4,412	1,763	3,695	89,999	28,974	105,961
2034-2038	5,365	792	32,310	79,738	53,205	87,196
2039-2043	1,205	24	85,865	42,199	98,291	46,387
2044-2048	—	—	102,410	24,542	113,697	25,940
2049-2053	—	—	68,615	5,390	70,507	5,577
Total	\$ 14,609	\$ 5,143	\$ 296,255	\$ 288,551	\$ 413,161	\$ 340,209

**E. Debt Issuances and Refundings**Refunding Debt

For the year ended June 30, 2023, there were no refunding transactions.

Prior Year Defeased Debt

In August 2021, the City issued Public Improvement Refunding Bonds, Series 2021B to defease \$106,670,000 of Bonds by placing a portion of new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of June 30, 2023, \$95,720,000 of defeased bonds are still outstanding.

In fiscal year 2021, the City issued Combined Utility System First Lien Revenue and Refunding Bonds Series 2020C and Combined Utility System First Lien Revenue Refunding Bonds Series 2020D to defease \$208,885,000 of Bonds by placing new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of June 30, 2023, \$91,175,000 of defeased bonds are still outstanding.

In fiscal year 2021, the City issued Combined Utility System First Lien Revenue Refunding Bonds Series 2021B to defease \$92,070,000 of Series 2012D and 2013B Bonds, by placing new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of June 30, 2023, \$41,565,000 of defeased bonds are still outstanding.

#### **F. Bond Compliance Requirements**

The revenue bond ordinances require that, during the period in which the bonds are outstanding, the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the revenue bonds and to account for the revenues (as defined), which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein.

The City is generally required to make a monthly transfer to debt service funds equal to one-sixth of the next interest payment and one-twelfth of the next principal payment. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 2%. As of and for the year ended June 30, 2023, the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

#### **G. Voter Authorized Obligations**

On November 4, 2001, voters of the City authorized the issuance of \$776,000,000 of Public Improvement Bonds. Since June 2002, the City Council has authorized issuance of the entire amount as General Obligation Commercial Paper Series G, H-1 and H-2.

On November 7, 2006, voters of the City authorized the issuance of \$625,000,000 of Public Improvement Bonds. The City Council has authorized issuance of \$524,950,000 as General Obligation Commercial Paper Series G, H-1, H-2 and J.

On November 2012, voters authorized an additional \$410,000,000 of Public Improvement Bonds. The City Council has authorized issuance of \$400,308,000 as General Obligation Commercial Paper Series G1, G2, H-2 and J.

On November 2017, voters authorized an additional \$495,000,000 of Public Improvement Bonds. The City Council has authorized issuance of \$97,966,000 as General Obligation Commercial Paper Series G, H-2 and J.

On November 2022, voters authorized an additional \$478,000,000 of Public Improvement Bonds.

#### **H. Legal Debt Margin**

At June 30, 2023, the City's legal debt limit was 10% of assessed property valuation totaling \$380,273,903 thousand. The City's legal debt margin less applicable outstanding debt was \$34,821,474 thousand.

#### **I. Arbitrage Rebate**

Arbitrage rebate rules, under the Internal Revenue Code Section 148 and related Treasury Regulations, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield, when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. At June 30, 2023, a yield restriction/arbitrage rebate of \$23 thousand and \$866 thousand was accrued for governmental and business-type activities, respectively.

**NOTE 9: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

**A. LEASES**

**1. City as Lessee**

The City has obtained office space, data processing, machinery, and other equipment through long-term leases. The terms and conditions for these leases varies. Some leases are fixed, periodic payments over the lease term, which ranges between 1-50 years. See Note 6 for changes in lease right-of-use assets for the year ended June 30, 2023.

Principal and interest requirements to maturity for the lease liability as of June 30, 2023, are as follows (in thousands):

<b>General Government</b>				<b>Airport System</b>		
<b>Year ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 5,607	\$ 1,130	\$ 6,737	\$ 45	\$ 1	\$ 46
2025	5,741	1,050	6,791	10	—	10
2026	5,850	968	6,818	4	—	4
2027	5,989	884	6,873	4	—	4
2028	5,957	799	6,756	—	—	—
2029-2033	13,452	3,105	16,557	—	—	—
2034-2038	6,311	2,396	8,707	—	—	—
2039-2043	9,053	1,643	10,696	—	—	—
2044-2048	10,340	662	11,002	—	—	—
2049-2050	1,458	8	1,466	—	—	—
<b>Total</b>	<b>\$ 69,758</b>	<b>\$ 12,645</b>	<b>\$ 82,403</b>	<b>\$ 63</b>	<b>\$ 2</b>	<b>\$ 65</b>

<b>Combined Utility System</b>				<b>Total Primary Government</b>		
<b>Year ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ —	\$ —	\$ —	\$ 5,652	\$ 1,131	\$ 6,783
2025	—	—	—	5,751	1,050	6,802
2026	—	—	—	5,854	968	6,822
2027	—	—	—	5,993	884	6,877
2028	—	—	—	5,957	799	6,756
2029-2033	—	—	—	13,452	3,105	16,557
2034-2038	—	—	—	6,311	2,396	8,707
2039-2043	—	—	—	9,053	1,643	10,696
2044-2048	—	—	—	10,340	662	11,002
2049-2050	—	—	—	1,458	8	1,466
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 69,821</b>	<b>\$ 12,647</b>	<b>\$ 82,468</b>

**2. City as Lessor**

The Convention and Entertainment leases all of its capital assets to Houston First Corporation, a discretely presented component unit. The agreement is a cancellable lease that is subject to termination in 2026. The capital assets include the George R. Brown Convention Center and the Convention Center Parking Garage, Wortham Theater Center, Jones Hall for the Performing Arts, Theater District Parking Garages, Miller Outdoor Theater, and Talento Bilingue De Houston, among others.

The Airport System leases terminal space (except for regulated leases), aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants under various leases, a majority of which is non-cancellable and terminate no later than July 2058. Certain provisions of the leases provide for fixed and variable rental payments, and all are generally designed to allow the Airport System to meet its debt service requirements and recover certain operating and maintenance costs. In addition, certain of the agreements under which the Airport System receives revenue from the operation of concessions at Intercontinental and Hobby airports provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

For the year ended June 30, 2023, the total amount of inflows of resources recognized are as follows (in thousands):

**Governmental**

	<b>Fixed Payments</b>
Rentals, bldgs	\$ 1,422
	<u>\$ 1,422</u>

**Enterprise**

	<b>Airport System</b>		<b>Convention &amp; Entertainment</b>	
	<b>Fixed Payments</b>	<b>Variable Payments</b>	<b>Fixed Payments</b>	<b>Total</b>
Rentals, bldgs	\$ 18,643	\$ —	\$ 1,444	\$ 20,087
Concessions	1,608	30,429	—	32,036
Interest revenue	9,253	—	—	9,253
	<u>\$ 29,504</u>	<u>\$ 30,429</u>	<u>\$ 1,444</u>	<u>\$ 61,376</u>

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Principal and interest to maturity for the lease receivable as of June 30, 2023, are as follows (in thousands):

Year ending June 30	General Government			Airport System		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 801	\$ 721	\$ 1,522	\$ 12,235	\$ 8,807	\$ 21,042
2025	819	721	1,524	11,548	8,371	19,918
2026	754	690	1,444	11,062	7,968	19,030
2027	764	675	1,439	11,447	7,556	19,003
2028	779	659	1,438	8,584	7,175	15,759
2029-2033	5,510	2,996	8,506	35,988	31,840	67,828
2034-2038	6,311	2,397	8,708	34,317	25,618	59,935
2039-2043	9,053	1,643	10,696	41,194	18,613	59,807
2044-2048	10,340	662	11,002	35,821	11,754	47,575
2049-2053	1,459	8	1,467	37,042	4,628	41,669
2054-2058	—	—	—	8,690	478	9,168
2059-2060	—	—	—	51	—	51
Total	\$ 36,590	\$ 11,156	\$ 47,746	\$ 247,979	\$ 132,808	\$ 380,787

Year ending June 30	Convention & Entertainment			Total Primary Government		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,456	\$ 65	\$ 1,521	\$ 14,492	\$ 9,593	\$ 24,085
2025	1,482	40	1,522	13,849	9,132	22,965
2026	1,508	14	1,522	13,324	8,672	21,996
2027	799	—	799	13,010	8,231	21,241
2028	—	—	—	9,363	7,834	17,197
2029-2033	—	—	—	41,498	34,836	76,334
2034-2038	—	—	—	40,628	28,015	68,643
2039-2043	—	—	—	50,247	20,256	70,503
2044-2048	—	—	—	46,161	12,416	58,577
2049-2053	—	—	—	38,501	4,636	43,137
2054-2058	—	—	—	8,690	478	9,168
2059-2060	—	—	—	51	—	51
Total	\$ 5,245	\$ 119	\$ 5,364	\$ 289,814	\$ 144,083	\$ 433,897

### 3. Regulated Leases

The City and United Airlines (“United”), Southwest Airlines (“Southwest”), Delta Air Lines, American Airlines, Spirit Airlines, and Air Canada (collectively, the “Signatory Airlines”) entered into Airport Use and Lease agreements (“Regulated Leases”), for usage of Intercontinental and Hobby Airport facilities for the purpose of conducting business as air transportation businesses. These agreements are non-cancellable and terminate no later than 2042, with options to extend, or month-to-month and cancellable with 30 days’ notice. Under the terms of these agreements, Signatory Airlines pay the Airport System monthly based on the annual rental rate/fee schedule. Rate calculations are based on total estimates of costs and expenses, estimates of passengers and total landed weight, and other factors. Final settlements are made each year after the audit of Airport System Fund’s ACFR. Other airlines operating at Intercontinental and Hobby airports are billed at rates established by the City ordinances.

Under the agreements with United, United has exclusive and preferential use of certain space and facilities of terminals A, B, C, and E at Intercontinental Airport and preferential use of certain apron areas. And under these agreements, all or part of the concession revenues and related costs generated from terminals B, C, and E of Intercontinental Airport are excluded from the Airport System Fund’s concession revenues and operating expenses on the statements of revenues, expenses, and changes in net position, as United operates, retains revenues, and pay related costs of operations for those concessions in accordance with the agreements. In addition, one of the agreements with Southwest grants Southwest preferential use of West Terminal/West Concourse, boarding gates, and other areas at Hobby Airport. Another agreement grants Southwest exclusive and preferential use of certain terminal areas of terminal A at Intercontinental Airport. No other airlines have exclusive or preferential use of more than ten (10) percent of terminal space or other areas of the Airport System as of June 30, 2023.

Exclusive and preferential use of space, as of June 30, 2023, are summarized as follows:

<b>George Bush Intercontinental Airport (IAH)</b>			
	<b>United</b>	<b>Southwest</b>	<b>Total IAH</b>
Terminal areas - leasable airline space (in thousands)	2,380 sq. ft.	10 sq. ft.	3,824 sq. ft.
Apron - leasable airline space (in thousands)	2,728 sq. ft.	95 sq. ft.	3,878 sq. ft.
Number of gates and remote stands	96	3	134

<b>William P. Hobby Airport (HOU)</b>		
	<b>Southwest</b>	<b>Total HOU</b>
Terminal areas - leasable airline space (in thousands)	381 sq. ft.	468 sq. ft.
Apron - leasable airline space (in thousands)	516 sq. ft.	815 sq. ft.
Number of gates and remote stands	24	30

<b>(in thousands)</b>			
	<b>Fixed Payments</b>	<b>Variable Payments</b>	
United	\$ 110,514	\$ 42,582	
Southwest	\$ 38,472	\$ 22,039	
Other Signatory Airlines	\$ 15,441	\$ 8,528	

Expected future minimum lease payments from Regulated Leases at June 30, 2023, are as follows, projected by management of the Airport System using the following assumptions: 1) revenues earned from the Signatory Airlines during the year ended June 30, 2023, 2) through the expiration of the agreements with the Signatory Airlines or the next five (5) years, whichever is longer, 3) compounded at three (3) percent per annum, and 4) without considering future expansion and changes in operations by the Airport System or the Signatory Airlines (in thousands):

<b>Year ending June 30</b>	<b>Total</b>
2024	\$ 242,469
2025	249,743
2026	257,235
2027	235,621
2028	242,689
2029-2033	1,327,125
2034-2038	1,538,501
2039-2043	1,211,046
<b>Total</b>	<b>\$ 5,304,429</b>

The Airport System' senior lien and subordinate lien revenue refunding bonds are secured by net revenues earned from the airlines.

**B. Subscription-Based Information Technology Arrangements**

The City has entered into SBITA involving data center, various desktop and server software, electronic workflows and document management software, public safety radio communication system, public safety detection software, public safety case and records management, solid waste fleet management system, airport operations management systems, airport passenger information and public Wi-Fi systems, and airport parking management system. As of June 30, 2023, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 15 years and expire no later than fiscal year 2038. In addition, certain of these agreements are cancellable with a 30 or 60-day notice. There are no commitments or outflows of resources related to SBITA that are not yet effective. See Note 6 for changes in subscription right-of-use assets for the year ended June 30, 2023.

Future subscription payments as of June 30, 2023, are as follows (in thousands):

Year ending June 30	General Government			Airport System		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 20,187	\$ 1,458	\$ 21,645	\$ 1,303	\$ 94	\$ 1,397
2025	19,292	793	20,085	1,325	54	1,378
2026	5,398	483	5,881	88	38	126
2027	4,885	296	5,181	90	35	125
2028	3,383	149	3,532	93	33	126
2029-2033	3,515	18	3,533	516	114	630
2034-2038	—	—	—	478	25	503
Total	<u>\$ 56,660</u>	<u>\$ 3,197</u>	<u>\$ 59,857</u>	<u>\$ 3,894</u>	<u>\$ 391</u>	<u>\$ 4,285</u>

Year ending June 30	Total Primary Government		
	Principal	Interest	Total
2024	\$ 21,490	\$ 1,552	\$ 23,042
2025	20,617	847	21,463
2026	5,486	521	6,007
2027	4,975	331	5,306
2028	3,476	182	3,658
2029-2033	4,031	132	4,163
2034-2038	478	25	503
Total	<u>\$ 60,554</u>	<u>\$ 3,588</u>	<u>\$ 64,142</u>

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**NOTE 10: PENSION PLANS****A. General Information**Plan Descriptions

The City has three single employer defined benefit pension plans, which provides pension benefits for substantially all of its full-time employees. These pension plans were established under the authority of Texas statutes (Vernon's Texas Civil Statutes, Articles 6243.e2 (1), 6243h, and 6243g-4), which establish the various benefit provisions. Independent Boards of Trustees administer each plan. The fiscal year of each pension fund ends June 30. The most recent available stand-alone financial statements of the pension funds are for the year ended June 30, 2023. The specific summary plan description for each plan and the financial statements are available at the plan offices (see Note 1.B.1).

Benefits Provided

Houston Firefighters' Relief and Retirement Fund ("HFRRF"): Prior to July 1, 2017, retirement benefits for firefighters with 20 or more years of service are entitled to 50% of average salary (defined as the monthly average of their highest individual 78 pay periods) for a total monthly pension not to exceed 80% of the average monthly salary for the highest 78 pay periods. After July 1, 2017, benefits accrue at 2.75% per year prior to 20 years of service and 2% thereafter for those hired prior to July 1, 2017. For those hired after that date, 2.25% is accrued per year, up to 20 years of service and 2% thereafter, subject to a maximum of 80%. Benefits are adjusted annually for a cost-of-living adjustment between 0% and 4% for eligible members. A DROP is available to eligible members with 20 or more years of service that were hired prior to July 1, 2017.

Houston Municipal Employees' Pension System ("HMEPS"): The plan includes three contributory groups and provides for service-connected disability and death benefits to eligible members and surviving spouse and/or dependents, with no age or service eligibility requirements. Pension benefits are based on a participant's average monthly salary and years of debited service, as defined in the Pension Statute. Pension benefits are adjusted annually for a cost-of-living adjustment of between 0% and 2%, depending on investment returns. The maximum pension benefit is 90% of the participant's average monthly salary. A Deferred Retirement Option Plan ("DROP") is available to eligible members.

In March 2022, employees of Houston First Corporation ("HFC"), a component unit of the City, were determined to be eligible to participate in HMEPS based on a settlement agreement between the City and HMEPS. Per the settlement agreement, HFC made a lump-sum contribution of \$16.0 million to HMEPS and started making employer contributions in accordance with the plan provisions effective January 1, 2022.

Houston Police Officers' Pension System ("HPOPS"): Retirement benefits for police officers are equal to 2.75% of the member's pensionable pay for each of the member's first 20 years of service plus 2% of pensionable pay for each year more than 20 years with no maximum percentage. Members hired or rehired after October 9, 2004 accrue benefits equal to 2.25% of the member's pensionable pay for the first 20 years plus 2% of the member's pensionable pay for each year in excess of 20 years, subject to a maximum of 80%. Pension benefits are adjusted annually for a cost-of-living adjustment between 0% and 4%. A DROP is available, generally, to members hired before October 9, 2004, for eligible members with at least 20 years of service.

Contributions

Employer and employee obligations to contribute, as well as employee contribution rates, are included in the enabling pension statutes. Additionally, these laws provide that employer funding be based on annual actuarial valuations. There are three contributory pension plans. All pension plans provide service, disability, death, and survivor benefits. In addition, each pension plan recognizes participant and employer contributions as revenues in the period in which they are due pursuant to formal commitments and recognizes benefits and refunds when they are due and payable in accordance with the terms of the pension statutes.

As of the most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

	HFRRF	HMEPS	HPOPS
Inactive members or beneficiaries currently receiving benefits	3,490	11,776	5,082
Inactive members entitled to but not yet receiving benefits	144	8,301	78
Active members	3,029	11,402	5,198
DROP members	631	-	-
Total plan members	7,294	31,479	10,358

**B. Net Pension Liability (Asset)**

The Net Pension Liability (“NPL”) or Net Pension Asset (“NPA”) is the difference between the Total Pension Liability (“TPL”) and the plan’s Fiduciary Net Position (“FNP”). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (“COLAs”). In addition, ad hoc COLAs are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans. The City’s TPL, NPL, and certain sensitivity information are based on an actuarial valuation performed as of July 1, 2022, or 2023. See actuarial assumptions in Note 10.H. The total pension liability was rolled forward from the valuation date to the measurement date of June 30, 2023, as applicable, using generally accepted actuarial principles.

Net pension liability (in thousands)	HFRRF	HMEPS	HPOPS
Measurement date	June 30, 2023	June 30, 2023	June 30, 2023
Total pension liability	\$ 5,167,589	\$ 5,698,777	\$ 7,892,171
Less: Fiduciary net position	(5,109,178)	(4,072,345)	(7,208,455)
Net pension liability (asset)	\$ 58,411	\$ 1,626,432	\$ 683,716

A schedule of Net Pension Liability (Asset), in addition to the information above and multi-year trend information, is presented in the Required Supplementary Information section on pages [158](#) through [161](#).

**C. HMEPS - Allocation between the Primary Government and Component Unit and Explanation on the Amounts Reported on the Government-Wide Financial Statements**

Effective January 1, 2022, employees of HFC became members of HMEPS. As of June 30, 2023, net pension liability, related amounts of deferred outflows and inflows of resources, and pension expense, allocated based on each’s proportional share of employer contributions, for the primary government and its component unit are as follows (in thousands):

	HMEPS as of June 30, 2023 Measurement Date			
	Primary Government		Component Unit <sup>(1)</sup>	
	Governmental Activities	Business-Type Activities	Business-Type Activities	Total
Net pension liability	\$ 1,133,680	\$ 466,497	\$ 26,255	\$ 1,626,432
Deferred outflows of resources	11,829	14,596	20,273	46,698
Deferred inflows of resources	175,933	68,046	3,515	247,494
Pension expense	38,670	20,447	10,102	69,219

<sup>(1)</sup> Amounts for HFC, which has a calendar year-end, will be reported in the separately issued financial statements of HFC as of and for the year ending December 31, 2023.

**HMEPS as of June 30, 2023 Reporting Date**

	Primary Government		Component Unit <sup>(2)</sup>	
	Governmental Activities	Business-Type Activities	Business-Type Activities	Total
Net pension liability	\$ 1,133,680	\$ 466,497	\$ 11,069	\$ 1,611,246
Deferred outflows of resources	11,829	14,596	13,350	39,775
Deferred inflows of resources	175,933	68,046	2,562	246,541
Pension expense	38,670	20,447	8,291	67,408

(2) Due to the difference in the year-end dates, amounts for HFC, included in the City’s government-wide financial statements as of and for the year ended June 30, 2023, are as of and for the year ended December 31, 2022. Amounts reported by HFC as of and for the year ended December 31, 2022, were measured as of June 30, 2022.

**D. Schedule of Changes in Net Pension Liability (Asset)**

Changes in the City’s NPL/NPA presented below are calculated on the same basis as each of the plans. The Changes in NPL/NPA for HFRRF, HMEPS, and HPOPS for the ended June 30, 2023, are as follows:

**HFRRF**

Changes in Net Pension Liability (Asset) (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Service Cost	\$ 55,961	\$ -	\$ 55,961
Interest on the Total Pension Liability	353,824	-	353,824
Difference between Expected and Actual Experience	77,461	-	77,461
Employer Contributions	-	72,475	(72,475)
Employee Contributions	-	31,973	(31,973)
Net Investment Income	-	199,670	(199,670)
Benefit Payments	(283,095)	(283,095)	-
Administrative Expense	-	(4,482)	4,482
Other	-	(1,099)	1,099
Net Change	204,151	15,442	188,709
Net Pension Liability (Asset) Beginning	4,963,438	5,093,736	(130,298)
Net Pension Liability (Asset) Ending	\$ 5,167,589	\$ 5,109,178	\$ 58,411

**HMEPS**

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 85,184	\$ -	\$ 85,184
Interest on the Total Pension Liability	381,016	-	381,016
Difference between Expected and Actual Experience	6,279	-	6,279
Employer Contributions	-	204,895	(204,895)
Employee Contributions	-	34,600	(34,600)
Net Investment Income	-	221,364	(221,364)
Assumptions Changes	-	-	-
Benefit Payments	(334,859)	(334,859)	-
Refunds	(989)	(989)	-
Administrative Expense	-	(5,636)	5,636
Other	-	619	(619)
Net Change	136,631	119,994	16,637
Net Pension Liability Beginning	5,562,146	3,952,351	1,609,795
Net Pension Liability Ending	\$ 5,698,777	\$ 4,072,345	\$ 1,626,432

**HPOPS**

<b>Change in Net Pension Liability (in thousands)</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Service Cost	\$ 78,356	\$ —	\$ 78,356
Interest on the Total Pension Liability	520,211	—	520,211
Difference between Expected and Actual Experience	94,532	—	94,532
Employer Contributions	—	159,915	(159,915)
Employee Contributions	—	52,399	(52,399)
Net Investment Income	—	525,053	(525,053)
Assumptions Changes	—	—	—
Benefit Payments	(384,367)	(384,367)	—
Refunds	(2,295)	(2,295)	—
Administrative Expense	—	(4,238)	4,238
Net Change	306,437	346,467	(40,030)
Net Pension Liability Beginning	7,585,734	6,861,988	723,746
Net Pension Liability Ending	<u>\$ 7,892,171</u>	<u>\$ 7,208,455</u>	<u>\$ 683,716</u>

**E. Pension Expense (Benefit)**

For the year ended June 30, 2023, the City recognized pension expense (benefit) totaling \$89.9 million. Pension expense (benefit) recognized by each plan is as follows (in thousands):

<b>Amounts Recognized in Pension Expense (Benefit)</b>	<b>HFRRF</b>	<b>HMEPS</b>	<b>HPOPS</b>
Service Cost	\$ 55,961	\$ 85,184	\$ 78,356
Interest	353,824	381,016	520,211
Difference between Expected and Actual Experience	(14,724)	(1,966)	41,298
Changes of Assumptions	33,289	(7,828)	2,026
Differences between Projected and Actual Earnings	(43,776)	(84,487)	(94,396)
Member Contributions	(31,973)	(34,600)	(52,399)
Projected Earnings on Plan Investments	(362,734)	(273,117)	(474,089)
Administrative Expense	4,482	5,636	4,238
Other	1,099	(619)	—
Total Pension Expense (Benefit)	<u>\$ (4,552)</u>	<u>\$ 69,219</u>	<u>\$ 25,245</u>

**F. Schedule of Deferred Outflows and Inflows of Resources**

Deferred outflows of resources and deferred inflows of resources by source reported by the City on June 30, 2023, for each plan are as follows (in thousands):

	<b>HFRRF</b>		<b>HMEPS</b>		<b>HPOPS</b>		<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 127,705	\$ (163,817)	\$ 16,971	\$ (3,173)	\$ 165,016	\$ (11,476)	\$ 309,692	\$ (178,466)
Changes in Assumptions	88,578	(108,363)	—	(13,860)	—	(5,103)	88,578	(127,326)
Net Difference between Projected and Actual Earnings	—	(20,559)	—	(200,734)	—	(172,277)	—	(393,570)
Change in Proportion	—	—	29,727	(29,727)	—	—	29,727	(29,727)
Total	<u>\$ 216,283</u>	<u>\$ (292,739)</u>	<u>\$ 46,698</u>	<u>\$ (247,494)</u>	<u>\$ 165,016</u>	<u>\$ (188,856)</u>	<u>\$ 427,997</u>	<u>\$ (729,089)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2023, will be recognized in pension expense as follows (in thousands):

Year Ending June 30:	HFRRF	HMEPS	HPOPS	Total
2024	\$ (32,957)	\$ (87,864)	\$ (72,241)	\$ (193,062)
2025	(110,906)	(150,225)	(135,866)	(396,997)
2026	72,539	26,942	143,458	242,939
2027	(7,772)	10,351	17,720	20,299
2028	(5,040)	-	17,719	12,679
Thereafter	7,680	-	5,370	13,050
<b>Total</b>	<b>\$ (76,456)</b>	<b>\$ (200,796)</b>	<b>\$ (23,840)</b>	<b>\$ (301,092)</b>

A single discount rate of 7.00% was used to measure the TPL for the HMEPS and the HPOPS. This single discount rate was based on the expected rate of return on the respective pension plan’s investments of 7.00% and the current municipal bond rate was not applicable. The projection of cash flows used to determine this single discount rate assumed that respective plan member contributions will be made at the current contribution rate and that City contributions will be made at the rate determined actuarially in the annual Risk Sharing Valuation Study which would become effective in the fiscal year beginning one year after the study date. Based on these assumptions, the respective pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, a single discount rate of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2023, measurement date, the single discount rate used was 7.00% for each of the plans.

The discount rate used to measure HFRRF’s TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will continue to follow the current funding policy. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years. Therefore, a single discount rate of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2023, measurement date, the single discount rate of 7.25% was used.

**G. Sensitivity of the net pension liability to changes in the discount rate**

The following presents the NPL/NPA for each of the City’s plans as of June 30, 2023, calculated using the discount rate, as well as what the City’s NPL would have been if it were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

	Net Pension Liability (Asset)		
	Current		
	1% Decrease 6.25 %	Discount Rate 7.25 %	1% Increase 8.25 %
HFRRF - Net Pension Liability (Asset)	\$ 582,690	\$ 58,411	\$ (375,010)
HMEPS - Net Pension Liability	\$ 2,202,979	\$ 1,626,432	\$ 1,141,455
HPOPS - Net Pension Liability	\$ 1,494,498	\$ 683,716	\$ 17,628



**H. Actuarial Assumptions**

<b>Schedule of Assumptions</b>	<b>HFRRF</b>	<b>HMEPS</b>	<b>HPOPS</b>
Inflation	3.00%	2.25%	2.30%
Salary Changes	3%	3.25% to 5.50%	0% to 30%, plus a 3.25% inflation and productivity component
Investment Rate of Return	7.25%	7.00%	7.00%
Valuation Date	7/1/2022	7/1/2022	7/1/2023
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Ultimate Entry Age Normal Cost
Amortization Method	Level Percent of Payroll	Level Percent of Payroll, Open	Level Percent of Payroll, 30 year closed laddered bases
Amortization Period	30 Years	25 Years	24 Years
Asset Valuation Method	Market value	5 Year smoothed market, direct offset of deferred gains and losses	Market value of assets less a five-year phase in of the excess (shortfall) between expected investment return and actual income.
Cost-of-Living Adjustments	2.5%	3% – 6%	2.0%
Mortality Assumption	Mortality Improvement Scale MP-2019	PUB-2010 table, amount weighted, below-median income, with a 2-year set forward. The rates are then projected on a fully generational basis by the long-term rates of improvement of scale MP-2020.	RP-2020 Table combined healthy mortality tables with blue collar adjustment for males and no collar adjustment for females
Experience Study	6/30/2019	6/30/2020	6/30/2017

The long-term expected rate of return on the investments was supported using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	HFRRF		HMEPS		HPOPS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Cash & Short-term	2.00 %	3.31 %	— %	3.65 %	(9.75)%	0.70 %
Domestic Equity	19.00	8.99	28.00	6.75	28.80	6.30
International Equity	19.00	9.44	—	—	19.20	3.70
Fixed Income	—	—	10.00	5.10	10.20	1.80
Aggregate Bonds	5.00	4.45	—	—	—	—
Inflation Linked	—	—	20.00	7.73	—	—
Intermediate Credit	3.00	4.93	—	—	5.80	5.20
Intermediate High Yield	5.00	8.66	—	—	—	—
Hedge Funds	2.00	6.55	—	—	7.75	4.30
Private Equity	25.00	14.39	17.00	9.60	21.50	11.70
Private Debt	10.00	8.09	12.50	8.20	6.50	6.90
Real Estate	10.00	7.72	12.50	7.95	10.00	6.00
	<u>100.00 %</u>		<u>100.00 %</u>		<u>100.00 %</u>	

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**NOTE 11: OTHER EMPLOYEE BENEFITS**

The City’s Other Post-Employment Benefit (“OPEB”) plans consist of a health benefit plan and a long-term disability plan. As of and for the year June 30, 2023, total balances of OPEB related assets, deferred outflows of resources, liabilities, deferred inflows of resources, and expenses are as follows (in thousands):

Plan	Total OPEB Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Expenses
Health Benefit (Note 11.A)	\$ 1,759,895	\$ 303,950	\$ 873,497	\$ 2,626
Long-term Disability (Note 11.C)	14,071	2,956	4,564	2,019
Total	<u>\$ 1,773,966</u>	<u>\$ 306,906</u>	<u>\$ 878,061</u>	<u>\$ 4,645</u>

**A. Post-Employment Health Insurance Benefits Plan**

The City’s OPEB Health Benefit plan is a single-employer plan, and calculations are based on the OPEB benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The City provides certain health care benefits for retired employees as approved during the annual budget process. Substantially all the City’s employees become eligible for these benefits if they reach normal retirement age while working for the City. The City is not required by law or contractual agreement to provide funding for OPEB other than pay-as-you-go amounts necessary to provide current benefits to retirees, eligible dependent, and beneficiaries. The plan is not accounted for as a trust, and an irrevocable trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits has not been established for this OPEB plan. The cost of retiree health care premiums incurred by the City (employer and subscriber) amounted to approximately \$56.5 million for the year ended June 30, 2023.

1. Membership

Membership data is updated every two years by the Actuary. As of the most recent actuarial valuation of the total OPEB liability, membership data is as follows:

Retirees and beneficiaries currently receiving	10,175
Active members	<u>20,954</u>
Total participants	<u><u>31,129</u></u>

2. Total and Net OPEB Liability

The total OPEB liability was measured as of June 30, 2022. The total OPEB liability was determined from an actuarial valuation as of June 30, 2022. The net OPEB liability is the total OPEB liability less the plan fiduciary net position. The total OPEB liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions (in thousands).

Measurement Date:	June 30, 2022
Reporting Date:	June 30, 2023
Total OPEB Liability	\$ 1,759,895
Less: Fiduciary Net Position	<u>—</u>
Net OPEB Liability	<u><u>\$ 1,759,895</u></u>

A schedule of Total OPEB Liability, in addition to the information above, includes multi-year trend information, is presented in the Required Supplementary Information section on page [162](#) through [164](#).

## 3. Schedule of Changes in Total OPEB Liability

Changes of assumption reflects a change in discount rate from 2.16% in 2021 to 3.54% in 2022. In addition, per capita health costs and future trend on such costs, as well as actuarial spread factors used to estimate individual retiree and spouse costs by age and by gender, have been updated. Changes in total OPEB liability for the year ended June 30, 2023, are as follows (in thousands):

<b>Change in Total OPEB Liability</b>	
Service cost	\$ 124,690
Interest	52,553
Change of benefit terms	—
Difference between expected and actual experience	23,213
Changes of assumptions	(720,476)
Benefit payments	(56,511)
Net change in total OPEB liability	(576,531)
Beginning total OPEB liability	2,336,426
Ending total OPEB liability	<u>\$ 1,759,895</u>

## 4. OPEB Expense

For the year ended June 30, 2023, the City recognized OPEB expense of \$2.6 million. OPEB expense recognized is as follows (in thousands):

<b>Components of OPEB Expense (Benefit)</b>	
Service cost	\$ 124,690
Interest	52,553
Current-period benefit changes	—
Difference between expected and actual experience	3,316
Changes of assumptions	(102,925)
Amortization of beginning of year deferred amounts	(75,008)
OPEB expense (benefit)	<u>\$ 2,626</u>

## 5. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources related to OPEB reported by the City at June 30, 2023, is as follows (in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 220,498	\$ (796,552)
Difference between expected and actual experience in the total OPEB liability	19,896	(76,945)
Contributions subsequent to the measurement date	63,556	—
Total	<u>\$ 303,950</u>	<u>\$ (873,497)</u>

\$63.6 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to total OPEB liability at June 30, 2023, will be recognized in OPEB expense (benefit) as follows (in thousands):

Year Ending June 30	
2024	\$ (174,617)
2025	(128,023)
2026	(81,835)
2027	(55,785)
2028	(93,234)
Thereafter	(99,609)
Total	<u>\$ (633,103)</u>

6. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following presents the total OPEB liability, calculated using the discount rate and the healthcare cost trend rate, as well as what the City’s total OPEB liability would have been if it were calculated using a discount rate or healthcare cost trend rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

<u>1% Decrease 2.54%</u>	<u>Current Discount Rate 3.54%</u>	<u>1% Increase 4.54%</u>
\$ 2,057,272	\$ 1,759,895	\$ 1,524,711

<u>1% Decrease in Health Care Cost Trend Rates</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Decrease in Health Care Cost Trend Rates</u>
\$ 1,490,595	\$ 1,759,895	\$ 2,111,265

7. Schedule of Assumptions

The total OPEB liability is based on an actuarial valuation as of June 30, 2022, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Experience study	July 1, 2018
Inflation	2.25%
Salary increases	2.75% to 22.75%, varies by job classification, service and age
Discount rate	3.54% and 2.16% for June 30, 2022 and 2021 reporting, respectively
Measurement date	June 30, 2022
Healthcare costs trends rates	
Medical	7.00% grading down to 4.5% by 0.25% per annum
Prescription drug	8.00% grading down to 4.5% by 0.25% per annum
Medicare Advantage	1.80% grading down to 4.5% by 0.25% per annum
Administrative costs	2.00%
Healthy mortality rates	Rates that vary by job classification and employee status. The rates are consistent with the pension plans valuation assumptions for the same employees.

## B. Health Benefits Internal Service Fund

On May 1, 2019, the City awarded CIGNA a five-year contract with two (2) one-year renewal options for 3 new health plans. All have an emphasis on a wellness component and include: 1) a limited network HMO-type plan, 2) an open access PPO-type plan with out-of-network coverage, and 3) a consumer driven high deductible health plan, partnered with a health reimbursement account.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaled \$304.2 million for the year ended June 30, 2023.

	<b>CIGNA</b>	
	<b>Schedule of Changes in Liability</b>	
	<b>(in thousands)</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Beginning actuarial estimate of claims liability reserve, July 1	\$ 28,316	\$ 27,483
Catastrophic claims reserve, July 1	15,000	15,000
Incurred claims for fiscal year	320,999	336,357
Payments on claims - net of RX rebates and refunds	(321,681)	(335,524)
Ending actuarial estimate of claims liability including catastrophic claims liability, June 30	<u>\$ 42,634</u>	<u>\$ 43,316</u>

## C. Long-Term Disability Plan

The long-term disability ("LTD") plan, with related contributions and benefit payments accounted for as an internal service fund, is a part of the City's Compensable Sick Leave Plan ("CSL") and is provided at no cost to City employees who are members of CSL. Coverage is effective the later of September 1, 1985, or upon completion of one year of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity or 70% of base plus longevity when combined with income benefits available from other sources. Plan benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months absence from work. The plan is administered by Reed Group, which is reimbursed from the internal service fund for claims as they are paid along with a fee for administrative services. For the year ended June 30, 2023, claims paid totaled approximately \$0.9 million. Effective September 1, 2001, the Meet and Confer Agreement establishes Paid Time Off for classified police officers. This replaces those police officers' participation in the LTD plan. No assets are accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for this OPEB plan.

### 1. Changes in Total OPEB Liability (in thousands)

	<b>Total OPEB</b>
	<b>Liability</b>
Balance at 06/30/2022	\$ 14,170
Changes for the year	
Service cost	1,571
Interest	541
Experience	(965)
Assumption changes	(326)
Benefit payments	(920)
Net change	<u>(99)</u>
Balance at 06/30/2023	<u>\$ 14,071</u>

Total OPEB liability at June 30, 2023, was measured as of June 30, 2023. And total OPEB liability of \$14.1 million includes \$8.2 million for active employees and \$5.9 million for disabled employees. Changes of assumption reflects a change in discount rate from 3.54% in 2022 to 4.13% in 2023.

2. OPEB expense for the year ended June 30, 2023, is \$2.0 million. Components of OPEB expense for the year ended June 30, 2023, are as follows (in thousands):

Service cost	\$	1,571
Interest		541
Differences between expected and actual experience		(340)
Changes in assumptions		247
Total OPEB expense	<u>\$</u>	<u>2,019</u>

3. Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023, the City reports deferred outflows of resources and deferred inflows of resources related to the LTD plan from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 692	\$ (3,610)
Changes in assumptions	2,264	(954)
	<u>\$ 2,956</u>	<u>\$ (4,564)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

**Year Ending June 30**

2024	\$	(92)
2025		(92)
2026		(92)
2027		(92)
2028		(81)
Thereafter		(1,159)
	<u>\$</u>	<u>(1,608)</u>

4. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (in thousands)

The following presents the total OPEB liability, calculated using the discount rate of 4.13%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage-point higher than the current rate:

	<u>1% Decrease 3.13%</u>	<u>Current Discount Rate of 4.13%</u>	<u>1% Increase 5.13%</u>
Total OPEB Liability	<u>\$ 14,622</u>	<u>\$ 14,071</u>	<u>\$ 13,517</u>

The last experience study for the LTD plan was performed as of July 1, 2018.

#### D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "DCP"), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The DCP, available to all City employees, permits employees to defer a portion of their salary until future years. The City does not make any matching or discretionary contributions to the DCP. The DCP is considered as an other employee benefit plan in accordance with paragraph 6 of GASBS No. 97. And the DCP is not considered as a fiduciary activity of the City under the provisions of GASBS No. 84. The deferred compensation funds are not available until termination, retirement, death, or unforeseeable emergency. However, the Plan now offers loans to participant employees. The maximum loan amount is the lesser of \$50,000 or 50% of the total account balance, less any outstanding loans. The minimum loan amount is \$1,000. The DCP's assets are not subject to the City's general creditors and are not included in the accompanying financial statements.

#### E. Workers' Compensation Self-Insurance Plan

The City has established a Workers' Compensation Self-Insurance Plan, accounted for within the various operating funds. This plan is administered by TriStar Insurance Group, Inc. Funds are wire transferred to TriStar as needed to pay claims.

As of June 30, 2023, the City has an accumulated liability in the amount of approximately \$146.2 million, covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis), recorded in the accompanying Statement of Net Position.

	<b>Schedule of Changes in Liability</b>	
	<b>(in thousands)</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Beginning actuarial estimate of claims liability, July 1	\$ 148,698	\$ 135,520
Incurred claims for fiscal year	24,704	45,743
Payments on claims	(19,200)	(32,400)
Actuarial adjustment	(8,000)	(165)
Ending actuarial estimate of claims liability, June 30	<u>\$ 146,202</u>	<u>\$ 148,698</u>

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**NOTE 12: INTERFUND TRANSACTIONS**

**A. Transfers**

Transfers during the year ended June 30, 2023, were as follows (in thousands):

Transferred from:	Transferred to:					Total Transfers Out
	General Fund	Debt Service Fund	Capital Projects Fund	Grants Fund	Nonmajor Governmental Funds	
General Fund	\$ —	\$ 380,019	\$ 10,426	\$ —	\$ 91,743	\$ 482,188
Capital Projects Fund	—	2,599	—	399	740	3,738
Grants Fund	1,694	530	2,277	—	90	4,591
Nonmajor Funds	19,829	4,591	134,473	—	630	159,523
Convention and Entertainment	1,522	—	—	—	—	1,522
Combined Utility System	49,147	4,899	—	—	350	54,396
<b>Total transfers in</b>	<b>\$ 72,192</b>	<b>\$ 392,638</b>	<b>\$ 147,176</b>	<b>\$ 399</b>	<b>\$ 93,553</b>	<b>\$ 705,958</b>

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) use unrestricted revenues in the Combined Utility and non-major revenue fund to finance general fund programs.

**B. Schedule of Amounts Due To and Due From Other Funds**

The interfund balances are primarily due to charges for services between funds during the fiscal year and settled shortly after year-end. The composition of interfund balances as of June 30, 2023, is as follows (in thousands):

Receivable fund:	Payable fund:							Total
	General Fund	Capital Projects	Grants	Nonmajor	Airport System	Combined Utility	Internal Service	
General	\$ —	\$ 21,209	\$ 2,306	\$ 5,395	\$ 608	\$ 37,750	\$ 83	\$ 67,351
Capital Projects	7,488	—	4,210	—	—	—	—	11,698
ARPA	11	—	—	—	—	—	—	11
Grants	278	—	—	3	—	—	—	281
Nonmajor	343	—	160	53	1	95	—	652
Airport System	245	—	—	314	—	—	—	559
Combined Utility	1	—	—	8	—	—	—	9
Internal Service	—	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ 8,366</b>	<b>\$ 21,209</b>	<b>\$ 6,676</b>	<b>\$ 5,773</b>	<b>\$ 609</b>	<b>\$ 37,845</b>	<b>\$ 83</b>	<b>\$ 80,561</b>

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**NOTE 13: COMMITMENTS AND CONTINGENCIES****A. Litigation and Claims**

Claims and judgments at June 30, 2023, consist of the following (in thousands):

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Health benefits (Note 11.B)	\$ 42,634	\$ —	\$ 42,634
Workers' compensation (Note 11.F)	137,218	8,984	146,202
Other workers' compensation	2,274	—	2,274
Litigation and claims	7,163	—	7,163
Environmental liabilities	18,231	—	18,231
Total claims and judgments	<u>\$ 207,520</u>	<u>\$ 8,984</u>	<u>\$ 216,504</u>

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its governmental and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits and claims alleging that the City caused personal injuries and/or wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotional practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; and claims involving property tax assessments and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits. There is other threatened litigation for which an amount cannot be determined. The City typically utilizes the General Fund to liquidate claims and judgments.

**Propositions**

In 2004, Houston voters approved two ballot propositions limiting City revenue growth. Proposition 1 generally limits annual growth in property tax revenues to the lesser of the actual revenues collected in the preceding fiscal year, plus 4.5 percent, or the allowable property tax revenues in the previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. With the exception of grant monies, revenue received from other governmental entities and interfund transfers, Proposition 2 caps growth in all City revenues, including the General Fund, Special Revenue Funds and Enterprise Funds (combined revenues). Proposition 2 would require a 60 percent vote at a regular election before the City could increase combined revenues over the combined revenues for the preceding fiscal year as adjusted for rates of change in the consumer price index and population growth. Any combined revenues collected by the City in excess of the Proposition 2 restriction would be placed in a taxpayer relief fund. Although both propositions received a majority of votes in the 2004 election, the City declared that Proposition 2 was not effective because Proposition 1 received the higher number of favorable votes.

Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. After protracted litigation, on August 26, 2011, the Texas Supreme Court vacated the judgment of the trial court (for lack of ripeness) without reference to the merits and dismissed the case for want of jurisdiction. In April 2014, the suit was refiled. The court granted the City Defendant's Motion for Summary Judgment on September 16, 2019, and denied plaintiffs' Motion for Summary Judgment. On October 4, 2019, the trial court held a bench trial on the remaining issues. On October 29, 2019, the trial court held for the City Defendants, ordering that the plaintiffs take nothing. The parties cross appealed and the case has been fully briefed. Oral arguments were held on June 2, 2021. On October 12, 2021, the court of appeals issued a 2-1 decision affirming the trial court's ruling. The remaining plaintiff filed a petition for review. The Supreme Court asked for briefing, which has been filed by all parties. The parties await a final decision from the Supreme Court granting or denying review.

In 2007, Houston voters approved several ballot propositions including Proposition G, which eliminated some of the most serious concerns created by the potential application of Proposition 2 by revising how the City's revenues limited by the Charter would be calculated (including the removal of the revenues of the City's Enterprise Funds from the revenues limited by the City Charter), and Proposition H, which allowed the City to raise revenues for police, fire, and emergency services in excess of the revenues allowed under any revenue limitations contained in the City Charter.

### **Wastewater Treatment and Collection System**

In 2013, the City commenced formal negotiations with the U.S. Environmental Protection Agency ("EPA") and the U.S. Department of Justice ("DOJ") (collectively, the "United States") on a draft Clean Water Act consent decree relating to the City's Wastewater Treatment and Collection System (the "Collection System") that would contain specific remedial measures to address sanitary sewer overflows ("SSOs") and wastewater treatment plant permit exceedances and mitigate against future occurrences. The State of Texas (the "State") later joined in the negotiations and resolution of this matter. Before the EPA, DOJ, State and the City could complete the consent decree negotiations, a citizen group called Bayou City Waterkeeper ("BCW") notified the City in July 2018 of BCW's Notice of Intent to Sue ("NOI") the City on the same matters being addressed in the consent decree negotiations with the United States and the State. In response to the threatened citizen suit, the United States and the State filed a suit against the City first in the United States District Court for the Southern District of Texas (Civil Action No. 4:18-cv-03368) – on September 20, 2018 – which the City believed precluded BCW under federal law from filing a separate suit on the same matters. The United States also requested that the Court stay the United States' and State's proceeding to allow the parties to complete the settlement negotiations, and the Court granted the motion to stay. BCW also ultimately intervened in the United States' September 20, 2018, lawsuit as allowed by the Clean Water Act. In addition, and notwithstanding the United States' suit, BCW filed a separate action (also in the United States District Court for the Southern District of Texas; Civil Action No. 4:18-cv- 03369) on the next day – September 21, 2018 – which was ultimately dismissed with prejudice.

Following filing of the lawsuit on September 20, 2018, the United States, State and City continued settlement negotiations, which resulted in an agreement between those parties on a proposed consent decree (the "Consent Decree"). On July 24, 2019, City Council, by ordinance, approved the Consent Decree and payment of \$4.4 million in penalties to the State and United States, and \$200,000 in attorney fees to the State to resolve all civil claims of the federal government and the State against the City for alleged wastewater violations since 2005. The City signed the Consent Decree on July 26, 2019, and after execution by federal and state officials, the Consent Decree was lodged with the federal District Court on August 27, 2019. Notice of the lodging of the Consent Decree was published in the Federal Register on September 3, 2019, which opened a 30-day period (until October 14, 2019) for the submission of public comments to the United States on the Consent Decree; on October 9, 2019, however, the United States extended the public comment period on the Consent Decree until November 8, 2019. Notice of the Consent Decree was published in the Texas Register on September 13, 2019, which opened a 30-day period (until October 14, 2019) for the submission of public comments to the State of Texas on the Consent Decree. The public comment periods for the State and United States closed on October 14, 2019, and November 8, 2019, respectively. On August 7, 2020, the United States and the State filed a motion to enter the Consent Decree with the Court, including the response to comments that were submitted concerning the Consent Decree. After reviewing the motion, comments, and any other pleadings in support of or opposing entry of the Consent Decree, the Court signed an Order on March 31, 2021 approving the Consent Decree as lodged on August 27, 2019, and entered the Consent Decree as a final judgment on April 1, 2021. The City has posted a copy of the Consent Decree and related documents on its website at <https://www.houstonpublicworks.org/wastewater-cd>.

While the total amount of the investment to be made in the wastewater system will not be known until the City completes the assessment work to identify the condition and remedial measures needed, it is estimated that the City may be required to invest an additional \$2 billion over 15 years to upgrade the wastewater system pursuant to the Consent Decree.

In fiscal year 2019, the City engaged a utility rate consultant to review the water and wastewater cost of service and rate design, and water and wastewater impact fee update, which among other things, took into account the additional investment requirements in the then-proposed Consent Decree. The City sought court validation of the water and wastewater rates excluding contract rates and on October 4, 2021, a final judgment was entered by a Travis County District Court validating the water and wastewater rates for which the City sought validation.

Other than the costs identified above that have been paid for resolution of all civil claims of the federal government and the State against the City for alleged wastewater violations since 2005, the City cannot predict the total financial impact on current and future long-term operations, annual maintenance and/or capital improvements costs that may be required, which could be substantial.

The Consent Decree terms cause stipulated penalties to accrue in certain situations; the City has paid to the United States and Texas \$1,442,600 in stipulated penalties for SSOs and wastewater treatment plant permit exceedances that occurred during the seven (7) quarters since the operation under the Consent Decree, which was expected as it takes time to correct the defects in the City's wastewater system. It is unclear at this time the total amount of stipulated penalty monies that may be demanded from the City over the life of the Consent Decree. The City continues to manage the its wastewater system, including Consent Decree commitments, through capital investments, maintenance, and assessment activities. These activities include enhanced sewer cleaning; renewal, rehabilitation, and consolidation of lift stations; restaurant inspections; lift station and wastewater treatment plant inspections and investigations; SSO response; and public outreach and education.

### **Drainage Utility Fee**

In 2011, City Council passed an ordinance that imposed an assessment upon benefited properties that receive drainage services (the "Drainage Utility Fee") to assist with the provision, maintenance and improvement of the City's drainage and street drainage systems. Certain properties are exempt from the Drainage Utility Fee, including State government agency facilities, public and private institutions of higher education, and churches existing at the time of passage. Exempt properties comprise approximately 2.55% of the drainage service area.

The Drainage Utility Fee is deposited into a segregated drainage account in the "Dedicated Pay-As-You-Go Fund for Drainage and Streets" (the "Pay-As-You-Go Fund"), which also includes ad valorem tax revenue, certain grants, and a developer impact fee. All funding in the Pay-As-You-Go Fund that is not derived from ad valorem taxes is excluded from the revenue limitations in the City Charter.

***Jones v. Turner.*** On October 21, 2019, taxpayers filed suit in state district court alleging miscalculation by the City of required ad valorem tax contributions to Pay-As-You-Go-Fund resulting in alleged underpayments into the fund. The plaintiffs seek declaratory relief, an injunction, mandamus relief, attorneys' fees, and any other relief to which they may be entitled. The trial court denied the City's plea to the jurisdiction in December 2019, and the Fourteenth Texas Court of Appeals reversed in the City's favor and rendered a decision dismissing Jones' claim. The Texas Supreme Court reversed the Court of Appeals decision and remanded the case to the trial court for further proceedings.

***Drainage Utility Fee Litigation.*** In 2012, the owners of three apartment complexes filed a lawsuit against the City and the Director of Houston Public Works in their official capacity, challenging the validity of the Drainage Utility Fee and alleging ultra vires actions by the Director. The City filed a plea to the jurisdiction seeking dismissal of the suit. The City's plea was granted in part and denied in part. The apartment complexes' remaining ultra vires claims, declaratory judgment claims, and constitutional challenges to the ordinance remain pending in the district court. The apartment complexes appealed, the court of appeals affirmed the trial court's decision and the Supreme Court denied review. The case was abated pending the resolution of another case challenging the drainage fee ordinance.

A small business filed a lawsuit contending that the City and Mayor Sylvester Turner and the Director of Houston Public Works in their official capacities have illegally assessed, collected and spent hundreds of millions of dollars for drainage and street repairs from Houston taxpayers and landowners for the past seven years, pursuant to a void Charter Amendment and/or a void City Ordinance. The case was abated pending the resolution of a similar case challenging the drainage fee ordinance.

An additional lawsuit has been filed against the City seeking a declaratory judgment that the Drainage Utility Fee is illegal and asking that the City reimburse residents who have paid the fee in prior years. The lawsuit seeks to certify such residents as a class. The trial court dismissed the case; the plaintiff has appealed and the dismissal of the case was affirmed on appeal. The Texas Supreme Court granted review, received briefing and heard oral argument. On June 10, 2022, the Texas Supreme Court confirmed the City's ability to charge a drainage fee and remanded the case to the trial court to allow repleading on any remaining claims. The plaintiff has moved for a re-hearing before the Texas Supreme Court.

## **B. Environmental Liabilities**

The City is aware of various sites contaminated by asbestos or other hazardous materials. As of June 30, 2023, the City has recorded accrued liabilities of \$18.2 million, to be used for: assessment and remediation of asbestos, lead and mold; Phase I and II environmental site assessments and remediation; and remediation of radioactive material.

## **C. Commitments for Capital Facilities**

At June 30, 2023, the City had appropriated but not yet spent from the Capital Projects and Enterprise Funds approximately \$2.7 billion for capital projects.

## **D. Risk Management**

The City purchases fidelity coverage to comply with City ordinance, boiler and machinery insurance with a per occurrence loss limit of \$125.0 million and commercial property insurance with a per occurrence loss limit of \$200.0 million. The commercial property insurance sub-limit for flood is \$200.0 million. The commercial property insurance provides deductibles as follows: \$2.0 million per occurrence for all perils, except (1) 3% of the damaged insured value for windstorm or hail from a named storm, subject to a \$2.5 million minimum and a \$20.0 million maximum deductible and (2) 3% of the damaged insured value for flood, subject to a \$2.5 million minimum and a \$20.0 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is \$20.0 million. The City's property insurance retention is 10% of the \$50.0 million primary limits, not to exceed the \$5.0 million retention limit.

Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. This determination is based on reported pending claims, estimates of claims incurred but not yet reported, actuarial reports and historical analysis. All claims are accounted for in the accompanying Government-wide Statement of Net Position.

Claims that are expected to be paid with expendable, available financial resources are accounted for in the General Fund and the appropriate Enterprise Funds.

## **E. Purchase Commitments for Electricity**

On July 1, 2020, the City entered into an electricity supply agreement with Reliant Energy Retail Services, Inc. for a 5-year term with two 1-year options, with locked rates for the duration of the contract terms. The total committed price is approximately \$634.0 million for expected usage of the potentially 7-year contract. As of June 30, 2023, the remaining commitment is approximately \$322.9 million.

On November 13, 2015, the City entered into a solar energy supply agreement with ENGIE to supply solar power to the City from a facility located in Alpine, Texas, for a 20-year term starting in April 2017. The contract value is approximately \$124.7 million. As of June 30, 2023, the remaining commitment is approximately \$86.4 million.

## **F. Federal and State**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, could be a liability of the City. The amount of liability, if any, cannot be determined at this time. City management believes any such claims would be immaterial to the City's financial position at June 30, 2023.

### G. Risk and Uncertainties Related to COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) in March 2020 by the World Health Organization and continues to affect many parts of the world, including the United States and Texas. Many of the federal and State actions and policies had significant effect to the operation of businesses and directly impacts the national, State, and local economies.

The American Rescue Plan Act (“ARPA”) was signed in to law on March 11, 2021. Under ARPA, the State and Local Fiscal Recovery Fund (“SLFRF”) provides additional funding to state and local governments for response and recovery from the Pandemic. The City’s allocation of SLFRF funds totals \$607.7 million, which was received in two separate payments of \$303.8 million each. The first was in May 2021 and the second in June 2022. The City allocated and used these funds towards eligible costs such as COVID-19 public health related expenditures and for revenue replacement for the provision of government services. SLFRF allows localities to spend the funds for revenue replacement to the extent of the reduction of revenue due to the Pandemic. Further information on the City’s ARPA program can be found at the City’s official ARPA SLFRF website (<https://www.houstontx.gov/arpa/>).

### H. Chapter 380 Program and Commitment

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. In 1999, the City created the Chapter 380 Program (the “380 Program”) by City Ordinance 1999-74, to incentivize job creation and stimulate business and commercial activity in Houston. Under the 380 Program, private businesses and developers fund public improvements in advance and assume the risks related to those public improvements during the construction period. If the improvements are completed as planned, these businesses or developers are reimbursed over time by the City from incremental property tax, sales tax, or beverage tax. At June 30, 2023, the City has a number of 380 Program agreements as follows:

Type of Agreement	Number of Active Agreements	(in thousands)		
		Gross Commitment	Reimbursed to-Date	Remaining Commitment
Agreed-up on maximum commitment	9	\$ 62,103	\$ 37,744	\$ 24,359
Actual cost reimbursement	7	\$ —	\$ 160,538	Costs subject to the City's review and approval

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**NOTE 14: RELATED ORGANIZATION TRANSACTIONS****A. Metropolitan Transit Authority (“METRO”)**

The City and METRO have an inter-local agreement governing the distribution and usage of a portion of incremental sales tax collected within the METRO service area for Eligible Transportation Projects (“General Mobility Program”, “Program”). The City uses funds allocated through the Program to perform street maintenance/construction, traffic control, and other eligible transportation projects. During the fiscal year ended June 30, 2023, the City received \$141.7 million from METRO under this contract. The breakout was \$71.0 million to Capital Projects and \$70.7 million to Special Revenues. \$0 of payments were for the prior contract year. In addition, the City did not make any payments to METRO for services performed through the Program.

Consistent with provisions under Chapter 451 of the Texas Transportation Code, the City currently appoints five (5) of the nine (9) members of the METRO Board of Directors; however, the City has no financial accountability for the Authority and the entity is separate from the operating activities of the City.

**B. Trinity River Authority (“TRA”)**

As described in Note 8.C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the year ended June 30, 2008, all outstanding long-term debt had been paid off. During the year ended June 30, 2023, the City paid \$4.5 million for maintenance and operating expenses under the terms of the contract.

In December 2016, the City and the TRA entered into a Raw Water Supply Contract. This contract referred to prior agreements with TRA regarding the construction of Lake Livingston and the Wallisville salinity control barrier of which the City paid for all the construction costs. The 2016 agreement established a receivable due from TRA for their 30% share of the project costs. The receivable will be offset by the charges due from the City to TRA as established by the Raw Water Supply contract. It is estimated the receivable will be dismissed by 2040. The balance as of June 30, 2023, is \$60.1 million. The current portion of this receivable is \$3.5 million with the remaining \$56.6 million reflected as non-current.

**C. Coastal Water Authority (“CWA”)**

The City has a long-term contract with CWA for water conveyance. During the year ended June 30, 2023, the City paid CWA \$6.4 million for debt services and \$32.0 million for maintenance and operating expenses.

**D. Jointly Governed Organizations**

The City is a participant in jointly governed organizations. Six of thirteen board members of the Harris County Houston Sports Authority with the chairman appointed jointly by the City and Harris County. Three of twelve board members of the Gulf Coast Rail District with the chairman appointed jointly by the City and Harris County.

**NOTE 15: CONDUIT DEBT OBLIGATIONS**

The City has authorized various issues of Special Facilities Bonds to enable United Airlines, Inc. (“United”) (formerly known as Continental Airlines, Inc.), a publicly traded company, to construct facilities at the George Bush Intercontinental Airport (“Special Facilities”) that were deemed to be in the public interest. These bonds are limited special obligations of the City, payable solely from and secured by a pledge of revenues generated from lease agreements with United. Collected pledged revenues are remitted directly to a trustee by United. In addition, no commitments beyond the payments from United and maintenance of the tax-exempt status of the conduit debt obligation were extended by the City. At June 30, 2023, the bonds have an aggregate outstanding principal amount payable of approximately \$1.1 billion.

Under the terms of the related lease agreements, United operates, maintains, and insures the terminals, and manages and retains revenues from all concessions operated in the Terminal B and E Special Facilities. The City operates, maintains, insures, and manages and retains revenues from all concessions operated in all other terminal facilities.

The City holds legal title to the completed facilities, as they are constructed on airport property, but the constructed facilities are operated and controlled by United through long-term leases, and the City and the Airport System will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the City accounts for the Special Facilities Bonds shown in the following table as conduit debt, and neither the debt nor the related assets have been recorded in the accompanying financial statements.

	<b>(in thousands)</b>
	<b>June 30, 2023</b>
Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), \$113,305,000 original principal, matures in 2038	\$ 113,305
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project), Series 2014 (AMT), \$308,660,000 original principal, matures in 2029	227,370
Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT), \$176,650,000 principal, matures in 2035	176,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Technical Operations Center), Series 2018 (AMT), 90,650,000 original principal, matures in 2028	90,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT), \$46,425,000 original principal, matures in 2028	46,425
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020A (AMT), \$34,165,000 original principal, matures in 2027)	34,165
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020B-2 (AMT), \$47,470,000 original principal, matures in 2027	47,470
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT), \$66,890,000 principal, matures in 2027	66,890
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2021A (AMT), \$70,175,000 original principal, matures in 2041	70,175
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2021B-1 (AMT), \$219,320,000 original principal, matures in 2041	219,320
Total Conduit Debt Outstanding	<u>\$ 1,092,420</u>



On August 25, 2021, the City issued \$70.2 million and \$219.3 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal E Project and Terminal Improvement Projects), Series 2021A and 2021B-1, respectively, on behalf of United, for the purpose of 1) financing the costs of development, construction, and acquisition of a new multi-terminal baggage handling system and other infrastructure improvements at George Bush Intercontinental Airport and 2) paying related costs of issuance. Interest rate for both series is 4% per annum. Maturity dates are July 1, 2041, and July 15, 2041, for Series 2021A and 2021B-1, respectively.

On June 29, 2020, the City issued \$34.2 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020A (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020A costs of issuance. The bonds were issued as a 5% Term Bond due July 1, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued \$47.5 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020B-2 (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020B-2 costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued \$66.9 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020C costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.625%.

On February 20, 2018, the City issued \$90.7 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Technical Operations Center Project), Series 2018 (AMT) on behalf of United, to finance the construction of a technical operations center and related facilities at IAH. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On February 20, 2018, the City issued \$46.4 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT) on behalf of United, to finance the improvement, renovation, expansion and repair of certain special facilities at IAH, including improvements to an existing aircraft maintenance hangar facility, construction of an aircraft shops facility, and renovation of a maintenance and parts storage facility. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On March 16, 2015, the City issued \$176.7 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT) on behalf of United, to finance the construction of a new North Concourse building at Terminal B with jet bridge loading, and to make improvements to related facilities. The bonds were issued with a coupon rate of 5.00%, and a yield of 4.75%, to mature in varying amounts from 2026 to 2035.

On May 8, 2014, the City issued \$308.7 million in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project) Series 2014 on behalf of United, at coupon rates ranging from 4.50% to 5.00%. The bonds mature in varying amounts from 2020 to 2029. Proceeds of the bonds were used to refund a portion of the City's outstanding Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal E project) Series 2001 and to pay costs of issuance.

On November 17, 2011, the City issued \$113.3 million in Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), at coupon rates ranging from 6.50% to 6.625%, to finance the replacement of two flight stations at Terminal B, with a new South Concourse building to serve United Airlines' regional jet operations.

**NOTE 16: SUBSEQUENT EVENTS**

Management has evaluated subsequent event through the date that the financial statements were available to be issued, November 17, 2023, and determined that the following items require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

Public Improvement Bonds

On October 25, 2023, the City issued \$271.3 million of Public Improvement and Refunding Bonds Series 2023A ("PIB 2023A Bonds"), with an average coupon rate of 5.15% and the last maturity date of March 1, 2043. The PIB 2023A Bonds were issued to refund the general government outstanding commercial paper and fund certain voter authorized public improvements.

Houston Airport System

On July 19, 2023, the City issued \$647.9 million and \$108.2 million of Airport System Subordinate Lien Revenue and Refunding Bonds Series 2023A and 2023B ("Series 2023 Bonds"), respectively, with interest rate of the bonds ranges from 4.25% to 5.25%. The Series 2023 Bonds mature on July 1, 2053. The Series 2023 Bonds were issued for the purpose of providing funds to: (a) refund and redeem all the outstanding principal amount of the Refunded Notes and Bonds; and (b) pay certain costs of issuance with respect to the Series 2023 Bonds. By issuing the Series 2023 Bonds, the City obtained an estimated economic gain of approximately \$19.0 million and obtained a net present value of savings of approximately \$12.9 million.

**CITY OF HOUSTON, TEXAS**

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## Required Supplementary Information - (unaudited)

**GENERAL OPERATING FUND**  
**Schedule of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2023**  
*(amounts expressed in thousands)*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes and assessments				
Property Taxes	\$ 1,271,768	\$ 1,271,768	\$ 1,295,496	\$ 23,728
Industrial Assessments	24,393	24,393	28,021	3,628
Sales Tax	806,920	806,920	889,039	82,119
Franchise Tax	147,977	147,977	148,160	183
Mixed Beverage Tax	20,743	20,743	23,606	2,863
<b>Total taxes and assessments</b>	<b>2,271,801</b>	<b>2,271,801</b>	<b>2,384,322</b>	<b>112,521</b>
Licenses and permits				
General	25,208	25,208	25,591	383
Health Permits	7,843	7,843	8,082	239
<b>Total licenses and permits</b>	<b>33,051</b>	<b>33,051</b>	<b>33,673</b>	<b>622</b>
Charges for services				
Ambulance service	53,130	53,130	58,530	5,400
Library fees	4	4	4	—
Parking	153	153	180	27
Services performed for other funds				
Direct	65,855	65,855	65,845	(10)
Indirect	22,718	22,718	22,801	83
Rents and royalties	1,480	1,480	1,598	118
Others	20,647	16,147	15,855	(292)
<b>Total charges for services</b>	<b>163,987</b>	<b>159,487</b>	<b>164,813</b>	<b>5,326</b>
Intergovernmental - grants	217,823	217,823	208,176	(9,647)
Fines and forfeits				
Municipal Courts	15,664	15,664	17,318	1,654
Others	3,207	3,207	3,371	164
<b>Total fines and forfeits</b>	<b>18,871</b>	<b>18,871</b>	<b>20,689</b>	<b>1,818</b>
Interest	4,704	4,704	6,421	1,717
Other				
Sale of Property	225	225	316	91
Other	12,530	12,530	15,597	3,067
Total Other	12,755	12,755	15,913	3,158
<b>Total revenues</b>	<b>2,722,992</b>	<b>2,718,492</b>	<b>2,834,007</b>	<b>115,515</b>
<b>Other financing sources (uses)</b>				
Transfers in	10,585	10,585	10,044	(541)
Sale of capital assets	3,304	3,304	2,772	(532)
<b>Total other financing sources (uses)</b>	<b>13,889</b>	<b>13,889</b>	<b>12,816</b>	<b>(1,073)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 2,736,881</b>	<b>\$ 2,732,381</b>	<b>\$ 2,846,823</b>	<b>\$ 114,442</b>

\* See Notes to Required Supplementary Information \*

**GENERAL OPERATING FUND**  
**Schedule of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2023**  
*(amounts expressed in thousands)*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>General government</b>				
Legislative and executive				
Legislative - Council				
Personnel services	\$ 7,809	\$ 7,636	\$ 7,828	\$ (192)
Other current expenditures	6,173	6,742	2,675	4,067
Equipment acquisition	3	866	852	14
<b>Total legislative - council</b>	<b>13,985</b>	<b>15,244</b>	<b>11,355</b>	<b>3,889</b>
Legislative - Mayor's Office				
Personnel services	5,290	5,255	5,046	209
Other current expenditures	904	922	933	(11)
<b>Total executive - mayor's office</b>	<b>6,194</b>	<b>6,177</b>	<b>5,979</b>	<b>198</b>
<b>Total legislative and executive</b>	<b>20,179</b>	<b>21,421</b>	<b>17,334</b>	<b>4,087</b>
Office of Business Opportunity				
Personnel services	4,489	4,177	3,125	1,052
Other current expenditures	993	1,233	1,273	(40)
Equipment acquisition	-	13	13	-
<b>Total office of business opportunity</b>	<b>5,482</b>	<b>5,423</b>	<b>4,411</b>	<b>1,012</b>
Municipal Courts Administration				
Municipal Courts				
Personnel services	23,832	23,973	22,139	1,834
Other current expenditures	5,982	6,335	5,604	731
Equipment acquisition	14	9	-	9
<b>Total municipal courts</b>	<b>29,828</b>	<b>30,317</b>	<b>27,743</b>	<b>2,574</b>
Elections	-	2,500	2,496	2
Finance administration				
Controller				
Personnel services	7,549	7,522	6,937	585
Other current expenditures	1,406	1,286	927	359
<b>Total controller</b>	<b>8,955</b>	<b>8,808</b>	<b>7,864</b>	<b>944</b>
Finance				
Personnel services	15,792	15,425	13,337	2,088
Other current expenditures	5,043	5,826	4,833	993
Equipment acquisition	-	210	59	151
<b>Total finance</b>	<b>20,835</b>	<b>21,461</b>	<b>18,229</b>	<b>3,232</b>
Administrative and Regulatory Affairs				
Personnel services	17,301	17,256	15,919	1,337
Other current expenditures	4,045	4,162	3,657	505
Equipment acquisition	6	7	6	1
<b>Total administrative and regulatory affairs</b>	<b>21,352</b>	<b>21,425</b>	<b>19,582</b>	<b>1,843</b>
Bond and Legal	1,585	1,485	1,580	204
<b>Total finance administration</b>	<b>52,727</b>	<b>53,179</b>	<b>47,255</b>	<b>6,223</b>

(Continued)

\* See Notes to Required Supplementary Information \*

**GENERAL OPERATING FUND**  
**Schedule of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2023**  
*(amounts expressed in thousands)*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Legal				
Personnel services	\$ 18,295	\$ 17,237	\$ 16,182	\$ 1,055
Other current expenditures	1,686	1,987	1,938	49
Equipment acquisition	-	19	-	19
<b>Total legal</b>	<b>19,981</b>	<b>19,243</b>	<b>18,120</b>	<b>1,123</b>
City Secretary				
Personnel services	811	813	698	115
Other current expenditures	104	111	111	-
<b>Total city secretary</b>	<b>915</b>	<b>924</b>	<b>809</b>	<b>115</b>
Planning and Development				
Personnel services	3,038	3,152	2,393	759
Other current expenditures	887	1,005	867	138
<b>Total planning and development</b>	<b>3,925</b>	<b>4,157</b>	<b>3,260</b>	<b>897</b>
Human Resources				
Personnel services	1,469	1,339	819	520
Other current expenditures	31	161	140	21
Equipment acquisition	-	-	-	-
<b>Total human resources</b>	<b>1,500</b>	<b>1,500</b>	<b>959</b>	<b>541</b>
<b>Total general government</b>	<b>134,537</b>	<b>138,664</b>	<b>122,387</b>	<b>16,574</b>
Public safety				
Police				
Personnel services	899,926	888,323	882,004	6,319
Other current expenditures	88,492	97,999	93,929	4,070
Equipment acquisition	340	1,930	916	1,014
<b>Total police</b>	<b>988,758</b>	<b>988,252</b>	<b>976,849</b>	<b>11,403</b>
Fire				
Personnel services	489,604	489,571	489,598	(27)
Other current expenditures	69,465	68,463	64,582	3,881
Equipment acquisition	-	12	10	2
<b>Total fire</b>	<b>559,069</b>	<b>558,046</b>	<b>554,190</b>	<b>3,856</b>
<b>Total public safety</b>	<b>1,547,827</b>	<b>1,546,298</b>	<b>1,531,039</b>	<b>15,259</b>
Public Works				
Administration				
Personnel services	927	919	849	70
Other current expenditures	21,798	24,852	22,432	2,420
<b>Total administration</b>	<b>22,725</b>	<b>25,771</b>	<b>23,281</b>	<b>2,490</b>
General Services				
Personnel services	13,814	13,122	12,612	510
Other current expenditures	26,071	29,746	28,618	1,128
Equipment acquisition	-	30	28	2
<b>Total general services</b>	<b>39,885</b>	<b>42,898</b>	<b>41,258</b>	<b>1,640</b>

(Continued)

\* See Notes to Required Supplementary Information \*

**GENERAL OPERATING FUND**  
**Schedule of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2023**  
*(amounts expressed in thousands)*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Solid Waste				
Personnel services	\$ 39,670	\$ 38,945	\$ 40,704	\$ (1,759)
Other current expenditures	49,433	57,071	56,212	859
Equipment acquisition	2,526	448	298	150
Total solid waste	<u>91,629</u>	<u>96,464</u>	<u>97,214</u>	<u>(750)</u>
<b>Total public works</b>	<u>154,239</u>	<u>165,133</u>	<u>161,753</u>	<u>3,380</u>
Department of Neighborhoods				
Personnel services	8,565	8,600	8,071	529
Other current expenditures	4,046	4,030	3,722	308
<b>Total department of neighborhoods</b>	<u>12,611</u>	<u>12,630</u>	<u>11,793</u>	<u>837</u>
Health				
Personnel services	39,431	39,319	37,190	2,129
Other current expenditures	23,949	20,663	20,700	(37)
Equipment acquisition	215	264	103	161
<b>Total health</b>	<u>63,595</u>	<u>60,246</u>	<u>57,993</u>	<u>2,253</u>
Housing				
Personnel services	136	356	351	5
Other current expenditures	276	521	775	(254)
<b>Total housing</b>	<u>412</u>	<u>877</u>	<u>1,126</u>	<u>(249)</u>
Parks and Recreation				
Personnel services	46,626	44,016	40,986	3,030
Other current expenditures	38,934	44,388	42,693	1,695
Equipment acquisition	5	184	34	150
<b>Total parks and recreation</b>	<u>85,565</u>	<u>88,588</u>	<u>83,713</u>	<u>4,875</u>
Library				
Personnel services	36,465	34,723	33,086	1,637
Other current expenditures	6,792	6,409	6,413	(4)
Equipment acquisition	6,335	8,464	8,462	2
<b>Total library</b>	<u>49,592</u>	<u>49,596</u>	<u>47,961</u>	<u>1,635</u>
Retiree Benefits				
Hospital and life insurance	13,374	12,849	12,612	237
<b>Total retiree benefits</b>	<u>13,374</u>	<u>12,849</u>	<u>9,105</u>	<u>237</u>
<b>Other current expenditures</b>				
Tax appraisal fees	11,065	10,725	10,725	-
Limited-purpose Annexation Districts	73,816	81,600	79,440	2,160
Capital outlay	-	5,281	5,279	2
Membership dues	453	453	404	49
Advertising and promotion	261	550	534	16
Consultants	3,341	1,510	1,109	401
Miscellaneous support services	89,455	88,238	90,918	(2,680)
<b>Total other current expenditures</b>	<u>178,391</u>	<u>188,357</u>	<u>188,409</u>	<u>(52)</u>
<b>Debt service</b>				
Debt service interest	1,478	-	-	-
<b>Total debt service</b>	<u>1,478</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>2,241,621</u>	<u>2,263,238</u>	<u>2,215,279</u>	<u>44,749</u>
<b>Other financing sources (uses)</b>				
Transfers out	501,926	509,917	505,811	4,106
<b>Total other financing sources (uses)</b>	<u>501,926</u>	<u>509,917</u>	<u>505,811</u>	<u>4,106</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 2,743,547</u>	<u>\$ 2,773,155</u>	<u>\$ 2,721,090</u>	<u>\$ 48,855</u>

(Concluded)

\* See Notes to Required Supplementary Information \*

**REQUIRED RECONCILIATION FOR GENERAL FUND**  
**BUDGET vs. GAAP PRESENTATION**  
**For the Year Ended June 30, 2023**  
*(amounts expressed in thousands)*  
*(unaudited)*

**Revenues**

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$	2,834,007
Revenues of non-budgeted funds		
Equipment Acquisition		7,218
Revolving Funds		2,615
Building Security		646
Grant Matching Fund		1,051
Storm Water		(90)
Bureau of Animal Regulation and Care		1,405
Forensic Transition		319
Civic Events		18,158
Renewal and Replacement		500
Health and Environmental		55
Total revenues of non-budgeted funds		<u>31,877</u>
Interest on pooled investments from non-budgeted revenues		<u>1,853</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	\$	<u><u>2,867,737</u></u>

**Expenditures**

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$	2,215,279
Expenditures of non-budgeted funds		
Equipment Acquisition		63,917
Revolving Funds		2,615
Building Security		444
Grant Matching Fund		1,103
Storm Water		41,966
Bureau of Animal Regulation and Care		13,414
Fleet Maintenance		261
Forensic Transition		319
Civic Events		21,677
Renewal and Replacement		34,804
Health and Environmental		52
Total expenditures of non-budgeted funds		<u>180,572</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$	<u><u>2,395,851</u></u>

**Other financing sources (uses)**

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$	(492,995)
Proceeds from issuance of debt		25,000
Lease financing principal		36,891
Sale of assets		3,044
Transfers of non-budgeted funds		85,770
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances-government funds	\$	<u><u>(342,290)</u></u>



**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**  
*(Unaudited)*

**1. General Budget Policies**

During January of each year, the Mayor, with City Council input, establishes budget guidelines. All departments of the City submit requests for appropriations to the Mayor and the City's Department of Finance so that a budget may be prepared. Typically during June, the City Controller certifies that funds are available for a continuing appropriation and the budget is proposed to City Council. City Council holds public hearings and a final budget is normally adopted by June 30th. A final appropriation ordinance is adopted later in the fiscal year and may include budget revisions or amendments.

The legal level of budgetary control is the departmental level within each fund, even though the budget is prepared by fund, department, and expenditure category. The Mayor is authorized to transfer unlimited budgeted amounts within departments and amounts between departments, provided such transfers do not exceed 5% of an expenditure category. Expenditure categories are personnel services, other current expenditures and capital outlay. Appropriations related to funds with annual budgets lapse at year- end except for Capital Outlay appropriations, which cover multiple years.

On April 27, 2023, City Council approved the fiscal year 2023 general appropriation ordinance in the amount of \$2.8 billion for the General Fund.

Annual operating budgets are adopted for the General Operating Fund, the Debt Service Fund, the Special Revenue Funds (except for the Grants Revenue Fund, Disaster Recovery, Health Special Fund and the Housing Special Fund), and the Proprietary Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets for proprietary funds are prepared on the accrual basis, but focus on expenses relating to maintenance and operations, and equipment purchases and, accordingly, exclude depreciation and other allocations related to income determination.

The following provides actual fiscal year 2023 results for both budgeted and non-budgeted Special Revenue Funds (in thousands):

	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Sources (Uses)</b>
Budgeted Special Revenue Funds	\$ 429,403	\$ 291,984	\$ (67,219)
Non-budgeted Grants Revenue Fund	421,426	435,869	(4,192)
Non-budgeted Health and Housing	1,233	934	328
Non-budgeted Other Funds	12,671	26	400
Total Special Revenue Funds - Actual	\$ 864,733	\$ 728,813	\$ (70,683)

**2. General Fund Budgetary Highlights**

Revenues were \$114.4 million above budget. This increase was mainly evident in taxes and assessments of \$112.5 million. Additionally, increases in licenses and permits of \$0.6 million, charges for services of \$5.3 million, fines and forfeits of \$1.8 million, interest of \$1.7 million, and other income of \$3.1 million were offset by decreases in intergovernmental-grant of \$9.6 million, and other financing sources (uses) of \$1 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$23.7 million increase in property taxes
- \$3.6 million increase in industrial assessments
- \$82.1 million increase in sales tax
- \$2.9 million increase in mixed beverage tax

## REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(unaudited)

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 9 Fiscal Years

(in thousands)

## Houston Firefighters' Relief and Retirement Fund

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>									
Service cost	\$ 55,961	\$ 54,129	\$ 55,596	\$ 57,743	\$ 55,532	\$ 52,579	\$ 80,002	\$ 76,407	\$ 68,145
Interest	353,824	354,304	362,472	349,760	343,416	332,357	389,938	369,708	353,405
Changes of benefit terms	-	-	-	-	-	-	(645,971)	-	-
Differences between expected and actual experience	77,461	(140,156)	(94,948)	78,724	34,668	62,117	(65,194)	(63,047)	(28,536)
Changes of assumptions	-	-	(155,659)	-	(47,463)	(16,572)	534,646	2,918	2,801
Benefit payments including refunds of employee contributions	(283,095)	(270,599)	(286,414)	(330,323)	(272,398)	(289,108)	(249,394)	(211,673)	(196,362)
Refunds	-	-	-	-	-	-	-	-	-
Net change in total pension liability	204,151	(2,322)	(118,953)	155,904	113,755	141,373	44,027	174,313	199,453
Total pension liability - beginning	4,963,438	4,965,760	5,084,713	4,928,809	4,815,054	4,673,681	4,629,654	4,455,341	4,255,888
Total pension liability - ending (a)	5,167,589	4,963,438	4,965,760	5,084,713	4,928,809	4,815,054	4,673,681	4,629,654	4,455,341
<b>Plan fiduciary net position</b>									
Contributions-employer	72,475	81,351	77,495	83,837	89,897	83,010	93,658	94,279	92,610
Contributions-employee	31,973	30,942	29,873	33,441	34,281	35,622	25,404	25,511	25,092
Net investment income	199,670	523	1,338,230	84,115	221,775	322,306	432,948	(47,437)	51,801
Benefit payments	(283,095)	(270,599)	(286,414)	(330,323)	(272,398)	(289,108)	(249,394)	(211,673)	(196,362)
Administrative expense	(4,482)	(4,161)	(4,213)	(4,516)	(4,952)	(4,890)	(4,898)	(6,771)	(6,640)
Refunds	-	-	-	-	-	-	-	-	-
Other	(1,099)	(1,083)	(1,140)	(1,314)	(1,265)	(1,676)	(2,298)	(1,890)	(1,676)
Net change in plan fiduciary net position	15,442	(163,027)	1,153,831	(134,760)	67,338	145,264	295,420	(147,981)	(35,175)
Plan fiduciary net position-beginning	5,093,736	5,256,763	4,102,932	4,237,692	4,170,354	4,025,090	3,729,670	3,877,651	3,912,826
Plan fiduciary net position-ending (b)	5,109,178	5,093,736	5,256,763	4,102,932	4,237,692	4,170,354	4,025,090	3,729,670	3,877,651
<b>Net pension liability (asset) - ending (a)-(b)</b>	<b>\$ 58,411</b>	<b>\$ (130,298)</b>	<b>\$ (291,003)</b>	<b>\$ 981,781</b>	<b>\$ 691,117</b>	<b>\$ 644,700</b>	<b>\$ 648,591</b>	<b>\$ 899,984</b>	<b>\$ 577,690</b>
Plan fiduciary net position as percentage of total pension liability	98.87 %	102.63 %	105.86 %	80.69 %	85.98 %	86.61 %	86.12 %	80.56 %	87.03 %
Covered payroll	\$ 269,091	\$ 255,100	\$ 243,045	\$ 259,235	\$ 272,498	\$ 260,345	\$ 289,947	\$ 280,436	\$ 277,745
Net pension liability (asset) as a percentage of covered payroll	21.71 %	-51.08 %	-119.73 %	378.72 %	253.62 %	247.63 %	223.69 %	320.92 %	207.99 %

## Notes to Schedule:

- The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.
- Benefit changes in fiscal year ended June 30, 2017:
  - Standard service pension benefit changed for retirements on or after November 1, 1997, to the following: for retirement on or after November 1, 1997, and applicable for service accrued prior to July 1, 2017, 50% of monthly salary; plus 3% of average monthly salary per year of service in excess of 20 years. For service accrued after July 1, 2017, 2.75% of average monthly salary per year of service for the member's first 20 years of service; plus 2% of average monthly salary per year of service in excess of 20 years.
- Changes of assumptions:
  - Discount rate was changed from 8.50% to 7.25% for the year ended June 30, 2017.
  - For the year ended June 30, 2018, mortality rates for active participants and non-disabled pensioners were based on the RP-2014 Mortality Tables with Blue Collar Adjustment and generational improvement using Scale MP-2017. Projected longevity improvements were applied by adjusting the RP-2014 tables back to 2006 using Scale MP-2014, and then applying generational projection from 2006 forward using Scale MP-2017.
  - For the year ended June 30, 2021, the assumptions used in the actuary report are based on recommendations made and approved by the HFRRF Board as part of an experience study covering fiscal year ended June 30, 2015 through fiscal year ended June 30, 2019.

## REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(unaudited)

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 9 Fiscal Years

(in thousands)

## Houston Municipal Employees Pension System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>									
Service cost	\$ 85,184	\$ 82,080	\$ 78,564	\$ 77,819	\$ 77,175	\$ 78,149	\$ 75,961	\$ 68,968	\$ 65,810
Interest	381,016	371,952	363,611	356,430	349,592	341,276	331,166	379,781	361,007
Changes of benefit terms	-	-	-	-	-	-	(724,683)	-	-
Differences between expected and actual experience	6,279	26,473	(20,427)	(28,865)	(11,538)	19,158	(38,387)	(16,194)	(23,380)
Changes of assumptions	-	(29,515)	-	-	-	-	562,237	91,248	-
Benefit payments including refunds of employee contributions	(334,859)	(327,772)	(314,150)	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)	(234,955)
Refunds	(989)	(1,133)	(402)	(650)	(1,394)	(807)	(718)	(1,105)	(1,549)
Net change in total pension liability	136,631	122,085	107,196	96,732	122,775	153,848	(74,880)	269,520	166,933
Total pension liability - beginning	5,562,146	5,440,061	5,332,865	5,236,133	5,113,358	4,959,510	5,034,390	4,764,870	4,597,937
Total pension liability - ending (a)	5,698,777	5,562,146	5,440,061	5,332,865	5,236,133	5,113,358	4,959,510	5,034,390	4,764,870
<b>Plan fiduciary net position</b>									
Contributions-employer	204,895	197,341	184,762	176,430	176,261	421,562	182,558	159,958	145,007
Contributions-employee	34,600	32,655	33,325	32,582	32,536	27,905	15,902	15,874	16,198
Net investment income	221,364	189,390	1,084,388	(115,165)	200,445	231,815	290,911	27,639	73,370
Benefit payments	(334,859)	(327,772)	(314,150)	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)	(234,955)
Administrative expense	(5,636)	(5,681)	(3,111)	(4,891)	(5,363)	(6,442)	(6,827)	(7,360)	(7,007)
Refunds	(989)	(1,133)	(402)	(650)	(1,394)	(807)	(718)	(1,105)	(1,549)
Other	619	466	485	484	710	(3,905)	1,272	1,651	1,041
Net change in plan fiduciary net position	119,994	85,266	985,297	(219,212)	112,135	386,200	202,642	(56,521)	(7,895)
Plan fiduciary net position-beginning	3,952,351	3,867,085	2,881,788	3,101,000	2,988,865	2,602,665	2,400,023	2,456,544	2,464,439
Plan fiduciary net position-ending (b)	4,072,345	3,952,351	3,867,085	2,881,788	3,101,000	2,988,865	2,602,665	2,400,023	2,456,544
<b>Net pension liability - ending (a)-(b)</b>	<b>\$1,626,432</b>	<b>\$1,609,795</b>	<b>\$1,572,976</b>	<b>\$2,451,077</b>	<b>\$2,135,133</b>	<b>\$2,124,493</b>	<b>\$2,356,845</b>	<b>\$2,634,367</b>	<b>\$2,308,326</b>
Plan fiduciary net position as percentage of total pension liability	71.46 %	71.06 %	71.09 %	54.04 %	59.22 %	58.45 %	52.48 %	47.67 %	51.56 %
Covered payroll	\$ 710,462	\$ 678,350	\$ 642,917	\$ 625,056	\$ 614,451	\$ 611,493	\$ 604,895	\$ 640,529	\$ 624,205
Net pension liability as a percentage of covered payroll	228.93 %	237.31 %	244.66 %	392.14 %	347.49 %	347.43 %	389.63 %	411.28 %	369.80 %

## Notes to Schedule:

- The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.
- Changes of assumptions:
  - Discount rate was changed from 8.50% to 8.00% as of July 1, 2015, and subsequently lowered to 7.00% as of July 1, 2017.
  - The actuarially determined contribution includes the Legacy Liability payment as specified by the January 1, 2017 Risk Sharing Valuation and a calculated employer rate equal to the normal cost and the amortization of any new unfunded liabilities over a closed 30-year period from the valuation date the liability base was created.
  - Salary increases were changed as of July 1, 2016, from 3.25%-6.00%, including inflation, to 3.25%-5.50%, including inflation.
- Covered payroll for 2022 is reported fiscal year pay, except for Houston First Corporation ("HFC") employees. For HFC, annualized pay was used.

## REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(unaudited)

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 9 Fiscal Years

(in thousands)

## Houston Police Officers' Pension System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>									
Service cost	\$ 78,356	\$ 74,350	\$ 73,040	\$ 70,081	\$ 66,750	\$ 63,633	\$ 60,930	\$ 66,098	\$ 56,062
Interest	520,211	503,548	484,527	474,376	462,691	445,113	433,598	488,223	473,065
Changes of benefit terms	-	-	-	-	-	-	(1,006,000)	-	-
Differences between expected and actual experience	94,532	46,309	99,635	(23,461)	(16,454)	69,534	80,023	10,390	26,705
Changes of assumptions	-	(7,383)	-	-	-	21,399	778,710	(676,151)	664,974
Benefit payments including refunds of employee contributions	(384,367)	(372,282)	(394,893)	(355,373)	(335,600)	(361,033)	(458,733)	(259,076)	(225,656)
Refunds	(2,295)	(2,645)	(2,433)	(2,209)	(2,278)	(1,329)	(1,696)	(978)	(945)
Net change in total pension liability	306,437	241,897	259,876	163,414	175,109	237,317	(113,168)	(371,494)	994,205
Total pension liability - beginning	7,585,734	7,343,837	7,083,961	6,920,547	6,745,438	6,508,121	6,621,289	6,992,783	5,998,578
Total pension liability - ending (a)	7,892,171	7,585,734	7,343,837	7,083,961	6,920,547	6,745,438	6,508,121	6,621,289	6,992,783
<b>Plan fiduciary net position</b>									
Contributions-employer	159,915	152,375	151,094	149,078	142,429	887,143	133,805	137,392	113,665
Contributions-employee	52,399	50,028	49,749	49,062	46,896	45,254	40,104	39,017	37,719
Net investment income	525,053	(98,537)	1,764,927	61,193	340,167	463,079	667,476	(135,833)	35,341
Benefit payments	(384,367)	(372,282)	(394,893)	(355,373)	(335,600)	(361,033)	(458,733)	(259,076)	(225,656)
Administrative expense	(4,238)	(4,202)	(3,669)	(3,922)	(3,580)	(3,679)	(4,238)	(4,585)	(3,478)
Refunds	(2,295)	(2,645)	(2,433)	(2,209)	(2,278)	(1,329)	(1,696)	(978)	(945)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	346,467	(275,263)	1,564,775	(102,171)	188,034	1,029,435	376,718	(224,063)	(43,354)
Plan fiduciary net position-beginning	6,861,988	7,137,251	5,572,476	5,674,647	5,486,613	4,457,178	4,080,460	4,304,523	4,347,877
Plan fiduciary net position-ending (b)	7,208,455	6,861,988	7,137,251	5,572,476	5,674,647	5,486,613	4,457,178	4,080,460	4,304,523
<b>Net pension liability-ending (a)-(b)</b>	<b>\$ 683,716</b>	<b>\$ 723,746</b>	<b>\$ 206,586</b>	<b>\$1,511,485</b>	<b>\$1,245,900</b>	<b>\$1,258,825</b>	<b>\$2,050,943</b>	<b>\$2,540,829</b>	<b>\$2,688,260</b>
Plan fiduciary net position as percentage of total pension liability	91.34 %	90.46 %	97.19 %	78.66 %	82.00 %	81.34 %	68.49 %	61.63 %	61.56 %
Covered payroll	\$ 499,041	\$ 476,453	\$ 473,801	\$ 464,301	\$ 444,871	\$ 412,786	\$ 424,300	\$ 407,058	\$ 395,360
Net pension liability as a percentage of covered payroll	137.01 %	151.90 %	43.60 %	325.54 %	280.06 %	304.96 %	483.37 %	624.19 %	679.95 %

## Notes to Schedule:

- The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.
- The benefit changes in fiscal year 2017 are detailed in the "Final Risk Sharing Valuation Study as of June 30, 2016" dated September 25, 2017, as a result of the amendment of the Governing Statute on July 1, 2017, which included changes to normal retirement eligibility, normal retirement benefit, and post-retirement Cost of Living Adjustments (COLA).
- Changes of assumptions:
  - Discount rate was changed from 8.00% to 7.00% for the year ended June 30, 2017.
  - A new set of assumptions were adopted in the July 1, 2018, actuarial valuation and are first reflected in the contribution rate determined for the fiscal year ending 2020.

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(unaudited)

SCHEDULE OF CITY CONTRIBUTIONS FOR PENSION PLANS

Last 9 Fiscal Years

(in thousands)

Houston Firefighters' Relief and Retirement Fund

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 72,358	\$ 78,571	\$ 88,104	\$ 96,332	\$ 99,676	\$ 96,530	\$ 88,745	\$ 87,464	N/A
Contributions in relation to the actuarially determined contribution	72,475	81,351	77,495	83,837	89,897	83,010	93,658	94,279	92,610
Contribution deficiency (excess)	<u>\$ (117)</u>	<u>\$ (2,780)</u>	<u>\$ 10,609</u>	<u>\$ 12,495</u>	<u>\$ 9,779</u>	<u>\$ 13,520</u>	<u>\$ (4,913)</u>	<u>\$ 94,279</u>	<u>\$ 92,610</u>
Covered payroll	\$ 269,091	\$ 255,100	\$ 243,045	\$ 259,235	\$ 272,498	\$ 260,345	\$ 289,947	\$ 280,436	\$ 277,745
Contributions as a percentage of covered payroll	26.9 %	31.9 %	31.9 %	32.3 %	33.00 %	31.9 %	32.3 %	33.6 %	33.3 %

Houston Municipal Employees Pension System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 202,012	\$ 195,296	\$ 188,294	\$ 182,950	\$ 178,256	\$ 423,989	\$ 184,733	\$ 162,230	\$ 155,299
Contributions in relation to the actuarially determined contribution	204,895	197,341	184,762	176,430	176,261	421,562	182,558	159,958	145,007
Contribution deficiency (excess)	<u>\$ (2,883)</u>	<u>\$ (2,045)</u>	<u>\$ 3,532</u>	<u>\$ 6,520</u>	<u>\$ 1,995</u>	<u>\$ 2,427</u>	<u>\$ 2,175</u>	<u>\$ 2,272</u>	<u>\$ 10,292</u>
Covered payroll	\$ 710,462	\$ 678,350	\$ 642,917	\$ 625,056	\$ 614,451	\$ 611,493	\$ 604,895	\$ 640,529	\$ 624,205
Contributions as a percentage of covered payroll	28.80 %	29.10 %	28.70 %	28.20 %	28.70 %	68.90 %	30.20 %	25.00 %	23.20 %

Houston Police Officers' Pension System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 134,841	\$ 139,220	\$ 140,292	\$ 146,626	\$ 141,202	\$ 131,142	\$ 167,980	\$ 161,154	\$ 150,949
Contributions in relation to the actuarially determined contribution	159,915	152,375	151,094	149,078	142,429	887,143	133,805	137,392	113,665
Contribution deficiency (excess)	<u>\$ (25,074)</u>	<u>\$ (13,155)</u>	<u>\$ (10,802)</u>	<u>\$ (2,452)</u>	<u>\$ (1,227)</u>	<u>\$(756,001)</u>	<u>\$ 34,175</u>	<u>\$ 23,762</u>	<u>\$ 37,284</u>
Covered payroll	\$ 499,041	\$ 476,453	\$ 473,801	\$ 464,301	\$ 444,871	\$ 412,786	\$ 424,300	\$ 407,058	\$ 395,360
Contributions as a percentage of covered payroll	32.0 %	32.0 %	31.9 %	32.1 %	32.0 %	214.9 %	31.5 %	33.8 %	28.7 %

Notes to Schedule:

1. The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

Separately issued / audited financial statements for each of the pension plans can be obtained by contacting the pension boards or via the links below:

1. Houston Firefighter's Relief and Retirement Fund: 4225 Interwood North Parkway, Houston, TX 77032. (<https://www.hfrf.org/prb>)
2. Houston Municipal Employees Pension System: 1201 Louisiana, Suite 900, Houston, TX 77002. (<http://www.hmeps.org/publications.html>)
3. Houston Police Officers' Pension System: 602 Sawyer, Suite 300, Houston, TX 77007. (<https://www.hpops.org/publications/acfr/>)

## REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(unaudited)

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
(in thousands)

	Health Benefits											
	Report Date: June 30,	2023	2022	2021	2020	2019	2018					
	Measurement Date: June 30,	2022	2021	2020	2019	2018	2017					
<b>Total OPEB Liability</b>												
Service Cost	\$	124,690	\$	140,185	\$	115,672	\$	118,901	\$	110,793	\$	139,332
Interest		52,553		60,194		80,598		90,952		90,245		73,306
Changes of benefit terms		—		(461,192)		—		(17,819)		(5,007)		—
Differences between expected and actual experience		23,213		(2,523)		(64,790)		(17,603)		(99,153)		(15,727)
Changes of assumptions		(720,476)		47,150		326,935		(164,752)		(224,161)		(310,431)
Benefit payments including refunds of employee contributions		(56,511)		(61,487)		(62,373)		(45,811)		(57,100)		(39,820)
Net change in total OPEB liability		(576,531)		(277,673)		396,042		(36,132)		(184,383)		(153,340)
Total OPEB liability - beginning		2,336,426		2,614,099		2,218,057		2,254,189		2,438,572		\$ 2,591,912
Total OPEB liability - ending		<u>\$ 1,759,895</u>		<u>\$ 2,336,426</u>		<u>\$ 2,614,099</u>		<u>\$ 2,218,057</u>		<u>\$ 2,254,189</u>		<u>\$ 2,438,572</u>
Plan fiduciary net position as percentage of the total OPEB liability		0.00 %		0.00 %		0.00 %		0.00 %		0.00 %		0.00 %
Covered-employee payroll	\$	1,362,737	\$	1,344,442	\$	1,308,459	\$	1,332,000	\$	1,285,000	\$	1,235,000
Total OPEB liability as a percentage of covered-employee payroll		129.14 %		173.78 %		199.78 %		166.52 %		175.42 %		197.46 %

**Notes to Schedule:**

- The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.
- There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.
- Benefit changes: Reflected for the June 30, 2021 measurement date - Texas Plus, Cigna Health Spring, and UHC Plan F plans have all been terminated as of December 31, 2020, and a new plan, Aetna PO1 PPO Basic, was added as of January 1, 2021.
- Changes of assumptions:
  - Discount rate reflected for the June 30 measurement date: 2022 - 3.54%; 2021 - 2.16%; 2020 - 2.21%; 2019 - 3.50%; 2018 - 3.87%; 2017 - 3.58%.
  - Reflected for the June 30, 2021, measurement date, the demographic assumptions (mortality, turnover, disability and retirement) for the Fire department were updated to be consistent with the Houston Firefighter's Relief and Retirement Fund actuarial certification as of July 1, 2020, dated September 16, 2021, completed by Buck Consulting.
  - Reflected for the June 30, 2020, measurement date, life insurance to be fully retiree paid and is no longer being valued.

## REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(unaudited)

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
(in thousands)

	Long-Term Disability											
	Report Date: June 30,	2023	2022	2021	2020	2019	2018					
	Measurement Date: June 30,	2023	2022	2021	2020	2019	2018					
<b>Total OPEB Liability</b>												
Service Cost	\$	1,571	\$	1,705	\$	1,436	\$	719	\$	776	\$	730
Interest		541		363		365		461		409		379
Changes of benefit terms		—		—		—		(1,079)		1,379		(14)
Differences between expected and actual experience		(965)		(1,800)		(914)		3,476		255		(158)
Changes of assumptions		(326)		(743)								—
Benefit payments including refunds of employee contributions		(920)		(901)		(942)		(901)		(957)		(975)
Net change in total OPEB liability		(99)		(1,376)		(22)		2,676		1,862		(38)
Total OPEB liability - beginning		14,170		15,546		15,568		12,892		11,030		11,068
Total OPEB liability - ending		<u>\$ 14,071</u>		<u>\$ 14,170</u>		<u>\$ 15,546</u>		<u>\$ 15,568</u>		<u>\$ 12,892</u>		<u>\$ 11,030</u>
Plan fiduciary net position as percentage of the total OPEB liability		0.00 %		0.00 %		0.00 %		0.00 %		0.00 %		0.00 %
Covered-employee payroll		\$ 954,100		\$ 895,800		\$ 794,600		\$ 777,400		\$ 833,500		\$ 788,500
Total OPEB liability as a percentage of covered-employee payroll		1.47 %		1.58 %		1.96 %		2.00 %		1.55 %		1.40 %

**Notes to Schedule:**

- The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.
- There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.
- Changes of assumptions:
  - Discount rate reflected for the June 30 measurement date: 2023 - 4.13%; 2022 - 3.54%; 2021 - 2.16%; 2020 - 2.21%; 2019 - 3.50%; 2018 - 3.87%; 2017 - 3.58%.
- Employees covered: Houston Fire Department is covered by this long-term disability plan in addition to all municipal employees. Houston Police Department is not covered by this plan.

## REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(unaudited)

Schedule of OPEB Contributions  
(in thousands)

	Health Benefits					
	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 198,923	\$ 312,311	\$ 204,586	\$ 133,961	\$ 194,236	\$ 188,579
Contributions in relation to the actuarially determined contribution	(56,511)	(61,487)	(62,373)	(45,811)	(57,100)	(39,820)
Contribution deficiency (excess)	<u>\$ 142,412</u>	<u>\$ 250,824</u>	<u>\$ 142,213</u>	<u>\$ 88,150</u>	<u>\$ 137,136</u>	<u>\$ 148,759</u>
Covered-employee payroll	\$ 1,362,737	\$ 1,344,442	\$ 1,308,459	\$ 1,332,000	\$ 1,285,000	\$ 1,235,000
Contribution as a percentage of covered-employee payroll	4.15 %	4.57 %	4.77 %	3.44 %	4.44 %	3.22 %

**Notes to Schedule:**

1. The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.
2. There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

	Long-Term Disability					
	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 5,917	\$ 5,843	\$ 7,101	\$ 7,248	\$ 6,720	\$ 5,990
Contributions in relation to the actuarially determined contribution	(920)	(901)	(942)	(901)	(957)	(975)
Contribution deficiency (excess)	<u>\$ 4,997</u>	<u>\$ 4,942</u>	<u>\$ 6,159</u>	<u>\$ 6,347</u>	<u>\$ 5,763</u>	<u>\$ 5,015</u>
Covered-employee payroll	\$ 954,100	\$ 895,800	\$ 794,600	\$ 777,400	\$ 833,500	\$ 788,500
Contribution as a percentage of covered-employee payroll	0.10 %	0.10 %	0.12 %	0.12 %	0.11 %	0.12 %

**Notes to Schedule:**

1. The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.
2. There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.



Discovery Green



# GOVERNMENTAL FUNDS

**Governmental Funds:**

Boasting 12 acres in the heart of Downtown Houston, Discovery Green has been a popular destination for residents and visitors since its opening in spring 2008. Since then, Discovery Green has welcomed more than 20 million visitors and hosts hundreds of events a year. With its close proximity to other popular destinations, Discovery Green offers downtown residents, workers and visitors alike a calming escape.

# Governmental Funds

**General Fund** – The General Fund is used to account for sources and uses of financial resources applicable to the general government operation of the City. All general operating revenues and expenditures that are not restricted and, therefore, accounted for in another fund, are recorded in the General Fund.

**Debt Service Fund** – The Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt other than debt issued for and serviced by Enterprise Funds.

**Capital Projects Fund** – The Capital Projects Fund accounts for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by Enterprise Funds.

**ARPA Fiscal Recovery Fund** – The ARPA Fiscal Recovery Fund is used to receive funds from the U.S. Department of Treasury to be used for the response efforts relating to local fiscal recovery from the COVID-19 pandemic pursuant to the American Rescue Plan Act of 2021.

**Grants Fund** – The Grants Fund is used to account for grant resources received from various local, state, federal, and national agencies and organizations. The use of these resources is restricted to a particular function of the City by the grantor.

**Nonmajor Funds** – Nonmajor Funds did not meet the established criteria for major fund status. They are used to account for the proceeds of specific revenue sources (other than capital projects) that are restricted to expenditures for special purposes. All Nonmajor Funds have been presented; however, only certain sub-funds have legally adopted budgets. Nonmajor funds are:

- Public Safety Special Fund
  - Budgeted: Asset Forfeiture, Auto Dealers, Child Safety, Houston Emergency Center, Local Truancy Prevention & Diversion, Municipal Courts Technology Fee, and Police Special Services
  - Not budgeted: Helmets for Bicycle Safety, Nuisance Abatement, and FTA Special
- Public Works Special Fund
  - Budgeted: Building Inspection, Dedicated Drainage and Street Renewal, Historic Preservation, Planning and Development Special, and Recycling Revenue
  - Not budgeted: Mobility Response Team
- Health and Housing Special Fund
  - Budgeted: Essential Public Health Services, Health Special, Laboratory Services, Special Waste, and Swimming Pool Safety
  - Not budgeted: Housing Special, and HJTPC Self Insurance
- Parks and Recreation Special Fund
  - Budgeted: Bayou Greenway 2020, Parks Golf Special, and Parks Special
  - Not budgeted: MacGregor Parks Endowment, and Planting Tree
- Other Special Revenue Fund
  - Budgeted: Cable Television, Contractor Responsibility, Houston TranStar, and Park Houston
  - Not budgeted: MNC Memorial City Way, W.A.T.E.R., John Battaglia Trust, Inc. Fund, and Houston Foundation

**GENERAL FUND**  
**Balance Sheet**  
**June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 143,417	\$ 23,865
Investments	438,257	306,458
Receivables, net of allowances		
Accounts receivable	124,270	111,306
Property taxes receivable, net	53,147	42,815
Sales taxes receivable	150,955	145,815
Mixed beverage taxes receivable	4,028	3,819
Franchise taxes receivable	9,531	9,691
Special assessments receivable	8,011	7,811
Lease receivable	36,590	37,373
Due from other funds	67,351	85,397
Due from other governments	26,051	26,005
Inventory	21,310	22,965
Prepaid items	2,874	2,712
Total assets	\$ 1,085,792	\$ 826,032
<b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	\$ 271,580	\$ 96,421
Accrued payroll liabilities	42,161	92,687
Due to other funds	8,366	26,336
Due to other governments	12,935	24,131
Advances and deposits	7,354	192
Claims and judgments	2,274	2,162
Compensated absences	4,357	5,085
Total liabilities	349,027	247,014
Deferred inflows of resources	186,510	158,359
Total deferred inflows of resources	186,510	158,359
Fund balance		
Non-Spendable		
Prepays	2,874	2,712
Inventory	21,310	22,965
Restricted	1,153	983
Committed	14,994	14,292
Unassigned	509,924	379,707
Total fund balance	550,255	420,659
Total liabilities and fund balance	\$ 1,085,792	\$ 826,032

**GENERAL FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	2023	2022
<b>Revenues</b>		
Taxes and assessments		
Property Taxes	\$ 1,295,496	\$ 1,244,722
Industrial Assessments	28,021	24,086
Sales Tax	889,039	820,622
Franchise Tax	148,160	149,519
Mixed Beverage Tax	23,606	21,585
Hotel Occupancy Tax	18,118	15,588
Licenses and permits	34,333	33,694
Charges for services	172,901	165,372
Intergovernmental - grants	209,228	200,762
Fines and forfeits	20,689	20,186
Contributions	500	—
Investment income (loss)	8,373	(6,991)
Other	19,273	18,051
Total revenues	2,867,737	2,707,196
<b>Expenditures</b>		
Current		
General government	295,132	286,030
Public safety	1,572,391	1,536,217
Public works	235,064	220,501
Health	57,141	59,636
Housing and community development	1,070	276
Parks and recreation	85,184	73,301
Library	48,190	40,607
Retiree benefits	12,612	11,837
Capital outlay	61,135	36,352
Debt Service		
Debt service principal	24,570	6,574
Debt service interest	3,362	1,632
Total expenditures	2,395,851	2,272,963
<b>Other financing sources (uses)</b>		
Proceeds from issuance of debt	25,000	31,000
Issuance of debt for leases and SBITA	36,891	6,833
Sale of capital assets	5,815	6,998
Transfers in	72,192	70,037
Transfers out	(482,188)	(477,968)
Total other financing sources (uses)	(342,290)	(363,100)
Change in fund balance	129,596	71,133
Fund balance, July 1	420,659	349,526
Fund balance, June 30	\$ 550,255	\$ 420,659

**DEBT SERVICE FUND**  
**Balance Sheet**  
**June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 23,475	\$ 36,721
Investments	148,717	112,672
Receivables, net of allowances		
Accounts receivable	—	246
<b>Total assets</b>	<b>\$ 172,192</b>	<b>\$ 149,639</b>
 <b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	\$ 144	\$ 144
Total liabilities	144	144
 Fund balance		
Restricted	172,048	149,495
Total fund balance	172,048	149,495
<b>Total liabilities and fund balance</b>	<b>\$ 172,192</b>	<b>\$ 149,639</b>

## DEBT SERVICE FUND

## Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget vs. Actual

For the Year Ended June 30, 2023

(With comparative amounts for 2022)

(amounts expressed in thousands)

	2023		Actual	Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts				
	Original	Final			
<b>Revenues</b>					
Investment income (loss)	\$ 4,437	\$ 4,437	\$ 3,044	\$ (1,393)	\$ (4,347)
Other	28,850	28,850	417	(28,433)	639
Total revenues	33,287	33,287	3,461	(29,826)	(3,708)
<b>Expenditures</b>					
Debt service principal	269,445	269,445	270,745	(1,300)	264,844
Debt service interest	138,592	138,592	138,761	(169)	142,932
Debt service fiscal agent & fees	6,138	5,850	2,740	3,110	4,528
Total expenditures	414,175	413,887	412,246	1,641	412,304
<b>Other financing sources (uses)</b>					
Proceeds from issuance of debt	—	—	38,700	38,700	305,861
Premium on refunding debt	—	—	—	—	35,170
Transfers in	400,026	400,026	392,638	(7,388)	414,131
Payment to escrow agent for refunded bonds	—	—	—	—	(338,940)
Total other financing sources (uses)	400,026	400,026	431,338	31,312	416,222
Change in fund balance	19,138	19,426	22,553	3,127	210
Fund balance, July 1	149,285	149,285	149,495	210	149,285
Fund balance, June 30	\$ 168,423	\$ 168,711	\$ 172,048	\$ 3,337	\$ 149,495

**CAPITAL PROJECTS FUND**  
**Balance Sheet**  
*June 30, 2023*  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 54,866	\$ 44,017
Investments	333,739	241,901
Receivables, net of allowances		
Accounts receivable	1	1
Due from other funds	11,698	9,180
Due from other governments	22,784	26,970
Prepaid items - Construction materials	896	2,048
Notes receivable	2,400	5,000
Total assets	\$ 426,384	\$ 329,117
 <b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	77,676	62,856
Due to other funds	21,209	24,244
Unearned revenue	160,793	98,025
Due to other governments	1,373	11,778
Total liabilities	261,051	196,903
 Fund balance		
Prepays	896	2,048
Restricted	24,122	19,725
Assigned	140,315	110,441
Total fund balance	165,333	132,214
 Total liabilities and fund balance	 \$ 426,384	 \$ 329,117



**CAPITAL PROJECTS FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Intergovernmental - grants	\$ 57,867	\$ 74,057
Investment income (loss)	3,028	(8,239)
Other	13,330	12,164
Total revenues	<u>74,225</u>	<u>77,982</u>
<b>Expenditures</b>		
Current		
General government	9,478	398
Public safety	13,756	3,324
Public works	5,718	4,262
Health	4,503	—
Housing and community development	152	6,077
Parks and recreation	5,675	123
Library	1,321	78
Capital outlay	228,941	313,868
Total expenditures	<u>269,544</u>	<u>328,130</u>
<b>Other financing sources (uses)</b>		
Proceeds from issuance of debt	85,000	138,487
Transfers in	147,176	160,444
Transfers out	(3,738)	(58,440)
Total other financing sources (uses)	<u>228,438</u>	<u>240,491</u>
Change in fund balance	33,119	(9,657)
Fund balance, July 1	<u>132,214</u>	<u>141,871</u>
Fund balance, June 30	<u>\$ 165,333</u>	<u>\$ 132,214</u>

**ARPA Fiscal Recovery Fund**  
**Balance Sheet**  
**June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 259,149	\$ 456,434
Due from other funds	11	—
Total assets	\$ 259,160	\$ 456,434
 <b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	\$ 4,763	\$ 802
Accrued payroll liabilities	355	1,128
Due to other funds	—	2
Unearned revenue	247,417	454,028
Total liabilities	252,535	455,960
 Fund balance		
Restricted	6,625	474
Total fund balance	6,625	474
Total liabilities and fund balance	\$ 259,160	\$ 456,434

**ARPA Fiscal Recovery Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>	<b>2022</b>	
<b>Revenues</b>			
Intergovernmental - grants	\$ 44,035	\$ 14,305	
Investment income	6,151	471	
Total revenues	50,186	14,776	
 <b>Expenditures</b>			
General government	3,530	440	
Public safety	23,461	10,776	
Health	—	3,090	
Library	1,782	—	
Parks	444	—	
Public Works	3,735	—	
Capital outlay	11,083	—	
Total expenditures	44,035	14,306	
Change in fund balance	6,151	470	
Fund balance, July 1	474	4	
Fund balance, June 30	\$ 6,625	\$ 474	

**GRANTS FUND**  
**Balance Sheet**  
**June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 18,222	\$ 26,517
Receivables, net of allowances		
Accounts receivable	1,608	29,439
Due from other funds	281	592
Due from other governments	251,965	224,954
Inventory	752	707
Notes receivable	98,518	98,559
Total assets	\$ 371,346	\$ 380,768
<b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	\$ 65,830	\$ 97,395
Accrued payroll liabilities	1,776	4,918
Due to other funds	6,676	6,519
Due to other governments	15,224	717
Advances and deposits	290	289
Unearned revenue	24,069	14,290
Total liabilities	113,865	124,128
<b>Deferred inflows of resources</b>		
Deferred inflow of resources	66,018	66,059
Total deferred inflows of resources	66,018	66,059
Fund balance		
Non-Spendable		
Inventory	752	707
Restricted	190,711	189,874
Total fund balance	191,463	190,581
Total liabilities and fund balance	\$ 371,346	\$ 380,768

**GRANTS FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Intergovernmental - grants	\$ 441,648	\$ 669,914
Investment income (loss)	(707)	822
Other	3	19
Total revenues	<u>440,944</u>	<u>670,755</u>
<b>Expenditures</b>		
Current		
General government	17,092	26,994
Public safety	31,166	28,625
Public works	8,316	30,364
Health	145,025	150,473
Housing and community development	205,612	381,916
Parks and recreation	1,346	848
Library	136	68
Capital outlay	26,471	23,531
Debt service principal	60	253
Debt service interest	646	208
Total expenditures	<u>435,870</u>	<u>643,280</u>
<b>Other financing sources (uses)</b>		
Transfers in	399	590
Transfers out	(4,591)	(413)
Total other financing sources (uses)	<u>(4,192)</u>	<u>177</u>
Change in fund balance	882	27,652
Fund balance, July 1	<u>190,581</u>	<u>162,929</u>
Fund balance, June 30	<u>\$ 191,463</u>	<u>\$ 190,581</u>

**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Balance Sheet**  
**June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<i>Nonmajor Funds</i>		
	<b>Public Safety Special Fund</b>	<b>Public Works Special Fund</b>	<b>Health &amp; Housing Special Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,504	\$ 39,513	\$ 21,763
Investments	29,255	221,329	123,882
Receivables, net of allowances			
Accounts receivable	2,510	11,352	99
Due from other funds	234	102	315
Due from other governments	1,057	70,682	—
Inventory	—	2,791	—
Notes receivable	—	—	1,219
Total assets	<u>\$ 38,560</u>	<u>\$ 345,769</u>	<u>\$ 147,278</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,429	\$ 10,041	\$ 2,497
Accrued payroll liabilities	620	1,593	242
Due to other funds	78	655	30
Due to other governments	1	—	—
Advances and deposits	2,871	1,436	8
Compensated absences	2	138	8
Total liabilities	<u>5,001</u>	<u>13,863</u>	<u>2,785</u>
<b>Deferred inflows of resources</b>			
Deferred inflow of resources	222	10,880	1,270
Total deferred inflows of resources	<u>222</u>	<u>10,880</u>	<u>1,270</u>
<b>Fund balance</b>			
<b>Non-Spendable</b>			
Inventory	—	2,791	—
Restricted	8,339	279,047	134,358
Committed	24,998	39,188	8,865
Total fund balance	<u>33,337</u>	<u>321,026</u>	<u>143,223</u>
<b>Total liabilities and fund balance</b>	<u>\$ 38,560</u>	<u>\$ 345,769</u>	<u>\$ 147,278</u>

(Continued)

**Nonmajor Funds**

<b>Parks &amp; Recreation Special Fund</b>		<b>Other Special Revenue Fund</b>			
				<b>2023</b>	<b>2022</b>
\$	1,261	\$	19,652	\$	87,693
	6,954		121,524		502,944
	666		9,831		24,458
	—		1		652
	—		—		71,739
	—		—		2,791
	—		2,727		3,946
<b>\$</b>	<b>8,881</b>	<b>\$</b>	<b>153,735</b>	<b>\$</b>	<b>694,223</b>
\$	351	\$	11,561	\$	25,879
	80		123		2,658
	—		5,010		5,773
	20		1,730		1,751
	887		459		5,661
	—		—		148
	1,338		18,883		41,870
	107		3,449		15,928
	107		3,449		15,928
	—		—		2,791
	162		127,317		549,223
	7,274		4,086		84,411
	7,436		131,403		636,425
<b>\$</b>	<b>8,881</b>	<b>\$</b>	<b>153,735</b>	<b>\$</b>	<b>694,223</b>

**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<i>Nonmajor Funds</i>		
	<b>Public Safety Special Fund</b>	<b>Public Works Special Fund</b>	<b>Health &amp; Housing Special Fund</b>
<b>Revenues</b>			
Franchise Tax	\$ —	\$ 445	\$ —
Mixed Beverage Tax	—	—	—
Property Taxes	—	—	—
Sales Tax	—	—	—
Licenses and permits	3,074	75,598	4,983
Charges for services	6,078	153,669	3,589
Intergovernmental - grants	17,605	70,682	17,251
Fines and forfeits	1,310	11	—
Investment (loss) income	597	6,263	2,854
Other	18,715	2,663	11,126
Total revenues	<u>47,379</u>	<u>309,331</u>	<u>39,803</u>
<b>Expenditures</b>			
Current			
General government	—	—	—
Public safety	51,649	—	—
Public works	—	158,830	—
Health	—	—	37,149
Housing and community development	—	—	13
Parks and recreation	—	—	—
Capital outlay	82	29,515	36
Debt service fiscal agent & fees	—	520	—
Total expenditures	<u>51,731</u>	<u>188,865</u>	<u>37,198</u>
<b>Other financing sources (uses)</b>			
Sale of capital assets	—	24	—
Transfers in	11,280	76,965	4,108
Transfers out	(1,900)	(150,634)	—
Total other financing sources (uses)	<u>9,380</u>	<u>(73,645)</u>	<u>4,108</u>
Change in fund balance	5,028	46,821	6,713
Fund balance, July 1	28,309	274,205	136,510
Fund balance, June 30	<u>\$ 33,337</u>	<u>\$ 321,026</u>	<u>\$ 143,223</u>

(Continued)



**Nonmajor Funds**

<b>Parks &amp; Recreation Special Fund</b>		<b>Other Special Revenue Fund</b>			
				<b>2023</b>	<b>2022</b>
\$	—	\$	—	\$ 445	\$ 459
	—		407	407	305
	—		41,146	41,146	47,373
	—		4,866	4,866	2,034
	163		256	84,074	79,650
	10,948		10,152	184,436	170,200
	—		14,286	119,824	126,432
	—		8,935	10,256	10,666
	109		2,847	12,670	(14,973)
	1,080		3,634	37,218	31,613
	12,300		86,529	495,342	453,759
	—		82,040	82,040	73,089
	—		—	51,649	50,603
	—		—	158,830	141,191
	—		—	37,149	26,198
	—		—	13	5,137
	10,472		—	10,472	9,849
	22		257	29,912	41,130
	—		—	520	468
	10,494		82,297	370,585	347,665
	—		(3)	21	—
	—		1,200	93,553	107,212
	—		(6,989)	(159,523)	(156,197)
	—		(5,792)	(65,949)	(48,985)
	1,806		(1,560)	58,808	57,109
	5,630		132,963	577,617	520,508
\$	7,436	\$	131,403	\$ 636,425	\$ 577,617

**PUBLIC SAFETY SPECIAL FUND - ASSET FORFEITURE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	2023			Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Confiscations	\$ 2,036	\$ 2,036	\$ 4,762	\$ 2,726	\$ 3,723
Investment income (loss)	6	6	107	101	(164)
Total revenues	<u>2,042</u>	<u>2,042</u>	<u>4,869</u>	<u>2,827</u>	<u>3,559</u>
<b>Expenditures</b>					
Current					
Public safety	5,568	6,450	3,507	2,943	1,785
Capital outlay	—	121	57	64	124
Total expenditures	<u>5,568</u>	<u>6,571</u>	<u>3,564</u>	<u>3,007</u>	<u>1,909</u>
Change in fund balance	(3,526)	(4,529)	1,305	5,834	1,650
Fund balance, July 1	<u>5,453</u>	<u>5,453</u>	<u>5,453</u>	—	<u>3,803</u>
Fund balance, June 30	<u>\$ 1,927</u>	<u>\$ 924</u>	<u>\$ 6,758</u>	<u>\$ 5,834</u>	<u>\$ 5,453</u>

**PUBLIC SAFETY SPECIAL FUND - AUTO DEALERS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	2023			Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Licenses and permits	\$ 2,640	\$ 2,640	\$ 2,837	\$ 197	\$ 2,702
Charges for services	883	883	847	(36)	897
Investment income (loss)	50	50	132	82	(231)
Other	5,000	5,000	8,246	3,246	9,958
Total revenues	<u>8,573</u>	<u>8,573</u>	<u>12,062</u>	<u>3,489</u>	<u>13,326</u>
<b>Expenditures</b>					
Current					
Public safety	7,443	7,443	6,987	456	6,417
Capital outlay	400	400	14	386	95
Total expenditures	<u>7,843</u>	<u>7,843</u>	<u>7,001</u>	<u>842</u>	<u>6,512</u>
<b>Other financing sources (uses)</b>					
Transfers out	(1,900)	(1,900)	(1,900)	—	(1,750)
Total other financing sources (uses)	<u>(1,900)</u>	<u>(1,900)</u>	<u>(1,900)</u>	<u>—</u>	<u>(1,750)</u>
Change in fund balance	(1,170)	(1,170)	3,161	4,331	5,064
Fund balance, July 1	<u>6,738</u>	<u>6,738</u>	<u>6,738</u>	<u>—</u>	<u>1,674</u>
Fund balance, June 30	<u>\$ 5,568</u>	<u>\$ 5,568</u>	<u>\$ 9,899</u>	<u>\$ 4,331</u>	<u>\$ 6,738</u>

**PUBLIC SAFETY SPECIAL FUND - CHILD SAFETY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Fines and forfeits	\$ 700	\$ 700	\$ 682	\$ (18)	\$ 694
Investment income (loss)	11	11	36	25	(35)
Other	2,650	2,650	2,533	(117)	2,566
Total revenues	<u>3,361</u>	<u>3,361</u>	<u>3,251</u>	<u>(110)</u>	<u>3,225</u>
<b>Expenditures</b>					
Current					
Public safety	3,361	3,189	3,180	9	3,794
Total expenditures	<u>3,361</u>	<u>3,189</u>	<u>3,180</u>	<u>9</u>	<u>3,794</u>
Change in fund balance	—	172	71	(101)	(569)
Fund balance, July 1	<u>(40)</u>	<u>(40)</u>	<u>(40)</u>	<u>—</u>	<u>529</u>
Fund balance, June 30	<u>\$ (40)</u>	<u>\$ 132</u>	<u>\$ 31</u>	<u>\$ (101)</u>	<u>\$ (40)</u>

**PUBLIC SAFETY SPECIAL FUND - HOUSTON EMERGENCY CENTER**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	2023			Variance with Final Budget-Pos (Neg)	2022 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Charges for services	\$ 280	\$ 280	\$ 285	\$ 5	\$ 282
Intergovernmental - grants	19,002	19,002	17,330	(1,672)	15,327
Investment income (loss)	—	—	53	53	(93)
Total revenues	19,282	19,282	17,668	(1,614)	15,516
<b>Expenditures</b>					
Current					
Public safety	32,161	32,161	27,131	5,030	26,005
Capital outlay	—	—	(14)	14	—
Total expenditures	32,161	32,161	27,117	5,044	26,005
<b>Other financing sources (uses)</b>					
Transfers in	9,820	9,820	10,070	250	9,794
Total other financing sources (uses)	9,820	9,820	10,070	250	9,794
Change in fund balance	(3,059)	(3,059)	621	3,680	(695)
Fund balance, July 1	4,301	4,301	4,301	—	4,996
Fund balance, June 30	\$ 1,242	\$ 1,242	\$ 4,922	\$ 3,680	\$ 4,301

**PUBLIC SAFETY SPECIAL FUND - LOCAL TRUANCY PREVENTION AND DIVERSION**  
**(formerly JUVENILE CASE MANAGER FEE FUND)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	2023			Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Charges for services	\$ 97	\$ 97	\$ 73	\$ (24)	\$ 96
Fines and forfeits	492	492	615	123	537
Investment income (loss)	7	7	13	6	(21)
Total revenues	<u>596</u>	<u>596</u>	<u>701</u>	<u>105</u>	<u>612</u>
<b>Expenditures</b>					
Current					
Public safety	990	990	234	756	608
Total expenditures	<u>990</u>	<u>990</u>	<u>234</u>	<u>756</u>	<u>608</u>
Change in fund balance	(394)	(394)	467	861	4
Fund balance, July 1	<u>784</u>	<u>784</u>	<u>784</u>	<u>—</u>	<u>780</u>
Fund balance, June 30	<u>\$ 390</u>	<u>\$ 390</u>	<u>\$ 1,251</u>	<u>\$ 861</u>	<u>\$ 784</u>

**PUBLIC SAFETY SPECIAL FUND - MUNICIPAL COURTS TECHNOLOGY FEE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	2023			Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Investment income (loss)	\$ 14	\$ 14	\$ 42	\$ 28	\$ (50)
Other	781	781	749	(32)	803
Total revenues	<u>795</u>	<u>795</u>	<u>791</u>	<u>(4)</u>	<u>753</u>
<b>Expenditures</b>					
Current					
Public safety	1,172	1,172	978	194	876
Capital outlay	115	115	—	115	—
Total expenditures	<u>1,287</u>	<u>1,287</u>	<u>978</u>	<u>309</u>	<u>876</u>
Change in fund balance	(492)	(492)	(187)	305	(123)
Fund balance, July 1	<u>1,739</u>	<u>1,739</u>	<u>1,739</u>	<u>—</u>	<u>1,862</u>
Fund balance, June 30	<u>\$ 1,247</u>	<u>\$ 1,247</u>	<u>\$ 1,552</u>	<u>\$ 305</u>	<u>\$ 1,739</u>

**PUBLIC SAFETY SPECIAL FUND - POLICE SPECIAL SERVICES**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	2023		Actual	Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts				
	Original	Final			
<b>Revenues</b>					
Licenses and permits	\$ 215	\$ 215	\$ 237	\$ 22	\$ 222
Charges for services	4,299	4,299	4,528	229	3,796
Intergovernmental - grants	275	275	274	(1)	275
Investment income (loss)	100	100	192	92	(205)
Other	1,828	1,828	2,425	597	3,044
Total revenues	6,717	6,717	7,656	939	7,132
<b>Expenditures</b>					
Current					
Public safety	10,843	10,843	9,531	1,312	11,032
Capital outlay	90	90	22	68	25
Total expenditures	10,933	10,933	9,553	1,380	11,057
<b>Other financing sources (uses)</b>					
Transfers in	1,210	1,210	1,210	—	1,210
Total other financing sources (uses)	1,210	1,210	1,210	—	1,210
Change in fund balance	(3,006)	(3,006)	(687)	2,319	(2,715)
Fund balance, July 1	7,958	7,958	7,958	—	10,673
Fund balance, June 30	\$ 4,952	\$ 4,952	\$ 7,271	\$ 2,319	\$ 7,958



**PUBLIC WORKS SPECIAL FUND - BUILDING INSPECTION**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Taxes and assessments					
Franchise Tax	\$ 480	\$ 480	\$ 445	\$ (35)	\$ 459
Licenses and permits	67,126	67,126	75,040	7,914	69,175
Charges for services	23,121	23,121	22,971	(150)	21,889
Fines and forfeits	7	7	11	4	11
Investment income (loss)	250	250	448	198	(686)
Other	465	465	552	87	474
Total revenues	<u>91,449</u>	<u>91,449</u>	<u>99,467</u>	<u>8,018</u>	<u>91,322</u>
<b>Expenditures</b>					
Current					
Public works	94,561	94,470	89,863	4,607	80,800
Capital outlay	1,005	1,286	92	1,194	4,948
Total expenditures	<u>95,566</u>	<u>95,756</u>	<u>89,955</u>	<u>5,801</u>	<u>85,748</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	68	68	(56)	(124)	—
Transfers in	—	—	2	2	—
Transfers out	(7,424)	(7,234)	(7,234)	—	(10,694)
Total other financing sources (uses)	<u>(7,356)</u>	<u>(7,166)</u>	<u>(7,288)</u>	<u>(122)</u>	<u>(10,694)</u>
Change in fund balance	(11,473)	(11,473)	2,224	13,697	(5,120)
Fund balance, July 1	<u>17,798</u>	<u>17,798</u>	<u>17,798</u>	<u>—</u>	<u>22,918</u>
Fund balance, June 30	<u>\$ 6,325</u>	<u>\$ 6,325</u>	<u>\$ 20,022</u>	<u>\$ 13,697</u>	<u>\$ 17,798</u>

**PUBLIC WORKS SPECIAL FUND - DDSRF- DRAINAGE CHARGE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 112,495	\$ 112,495	\$ 114,903	\$ 2,408	\$ 106,754
Miscellaneous/Other	2	2	—	(2)	84
Investment income (loss)	920	920	2,633	1,713	(3,790)
Total revenues	<u>113,417</u>	<u>113,417</u>	<u>117,536</u>	<u>4,119</u>	<u>103,048</u>
<b>Expenditures</b>					
Current					
Public works	8,231	8,231	3,703	4,528	2,407
Capital outlay	—	174	—	174	(248)
Debt service fiscal agent & fees	450	450	520	(70)	468
Total expenditures	<u>8,681</u>	<u>8,855</u>	<u>4,223</u>	<u>4,632</u>	<u>2,627</u>
<b>Other financing sources (uses)</b>					
Transfers in	—	—	740	740	14,925
Transfers out	(104,032)	(103,858)	(65,857)	38,001	(79,093)
Total other financing sources (uses)	<u>(104,032)</u>	<u>(103,858)</u>	<u>(65,117)</u>	<u>38,741</u>	<u>(64,168)</u>
Change in fund balance	704	704	48,196	47,492	36,253
Fund balance, July 1	145,320	145,320	145,320	—	109,067
Fund balance, June 30	<u>\$ 146,024</u>	<u>\$ 146,024</u>	<u>\$ 193,516</u>	<u>\$ 47,492</u>	<u>\$ 145,320</u>

**PUBLIC WORKS SPECIAL FUND - DDSRF - AD VALOREM**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income (loss)	\$ 900	\$ 900	\$ 3,375	\$ 2,475	\$ (2,484)
Total revenues	900	900	3,375	2,475	(2,484)
<b>Expenditures</b>					
Current					
Public works	—	130	5,012	(4,882)	2,944
Capital outlay	14,980	19,256	6,142	13,114	5,091
Total expenditures	14,980	19,386	11,154	8,232	8,035
<b>Other financing sources (uses)</b>					
Sale of capital assets	—	—	100	100	—
Transfers in	76,179	76,179	76,215	36	74,995
Transfers out	(102,032)	(97,626)	(75,975)	(21,651)	(54,883)
Total other financing sources (uses)	(25,853)	(21,447)	340	(21,515)	20,112
Change in fund balance	(39,933)	(39,933)	(7,439)	32,494	9,593
Fund balance, July 1	92,384	92,384	92,384	—	82,791
Fund balance, June 30	<u>\$ 52,451</u>	<u>\$ 52,451</u>	<u>\$ 84,945</u>	<u>\$ 32,494</u>	<u>\$ 92,384</u>

**PUBLIC WORKS SPECIAL FUND - DDSRF - METRO ET AL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 660	\$ 660	\$ 369	\$ (291)	\$ 379
Licenses & Permits	2,003	2,003	—	(2,003)	1,417
Intergovernmental Revenue	81,839	81,839	70,682	(11,157)	73,059
Miscellaneous/Other	477	477	847	370	577
Investment income (loss)	—	—	(459)	(459)	590
Total revenues	<u>84,979</u>	<u>84,979</u>	<u>71,439</u>	<u>(13,540)</u>	<u>76,022</u>
<b>Expenditures</b>					
Current					
Public works	84,114	78,484	47,229	31,255	44,719
Capital outlay	592	269	23,248	(22,979)	30,796
Total expenditures	<u>84,706</u>	<u>78,753</u>	<u>70,477</u>	<u>8,276</u>	<u>75,515</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	—	—	(23)	(23)	—
Transfers out	(1,763)	(1,763)	—	(1,763)	—
Total other financing sources (uses)	<u>(1,763)</u>	<u>(1,763)</u>	<u>(23)</u>	<u>(1,786)</u>	<u>—</u>
Change in fund balance	(1,490)	4,463	939	(3,524)	507
Fund balance, July 1	2,437	2,437	2,437	—	1,930
Fund balance, June 30	<u>\$ 947</u>	<u>\$ 6,900</u>	<u>\$ 3,376</u>	<u>\$ (3,524)</u>	<u>\$ 2,437</u>

**PUBLIC WORKS SPECIAL FUND - HISTORIC PRESERVATION**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 200	\$ 200	\$ 216	\$ 16	\$ 193
Investment income (loss)	10	10	37	27	(47)
Total revenues	<u>210</u>	<u>210</u>	<u>253</u>	<u>43</u>	<u>146</u>
<b>Expenditures</b>					
Current					
Public Works	475	475	134	341	124
Total expenditures	<u>475</u>	<u>475</u>	<u>134</u>	<u>341</u>	<u>124</u>
Change in fund balance	(265)	(265)	119	384	22
Fund balance, July 1	<u>1,794</u>	<u>1,794</u>	<u>1,794</u>	<u>—</u>	<u>1,772</u>
Fund balance, June 30	<u><u>\$ 1,529</u></u>	<u><u>\$ 1,529</u></u>	<u><u>\$ 1,913</u></u>	<u><u>\$ 384</u></u>	<u><u>\$ 1,794</u></u>

**PUBLIC WORKS SPECIAL FUND - PLANNING & DEVELOPMENT SPECIAL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>				
	<b>Budget Amounts</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Revenues</b>					
Licenses and permits	\$ 491	\$ 491	\$ 472	\$ (19)	\$ 499
Charges for services	10,075	10,075	9,348	(727)	10,643
Investment income (loss)	90	90	158	68	(225)
Other	45	45	49	4	49
Total revenues	<u>10,701</u>	<u>10,701</u>	<u>10,027</u>	<u>(674)</u>	<u>10,966</u>
<b>Expenditures</b>					
Current					
Public works	11,882	11,882	8,383	3,499	9,585
Total expenditures	<u>11,882</u>	<u>11,882</u>	<u>8,383</u>	<u>3,499</u>	<u>9,585</u>
Change in fund balance	(1,181)	(1,181)	1,644	2,825	1,381
Fund balance, July 1	<u>8,433</u>	<u>8,433</u>	<u>8,433</u>	<u>—</u>	<u>7,052</u>
Fund balance, June 30	<u>\$ 7,252</u>	<u>\$ 7,252</u>	<u>\$ 10,077</u>	<u>\$ 2,825</u>	<u>\$ 8,433</u>

**PUBLIC WORKS SPECIAL FUND - RECYCLING REVENUE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 130	\$ 130	\$ 86	\$ (44)	\$ 66
Investment income (loss)	20	20	130	110	(152)
Other	263	263	1,214	951	2,560
Total revenues	<u>413</u>	<u>413</u>	<u>1,430</u>	<u>1,017</u>	<u>2,474</u>
<b>Expenditures</b>					
Current					
Capital outlay	—	—	35	(35)	—
Parks and recreation	2,600	2,600	1,422	1,178	611
Total expenditures	<u>2,600</u>	<u>2,600</u>	<u>1,457</u>	<u>1,143</u>	<u>611</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	95	95	3	(92)	—
Transfers in	3,863	3,863	8	(3,855)	3,863
Transfers out	(1,568)	(1,568)	(1,568)	—	(1,568)
Total other financing sources (uses)	<u>2,390</u>	<u>2,390</u>	<u>(1,557)</u>	<u>(3,947)</u>	<u>2,295</u>
Change in fund balance	203	203	(1,584)	(1,787)	4,158
Fund balance, July 1	<u>5,429</u>	<u>5,429</u>	<u>5,429</u>	<u>—</u>	<u>1,271</u>
Fund balance, June 30	<u>\$ 5,632</u>	<u>\$ 5,632</u>	<u>\$ 3,845</u>	<u>\$ (1,787)</u>	<u>\$ 5,429</u>

**HEALTH & HOUSING SPECIAL FUND - ESSENTIAL PUBLIC HEALTH SERVICES**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 13	\$ 13	\$ 9	\$ (4)	\$ 27
Intergovernmental - grants	20,298	20,298	15,245	(5,053)	23,898
Investment income (loss)	271	271	526	255	(789)
Other	—	—	10,278	10,278	—
Total revenues	<u>20,582</u>	<u>20,582</u>	<u>26,058</u>	<u>5,476</u>	<u>23,136</u>
<b>Expenditures</b>					
Current					
Health	18,903	18,933	11,561	7,372	12,121
Capital outlay	30	—	—	—	40
Total expenditures	<u>18,933</u>	<u>18,933</u>	<u>11,561</u>	<u>7,372</u>	<u>12,161</u>
Change in fund balance	1,649	1,649	14,497	12,848	10,975
Fund balance, July 1	<u>32,342</u>	<u>32,342</u>	<u>32,342</u>	<u>—</u>	<u>21,367</u>
Fund balance, June 30	<u>\$ 33,991</u>	<u>\$ 33,991</u>	<u>\$ 46,839</u>	<u>\$ 12,848</u>	<u>\$ 32,342</u>



**HEALTH & HOUSING SPECIAL FUND - HEALTH SPECIAL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 464	\$ 464	\$ 426	\$ (38)	\$ 500
Charges for services	1,116	1,116	1,155	39	1,198
Intergovernmental - grants	3,682	3,682	2,006	(1,676)	3,006
Investment income (loss)	40	40	91	51	(108)
Other	76	76	94	18	58
Total revenues	<u>5,378</u>	<u>5,378</u>	<u>3,772</u>	<u>(1,606)</u>	<u>4,654</u>
<b>Expenditures</b>					
Current					
Health	9,460	9,486	4,865	4,621	5,973
Capital outlay	111	85	10	75	2
Total expenditures	<u>9,571</u>	<u>9,571</u>	<u>4,875</u>	<u>4,696</u>	<u>5,975</u>
<b>Other financing sources (uses)</b>					
Transfers in	2,430	2,430	3,430	1,000	400
Total other financing sources (uses)	<u>2,430</u>	<u>2,430</u>	<u>3,430</u>	<u>1,000</u>	<u>400</u>
Change in fund balance	(1,763)	(1,763)	2,327	4,090	(921)
Fund balance, July 1	<u>3,874</u>	<u>3,874</u>	<u>3,874</u>	<u>—</u>	<u>4,795</u>
Fund balance, June 30	<u>\$ 2,111</u>	<u>\$ 2,111</u>	<u>\$ 6,201</u>	<u>\$ 4,090</u>	<u>\$ 3,874</u>

**HEALTH & HOUSING SPECIAL FUND - LABORATORY SERVICES**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 486	\$ 486	\$ 389	\$ (97)	\$ 399
Investment income (loss)	5	5	4	(1)	(8)
Other	60	60	48	(12)	60
Total revenues	<u>551</u>	<u>551</u>	<u>441</u>	<u>(110)</u>	<u>451</u>
<b>Expenditures</b>					
Current					
Health	567	567	326	241	455
Total expenditures	<u>567</u>	<u>567</u>	<u>326</u>	<u>241</u>	<u>455</u>
Change in fund balance	(16)	(16)	115	131	(4)
Fund balance, July 1	<u>276</u>	<u>276</u>	<u>276</u>	<u>—</u>	<u>280</u>
Fund balance, June 30	<u>\$ 260</u>	<u>\$ 260</u>	<u>\$ 391</u>	<u>\$ 131</u>	<u>\$ 276</u>

**HEALTH & HOUSING SPECIAL FUND - SPECIAL WASTE TRANSPORTATION & INSPECTION FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 3,039	\$ 3,039	\$ 3,191	\$ 152	\$ 3,042
Charges for services	1,200	1,200	929	(271)	1,200
Investment income (loss)	40	40	20	(20)	(42)
Total revenues	<u>4,279</u>	<u>4,279</u>	<u>4,140</u>	<u>(139)</u>	<u>4,200</u>
<b>Expenditures</b>					
Current					
Health	5,351	5,135	3,500	1,635	5,151
Capital outlay	—	216	—	216	—
Total expenditures	<u>5,351</u>	<u>5,351</u>	<u>3,500</u>	<u>1,851</u>	<u>5,151</u>
<b>Other financing sources (uses)</b>					
Transfers in	350	350	350	—	350
Total other financing sources (uses)	<u>350</u>	<u>350</u>	<u>350</u>	<u>—</u>	<u>350</u>
Change in fund balance	(722)	(722)	990	1,712	(601)
Fund balance, July 1	<u>1,243</u>	<u>1,243</u>	<u>1,243</u>	<u>—</u>	<u>1,844</u>
Fund balance, June 30	<u>\$ 521</u>	<u>\$ 521</u>	<u>\$ 2,233</u>	<u>\$ 1,712</u>	<u>\$ 1,243</u>

**HEALTH & HOUSING SPECIAL FUND - SWIMMING POOL SAFETY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>				
	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 1,478	\$ 1,478	\$ 1,367	\$ (111)	\$ 1,479
Investment income (loss)	16	16	30	14	(35)
Total revenues	<u>1,494</u>	<u>1,494</u>	<u>1,397</u>	<u>(97)</u>	<u>1,444</u>
<b>Expenditures</b>					
Current					
Health	2,298	2,298	1,525	773	1,231
Capital outlay	216	216	—	216	65
Total expenditures	<u>2,514</u>	<u>2,514</u>	<u>1,525</u>	<u>989</u>	<u>1,296</u>
Change in fund balance	(1,020)	(1,020)	(128)	892	148
Fund balance, July 1	<u>1,309</u>	<u>1,309</u>	<u>1,309</u>	<u>—</u>	<u>1,161</u>
Fund balance, June 30	<u>\$ 289</u>	<u>\$ 289</u>	<u>\$ 1,181</u>	<u>\$ 892</u>	<u>\$ 1,309</u>

**PARKS & RECREATION SPECIAL FUND - BAYOU GREENWAY 2020**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>		<u>Actual</u>	<u>Variance with Final Budget- Pos (Neg)</u>	<u>2022 Actual</u>
	<u>Budget Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>Revenues</b>					
Charges for services	\$ 1,345	\$ 1,345	\$ 1,034	\$ (311)	1022
Investment income (loss)	12	12	29	17	(38)
Total revenues	<u>1,357</u>	<u>1,357</u>	<u>1,063</u>	<u>(294)</u>	<u>984</u>
<b>Expenditures</b>					
Current					
Parks and recreation	1,241	1,241	981	260	879
Total expenditures	<u>1,241</u>	<u>1,241</u>	<u>981</u>	<u>260</u>	<u>879</u>
Change in fund balance	116	116	82	(34)	105
Fund balance, July 1	<u>1,446</u>	<u>1,446</u>	<u>1,446</u>	<u>—</u>	<u>1,341</u>
Fund balance, June 30	<u>\$ 1,562</u>	<u>\$ 1,562</u>	<u>\$ 1,528</u>	<u>\$ (34)</u>	<u>\$ 1,446</u>

**PARKS & RECREATION SPECIAL FUND - PARKS GOLF**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	2023			Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Charges for services	\$ 7,784	\$ 7,784	\$ 7,859	\$ 75	\$ 7,441
Investment income (loss)	15	15	28	13	(45)
Other	—	—	—	—	—
Total revenues	<u>7,799</u>	<u>7,799</u>	<u>7,887</u>	<u>88</u>	<u>7,396</u>
<b>Expenditures</b>					
Current					
Parks and recreation	7,833	7,833	7,498	335	6,887
Total expenditures	<u>7,833</u>	<u>7,833</u>	<u>7,498</u>	<u>335</u>	<u>6,887</u>
<b>Other financing sources (uses)</b>					
Transfers out	(200)	(200)	(200)	—	(200)
Total other financing sources (uses)	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>	<u>—</u>	<u>(200)</u>
Change in fund balance	(234)	(234)	189	423	309
Fund balance, July 1	<u>1,726</u>	<u>1,726</u>	<u>1,726</u>	<u>—</u>	<u>1,417</u>
Fund balance, June 30	<u>\$ 1,492</u>	<u>\$ 1,492</u>	<u>\$ 1,915</u>	<u>\$ 423</u>	<u>\$ 1,726</u>

**PARKS & RECREATION SPECIAL FUND - PARKS SPECIAL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	<b>2023</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 143	\$ 143	\$ 162	\$ 19	\$ 176
Charges for services	2,033	2,033	2,054	21	1,794
Investment income (loss)	18	18	48	30	(88)
Other	625	625	1,080	455	898
Total revenues	<u>2,819</u>	<u>2,819</u>	<u>3,344</u>	<u>525</u>	<u>2,780</u>
<b>Expenditures</b>					
Current					
Parks and recreation	3,240	3,202	1,993	1,209	2,083
Capital outlay	60	98	22	76	—
Total expenditures	<u>3,300</u>	<u>3,300</u>	<u>2,015</u>	<u>1,285</u>	<u>2,083</u>
<b>Other financing sources (uses)</b>					
Transfers in	200	200	200	—	200
Transfers out	—	—	—	—	(57)
Total other financing sources (uses)	<u>200</u>	<u>200</u>	<u>200</u>	<u>—</u>	<u>143</u>
Change in fund balance	(281)	(281)	1,529	1,810	840
Fund balance, July 1	<u>2,297</u>	<u>2,297</u>	<u>2,297</u>	<u>—</u>	<u>1,457</u>
Fund balance, June 30	<u>\$ 2,016</u>	<u>\$ 2,016</u>	<u>\$ 3,826</u>	<u>\$ 1,810</u>	<u>\$ 2,297</u>

**OTHER SPECIAL REVENUE FUND - CABLE TELEVISION**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>				<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>			
	<b>Original</b>	<b>Final</b>				
<b>Revenues</b>						
Charges for services	\$ —	\$ —	\$ —	\$ —	\$ 213	
Investment income (loss)	65	65	122	57	(147)	
Other	3,341	3,341	2,966	(375)	3,358	
Total revenues	<u>3,406</u>	<u>3,406</u>	<u>3,088</u>	<u>(318)</u>	<u>3,424</u>	
<b>Expenditures</b>						
Current						
General government	3,904	4,774	3,496	1,278	3,638	
Capital outlay	2,500	1,630	319	1,311	44	
Total expenditures	<u>6,404</u>	<u>6,404</u>	<u>3,815</u>	<u>2,589</u>	<u>3,682</u>	
<b>Other financing sources (uses)</b>						
Transfers in	1,039	1,039	800	(239)	800	
Total other financing sources (uses)	<u>1,039</u>	<u>1,039</u>	<u>800</u>	<u>(239)</u>	<u>800</u>	
Change in fund balance	(1,959)	(1,959)	73	2,032	542	
Fund balance, July 1	<u>5,758</u>	<u>5,758</u>	<u>5,758</u>	<u>—</u>	<u>5,216</u>	
Fund balance, June 30	<u>\$ 3,799</u>	<u>\$ 3,799</u>	<u>\$ 5,831</u>	<u>\$ 2,032</u>	<u>\$ 5,758</u>	



**OTHER SPECIAL REVENUE FUND - CONTRACTORS RESPONSIBILITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income (loss)	\$ 14	\$ 14	\$ 22	\$ 8	\$ (38)
Other	761	761	1,094	333	962
Total revenues	<u>775</u>	<u>775</u>	<u>1,116</u>	<u>341</u>	<u>924</u>
<b>Expenditures</b>					
Current					
General government	575	575	407	168	364
Total expenditures	<u>575</u>	<u>575</u>	<u>407</u>	<u>168</u>	<u>364</u>
<b>Other financing sources (uses)</b>					
Transfers out	(630)	(630)	(630)	—	(1,130)
Total other financing sources (uses)	<u>(630)</u>	<u>(630)</u>	<u>(630)</u>	<u>—</u>	<u>(1,130)</u>
Change in fund balance	(430)	(430)	79	509	(570)
Fund balance, July 1	<u>1,376</u>	<u>1,376</u>	<u>1,376</u>	<u>—</u>	<u>1,946</u>
Fund balance, June 30	<u>\$ 946</u>	<u>\$ 946</u>	<u>\$ 1,455</u>	<u>\$ 509</u>	<u>\$ 1,376</u>

**OTHER SPECIAL REVENUE FUND - HOUSTON TRANSTAR**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2022 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 937	\$ 937	\$ 937	\$ —	\$ 899
Intergovernmental - grants	1,597	1,597	2,267	670	1,584
Investment income (loss)	25	25	88	63	(103)
Other	—	—	—	—	2
Total revenues	<u>2,559</u>	<u>2,559</u>	<u>3,292</u>	<u>733</u>	<u>2,382</u>
<b>Expenditures</b>					
Current					
General government	3,427	3,427	3,380	47	2,299
Capital outlay	—	—	1	(1)	91
Total expenditures	<u>3,427</u>	<u>3,427</u>	<u>3,381</u>	<u>46</u>	<u>2,390</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	—	—	(3)	(3)	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(3)</u>	<u>(3)</u>	<u>—</u>
Change in fund balance	(868)	(868)	(92)	776	(8)
Fund balance, July 1	<u>3,844</u>	<u>3,844</u>	<u>3,844</u>	<u>—</u>	<u>3,852</u>
Fund balance, June 30	<u>\$ 2,976</u>	<u>\$ 2,976</u>	<u>\$ 3,752</u>	<u>\$ 776</u>	<u>\$ 3,844</u>

**OTHER SPECIAL REVENUE FUND - PARK HOUSTON**  
**(formerly PARKING MANAGEMENT SPECIAL REVENUE FUND)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	2023			Variance with Final Budget- Pos (Neg)	2022 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Taxes and assessments					
Parking Violations	\$ 9,963	\$ 9,963	\$ 8,935	\$ (1,028)	\$ 9,413
Parking Fees	9,544	9,544	9,197	(347)	8,491
Permit Fees	268	268	256	(12)	244
Investment income (loss)	42	42	116	74	(205)
Other	22	22	61	39	34
Total revenues	<u>19,839</u>	<u>19,839</u>	<u>18,565</u>	<u>(1,274)</u>	<u>17,977</u>
<b>Expenditures</b>					
Current					
General government	13,793	13,785	12,131	1,654	11,744
Capital outlay	240	54	(3)	57	—
Total expenditures	<u>14,033</u>	<u>13,839</u>	<u>12,128</u>	<u>1,711</u>	<u>11,744</u>
<b>Other financing sources (uses)</b>					
Transfers out	(6,705)	(6,899)	(6,359)	(540)	(6,395)
Total other financing sources (uses)	<u>(6,705)</u>	<u>(6,899)</u>	<u>(6,359)</u>	<u>(540)</u>	<u>(6,395)</u>
Change in fund balance	(899)	(899)	78	977	(162)
Fund balance, July 1	1,984	1,984	1,984	—	2,146
Fund balance, June 30	<u>\$ 1,085</u>	<u>\$ 1,085</u>	<u>\$ 2,062</u>	<u>\$ 977</u>	<u>\$ 1,984</u>

**CITY OF HOUSTON, TEXAS**

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*Nick Hubbard/Memorial Park Conservancy*

# ENTERPRISE FUNDS

**Enterprise Funds:**

Named to honor the soldiers who fought in World War I and trained in the site, formerly known as Camp Logan, Memorial Park is one of the largest urban parks in the United States spanning more than 1,500 acres. In early 2023, the Memorial Park Conservancy unveiled the park's Land Bridge and Prairie Project, a key step to restoring more than 45 acres of Gulf Coast Prairie, an endangered ecosystem. Featuring a renowned public golf course, scenic drives, running and walking trails, and other outdoor amenities, Memorial Park serves as a key destination for all.

Photo: Nick Hubbard, courtesy of Memorial Park Conservancy

# Enterprise Funds

Enterprise funds are established to account for City operations that are financed and operated in a manner similar to private business enterprises where the cost of providing goods or services to the general public is financed primarily through user charges.

**Airport System** — This fund is used to account for the operations of the City's Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Airport.

**Convention and Entertainment Facilities** — This fund is used to account for the managements of the City's major convention and entertainment centers, as well as parking facilities and selected downtown parks. These centers include George R. Brown Convention Center, Jones Hall, Wortham Theater Center, Bayou Places, Hobby Center, Talento Bilingue de Houston, and Miller Outdoor Theater. The parking facilities include the Theater District Parking Garage, the Convention District Garages and various surface lots. Downtown parks include Sesquicentennial Park, Jones Plaza, Root Memorial Square, and Sabine Promenade.

**Combined Utility System** — This fund is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

**AIRPORT SYSTEM**  
**Statements of Net Position**  
**June 30, 2023**  
**(With comparative amounts for 2022)**  
**(amounts expressed in thousands)**

	2023	2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 119,296	\$ 206,842
Investments	71,589	142,190
Receivables, net of allowances		
Accounts receivable	10,745	4,841
Due from other funds	559	695
Due from other governments	57,726	90,504
Inventory	2,428	2,563
Prepaid items	7,997	6,975
Lease receivable	12,235	13,859
Restricted assets		
Cash and cash equivalents	209,582	175,229
Investments	93,507	86,238
Restricted accounts receivable	11,762	10,089
Total current assets	597,426	740,025
Noncurrent assets		
Investments	10,532	6,645
Prepaid items	150	160
Lease receivable	235,744	246,716
Restricted assets		
Investments	1,372,045	1,238,485
Total noncurrent assets	1,618,471	1,492,005
Capital assets		
Land	214,457	216,039
Buildings	3,173,385	3,109,559
Improvements and equipment	2,101,279	2,023,100
Construction in progress	869,080	556,914
Intangibles	21,692	21,010
Infrastructure	563,260	558,286
Lease right-of-use assets	295	263
Subscription right-of-use assets	5,254	—
Less accumulated depreciation and amortization	(3,751,302)	(3,618,425)
Net capital assets	3,197,399	2,866,747
Total noncurrent assets	4,815,870	4,358,753
<b>Total assets</b>	5,413,296	5,098,778
<b>Deferred outflows of resources</b>		
Unamortized costs on refunded debt	17,495	21,823
Deferred outflows on pension liability	11,588	2,083
Deferred outflows on OPEB liability	9,508	10,159
<b>Total deferred outflows of resources</b>	\$ 38,591	\$ 34,065



**AIRPORT SYSTEM**  
**Statements of Net Position**  
**June 30, 2023**  
**(With comparative amounts for 2022)**  
**(amounts expressed in thousands)**

	<u>2023</u>	<u>2022</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 18,623	\$ 11,728
Accrued payroll liabilities	2,299	4,580
Accrued interest payable	42,405	44,118
Contracts and retainages payable	185,666	89,933
Due to other funds	609	1,466
Due to other governments	1,843	1,846
Notes payable	1,217	1,193
Advances and deposits	2,824	2,790
Lease liabilities	45	77
Subscription liabilities	1,303	—
Claims and judgments	1,064	1,181
Compensated absences	6,887	6,820
Special facility bonds payable	8,870	8,165
Other liabilities	—	1,328
Revenue bonds payable	119,710	77,700
Unearned revenue	43,389	32,719
Total current liabilities	<u>436,754</u>	<u>285,644</u>
Noncurrent liabilities		
Revenue bonds payable, net	2,113,786	2,253,712
Special facility bonds payable	43,645	52,515
Claims and judgments	1,890	1,043
Compensated absences	8,277	7,460
Commercial paper	350,000	185,000
Lease liabilities	18	34
Subscription liabilities	2,591	—
Net pension liability	178,211	165,413
Notes payable	13,583	14,800
Other post employment benefits	54,384	70,922
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	<u>2,768,391</u>	<u>2,752,905</u>
<b>Total liabilities</b>	<u>3,205,145</u>	<u>3,038,549</u>
<b>Deferred inflows of resources</b>		
Deferred inflows on pension liability	23,861	38,282
Deferred inflows on OPEB liability	26,804	11,782
Deferred inflows from leases	227,753	246,505
<b>Total deferred inflows of resources</b>	<u>278,418</u>	<u>296,569</u>
<b>Net position</b>		
Net investment in capital assets	591,494	507,167
Restricted net position		
Restricted for debt service	472,782	412,293
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	55,457	55,332
Restricted for special facility	55,143	50,953
Restricted for capital improvements	851,491	681,093
Unrestricted (deficit)	(68,043)	80,887
<b>Total net position</b>	<u>\$ 1,968,324</u>	<u>\$ 1,797,725</u>

**AIRPORT SYSTEM**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023**  
**(With comparative amounts for 2022)**  
**(amounts expressed in thousands)**

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
Landing area fees	\$ 92,601	\$ 94,253
Rentals, building and ground areas	234,751	192,029
Parking	117,460	98,418
Concession	107,691	88,817
Other	7,744	7,657
Total operating revenue	<u>560,247</u>	<u>481,174</u>
<b>Operating Expenses</b>		
Maintenance and operating	400,956	316,001
Depreciation and amortization	170,922	166,792
Total operating expenses	<u>571,878</u>	<u>482,793</u>
Operating income (loss)	<u>(11,631)</u>	<u>(1,619)</u>
<b>Nonoperating revenues (expenses)</b>		
Investment ( loss ) income	38,706	(47,109)
Customer facility charges	16,075	13,723
Special facility cost	(283)	(128)
Other revenues (expenses)	9,911	10,660
Gain / Loss on disposal of assets	405	(8,594)
Passenger facility charges	108,754	98,446
Interest expense	(78,655)	(76,705)
CARES Act/CRRSAA/ARPA grants	50,230	134,621
Total Nonoperating revenues (expenses)	<u>145,143</u>	<u>124,914</u>
Income before contributions and transfers	<u>133,512</u>	<u>123,295</u>
Capital contributions	37,087	41,047
Change in net position	170,599	164,342
Total net position, July 1	1,797,725	1,633,383
Total net position, June 30	<u>\$ 1,968,324</u>	<u>\$ 1,797,725</u>

**AIRPORT SYSTEM**  
**Statements of Cash Flows**  
**June 30, 2023**  
**(With comparative amounts for 2022)**  
**(amounts expressed in thousands)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 561,055	\$ 552,383
Payments to employees	(280,257)	(113,985)
Payments to suppliers	(128,669)	(165,416)
Internal activity-payments to other funds	(721)	(69,895)
Other receipts	7,744	7,657
Net cash provided by operating activities	<u>159,152</u>	<u>210,744</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	36,188	12,625
Purchase of investments	(2,311,957)	(3,029,491)
Sales of investments	2,240,360	2,696,088
Net cash used in investing activities	<u>(35,409)</u>	<u>(320,778)</u>
<b>Cash flows from noncapital financing activities</b>		
CARES Act/CRRSAA/ARPA grants	60,625	120,965
Net cash provided by noncapital financing activities	<u>60,625</u>	<u>120,965</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(77,700)	(75,580)
Lease liabilities	(48)	(128)
Subscription liabilities	3,894	—
Retirement of special facility bonds	(8,165)	(7,505)
Proceeds from SECO Loans	—	1,572
Retirement of SECO Loans	(1,193)	—
Proceeds from issuance of commercial paper	165,000	165,000
Interest expense on debt	(96,256)	(88,539)
Passenger facilities charges	107,285	103,851
Customer facilities charges	15,870	13,645
Grant receipts	59,470	(2,983)
Special facility cost	(283)	(128)
Acquisition of property, plant and equipment	(405,436)	(273,909)
Net cash used in capital and related financing activities	<u>(237,562)</u>	<u>(164,704)</u>
Net decrease in cash and cash equivalents	(53,194)	(153,773)
Cash and cash equivalents, July 1	382,072	535,845
<b>Cash and cash equivalents, June 30</b>	<u>\$ 328,878</u>	<u>\$ 382,072</u>
<b>Cash and cash equivalents</b>		
Pooled cash and cash equivalents (Note 3A)	\$ 119,296	\$ 206,842
Current restricted cash and cash equivalents (Note 3A)	209,582	175,229
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 328,878</u>	<u>\$ 382,071</u>

**AIRPORT SYSTEM**  
**Statements of Cash Flows**  
**June 30, 2023**  
**(With comparative amounts for 2022)**  
**(amounts expressed in thousands)**

	<b>2023</b>	<b>2022</b>
		(Continued)
<b>Reconciliation of operating income (loss) to net cash provided (used in) operating activities</b>		
Operating income (loss)	\$ (11,631)	\$ (1,619)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	170,922	166,792
Changes in assets and liabilities		
Accounts receivable	(5,904)	50,868
Due from other funds	136	828
Inventory and prepaid insurance	(877)	(1,745)
Lease receivable	22,507	25,463
Accounts payable	6,895	1,345
Accrued payroll liabilities	(2,281)	419
Due to other funds	(857)	1,367
Advances and deposits	34	470
Claims and judgments - workers' compensation	730	(852)
Compensated absences	884	261
Other current liabilities	9,339	23,820
Other post employment benefits	(865)	(18,037)
Pension Obligation payable	(11,128)	(16,261)
Deferred inflow - leases	(18,752)	(22,375)
<b>Net cash provided by operating activities</b>	<b>\$ 159,152</b>	<b>\$ 210,744</b>
<b>Non cash transactions</b>		
Bond amortization expense	\$ (20,216)	\$ (15,014)
Capital additions included in liabilities	(185,666)	(51,712)
Unrealized gain and (loss) on investments	2,518	(59,734)
Loss on disposal of assets	405	(8,594)
<b>Total non cash transactions</b>	<b>\$ (202,959)</b>	<b>\$ (135,054)</b>

**CITY OF HOUSTON, TEXAS**

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**CONVENTION & ENTERTAINMENT**  
**Statement of Net Position**  
**June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 14,067	\$ 15,952
Investments	49,503	44,031
Receivables, net of allowances		
Accounts receivable	13	13
Hotel occupancy tax receivable	32,511	22,431
Due from component units	23,724	35,327
Lease asset receivable	1,456	1,431
Total current assets	<u>121,274</u>	<u>119,185</u>
Noncurrent Assets		
Investments	35,061	34,988
Due from component units	258,975	285,839
Lease receivable	3,789	5,245
Total noncurrent restricted assets	<u>297,825</u>	<u>326,072</u>
Capital assets		
Land	93,860	93,860
Buildings	566,148	566,148
Improvements and equipment	8,409	8,409
Infrastructure	334	334
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	<u>(355,690)</u>	<u>(342,846)</u>
Net capital assets	<u>326,205</u>	<u>339,049</u>
Total noncurrent assets	<u>624,030</u>	<u>665,121</u>
<b>Total assets</b>	<u>745,304</u>	<u>784,306</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows on pension liability	51	58
Deferred outflows on OPEB liability	1,261	1,219
Deferred outflows for unamortized cost on refunded debt	143	155
<b>Total deferred outflows of resources</b>	<u>\$ 1,455</u>	<u>\$ 1,432</u>

**CONVENTION & ENTERTAINMENT**  
**Statement of Net Position**  
**June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 21	\$ 65
Accrued interest payable	4,865	5,032
Due to component units	32,949	31,816
Cost of issuance payable	515	515
Pension obligation bonds payable	220	210
Revenue bonds payable	26,312	26,461
Total current liabilities	<u>64,882</u>	<u>64,099</u>
Noncurrent liabilities		
Revenue bonds payable	540,530	580,924
Net pension liability	4,879	4,829
Other post employment benefits	7,404	8,368
Unearned revenue	5,151	5,442
Pension obligation bonds payable	2,569	2,789
Total noncurrent liabilities	<u>560,533</u>	<u>602,352</u>
<b>Total liabilities</b>	<u>625,415</u>	<u>666,451</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows on pension liability	653	1,118
Deferred inflows for unamortized cost on refunded debt	7,839	8,604
Deferred inflows on OPEB liability	3,675	1,377
Deferred inflows for leases	5,059	6,503
Total deferred inflows of resources	<u>17,226</u>	<u>17,602</u>
<b>Net Position</b>		
Net investment in capital assets	27,475	26,281
Restricted net position		
Restricted for debt service	35,061	34,988
Restricted for maintenance and operations	19,361	17,333
Unrestricted	22,221	23,083
Total net position	<u>\$ 104,118</u>	<u>\$ 101,685</u>

**CONVENTION & ENTERTAINMENT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
Parking	\$ 8,877	\$ 6,836
Rental	1,521	1,521
Total operating revenue	<u>10,398</u>	<u>8,357</u>
<b>Operating Expenses</b>		
Maintenance and operating	85,544	69,298
Depreciation and amortization	12,844	12,848
Total operating expenses	<u>98,388</u>	<u>82,146</u>
Operating loss	<u>(87,990)</u>	<u>(73,789)</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income	9,491	7,979
Hotel occupancy tax	104,853	82,505
Other revenue	307	324
Interest on long-term debt	(22,706)	(24,063)
Cost of issuance for debt	-	(356)
Total nonoperating revenues (expenses)	<u>91,945</u>	<u>66,389</u>
Income before contributions and transfers	<u>3,955</u>	<u>(7,400)</u>
Transfers out	<u>(1,522)</u>	<u>(1,521)</u>
Total transfers	<u>(1,522)</u>	<u>(1,521)</u>
Change in net position	2,433	(8,921)
Total net position, July 1	<u>101,685</u>	<u>110,606</u>
<b>Total net position, June 30</b>	<u>\$ 104,118</u>	<u>\$ 101,685</u>



**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 10,401	\$ 8,357
Payments to employees	(251)	(1,428)
Payments to suppliers	(137)	(55)
Payments to Houston First (Component Units)	(83,183)	(69,687)
Other revenues	—	1,191
Receipts from component units	38,467	30,223
Net cash used in operating activities	<u>(34,703)</u>	<u>(31,399)</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	9,676	11,102
Purchase of investments	(102,378)	(125,280)
Proceeds from sale of investments	96,648	110,328
Net cash provided by (used in) investing activities	<u>3,946</u>	<u>(3,850)</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(33,670)	(53,892)
Proceeds from issuance of revenue bonds	—	37,284
Cost of issuance on debt	—	80
Interest expense on debt	(30,499)	(32,371)
Net cash used in capital and related financing activities	<u>(64,169)</u>	<u>(48,899)</u>
<b>Cash flows from noncapital financing activities</b>		
Retirement of pension bonds	(210)	(195)
Transfers	(1,522)	(1,521)
Hotel occupancy tax revenue	94,773	77,558
Net cash provided by noncapital financing activities	<u>93,041</u>	<u>75,842</u>
Net decrease in cash and cash equivalents	(1,885)	(8,306)
Cash and cash equivalents, July 1	15,952	24,258
<b>Cash and cash equivalents, June 30</b>	<u>\$ 14,067</u>	<u>\$ 15,952</u>
<b>Cash and cash equivalents</b>		
Pooled cash and cash equivalents (Note 3A)	\$ 14,067	\$ 15,952
Non-pooled cash and cash equivalents (Note 3A)	—	—
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 14,067</u>	<u>\$ 15,952</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (87,990)	\$ (73,789)
Adjustments to reconcile operating income to net cash used in operating activities		
Depreciation and amortization	12,844	12,848
Changes in assets and liabilities		
Due from component unit	38,467	30,223
Accounts payable	(44)	62
Lease receivable	1,738	1,730
Due to component unit	1,133	1,162
Unearned revenue	(291)	(286)
Pension related payable and deferred amounts	(408)	(476)
Other post employment benefits and deferred amounts	1,292	(1,428)
Deferred inflow - leases	(1,444)	(1,445)
<b>Net cash used in operating activities</b>	<u>\$ (34,703)</u>	<u>\$ (31,399)</u>
<b>Non cash transactions</b>		
Unrealized loss on investments	\$ (185)	\$ (3,123)
Amortization of premium and discount	(6,873)	(10,455)

**COMBINED UTILITY SYSTEM**  
**Statement of Net Position**  
**June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 271,737	\$ 333,406
Investments	1,484,994	1,485,175
Receivables, net of allowances		
Accounts receivable	288,539	252,749
Special assessments receivable	93	93
Due from other funds	9	2,665
Due from other governments	7,387	7,242
Inventory	19,128	14,028
Prepaid items	8,262	6,761
Restricted assets		
Cash and cash equivalents	37	37
Total current assets	<u>2,080,186</u>	<u>2,102,156</u>
Noncurrent Assets		
Investments	64,604	63,289
Prepays	2,438	2,557
Due from other governments	421,664	600,972
Amounts held by other governments	14,851	13,064
Total noncurrent assets	<u>503,557</u>	<u>679,882</u>
Capital assets		
Land	196,117	183,194
Buildings	202,088	190,197
Improvements and equipment	200,160	197,080
Infrastructure	12,346,005	11,966,989
Construction in progress	2,450,250	2,224,622
Rights and intangibles	846,948	846,510
Lease right-of-use assets	—	42
Less accumulated depreciation and amortization	(6,843,683)	(6,618,955)
Net capital assets	<u>9,397,885</u>	<u>8,989,679</u>
Total noncurrent assets	<u>9,901,442</u>	<u>9,669,561</u>
<b>Total assets</b>	<u>11,981,628</u>	<u>11,771,717</u>
<b>Deferred outflows of resources</b>		
Deferred outflows on pension liability	2,957	3,443
Deferred outflows on OPEB liability	23,154	26,083
SWAP liability/unamortized cost on refunded debt	242,474	257,714
<b>Total deferred outflows of resources</b>	<u>\$ 268,585</u>	<u>\$ 287,240</u>

**COMBINED UTILITY SYSTEM**  
**Statement of Net Position**  
**June 30, 2023**  
*(With comparative totals for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 269,003	\$ 233,321
Accrued payroll liabilities	3,730	8,451
Accrued interest payable	34,946	33,400
Contracts payable	9,200	8,866
Due to other funds	37,845	31,203
Due to other governments	3,393	3,295
Advances and deposits	66,931	59,439
Pension obligation bonds payable ST	3,901	3,625
Claims and judgments	1,218	1,818
Compensated absences	12,114	12,145
Arbitrage rebate	395	378
Bonds payable	292,381	283,924
Lease liability	—	12
Total current liabilities	<u>735,057</u>	<u>679,877</u>
Noncurrent liabilities		
Accrued interest payable	62,007	56,402
Bonds payable	6,811,794	7,139,944
Claims and judgments	4,813	5,016
Compensated absences	9,337	9,415
Contracts payable	406,852	416,529
Due to other governments	11,518	9,369
Arbitrage rebate	471	548
Net pension liability	283,407	284,899
Other post employment benefits	133,873	184,167
SWAP liability	123,043	124,651
Unearned revenue	363,689	485,585
Pension obligation bonds payable	81,407	85,308
Total noncurrent liabilities	<u>8,292,211</u>	<u>8,801,833</u>
<b>Total liabilities</b>	<u>9,027,268</u>	<u>9,481,710</u>
<b>Deferred inflows of resources</b>		
Deferred inflows on pension liability	43,532	68,619
Deferred inflows on OPEB liability	66,112	30,517
<b>Total deferred inflows of resources</b>	<u>109,644</u>	<u>99,136</u>
<b>Net Position</b>		
Net investment in capital assets	2,271,605	1,601,742
Restricted net position		
Restricted for maintenance and operations	101,839	91,281
Restricted for debt service	74,703	71,968
Restricted for capital improvements	17,326	15,658
Unrestricted	647,828	697,462
<b>Total net position</b>	<u>\$ 3,113,301</u>	<u>\$ 2,478,111</u>

**COMBINED UTILITY SYSTEM**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
Water/Sewer billing	\$ 1,503,982	\$ 1,307,513
Total operating revenue	<u>1,503,982</u>	<u>1,307,513</u>
<b>Operating Expenses</b>		
Maintenance and operating	578,050	463,364
Depreciation and amortization	289,362	282,839
Total operating expenses	<u>867,412</u>	<u>746,203</u>
Operating income	<u>636,570</u>	<u>561,310</u>
<b>Nonoperating revenue (expenses)</b>		
Investment (loss) income	39,748	(50,712)
Other revenue	75,709	138,428
Gain (loss) on disposal of assets	(2,955)	3,196
Interest expense	(269,535)	(254,149)
Cost of issuance of debt	(550)	(3,758)
Contributions in	9,435	11,196
Total nonoperating revenues (expenses)	<u>(148,148)</u>	<u>(155,799)</u>
Income before contributions and transfers	<u>488,422</u>	<u>405,511</u>
Capital contributions	<u>201,164</u>	<u>546,307</u>
Transfers out	<u>(54,396)</u>	<u>(57,875)</u>
Total transfers	<u>(54,396)</u>	<u>(57,875)</u>
Change in net position	635,190	893,943
Beginning position, July 1	<u>2,478,111</u>	<u>1,584,168</u>
<b>Total net position, June 30</b>	<u>\$ 3,113,301</u>	<u>\$ 2,478,111</u>

**COMBINED UTILITY SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 1,538,751	\$ 1,233,077
Payments to employees	(218,635)	(201,778)
Payments to suppliers	(325,616)	(230,103)
Internal activity-payments to other funds	(86,876)	(89,015)
Claims paid	(2,072)	43,188
Other receipts	79,288	86,651
Receipts from other governments	—	1,934
Net cash provided by operating activities	<u>984,840</u>	<u>843,954</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	34,826	13,274
Purchases of investments	(2,447,001)	(3,239,326)
Sales of investments	2,450,790	3,031,117
Net cash (used in) provided by investing activities	<u>38,615</u>	<u>(194,935)</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(266,695)	(247,845)
Retirement of contracts payable	(8,865)	(8,580)
Proceeds from issuance of revenue bonds	—	130,000
Retirement of junior lien bonds	(4,604)	(15,480)
Interest expense on debt	(280,369)	(258,985)
Cost of issuance for debt	(550)	(3,758)
Proceeds from disposition of assets	2,077	5,824
Retirement of subordinate lien bonds	(12,625)	(12,475)
Capital contributions from other local governments	194,795	308,797
Acquisition of property, plant and equipment	(645,696)	(745,564)
Net cash used for capital and related financing activities	<u>(1,022,532)</u>	<u>(848,066)</u>
<b>Cash flows from noncapital financing activities</b>		
Interest expense on pension obligation bonds	(4,569)	(4,771)
Retirement of pension bonds	(3,625)	(3,369)
Transfers to debt service fund	(4,898)	(4,899)
Transfers to other funds	(49,497)	(52,977)
Net cash used in noncapital financing activities	<u>(62,589)</u>	<u>(66,016)</u>
Net (decrease) increase in cash and cash equivalents	(61,669)	(265,063)
Cash and cash equivalents, July 1	333,443	598,506
<b>Cash and cash equivalents, June 30</b>	<u>\$ 271,774</u>	<u>\$ 333,443</u>
<b>Cash and cash equivalents:</b>		
Pooled cash and cash equivalents (Note 3A)	\$ 271,737	\$ 333,406
Non-pooled cash and cash equivalents (Note 3A)	37	37
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 271,774</u>	<u>\$ 333,443</u>

(Continued)

**COMBINED UTILITY SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**  
*(With comparative amounts for 2022)*  
*(amounts expressed in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 636,570	\$ 561,310
Depreciation and amortization	289,362	282,839
Changes in assets and liabilities		
Accounts receivable	(38,899)	(81,780)
Due from other funds	2,656	(2,297)
Due from other governments	1,738	(1,167)
Inventory & prepaid insurance	(6,601)	(1,835)
Accounts payable	(12,660)	17,811
Accrued payroll liabilities	(4,721)	933
Due to other funds	6,642	(5,448)
Advances and deposits	7,492	5,789
Claims and judgments-workers' compensation	(803)	2,640
Compensated absences	(109)	777
Other post employment benefits	(11,769)	(43,685)
Other revenues and expense	79,288	132,642
Receipts from other governments	—	1,934
Pension obligation payable	(26,094)	(29,029)
Other long-term liabilities	62,748	2,520
<b>Net cash provided by operating activities</b>	<u>\$ 984,840</u>	<u>\$ 843,954</u>
<b>Non cash transactions</b>		
Unrealized gain (loss) on investments	\$ 4,923	\$ (63,985)
Amortization expense	(30,078)	(18,680)
Capital additions included in liabilities	(45,327)	(32,725)
CAB accretion interest	7,462	7,940
Donated capital	(23,249)	(7,431)
Gain (loss) on disposal of assets	(2,955)	3,196
<b>Total non cash transactions</b>	<u>\$ (89,224)</u>	<u>\$ (111,685)</u>



*H-Town Family Palooza*

# INTERNAL SERVICE FUNDS

**Internal Service Funds:**

Hosted in conjunction with other local government partners, *H-Town Family Palooza* is a family-friendly event filled with music, games, activities and more. Located in Downtown Houston in 2022, *H-Town Family Palooza* is one of the many public programs intended to exhibit Houston's quality of life and serves as a positive interaction between residents and local government.



# Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one City department to other City departments on a cost reimbursement basis.

**Health Benefits** — This fund is used to account for the costs incurred to provide City employees' health care and life insurance benefits.

**Long-Term Disability** — This fund is used to account for the costs incurred to provide City employees' long-term disability coverage.

**INTERNAL SERVICE FUNDS**  
**Combining Statement of Net Position**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	Health Benefits	Long-term Disability	2023	2022
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 12,404	\$ 1,284	\$ 13,688	\$ 12,348
Investments	72,826	7,450	80,276	64,896
Receivables, net of allowances				
Accounts receivable	3	—	3	1
Due from other funds	—	—	—	40
Due from other governments	14	—	14	11
Prepaid items	—	—	—	2
Total current assets	<u>85,247</u>	<u>8,734</u>	<u>93,981</u>	<u>77,298</u>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Buildings, improvements and equipment	963	—	963	963
Construction in progress	1,654	—	1,654	820
Lease right-of-use asset	—	—	—	2,574
Total capital assets	<u>2,617</u>	<u>—</u>	<u>2,617</u>	<u>4,357</u>
Less accumulated depreciation and amortization	<u>(707)</u>	<u>—</u>	<u>(707)</u>	<u>(1,060)</u>
Net capital assets	<u>1,910</u>	<u>—</u>	<u>1,910</u>	<u>3,297</u>
Total noncurrent assets	<u>1,910</u>	<u>—</u>	<u>1,910</u>	<u>3,297</u>
<b>Total Assets</b>	<u>87,157</u>	<u>8,734</u>	<u>95,891</u>	<u>80,595</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	805	58	863	4,760
Accrued payroll liabilities	60	—	60	201
Due to other funds	83	—	83	124
Claims and judgments	27,638	—	27,638	28,319
Compensated absences	237	—	237	187
Unearned revenue	2,792	—	2,792	1,794
Total current liabilities	<u>31,615</u>	<u>58</u>	<u>31,673</u>	<u>35,385</u>
<b>Noncurrent liabilities</b>				
Lease liabilities	—	—	—	2,219
Claims and judgments	15,000	—	15,000	15,000
Total noncurrent liabilities	<u>15,000</u>	<u>—</u>	<u>15,000</u>	<u>17,219</u>
<b>Total liabilities</b>	<u>46,615</u>	<u>58</u>	<u>46,673</u>	<u>52,604</u>
<b>Net Position</b>				
Net investment in capital assets	1,910	—	1,910	1,078
Unrestricted	38,632	8,676	47,308	26,913
<b>Total net position</b>	<u>\$ 40,542</u>	<u>\$ 8,676</u>	<u>\$ 49,218</u>	<u>\$ 27,991</u>

**INTERNAL SERVICE FUNDS**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	<b>Health Benefits</b>	<b>Long-term Disability</b>	<b>2023</b>	<b>2022</b>
<b>Operating Revenues</b>				
Other	\$ 912	\$ 2	\$ 914	\$ 691
Health benefit premiums	407,750	1,239	408,989	401,164
Total operating revenues	408,662	1,241	409,903	401,855
<b>Operating Expenses</b>				
Administrative costs	7,790	25	7,815	6,673
Claims costs	381,277	1,022	382,299	388,456
Depreciation and amortization	33	—	33	422
Total operating expenses	389,100	1,047	390,147	395,551
Operating income	19,562	194	19,756	6,304
<b>Nonoperating revenues (expenses)</b>				
Investment income (loss)	1,270	170	1,440	(2,148)
Gain on disposal of assets	31	—	—	—
Total nonoperating revenues (expenses)	1,301	170	1,471	(2,148)
Income before contributions and transfers	20,863	364	21,227	4,156
Change in net position	20,863	364	21,227	4,156
Total net position, July 1	19,679	8,312	27,991	23,835
<b>Total net position, June 30</b>	<b>\$ 40,542</b>	<b>\$ 8,676</b>	<b>\$ 49,218</b>	<b>\$ 27,991</b>

**INTERNAL SERVICE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	Health Benefits	Long-term Disability	2023	2022
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 408,745	\$ 1,239	\$ 409,984	\$ 400,035
Payments to employees	(4,439)	—	(4,439)	(4,571)
Payments to suppliers	(1,934)	(25)	(1,959)	(557)
Internal activity-payments to other funds	(1,508)	—	(1,508)	(1,624)
Claims paid	(385,869)	(1,008)	(386,877)	(391,595)
Due from (to) other governments	(3)	—	(3)	19
Other receipts	912	2	914	691
Other payments	2	—	2	(2)
Net cash provided by operating activities	<u>15,906</u>	<u>208</u>	<u>16,114</u>	<u>2,396</u>
<b>Cash flows from investing activities</b>				
Interest income on investments	1,531	162	1,693	(2,148)
Purchase of investments	(103,013)	(11,020)	(114,033)	(122,557)
Proceeds from sale of investments	87,948	10,452	98,400	110,445
Net cash (used in) provided by investing activities	<u>(13,534)</u>	<u>(406)</u>	<u>(13,940)</u>	<u>(14,260)</u>
<b>Cash flows from capital and related financing activities</b>				
Lease liabilities	—	—	—	2,219
Acquisition of property, plant, and equipment	(834)	—	(834)	(3,387)
Net cash used in capital and related financing activities	<u>(834)</u>	<u>—</u>	<u>(834)</u>	<u>(1,168)</u>
Net increase (decrease) in cash and cash equivalents	1,538	(198)	1,340	(13,032)
Cash and cash equivalents, July 1	10,866	1,482	12,348	25,380
<b>Cash and cash equivalents, June 30</b>	<u>\$ 12,404</u>	<u>\$ 1,284</u>	<u>\$ 13,688</u>	<u>\$ 12,348</u>
<b>Cash and cash equivalents</b>				
Pooled cash and cash equivalents (Note 3A)	\$ 12,404	\$ 1,284	\$ 13,688	\$ 12,348
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 12,404</u>	<u>\$ 1,284</u>	<u>\$ 13,688</u>	<u>\$ 12,348</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 19,562	\$ 194	\$ 19,756	\$ 6,304
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	33	—	33	422
Accounts receivable	(2)	—	(2)	2
Prepaid Items	2	—	2	(2)
Due from other funds	40	—	40	39
Accounts payable	(3,911)	14	(3,897)	3,129
Accrued payroll liabilities	(141)	—	(141)	35
Due to other funds	(41)	—	(41)	85
Due from other governments	(3)	—	(3)	19
Claims and judgments	(681)	—	(681)	(6,268)
Compensated absences	50	—	50	(114)
Unearned revenue	998	—	998	(1,255)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 15,906</u>	<u>\$ 208</u>	<u>\$ 16,114</u>	<u>\$ 2,396</u>
<b>Non cash transactions</b>				
Gain on disposal of assets	\$ 31	\$ —	\$ 39	\$ —
Unrealized gain and (loss) on investments	(261)	8	(253)	2,661



Hermann Park

# FIDUCIARY FUNDS

**Fiduciary Funds:**

In 1914, Houston-born oilman and philanthropist, George H. Hermann, gifted the City 278 acres of land for use as a park. Between 1922 and 1924, the City purchased an additional 122 acres, growing to what is now considered one of the nation's preeminent urban parks. With more than six million annual visitors, Hermann Park is home to the Houston Zoo, the Miller Outdoor Theatre and Hermann Park Golf Course, among other attractions.

## Fiduciary Funds

Funds are used to account for assets held by a government unit as trustee or agent, for individuals, private organizations, and/or other governmental units.

**Pension trust funds** are used to account for the operation of the employee pension retirement programs. The funds include: Houston Firefighters' Relief and Retirement, Houston Municipal Employees', and Police Officers' pension trust funds.

**Private-purpose trust fund** is used to account for assets held in a trust of the Houston Foundation which is dedicated to providing benefits to recipients in accordance with the benefit terms. The Houston Foundation was created by City ordinance on March 22, 1915, as a general-purpose charity trust and is administered by an outside board of directors. The City's Finance Director serves as the treasurer of the board in accordance with the ordinance. Additions to the trust consist of individual donor contributions and investment income. Distributions from the fund, primarily to external/eligible 501(c)(3) organizations, may be made for humanitarian needs of the people of Houston.

**PENSION TRUST FUNDS**  
**Combining Statement of Plan Net Position**  
**June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	Firefighters' Relief and Retirement Pension Trust Fund	Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2023	2022
<b>Assets</b>					
Cash and cash equivalents	\$ 114,070	\$ 46,109	\$ 152	\$ 160,331	\$ 75,906
Investments					
Other fixed income securities	871,063	1,043,068	860,908	2,775,039	2,487,361
Commingled equity funds	—	2,312,346	—	2,312,346	2,263,020
Common and preferred stock	1,399,404	—	2,307,420	3,706,824	3,935,550
Real estate, partnerships and alternatives	2,652,983	559,098	3,124,011	6,336,092	5,882,968
Short-term investment funds	61,183	115,072	881,293	1,057,548	1,111,677
Invested securities lending collateral	32,693	61,029	158,460	252,182	311,839
Receivables, net of allowances					
Due from broker	—	3,860	10,345	14,205	7,725
Contributions	3,905	5,464	1,888	11,257	25,344
Accrued interest and dividends	7,131	—	15,263	22,394	13,061
Other receivable	1,081	5,096	2,193	8,370	121,578
Other assets	633	7,294	5,777	13,704	16,185
Land	483	—	5,322	5,805	5,805
Building	2,813	—	—	2,813	3,109
Lease right-of-use assets, net of accumulated amortization	—	—	2,534	2,534	438
<b>Total assets</b>	<b>5,147,442</b>	<b>4,158,436</b>	<b>7,375,566</b>	<b>16,681,444</b>	<b>16,261,566</b>
<b>Liabilities and plan net position</b>					
<b>Liabilities</b>					
Accounts payable	5,556	—	3,941	9,497	11,575
Securities lending collateral	32,693	61,029	158,460	252,182	311,839
Foreign funds contracts payable	—	7,759	—	7,759	12,413
Lease liabilities	—	—	2,534	2,534	438
Other liabilities	15	7,903	2,176	10,094	8,128
<b>Total liabilities</b>	<b>38,264</b>	<b>76,691</b>	<b>167,111</b>	<b>282,066</b>	<b>344,393</b>
<b>Net position</b>					
Restricted net position for Pension	5,109,178	4,081,745	7,208,455	16,399,378	15,917,173
<b>Total net position</b>	<b>\$ 5,109,178</b>	<b>\$ 4,081,745</b>	<b>\$ 7,208,455</b>	<b>\$ 16,399,378</b>	<b>\$ 15,917,173</b>



**PENSION TRUST FUNDS**  
**Combining Statement of Changes in Plan Net Position**  
**June 30, 2023**  
**(With comparative totals for 2022)**  
**(amounts expressed in thousands)**

	Firefighters' Relief and Retirement Pension Trust Fund	Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2023	2022
<b>Additions:</b>					
Contributions					
City of Houston	\$ 72,475	\$ 204,895	\$ 159,915	\$ 437,285	\$ 431,066
Members	31,973	34,600	52,399	118,972	113,625
Total contributions	<u>104,448</u>	<u>239,495</u>	<u>212,314</u>	<u>556,257</u>	<u>544,691</u>
Investment income					
Interest	24,168	14,861	69,329	108,358	46,610
Net appreciation (depreciation) in fair value of investments	181,588	173,304	423,613	778,505	(2,306)
Dividends	1,544	33,364	39,823	74,731	74,665
Income on securities lending	114	1,759	—	1,873	364
Earnings from real estate, limited partnerships real estate investments, and other investments	1,080	10,238	—	11,318	5,243
Other income	231	620	83	934	566
Total investment and other income (loss)	<u>208,725</u>	<u>234,146</u>	<u>532,848</u>	<u>975,719</u>	<u>125,142</u>
Less - investment expense	(9,055)	(9,972)	(7,989)	(27,016)	(34,755)
Less - cost of securities lending	—	(1,580)	194	(1,386)	266
Total additions	<u>304,118</u>	<u>462,089</u>	<u>737,367</u>	<u>1,503,574</u>	<u>635,344</u>
<b>Deductions:</b>					
Benefits paid to members	281,418	335,119	384,367	1,000,904	968,660
Refunds to members	1,677	990	2,295	4,962	6,006
Other	5,581	5,684	4,238	15,503	15,182
Total deductions	<u>288,676</u>	<u>341,793</u>	<u>390,900</u>	<u>1,021,369</u>	<u>989,848</u>
Net increase (decrease)	15,442	120,296	346,467	482,205	(354,504)
Net position restricted for pensions, beginning of year	<u>5,093,736</u>	<u>3,961,449</u>	<u>6,861,988</u>	<u>15,917,173</u>	<u>16,271,677</u>
<b>Net position restricted for pensions,     end of year</b>	<u>\$ 5,109,178</u>	<u>\$ 4,081,745</u>	<u>\$ 7,208,455</u>	<u>\$ 16,399,378</u>	<u>\$ 15,917,173</u>

**PRIVATE-PURPOSE TRUST FUND**  
**Statement of Fiduciary Net Position**  
**June 30, 2023**  
**(With comparative amounts for 2022)**  
*(amounts expressed in thousands)*

	<b>Houston Foundation</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 336	\$ 270
Investments held by trust	6,710	6,109
<b>Total assets</b>	<b>7,046</b>	<b>6,379</b>
 <b>Net position</b>		
Restricted for individuals and organizations	7,046	6,379
<b>Total net position</b>	<b>\$ 7,046</b>	<b>\$ 6,379</b>

**PRIVATE-PURPOSE TRUST FUND**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2023**  
**(With comparative amounts for 2022)**  
**(amounts expressed in thousands)**

	<b>Houston Foundation</b>	
	<b>2023</b>	<b>2022</b>
<b>Additions:</b>		
Investment earnings:		
Net increase (decrease) in fair value of investments	\$ 66	\$ (1,302)
Interest, dividends, and other	601	24
Net investment earnings (loss)	667	(1,278)
Total additions	667	(1,278)
Net increase (decrease) in fiduciary net position	667	(1,278)
Net position, July 1	6,379	7,657
Net position, June 30	\$ 7,046	\$ 6,379

**CITY OF HOUSTON, TEXAS**

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*Ion Houston, Shannon O'Hara*

# COMPONENT UNITS

**Component Funds:**

Located in the heart of the Ion District, the Ion building serves as a headquarters for Houston's burgeoning innovation community and ecosystem. Through the cultivation of a culture for people, places, ideas and experiences, the Ion District is well positioned to spur innovation throughout region for decades to come.

# Discretely Presented Component Units (Governmental-type)

Discretely Presented Component Units are legally separate organizations that the City of Houston must include as a part of its financial reporting entity for fair presentation. The City has thirty-three (33) governmental nonmajor component units which are divided into five (5) categories.

**Redevelopment** – Local government corporations created by the City to redevelop blighted neighborhoods adjacent to Downtown Houston and other areas of the City.

**Arts & Cultural** – Non-profit organizations with a mission to enhance the city’s quality of life through advancing and investing in the arts, diverse cultural programming, library service, tourist and film projects.

**Educational & Research** – Non-profit organizations with a mission to coordinate and develop public and educational cable access activities within the City of Houston.

**Houston BARC Foundation** – A 501(c)(3) non-profit corporation with a mission to enhance the city’s quality of life through advancing and investing in the care and humane treatment of animals.

**Houston Recovery Center LGC, Inc.** – Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide management of the Houston Center for Sobriety.

## DISCRETELY PRESENTED NON MAJOR COMPONENT UNITS - GOVERNMENTAL

## Combining Statement of Net Position

June 30, 2023

(amounts expressed in thousands)

	Redevelopment Authorities	Arts & Cultural Authorities	Educational & Research Authorities	BARC Foundation	Recovery Center, LGC	Nonmajor Component Units
<b>Assets</b>						
<b>Current Assets</b>						
Cash	\$ 50,523	\$ 20,370	\$ 1,621	\$ 369	\$ 354	\$ 73,237
Investments	271,824	3,028	17,940	—	—	292,792
Receivables, net of allowances						
Accounts receivable	18,956	22,804	—	1	—	41,761
Property taxes receivable, net	55,293	—	—	—	—	55,293
Special assessments receivable	26	—	—	—	—	26
Accrued interest and other	276	—	1,244	—	—	1,520
Due from primary government	25,440	726	—	—	—	26,166
Due from other governments	3,683	—	—	—	571	4,254
Prepaid items	1,908	1,252	—	—	46	3,206
Restricted assets						
Investments	—	3,838	—	—	—	3,838
Other receivables	1,552	128	—	—	10	1,690
Total current assets	429,481	52,146	20,805	370	981	503,783
<b>Noncurrent Assets</b>						
<b>Restricted assets</b>						
Investments	10,326	105	—	—	—	10,431
Total noncurrent assets	10,326	105	—	—	—	10,431
<b>Capital assets</b>						
Land	52,415	56,986	—	—	—	109,401
Buildings, improvements and equipment	42,822	6,850	—	—	199	49,871
Construction in progress	14,574	—	—	—	—	14,574
Lease right-of-use assets	2,829	1,503	—	—	763	5,095
Less accumulated depreciation and amortization	(15,296)	(5,401)	—	—	(294)	(20,991)
Total capital assets	97,344	59,938	—	—	668	157,950
<b>Total assets</b>	<b>537,151</b>	<b>112,189</b>	<b>20,805</b>	<b>370</b>	<b>1,649</b>	<b>672,164</b>
<b>Deferred outflows of resources</b>						
Deferred outflows of resources	175	—	—	—	—	175
<b>Total deferred outflows of     resources</b>	<b>\$ 175</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 175</b>

(Continued)



## DISCRETELY PRESENTED NON MAJOR COMPONENT UNITS - GOVERNMENTAL

## Combining Statement of Net Position

June 30, 2023

(amounts expressed in thousands)

	Redevelopment Authorities	Arts & Cultural Authorities	Educational & Research Authorities	BARC Foundation	Recovery Center, LGC	Nonmajor Component Units
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 24,803	\$ 801	\$ 3	\$ —	\$ 39	\$ 25,646
Accrued payroll liabilities	—	—	—	—	202	202
Accrued interest payable	4,452	—	—	—	—	4,452
Contracts and retainages payable	3,712	47	—	—	—	3,759
Notes payable	8,913	—	—	—	—	8,913
Lease payable - current	550	195	—	—	168	913
Due to other governments	487	14,027	—	—	—	14,514
Advances and deposits	33	—	508	—	—	541
Unearned revenue	38	4,352	—	—	—	4,390
Current liabilities payable from restricted assets						
Bonds payable	17,830	—	—	—	—	17,830
Account held for others	—	57	—	—	—	57
<b>Total current liabilities</b>	<b>60,818</b>	<b>19,479</b>	<b>511</b>	<b>—</b>	<b>409</b>	<b>81,217</b>
<b>Noncurrent liabilities</b>						
Notes payable	53,069	—	—	—	—	53,069
Bonds payable	325,511	—	—	—	—	325,511
Other long-term liabilities	10,582	904	—	—	424	11,910
<b>Total Noncurrent liabilities</b>	<b>389,162</b>	<b>904</b>	<b>—</b>	<b>—</b>	<b>424</b>	<b>390,490</b>
<b>Total liabilities</b>	<b>449,980</b>	<b>20,383</b>	<b>511</b>	<b>—</b>	<b>833</b>	<b>471,707</b>
<b>Deferred outflows of resources</b>						
Deferred outflows of resources	—	—	—	—	—	—
<b>Total deferred outflows of resources</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net position</b>						
Net investment in capital assets	51,743	57,770	—	—	75	109,588
Restricted net position						
Restricted for debt service	32,600	—	—	—	—	32,600
Restricted for maintenance and operations	—	3,961	—	—	—	3,961
Restricted for capital improvements	26,223	—	—	—	—	26,223
Other restricted	12,215	18,667	16,174	—	11	47,067
Unrestricted (deficit)	(35,435)	11,408	4,120	370	730	(18,807)
<b>Total net position (deficit)</b>	<b>\$ 87,346</b>	<b>\$ 91,806</b>	<b>\$ 20,294</b>	<b>\$ 370</b>	<b>\$ 816</b>	<b>\$ 200,632</b>

**DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS - GOVERNMENTAL**

**Combining Statement of Activities  
For the Year Ended June 30, 2023  
(amounts expressed in thousands)**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Redevelopment Authorities	\$ 116,217	\$ 1,326	\$ 4,527	\$ —
Arts & Cultural Authorities	33,416	9,808	4,364	1,462
Educational & Research Authorities	1,982	—	1,283	—
Houston BARC Foundation	152	(6)	150	—
Houston Recovery Center LGC, Inc.	4,760	—	4,666	—
<b>Total nonmajor component units</b>	<b>\$ 156,527</b>	<b>\$ 11,128</b>	<b>\$ 14,990</b>	<b>\$ 1,462</b>

**General Revenues:**

Taxes

Property taxes - general purposes / tax increments

Hotel occupancy tax

Unrestricted investment earnings (loss)

Other

**Total general revenues and transfers**

Change in net position

Net position, beginning

Prior period adjustment

Net position, ending

**DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS - GOVERNMENTAL**

**Combining Statement of Activities  
For the Year Ended June 30, 2023  
(amounts expressed in thousands)**

**Net (Expense) Revenue and Change in Net Position**

<b>Redevelopment Authorities</b>	<b>Arts &amp; Cultural Authorities</b>	<b>Educational &amp; Research Authorities</b>	<b>Houston BARC Foundation</b>	<b>Houston Recovery Center LGC</b>	<b>Total Nonmajor Component Units</b>
\$ (110,364)	\$ —	\$ —	\$ —	\$ —	\$ (110,364)
—	(17,782)	—	—	—	(17,782)
—	—	(699)	—	—	(699)
—	—	—	(8)	—	(8)
—	—	—	—	(94)	(94)
<u>(110,364)</u>	<u>(17,782)</u>	<u>(699)</u>	<u>(8)</u>	<u>(94)</u>	<u>(128,947)</u>
135,561	—	—	—	—	135,561
—	19,386	—	—	—	19,386
9,606	27	1,023	—	—	10,656
6,000	29	83	—	30	6,142
<u>151,167</u>	<u>19,442</u>	<u>1,106</u>	<u>—</u>	<u>30</u>	<u>171,745</u>
40,803	1,660	407	(8)	(64)	42,798
35,373	90,280	19,887	378	880	146,798
11,170	(134)	—	—	—	11,036
<u>\$ 87,346</u>	<u>\$ 91,806</u>	<u>\$ 20,294</u>	<u>\$ 370</u>	<u>\$ 816</u>	<u>\$ 200,632</u>

**CITY OF HOUSTON, TEXAS**

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PART III

**STATISTICAL SECTION**

**Statistical Section:**

Located in the heart of Houston's Museum District, the Museum of Fine Arts, Houston (MFAH) is a dynamic cultural complex comprising three gallery buildings, a sculpture garden, visitors center, gift shop, library, restaurants, two art schools, two movie theaters, and two house museums. Attracting more than 450,000 visitors per year, MFAH is a prominent destination for both visitors and residents.

Photo: Shannon O'Hara

# Statistical Section

## (Unaudited)

This part of the City's Statistical annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Content</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	240
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	251
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	257
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	267
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	274

**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 4,102,861	\$ 4,250,590	\$ 4,434,420	\$ 4,593,229
Restricted	174,158	192,129	42,240	43,419
Unrestricted (deficit)	(2,651,151)	(5,487,349)	(5,910,541)	(4,433,681)
Total governmental activities net position	<u>\$ 1,625,868</u>	<u>\$ (1,044,630)</u>	<u>\$ (1,433,881)</u>	<u>\$ 202,967</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 240,888	\$ 546,551	\$ 629,382	\$ 742,298
Restricted	1,024,548	1,131,835	1,129,659	1,264,135
Unrestricted (deficit)	280,879	(488,671)	(420,196)	(354,001)
Total business-type activities net position	<u>\$ 1,546,315</u>	<u>\$ 1,189,715</u>	<u>\$ 1,338,845</u>	<u>\$ 1,652,432</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 4,343,749	\$ 4,797,141	\$ 5,063,802	\$ 5,335,527
Restricted	1,198,706	1,323,964	1,171,899	1,307,554
Unrestricted (deficit)	(2,370,272)	(5,976,020)	(6,330,737)	(4,787,682)
Total primary government net position	<u>\$ 3,172,183</u>	<u>\$ 145,085</u>	<u>\$ (95,036)</u>	<u>\$ 1,855,399</u>

Source: Annual Comprehensive Financial Report



<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 4,865,143	\$ 5,138,847	\$ 5,992,469	\$ 6,333,063	\$ 6,755,792	\$ 6,891,601
186,774	367,538	412,184	1,712,541	1,863,712	934,428
(5,966,761)	(6,504,244)	(7,004,794)	(7,769,058)	(7,117,925)	(5,420,385)
<u>\$ (914,844)</u>	<u>\$ (997,859)</u>	<u>\$ (600,141)</u>	<u>\$ 276,546</u>	<u>\$ 1,501,579</u>	<u>\$ 2,405,644</u>
\$ 823,404	\$ 754,981	\$ 1,111,081	\$ 1,521,493	\$ 2,135,190	\$ 2,890,574
1,370,336	1,415,795	1,440,243	1,356,397	1,442,434	1,696,746
(486,875)	(200,570)	(396,468)	452,500	801,432	602,006
<u>\$ 1,706,865</u>	<u>\$ 1,970,206</u>	<u>\$ 2,154,856</u>	<u>\$ 3,330,390</u>	<u>\$ 4,379,056</u>	<u>\$ 5,189,326</u>
\$ 5,688,547	\$ 5,893,828	\$ 7,103,550	\$ 7,854,556	\$ 8,890,982	\$ 9,782,175
1,557,110	1,783,333	1,852,427	3,068,938	3,306,146	2,631,174
(6,453,636)	(6,704,814)	(7,401,262)	(7,316,558)	(6,316,493)	(4,818,379)
<u>\$ 792,021</u>	<u>\$ 972,347</u>	<u>\$ 1,554,715</u>	<u>\$ 3,606,936</u>	<u>\$ 5,880,635</u>	<u>\$ 7,594,970</u>

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 247,481	\$ 359,640	\$ 425,707	\$ 297,716
Public safety	1,598,854	1,858,766	1,993,340	229,891
Public works	318,888	336,311	343,657	341,257
Health	133,159	150,931	158,896	148,995
Housing and community development	51,626	65,275	61,707	61,608
Parks and recreation	93,637	112,844	98,994	89,457
Library	48,724	49,374	48,691	34,966
Interest in long-term debt	143,231	158,212	191,025	142,469
Depreciation and amortization	132,817	138,016	143,028	150,196
Total governmental activities expenses	<u>2,768,417</u>	<u>3,229,369</u>	<u>3,465,045</u>	<u>1,496,555</u>
Business-type activities:				
Airport System	561,443	556,844	581,022	526,662
Convention & Entertainment Facilities	113,316	123,371	117,906	110,765
Combined Utility System	919,547	924,793	942,176	850,363
Total business-type activities expenses	<u>1,594,306</u>	<u>1,605,008</u>	<u>1,641,104</u>	<u>1,487,790</u>
Total primary government expenses	<u>\$ 4,362,723</u>	<u>\$ 4,834,377</u>	<u>\$ 5,106,149</u>	<u>\$ 2,984,345</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 63,338	\$ 70,322	\$ 68,093	\$ 74,887
Public safety	188,521	171,996	181,888	142,052
Public works	266,422	215,038	222,236	215,824
Health	17,710	17,665	18,349	17,491
Parks and recreation	7,475	8,676	8,820	8,902
Library	1,681	1,637	1,966	2,040
Operating grants and contributions	277,700	305,363	323,686	346,243
Capital grants and contributions	-	67,533	53,860	99,487
Total governmental activities program revenues	<u>822,847</u>	<u>858,230</u>	<u>878,898</u>	<u>906,926</u>
Business-type activities:				
Charges for services:				
Airport System	452,107	476,282	609,544	609,780
Convention & Entertainment Facilities	11,124	12,390	12,431	12,283
Combined Utility System	953,408	927,424	1,002,582	1,025,795
Operating grants and contributions	10,692	10,768	13,348	20,187
Capital grants and contributions	50,382	46,415	32,906	52,773
Total business-type activities program revenues	<u>1,477,713</u>	<u>1,473,279</u>	<u>1,670,811</u>	<u>1,720,818</u>
Total primary government program revenues	<u>\$ 2,300,560</u>	<u>\$ 2,331,509</u>	<u>\$ 2,549,709</u>	<u>\$ 2,627,744</u>
Net (expense)/revenue				
Governmental activities	\$ (1,945,570)	\$ (2,371,139)	\$ (2,586,147)	\$ (589,629)
Business-type activities	(116,593)	(131,729)	29,707	233,028
Total primary government net expense	<u>\$ (2,062,163)</u>	<u>\$ (2,502,868)</u>	<u>\$ (2,556,440)</u>	<u>\$ (356,601)</u>

Source: Annual Comprehensive Financial Report

	2018	2019	2020	2021	2022	2023
\$	420,663	\$ 412,427	\$ 519,746	\$ 446,806	\$ 314,357	\$ 431,174
	2,137,632	2,034,121	2,057,684	1,298,153	1,205,824	1,455,215
	423,137	402,857	407,569	396,938	355,357	413,454
	171,802	164,550	171,950	289,922	225,311	246,163
	53,965	91,997	137,035	372,492	390,235	208,397
	126,416	107,788	112,225	96,721	81,696	122,018
	51,312	50,007	54,956	43,135	33,753	54,954
	160,247	165,573	142,711	134,277	108,939	118,251
	153,092	156,412	163,454	179,046	180,676	179,465
	<u>3,698,266</u>	<u>3,585,732</u>	<u>3,767,330</u>	<u>3,257,490</u>	<u>2,896,148</u>	<u>3,229,091</u>
	605,653	596,069	631,435	585,528	559,777	649,909
	115,255	96,486	89,737	75,561	106,599	120,981
	991,167	1,042,141	1,032,629	1,052,061	1,004,623	1,136,470
	<u>1,712,075</u>	<u>1,734,696</u>	<u>1,753,801</u>	<u>1,713,150</u>	<u>1,670,999</u>	<u>1,907,360</u>
\$	<u>5,410,341</u>	<u>5,320,428</u>	<u>5,521,131</u>	<u>4,970,640</u>	<u>4,567,147</u>	<u>5,136,451</u>
\$	63,994	\$ 58,537	\$ 64,160	\$ 57,546	\$ 63,704	\$ 77,817
	120,104	152,061	153,159	120,269	154,258	181,793
	212,743	232,423	232,059	231,258	162,141	239,223
	19,037	20,614	21,062	21,463	23,967	25,002
	9,033	7,483	6,210	9,372	10,599	11,278
	1,867	2,035	1,421	295	1,303	1,221
	380,094	488,757	592,484	1,138,524	1,011,670	814,747
	83,727	217,280	208,212	245,921	199,231	172,908
	<u>890,599</u>	<u>1,179,190</u>	<u>1,278,767</u>	<u>1,824,648</u>	<u>1,627,002</u>	<u>1,523,989</u>
	637,259	627,058	563,650	389,865	593,343	685,076
	7,883	10,655	9,486	6,100	8,357	10,398
	1,052,549	1,042,442	1,100,092	1,092,740	1,307,513	1,503,982
	19,346	26,731	24,810	221,928	145,817	59,665
	23,408	28,929	35,675	433,101	587,354	238,251
	<u>1,740,445</u>	<u>1,735,815</u>	<u>1,733,713</u>	<u>2,143,734</u>	<u>2,642,384</u>	<u>2,497,372</u>
\$	<u>2,631,044</u>	<u>2,915,005</u>	<u>3,012,480</u>	<u>3,968,382</u>	<u>4,269,386</u>	<u>4,021,361</u>
\$	(2,807,667)	\$ (2,406,542)	\$ (2,488,563)	\$ (1,432,842)	\$ (1,269,146)	\$ (1,705,102)
	28,370	1,119	(20,088)	430,584	971,385	590,012
\$	<u>(2,779,297)</u>	<u>(2,405,423)</u>	<u>(2,508,651)</u>	<u>(1,002,258)</u>	<u>(297,761)</u>	<u>(1,115,090)</u>

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes				
Property taxes	\$ 973,902	\$ 1,074,070	\$ 1,099,411	\$ 1,152,420
Industrial assessments tax	16,534	16,736	19,238	19,291
Sales taxes	629,441	667,061	640,476	631,993
Franchise taxes	190,368	190,245	191,584	191,025
Mixed beverage taxes	13,869	15,784	16,064	16,662
Bingo taxes	187	209	207	234
Hotel occupancy tax	—	—	—	—
Investment earnings	9,737	7,639	11,925	6,181
Insurance proceeds	—	—	—	—
Other	83,677	74,585	99,567	95,848
Contributions	17,364	30,525	73,412	—
Gain (loss) on disposal of assets	—	32,525	—	1,752
Transfers	41,968	49,105	51,139	62,885
Total governmental activities	<u>1,977,047</u>	<u>2,158,484</u>	<u>2,203,023</u>	<u>2,178,291</u>
Business-type activities:				
Hotel occupancy taxes	90,119	90,711	88,632	82,882
Investment earnings	31,491	20,114	38,620	16,448
Other	158,577	170,555	62,682	59,183
Special Items - gain (loss) on sale of assets	—	—	—	1,614
Transfers	(41,968)	(49,105)	(51,139)	(62,885)
Total business-type activities	<u>238,219</u>	<u>232,275</u>	<u>138,795</u>	<u>97,242</u>
Total primary government	<u>\$ 2,215,266</u>	<u>\$ 2,390,759</u>	<u>\$ 2,341,818</u>	<u>\$ 2,275,533</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 46,279	\$ (192,559)	\$ (363,751)	\$ 1,605,345
Business-type activities	106,824	80,431	149,130	313,587
Total primary government	<u>\$ 153,103</u>	<u>\$ (112,128)</u>	<u>\$ (214,621)</u>	<u>\$ 1,918,932</u>

	2018	2019	2020	2021	2022	2023
\$	1,172,313	\$ 1,195,949	\$ 1,222,846	\$ 1,269,935	\$ 1,283,942	\$ 1,337,128
	18,278	19,755	24,797	25,435	24,086	28,021
	674,279	692,271	684,425	706,829	822,656	893,905
	186,206	182,870	169,725	154,093	149,978	148,605
	17,296	18,026	15,379	14,561	21,890	24,013
	73	222	—	—	—	—
	17,196	17,180	16,922	7,444	15,588	18,118
	12,004	47,825	48,795	2,463	(35,405)	33,999
	93,778	2,061	—	—	—	—
	116,814	79,349	57,019	64,537	70,884	71,786
	—	(4,165)	—	—	—	—
	—	12,904	15,753	799	3,630	(2,326)
	64,507	59,280	52,370	63,433	59,396	55,918
	<u>2,372,744</u>	<u>2,323,527</u>	<u>2,308,031</u>	<u>2,309,529</u>	<u>2,416,645</u>	<u>2,609,167</u>
	72,221	68,898	67,348	47,449	82,505	104,853
	26,388	113,797	113,944	13,916	(89,842)	87,945
	61,474	65,043	58,128	63,371	149,412	85,928
	11,533	(5,664)	—	—	(5,398)	(2,550)
	(64,507)	(59,280)	(52,370)	(63,433)	(59,396)	(55,918)
	107,109	182,794	187,050	61,303	77,281	220,258
\$	<u>2,479,853</u>	<u>2,506,321</u>	<u>2,495,081</u>	<u>2,370,832</u>	<u>2,493,926</u>	<u>2,829,425</u>
\$	(434,923)	(83,015)	(180,532)	876,687	1,147,499	904,065
	135,479	183,913	166,962	491,887	1,048,666	810,270
\$	<u>(299,444)</u>	<u>100,898</u>	<u>(13,570)</u>	<u>1,368,574</u>	<u>2,196,165</u>	<u>1,714,335</u>

**FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund				
Non-spendable	\$ 14,016	\$ 16,450	\$ 15,493	\$ 20,242
Restricted	44,120	27,096	1,232	1,188
Committed	3,407	6,111	10,922	18,701
Unassigned	200,731	301,231	235,405	311,754
Total general fund	<u>\$ 262,274</u>	<u>\$ 350,888</u>	<u>\$ 263,052</u>	<u>\$ 351,885</u>
All other governmental funds				
Unreserved, reported in:				
Non-spendable	\$ 5,290	\$ 2,436	\$ 2,395	\$ 2,495
Restricted	327,576	266,501	339,991	350,868
Committed	71,969	87,040	77,709	82,599
Assigned	106,607	125,061	109,131	78,898
Total all other governmental funds	<u>\$ 511,442</u>	<u>\$ 481,038</u>	<u>\$ 529,226</u>	<u>\$ 514,860</u>

Source: Annual Comprehensive Financial Report

2018	2019	2020	2021	2022	2023
\$ 18,881	\$ 20,387	\$ 22,667	\$ 23,627	\$ 25,677	\$ 24,184
1,164	1,092	1,044	1,072	14,292	1,153
16,901	17,942	18,792	12,615	983	14,994
375,529	349,176	316,227	312,212	379,707	509,924
<u>\$ 412,475</u>	<u>\$ 388,597</u>	<u>\$ 358,730</u>	<u>\$ 349,526</u>	<u>\$ 420,659</u>	<u>\$ 550,255</u>
\$ 3,138	\$ 15,784	\$ 3,306	\$ 3,422	\$ 6,059	\$ 4,439
362,082	463,700	492,621	732,555	863,857	942,729
78,705	77,580	74,219	68,760	70,024	84,411
80,647	71,822	111,041	92,326	110,441	140,315
<u>\$ 524,572</u>	<u>\$ 628,886</u>	<u>\$ 681,187</u>	<u>\$ 897,063</u>	<u>\$ 1,050,381</u>	<u>\$ 1,171,894</u>

**GENERAL FUND BUDGET FOR FISCAL YEAR 2024**  
 (amounts expressed in thousands)  
 (unaudited)

**Budgeted Resources**

Revenues:

Ad Valorem Taxes (current and delinquent)	\$	1,376,668
Sales and Use Tax		865,593
Franchise Fees		149,179
Municipal Courts Fines and Forfeits		16,134
Miscellaneous		479,226
<b>Total Current Revenues</b>		2,886,800

Beginning Fund Balance as of July 01, 2023 <sup>1</sup>		420,482
Sale of Capital Assets		2,755
Transfers from Other Funds		10,722
<b>Total Budgeted Resources</b>	\$	3,320,759

**Budgeted Expenditures**

Administrative Services	\$	86,177
Public Safety		1,646,141
Development and Maintenance Services		175,696
Human and Cultural Services		216,222
Elected Officials and General Government		317,083
Debt Service and PAYGO Capital Projects		475,304
<b>Total Budgeted Expenditures</b>		2,916,623

Budgeted Ending Fund Balance as of June 30, 2024		404,136
<b>Total Budgeted Expenditures and Reserves</b>	\$	3,320,759

<sup>(1)</sup> This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2024 Budget.



**CONTINUING DEBT DISCLOSURE INFORMATION**  
**June 30, 2023**  
**(amounts expressed in thousands)**  
**(unaudited)**

**Capital Improvement Plan**

The 2023 - 2027 CIP consists of the projects and facilities described in the following chart. (The 2023-2027 CIP also includes proposed improvements for the Combined Utility System, Airport System and Convention and Entertainment Facilities, which are financed primarily with revenues of those enterprise systems and, therefore, are not included in the table below).

	<b>Amount</b>
Streets, Bridges and Traffic Control	\$ 1,104
Storm Sewers and Drainage	899
Parks and Recreation	106
Police Department	89
Fire Department	74
General Government	188
Public Library	53
Public Health	37
Solid Waste Management	9
Homeless and Housing	4
Technology	48
Fleet	190
Total	\$ 2,802 <sup>(*)</sup>

<sup>(\*)</sup> The tax-supported component of the 2023-2027 CIP addresses a full range of capital facility and infrastructure improvements. The voter authorized improvements are expected to be initially financed with Commercial Paper Notes. The remaining amount is expected to be funded by grants, funds from agencies participating in joint capital improvement projects with the City and various other sources.

**General Fund Indirect Charges to Other City Funds**

A charge is made by the General Fund to the Water and Sewer System, Airport System, and to certain grant and special revenue funds for indirect charges incurred by the General Fund on behalf of such funds.

<b>Fiscal Year</b>	<b>Amount</b>
2023	\$ 22,801
2022	25,235
2021	24,688
2020	27,789
2019	26,603
2018	28,910
2017	27,399
2016	26,611
2015	25,328
2014	18,558

**CONTINUING DEBT DISCLOSURE INFORMATION**

**June 30, 2023**

**(amounts expressed in thousands)**

**(unaudited)**

**Long Term Disability and Compensated Absence Liability**

<b>Long-Term Disability Fund</b>	<b>Amount</b>
Assets Available for Future Long-Term Disability Obligations	\$ 8,734
Claims Payable on Long-Term Disability Obligations	(58)
Unrestricted Net Assets	<u>\$ 8,676</u>

<b>Compensated Absence Liability</b>	<b>Amount</b>
Governmental Short-Term Liability	\$ 138,277
Enterprise Funds Liability	36,615
Governmental Funds Long-Term Liability	435,199
Total	<u>\$ 610,091</u>

**General Fund Specific Charges to Other City Funds**

An additional charge made by the General Fund to the Combined Utility System, Airport, the Capital Projects Fund and certain other funds of the City for specific services provided to such funds by the General Fund.

<u>Fiscal Year</u>	<u>Total Direct Charges for Specific Services</u>
2023	\$ 65,845
2022	60,475
2021	59,308
2020	59,174
2019	62,214
2018	54,449
2017	53,523
2016	53,934
2015	47,851
2014	43,257

**TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Industrial Assessments	Mixed Beverage Tax	Bingo Tax <sup>(1)</sup>	Occupancy Hotel Tax <sup>(2)</sup>		Total Tax Collections
2014	\$ 973,902	\$ 629,441	\$ 190,368	\$ 16,534	\$ 13,869	\$ 187	\$ —	\$ —	\$ 1,824,301
2015	1,074,070	667,061	190,245	16,736	15,784	209	—	—	1,964,105
2016	1,099,411	640,476	191,584	19,238	16,064	207	—	—	1,966,980
2017	1,152,420	631,993	191,025	19,291	16,662	234	—	—	2,011,625
2018	1,172,313	674,279	186,206	18,278	17,296	73	17,196	—	2,085,641
2019	1,195,949	692,271	182,870	19,755	18,026	222	17,180	—	2,126,273
2020	1,222,846	684,425	168,556	24,797	15,379	—	16,922	—	2,132,925
2021	1,269,935	706,829	154,093	25,435	14,561	—	7,444	—	2,178,297
2022	1,283,942	822,656	149,978	24,086	21,890	—	15,588	—	2,318,140
2023	1,337,128	893,905	148,605	28,021	24,013	—	18,118	—	2,449,790

<sup>(1)</sup> Beginning in Fiscal Year 2018, the City began reflecting the 19.3% of the hotel occupancy tax that was designated to the General Fund in the General Fund as opposed to the Convention and Entertainment Fund. The amount here represents the 81% available to cover bond covenants.

<sup>(2)</sup> Beginning in Fiscal Year 2020, Bingo revenue was no longer considered a tax. It is now considered a fee and reported in Other Miscellaneous Revenues.

**TAXABLE VALUE OF PROPERTY**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate
2014	\$ 76,750,000	\$ 60,835,000	\$ 4,127,000	\$ 25,749,000	\$ 167,461,000	6.38750
2015	87,461,000	68,223,000	4,509,000	27,003,000	187,196,000	6.31080
2016	97,070,000	73,598,000	4,947,000	28,362,000	203,977,000	6.01120
2017	106,995,000	80,515,000	5,050,000	28,133,000	220,693,000	5.86420
2018	113,401,000	81,423,000	5,457,000	27,238,000	227,519,000	5.84210
2019	116,204,000	81,425,000	5,455,000	26,546,000	229,630,000	5.88310
2020	126,456,000	84,519,000	5,661,000	27,655,000	244,291,000	5.67920
2021	136,018,000	88,843,000	5,881,000	27,438,000	258,180,000	5.61840
2022	142,582,000	88,769,592	5,653,203	25,695,528	262,700,000	5.50830
2023	155,007,115	95,429,665	6,175,901	28,654,307	285,266,988	5.19190

The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

The taxable value of property is the appraised value less exemptions and is received from Harris, Fort Bend, and Montgomery County.

## CHANGES IN FUND BALANCES IN GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

(unaudited)

	2014	2015	2016	2017
<b>Revenues</b>				
Taxes	\$ 1,826,639	\$ 1,964,470	\$ 1,966,483	\$ 2,013,196
Licenses and permits	111,577	121,636	126,020	118,899
Intergovernmental	333,832	373,006	377,546	404,276
Charges for services	267,635	296,694	304,438	299,748
Fines	46,647	41,350	42,472	37,407
Investment earnings	9,737	7,639	11,925	6,034
Contributions	—	—	—	—
Other	98,189	95,129	117,442	112,245
Total revenues	2,694,256	2,899,924	2,946,326	2,991,805
<b>Expenditures</b>				
General Government	233,216	295,439	319,160	297,501
Public safety	1,355,369	1,374,859	1,418,763	1,446,775
Public Works	304,346	314,313	329,572	348,229
Health	122,446	139,016	145,976	157,968
Housing and Community Development	51,252	71,167	62,539	60,656
Parks and recreation	77,557	101,718	85,252	89,654
Library	38,421	38,170	39,271	39,932
Retiree benefits	10,920	11,059	11,390	11,521
*Capital Outlay	289,026	358,969	334,555	338,946
Debt Service				
Principal	176,205	191,355	290,805	192,656
Interest	154,327	153,972	151,260	144,068
Fiscal agent and fees	4,528	5,289	6,785	3,343
Total expenditures	2,817,613	3,055,326	3,195,328	3,131,249
Excess of revenues over (under) expenditures	(123,357)	(155,402)	(249,002)	(139,444)
<b>Other financing sources (uses)</b>				
Transfers in	549,184	587,207	622,988	553,680
Transfers out	(507,217)	(538,102)	(571,849)	(490,795)
Proceeds from issuance of debt	119,000	117,740	65,000	140,000
Proceeds from refunded debt	—	—	557,615	—
Payment to escrow agent	(519)	(1,404)	(550,600)	—
Sale of land	2,464	48,171	8,792	11,026
Bond premium (discount)	—	—	102,908	—
Contributions out	—	—	—	—
Insurance proceeds	—	—	—	—
Total other financing sources (uses)	162,912	213,612	234,854	213,911
Net change in fund balances	\$ 39,555	\$ 58,210	\$ (14,148)	\$ 74,467
Debt service as a percentage of noncapital expenditures	13.3 %	13.0 %	15.7 %	12.2 %

Source: Annual Comprehensive Financial Report

\*Capital outlay does not agree to amount of capital additions per the reconciliation because of items below the capitalization threshold and because capital expenditures were found in other functional expenditures.

	2018	2019	2020	2021	2022	2023
\$	2,068,675	\$ 2,120,567	\$ 2,133,402	\$ 2,162,378	\$ 2,317,905	\$ 2,449,304
	113,918	123,255	119,354	112,795	113,344	118,407
	443,441	537,402	656,699	1,183,307	1,085,470	872,602
	304,625	311,587	310,695	319,012	335,572	357,337
	34,734	36,407	29,664	28,341	30,852	30,945
	11,579	45,008	45,567	2,709	(33,257)	32,559
	—	—	—	—	—	500
	133,510	79,036	56,394	62,672	70,879	70,241
	3,110,482	3,253,262	3,351,775	3,871,214	3,920,765	3,931,895
	357,661	353,912	446,217	430,689	393,107	407,272
	2,248,951	1,502,334	1,546,820	1,580,922	1,626,241	1,692,423
	401,641	383,018	377,394	399,629	392,056	411,663
	160,519	154,884	156,884	289,724	239,397	243,818
	53,249	90,398	135,419	369,216	387,329	206,847
	102,237	84,539	83,058	77,574	83,998	103,121
	40,065	39,839	40,435	41,062	40,675	51,429
	167,372	11,123	14,196	13,290	11,837	12,612
	358,387	358,973	339,363	396,816	429,148	357,542
	489,510	219,764	228,668	213,148	265,097	295,375
	148,754	177,804	164,793	151,787	144,772	142,769
	11,574	4,540	5,760	3,738	4,996	3,260
	4,539,920	3,381,128	3,539,007	3,967,595	4,018,653	3,928,131
	(1,429,438)	(127,866)	(187,232)	(96,381)	(97,888)	3,764
	605,254	654,394	660,650	659,617	752,414	705,958
	(540,747)	(595,114)	(608,280)	(596,184)	(693,018)	(650,040)
	1,577,352	139,065	624,690	123,724	482,181	185,591
	—	—	—	—	—	—
	(336,191)	—	(552,367)	—	(338,940)	—
	5,958	30,061	22,306	3,786	7	5,836
	76,336	—	61,685	—	35,170	—
	—	(4,165)	—	—	—	—
	93,778	2,061	982	—	—	—
	1,481,740	226,302	209,666	190,943	237,814	247,345
\$	52,302	\$ 98,436	\$ 22,434	\$ 94,562	\$ 139,926	\$ 251,109
	15.5 %	13.3 %	12.5 %	10.3 %	11.6 %	12.4 %

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**Last Ten Fiscal Years**  
**(unaudited)**

Purpose	2023	2022	2021	2020
<b>City</b>				
General Purposes	3.85127	4.02470	4.23094	4.04129
Debt Service	1.48513	1.48360	1.38746	1.63791
City of Houston <sup>(1)</sup>	5.33640	5.50830	5.61840	5.67920
<b>County</b>				
Fort Bend County	4.5120	4.5280	4.5321	4.6000
Harris County <sup>(2)</sup>	3.4373	4.1042	4.2258	4.3505
Montgomery County	3.7420	4.0830	4.3120	4.4750
<b>School District</b>				
Aldine I.S.D.	12.2170	12.6690	12.7440	13.4712
Alief I.S.D.	12.0480	12.0480	12.0480	12.4410
Clear Creek I.S.D.	11.1460	11.7970	12.6590	13.1000
Conroe I.S.D.	11.1460	11.7600	12.1250	12.3000
Crosby I.S.D.	14.2290	14.4030	14.4030	15.4835
Cypress-Fairbanks I.S.D.	13.5550	13.3920	13.5550	13.7000
Deer Park I.S.D.	12.8220	13.4960	13.4960	14.1510
Fort Bend I. S. D.	11.3460	12.1010	12.4000	12.7000
Galena Park I.S.D.	13.5418	14.6510	14.5810	14.5810
Goose Creek I.S.D.	10.8250	12.8170	13.6860	13.4110
Houston I.S.D.	10.3720	10.9440	11.3310	11.3700
Huffman I.S.D.	11.4930	11.4930	13.4210	13.4210
Humble I.S.D.	13.3890	10.3405	14.1835	14.1835
Katy I.S.D.	13.5170	13.8880	14.4310	15.1660
Klein I.S.D.	12.3000	13.0000	13.4000	13.6000
New Caney I.S.D.	14.4300	14.6030	14.6030	15.6840
Pasadena I.S.D.	13.3530	13.8120	13.8300	13.7840
Sheldon I.S.D.	14.1500	15.0160	15.0160	15.2840
Spring I.S.D.	12.5460	13.1280	13.8430	14.3000
Spring Branch I.S.D.	12.6880	12.6880	13.0730	13.2100
<b>Municipal Utility District</b>				
Harris County MUD # 355	0.0560	0.0600	0.0600	0.0600
Harris County MUD # 359	1.1000	1.2000	1.4500	1.4500
Harris County MUD # 366	1.6000	1.4000	1.6000	1.6000
Harris County MUD # 372	1.6240	1.6750	1.6750	1.6000
Harris County MUD # 381	4.8000	5.2000	5.6000	6.0000
Harris County MUD # 390	5.7250	7.0000	6.9650	7.0000
Harris County MUD # 393	4.9000	6.0000	6.4000	6.8000
Harris County MUD # 404	7.7900	8.6125	8.6125	8.6125
Harris County MUD # 410	5.4000	5.6000	5.6000	5.6000
Harris County MUD # 411	5.3000	5.7000	5.8000	6.0000
Harris County MUD # 415	7.7000	8.0000	8.0000	8.0000
Harris County MUD # 450	5.3000	5.7000	5.8500	6.3000
Harris County MUD # 451	9.0000	9.0000	9.0000	9.0000
Harris County MUD # 460	7.4000	7.4000	7.4000	7.4000
Harris County MUD # 499	8.2000	8.7000	8.8000	9.1000
Harris County MUD # 529	6.1000	6.7000	7.0000	7.5000
Harris County MUD # 537	5.0000	5.0000	5.0000	5.0000
Northwood MUD #1	9.0000	10.0000	10.0000	12.5000
<b>Other Jurisdictions</b>				
Clear Lake City Water Authority	2.6000	2.6000	2.7000	2.7000
Fort Bend Parkway Road <sup>(3)</sup>				
Harris County Dept. of Education	0.0049	0.0499	0.0499	0.0519
Harris County Hospital District	1.4831	1.6221	1.6671	1.7904
Houston Community College	1.6377	1.7752	0.2106	1.0026
Lee College District	2.3010	2.3010	2.3010	2.5010
Lone Star College System	1.0780	1.0780	1.0780	1.0780
Port of Houston Authority	0.0799	0.0872	0.0991	0.1074
San Jacinto College District	1.5560	1.6797	1.6936	1.7812

<sup>(1)</sup> The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

<sup>(2)</sup> Harris County includes the Harris County Flood Control District and the Harris County Toll Road. The Toll Road rate is zero.

<sup>(3)</sup> Debt has been paid off.

2019	2018	2017	2016	2015	2014
4.19242	4.20227	4.54458	4.42194	4.74635	4.77085
1.69068	1.63983	1.31962	1.58926	1.56445	1.61665
5.88310	5.84210	5.86420	6.01120	6.31080	6.38750
4.6400	4.6900	4.7400	4.8600	4.9476	4.9976
4.4735	4.4485	4.4485	4.4656	4.4467	4.4300
4.6670	4.6670	4.6670	4.7670	4.7670	4.8380
13.4712	13.7339	13.2338	12.8590	13.0590	13.0580
13.3000	13.3000	13.0500	12.8000	12.8000	12.9000
13.1000	14.0000	14.0000	14.0000	14.0000	14.0000
12.8000	12.8000	12.8000	12.8000	12.8000	12.9000
16.5000	16.7000	16.7000	16.7000	16.7000	16.7000
14.4000	14.4000	14.4000	14.4000	14.4000	14.5000
15.3870	15.5670	15.5670	15.5670	15.5670	15.5670
13.2000	13.4000	13.4000	13.4000	13.4000	13.4000
14.7165	15.6330	15.6330	15.1340	15.1340	15.1340
13.5428	14.3190	14.3190	14.3189	14.3189	13.3213
12.0670	12.0670	12.0670	11.9670	11.9670	11.5670
14.0000	14.0000	14.0000	14.0000	14.0000	14.2000
15.2000	15.2000	15.2000	15.2000	15.2000	15.2000
15.1660	15.1660	15.1660	15.2660	15.2660	15.2660
14.3000	14.1000	14.3000	13.9000	13.9000	14.3000
15.6840	16.7000	16.7000	16.7000	16.7000	15.4000
14.8000	14.8000	13.5000	13.5000	13.5000	13.5000
14.4840	14.7000	14.1000	14.1000	14.1000	14.3000
15.1000	15.1000	14.6996	14.7000	15.1000	15.7000
13.2098	13.9450	13.9450	13.9450	13.9450	13.9450
0.0600	0.0900	0.0900	1.2000	1.2000	2.0000
1.5000	1.6000	1.9000	2.6000	2.7000	3.0000
1.6000	1.6000	1.8000	2.0000	2.0000	2.5000
1.6000	1.6000	1.1100	1.6500	1.7500	1.9000
6.2000	6.3000	6.3000	7.4000		
7.0000	7.0000	7.0000	7.0000	7.0000	7.0000
7.0000	7.3000	7.5000	9.1000		
8.4125	8.6125	8.6125	8.6125		
5.6000	5.9000	5.9000	6.9000		
6.6000	7.0000	7.5000	9.0000		
8.0000	8.0000			7.6892	7.6125
6.3000	7.8500	8.1358	7.9888		
9.1000	9.1579	9.1358	8.8000		
7.4000	7.4000	7.4000			
9.1000	15.4000				
7.5000	7.5000				
5.0000	5.0000				
12.5000	12.5000	12.5000	12.5000	12.5000	12.5000
2.7000	2.7000	2.7000	2.7000	2.8000	2.8000
0.0519	0.0520	0.0520	0.0600	0.0600	0.0636
1.7108					
0.2351	1.0264	0.0250	0.2631	0.2984	0.2012
2.5010	2.5040	2.1320	2.1570	2.2070	2.6070
1.0780	1.0780	1.0780	1.0790	1.0810	1.1600
0.1155	0.1256	0.1334	0.1342	0.1531	0.1716
1.6797	1.8333	1.8238	1.7578	1.8560	1.8560

**PRINCIPAL PROPERTY TAXPAYERS**  
 June 30, 2023  
 Current Year and Nine Years Ago  
 (amounts expressed in thousands)  
 (unaudited)

Taxpayer	2023			2014		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc.	\$ 2,858,136	1	1.00 %	\$ 1,654,700	1	0.99 %
Chevron Chemical Company	912,570	2	0.32 %	1,013,970	2	0.60 %
BSREP 1HC-4HC	693,725	3	0.24 %			
One Two Three Allen Center	691,832	4	0.24 %			
GWP (Greenway Plaza)	688,799	5	0.24 %			
Four Five Oaks Place	648,035	6	0.23 %			
HG Galleria I II III, LP	628,132	7	0.22 %	475,504	10	0.28 %
Shell Oil Co	606,519	8	0.21 %	770,380	4	0.46 %
Camden REIT	531,832	9	0.19 %			
Flint Hills Resources	517,241	10	0.18 %			
Crescent HC Investors LP (Crescent Real Estate)				776,216	3	0.46 %
United Airlines, Inc				714,957	5	0.43 %
Busycon Property				536,990	6	0.32 %
1000 Louisiana LP				504,064	7	0.30 %
Texas Tower Ltd				499,469	8	0.30 %
Amoco Chemical Company				497,306	9	0.30 %
<b>Total</b>	<b>\$ 8,776,821,000</b>		<b>3.07 %</b>	<b>\$ 7,443,556,000</b>		<b>4.44 %</b>



**TAX SUPPORTED DEBT SERVICE FUNDS**  
 (amounts expressed in thousands)  
 (unaudited)

**Tax Bond Debt Service Fund for Fiscal Year 2024**

<b>Budgeted Resources</b>	<u><b>Amount</b></u>
Beginning Fund Balance Estimate as of July 01, 2023	\$ 162,366
Transfers in from:	
General Fund	358,711
Combined Utility System Operating Fund	19,660
Other sources	21,655
Third Party Reimbursements	4,437
Other	28,850
<b>Total Budgeted Resources</b>	<u><u>595,679</u></u>
<b>Budgeted Expenditures</b>	
Debt Service Requirements	
Tax Bonds	415,030
<b>Total Budgeted Expenditures</b>	<u><u>415,030</u></u>
Budgeted Ending Fund Balance as of June 30, 2024	180,649
<b>Total Budgeted Expenditures and Reserves</b>	<u><u>\$ 595,679</u></u>

<sup>(1)</sup> This fund includes the debt service for the City's Tax Bonds, Pension Obligations, Commercial Paper Notes and Tax Certificates.

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)  
(unaudited)

**Governmental Activities**

Fiscal Year	Public Improvement Bonds	Pension Obligations	Commercial Paper	Tax and Revenue Certificates	Notes Payable	Other Borrowings
2014	\$ 2,422,445	\$ 535,353	\$ 257,350	\$ 18,660	\$ 11,629	\$ 5,813
2015	2,658,664	529,603	141,900	17,671	—	5,154
2016	2,603,712	523,443	99,900	17,479	—	4,495
2017	2,401,047	516,858	239,900	16,682	—	3,836
2018	2,455,354	1,444,890	70,000	15,446	—	8,226
2019	2,275,465	1,434,480	165,000	14,156	—	5,062
2020	2,165,078	1,422,407	131,900	12,806	—	19,355
2021	1,959,806	1,400,128	244,600	11,396	—	28,889
2022	1,940,414	1,375,473	168,000	12,846	—	28,636
2023	1,723,361	1,348,318	275,400	11,189	—	28,576

**Business-type Activities**

Fiscal Year	Combined Utility System Revenue Bonds	Houston Airport System Revenue Bonds	Convention & Entertainment Revenue Bonds	Long-Term Contracts	Total Primary Government	Per Capita <sup>(1)</sup> (in dollars)
2014	\$ 6,041,391	\$ 2,232,051	\$ 482,974	\$ 130,986	\$ 12,138,652	\$ 5,777
2015	6,545,540	2,393,951	681,585	198,217	13,172,285	5,882
2016	6,703,987	2,468,672	666,280	209,300	13,297,268	5,791
2017	6,782,294	2,371,252	649,112	469,253	13,450,234	5,839
2018	6,865,875	2,334,124	703,234	750,193	14,647,342	6,333
2019	6,891,460	2,245,566	725,803	910,375	14,667,367	6,308
2020	6,975,458	2,227,419	656,266	890,120	14,500,809	6,262
2021	6,984,887	2,422,006	634,448	449,846	14,136,006	6,146
2022	6,835,066	2,328,356	611,365	425,395	13,725,551	5,998
2023	6,537,881	2,233,496	566,842	416,052	13,141,115	5,706

Note: Details regarding the City's outstanding debt can be found in Note 8 of the accompanying financial statements.

<sup>(1)</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)  
(unaudited)

Fiscal Year	General Tax Obligation Debt <sup>(1)</sup>	Less: Amounts Available in Debt Service	Net General Tax obligation Debt	Net General Tax Obligation Debt as a Percentage of Estimated Taxable Value of Property <sup>(2)</sup>	Per Capita <sup>(3)</sup>
2014	\$ 3,251,250	\$ 97,655	\$ 3,153,595	1.88 %	\$ 1,436
2015	3,140,357	82,422	3,057,935	1.63	1,366
2016	3,244,534	8,770	3,235,764	1.59	1,417
2017	3,174,487	7,933	3,166,554	1.43	1,373
2018	3,985,690	82,868	3,902,822	1.72	1,687
2019	3,889,101	85,186	3,803,915	1.66	1,644
2020	3,732,191	116,395	3,615,796	1.48	1,561
2021	3,615,930	107,530	3,508,400	1.36	1,525
2022	3,496,733	117,305	3,379,428	1.29	1,477
2023	3,358,268	146,883	3,211,385	1.13	1,395

Note: Details regarding the City's outstanding debt can be found in Note 8 of the accompanying financial statements.

<sup>(1)</sup> General tax obligation debt repaid from property taxes.

<sup>(2)</sup> See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>(3)</sup> Population data can be found in the Schedule of Demographic and Economic Statistics .

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2023**  
 (amounts expressed in thousands)  
 (unaudited)

	Net Direct Debt <sup>(1)</sup>		% of Debt Applicable to Houston <sup>(2)</sup>	City of Houston Share of Debt
	Amount	As of		
<b>City</b>				
City of Houston - direct	\$ 3,386,844	6/30/2023	100.00 %	\$ 3,386,844
<b>County</b>				
Fort Bend County	871,922	6/30/2023	1.61	14,038
Harris County (including Toll Road Bonds)	1,631,194	6/30/2023	51.23	835,661
Harris County Flood Control	1,167,953	6/30/2023	51.23	598,342
Montgomery County	419,508	6/30/2023	1.66	6,964
<b>School District</b>				
Aldine I.S.D.	1,416,206	6/30/2023	39.82	563,933
Alief I.S.D.	357,776	8/31/2022	78.51	280,890
Clear Creek I.S.D.	934,989	6/30/2023	21.86	204,389
Conroe I.S.D.	2,307,912	8/31/2022	0.00	—
Crosby I.S.D.	193,845	6/30/2023	0.05	97
Cypress-Fairbanks I.S.D.	3,779,259	6/30/2023	9.85	372,257
Deer Park I.S.D.	310,051	6/30/2023	0.83	2,573
Fort Bend I.S.D.	1,616,683	6/30/2023	3.52	56,907
Galena Park I.S.D.	310,906	6/30/2023	9.00	27,982
Goose Creek I.S.D.	614,254	6/30/2023	0.00	—
Houston I.S.D.	2,797,359	6/30/2023	100.00	2,797,359
Huffman I.S.D.	84,043	6/30/2023	29.18	24,524
Humble I.S.D.	882,268	6/30/2022	33.32	293,972
Katy I.S.D.	2,319,476	8/31/2022	12.94	300,140
Klein I.S.D.	1,042,753	6/30/2023	1.04	10,845
New Caney I.S.D.	892,076	6/30/2023	15.12	134,882
Pasadena I.S.D.	710,589	8/31/2022	41.31	293,544
Sheldon I.S.D.	429,306	6/30/2023	0.32	1,374
Spring I.S.D.	1,262,746	6/30/2023	1.41	17,805
Spring Branch I.S.D.	1,150,991	6/30/2023	73.60	847,129
<b>Municipal Utility District</b>				
Harris County MUD 355	3,720	6/30/2023	100.00	3,720
Harris County MUD 359	3,603	6/30/2023	100.00	3,603
Harris County MUD 372	821	6/30/2023	100.00	821
Harris County MUD 381	15,008	6/30/2023	100.00	15,008
Harris County MUD 390	49,977	6/30/2023	100.00	49,977
Harris County MUD 393	7,507	6/30/2023	100.00	7,507
Harris County MUD 404	7,793	6/30/2023	100.00	7,793
Harris County MUD 410	17,715	6/30/2023	100.00	17,715
Harris County MUD 411	7,662	6/30/2023	100.00	7,662
Harris County MUD 415	4,792	6/30/2023	100.00	4,792
Harris County MUD 450	13,643	6/30/2023	100.00	13,643
Harris County MUD 451	4,820	6/30/2023	100.00	4,820
Harris County MUD 460	45,223	6/30/2023	100.00	45,223
Harris County MUD 499	11,226	6/30/2023	100.00	11,226
Harris County MUD 529	9,725	6/30/2023	100.00	9,725
Harris County MUD 537	14,839	6/30/2023	100.00	14,839
Northwood MUD # 1	1,635	6/30/2023	100.00	1,635
<b>Other Jurisdictions</b>				
Clear Lake City Water Authority	87,069	6/30/2023	65.83	57,318
Harris County Hospital District	70,970	6/30/2023	52.10	36,975
Houston Community College	446,665	6/30/2023	90.86	405,840
Lee College District	51,276	8/31/2022	0.00	—
Lone Star College System	568,305	6/30/2023	10.37	58,933
Port of Houston Authority	615,967	6/30/2023	52.10	320,919
San Jacinto College District	841,239	6/30/2023	15.44	129,887
Total overlapping debt	30,405,265			8,915,188
Total direct and overlapping debt	\$ 33,792,109			\$ 12,302,032

(1) The net direct debt amounts above, except for that which relates to the City of Houston, were provided by the individual government entities or the Municipal Advisory Council of Texas (MACTx). The percentage of debt applicable to the City was provided by MACTx. Net Direct Debt is equal to the outstanding principal amount less sinking fund balances.

(2) The percentage of overlapping debt applicable is estimated using (market or taxable) assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's (market or taxable) assessed value that is within the overlapping jurisdiction's boundaries and dividing it by the overlapping jurisdiction's total (market or taxable) assessed value.

AD VALOREM TAX LEVIES AND COLLECTIONS

June 30, 2023

(amounts expressed in thousands)

(unaudited)

Fiscal Year	Tax Rate <sup>(1)</sup>			Net Current Year Tax Levy <sup>(2) (4)</sup> (in thousands)	Current Collections Prior to End of Fiscal Year <sup>(3) (4) (5)</sup> (in thousands)	Prior Years' Delinquent Collections <sup>(5)</sup> (in thousands)	Total Collection <sup>(3)(4)(5)</sup> (in thousands)	Total Collections Percentage of Net Levy <sup>(4)</sup>
	General Purposes	Debt Service	Total					
2015	0.47464	0.15644	0.63108	\$ 1,183,204	\$ 1,156,298	\$ 23,578	\$ 1,179,876	99.7 %
2016	0.44219	0.15893	0.60112	1,228,563	1,206,449	9,000	1,215,449	98.9
2017	0.45446	0.13196	0.58642	1,299,973	1,276,573	16,500	1,293,073	99.5
2018	0.42023	0.16398	0.58421	1,329,129	1,307,863	4,941	1,312,804	98.8
2019	0.41924	0.16907	0.58831	1,347,166	1,326,810	10,187	1,336,997	99.2
2020	0.40413	0.16379	0.56792	1,367,460	1,345,580	16,082	1,361,662	99.6
2021	0.42309	0.13875	0.56184	1,450,559	1,414,585	14,399	1,428,984	98.5
2022	0.40247	0.14484	0.54731	1,447,043	1,409,911	9,488	1,419,399	98.1
2023	0.38513	0.14851	0.53364	1,531,815	1,485,861	1,687	1,487,548	97.1
2024	0.38888	0.13031	0.51919	1,654,971	1,605,322	6,494	1,611,816	97.4

<sup>(1)</sup> The Texas Constitution limits the maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation for home-rule cities such as the City; however, for a discussion of the more restrictive City Charter Limitations, see "PROPERTY TAXES – City Charter Tax and Revenue Limitations."

<sup>(2)</sup> The figures represent net adjusted levies, including the late certification and correction rolls from the Appraisal District, through June 30 of each Fiscal Year, except for fiscal year 2024, which is as of August 18, 2023.

<sup>(3)</sup> These amounts do not include revenues from various types of Industrial District Contracts entered into by the City with industrial property owners outside of the City's corporate limits. Such Industrial District Contracts have a term of fifteen years (currently scheduled to terminate in Tax Year 2027) and allow property owners to make payments to the City in lieu of paying ad valorem taxes.

<sup>(4)</sup> Includes all ad valorem tax receipts received by the City, including tax increment revenues that are deposited into special funds designated for various tax increment reinvestment zones. By virtue of contracts among the City, the Zones and the local government corporations that manage the zones, the tax increments are transferred to the respective local government corporation and are available to fund authorized projects in the Zone and to be pledged to obligations issued by the local government corporation on behalf of the Zone. Bonds and other obligations issued by the local government are not debt of the City. In Fiscal Year 2024, the City has budgeted approximately \$261.1 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately \$41.5 million will be transferred back to the City for affordable housing projects, an administrative fee and a fee for municipal service costs attributable to development in such Zones. Much of the tax increments transferred to the zones are used to promote economic developments through the acquisition and construction of public improvements to spur development in certain areas of the City. Additionally, the zones provide affordable housing and funds for certain City capital improvement projects.

<sup>(5)</sup> The City's fiscal year 2024 Budget includes a property tax levy in compliance with Proposition 1. Upon receipt of the Certified Initial Roll a proposed tax rate is calculated to comply with the tax revenue restrictions.

**AD VALOREM TAX OBLIGATION PERCENTAGES**  
 June 30, 2023  
 (amounts expressed in thousands, except per capita amount)  
 (unaudited)

<b>Tax Year</b>	<b>Fiscal Year</b>	<b>Tax-Supported Debt at December 31 (in thousands)<sup>(6)</sup></b>	<b>Tax Roll<sup>(1)</sup> (in thousands)</b>	<b>Tax-Supported Debt as a Percentage of Tax Roll</b>	<b>Tax-Supported Per Capita Debt<sup>(2)</sup></b>	<b>Debt Service Requirement Payable from Taxes<sup>(3)(4)</sup> (in thousands)</b>	<b>Tax Levy for Debt Service (in thousands)<sup>(5)</sup></b>
2013	2014	\$ 3,392,510	\$ 167,460,662	2.03 %	\$ 1,545	\$ 304,267	\$ 243,813
2014	2015	3,329,635	187,196,033	1.78	1,487	337,756	264,500
2015	2016	3,225,240	204,300,968	1.58	1,412	340,345	295,954
2016	2017	3,079,240	220,692,709	1.40	1,335	339,639	258,415
2017	2018	3,978,830	227,519,681	1.75	1,720	384,968	333,784
2018	2019	3,887,020	229,630,283	1.69	1,679	427,761	342,205
2019	2020	3,918,035	244,291,904	1.60	1,692	403,043	352,100
2020	2021	3,603,895	258,180,081	1.40	1,567	382,854	311,353
2021	2022	3,510,903	262,700,434	1.34	1,534	398,565	339,739
2022	2023	3,205,915	285,266,988	1.12	1,392	415,030	358,711

- <sup>(1)</sup> With the exception of Tax Year 2022, the tax roll represents the total appraised value of property, after subtracting all exemptions, and reflects all adjustments made by the Appraisal Districts as of June 30 of each Fiscal Year. The Tax Year 2022 amount represents the Appraisal Districts' estimate of certified taxable property values.
- <sup>(2)</sup> Per capita figures are based on population estimates according to the U.S. Census Bureau.
- <sup>(3)</sup> These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund.
- <sup>(4)</sup> These amounts include principal and interest payments for Tax Obligations, except it only includes interest for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year.
- <sup>(5)</sup> Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.
- <sup>(6)</sup> Information as reported in the City's Monthly Operations and Financial Report dated as of December 31 of each Fiscal Year.

**PRINCIPAL AND INTEREST PAYABLE FROM AD VALOREM TAXES  
(EXCLUDING COMMERCIAL PAPER NOTES)  
(unaudited)**

The following schedule presents the City's debt service requirements for fiscal years 2024 through 2051 for the outstanding Tax Bonds, Pension Obligations, and Tax Certificates. Debt service on commercial paper notes is not reflected in the schedule below.

<b>Fiscal Year Ended June 30</b>	<b>Tax Bonds<sup>(1)</sup></b>	<b>Pension Obligations<sup>(2)</sup></b>	<b>Tax Certificates<sup>(3)</sup></b>	<b>Total Debt Service<sup>(4)</sup></b>
2024	\$ 254,708,204	\$ 91,181,179	\$ 8,701,000	\$ 354,590,383
2025	215,034,936	92,433,949	2,725,000	310,193,885
2026	193,905,043	93,730,709	—	287,635,752
2027	198,812,426	95,054,021	—	293,866,447
2028	190,362,542	96,419,190	—	286,781,732
2029	144,463,926	105,342,434	—	249,806,360
2030	107,497,422	106,794,257	—	214,291,679
2031	85,860,483	119,692,994	—	205,553,477
2032	71,977,645	121,218,257	—	193,195,902
2033	63,303,451	86,843,783	—	150,147,234
2034	60,578,334	65,230,035	—	125,808,369
2035	48,909,621	110,207,538	—	159,117,159
2036	47,539,557	101,573,226	—	149,112,783
2037	44,136,307	88,346,491	—	132,482,798
2038	24,761,107	66,433,106	—	91,194,213
2039	21,803,777	68,238,405	—	90,042,182
2040	18,484,842	70,088,291	—	88,573,133
2041	18,487,821	92,244,696	—	110,732,517
2042	9,434,693	73,069,195	—	82,503,888
2043	8,556,591	75,079,120	—	83,635,711
2044	5,402,800	77,145,038	—	82,547,838
2045	5,401,600	79,262,831	—	84,664,431
2046	5,404,400	81,442,535	—	86,846,935
2047	5,400,800	83,683,867	—	89,084,667
2048	5,400,800	—	—	5,400,800
2049	5,404,000	—	—	5,404,000
2050	620,000	—	—	620,000
2051	630,000	—	—	630,000
	<u>\$ 1,862,283,128</u>	<u>\$ 2,140,755,147</u>	<u>\$ 11,426,000</u>	<u>\$ 4,014,464,275</u>

Each Fiscal Year the City budgets for Commercial Paper Notes debt service and related reserve funds based on a calculation that assumes a certain amount of Commercial Paper Notes is expected to be issued during that Fiscal Year at an assumed rate of interest.

- (1) Total debt service does not include payments related to various leases for office space and equipment, which are not considered debt under Texas law. The terms and conditions of such leases and agreements vary.
- (2) GO portion only.
- (3) Adjusted to reflect the sinking fund payments for the Tax and Revenue Certificates of Obligation (QECCB - Direct Pay to Issuer), Series 2013Q (the "Series 2013Q Certificates"). Excludes the federal subsidy payment expected to be received by the City in connection with the Series 2013Q Certificates.
- (4) Totals may reflect a variance due to rounding.

**COMPUTATION OF LEGAL DEBT MARGIN**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

**LEGAL DEBT MARGIN CALCULATION AT JUNE 30, 2023**

Assessed Value <sup>(1)</sup>	\$ 380,273,903
Debt Limit (10% of assessed value)	\$ 38,027,390
Debt applicable to limit:	
Public Improvement Bonds	1,481,110
Pension Obligations	1,438,421
Commercial Paper - General Obligation	275,400
Tax and Revenue Certificates of Obligation	10,985
Total net debt applicable to limit	\$ 3,205,916
Legal debt margin	\$ 34,821,474

**HISTORICAL LEGAL DEBT LIMITATION**

	2014	2015	2016
<b>Legal debt limitation, 10% of assessed value<sup>(2)</sup></b>	\$ 21,962,278	\$ 24,401,203	\$ 26,857,750
Total net debt applicable to margin	3,233,808	3,135,203	3,244,534
Legal debt margin	\$ 18,728,470	\$ 21,266,000	\$ 23,613,216
Total net debt applicable to the limit as a percentage of debt limit	14.7 %	12.8 %	12.1 %

(1) Assessed Value for the 2018 tax year (fiscal year 2019) is based on the appraised value of property prior to any deductions for exemptions. The Assessed Value is derived from the certified valuations provided by the Harris County Appraisal District as of July 2019.

(2) See Texas Government Code, Chapter 1331.051 (b).



<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 28,781,940	\$ 29,222,567	\$ 30,143,366	\$ 32,030,547	\$ 33,848,534	\$ 34,546,666	\$ 38,027,390
3,174,499	3,985,690	3,889,101	3,732,189	3,615,930	3,331,796	3,205,916
<u>\$ 25,607,441</u>	<u>\$ 25,236,877</u>	<u>\$ 26,254,265</u>	<u>\$ 28,298,358</u>	<u>\$ 30,232,604</u>	<u>\$ 31,214,870</u>	<u>\$ 34,821,474</u>
11.0 %	13.6 %	12.9 %	11.7 %	10.7 %	9.6 %	8.4 %

**PLEGDED - REVENUE COVERAGE**  
**Last Ten Fiscal Years**  
 (amounts expressed in thousands)  
 (unaudited)

<b>Airport System Bonds<sup>(1)</sup></b>								
Fiscal Year	Operating & Non-Operating Revenues <sup>(2)</sup>	Less: Operating Expenses	Net Pledged Revenue	Debt Service		Less Grants Available for Debt Service	Less PFC revenue Available for Debt Service	Coverage
				Principal	Interest <sup>(3)</sup>			
2014	\$ 460,768	\$ 268,745	\$ 192,023	\$ 60,419	\$ 96,005	\$ 22,942	\$ 35,614	1.96
2015	489,822	283,557	206,265	71,999	91,320	16,399	38,054	1.89
2016	495,831	314,715	181,116	79,093	84,811	13,888	42,320	1.68
2017	510,524	254,506	256,018	82,707	92,316	—	54,673	2.13
2018	522,407	326,889 <sup>(4)</sup>	195,518	81,137	93,319	—	50,642	1.58
2019	518,192	315,153	203,039	80,110	96,202	—	60,646	1.76
2020	491,537	314,034	177,503	89,090	91,641	14,169	55,040	1.59
2021	329,110	251,830	77,280	75,580	69,769	88,984	56,365	(*) not calculated
2022	488,806	255,377	233,429	77,700	85,803	103,684	59,819	(*) not calculated
2023	582,231	315,487	266,744	119,710	88,441	50,000	68,744	2.98

- (1) Including Sr. Lien Commercial Paper, Subordinate Lien Bonds, and Inferior Lien Obligations.
- (2) Income and revenue derived from the operation of the Airport System with limited exclusions.
- (3) Debt service is net of amounts paid by grant fund, capitalized interest and passenger facility charges revenue.
- (4) The decrease in net pension liability recorded as negative expense in FY2017 was \$67.4 million.
- (\*) Calculations not performed for the year ended 6/30/2022 as HAS paid all debt service in fiscal year 2022 from PFC's and CARES Act proceeds.

<b>Combined Utility System Bonds<sup>(1)</sup></b>						
Fiscal Year	Operating & Non-Operating Revenues <sup>(2)</sup>	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
2014	\$ 1,029,562	\$ 406,273	\$ 623,289	\$ 134,030	\$ 273,484	1.53
2015	973,289	424,683	548,606	140,685	266,636	1.35
2016	1,053,648	436,845	616,803	160,450	261,489	1.46
2017	1,075,788	438,330	637,458	184,570	259,941	1.43
2018	1,126,569	438,551	688,018	200,505	261,978	1.49
2019	1,123,606	468,244	655,362	213,810	257,760	1.39
2020	1,184,353	465,791	718,562	207,110	268,749	1.51
2021	1,154,660	505,931	648,729	228,641	262,231	1.32
2022	1,407,715	510,072	896,643	254,501	250,694	1.77
2023	1,667,322	585,195	1,082,127	271,299	257,069	2.05

- (1) Including Water and Sewer System Bonds, Combined Utility System Bonds, and Commercial Paper interest.
- (2) Income and revenues derived from the operation of the Combined Utility System with limited exclusions.

<b>Convention and Entertainment Center Bonds<sup>(1)</sup></b>				
Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue <sup>(2)</sup>	Debt Service		Coverage
		Principal	Interest	
2014	\$ 78,892	\$ 27,530	\$ 14,123	1.89
2015	89,145	26,215	10,743	2.41
2016	83,027	25,835	11,377	2.23
2017	82,116	24,524	18,307	1.92
2018	76,491	19,790	24,333	1.73
2019	77,460	21,815	24,797	1.66
2020	77,483	21,779	26,388	1.61
2021	61,196	56,842	28,561	0.72
2022	41,749	23,222	33,154	0.74
2023	84,632	23,892	31,162	1.54

- (1) Including Revenue Bonds and Commercial Paper.
- (2) Includes the 5.65%/7% of collected hotel occupancy tax, certain parking revenues, and certain tax rebates.

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**  
**(unaudited)**

Fiscal Year	<sup>(1) (2)</sup> Population	<sup>(3)</sup> Personal Income (amount in thousands)	<sup>(3)</sup> Per Capita Income	<sup>(4)</sup> Median Age	<sup>(4)</sup> Education Level in Years of Formal Schooling	<sup>(4)</sup> School Enrollment	<sup>(5)</sup> Average Unemployment Rate (percentage)
2014	2,196,367	\$ 360,298	\$ 55,436	32.3	13.0	1,790,150	5.4%
2015	2,238,653	366,978	55,013	32.4	13.0	1,829,867	4.8%
2016	2,283,616	351,012	51,572	32.6	13.0	1,849,065	5.6%
2017	2,306,360	377,978	54,788	32.6	13.1	1,874,344	5.2%
2018	2,313,079	403,674	57,875	32.7	13.2	1,893,312	4.7%
2019	2,314,478	415,920	58,884	32.9	13.2	1,932,292	4.0%
2020	2,315,720	428,501	59,893	32.9	13.4	1,915,864	11.6%
2021	2,300,027	467,267	64,837	33.4	13.4	1,920,741	7.4%
2022	2,288,250	Not available	Not available	35.3	13.4	1,911,456	4.8%
2023	2,302,878	Not available	Not available	35.4	Not available	1,943,808	4.5%

<sup>(1)</sup> Source: U.S. Census Bureau - City and Town Populations, Subcounty Resident Population Estimates: April 1, 2013, to July 1, 2019.

<sup>(2)</sup> Source: U.S. Census Bureau - Annual Estimates of the Resident Population for Incorporated Places of 50,000 or More: estimate as of July 1, 2021, and July 1, 2022, for fiscal years 2022 and 2023, respectively.

<sup>(3)</sup> Source: U.S. Department of Commerce, Bureau of Economic Analysis. Amounts as of year ended December 31 for the nine-county Metropolitan Statistical Area (MSA). Information for the years ended December 31, 2023 and 2022, are not yet available.

<sup>(4)</sup> Source: U.S. Census Bureau - ACS Demographic and Housing Estimates for or the nine-county Metropolitan Statistical Area.

<sup>(5)</sup> Source: U.S. Bureau of Labor Statistics. Information as of June each year for the nine-county Metropolitan Statistical Area.

**PRINCIPAL EMPLOYERS (1)**  
**Last Ten Fiscal Years**  
**Employer (Listed Alphabetically)**  
**(unaudited)**

2023	2022	2021
Amazon	CHI St. Luke's Health	ExxonMobil
CHI St. Luke's Health	ExxonMobil	HEB
ExxonMobil	HCA Houston Healthcare	HCA Houston Healthcare
HCA Houston Healthcare	HEB	Houston Methodist
HEB	Houston Methodist	Kroger
Houston Methodist	Kroger	Memorial Hermann Health System
Kroger	Memorial Hermann Health System	Schlumberger
Memorial Hermann Health System	Schlumberger	UT MD Anderson Cancer Center
Schlumberger	UT MD Anderson Cancer Center	United Airlines
Walmart	Walmart	Walmart
2020	2019	2018
ExxonMobil	HEB	Exxon Mobil
HEB	Houston Methodist	HEB
HCA Houston Healthcare	Kroger	Houston Methodist
Houston Methodist	McDonald's Corp	Kroger Company
Kroger	Memorial Hermann Health System	McDonald's Corp
Memorial Hermann Health System	Schlumberger	Memorial Hermann Health System
Shell Oil Company	Shell Oil Company	Texas Children Hospital
UT MD Anderson Cancer Center	UT MD Anderson Cancer Center	UT MD Anderson Cancer Center
United Airlines	United Airlines	United Airlines
Walmart	Walmart	Walmart
2017	2016	2015
HEB	ExxonMobil	Cameron International
Houston Methodist	Houston Methodist Hospital System	ExxonMobil
Kroger Company	Kroger Company	HEB
McDonald's Corp	Memorial Hermann Health System	Houston Methodist
Memorial Hermann Health System	National Oilwell Varco	Kroger
UT MD Anderson Cancer Center	Schlumberger Limited	Memorial Hermann Health System
United Airlines	Shell Oil Company	National Oilwell Varco
Schlumberger Limited	UTMB Health	Shell Oil Company
Shell Oil Company	UT MD Anderson Cancer Center	UT MD Anderson Cancer Center
Walmart	United Airlines	United Airlines
2014		
B.P. America, Inc.		
ExxonMobil		
Houston Methodist		
Kroger		
Memorial Hermann Health System		
National Oilwell Varco		
Schlumberger Limited		
Shell Oil Company		
UT MD Anderson Cancer Center		
United Airlines		

Source: Greater Houston Partnership Research

(1) Starting fiscal year 2022, information such as the number of employees or the employers' percentage of total employment is not available for disclosure. Prior year information has been modified to the format consistent with current fiscal year for presentation purposes.

**CITY OF HOUSTON, TEXAS**

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**EMPLOYMENT STATISTICS**

**June 30, 2023**

**(unaudited)**

**Employment**

The following table indicates the Houston PMSA estimated annual average labor force for the years 2013 through 2022 according to the Texas Employment Commission:

**Houston PMSA Labor Force Estimates  
(Employees in thousands)**

	<b>2013</b>	<b>2014</b>
Civilian Labor Force <sup>(1)</sup>	3,180	3,244
Employed	3,009	3,098
Unemployed	171	146
Percent unemployed	5.40 %	4.50 %
Nonfarm Payroll Employment <sup>(2)</sup>	2,895	2,991
Manufacturing	261	250
Mining	115	109
Contract construction	197	205
Transp/Trade/Pub Utils/Communications <sup>(3)</sup>	616	645
Finance/Insurance/Real Estate	146	146
Services & Miscellaneous	1,800	1,261
Government	379	381

<sup>(1)</sup> Includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers, and workers involved in labor-management disputes.

<sup>(2)</sup> Includes the non-agricultural wage and salary jobs estimated to exist in Houston PMSA without reference to place of residence of workers.

<sup>(3)</sup> Trade has been included with Transportation, Public Utilities and Communications.

<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
3,287	3,323	3,412	3,444	3,381	3,418	3,523	3,625
3,106	3,147	3,255	3,313	3,053	3,165	3,353	3,451
180	176	157	131	328	253	170	174
5.50 %	5.30 %	4.60 %	3.80 %	9.70 %	7.40 %	4.80 %	4.80 %
3,002	3,061	3,132	3,185	2,980	3,047	3,266	3,345
232	234	228	241	220	207	226	234
87	86	80	88	62	69	69	70
216	215	237	230	219	204	238	222
647	635	661	661	637	666	701	729
155	156	164	167	165	163	172	187
1,282	1,321	1,353	1,382	1,281	1,005	1,428	1,481
388	414	410	418	399	411	432	422

**CITY OF HOUSTON EMPLOYMENT INFORMATION**  
**Last Ten Years**  
**(unaudited)**

**Full-time Equivalent Employees as of June 30, 2023**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Fund/Department</b>										
<b>GENERAL FUND</b>										
<b>Public Safety</b>										
Fire/Civilian	117.1	107.2	111.9	109.6	108.3	105.2	95.3	85.3	97.5	95.5
Fire/Classified	3,981.2	4,119.9	4,235.4	4,231.6	4,219.3	4,100.0	4,098.6	4,055.6	4,101.1	4,150.6
Fire/Cadets	123.0	139.1	107.1	94.6	41.4	80.2	49.7	98.4	123.7	113.7
Municipal Courts	291.6	299.2	290.7	280.0	268.4	257.8	252.4	241.2	236.6	226.1
Police/Civilian	1,157.8	1,133.2	1,134.7	1,141.7	1,099.8	986.8	874.9	851.3	853.3	862.4
Police/Classified	5,290.4	5,350.7	5,353.4	5,357.3	5,559.8	5,351.0	5,592.7	5,293.0	5,422.0	5,289.4
Police/Cadets	88.1	91.2	140.5	176.2	134.1	139.5	139.7	140.3	173.9	126.8
<b>Total Public Safety</b>	<b>11,049.2</b>	<b>11,240.5</b>	<b>11,373.7</b>	<b>11,391.0</b>	<b>11,431.1</b>	<b>11,020.5</b>	<b>11,103.3</b>	<b>10,765.1</b>	<b>11,008.1</b>	<b>10,864.5</b>
<b>Development &amp; Maintenance Services</b>										
General Services (Formerly Building Services)	201.1	140.7	137.7	135.1	133.7	144.3	142.6	136.0	139.0	146.3
Planning & Development	76.1	71.9	59.8	32.3	28.0	25.9	21.3	23.8	21.5	19.0
Public Works & Engineering (PW&E)	13.6	14.6	12.5	13.8	13.0	7.3	6.6	8.4	7.7	8.4
Solid Waste Management	458.9	475.9	507.7	526.0	527.7	542.1	530.2	534.3	508.6	485.1
<b>Total Development &amp; Maintenance</b>	<b>749.7</b>	<b>703.1</b>	<b>717.7</b>	<b>707.2</b>	<b>702.4</b>	<b>719.6</b>	<b>700.7</b>	<b>702.5</b>	<b>676.8</b>	<b>658.8</b>
<b>Human &amp; Cultural Services</b>										
Health & Human Services	565.0	563.5	447.7	447.6	431.7	409.4	391.4	374.9	359.4	323.9
Housing & Community Development	2.0	1.3	0.7	0.7	2.5	0.4	0.5	0.3	0.3	0.3
Library	474.1	469.8	466.0	466.1	471.7	455.7	440.0	415.6	407.1	426.6
Neighborhoods	103.5	107.5	107.6	103.9	102.9	95.4	87.8	86.5	78.1	78.2
Parks & Recreation	670.3	663.7	657.9	693.5	689.0	648.0	595.5	523.1	545.6	549.4
<b>Total Human &amp; Cultural Services</b>	<b>1,814.9</b>	<b>1,805.8</b>	<b>1,679.9</b>	<b>1,711.8</b>	<b>1,697.8</b>	<b>1,608.9</b>	<b>1,515.2</b>	<b>1,400.4</b>	<b>1,390.5</b>	<b>1,378.4</b>
<b>Administrative Services</b>										
Administration & Regulatory Affairs	201.5	202.1	205.6	209.1	191.7	184.8	172.2	170.8	167.5	166.1
City Secretary	10.7	10.3	9.2	8.9	9.9	9.8	9.4	7.6	8.2	7.8
Controller's Office	65.3	62.1	60.3	57.8	60.3	51.1	48.3	50.0	49.9	46.5
Council Office	74.6	76.5	77.6	76.2	73.2	71.8	70.2	72.8	71.2	67.6
Finance Department	107.8	111.4	106.8	102.2	103.1	101.1	97.9	99.4	98.4	98.4
Human Resources	31.1	32.0	33.2	29.0	26.7	23.4	19.3	16.5	36.5	25.7
Information Technology	156.3	161.8	156.8	145.3	107.1	93.8	28.8	-	-	-
Legal	119.7	121.6	120.0	114.0	107.2	106.6	113.5	97.6	96.5	100.3
Mayor's Office	58.5	48.6	49.5	49.1	45.5	43.4	43.1	39.5	36.3	35.8
Office of Business Opportunity (Formerly Affirm. Action)	26.4	28.1	28.2	27.7	27.7	26.7	30.0	34.0	28.4	28.5
<b>Total Administrative Services</b>	<b>851.9</b>	<b>854.5</b>	<b>847.2</b>	<b>819.3</b>	<b>752.4</b>	<b>712.5</b>	<b>632.7</b>	<b>588.2</b>	<b>592.9</b>	<b>576.7</b>
<b>Total General Fund</b>	<b>14,465.7</b>	<b>14,603.9</b>	<b>14,618.5</b>	<b>14,629.3</b>	<b>14,583.7</b>	<b>14,061.5</b>	<b>13,951.9</b>	<b>13,456.2</b>	<b>13,668.3</b>	<b>13,478.4</b>
<b>ENTERPRISE FUNDS</b>										
Aviation	1,368.7	1,292.0	1,245.2	1,211.5	1,190.0	1,156.3	1,145.2	1,163.2	1,172.9	1,231.9
Convention & Entertainment Facilities	22.7	-	-	-	-	-	-	-	-	-
Combined Utility System	2,220.8	2,166.2	2,179.6	2,254.8	2,266.6	2,245.0	2,239.5	2,289.0	2,245.2	2,257.0
<b>Total Enterprise Funds</b>	<b>3,612.2</b>	<b>3,458.2</b>	<b>3,424.8</b>	<b>3,466.3</b>	<b>3,456.6</b>	<b>3,401.3</b>	<b>3,384.7</b>	<b>3,452.2</b>	<b>3,418.1</b>	<b>3,488.9</b>

(Continued)



(Continued)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Fund/Department</b>										
<b>SPECIAL REVENUE FUNDS</b>										
Administration & Regulatory Affairs	159.9	168.8	175.9	179.6	171.6	173.1	181.8	179.8	177.6	171.3
Finance	15.5	42.8	39.2	41.2	49.2	49.4	50.2	59.3	55.7	53.0
Fleet Management (Formerly PW&E - Fleet Management)	325.9	369.7	371.2	399.7	406.9	400.8	389.3	392.9	373.0	360.4
General Services (Formerly Building Services)	61.3	137.5	130.1	126.1	134.6	129.6	117.6	113.9	102.9	104.5
Health & Human Services	592.1	661.0	656.3	686.1	782.9	807.5	764.2	966.9	1,007.4	1,052.0
Housing & Community Development	161.8	163.4	158.3	146.1	142.9	189.1	278.1	307.0	286.1	265.4
Houston Emergency Center	243.8	242.5	247.5	243.2	246.1	248.0	241.9	242.9	227.5	214.5
Houston Information Technology	-	-	-	-	-	-	-	-	181.5	180.7
Houston Public Works	-	-	-	-	-	-	-	-	1,779.4	1,735.8
Human Resources	-	-	-	-	-	-	-	-	253.1	257.5
Legal	35.2	-	-	53.6	52.7	50.1	52.4	52.5	55.4	57.4
Library	23.4	17.1	13.6	7.9	5.7	6.0	9.8	11.4	8.6	6.6
Mayor's Office	26.9	43.5	50.0	51.0	54.9	56.9	56.1	69.8	70.4	71.8
Municipal Courts - (Administration) Department	18.1	20.0	18.8	21.0	16.0	10.5	10.2	10.5	7.6	4.1
Neighborhoods	48.8	46.7	43.4	40.2	37.5	33.2	29.8	30.4	35.4	33.4
Office of Business Opportunity (Formerly Affirm. Action)	2.0	2.0	2.0	2.0	1.6	1.1	1.9	2.0	1.5	1.8
Parks Special Revenue	93.2	103.4	108.3	116.4	115.5	100.1	93.4	95.8	102.4	105.9
Planning & Development	11.6	8.2	21.9	49.9	51.6	51.1	52.7	61.7	61.7	59.0
Police - Auto Dealers/Civilian	8.0	39.7	7.1	7.7	8.0	8.7	8.2	8.7	-	-
Police - Auto Dealers/Classified	32.0	21.9	-	-	-	-	-	-	-	-
Police - Cadet	-	-	16.7	40.9	1.0	23.0	-	-	-	39.5
Police - Special Services/Civilian	35.7	24.0	2.2	2.2	1.7	2.0	1.9	2.0	45.0	41.2
Police - Special Services/Classified	139.3	45.8	-	-	-	-	-	-	44.3	107.0
Police - Federal Government/Civilian	-	-	27.4	27.1	27.4	29.4	40.7	46.0	-	-
Police - Federal Government/Classified	-	-	16.6	36.4	35.5	33.5	32.4	24.1	-	-
Police - Forensic Transition Special Service/ Civilian	-	58.4	38.2	27.7	24.1	8.9	7.0	7.0	-	-
Police - Forensic Transition Special Service/ Classified	-	51.1	43.5	31.6	27.4	23.0	23.9	23.7	-	-
PW&E - Building Inspection	571.5	560.6	577.1	616.1	604.2	581.4	627.4	638.7	-	-
PW&E - Project Recovery Fund	-	-	329.5	309.0	299.1	286.1	301.0	308.3	-	-
PW&E - Stormwater Utility	377.7	337.3	329.9	347.9	373.0	304.7	342.1	322.0	-	-
PW&E - Houston TransStar	8.0	7.9	7.8	8.1	7.1	7.3	8.1	8.5	-	-
PW&E - Drainage and Street Renewal	505.2	485.0	487.4	464.5	511.6	458.9	492.2	508.9	-	-
Solid Waste Management	2.1	2.5	2.4	4.0	3.3	4.4	2.4	2.7	3.7	7.6
<b>Total Special Revenue Funds</b>	<b>3,499.0</b>	<b>3,660.8</b>	<b>3,922.3</b>	<b>4,087.2</b>	<b>4,193.1</b>	<b>4,077.8</b>	<b>4,216.7</b>	<b>4,497.4</b>	<b>4,880.2</b>	<b>4,930.4</b>
<b>Total General, Enterprise and Special Funds</b>	<b>21,576.9</b>	<b>21,722.9</b>	<b>21,965.6</b>	<b>22,182.8</b>	<b>22,233.4</b>	<b>21,540.6</b>	<b>21,553.3</b>	<b>21,405.8</b>	<b>21,966.6</b>	<b>21,897.7</b>
<b>INTERNAL SERVICE/REVOLVING FUND</b>										
Human Resources - Health Benefits	46.7	47.6	57.0	47.7	42.5	42.7	45.1	39.8	-	-
General Services - Central Svc Revolving	31.8	-	-	-	-	-	-	-	-	-
Human Resources - Central Svc Revolving	138.7	142.6	155.6	150.4	142.6	170.9	167.4	168.8	-	-
Information Technology - Central Svc Revolving	53.7	51.8	54.9	50.0	83.5	82.6	95.3	126.8	-	-
General Services - In House Reconstruction	28.5	-	-	-	-	-	-	-	-	-
PW&E - CIP Salary Recovery	308.9	328.9	-	-	-	-	-	-	-	-
Admin. and Regulatory Affairs - Property and Casualty	5.0	-	-	-	-	-	-	-	-	-
Legal - Property and Casualty	52.2	52.7	58.5	51.6	49.9	47.5	48.4	45.8	-	-
Human Resources - Workers Compensation	29.5	31.5	32.6	30.0	32.1	45.8	51.5	47.0	-	-
Legal - Workers Compensation	2.0	2.0	2.0	2.0	2.0	2.0	1.8	1.6	-	-
<b>Total Internal Service/Revolving Funds</b>	<b>697.0</b>	<b>657.1</b>	<b>360.6</b>	<b>331.7</b>	<b>352.6</b>	<b>391.5</b>	<b>409.5</b>	<b>429.8</b>	<b>-</b>	<b>-</b>
<b>Total Full-time Equivalent Employees</b>	<b>22,273.9</b>	<b>22,380.0</b>	<b>22,326.2</b>	<b>22,514.5</b>	<b>22,586.0</b>	<b>21,932.1</b>	<b>21,962.8</b>	<b>21,835.6</b>	<b>21,966.6</b>	<b>21,897.7</b>

(Concluded)

## OPERATING INDICATORS BY FUNCTION

June 30, 2023

(unaudited)

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Police</b>										
Physical arrests	138,007	54,490	61,749	51,910	51,288	58,401	51,054	41,351	43,377	46,591
Parking violations	195,822	188,570	203,941	194,595	187,047	201,142	169,439	187,482	197,997	193,471
Traffic violations filed	557,609	472,553	437,138	395,461	379,266	392,454	280,399	235,349	230,403	280,075
<b>Fire</b>										
Number of calls dispatched	308,264	327,417	336,170	335,693	346,023	337,613	347,409	363,767	382,971	390,547
Inspections <sup>(1)</sup>	85,945	88,367	74,906	11,000	25,742	30,579	34,582	36,160	27,731	26,910
<b>Highways and streets</b>										
Streets resurfaced (miles)	104	194	152	186	142	153	158	136	143	126
Tons of asphalt for pothole repair and skin patches	15,292	15,972	13,130	13,328	13,058	11,507	15,026	11,379	10,573	10,414
<b>Parks and recreation</b>										
Athletic field permits issued	2,344	2,312	2,270	2,423	2,300	2,342	1,715	608	1,890	2,377
Community center admissions (thousands)	5,703	5,813	5,547	5,838	5,470	5,810	4,521	1,637	2,976	3,582
<b>Sanitation</b>										
Refuse collected (tons)	686,334	681,675	695,613	725,819	732,015	718,506	753,879	773,596	716,584	687,408
Recyclables collected (tons) <sup>(2)</sup>	115,143	116,575	127,421	120,324	76,024	99,697	127,160	124,075	90,714	64,724
<b>Water</b>										
New connections <sup>(4)</sup>	6,796	6,349	4,559	4,530	4,612	4,524	3,083	3,805	4,009	3,956
Water main breaks <sup>(3)</sup>	11,935	10,572	11,122	9,638	8,355	11,067	8,178	9,427	8,539	11,119
Average daily pumpage (millions of gallons)	455	428	445	458	461	454	455	447	458	476
<b>Wastewater</b>										
Wastewater line repairs	2,210	2,186	2,252	2,322	2,452	2,222	1,893	2,152	2,067	1,987
Average daily sewage treatment (millions of gallons)	225	257	256	253	252	270	245	264	251	242

<sup>(1)</sup> The Fire Department now has a better system to record inspections. For example, a ten-building apartment complex is now counted as ten inspections, not one.

<sup>(2)</sup> The Solid Waste Department started the tree recycling program in January 2009, which greatly increased the tons of recyclables collected.

<sup>(3)</sup> A dry year caused a higher than usual number of breaks.

<sup>(4)</sup> New connections represents all water connection types as meters (physical connections) to the water supply, not the regulatory definition of a connection.

## CAPITAL ASSET STATISTICS BY FUNCTION

June 30, 2023

(unaudited)

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Public safety</b>										
Police										
Stations	17	17	16	17	17	17	17	17	17	17
Patrol units	903	1,282	1,338	1,416	1,448	1,470	1,326	1,427	1,616	1,808
Fire										
Stations	92	93	93	93	93	93	93	93	93	93
<b>Highways and streets</b>										
Streets (lane miles)	15,397	15,404	14,656	14,656	14,764	13,852	13,852	15,991	15,991	15,991
Streetlights	174,373	174,075	175,172	176,440	177,056	177,056	177,056	177,056	178,837	179,138
Traffic signals	2,467	2,467	2,491	2,495	2,491	2,491	2,491	2,534	2,520	2,520
<b>Parks and recreation</b>										
Parks acreage	37,851	37,859	37,856	35,733	37,942	39,501	39,501	39,501	39,501	35,992
Parks	528	533	537	542	545	546	547	547	548	556
Swimming pools	57	56	56	57	58	59	59	59	59	59
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	60	61	61	60	60	60	60	60	60	60
<b>Sanitation</b>										
Collection trucks	323	343	351	360	350	371	413	323	327	450
<b>Water</b>										
Water mains (miles)	7,198	7,128	7,128	7,128	7,144	7,210	7,174	7,640	7,639	7,660
Fire hydrants	58,984	N/A	N/A	60,420	60,543	61,524	61,876	61,991	62,103	62,509
Maximum daily capacity (millions of gallons)	885	803	808	799	782	795	790	764	713	693
<b>Sewer</b>										
Sanitary sewers (miles) <sup>(1)</sup>	6,950	6,950	6,950	6,950	6,192	6,200	6,300	6,396	6,186	6,192
Storm sewers (miles)	3,838	3,838	3,894	3,946	3,987	3,987	3,987	3,987	3,987	3,987
Maximum daily treatment permitted (millions of gallons)	565	563	563	563	564	564	564	564	564	587

<sup>(1)</sup> The sanitary sewers (miles) for the fiscal years ended June 30, 2013 to June 30, 2018 were adjusted to reflect updated information received from Water Operations Branch.

Source: Departments of the City of Houston, Texas.

**June 30, 2023**  
**VOTER-AUTHORIZED OBLIGATIONS**  
**(amounts expressed in thousands)**  
**(unaudited)**

The following schedule sets forth the categories of bond authorization approved by the voters in elections held in November 2001 (the "2001 Election"), November 2006 (the "2006 Election"), November 2012 (the "2012 Election"), and November 2017 (the "2017 Election"), the amount of each such authorization approved by City Council for issuance as Commercial Paper Notes, the amount of commercial paper issued as of year-end, and the amount of commercial paper approved but unissued.

The City has issued all bonds authorized at the election held in November 1997.

Purposes	November 2001 Election				
	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued <sup>(1)</sup>	Commercial Paper Notes Approved by City Council but Unissued	All Voter Authorized but Unissued
Streets, Bridges, Traffic Control	\$ 474,000	\$ 474,000	\$ 471,300	\$ 2,700	\$ 2,700
Parks and Recreation	80,000	80,000	80,000	—	—
Police and Fire Departments	82,000	82,000	82,000	—	—
Permanent and General Improvements <sup>(2)</sup>	80,000	80,000	80,000	—	—
Public Libraries	40,000	40,000	40,000	—	—
Low Income Housing	20,000	20,000	20,000	—	—
Total	<u>\$ 776,000</u>	<u>\$ 776,000</u>	<u>\$ 773,300</u>	<u>\$ 2,700</u>	<u>\$ 2,700</u>
<b>November 2006 Election</b>					
Streets, Bridges, Traffic Control	\$ 320,000	\$ 219,950	\$ 97,248	\$ 122,702	\$ 222,752
Parks and Recreation	55,000	55,000	55,000	—	—
Public Safety	135,000	135,000	135,000	—	—
Permanent and General Improvements <sup>(2)</sup>	60,000	60,000	60,000	—	—
Public Libraries	37,000	37,000	37,000	—	—
Low Income Housing	18,000	18,000	10,731	7,269	7,269
Total	<u>\$ 625,000</u>	<u>\$ 524,950</u>	<u>\$ 394,979</u>	<u>\$ 129,971</u>	<u>\$ 230,021</u>
<b>November 2012 Election</b>					
Streets, Bridges, Traffic Control	\$ —	\$ —	\$ —	\$ —	\$ —
Parks and Recreation	166,000	166,000	149,532	16,468	16,468
Public Safety	144,000	144,000	144,000	—	—
Permanent and General Improvements <sup>(2)</sup>	57,000	57,000	53,078	3,922	3,922
Public Libraries	28,000	28,000	28,000	—	—
Low Income Housing	15,000	10,188	5,248	4,940	9,752
Total	<u>\$ 410,000</u>	<u>\$ 405,188</u>	<u>\$ 379,858</u>	<u>\$ 25,330</u>	<u>\$ 30,142</u>
<b>November 2017 Election</b>					
Streets, Bridges, Traffic Control	\$ —	\$ —	\$ —	\$ —	\$ —
Parks and Recreation	104,000	53,918	15,000	38,918	89,000
Public Safety	159,000	159,000	42,105	116,895	116,895
Permanent and General Improvements <sup>(2)</sup>	109,000	92,634	55,794	36,840	53,206
Public Libraries	123,000	52,799	34,934	17,865	88,066
Low Income Housing	—	—	—	—	—
Total	<u>\$ 495,000</u>	<u>\$ 358,351</u>	<u>\$ 147,833</u>	<u>\$ 210,518</u>	<u>\$ 347,167</u>
Combined Total (2001, 2006, 2012 & 2017 Elections)	<u>\$ 2,306,000</u>	<u>\$ 2,064,489</u>	<u>\$ 1,695,970</u>	<u>\$ 368,519</u>	<u>\$ 610,030</u>

<sup>(1)</sup> As of June 30, 2023.

<sup>(2)</sup> Includes Public Health and Solid Waste Management.

**CITY OF HOUSTON, TEXAS**

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**CONVENTION AND ENTERTAINMENT FACILITIES FUND REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

<b>Total Annual Revenues Last Ten Fiscal Years</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Operating Revenues</b>			
Fees charged to users, net	\$ 11,124	\$ 12,390	\$ 12,431
<b>Total Operating Revenues</b>	<b>11,124</b>	<b>12,390</b>	<b>12,431</b>
<b>Nonoperating Revenues</b>			
Interest	9,637	4,933	12,708
Hotel occupancy tax (includes penalty and interest)	90,119	90,711	88,632
Other income	292	818	—
<b>Total Nonoperating Revenues</b>	<b>100,048</b>	<b>96,462</b>	<b>101,340</b>
<b>Total Revenues</b>	<b>\$ 111,172</b>	<b>\$ 108,852</b>	<b>\$ 113,771</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>			
<b>Operating Expenses</b>			
Maintenance and operating	\$ 1,199	\$ 1,380	\$ 76,466
Depreciation	14,219	14,375	13,720
<b>Total Operating Expenses</b>	<b>15,418</b>	<b>15,755</b>	<b>90,186</b>
<b>Nonoperating Expenses</b>			
Interest on long-term debt	25,791	29,684	27,299
Gain (loss) on disposal of assets	—	—	—
Other expenses and transfer out	73,371	79,312	421
<b>Total Nonoperating Expenses</b>	<b>99,162</b>	<b>108,996</b>	<b>27,720</b>
<b>Total Expenses</b>	<b>\$ 114,580</b>	<b>\$ 124,751</b>	<b>\$ 117,906</b>

<sup>(1)</sup> Beginning in Fiscal Year 2018, the City began reflecting the 19.3% of the hotel occupancy tax that was designated to the General Fund in the General Fund as opposed to the Convention and Entertainment Fund. The amount here represents the 81% available to cover bond covenants.

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 12,283	\$ 7,883	\$ 10,655	\$ 9,486	\$ 6,100	\$ 8,357	\$ 10,398
12,283	7,883	10,655	9,486	6,100	8,357	10,398
9,091	9,723	13,560	12,000	9,083	7,979	9,491
82,882	89,417	86,078	67,348	47,449	82,505	104,853
291	989	2,083	292	431	324	307
92,264	100,129	101,721	79,640	56,963	90,808	114,651
<u>\$ 104,547</u>	<u>\$ 108,012</u>	<u>\$ 112,376</u>	<u>\$ 89,126</u>	<u>\$ 63,063</u>	<u>\$ 99,165</u>	<u>\$ 125,049</u>

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 69,756	\$ 73,725	\$ 70,470	\$ 48,935	\$ 30,441	\$ 69,298	\$ 85,544
13,654	13,599	13,508	13,480	13,418	12,848	12,844
83,410	87,324	83,978	62,415	43,859	82,146	98,388
27,170	27,945	29,747	27,322	25,475	24,419	22,706
—	—	—	—	5,753	—	—
177	251	—	—	1,449	1,521	1,522
27,347	28,196	29,747	27,322	32,677	25,940	24,228
<u>\$ 110,757</u>	<u>\$ 115,520</u>	<u>\$ 113,725</u>	<u>\$ 89,737</u>	<u>\$ 76,536</u>	<u>\$ 108,086</u>	<u>\$ 122,616</u>

**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**Last Ten Fiscal Years**  
**(unaudited)**

**HISTORICAL PLEDGED REVENUES**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Pledged HOT <sup>(1)</sup></b>	<b>% Change</b>	<b>Pledged Parking Revenues <sup>(2)</sup></b>	<b>% Change</b>	<b>Tax Rebates <sup>(3)</sup></b>	<b>% Change</b>	<b>Total <sup>(4)</sup></b>
2014	\$ 72,739	18.1 %	\$ 8,644	9.5 %	\$ 7,762	(17.4)%	\$ 89,145
2015	73,217	0.7 %	9,810	13.5 %	—	(100.0)%	83,027
2016	72,265	(1.3)%	9,851	0.4 %	—	— %	82,116
2017	66,898	(7.4)%	9,593	(2.6)%	—	— %	76,491
2018	72,172	7.9 %	5,234	(45.4)%	—	— %	77,406
2019	69,477	(3.7)%	8,006	53.0 %	—	— %	77,483
2020	54,359	(21.8)%	6,837	(14.6)%	—	— %	61,196
2021	38,298	(29.5)%	3,451	(49.5)%	—	— %	41,749
2022	66,593	73.9 %	5,636	63.3 %	—	— %	72,229
2023	84,632	27.1 %	7,678	36.2 %	—	— %	92,310

- (1) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) collected due to an occupancy tax of 5.65% applied to the cost of substantially all hotel room rentals in the City other than the Hilton Americas Hotel during the first ten years of its operation. The total HOT imposed by the City is 7%.
- (2) The City's pledge of parking revenues for debt service is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. These annual payments totaled \$1,000,000 for fiscal years 2001-2005, \$1,050,000 for fiscal year 2006, and \$1,100,000 for fiscal years 2007 and beyond.
- (3) The Tax Rebates consist of rebates of hotel occupancy taxes, sales taxes, and mixed beverage taxes derived from the Hilton Americas Hotel and parking garage during the first ten years of operation. They ended December 31, 2013, so there are no rebates to report in FY2023.
- (4) Amounts shown do not include investment earnings on pledged revenues, which are also pledged.



**CITY OF HOUSTON, TEXAS**

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**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**Last Ten Fiscal Years**  
**(unaudited)**

**Schedule of Hotel Occupancy Tax and Occupancy Rates**

<b>Fiscal Year</b>	<b>Occupancy % Rate <sup>(1)</sup></b>	<b>Average Daily Rate <sup>(1)</sup></b>	<b>Tax % Rate</b>	<b>Gross Hotel Occupancy Tax Revenues (in thousands)</b>
2014	70.5 %	\$ 108.80	7.00 %	\$ 90,345
2015	70.3	111.17	7.00	90,711
2016	64.2	105.55	7.00	88,632
2017	61.5	105.47	7.00	82,961
2018	65.0	108.18	7.00	89,417
2019	64.6	104.16	7.00	86,078
2020	39.8	86.48	7.00	67,348
2021	52.4	84.93	7.00	47,449
2022	56.6	100.89	7.00	82,505
2023	62.1	115.75	7.00	104,853

<sup>(1)</sup> Source: STR, Inc.

**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**June 30, 2023**  
**(unaudited)**

**Schedule of Hotel Occupancy Tax Collections**

<b>The Ten Largest Taxpayers</b>	<b>Gross Hotel Occupancy Tax Collections (in thousands)</b>
Airbnb, Inc.	\$ 8,113
Houston Marriott Marquis	4,520
Hilton Americas-Houston	3,955
The Post Oak Hotel	2,578
Four Seasons Hotel Houston #0619	2,451
Hyatt Regency Hotel	2,065
JW Marriott Houston Downtown #1291	1,692
Marriott Hotel IAH	1,650
Westin Galleria #0533	1,550
JW Marriott Galleria	1,439
<b>Total</b>	<b>\$ 30,013</b>

**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**

June 30, 2023

(unaudited)

**Parking Facilities Rates**

Facility	City Employee Monthly Contract <sup>(1)</sup>	Other Monthly Contract <sup>(2)</sup>	Daily Transient <sup>(2)</sup>	Event Rate <sup>(2)</sup>
Theater District Garage	\$ 106.4	\$ 120.0 <sup>(3)</sup>	\$10.0 - 1st hour	\$ 15
		\$ 195.0 <sup>(4)</sup>	\$14 - 2nd hour	
		\$ 205.0 <sup>(5)</sup>	\$17 - 3rd hour	
		\$ 150.0 <sup>(6)</sup>	\$20 - daily maximum	
		\$ 163.9 <sup>(7)</sup>		
Reserved parking	N/A	\$ 300.0 <sup>(8)</sup>	\$20 - daily maximum	N/A
		\$ 330.0 <sup>(9)</sup>		
City Hall Annex Parking Garage	\$ 51.8	N/A	N/A	\$ 15
Lots C and H	\$ 70.1	\$ 70.0	N/A	\$ 20

<sup>(1)</sup> Does not include sales and use tax of 8.25%.

<sup>(2)</sup> Includes sales and use tax of 8.25%.

<sup>(3)</sup> Current TC Energy employee flex rate.

<sup>(4)</sup> Current Monday through Friday monthly unreserved rate.

<sup>(5)</sup> Current 24/7 monthly unreserved rate.

<sup>(6)</sup> Rates paid by Convention & Entertainment Facilities departmental contractors.

<sup>(7)</sup> Bulk contract parking agreement.

<sup>(8)</sup> Current monthly reserved rate.

<sup>(9)</sup> Current monthly reserved with electric vehicle charger access included in the rate.

Source: [www.houstonfirsttheaters.com/parking](http://www.houstonfirsttheaters.com/parking)

**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**Debt Service Schedule**  
**(unaudited)**

The following table sets forth the Debt Service Requirements on all Convention & Entertainment Revenue Bonds Outstanding assuming scheduled mandatory redemption of any term bonds.

Fiscal Year Ending June 30	Series 2001 Bonds	Series 2014 Bonds	Series 2015 Bonds	Regions Notes <sup>(1)</sup>	Series 2017 Bonds	Series 2019 Bonds	Series 2021 Bonds	Total Debt Service
2024	\$ 24,220	\$ 4,393	\$ 11,714	\$ 1,000	\$ 1,360	\$ 11,409	\$ 3,261	\$ 57,356
2025	24,930	4,397	11,892	21,000	1,395	10,529	3,246	77,390
2026	25,850	4,393	12,015	—	1,419	9,518	3,239	56,433
2027	26,610	8,253	9,007	—	854	8,198	3,566	56,487
2028	27,355	7,992	9,336	—	914	7,349	3,528	56,475
2029	28,305	8,287	8,500	—	756	7,005	3,615	56,466
2030	29,065	8,041	8,578	—	773	6,526	3,497	56,481
2031	29,950	8,183	8,377	—	736	6,255	2,977	56,478
2032	30,530	8,074	8,376	—	739	5,965	2,782	56,466
2033	30,560	8,149	8,532	—	765	5,711	2,741	56,458
2034	30,550	9,530	7,807	—	628	5,281	2,609	56,404
2035	—	2,481	4,416	—	—	5,980	—	12,877
2036	—	2,479	4,417	—	—	5,991	—	12,887
2037	—	2,483	4,415	—	—	4,855	—	11,753
2038	—	2,481	4,416	—	—	—	—	6,897
2039	—	2,479	4,414	—	—	—	—	6,893
2040	—	2,481	4,414	—	—	—	—	6,894
2041	—	—	4,415	—	—	—	—	4,415
2042	—	—	4,416	—	—	—	—	4,416
2043	—	—	4,415	—	—	—	—	4,415
2044	—	—	4,416	—	—	—	—	4,416
2045	—	—	4,417	—	—	—	—	4,417
Total	<u>\$ 307,925</u>	<u>\$ 94,573</u>	<u>\$ 152,704</u>	<u>\$ 22,000</u>	<u>\$ 10,340</u>	<u>\$ 100,571</u>	<u>\$ 35,060</u>	<u>\$ 723,172</u>

<sup>(1)</sup> Assumes an interest rate of 5.0% for the Regions Notes.

**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
(amounts expressed in thousands)  
(unaudited)

**Convention & Entertainment Budget for Fiscal Year 2023**

**Budgeted Resources**

**Operating Revenues**

Facility Rentals	\$	1,521
Parking		8,275
<b>Total Operating Revenues</b>		<u>9,796</u>

**Operating Expenses**

Personnel		257
Services		107
<b>Total Operating Expenses</b>		<u>364</u>
<b>Operating Income</b>		<u>9,432</u>

**Nonoperating Revenues (Expenses)**

Hotel Occupancy Tax		
Current		87,016
Delinquent		3,922
<b>Net Hotel Occupancy Tax</b>		<u>90,938</u>
Investment Income		275
Other Interest		-
Other		291
<b>Total nonoperating Rev (Exp)</b>		<u>91,504</u>
<b>Income Before Operating Transfers</b>		<u>100,936</u>

**Transfers**

Transfers to Interest		19,327
Transfers to Principal		9,847
Transfers to Debt Service		210
Transfers to Component Unit		78,722
Transfers to General Fund		1,521
<b>Total Transfers</b>		<u>109,627</u>

<b>Net Loss Operating Fund</b>	<b>\$</b>	<b><u>(8,691)</u></b>
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## COMBINED UTILITY SYSTEM FUND REVENUES AND EXPENSES

Last Ten Fiscal Years

(amounts expressed in thousands)

(unaudited)

Fiscal Years	2014	2015	2016	2017	2018
<b>Operating Revenues</b>					
Water sales	\$ 499,912	\$ 486,517	\$ 529,879	\$ 547,054	\$ 559,010
Waste water system user charges	441,300	434,305	462,786	475,392	479,978
Penalties and Other services and charges	12,195	6,602	9,917	3,349	13,561
<b>Total Operating Revenues</b>	<u>953,407</u>	<u>927,424</u>	<u>1,002,582</u>	<u>1,025,795</u>	<u>1,052,549</u>
<b>Nonoperating Revenues</b>					
Investment income	10,688	7,685	12,652	3,954	8,074
Other income	80,062	49,632	55,306	58,414	74,595
<b>Total Nonoperating Revenues</b>	<u>90,750</u>	<u>57,317</u>	<u>67,958</u>	<u>62,368</u>	<u>82,669</u>
<b>Total Revenues</b>	<u>\$ 1,044,157</u>	<u>\$ 984,741</u>	<u>\$ 1,070,540</u>	<u>\$ 1,088,163</u>	<u>\$ 1,135,218</u>
<b>Fiscal Years</b>	<b>2014 (1)</b>	<b>2015 (2)</b>	<b>2016</b>	<b>2017</b>	<b>2018 (3)</b>
<b>Operating Expenses</b>					
Maintenance and operating	\$ 399,647	\$ 428,732	\$ 451,342	\$ 354,396	\$ 492,391
Depreciation and Amortization	223,381	231,048	236,841	246,218	252,093
<b>Total Operating Expenses</b>	<u>623,028</u>	<u>659,780</u>	<u>688,183</u>	<u>600,614</u>	<u>744,484</u>
<b>Nonoperating Expenses</b>					
Interest on long-term debt	291,122	265,013	252,116	248,920	248,284
Other expenses	5,397	—	1,877	—	—
<b>Total Nonoperating Expenses</b>	<u>296,519</u>	<u>265,013</u>	<u>253,993</u>	<u>248,920</u>	<u>248,284</u>
<b>Total Expenses</b>	<u>\$ 919,547</u>	<u>\$ 924,793</u>	<u>\$ 942,176</u>	<u>\$ 849,534</u>	<u>\$ 992,768</u>

(1) In 2014, GASB No. 65 "Items Previously Reported as Assets and liabilities" was implemented causing a restatement to beginning net assets of (\$60,080). Certain bond issuance cost were expensed.

(2) In 2015, GASB No. 68 "Accounting and Financial Reporting for Pensions" was implemented causing a restatement to beginning net assets of (\$273,806) from the recognition of additional pension expense.

(3) In 2018, GASB No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" was implemented causing a restatement to beginning net assets of (\$61,602).

(4) In 2019, a prior period adjustment was recorded causing a restatement to beginning net assets of \$79,429.

(5) In 2020, a prior period adjustment was recorded causing a restatement to beginning net assets of \$383,966.

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 554,294	\$ 591,611	\$ 584,594	\$ 698,263	\$ 802,915
485,183	509,315	510,832	607,343	713,004
2,965	(834)	(2,686)	1,907	(11,937)
<u>1,042,442</u>	<u>1,100,092</u>	<u>1,092,740</u>	<u>1,307,513</u>	<u>1,503,982</u>
55,170	54,988	3,310	(50,712)	39,748
83,688	70,546	84,451	152,820	85,144
<u>138,858</u>	<u>125,534</u>	<u>87,761</u>	<u>102,108</u>	<u>124,892</u>
<u>\$ 1,181,300</u>	<u>\$ 1,225,626</u>	<u>\$ 1,180,501</u>	<u>\$ 1,409,621</u>	<u>\$ 1,628,874</u>

<b>2019 (4)</b>	<b>2020 (5)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 516,503	\$ 518,591	\$ 529,971	\$ 463,364	\$ 578,050
257,430	265,306	273,747	282,839	289,362
<u>773,933</u>	<u>783,897</u>	<u>803,718</u>	<u>746,203</u>	<u>867,412</u>
268,708	247,440	242,569	257,907	270,085
—	—	—	—	2,955
<u>268,708</u>	<u>247,440</u>	<u>242,569</u>	<u>257,907</u>	<u>273,040</u>
<u>\$ 1,042,641</u>	<u>\$ 1,031,337</u>	<u>\$ 1,046,287</u>	<u>\$ 1,004,110</u>	<u>\$ 1,140,452</u>

**COMBINED UTILITY SYSTEM REVENUE BOND COVERAGE**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
<b>OPERATING REVENUES</b>		
Sales of water	\$ 802,915	\$ 698,263
Sewer system user charges	713,004	607,343
Penalties, other services and charges	(11,937)	1,907
Total Operating Revenues	<u>1,503,982</u>	<u>1,307,513</u>
<b>NON-OPERATING REVENUES</b>		
Investment Earnings under Previous Ordinance	28,285	8,935
Investment Earnings under Master Ordinance	6,541	3,757
Contributions from Water Authorities	54,339	—
Other Non-Operating revenues	23,478	37,568
Total non-operating revenues	<u>112,643</u>	<u>50,260</u>
<b>TOTAL GROSS REVENUES:</b>	<u>1,616,625</u>	<u>1,357,773</u>
<b>EXPENSES</b>		
Contract Revenue Bonds Payments <sup>(1)</sup>		
Coastal Water Authority Debt Service	6,356	6,376
Total Contract Revenue Bonds Payments	<u>6,356</u>	<u>6,376</u>
Maintenance and Operating Expenses	<u>578,839</u>	<u>503,696</u>
Total Expenses	<u>585,195</u>	<u>510,072</u>
<b>RESTRICTED RECEIPTS UNDER MASTER ORDINANCE</b>	<u>50,697</u>	<u>48,942</u>
<b>NET REVENUES UNDER MASTER ORDINANCE</b>	<u>\$ 1,082,127</u>	<u>\$ 896,643</u>
<b>BOND DEBT SERVICE:</b>		
Previously Issued Bonds	17,345	15,480
First Lien Bonds	511,023	489,715
Total Debt Service	<u>\$ 528,368</u>	<u>\$ 505,195</u>
<b>BOND DEBT SERVICE COVERAGE:</b>		
Junior Lien Bond Coverage under Previous Ordinance <sup>(2)</sup>	59.09	54.52
First Lien Bond Coverage under Master Ordinance <sup>(3)</sup>	2.08	1.80
<b>TOTAL COVERAGE<sup>(4)</sup></b>	<b>2.05</b>	<b>1.77</b>

<sup>(1)</sup> These are "Required Payments Under Previous Ordinance."

<sup>(2)</sup> Coverage of debt service on Previous Ordinance Bonds by Net Revenues as calculated under Previous Ordinance, which does not include as revenues Investment Earnings under Master Ordinance and Restricted Revenues.

<sup>(3)</sup> Coverage of Debt Service on First Lien Bonds by Net Revenues, less debt service on Junior Lien Bonds under Previous Ordinance.

<sup>(4)</sup> Coverage of total Debt Service on Junior Lien Bonds under Previous Ordinance and First Lien Bonds under Master Ordinance by Net Revenues.



**COMBINED UTILITY SYSTEM STATISTICS**

**June 30, 2023**

**(unaudited)**

**Water Right Permit**

	<u>Rights in MGD</u>
Surface Water	
Trinity River Basin	914
Water Reuse	259
San Jacinto River Basin	258
Bayous	116
Brazos River Basin	91
Total Surface Water Rights	<u>1,638</u>
Ground Water Production Capacity <sup>(1)</sup>	<u>146</u>
Total Water Available	<u><u>1,784</u></u>

<sup>(1)</sup> Pursuant to rules of the Harris - Galveston Coastal Subsidence District.

**COMBINED UTILITY SYSTEM STATISTICS**

**(unaudited)**

**Previous Ordinance and First Lien Bonds**

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

	<u>FY 2023</u>
Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2029) <sup>(1)</sup>	\$ 44,095,000
Maximum Annual Debt Service Requirements on First Lien Bonds (2030) <sup>(1) (2)</sup>	\$ 550,744,741
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance	\$ 553,982,122
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2023 <sup>3</sup>	\$ 1,031,430,320
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2023 <sup>4</sup>	\$ 1,082,127,044
Total Funds available for Debt Service Coverage at July 01, 2023 <sup>5</sup>	\$ 1,105,615,300
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	23.39
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	3.97
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bonds	3.95

<sup>(1)</sup> Does not include debt service on CWA Bonds, which are payable from Gross Revenues as a Maintenance and Operating Expense of the Combined Utility System.

<sup>(2)</sup> First Lien Debt Service largest payment requirement.

<sup>(3)</sup> Excludes Restricted Receipts under Master Ordinance.

<sup>(4)</sup> Net Revenues as calculated under the Master Ordinance, which includes as revenues restricted receipts and earnings under the Master Ordinance.

<sup>(5)</sup> Available cash from Operating and General Purpose Fund net of encumbrances.

### **The Combined Utility System - Water & Sewer Facilities General**

The City of Houston Drinking Water Operations (“DWO”) System covers over 580 square miles, providing drinking water to four counties: Harris, Fort Bend, Montgomery, and Galveston. There are 496,945 active water service accounts. 85% of source water is pulled from the San Jacinto and Trinity rivers while the remaining 15% originates from groundwater wells. In total, DWO has 861 million gallons per day (“MGD”) combined design production capacity of groundwater and surface water. More specifically, the water production and storage system include 3 surface water plants, 55 groundwater plants, 146 groundwater wells, 7 surface water re-pressurization plants, and 157 water storage tanks and towers. Average water purification and production is 476 MGD, which is enough to fill the Astrodome almost twice per day. The water distribution network consists of 7,660 linear miles of piping, 62,509 fire hydrants, and over 171,188 valves that are managed and maintained to the highest standards.

The City of Houston Wastewater Operations System receives and processes wastewater generated by residential, commercial, and industrial customers throughout the service area. The service area covers approximately 650 square miles within the City of Houston and serves a population of about 2.3 million people. The Wastewater System consists of over 6,192 miles of both gravity and force main lines, 600 miles of service lines within public right of way, 39 wastewater treatment plants, and over 377 lift/pumping stations and a centralized laboratory. The general condition of the collection lines varies depending on age, location and type of construction. The average daily wastewater flow through the Wastewater Treatment Facilities for Fiscal Year 2023 was 242 MGD. The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 587 MGD.

### **The Combined Utility System - Annexation Program - In - City Districts**

The City has created reinvestment zones and public improvement districts in which infrastructure improvements, including water and wastewater facilities, will be financed by the respective district or zone through bonds supported by assessments within the districts and by a tax increment fund into which will be deposited the amount of ad valorem taxes collected in the reinvestment zones in excess of the amount calculated on the basis of the property tax appraisals in effect at the time of creation of the particular reinvestment zone. Under State law, the City can create a public improvement district both within the corporate limits of the City and within its extraterritorial jurisdiction.

**COMBINED UTILITY SYSTEM STATISTICS**  
(unaudited)

**Funding of Proposed System Improvements**

It is anticipated that the system improvements contemplated in the Combined Utility System's Fiscal Year 2024-2028 CIP will be financed approximately as follows:

<u>Proposed Source of Funding</u>	<u>Amount (in thousands)</u>
System Revenue Bonds (Net Proceeds and Interest Earnings) <sup>(1)</sup>	\$ 3,499,689
System Revenue	1,250,000
Swift Loan (Subordinate Lien)	—
Contributed Capital	97,801
	<u>\$ 4,847,490</u>

<sup>(1)</sup> The Combined Utility System's fiscal year 2024-2028 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds, but not each issuance of Commercial Paper Notes.

**Obligations Payable from Combined Utility System Revenues**

The following sets forth the total outstanding principal amount of the Combined Utility System obligations payable from revenues of the Combined Utility System as of June 30, 2023:

<u>Contract Revenue Bonds Payable from System Gross Revenues</u>	<u>Amount (in thousands)</u>
CWA Bonds <sup>(1)</sup>	\$ 44,570
Total - Contract Revenue Bonds	<u>\$ 44,570</u>
<u>System Revenue Bonds Payable from System Net Revenues</u>	
Previous Ordinance Bonds	\$ 34,342
First Lien Bonds	6,057,355
Third Lien Obligations	—
Total - System Revenue Bonds	<u>\$ 6,091,697</u>
Total - All Bonds Payable from System Revenues	<u>\$ 6,136,267</u>

<sup>(1)</sup> Under a 1968 agreement, as amended and superseded in part, and a 1995 agreement, CWA agreed to construct the CWA conveyance system and certain other projects and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover maintenance and operation expenses of the CWA Conveyance System plus debt service of the CWA Bonds.

**COMBINED UTILITY SYSTEM STATISTICS  
TREATED WATER & WASTE WATER CONSUMPTION  
(NOT INCLUDING WHOLESALE NOR RAW WATER)  
Last Ten Fiscal Years  
(unaudited)**

Fiscal Years	2014	2015	2016	2017
<b>Water Consumption (in Thousand Gallons)</b>				
Residential	25,263,997	23,265,022	24,744,815	25,911,974
Multi-Family	25,131,767	25,370,691	25,676,282	26,323,185
Commercial	21,728,794	21,591,973	21,825,149	23,764,306
Government	4,688,639	3,149,624	3,558,515	6,174,766
Other Accts	6,339,166	5,099,403	5,903,309	3,072,484
Total	<u>83,152,363</u>	<u>78,476,713</u>	<u>81,708,070</u>	<u>85,246,715</u>

Fiscal Years	2014	2015	2016	2017
<b>Waste Water Consumption (in Thousand Gallons)</b>				
Residential	25,171,385	23,176,519	24,545,897	24,729,939
Multi-Family	25,072,775	25,290,180	25,520,422	25,669,642
Commercial	22,234,061	22,165,594	22,375,995	19,777,267
Government	521,190	428,287	400,109	3,799,206
Total	<u>72,999,411</u>	<u>71,060,580</u>	<u>72,842,423</u>	<u>73,976,054</u>

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
26,498,295	24,144,424	25,495,741	26,166,947	23,640,857	24,058,354
29,640,195	26,521,613	27,766,727	29,532,580	27,836,619	27,363,147
24,188,333	25,778,408	29,590,893	21,200,453	20,818,858	22,411,325
8,670,358	5,982,549	5,566,938	5,347,518	5,715,351	6,054,926
2,777,547	3,092,248	3,270,522	2,528,725	2,195,120	2,887,063
<b>91,774,728</b>	<b>85,519,242</b>	<b>91,690,821</b>	<b>84,776,223</b>	<b>80,206,805</b>	<b>82,774,815</b>

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
25,368,705	23,107,362	24,305,681	25,058,608	22,652,739	22,912,312
29,017,348	25,860,847	27,100,348	28,918,302	27,264,817	26,640,463
20,008,565	22,373,928	20,236,691	17,472,601	17,901,146	18,597,125
6,865,830	4,030,345	3,402,662	3,251,174	3,541,662	3,503,413
<b>81,260,448</b>	<b>75,372,482</b>	<b>75,045,382</b>	<b>74,700,685</b>	<b>71,360,364</b>	<b>71,653,313</b>

**COMBINED UTILITY SYSTEM STATISTICS****June 30, 2023****(unaudited)****Largest Sewer Customers**

The following schedule presents information concerning the ten largest customers of the Sewer Facilities for the twelve month period ended June 30, 2023. The total charges to such customers represent approximately 2.01% of the Combined Utility System Gross Revenue and 4.67% of Sewer Facilities gross charges during such period.

<b>Customers</b>	<b>Gross Charges</b>
1. Anheuser-Busch, Inc	\$ 7,316,994
2. City of Houston	6,224,753
3. Houston Independent School District	5,801,005
4. Harris County	4,145,608
5. University of Houston	3,521,650
6. Memorial Hermann	2,588,863
7. Rice University	1,839,059
8. MD Anderson	1,119,935
9. Houston Baptist Church	406,049
10. Methodist Hospital	366,373
	<u>\$ 33,330,289</u>

**COMBINED UTILITY SYSTEM STATISTICS**

**June 30, 2023**

**(unaudited)**

**Water and Sewer Rate Adjustments**

In recent years, the water and sewer rates have been adjusted on the average as follows:

<b>Date of Change</b>	<b>Average Percent Rate Increase (Decrease)</b>	
	<b>Water</b>	<b>Sewer</b>
April 2014	1.2 %	1.2 %
April 2015	4.4 %	4.4 %
April 2016	1.4 %	1.4 %
April 2017	3.4 %	3.4 %
April 2018	2.8 %	2.8 %
April 2019	2.8 %	2.8 %
April 2020	3.5 %	3.5 %
April 2021	1.5 %	1.5 %
September 2021*	9.0 %	20.0 %
April 2022*	7.5 %	11.0 %
April 2022	5.6 %	5.6 %
April 2023	9.2 %	9.2 %
April 2023*	6.0 %	6.0 %

1. Current water rates are based on customer class. Customer classes include single-family, commercial, industrial, contract and agricultural. The amount of the bill is the sum of the fixed charge based on meter size and an additional charge based on the volume of water consumed. For example, for single-family customers, water rates can vary from \$9.48 for the first thousand gallons to \$94.69 for ten thousand gallons.
2. Wastewater rates also include a fixed charge based on meter size and an additional charge based on the volume of the water usage. For example, for single-family customers, wastewater rates can vary from \$19.87 for the first thousand gallons to \$123.66 for ten thousand gallons. Additionally, industrial customers may be subject to a sewer surcharge based on the quality of their wastewater discharge.
3. The bill for a typical single family residential customer using 7,000 gallons per month would be \$147.19 for both water and wastewater services. However, total water and sewer charges may range from \$29.35 for 1,000 gallons to \$102.74 for 5,000 gallons per month for single-family residential customers.
4. \*Determined from Water and Wastewater Cost of Service Study Rate formally approved by City Council in 2021. Refer to City of Houston, Texas, Ordinance No. 2021-15 for further information.

**COMBINED UTILITY SYSTEM STATISTICS**

**June 30, 2023**

**Water Supply  
(unaudited)**

**Capacity, Production, and Sales**

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2023 (million gallons per day):

	<u>Available Capacity</u>	<u>Production Planned</u>	<u>Actual Production</u>
Ground	153	71	71
Surface	540	401	405
Total	<u>693</u>	<u>472</u>	<u>476</u>
 <b><u>Total Sales</u></b>			
Treated	416		
Untreated	<u>227</u>		
	<u>643</u>		

**Sources of Combined Utility System Revenues - General**

As of June 30, 2023, the Water Facilities and the Sewer Facilities served approximately 496,945 and 470,877 active service connections, respectively. During Fiscal Year 2023 approximately 48.66% of Combined Utility System Gross Revenues were derived from the sale of water, (90.50% from treated water and 9.50% from untreated water), approximately 43.22% from providing wastewater treatment services 1.39% from interest income and the remaining 6.73% from various other sources. Of the treated water sales, 93.27% of revenues were from retail customers and 6.73% from bulk sales to other governmental entities.



**COMBINED UTILITY SYSTEM STATISTICS****June 30, 2023****Water Supply****(unaudited)****Largest Treated Water Customers**

The following schedule presents information concerning the ten largest treated water customers of the Combined Utility System for the twelve month period ended June 30, 2023. The total charges to such customers during such period represent approximately 3.80% of the Combined Utility System Gross Revenues and 7.81% of total water sales revenues for such period.

<b>Customers</b>	<b>Charges</b>
1. North Harris Co. Regional Water Authority	\$ 13,718,755
2. North Channel Water Authority	10,563,562
3. West Harris Co. Regional Water Authority	6,667,163
4. City of Pasadena	6,582,812
5. North Fort Bend County Water Authority	5,978,393
6. Gulf Coast Water Authority (Galveston)	5,354,654
7. Anheuser-Busch, Inc	3,873,550
8. Clear Lake City	3,396,367
9. City of Bellaire	3,368,729
10. Memorial Villages Water Authority	3,191,210
	<u>\$ 62,695,195</u>

**Largest Untreated Water Customers**

The following schedule presents information concerning the ten largest untreated water customers of the Combined Utility System for a twelve month period ended June 30, 2023. The total of the contract payments by these ten customers during such period represents approximately 3.04% of the Combined Utility System Gross Revenue and 6.24% of total water sales revenues for such period.

<b>Customers</b>	<b>Gross Charges</b>
1. Equistar Chemicals LP	\$ 9,828,146
2. Deer Park Refining Partnership LP	6,135,281
3. Air Liquide America Corp.	5,366,551
4. Chevron Phillips Chemical Co.	5,057,509
5. Battleground Water Company	4,983,430
6. Houston Refining, LP	4,755,563
7. Hoescht Celanese	2,959,630
8. Occidental Chemical	2,856,201
9. TPC Group	2,699,411
10. Deer Park Energy Center	2,621,358
	<u>\$ 47,263,080</u>

**COMBINED UTILITY SYSTEM STATISTICS**  
**Debt Service Schedule**  
**(unaudited)**

The following schedule sets forth the principal and interest requirements on all outstanding bonds payable from revenues of the Combined Utility System for each of the City's fiscal years ending June 30 as shown below, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper notes issued as Third Lien Obligations under the Master Ordinance.

Fiscal Year Ending June 30	Total Payable From System Gross Revenues <sup>(1)</sup>	Payable From System Net Revenues			Total Debt Service
		Previous Ordinance Bonds	First Lien Bonds <sup>(2)</sup>	Total Payable From System Net Revenues	
2024	\$ 6,350,206	\$ 19,005,000	\$ 534,977,122	\$ 553,982,122	\$ 560,332,328
2025	6,338,956	17,990,000	535,336,302	553,326,302	559,665,258
2026	10,782,206	18,155,000	529,981,995	548,136,995	558,919,201
2027	3,378,081	30,815,000	522,023,951	552,838,951	556,217,032
2028	3,378,456	30,810,000	522,036,759	552,846,759	556,225,215
2029	3,404,306	44,095,000	508,203,850	552,298,850	555,703,156
2030	3,400,828	—	550,744,741	550,744,741	554,145,569
2031	3,396,313	—	544,420,911	544,420,911	547,817,224
2032	3,386,100	—	538,600,309	538,600,309	541,986,409
2033	3,381,000	—	523,879,004	523,879,004	527,260,004
2034	3,376,200	—	518,863,488	518,863,488	522,239,688
2035	3,381,300	—	350,427,387	350,427,387	353,808,687
2036	—	—	347,810,560	347,810,560	347,810,560
2037	—	—	326,747,030	326,747,030	326,747,030
2038	—	—	249,857,759	249,857,759	249,857,759
2039	—	—	245,105,629	245,105,629	245,105,629
2040	—	—	184,589,098	184,589,098	184,589,098
2041	—	—	184,210,158	184,210,158	184,210,158
2042	—	—	148,729,577	148,729,577	148,729,577
2043	—	—	141,548,971	141,548,971	141,548,971
2044	—	—	133,731,614	133,731,614	133,731,614
2045	—	—	121,795,379	121,795,379	121,795,379
2046	—	—	104,692,783	104,692,783	104,692,783
2047	—	—	87,342,893	87,342,893	87,342,893
2048	—	—	84,573,459	84,573,459	84,573,459
2049	—	—	66,592,080	66,592,080	66,592,080
2050	—	—	48,927,417	48,927,417	48,927,417
2051	—	—	14,722,719	14,722,719	14,722,719
2052	—	—	14,718,700	14,718,700	14,718,700
Total	\$ 53,953,952	\$ 160,870,000	\$ 8,685,191,645	\$ 8,846,061,645	\$ 8,900,015,597

<sup>(1)</sup> Includes CWA Maintenance and Operating lien.

<sup>(2)</sup> \$249,075,000 of the Series 2012C variable rate bond debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. This was refunded in 2016 & again in 2018 to Series 2016C and Series 2018C respectively. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

**COMBINED UTILITY SYSTEM STATISTICS**  
(unaudited)

**Discretionary Debt Service Paid by the System**

The total amount of Discretionary Debt Service paid from Net Revenues of the Combined Utility System for the past nine fiscal years and the amount budgeted for fiscal year 2024 is set forth below:

<u>Fiscal Year</u>		<u>Discretionary Debt Service (in millions)</u>	
2024	(budgeted)	\$	2.8
2023			4.9
2022			4.9
2021			5.0
2020			5.6
2019			7.8
2018			9.1
2017			9.2
2016			9.9
2015			12.0

**Combined Utility System General Purpose Fund Transfers for Drainage**

The Combined Utility System transfers from its General Purpose Fund to the Storm Water Fund for the past nine fiscal years and the amount budgeted for fiscal year 2024 are reflected below:

<u>Fiscal Year</u>		<u>General Purpose Fund Transfers (in millions)</u>	
2024	(budgeted)	\$	49.7
2023			51.4
2022			57.1
2021			66.5
2020			58.8
2019			55.4
2018			54.0
2017			52.8
2016			42.2
2015			35.2

**Indirect Charges Paid by the System**

<u>Fiscal Year</u>		<u>Indirect Charges (in thousands)</u>	
2024	(budgeted)	\$	8,418
2023			7,333
2022			8,824
2021			9,503
2020			11,069
2019			10,404
2018			10,877
2017			9,988
2016			9,810
2015			9,776

**COMBINED UTILITY SYSTEM STATISTICS**

Last Ten Fiscal Years

(amounts expressed in thousands)

*(unaudited)***Revenues and Expenses of the Water and Sewer System**

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization) of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
OPERATING REVENUES					
Sales of Water	\$ 499,912	\$ 486,517	\$ 529,879	\$ 547,054	\$ 559,010
Sewer system user charges	441,300	434,305	462,786	475,392	479,978
Penalties and Other services and charges	12,195	6,602	9,917	3,349	13,561
Total Operating Revenues	<u>953,407</u>	<u>927,424</u>	<u>1,002,582</u>	<u>1,025,795</u>	<u>1,052,549</u>
NON-OPERATING REVENUES	<u>76,155</u>	<u>45,865</u>	<u>51,066</u>	<u>49,993</u>	<u>74,020</u>
TOTAL GROSS REVENUES(A)	<u>1,029,562</u>	<u>973,289</u>	<u>1,053,648</u>	<u>1,075,788</u>	<u>1,126,569</u>
OPERATING EXPENSES					
Maintenance and Operating Expenses	387,398	406,619	419,161	431,126	432,152
Contractual Maintenance and Operating Expenses					
CWA Debt Service	18,875	18,064	17,684	7,204	6,399
Total Contractual	<u>18,875</u>	<u>18,064</u>	<u>17,684</u>	<u>7,204</u>	<u>6,399</u>
TOTAL OPERATING EXPENSES(B)	<u>406,273</u>	<u>424,683</u>	<u>436,845</u>	<u>438,330</u>	<u>438,551</u>
NET REVENUES	<u>\$ 623,289</u>	<u>\$ 548,606</u>	<u>\$ 616,803</u>	<u>\$ 637,458</u>	<u>\$ 688,018</u>
GROSS REVENUES (A) DIVIDED BY TOTAL OPERATING EXPENSES (B)	2.53	2.29	2.41	2.45	2.57

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 554,294	\$ 591,611	\$ 584,594	\$ 698,263	\$ 802,915
485,183	509,315	510,832	607,343	713,004
<u>2,965</u>	<u>(834)</u>	<u>(2,686)</u>	<u>1,907</u>	<u>(11,937)</u>
1,042,442	1,100,092	1,092,740	1,307,513	1,503,982
<u>81,164</u>	<u>84,261</u>	<u>61,914</u>	<u>99,202</u>	<u>163,340</u>
<u>1,123,606</u>	<u>1,184,353</u>	<u>1,154,654</u>	<u>1,406,715</u>	<u>1,667,322</u>
461,859	459,410	499,533	503,696	578,839
<u>6,385</u>	<u>6,381</u>	<u>6,398</u>	<u>6,376</u>	<u>6,356</u>
<u>6,385</u>	<u>6,381</u>	<u>6,398</u>	<u>6,376</u>	<u>6,356</u>
<u>468,244</u>	<u>465,791</u>	<u>505,931</u>	<u>510,072</u>	<u>585,195</u>
<u>\$ 655,362</u>	<u>\$ 718,562</u>	<u>\$ 648,723</u>	<u>\$ 896,643</u>	<u>\$ 1,082,127</u>
2.40	2.54	2.28	2.76	2.85

## AIRPORT SYSTEM FUND REVENUES AND EXPENSES

Last Ten Fiscal Years

(amounts expressed in thousands)

(unaudited)

Total Annual Revenues Last Ten Fiscal Years	2014	2015	2016	2017	2018
<b>Operating Revenues</b>					
Landing area fees	\$ 88,342	\$ 93,575	\$ 86,870	\$ 88,046	\$ 95,779
Building and ground area fees	186,505	197,039	216,018	221,181	220,214
Parking, concession and other revenues	177,260	185,668	186,009	184,814	194,871
<b>Total Operating Revenues</b>	<b>452,107</b>	<b>476,282</b>	<b>488,897</b>	<b>494,041</b>	<b>510,864</b>
<b>Nonoperating Revenues</b>					
Interest income (loss)	11,170	7,496	13,260	3,403	8,591
Passenger facility charges	62,602	85,392	104,230	101,539	109,021
Customer facility charges	17,152	17,535	16,417	14,200	17,374
Other nonoperating revenues	3,225	7,969	124	5,596	(1,420)
<b>Total Nonoperating Revenues</b>	<b>94,149</b>	<b>118,392</b>	<b>134,031</b>	<b>124,738</b>	<b>133,566</b>
<b>Total Revenues</b>	<b>\$ 546,256</b>	<b>\$ 594,674</b>	<b>\$ 622,928</b>	<b>\$ 618,779</b>	<b>\$ 644,430</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>					
<b>Operating Expenses</b>					
Maintenance and operating	\$ 285,212	\$ 286,529	\$ 315,419	\$ 254,459	\$ 335,104
Depreciation	174,825	177,512	179,398	184,203	176,053
<b>Total Operating Expenses</b>	<b>460,037</b>	<b>464,041</b>	<b>494,817</b>	<b>438,662</b>	<b>511,157</b>
<b>Nonoperating Expenses</b>					
Interest expense and others	112,350	92,803	86,259	87,574	94,061
Restatement	—	—	—	—	—
<b>Total Nonoperating Expenses</b>	<b>112,350</b>	<b>92,803</b>	<b>86,259</b>	<b>87,574</b>	<b>94,061</b>
<b>Total Expenses</b>	<b>572,387</b>	<b>556,844</b>	<b>581,076</b>	<b>526,236</b>	<b>605,218</b>
<b>Contributions</b>	<b>44,614</b>	<b>36,432</b>	<b>22,542</b>	<b>35,513</b>	<b>13,784</b>
<b>Total Change in Net Position</b>	<b>\$ 18,483</b>	<b>\$ 74,262</b>	<b>\$ 64,394</b>	<b>\$ 128,056</b>	<b>\$ 52,996</b>
<b>Net Position at Year End</b>					
Net investment in capital assets	\$ 469,971	\$ 466,196	\$ 537,172	\$ 542,363	\$ 531,232
Restricted net assets					
Restricted for debt service	242,558	303,371	333,635	287,858	357,588
Restricted for maintenance and operations	49,736	53,912	54,942	54,805	56,891
Restricted for special facility	30,986	25,732	26,944	29,369	36,049
Restricted for renewal and replacement	10,000	10,000	10,000	10,000	10,000
Restricted for capital improvements	581,857	600,159	561,071	676,360	657,050
Unrestricted (deficit)	—	(178,003)	(178,003)	(126,938)	(143,297)
<b>Total Net Position</b>	<b>\$ 1,385,108</b>	<b>\$ 1,281,367</b>	<b>\$ 1,345,761</b>	<b>\$ 1,473,817</b>	<b>\$ 1,505,513</b>

2019	2020	2021	2022	2023
\$ 87,767	\$ 95,862	\$ 70,578	\$ 94,253	\$ 92,601
211,323	223,301	155,598	192,029	234,751
199,374	152,749	92,379	194,892	232,895
498,464	471,912	318,555	481,174	560,247
45,067	43,701	1,523	(47,109)	38,706
111,155	78,418	62,541	98,446	108,754
17,439	13,320	8,769	13,723	16,075
340	18,877	198,447	145,281	60,141
174,001	154,316	271,280	210,341	223,676
\$ 672,465	\$ 626,228	\$ 589,835	\$ 691,515	\$ 783,923

2019	2020	2021	2022	2023
\$ 337,477	\$ 370,430	\$ 318,568	\$ 316,001	\$ 400,956
174,266	175,573	170,820	166,792	170,922
511,743	546,003	489,388	482,793	571,878
84,578	85,426	85,803	85,428	78,533
—	—	—	—	—
84,578	85,426	95,803	85,427	78,533
596,321	631,429	585,191	568,220	650,411
16,599	10,927	24,757	41,047	37,087
\$ 92,743	\$ 5,726	\$ 29,401	\$ 164,342	\$ 170,599

2019	2020	2021	2022	2023
\$ 542,125	\$ 514,164	\$ 495,497	\$ 507,167	\$ 591,494
428,856	464,280	384,267	412,293	472,782
60,525	54,807	54,232	55,332	55,457
43,442	55,105	52,362	50,953	55,143
10,000	10,000	10,000	10,000	10,000
651,664	619,884	627,464	681,093	851,491
(138,356)	(114,258)	9,561	80,887	(68,043)
\$ 1,598,256	\$ 1,603,982	\$ 1,633,383	\$ 1,797,725	\$ 1,968,324

**AIRPORT SYSTEM STATISTICS**

**Passenger Statistics**

**Last Ten Fiscal Years**

(unaudited)

**Domestic Passengers**

Fiscal Year	Bush Intercontinental		Hobby		Ellington Airport		Total	
	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
2014	30,832	— %	11,609	8.6 %	—	—	42,441	2.2 %
2015	31,967	3.7	11,837	2.0	—	—	43,804	3.2
2016	31,959	—	12,209	3.1	—	—	44,168	0.8
2017	30,809	(3.6)	12,423	1.8	—	—	43,232	(2.1)
2018	31,102	1.0	12,864	3.5	—	—	43,966	1.7
2019	33,972	9.2	13,629	5.9	—	—	47,601	8.3
2020	25,068	(26.2)	9,998	(26.6)	—	—	35,066	(26.3)
2021	17,645	(29.6)	7,738	(22.6)	—	—	25,383	(27.6)
2022	31,046	75.9	11,656	50.6	—	—	42,702	68.2
2023	33,449	7.7	12,656	8.6	—	—	46,105	8.0



International Passengers							
Bush Intercontinental		Hobby		Total		Total Passengers	
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
9,470	7.7 %	–	0.0 %	9,470	7.7 %	51,911	3.2 %
10,018	5.8	4	0.0	10,022	5.8 %	53,826	3.7
10,904	8.8	519	12,875.0	11,423	14.0 %	55,591	3.3
10,662	(2.2)	860	65.7	11,522	0.9 %	54,754	(1.5)
10,404	(2.4)	957	11.3	11,361	(1.4)%	55,327	1.0
10,939	5.1	965	0.8	11,904	4.8 %	59,505	7.6
7,969	(27.2)	591	(38.8)	8,560	(28.1)%	43,626	(26.7)
3,892	(51.2)	421	(28.8)	4,313	(49.6)%	29,696	(31.9)
8,436	116.8	843	100.2	9,279	115.1 %	51,981	75.0
10,687	26.7	976	15.8	11,663	25.7 %	57,768	11.1

**AIRPORT SYSTEM STATISTICS**  
**AIRLINE MARKET SHARES**  
**Last Ten Fiscal Years**  
**(unaudited)**

**MAJOR AIRLINE MARKET SHARE**

CARRIER	FY2023	%	FY2022	%	FY2021	%	FY2020	%	FY2019	%
United Airlines	31,959,131	55.3 %	29,357,278	56.5 %	15,894,776	53.5 %	25,081,324	57.5 %	34,793,301	58.5 %
Southwest	13,915,118	24.1	12,787,950	24.6	7,829,259	26.4	9,994,165	22.9	13,674,536	23.0
American Airlines	2,388,344	4.1	2,392,419	4.6	1,511,037	5.1	2,090,353	4.8	2,774,961	4.7
Spirit Airlines	2,948,481	5.1	2,477,109	4.8	1,869,558	6.3	1,948,341	4.5	2,426,727	4.1
Delta Air Lines	2,196,412	3.8	1,993,556	3.8	1,050,260	3.5	1,567,170	3.6	2,024,867	3.4
Frontier Airlines	654,869	1.1	347,903	0.7	314,269	1.1	297,303	0.7	192,057	0.3
Air Canada	250,713	0.4	134,785	0.3	12,833	—	231,407	0.5	329,540	0.6
Lufthansa	198,582	0.3	150,884	0.3	52,200	0.2	186,610	0.4	290,560	0.5
AeroMexico	233,693	0.4	285,925	0.6	160,195	0.5	116,243	0.3	142,906	0.2
British Airways	189,010	0.3	84,184	0.2	12,858	—	160,264	0.4	239,024	0.4
Other Airlines	2,833,968	5.1	1,968,740	3.6	988,348	3.4	1,953,160	4.4	2,616,615	4.3
	57,768,321	100.0 %	51,980,733	100.0 %	29,695,593	100.0 %	43,626,340	100.0 %	59,505,094	100.0 %

CARRIER	FY2018	%	FY2017	%	FY2016	%	FY2015	%	FY2014	%
United Airlines	32,094,388	58.0 %	32,130,930	58.7 %	33,251,479	59.8 %	33,603,263	62.0 %	32,963,901	63.5 %
Southwest	12,893,987	23.3	12,344,834	22.5	11,791,308	21.2	10,886,616	20.0	10,720,872	20.7
American Airlines	2,592,345	4.7	2,542,485	4.6	2,951,244	5.3	3,057,991	6.0	2,898,507	5.6
Spirit Airlines	2,144,740	3.9	1,889,818	3.5	1,896,577	3.4	1,192,125	2.0	675,458	1.3
Delta Air Lines	1,963,878	3.5	1,922,778	3.5	1,889,715	3.4	1,897,776	4.0	1,772,122	3.4
Frontier Airlines	285,337	0.5	421,754	0.8	494,804	0.9	307,506	1.0	236,060	0.5
Air Canada	349,571	0.6	353,721	0.6	293,193	0.5	278,194	1.0	251,713	0.5
Lufthansa	279,421	0.5	291,713	0.5	278,409	0.5	281,261	1.0	300,824	0.6
AeroMexico	155,258	0.3	255,782	0.5	255,215	0.5	274,145	1.0	219,483	0.4
British Airways	226,636	0.4	240,874	0.4	243,464	0.4	264,830	1.0	281,057	0.5
Other Airlines	2,341,769	4.3	2,359,309	4.4	2,245,588	4.1	1,782,746	3.0	1,591,348	3.0
	55,327,330	100.0 %	54,753,998	100.0 %	55,590,996	100.0 %	53,826,453	100.0 %	51,911,345	100.0 %

Information presented is based on the most current statistical data available; numbers from prior years are subject to change.

**AIRPORT SYSTEM STATISTICS**  
**AIRLINE MARKET SHARES**  
 June 30, 2023  
 (unaudited)

**CARRIERS by AIRPORT**

IAH			HOU		
Mainline Carriers	Regional Carriers	Cargo Carriers	Mainline Carriers	Regional Carriers	Cargo Carriers
Aeromexico	Commute Air	Air Transport International	Allegiant Air	Envoy Air	
Air Canada	Envoy Air	Atlas Air	American Airlines	Mesa Airlines	
Air France	Jazz Air	Airlines	Delta Airlines	Skywest Airlines	
Air New Zealand	Mesa Airlines	Cargolux	Frontier Airlines		
Alaska Airlines	Republic Airlines	Cathay Pacific Cargo	Southwest Airlines		
All Nippon Airways	Skywest Airlines	DHL			
American Airlines		Emirates Sky Cargo			
AVIANCA S.A.		Federal Express			
British Airways		Lufthansa Cargo			
Delta Airlines		National Airlines			
Emirates		Qatar Airways Cargo			
EVA Air		Silk Way West Airlines			
Frontier Airlines					
JetBlue Airways					
KLM Royal Dutch Airlines					
Lufthansa					
Qatar Airways					
Singapore Airlines					
Southwest Airlines					
Spirit Airlines					
Sun Country					
Turkish Airlines					
United Airlines					
VivaAerobus					
Volaris					
Volaris El Salvador					
WestJet					

**AIRPORT SYSTEM STATISTICS**  
**Selected Financial Information**  
**Operating Fund Only**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

<b>Operating Revenues</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Landing Area Fees:			
Landing Fees	\$ 88,392	\$ 94,748	\$ 89,505
Carrier Incentive Program	(4,294)	(5,322)	(6,802)
Aviation Fuel	1,529	1,521	1,527
Aircraft Parking	2,715	2,628	2,640
Subtotal	<u>88,342</u>	<u>93,575</u>	<u>86,870</u>
Building and Ground Area Revenues:			
Building Space	6,174	6,252	6,808
Terminal Space	163,297	173,392	191,321
Cargo Building	2,432	2,506	2,484
Hangar Rental	6,605	6,355	6,577
Ground Rental	7,997	8,534	8,828
Subtotal	<u>186,505</u>	<u>197,039</u>	<u>216,018</u>
Parking, Concession and other Revenues:			
Terminal Concessions	41,434	41,830	35,189
Auto Parking	90,173	97,515	101,650
Auto Rental	32,783	31,991	30,737
Ground Transportation	8,301	9,323	10,083
Special Events	10	25	26
Vending Machine	—	—	—
Other Operating Income	4,559	4,984	8,324
Subtotal	<u>177,260</u>	<u>185,668</u>	<u>186,009</u>
<b>Total Operating Revenues</b>	<u><u>\$ 452,107</u></u>	<u><u>\$ 476,282</u></u>	<u><u>\$ 488,897</u></u>
<b>Nonoperating Revenues</b>			
Interest on Investments	\$ 5,499	\$ 6,014	\$ 6,986
Other	3,162	7,526	(52)
Subtotal	<u>8,661</u>	<u>13,540</u>	<u>6,934</u>
<b>Total Gross Revenues</b>	<u><u>\$ 460,768</u></u>	<u><u>\$ 489,822</u></u>	<u><u>\$ 495,831</u></u>
<b>Operation and Maintenance Expenses</b>			
Personnel and Other Current Expenses	\$ 268,745	\$ 283,557	\$ 314,715
<b>Total Operating and Maintenance Expenses</b>	<u><u>268,745</u></u>	<u><u>283,557</u></u>	<u><u>314,715</u></u>
<b>Net Revenue</b>	<u><u>\$ 192,023</u></u>	<u><u>\$ 206,265</u></u>	<u><u>\$ 181,116</u></u>
<b>Total Debt Service</b>	<u><u>\$ 156,424</u></u>	<u><u>\$ 163,319</u></u>	<u><u>\$ 163,904</u></u>
<b>Less: PFC available for debt service</b>	<u><u>(35,614)</u></u>	<u><u>(38,054)</u></u>	<u><u>(42,320)</u></u>
<b>Less: grant revenue available for debt service</b>	<u><u>(22,942)</u></u>	<u><u>(16,399)</u></u>	<u><u>(13,888)</u></u>
<b>Debt Service Requirement (per Bond Ordinance)</b>	<u><u>\$ 97,868</u></u>	<u><u>\$ 108,866</u></u>	<u><u>\$ 107,696</u></u>
<b>Coverage of Debt Service</b>	<u><u>1.96</u></u>	<u><u>1.89</u></u>	<u><u>1.68</u></u>

	2017	2018	2019	2020	2021	2022	2023
\$	86,966	\$ 92,586	\$ 84,357	\$ 92,045	\$ 67,169	\$ 91,139	\$ 88,038
	(2,930)	(1,328)	(1,039)	(774)	(1,619)	(2,381)	(709)
	1,350	1,679	1,554	1,249	1,302	1,705	1,594
	2,660	2,842	2,895	3,343	3,726	3,790	3,679
	<u>88,046</u>	<u>95,779</u>	<u>87,767</u>	<u>95,863</u>	<u>70,578</u>	<u>94,253</u>	<u>92,601</u>
	6,453	6,460	6,454	6,574	6,256	6,332	5,901
	196,162	195,198	185,943	196,844	129,527	166,442	208,855
	2,448	2,390	2,391	2,378	2,164	2,078	2,009
	6,813	6,691	6,530	6,821	6,338	5,921	5,878
	9,305	9,475	10,005	10,684	11,312	11,254	12,107
	<u>221,181</u>	<u>220,214</u>	<u>211,323</u>	<u>223,301</u>	<u>155,597</u>	<u>192,027</u>	<u>234,750</u>
	39,969	41,231	41,491	32,265	14,460	39,433	48,828
	99,752	103,961	110,136	81,172	43,815	98,418	117,460
	28,735	28,767	28,949	23,400	20,596	34,056	37,301
	10,402	11,062	12,645	10,072	6,913	15,192	21,428
	20	14	15	10	106	109	103
	10	—	15	18	18	28	30
	5,926	9,836	6,123	5,811	6,471	7,657	7,744
	<u>184,814</u>	<u>194,871</u>	<u>199,374</u>	<u>152,748</u>	<u>92,378</u>	<u>194,893</u>	<u>232,894</u>
\$	<u>494,041</u>	<u>\$ 510,864</u>	<u>\$ 498,464</u>	<u>\$ 471,912</u>	<u>\$ 318,555</u>	<u>\$ 481,173</u>	<u>\$ 560,246</u>
\$	9,306	\$ 13,348	\$ 19,681	\$ 19,503	\$ 10,403	\$ 7,556	\$ 21,820
	7,177	(1,805)	47	122	152	77	165
	16,483	11,543	19,728	19,625	10,555	7,633	21,985
\$	<u>510,524</u>	<u>\$ 522,407</u>	<u>\$ 518,192</u>	<u>\$ 491,537</u>	<u>\$ 329,110</u>	<u>\$ 488,806</u>	<u>\$ 582,231</u>
\$	254,506	\$ 326,889	\$ 315,153	\$ 314,034	\$ 251,830	\$ 255,377	\$ 315,487
	<u>254,506</u>	<u>326,889</u>	<u>315,153</u>	<u>314,034</u>	<u>251,830</u>	<u>255,377</u>	<u>315,487</u>
\$	<u>256,018</u>	<u>\$ 195,518</u>	<u>\$ 203,039</u>	<u>\$ 177,503</u>	<u>\$ 77,280</u>	<u>\$ 233,429</u>	<u>\$ 266,744</u>
\$	175,023	\$ 174,456	\$ 176,312	\$ 180,731	\$ 145,349	\$ 163,503	\$ 208,151
	(54,673)	(50,642)	(60,646)	(55,040)	(56,365)	(59,819)	(68,744)
	—	—	—	(14,169)	(88,984)	(103,684)	(50,000)
\$	<u>120,350</u>	<u>\$ 123,814</u>	<u>\$ 115,666</u>	<u>\$ 111,522</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 89,407</u>
	<u>2.13</u>	<u>1.58</u>	<u>1.76</u>	<u>1.59</u>	<u>N/A</u>	<u>N/A</u>	<u>2.98</u>

**AIRPORT SYSTEM STATISTICS**  
**Total Aircraft Operations, Landing Weight and Cargo Activity**  
 (unaudited)

Fiscal Year	Aircraft Operations (in thousand)			Aircraft Landed Weight (in million pounds)		
	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
2014	811	12	1.50 %	33,881	837	2.53 %
2015	816	5	0.62	34,969	1,088	3.21
2016	787	(29)	(3.55)	35,519	550	1.57
2017	760	(27)	(3.43)	34,648	(871)	(2.45)
2018	735	(25)	(3.29)	34,828	180	0.52
2019	752	17	2.31	37,256	2,428	6.97
2020	624	(128)	(17.02)	30,345	(6,911)	(18.55)
2021	512	(112)	(17.95)	23,454	(6,891)	(22.71)
2022	691	179	34.96	33,863	10,409	44.38
2023	690	(1)	(0.14)	35,888	2,025	5.98

Fiscal Year	Cargo Activity (in metric tons)				Total Cargo	Year - over Year Change
	Domestic Freight	International Freight	Mail			
2014	193,776	225,400	27,333	446,509	(0.1)%	
2015	192,331	252,876	30,026	475,233	6.4	
2016	195,644	205,361	25,713	426,718	(10.2)	
2017	209,343	224,226	24,983	458,552	7.5	
2018	231,670	234,384	23,790	489,844	6.8	
2019	267,631	243,594	23,413	534,638	9.1	
2020	285,122	199,241	19,857	504,220	(5.7)	
2021	309,270	153,552	21,197	484,019	(4.0)	
2022	321,056	212,883	26,760	560,699	15.8	
2023	322,816	196,701	19,446	538,963	(3.9)	

**AIRPORT SYSTEM STATISTICS**  
**System Debt Service Schedule**  
(unaudited)

The following table sets forth the Debt Service Requirements on all Airport Revenue Bonds Outstanding, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

<b>Fiscal Year (ending June 30)</b>	<b>Subordinate Lien Bonds Debt Service</b>	<b>Total Bonds Debt Service</b>
2024	\$ 197,903,471	\$ 197,903,471
2025	197,733,979	197,733,979
2026	197,568,457	197,568,457
2027	198,730,631	198,730,631
2028	198,597,232	198,597,232
2029	198,398,919	198,398,919
2030	203,504,371	203,504,371
2031	203,350,489	203,350,489
2032	204,346,880	204,346,880
2033	203,742,634	203,742,634
2034	71,841,075	71,841,075
2035	71,786,825	71,786,825
2036	71,816,825	71,816,825
2037	71,768,250	71,768,250
2038	71,704,800	71,704,800
2039	71,646,400	71,646,400
2040	71,592,225	71,592,225
2041	43,212,575	43,212,575
2042	43,182,925	43,182,925
2043	33,711,125	33,711,125
2044	33,686,500	33,686,500
2045	33,671,550	33,671,550
2046	33,644,425	33,644,425
2047	33,623,275	33,623,275
2048	33,586,225	33,586,225
2049	23,947,400	23,947,400
	<u>\$ 2,818,299,463</u>	<u>\$ 2,818,299,463</u>

**AIRPORT SYSTEM STATISTICS**  
**Summary of Certain Fees and Charges**  
**(unaudited)**

	Bush Intercontinental		Hobby	
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2023
Landing Rates <sup>(1)(3)</sup>	\$2.4	\$2.5	\$3.0	\$2.6
Terminal Space Rentals <sup>(2)(3)</sup>	\$18.2 – \$64.5	\$21.4 – \$73.0	\$59.0 – \$77.3	\$71.7 – \$89.6
Apron Rentals <sup>(2)(3)</sup>	\$1.9 – \$2.0	\$2.2 – \$2.3	– \$2.7	– \$2.6
Aircraft Parking (per day)	\$100 – \$400	\$100 – \$400	\$100 – \$400	\$100 – \$400
Cargo (per day)	\$200 – \$600	\$200 – \$600	\$200 – \$600	\$200 – \$600
Parking Rates <sup>(4)</sup>				
Ecopark Uncovered <sup>(5)</sup>	\$7.0	\$7.0	n/a	n/a
Ecopark Covered <sup>(5)</sup>	\$9.0	\$9.0	n/a	n/a
Ecopark2 Covered <sup>(5)</sup>	\$8.0	\$8.0	n/a	n/a
Ecopark <sup>(8)</sup>	n/a	n/a	n/a	n/a
Ecopark 2 <sup>(9)</sup>	n/a	n/a	\$10.0	\$10.0
Structured <sup>(6)</sup>	\$24.0	\$25.0	\$24.0	\$24.0
Valet <sup>(8)(10)</sup>	\$28.0 - 30.0	\$30.0	\$28.0	\$28.0

<sup>(1)</sup> Per 1,000 pounds of landing weight

<sup>(2)</sup> Range per square foot

<sup>(3)</sup> 2014-2022 actual rates provided; 2023 budgeted rates provided

<sup>(4)</sup> Maximum per day

<sup>(5)</sup> New rates effective January 15, 2022

<sup>(6)</sup> New rates of \$20.00/Day and \$24.00/Day effective on July 29, 2021 and October 1, 2021 (respectively)

<sup>(7)</sup> New rates effective February 4, 2019

<sup>(8)</sup> New rates effective May 5, 2014

<sup>(9)</sup> New rates for Terminal C effective May 1, 2022; New rates for IAH Garages & Valet effective February 1, 2023



**SALARIES OF ELECTED OFFICIALS****June 30, 2023****(unaudited)**

<b>Name and Title of Official</b>	<b>Authorized Annual Base Salary</b>
Sylvester Turner, Mayor	\$ 236,189
Chris Brown, City Controller	157,459
Amy Peck, Council Member - District A	62,983
Tarsha Jackson, Council Member - District B	62,983
Abbie Kamin, Council Member - District C	62,983
Carolyn Evans-Shabazz, Council Member - District D	62,983
David P. Martin, Council Member - District E	62,983
Tiffany D Thomas, Council Member - District F	62,983
Mary Nan Huffman, Council Member - District G	62,983
Karla G. Cisneros, Council Member - District H	62,983
Robert Gallegos, Council Member - District I	62,983
Edward Pollard, Council Member - District J	62,983
Martha Castex Tatum, Council Member - District K	62,983
William M. Knox, Council Member - At Large Position 1	62,983
David W. Robinson, Council Member - At Large Position 2	62,983
Michael Kubosh, Council Member - At Large Position 3	62,983
Letitia Plummer, Council Member - At Large Position 4	62,983
Sallie Alcorn, Council Member - At Large Position 5	62,983

**SURETY BOND AND INSURANCE COVERAGE**

June 30, 2023

(amounts expressed in thousands)

(unaudited)

<b>Policy Number</b>	<b>Insurer</b>	<b>Term of Policy</b>
LSM1348999	Western Surety Company	01-02-2023 to 01-02-2024
LSM1348998	Western Surety Company	01-02-2023 to 01-02-2024
61BSBHJ1564	Hartford Casualty Insurance Company	01-02-2023 to 01-02-2024
106360496	Travelers Casualty Insurance Company	08-04-2023 to 08-04-2024
61BSBAR6948	Hartford Casualty Insurance Company	02-27-2023 to 02-27-2024
LSM1676035	Hartford Casualty Insurance Company	09-28-2022 to 08-28-2023
61BSNHO1810	Hartford Casualty Insurance Company	09-19-2022 to 09-19-2023
D37362797015	Illinois Union Insurance Company	04-01-2023 to 04-01-2024
NIA3PP000005300	Princeton Excess & Surplus Lines Insurance Company	04-01-2023 to 04-01-2024
NOMY49832023	Lloyd's - Various	04-01-2023 to 04-01-2024
ESP30000289306	Endurance American Specialty Insurance Company	04-01-2023 to 04-01-2024
42PRP31447703	National Fire & Marine Insurance Company	04-01-2023 to 04-01-2024
W31DCA230201	Lloyd's London Syndicate 2623	04-01-2023 to 04-01-2024
W31DCA230201	Lloyd's London Syndicate 623	04-01-2023 to 04-01-2024
R80886230CSP	Starstone Specialty Insurance Company	04-01-2023 to 04-01-2024
NOMY49831023	Lloyd's London(Various)	04-01-2023 to 04-01-2024
NOMY49833023	Lloyd's London(Various)	04-01-2023 to 04-01-2024
CUS30000037	Lloyd's London Syndicare 4444	04-01-2023 to 04-01-2024
NOMY49836023	Lloyd's London (Various)	04-01-2023 to 04-01-2024
NOMY49835023	Lloyd's London (Various)	04-01-2023 to 04-01-2024
NOMY49834023	Lloyd's London (Various)	04-01-2023 to 04-01-2024
1000389033-04	Ironshore Specialty Insurance Corporation	04-01-2023 to 04-01-2024
ESP200393204	Swiss Re Corporation Solutions Capacity Ins Co	04-01-2023 to 04-01-2024
EAF65228823	AXIS Surplus Ins. Co	04-01-2023 to 04-01-2024
BRPSLPTTX01110008013901	Texas Insurance Company	04-01-2023 to 04-01-2024
LCP648143100	Tokio Marine America Insurance Company	04-01-2023 to 04-01-2024
NZA094Q23A000	Nautilus Insurance Company	04-01-2023 to 04-01-2024
SLSTPTY11764423	Starr Surplus Lines Insurance Company	04-01-2023 to 04-01-2024
ESP730205808	Arch Specialty Insurance Company	04-01-2023 to 04-01-2024
PX00LCM23	Aspen Specialty Insurance Company	04-01-2023 to 04-01-2024
SLSTPTY11764423	Starr Surplus Lines Ins. Co.	04-01-2023 to 04-01-2024
DF00001691	National Fire & Marine Ins. Co	04-01-2023 to 04-01-2024
62502968	Lexington Insurance Co	04-01-2023 to 04-01-2024
NHD931222	RSUI Indemnity Company	04-01-2023 to 04-01-2024
MKLVIXPR000574	Evanston Insurance Company	04-01-2023 to 04-01-2024
SLSTPTY11764423	Starr Surplus lines Insurance Company	04-01-2023 to 04-01-2024
XAR00004V901	Westfield Specialty Insurance Company	04-01-2023 to 04-01-2024
NQU202310020	United Specialty Insurance Company	04-01-2023 to 04-01-2024
23ALC665670A	Alcor Consortium 4612	04-01-2023 to 04-01-2024
NOMY49857023	Lloyd's of London	04-01-2023 to 04-01-2024
NOMY49857023	Lloyd's of London	04-01-2023 to 04-01-2024
BM6076028407	National Fire Insurance of Hartford	03-18-2023 to 03-18-2024
6610	Texas Municipal League	07-01-2023 to 07-01-2024
	Philadelphia Indemnity Insurance Company	06-26-2023 to 06-26-2024
CA00001556813	Admiral Insurance Company	02-26-2023 to 02-26-2024
73652M238ALI	Starstone Specialty Insurance Company	02-26-2023 to 02-26-2024
105324683	Travelers Casualty & Surety	12-30-2022 to 12-30-2023
6610	Texas Municipal League	05-15-2023 to 05-15-2024
	Texas Municipal League	05-15-2023 to 05-15-2024
6610	Texas Municipal League	05-15-2023 to 05-15-2024
MKLM11M0000676	Markel American Insurance Company	10-20-2022 to 10-20-2023
Various (approximately 1,500+)	Western Surety Company	Four Year Term per Bond
Various (approximately 10)	CNA	Various
MKLV4PSM000803	Evanston Insurance Company	10-03-2022 to 10-03-2023
6610	Texas Municipal League	07-01-2023 to 07-01-2024
MKP0000500890200	Markel Insurance Company	07-01-2023 to 07-01-2024
08-333-05-98	National Union Fire Insurance Company of Pittsburgh, PA	05-29-2023 to 05-29-2024
61BDDHT0320	Hartford Casualty Insurance Company	10-29-2022 to 10-29-2023
61BDDHO5613	Hartford Casualty Insurance Company	02-11-2023 to 02-11-2024
PR00275604	Old Republic insurance Company through Old Republic Aerospace	03-15-2023 to 03-15-2024

Property at Risk	Type of Coverage	(in thousands) Coverage
Mayor	Public Official Bond	\$ 50
City Controller	Public Official Bond	50
Deputy Controller	Public Official Bond	25
Municipal Courts	Public Official Bond	25
Tax Collector	Public Official Bond	25
Treasurer	Public Official Bond	25
HMEPS Treasurer	Public Official Bond	250
City of Houston	Property Insurance *	3,300
City of Houston	Property Insurance *	1,000
City of Houston	Property Insurance *	1,500
City of Houston	Property Insurance *	2,500
City of Houston	Property Insurance *	10,000
City of Houston	Property Insurance *	2,055
City of Houston	Property Insurance *	445
City of Houston	Property Insurance *	1,937
City of Houston	Property Insurance *	23,543
City of Houston	Property Insurance *	3,300
City of Houston	Property Insurance *	5,000
City of Houston	Property Insurance *	7,750
City of Houston	Property Insurance *	22,752
City of Houston	Property Insurance *	16,668
City of Houston	Property Insurance *	3,750
City of Houston	Property Insurance *	2,500
City of Houston	Property Insurance *	2,500
City of Houston	Property Insurance *	5,000
City of Houston	Property Insurance *	2,250
City of Houston	Property Insurance *	3,000
City of Houston	Property Insurance *	4,000
City of Houston	Property Insurance *	5,000
City of Houston	Property Insurance *	1,500
City of Houston	Property Insurance *	11,500
City of Houston	Property Insurance *	5,000
City of Houston	Property Insurance *	15,000
City of Houston	Property Insurance *	17,500
City of Houston	Property Insurance *	5,000
City of Houston	Property Insurance *	2,500
City of Houston	Property Insurance *	3,750
City of Houston	Property Insurance *	2,500
City of Houston	Property Insurance *	1,000
City of Houston	Terrorism	100,000
City of Houston	Terrorism	150,000
City of Houston	Boiler & Machinery	125,000
City of Houston	HITS Property, Radio Equipment and Towers	114,977
City of Houston Library	Business Electronic Eq., Valuable Papers, Fine Arts	13,533
Holcombe Health Lab	Commercial General Liability	1,000
Holcombe Health Lab	Excess Liability	5,000
City of Houston	Pole Attachment Bond, Centerpoint	250
City of Houston	Automobile Liability	500
City of Houston	Automobile Physical Damage	450
City of Houston	Automobile Catastrophe	885
HALAN	Electronic Equipment-Hardware/Software	881
Various City of Houston Notaries	Notary Public Bonds	3
Various City of Houston	Dentist Professional Liability	1,000
City of Houston	Medical Professional Liability	1,000
City of Houston	Special Event Mobile Equipment	300
City of Houston	Special Events Liability, Including Terrorism	1,000
City of Houston	Public Employee Dishonesty/Crime Insurance	2,000
City of Houston	Public Employee Dishonesty, Parks Board	10,000
City of Houston	Public Employee Dishonesty, Library Board	10,000
City of Houston HAS Ellington Field Fuel Resale	Airport Liability	500

\* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

Schedule of Credits  
(unaudited)

Annual Comprehensive Financial Report:

Controller's Office

Executive/Administrative Divisions

Chris B. Brown, City Controller  
 Shannan Nobles, Chief Deputy City Controller  
 John Seydler, Director of Communication & Public Affairs

Design Oversight and Writing

Financial Reporting Division

Beverly Riggans, Deputy City Controller  
 Alicia Cai, Assistant City Controller  
 Camille Jones, Assistant City Controller  
 I-Li (Conrad) Lin, Deputy Director  
 Sharon Liu, Assistant City Controller  
 Sylvia Nguyen, Assistant City Controller  
 Chris Okeagu, Assistant City Controller  
 Maria G. Perez, Administrative Specialist  
 Suong (Su) Vu, Assistant City Controller  
 Bonita Wright, Assistant City Controller

Preparation and Coordination

Operations and Technical Services Division

Lenard Polk, Chief Operating Officer & Deputy City Controller  
 Monika De Los Santos, Assistant City Controller  
 Sheldon Holder, Administration Manager  
 Paul Lord, Administrative Supervisor  
 Daniel Schein, System Support Analyst

Consulting and General Support

Treasury Division

Charisse Moseley, Deputy City Controller  
 Vernon Lewis, Acting Deputy City Controller  
 Han Au, Deputy Director  
 Ashlee Brown, Senior Treasury Analyst  
 Lillie Nobles, Management Analyst  
 Linjie Zhu, Senior Treasury Analyst

Debt and Investment Management Disclosures

Finance Department

William Jones, Director  
 Veda Aaron, Division Manager  
 Kiran Chandu, Deputy Assistant Director  
 Clint Joines, Division Manager  
 Robert Martinez, Deputy Assistant Director  
 Beverly McFarlin, Division Manager  
 Sherry Mose, Division Manager  
 Vivien Nguyen, Staff Analyst  
 Bobby Qasim, Division Manager  
 Arif Rasheed, Deputy Director  
 Mohsin Raza, Division Manager  
 Adela Rice, Division Manager  
 Fazal Syed, Deputy Assistant Director  
 Alma Tamborello, Division Manager

Preparation, Coordination, Analysis and Documentation

Schedule of Credits - Continued  
(unaudited)

<p><b>Administration &amp; Regulatory Affairs Department</b>                  Tina Paez, Director                  Valerie Berry, Deputy Director                  Chia-Hsuan Chiou, Division Manager                  Vijay Govind, Financial Analyst                  Hannah Hoang, Senior Accountant                  Maria Irshad, Deputy Director                  Bethany Li, Division Manager                  Chris Lutz, Senior Division Manager                  Carlos Medel, Administrative Supervisor                  Tina Paquet, Deputy Director                  Rosalinda Salazar, Division Manager                  Sreng Ung, Senior Division Manager                  Karen Davidson, Assistant Director</p>	<p><b>Analysis and Supporting Documentation</b></p>
<p><b>Houston Information Technology Services Department</b>                  Lisa Kent, Director</p>	<p><b>SAP/ ERP Consulting, Support &amp; Development</b></p>
<p><b>Professional Consultants</b>                  Bayside Printing                  Sherri Tyndall, Lead Customer Service Representative</p>	<p><b>Project Management and Design</b></p>
<p><b>McConnell &amp; Jones LLP/Banks, Finley, White &amp; Co.</b></p>	<p><b>Independent Auditors</b></p>

This schedule by no means gives credit to all of the individuals who have some part in the development and production of this Annual Comprehensive Financial Report. However, we have included the major participants who made the issuance of this document possible.

**CITY OF HOUSTON, TEXAS**

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