

# Office of the City Controller



**Houston, Texas**

## **Trends for Fiscal Year 2024**

**May 2023**

**Chris B. Brown  
City Controller**

# Trends

## Fiscal Year 2024

The Controller's Office compiled the information on the following pages to assist City Council in putting the Administration's Fiscal Year 2024 Proposed Budget into a historical perspective. The trends presented here provide Council members a broader picture and, hopefully, help in the budget decision-making process.

For the remainder of Fiscal Year 2023, we expect an increase of 2.6% from the Fiscal Year 2022 revenues. In Fiscal Year 2024, we anticipate that revenues will increase by \$79 million, or 2.86% (not including transfers, sale of assets or the budget stabilization reserve), from the Controller's Office Fiscal Year 2023 March projections. Fiscal Year 2024's projected revenues reflect increases in Property Taxes, Industrial Assessments, Other Taxes, Electric Franchise, Gas Franchise, Charges for Services, Direct Interfund Services, Indirect Interfund Services and Interest, offset by decreases in Sales Tax, Telephone Franchise, Other Franchise, Licenses and Permits, Intergovernmental, Other Fines and Miscellaneous Other.

Our Fiscal Year 2024 projection for General Fund resources is \$38.2 million lower than the Administration's Fiscal Year 2024 Proposed Budget. To calculate Property Tax revenue, the Controller's Office used an estimated taxable value of \$313 billion, calculated by taking the estimated taxable values from Harris County, Fort Bend County and Montgomery County Appraisal Districts in April 2023 and a 97% collection rate. This calculation is moot, as the Estimated Proposition 1 limit is approximately \$1.377 billion, which is lower than our calculated amount of \$1.418 billion. To estimate the Proposition 1 limit, both the Administration and the Controller's Office are using a growth of 8.237% for the Consumer Price Index. However, for population growth, the Administration's growth rate is flat. The Controller's Office is using a new population estimate of 2,302,878 (an increase of 0.6393% from Fiscal Year 2023) that was made available on May 19, 2023. In addition, the City is subject to the provisions of Senate Bill 2.

For our Sales Tax projection, we assumed a decrease of 3% from our Fiscal Year 2023 March projection. The growth in Sales Tax receipts during Fiscal Year 2023 has been unprecedented; however, due to a rising interest rate environment and other factors, we anticipate lower total Sales Tax revenue in Fiscal Year 2024 compared to Fiscal Year 2023. Our office will continue to monitor Fiscal Year 2023 actuals as additional data will help to better forecast consistent Fiscal Year 2024 Sales Tax revenue.

Our projected Ending Fund Balance for the General Fund for Fiscal Year 2024 is \$311 million, or 12.9% of the expenditures, other than debt service and PAYGO, above the required amount of 7.5% or \$181 million.

In the Enterprise Funds, Aviation revenues are increasing due to an anticipated increase in signatory landing and terminal space rentals. Convention & Entertainment revenues are expected to be higher due to increased collections of Hotel Occupancy Tax (HOT) and parking fees. The Combined Utility System's revenues are expected to increase, primarily due to an increase in water and sewer rates and inflation adjustments.

# Summary of Graphs

The numbers on each page are from the following sources:

1. Fiscal Year 2022 and prior years are actual results as reported in previous Annual Comprehensive Financial Reports.
2. Fiscal Year 2023 estimates are from the Controller's Office March Monthly Financial Report.
3. The Fiscal Year 2024 General Fund revenues are the most current projections of the Controller's Office.
4. Unless otherwise noted, all other Fiscal Year 2024 numbers are from the Administration's Fiscal Year 2024 Proposed Budget.

# General Fund Revenues

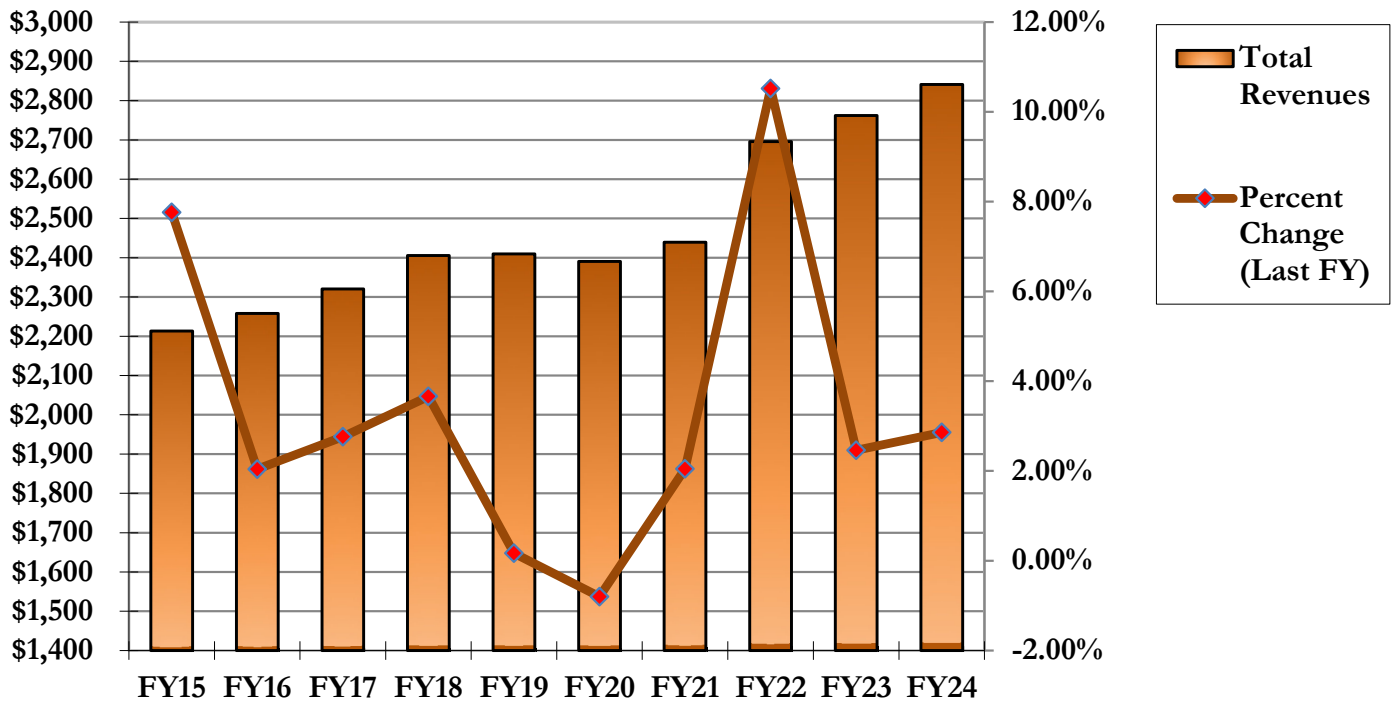
(amounts expressed in thousands)

Revenues	FY19	FY20	FY21	FY22	FY23	FY24	% Change [a]	Admin.'s	Difference [a]
	Actual	Actual	Actual	Actual	Controllor's March Proj.	Controllor's Projection		Proposed Budget	
Property Tax	\$ 1,190,243	\$ 1,222,154	\$ 1,254,016	\$ 1,244,722	\$ 1,271,768	\$ 1,376,663	8.25% [b]	\$ 1,369,114	7,549
Industrial Assessments	19,755	24,797	25,435	24,086	22,000	24,000	9.09%	25,281	(1,281)
Sales Tax	692,271	684,425	706,829	820,622	860,000	830,000	-3.49% [c]	865,593	(35,593)
Other Taxes	18,026	15,379	14,561	21,585	22,000	23,800	8.18% [d]	24,896	(1,096)
Electric Franchise	100,590	100,774	98,834	95,801	95,000	96,000	1.05%	98,482	(2,482)
Telephone Franchise	37,501	30,309	21,576	19,481	17,000	16,000	-5.88%	16,170	(170)
Gas Franchise	12,324	12,386	13,034	13,084	13,000	14,000	7.69%	14,593	(593)
Other Franchise	29,225	24,666	20,157	21,153	21,000	19,000	-9.52% [e]	19,934	(934)
Licenses & Permits	35,301	32,507	31,386	32,988	33,000	33,000	0.00%	33,392	(392)
Intergovernmental	60,205	44,523	67,258	200,714	210,013	199,545	-4.98%	199,545	-
Charges for Services	63,839	65,841	65,698	75,292	68,895	72,000	4.51%	72,693	(693)
Direct Interfund Services	62,214	59,174	59,308	60,475	67,117	70,845	5.55%	70,845	-
Indirect Interfund Services	26,603	27,789	24,688	25,235	22,619	26,079	15.30% [f]	26,079	-
Muni Courts Fines	21,702	16,988	14,993	16,752	15,074	16,000	6.14%	16,134	(134)
Other Fines	3,933	3,424	3,023	3,434	3,069	3,000	-2.25%	3,089	(89)
Interest	11,802	10,485	5,133	4,659	8,447	9,000	6.55%	9,533	(533)
Misc/Other	24,066	14,692	13,290	15,711	12,108	12,100	-0.07%	13,873	(1,773)
<b>Total</b>	<b>\$ 2,409,600</b>	<b>\$ 2,390,313</b>	<b>\$ 2,439,219</b>	<b>\$ 2,695,794</b>	<b>\$ 2,762,110</b>	<b>\$ 2,841,032</b>	<b>2.86%</b>	<b>\$ 2,879,246</b>	<b>\$ (38,214)</b>
Transfers from Other Funds	20,660	12,954	6,031	8,562	10,585	10,721	1.28%	10,721	-
Sale of Capital Assets	26,022	21,487	2,543	3,747	3,305	2,755	-16.64%	2,755	-
<b>Total Revenues and Resources</b>	<b>\$ 2,456,282</b>	<b>\$ 2,424,754</b>	<b>\$ 2,447,793</b>	<b>\$ 2,708,103</b>	<b>\$ 2,776,000</b>	<b>\$ 2,854,508</b>	<b>2.83%</b>	<b>\$ 2,892,722</b>	<b>\$ (38,214)</b>

- [a] The “Percentage Change” column compares our Fiscal Year 2024 projection to our Fiscal Year 2023 estimate, while the “Difference” column compares our Fiscal Year 2024 projection to the Administration’s proposed budget.
- [b] Property Tax revenue is net of refunds and Tax Increment Reinvestment Zone (TIRZ) payments. The Controllor’s Fiscal Year 2024 calculation for Property Tax revenues is based on the taxable values provided by the three appraisal districts in April 2023. The projection assumes an estimated \$8 million in delinquent collections and an estimated \$210 million in TIRZ payments. The calculated amount is \$1.377 billion, equal to the Estimated Prop 1 cap.
- [c] The Fiscal Year 2024 Sales Tax revenue projection begins with our Fiscal Year 2023 Sales Tax revenue estimate. Sales tax will continue to be monitored for the remainder of Fiscal Year 2023. However, we expect to see a decline in receipts for Fiscal Year 2024 based on Dr. Gilmer’s prediction of a forthcoming economic slowdown.
- [d] Other Taxes are expected to increase by \$1.8 million, or 8.18%, due to an expected increase in Mixed Beverage Taxes for Fiscal Year 2024. This can be attributed to the lifting of COVID-19 restrictions which has allowed all bars and restaurants to open.
- [e] Other Franchise Fees are expected to decrease by \$2 million, or 9.52%, due to an expected decline in Cable Franchise Fees and Waste Hauler Fees.
- [f] Indirect Interfund Services are expected to decrease by \$2.6 million, or 15.3%, due to an expected increase in support services.

# General Fund Revenues

*(amounts expressed in millions)*

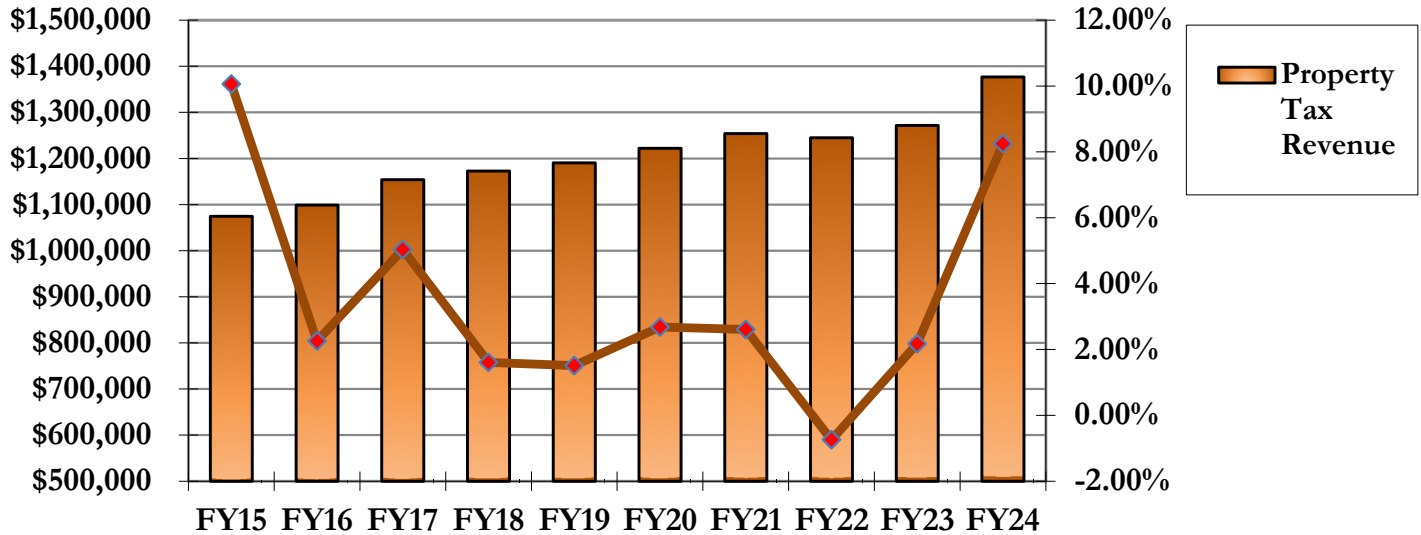


Fiscal Year 2024 General Fund revenues are projected to increase by \$79 million, or 2.86%, above our current Fiscal Year 2023 estimate.

The projected increase is primarily attributable to an increase in Property Tax revenue of \$105 million, an increase in Charges for Services of \$3 million, an increase in Interfund Services of \$7 million and mainly offset by decreases in Sales Tax of \$30 million and Intergovernmental Revenue of \$10 million

# Property Tax Revenue

*(amounts expressed in thousands)*

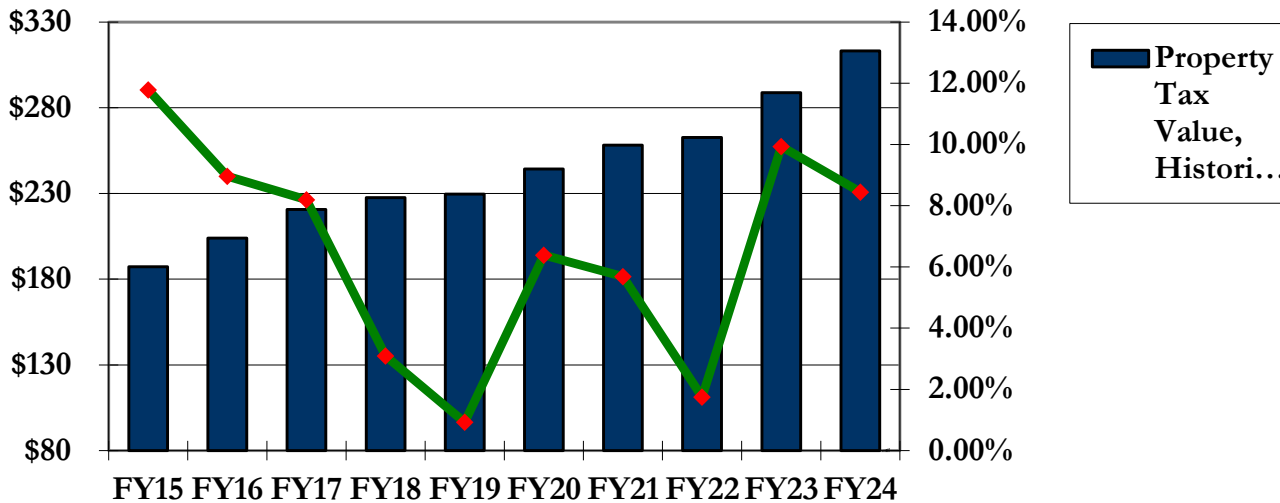


Property Tax revenue is projected to be higher than the Fiscal Year 2023 estimate by 8.25%. The Controllers Office’s Property Tax revenue projection is based on a preliminary Prop 1 cap amount of \$1.377 billion. The tax rate will not be known until the Certified Roll is received in late August 2023. The City’s property tax rate is also subject to compliance with SB2. TIRZ payments are projected at \$210 million, and delinquent tax collections are projected at \$7.8 million.

The U.S. Census Bureau’s 2022 population estimate for the City of Houston is 2,302,878. This is an increase of 14,628, or 0.6393%, from the prior year.

# Taxable Values Historical & Forecast

*(amounts expressed in billions)*

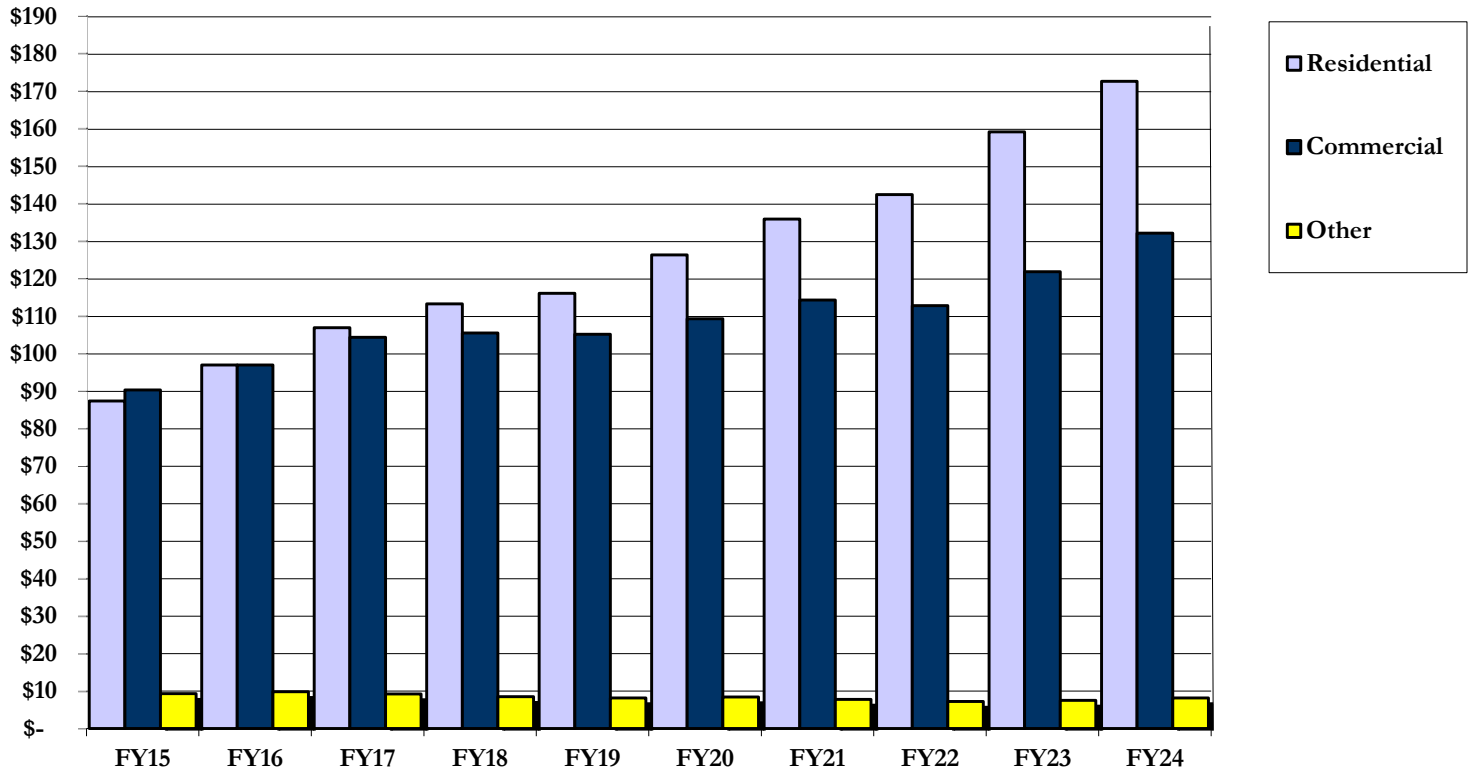


The Harris County, Fort Bend County and Montgomery County Appraisal Districts (the Districts) provide expected taxable values. The actual taxable values for Fiscal Year 2023 fall below the preliminary expected taxable values provided at the same time last year. However, based on the Districts’ projections for Fiscal Year 2024, an increase in valuation of approximately 8.45% is anticipated.

These values are based on the Districts’ preliminary projected values, dated April 28, 2023. Harris County taxable values comprise over 99% of the City’s total taxable value.

# Taxable Values By Property Type

## Historical & Forecast

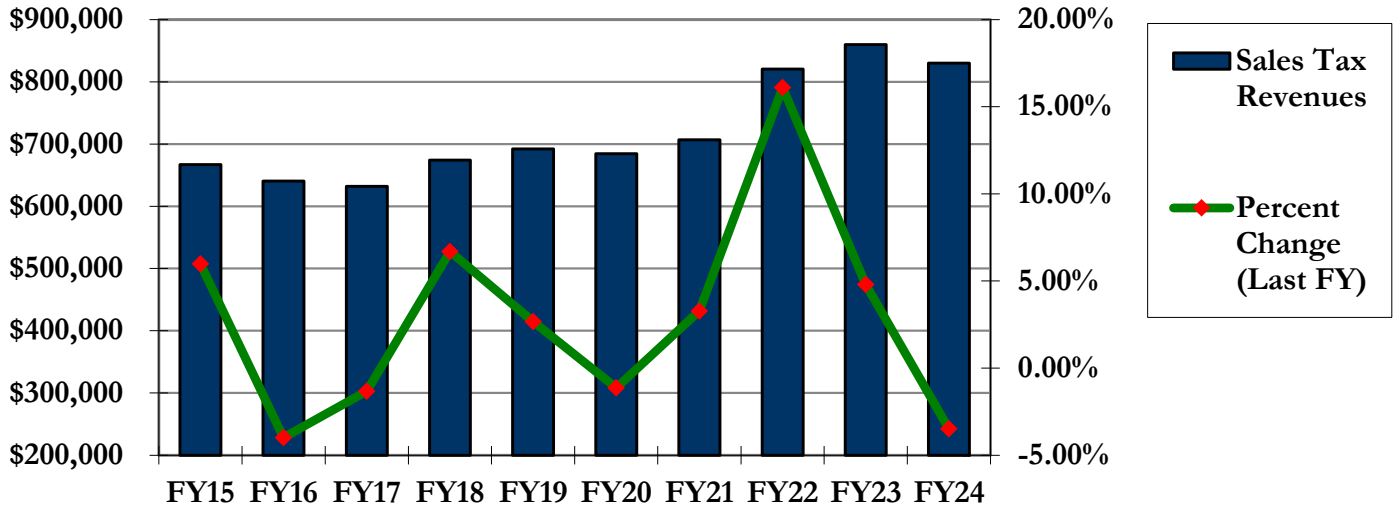


In the City of Houston, residential properties make up 55.2% of taxable values and commercial properties make up 42.2% of taxable values. Collectively, the two property types make up 97.4% of taxable values.



# Sales Taxes Revenue

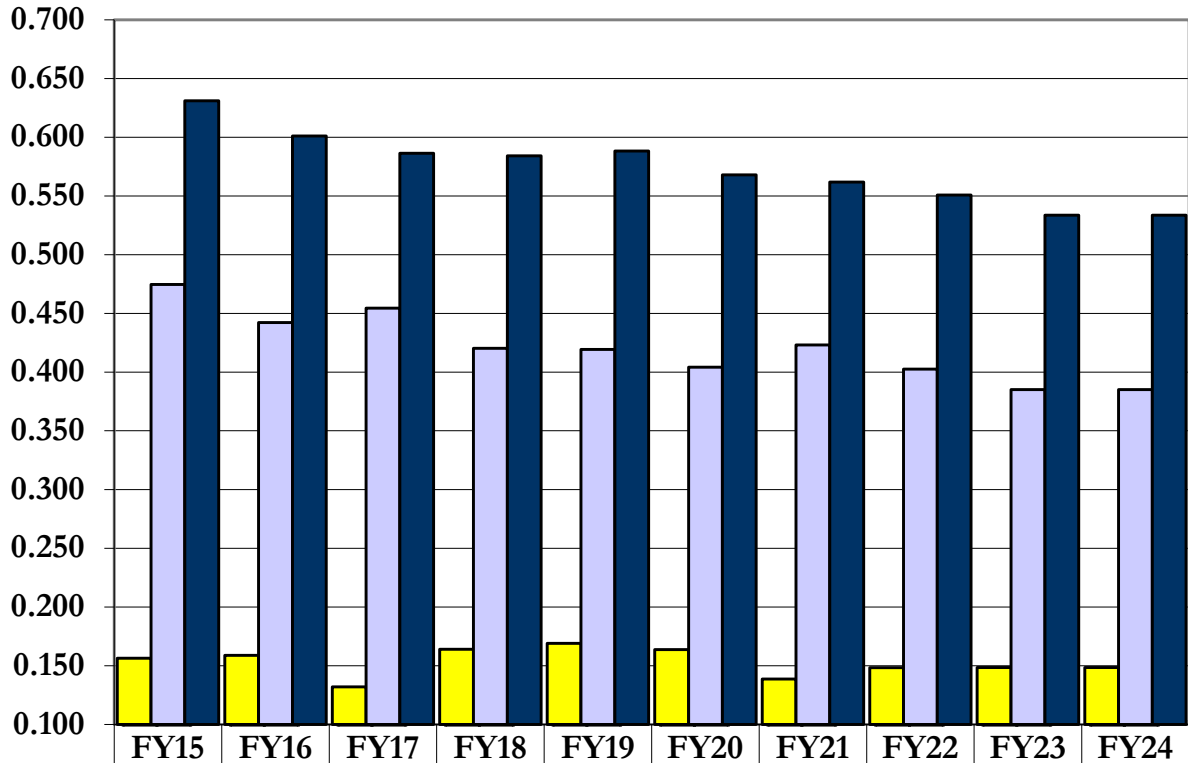
*(amounts expressed in thousands)*



Fiscal Year 2024 Sales Tax revenue is projected to be 3.49% lower than the forecasted Fiscal Year 2023 Sales Tax receipts. The Office of the Controller expects an economic slowdown to have an adverse effect on consumer spending in the coming fiscal year.

# Property Tax Rate

*(Tax Rate per \$100 Valuation)*

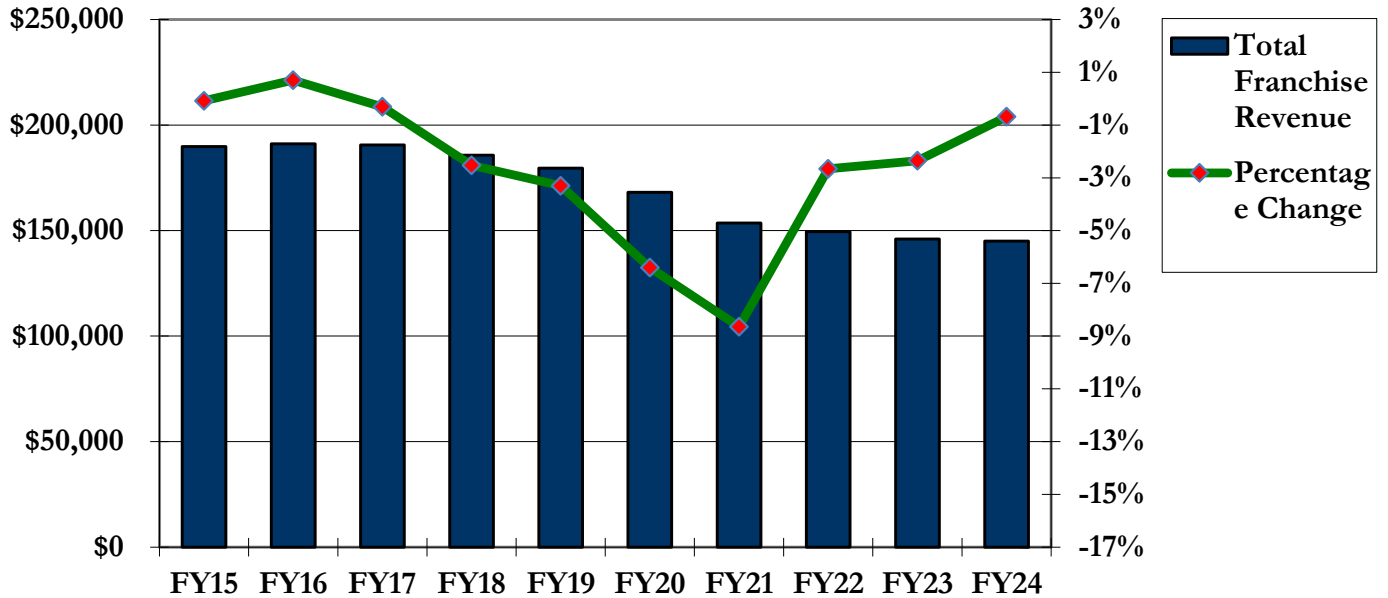


■ Debt Service	0.1564	0.1589	0.1319	0.1639	0.1690	0.1637	0.1387	0.1483	0.1485	0.1485
■ M&O	0.4746	0.4421	0.4544	0.4202	0.4192	0.4041	0.4230	0.4024	0.3851	0.3851
■ Total	0.6310	0.6011	0.5864	0.5842	0.5883	0.5679	0.5618	0.5508	0.5336	0.5336

The Fiscal Year 2024 tax rate projection is based on the Fiscal Year 2023 tax rate. The final tax rate will be established by a vote of Council in the first quarter of Fiscal Year 2024 when the Certified Roll is available.

# Total Franchise Revenues

*(amounts expressed in thousands)*

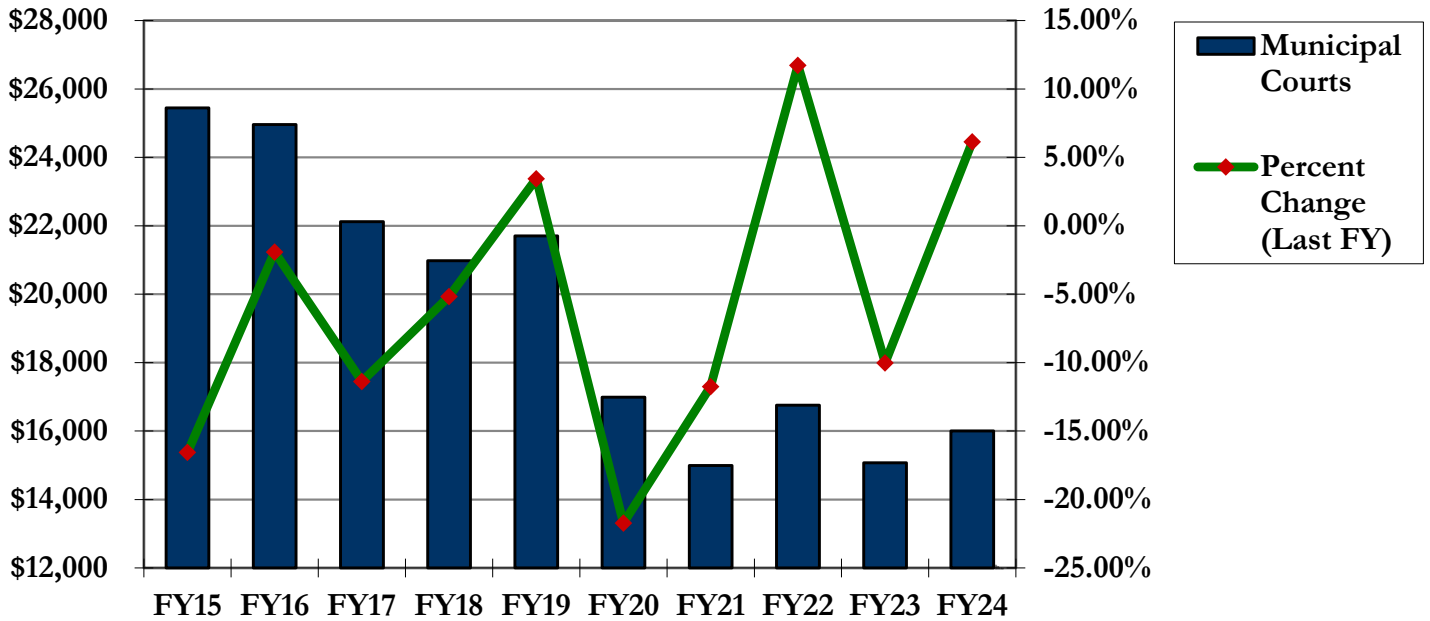


Total Franchise Fee revenues are projected to decrease \$1 million, or 0.68%, for Fiscal Year 2024. Total Franchise Fees is comprised of Electric Franchise, Telephone Franchise, Gas Franchise and Other Franchise.

Electric and Gas Franchise fees are expected to increase by \$1 million, respectively. Telephone and Other (Cable and Solid Waster Hauler) Franchise fees are expected to decrease by \$1 million and \$2 million, respectively.

# Municipal Courts Revenues

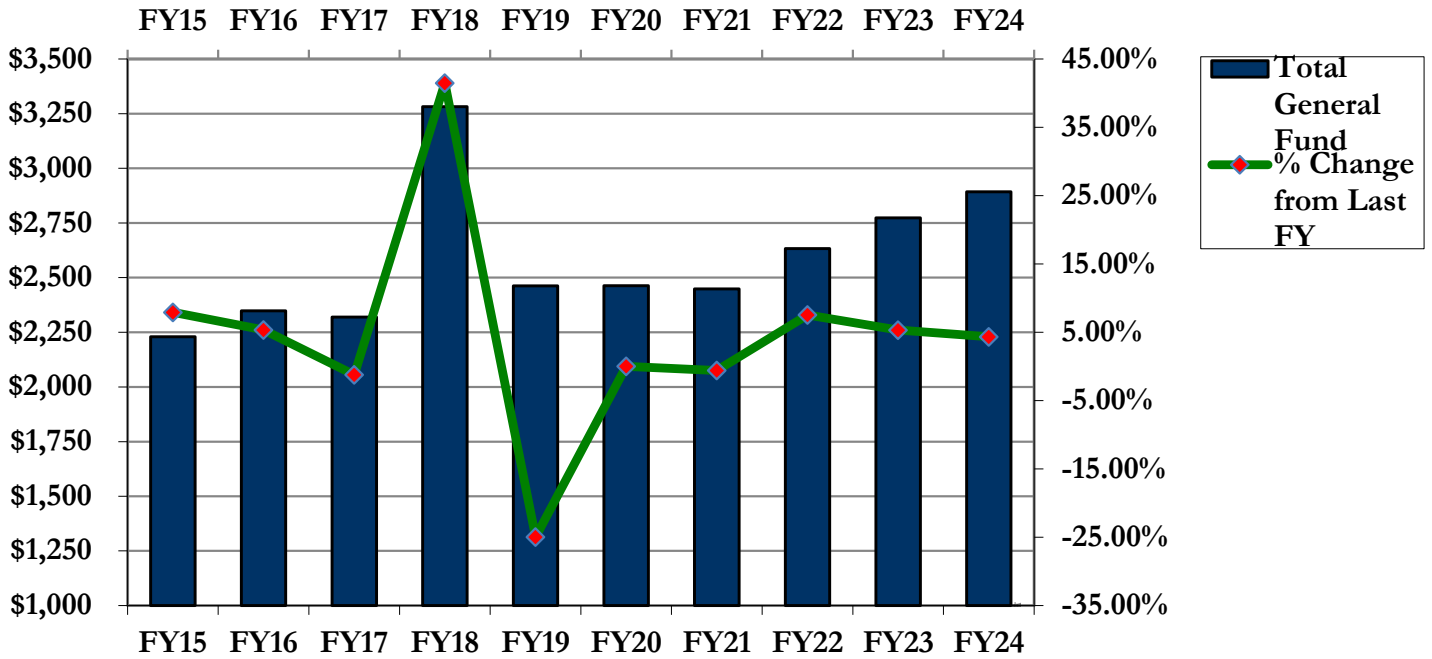
*(amounts expressed in thousands)*



Municipal Courts Fines and Forfeits are expected to increase by 6.4% for Fiscal Year 2024 based on an expected increases in collections, moving violations, fees and revenue from court operations.

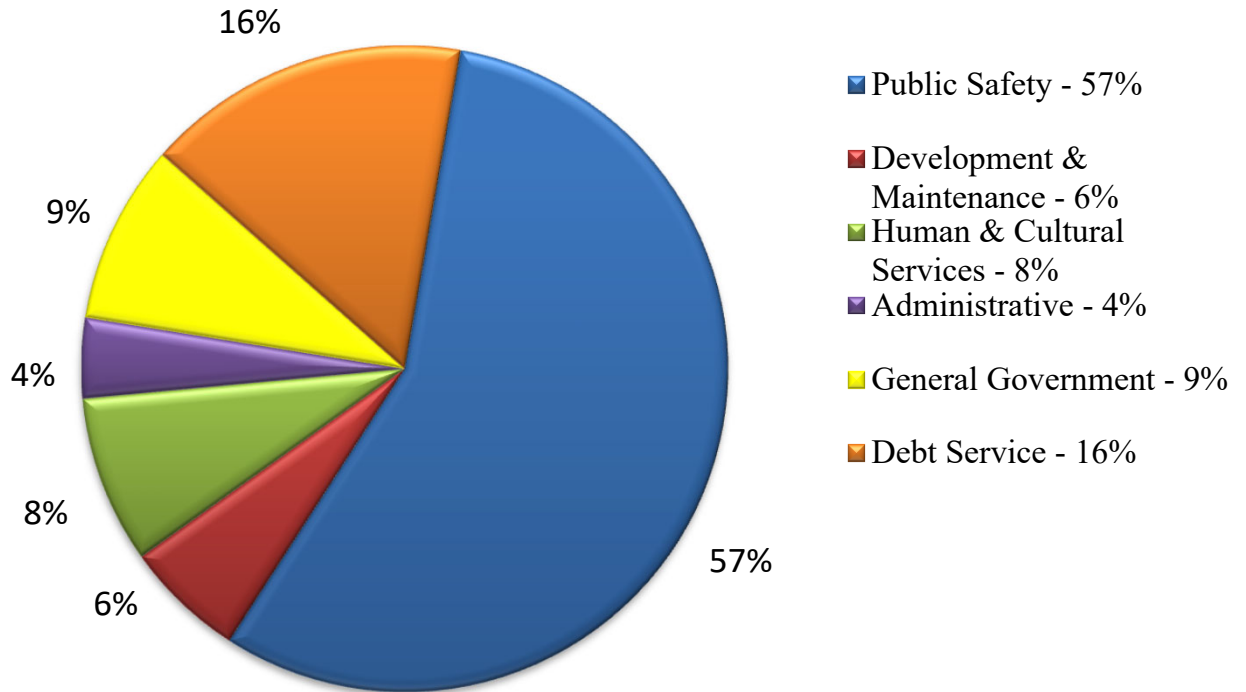
# General Fund Expenditures Budget

*(amounts expressed in millions)*



For Fiscal Year 2024, the General Fund total expenditure budget is expected to increase by \$120 million, or 4.32%, over the Fiscal Year 2023 projected expenditures.

# General Fund Expenditures Percent by Function



**Public Safety** – Fire, Houston Emergency Center, Municipal Courts, Police

**Development & Maintenance** – General Services, Planning, Public Works, Solid Waste

**Human & Cultural** – Neighborhoods, Health, Housing, Library, Parks

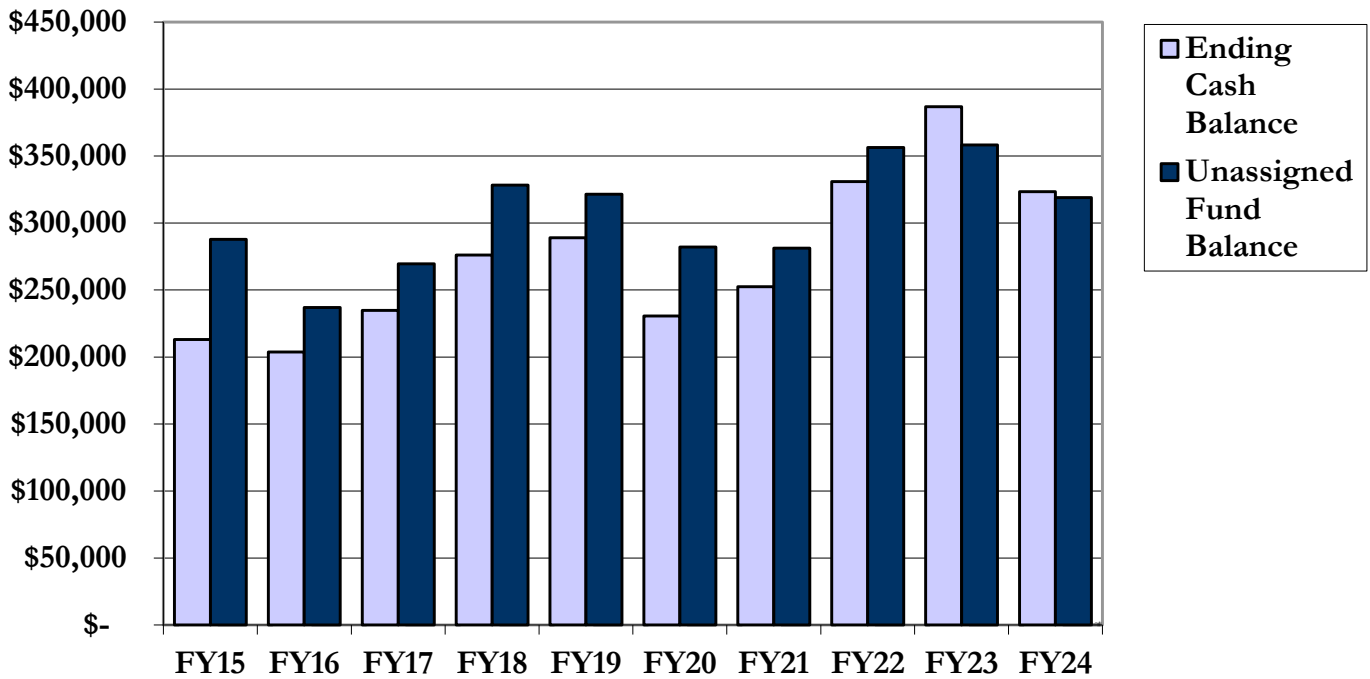
**Administrative** – Administration & Regulatory Affairs, Controllers, Council, City Secretary, Finance, IT, HR, Legal, Mayor, Office of Business Opportunity

**General Government** – Citywide costs that are not attributable to any single department (Payments to LPAs, Transfers to Component Units, Transfers to Special Rev. Funds, Health Benefit Costs for Retired Civilians, Lease Payments for 611 Walker, etc.)

**Debt Service** – Debt Service Payments, General Obligation

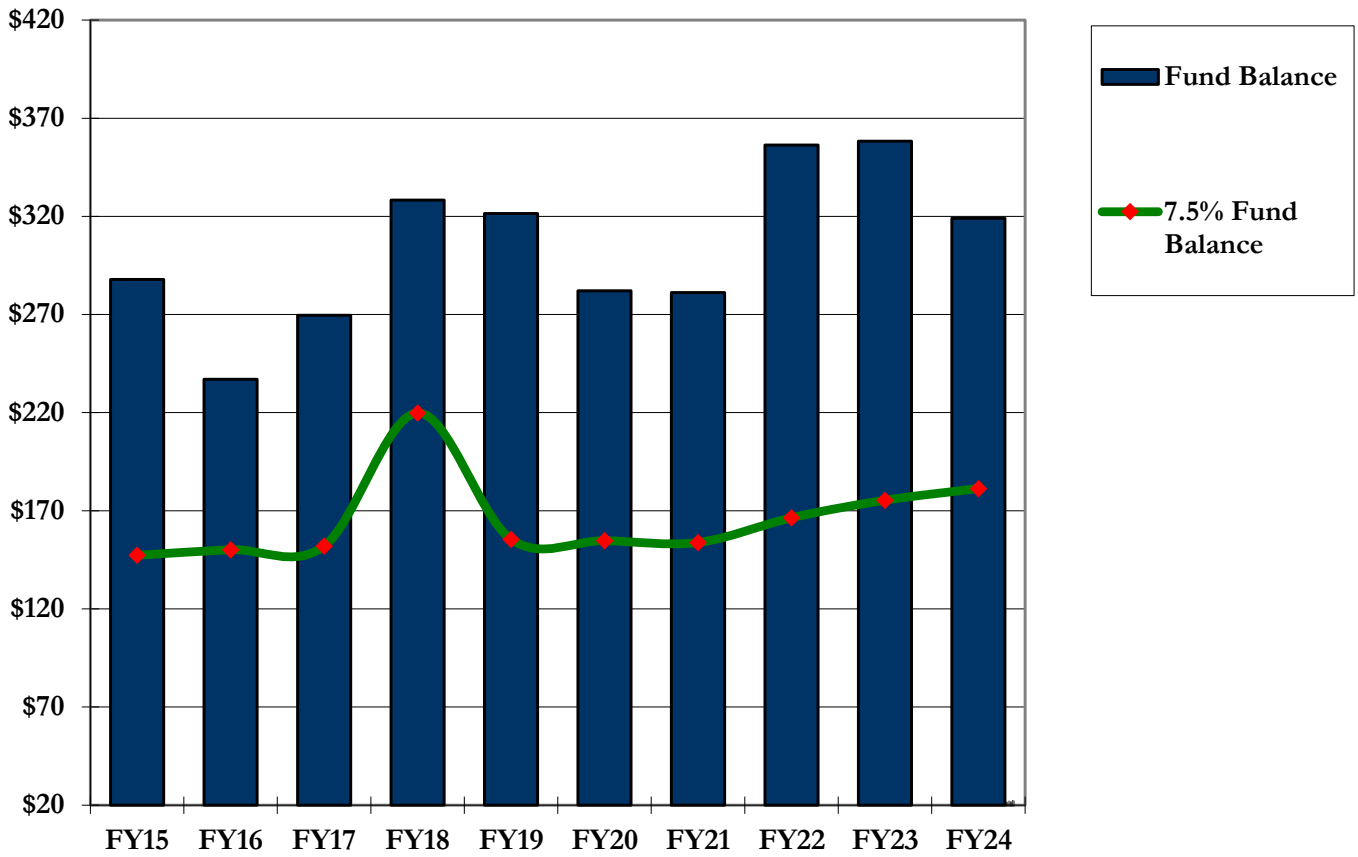
# Cash vs. Fund Balance General Fund

*(amounts expressed in thousands)*



The Unassigned Fund Balance consists of both cash and non-cash items, and includes receivables for Sales Tax and Franchise Fees. The Unassigned Fund Balance is expected to increase by \$2 million in Fiscal Year 2023 and decrease by \$39.3 million in Fiscal Year 2024. The projected Unassigned Fund Balance for Fiscal Year 2023 and Fiscal Year 2024 is \$358 million and \$319 million, respectively.

# City Ordinance 7.5% Fund Balance Requirement



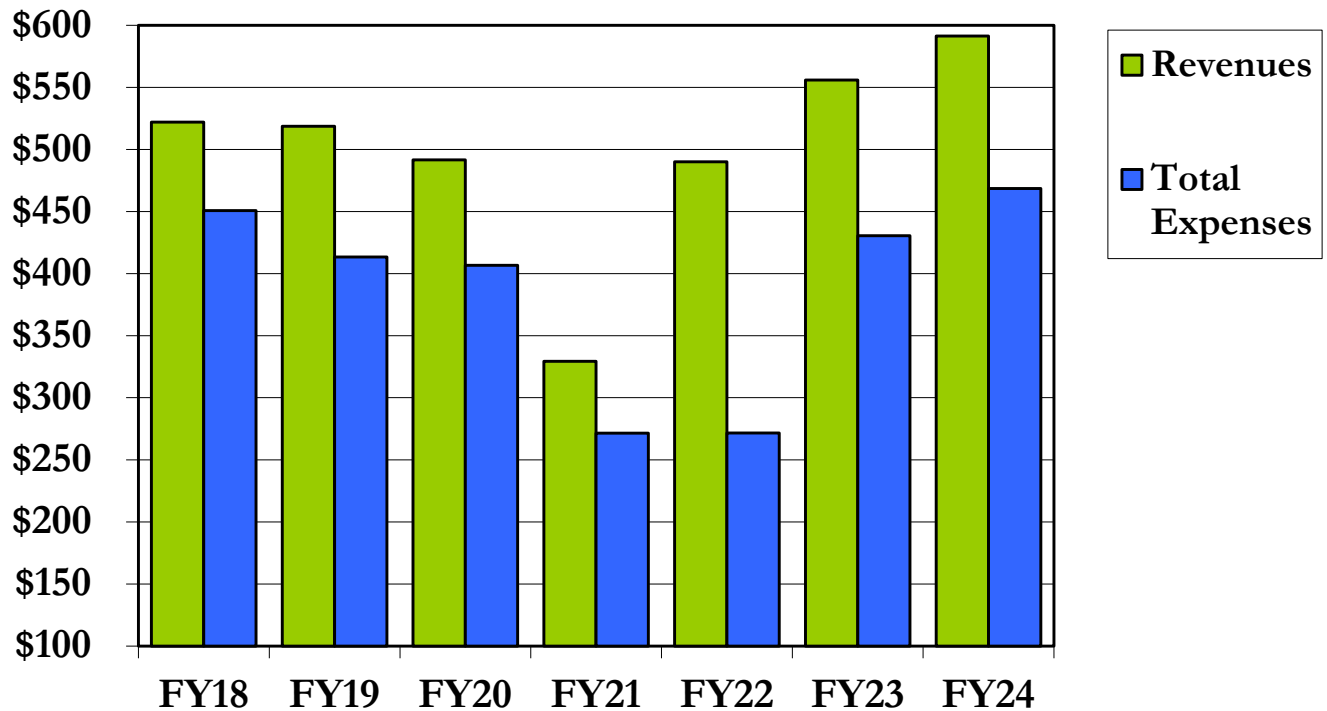
City Ordinance 2014-1078, adopted December 2014, requires an Undesignated Reserve of 7.5% of General Fund Expenditures, less Debt Service Payments and PAYGO.

For Fiscal Year 2024, the Office of the Controller is projecting an ending fund balance of \$137 million above the required 7.5%. The projected ending fund balance for Fiscal Year 2024 represents 13.2% of budgeted expenditures excluding debt-service and PAYGO.



# Aviation Revenues & Expenses

*(amounts expressed in millions)*

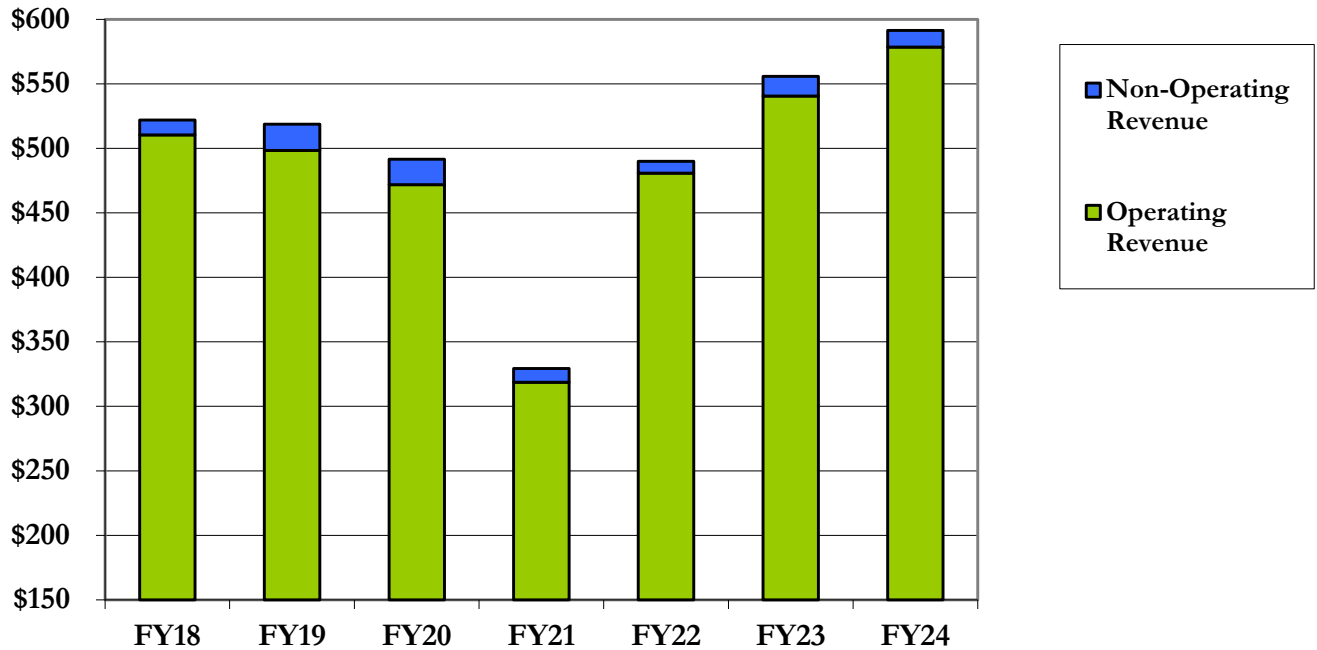


Aviation is projecting revenues to increase by \$35.5 million, or 6.4%, to \$591.4 million in Fiscal Year 2024. This is primarily attributable to an increase in operating revenues. Expenses are expected to increase by \$38.0 million, or 8.8%, to \$468.6 million in Fiscal Year 2024 due to increased costs in operations & maintenance expenses.

Through COVID-19 federal grant programs, Aviation is eligible to receive reimbursable grant funds for eligible costs, including operating & maintenance expenses and debt-service payments, in accordance with agreements with the Federal Aviation Administration. It is expected that remaining ARPA dollars totaling \$46.0 million will be requested in Fiscal Year 2024.

# Aviation Revenues

*(amounts expressed in millions)*

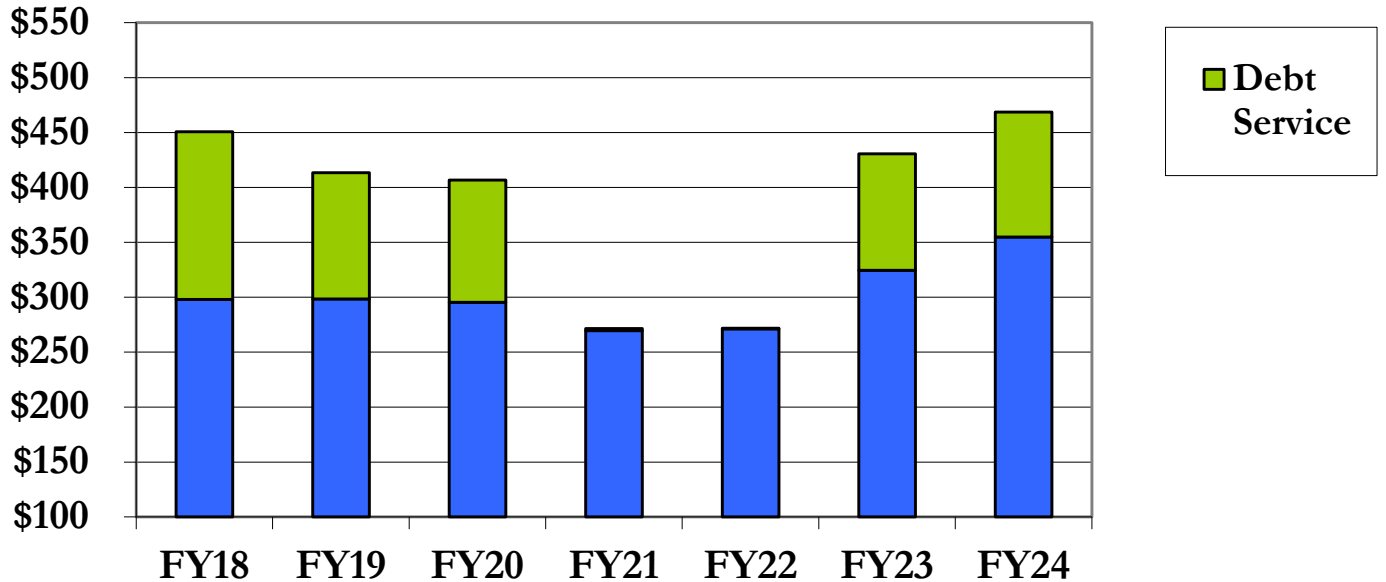


Projected total revenues for Aviation for Fiscal Year 2024 are \$591.4 million. This is an increase of \$35.5 million, or 6.4%, compared to the Fiscal Year 2023 estimate of \$555.9 million. This increase is due to a \$37.9 million, or 7.0%, increase in operating revenues based on higher projected Signatory Landing and Terminal Space Rental Fees. Non-operating revenues are estimated to be \$12.8 million for Fiscal Year 2024, a decrease of \$2.4 million, or 15.8%, compared to Fiscal Year 2023.

The use of ARPA funds are treated as grant dollars and are not included in revenue projections.

# Aviation Expenses

*(amounts expressed in millions)*

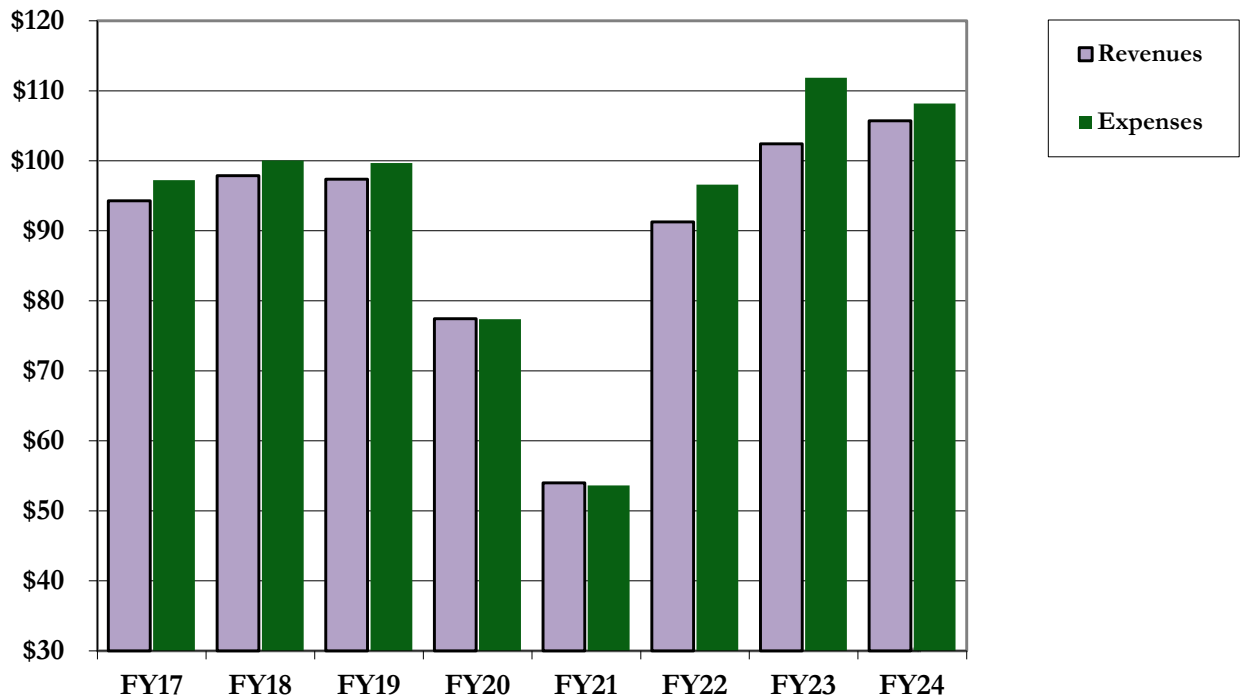


Projected total expenses for Aviation for Fiscal Year 2024 are \$354.9 million, excluding debt service. This is an increase of \$30.3 million or 9.3% compared to the Fiscal Year 2023 estimate of \$324.5 million. This increase is primarily due to a \$6.5 million, or 5.1%, increase in Personnel Costs, and a \$21.9 million, or 11.7%, increase in Other Services and Charges. The increase in Other Services and Charges is mainly related to increases in contracted services and interfund services.

For Fiscal Year 2024, an estimated total of \$46 million in debt service payments will be reimbursed through ARPA grant funding, while the remaining debt service for Aviation will be covered by the operating and maintenance budget of \$113.7 million, as well as Passenger Facility Charges.

# Convention & Entertainment Revenues & Expenses

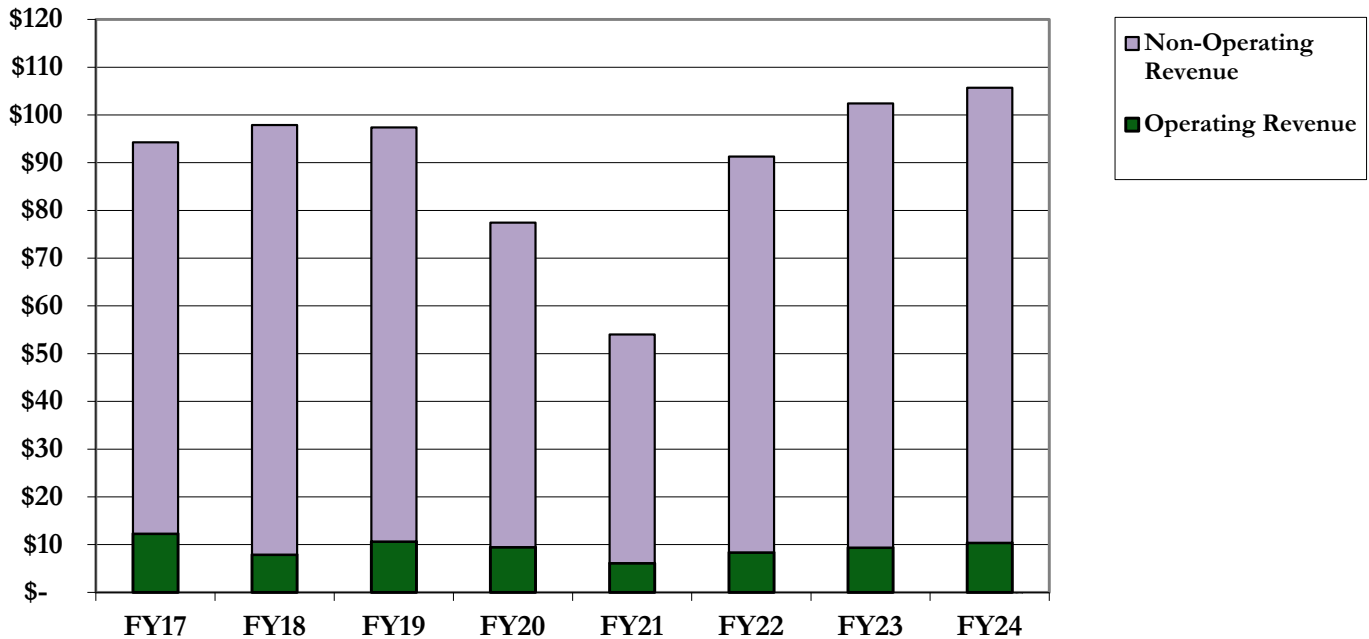
*(amounts expressed in millions)*



Convention & Entertainment is projecting a decrease in total expenses of \$3.7 million, or 3.3%, to \$108.2 million in Fiscal Year 2024 compared to Fiscal Year 2023. Revenues are projected to total \$105.7 million in FY24, an increase of \$3.3 million, or 3.3%, compared to Fiscal Year 2023. Convention & Entertainment expenses are projected to exceed revenues by approximately \$2.5 million in Fiscal Year 2024, resulting in a decrease in ending total net position/fund balance.

# Convention & Entertainment Revenues

*(amounts expressed in millions)*

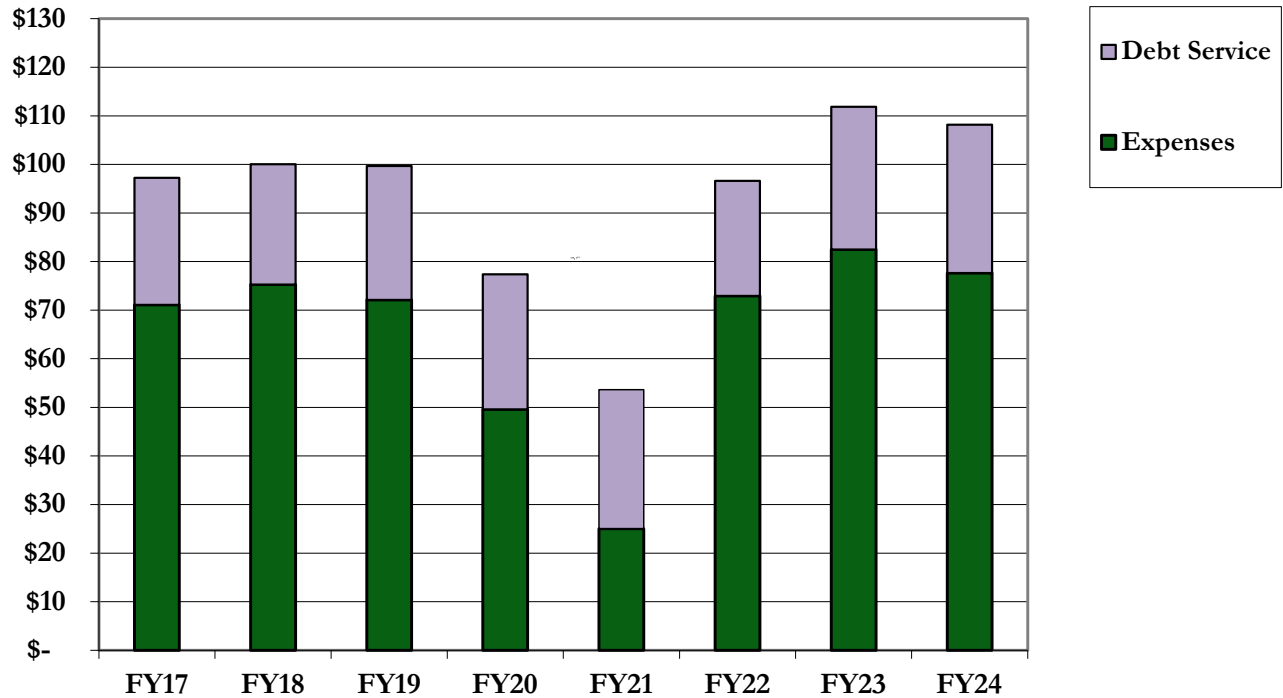


Convention & Entertainment’s revenues are primarily generated from Hotel Occupancy Tax (HOT), which is reported as non-operating revenues. Conversely, facility rentals and parking are reported as operating revenues.

Revenues are projected to total approximately \$105.7 million in Fiscal Year 2024. Collection of HOT is projected to increase by \$2.3 million, or 2.5%, to \$95.4 million in Fiscal Year 2024 from Fiscal Year 2023 due to higher occupancy rates and higher average daily rates expected in Fiscal Year 2024. In addition, total operating revenues are projected to increase by \$1.0 million, or 10.9%, to \$10.4 million in Fiscal Year 2024, primarily the result of higher parking revenues due to both higher utilization and rates at the parking garages.

# Convention & Entertainment Expenses

*(amounts expressed in millions)*

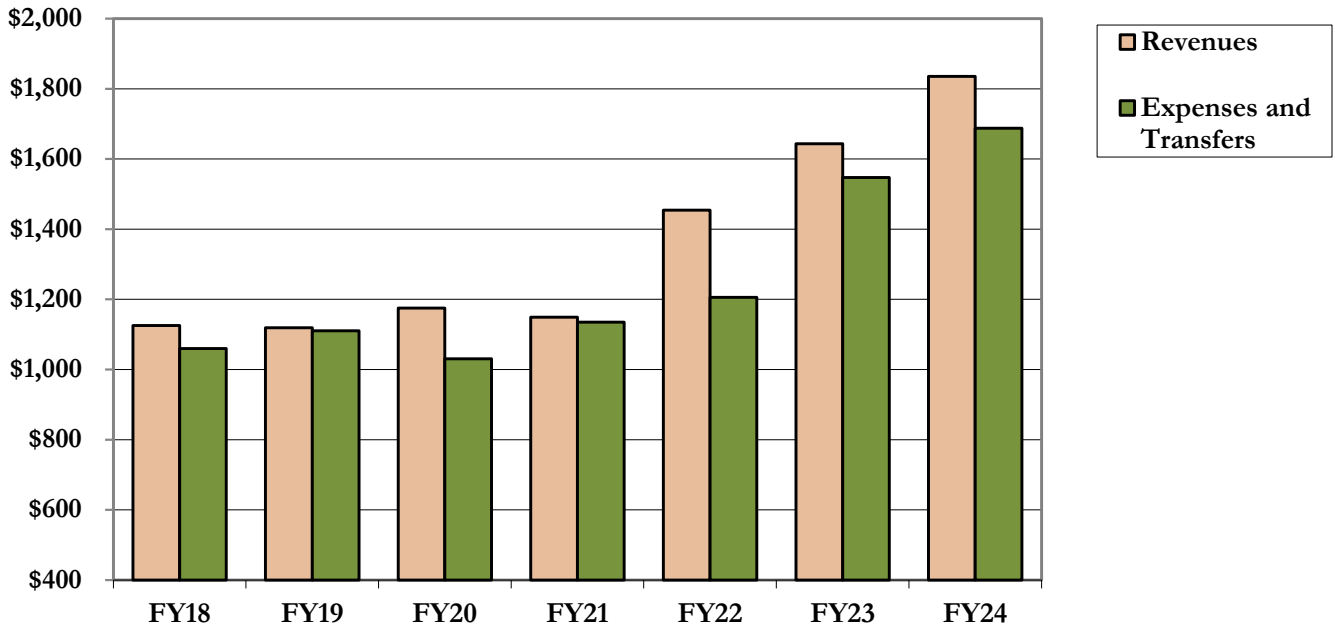


Convention & Entertainment is projecting a decrease of \$3.7 million, or 3.3%, in total expenses to approximately \$108.2 million in Fiscal Year 2024 compared to Fiscal Year 2023. This decrease is mainly due to a decrease in transfers to component units by \$4.8 million, or 5.9%, to \$77.6 million in Fiscal Year 2024 from \$111.9 million in Fiscal Year 2023. This decrease is offset by an increase in debt service of \$1.2 million, or 3.9%, to \$30.5 million in Fiscal Year 2024 from \$29.4 million in Fiscal Year 2023.

# Combined Utility System

## Revenues and Expenses

*(amounts expressed in millions)*

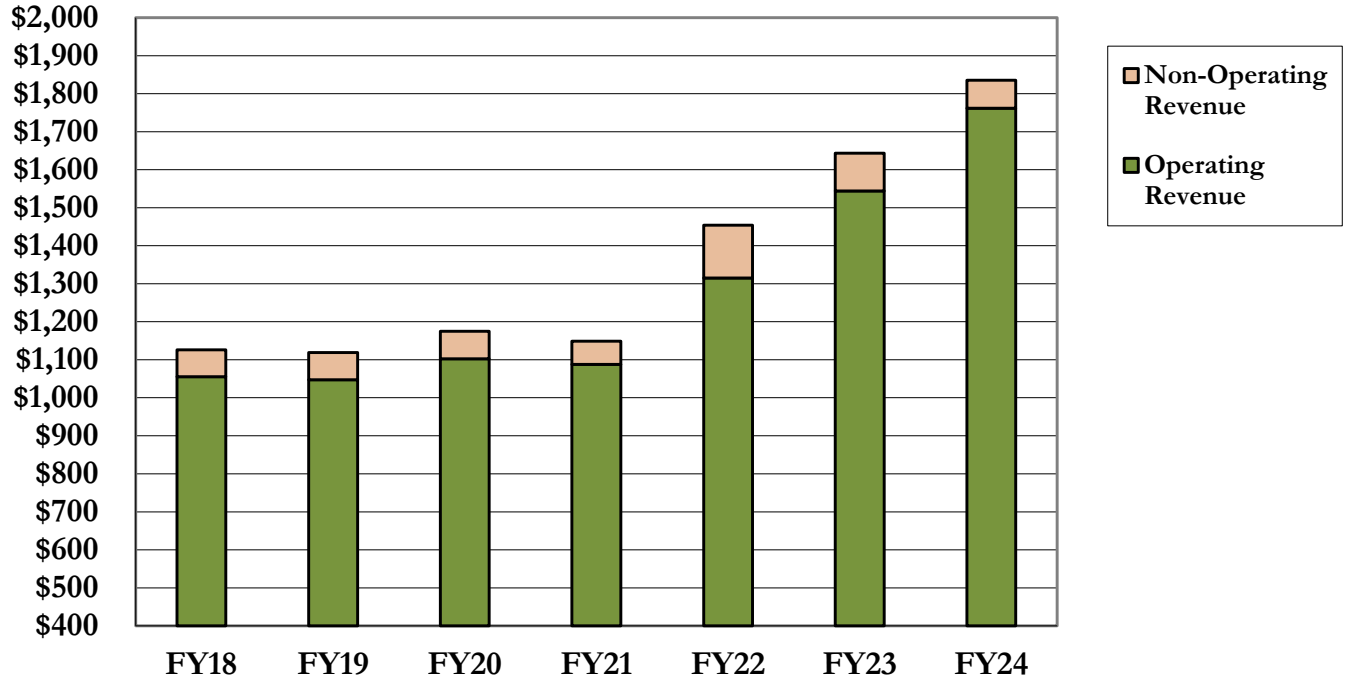


The Combined Utility System’s (CUS) revenues are expected to exceed expenditures by \$147.7 million for Fiscal Year 2024. Revenues are expected to increase by \$192.0 million, or 11.7%, to \$1.84 billion in Fiscal Year 2024. Expenditures are expected to increase by \$140.8 million or 9.1% to \$1.69 billion in Fiscal Year 2024, mainly due to increases in transfers to debt service and capital projects, as well as operating expenses such as personnel, supplies and contract services.

City ordinance requires remaining funds, after all expenses and other financial obligations are met (CUS’ net revenues), are transferred to the CUS General Purpose Fund. The funds within the CUS General Purpose Fund are available to pay for any lawful purpose and for drainage purposes, subject to certain restrictions.

# Combined Utility System Revenues

*(amounts expressed in millions)*



CUS' Revenues are expected to increase by \$192.0 million, or 11.7%, compared to Fiscal Year 2023. This increase is primarily due to projected increases of \$104.2 million in water sales to a total of \$901.8 million and \$113.5 million in sewer sales to \$825.8 million. In addition, interest income is estimated to increase by \$8.6 million to \$25.6 million in Fiscal Year 2024. The increases in water, sewer and interest income are offset by a decrease of \$31.9 million in projected impact fees. Water and sewer sales are subject to an annual inflationary rate adjustment equal to the previous calendar year's Producer Price Index (PPI) or Consumer Price Index (CPI) and population for the Houston area.

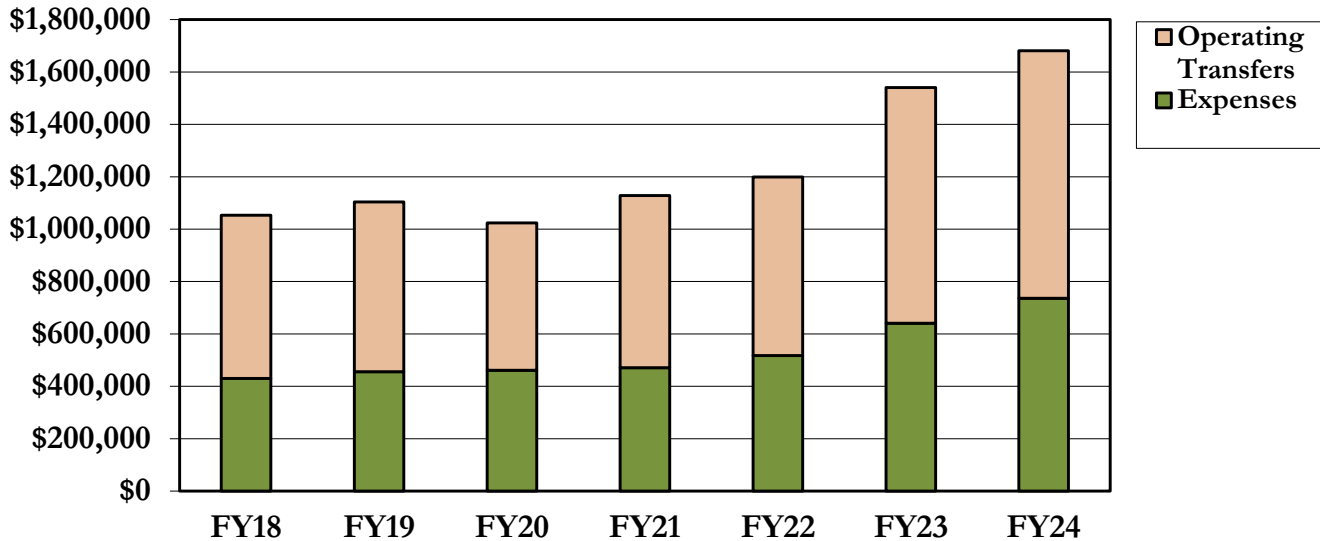
Note: The rate adjustments for fiscal years 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024 - are 3.6%, 1.2%, 4.4%, 1.4%, 3.4%, 2.8%, 2.8%, 3.5%, 1.5%, 5.6%, and 9.2%, respectively.



# Combined Utility System

## Operating Expenses by Category

*(amounts expressed in millions)*



CUS' expenditures are expected to increase by \$140.8 million, or 9.1%, to \$1.69 billion in Fiscal Year 2024 compared to Fiscal Year 2023 primarily due to increases in operating & maintenance costs and debt service transfer. Operating & maintenance costs increased by \$95.5 million to \$736.2 million, and debt transfer increased by \$68.9 million to \$598.0 million.

Changes in operating and maintenance expenses reflect increases to personnel expenses, energy expense components, supplies and additional resources to accommodate new customers or additional regulatory compliance. The number of full-time equivalent employees (FTEs) is projected to increase by 282.7 FTEs to 2,396.9 FTEs in Fiscal Year 2024.

Operating transfers include CUS' debt service payment obligations, transfers to capital projects and other funds, as well as drainage expenses.