



CITY OF HOUSTON

Finance Department

Interoffice

Memorandum

To: Mayor Sylvester Turner
City Council Members

From: Tantri Emo
Chief Business Officer/
Director of Finance

Date: July 19, 2019

cc: Controller Chris Brown
Jerry Adams

Subject: Review of FY2018 Spending Under
\$50,000 – Final

This memo is a follow up of previous correspondence dated April 2, 2019, detailing the breakdown of payments under \$50,000 as presented to City Council by the City Controller on March 5, 2019.

Background

- The dataset presented by City Controller on March 5, 2019 was based on Citywide payments under \$50,000 for FY2018 totaling \$396.6 million,
- Subsequently, City Council requested a breakdown by fund and department, as well as spending for contracts under \$50,000. The Controller's Office reached out and engaged with Finance Department to provide information regarding contract spending,
- Total of 148,577 transactions were included in the dataset,
- All fund appropriation requires City Council approval,
- All City payments are made through the Controller's Office,
- Procurement means the process by which pricing, qualifications, and bids and/or proposals for goods and services are solicited from vendors, which may result in contracts for the purchase of such goods or services. Procurement includes three phases: planning and sourcing, solicitation and contract administration¹,
- Update on the spending for contracts under \$50,000 was reported to Mayor and City Council on April 2, 2019 (Phase 1); as follows:

¹ Chapter 15, Section 15-42 of City's Code of Ordinance

Payments under \$50,000

<i>(\$ in millions)</i>	Phase 1 Approved with City Council Action	Phase 2	Total
Contracts over \$50,000	\$ 279.3	\$ -	\$ 279.3
Grants, Capital Projects, Debt Service, MUD Payments, Tax Rebates, Third Party Revenue Collection	\$ 69.1	\$ -	\$ 69.1
Next Step - identifying remaining datasets	\$ -	\$ 48.1	\$ 48.1
Subtotal	\$ 348.4	\$ 48.1	\$ 396.6
Percentage (%)	88%	12%	100%

- Out of \$396.6 million, \$348.4 million (88%) of the payments under \$50,000, were related to payments for contracts over \$50,000, as well as other payments to any third-party including grants, which were approved by City Council.
- This memo is to identify the remaining datasets of \$48.1 million (12%) for payments related to contracts under \$50,000 – as described as Phase 2.

Methodology

To better visualize the results, the dataset was organized by payments:

1. Approved requiring City Council action
 - Subdivided into payments tied or not tied to procurement
 - This includes
 - Contracts over \$50,000 which were approved by Council;
 - Grant payments;
 - MUD payments and Tax Rebates;
 - TIRZ incremental transfers;
 - Debt Service payments;
 - Third-Party Revenue Collection; and
 - Capital Projects.
2. Approved without City Council action:
 - Subdivided into payments tied or not tied to procurement
 - For payments under \$50,000 as best as we can, we had narrowed down the dataset for payments under \$50,000 that were made without requiring City Council Action and not tied to procurement.

Findings – Phase 2 for remaining datasets of \$48.1 million (Figure 1 & 2 attached)

- Of the \$48.1 million identified in the spend under \$50,000 purchases, this was further broken down as follows:
 - \$4.2 million were approved with City Council Action (1,049 transactions),
 - \$31.2 million were payments related to procurement for contracts under \$50,000, not requiring City Council Action (12,382 transactions),
 - \$12.6 million were payments unrelated to procurement not requiring City Council Action (24,471 transactions).

Conclusion (Figure 3 & 4 attached)

- From the dataset of payments under \$50,000 for FY2018, totaling \$396.6 million:
 - \$ 352.6 million (88.9%) were spending related to contracts over \$50,000 and other spending that were approved with City Council Action
 - \$ 31.4 million (7.9%) were spending for contracts under \$50,000 that were not requiring City Council Action – where General Fund accounted for \$6.7 million (1.7%) out of \$396.6 million dataset,
 - \$ 12.6 million (3.2%) were spending unrelated to procurement not requiring City Council Action.

Please let me know should you have any questions.

Attachments:

Figure 1: Phase 2 - Breakdown Analysis by Fund

Figure 1A: Phase 2 - Miscellaneous Payments Unrelated to Procurement by Fund

Figure 2: Phase 2 - Breakdown Analysis by Department

Figure 3: Final Dataset – Breakdown Analysis by Fund

Figure 4: Final Dataset – Breakdown Analysis by Department

Figure 1A: Miscellaneous Payments Unrelated to Procurement

With or Without Council Action
 With or Without Council Action
 With or Without Council Action
 With or Without Council Action

Fund Type	Column Labels															
	Agri/Forest, Wild Distric, Lease Payment	Bus Association Expense	Claim/Retirement & Deceased Employee Payment	Health Course/ Toll Road Expense	Misc Payment Over 2K	Misc Payment Under 2K	Misc Paper Expenses	Permit/ Inspection/ license Fee	Printing & Purchase Expenses	Refund	State Sales Tax Payment	Telephone, Cable & Phone Surveillance Expenses	Unemployment Payment	Various Payment*	Grand Total	
Enterprise Funds	\$ (955,553)	\$ (28,708)	\$ (320,667)	\$ (72,845)	\$ (29,475)	\$ (284,105)	\$ (104,450)	\$ (70,175)	\$ (14,717)	\$ (174,553)	\$ (301,532)	\$ (89,477)	\$ (118,708)	\$ (227,971)	\$ (1,978,411)	
General Funds	\$ (139,553)	\$ (28,708)	\$ (320,667)	\$ (72,845)	\$ (648,372)	\$ (1,744,926)	\$ (179,305)	\$ (1,064)	\$ (1,566,936)	\$ (104,530)	\$ (14,657)	\$ (322,903)	\$ (331,613)	\$ (1,261,892)	\$ (5,703,558)	
Internal Services Funds	\$ (1,200)	\$ (13,384)	\$ (1,578,145)	\$ (23,822)	\$ (21,808)	\$ (857,019)	\$ (4,402)	\$ (6,910)	\$ (39,329)	\$ (1,448)	\$ (1,448)	\$ (66,211)	\$ (15,000)	\$ (2,644,276)		
Service Charge Back	\$ (4,420)	\$ (35,059)	\$ (96,667)	\$ (28,907)	\$ (1,011,282)	\$ (26,959)	\$ (33,836)	\$ (123,271)	\$ (87,098)	\$ (127,670)	\$ (22,900)	\$ (99,709)	\$ (354,851)	\$ (2,213,336)		
Special Revenue Funds	\$ (1,100,828)	\$ (42,092)	\$ (1,943,871)	\$ (96,667)	\$ (966,562)	\$ (3,900,166)	\$ (315,111)	\$ (130,921)	\$ (365,318)	\$ (365,481)	\$ (443,859)	\$ (435,728)	\$ (623,092)	\$ (1,865,594)	\$ (12,596,288)	

*Various payment - Travel reimbursement, Airfare, Registration Fee (Conventions, conferences and Seminars), Subscriptions, periodicals and manuals, Memberships and dues, Advertising, Utility Bills, Petty Cash reimbursements, Land Purchase, Bank Charges

Figure 2: Phase 2 - Breakdown Analysis by Department

Department	Approved with City Council Action		Without City Council Action				Grand Total	Transaction Count
	Amount	Transaction Count	Tried to Procurement	Transaction Count	Not Tied to Procurement	Transaction Count		
Administration & Regulatory Affairs - ARA	(535,120.79)	140	(494,610.35)	370	(333,765.83)	2088	(1,363,496.97)	2598
Business Opportunity - BO	-	0	(1,000.00)	1	(67,501.68)	18	(68,501.68)	19
City Controller - CTR	(5,775.00)	1	(223,511.40)	44	(40,201.38)	96	(269,487.78)	141
City Council - CNL	-	0	(78,251.19)	7	(28,756.76)	26	(107,007.95)	33
Citywide General Government - CGG	(335,505.18)	28	(74,223.66)	41	(628,611.44)	60	(1,036,340.28)	129
Convention Entertainment Facility - C&E	-	0	-	0	(25,838.27)	11	(25,838.27)	11
Department of Neighborhoods - DON	-	0	(94,050.23)	66	(32,299.70)	27	(126,349.93)	93
Finance Department - FIN	-	0	(111,156.42)	76	(250,063.12)	89	(361,219.54)	165
Fleet Management - FMD	(619,821.77)	545	(1,857,357.62)	1004	(48,524.36)	1116	(2,525,703.75)	2665
General Services Department - GSD	-	0	(1,004,655.06)	503	(140,053.50)	226	(1,144,708.56)	729
Housing & Community Development - HCD	(79,605.39)	4	(522,702.41)	72	(19,532.21)	100	(621,840.01)	176
Houston Airport Services - HAS	(165,081.49)	14	(5,313,196.92)	1415	(494,349.38)	496	(5,972,627.79)	1925
Houston Emergency Center - HEC	-	0	(60,123.98)	43	(35,729.83)	95	(95,853.81)	138
Houston Fire - HFD	(48,000.00)	1	(1,403,531.13)	808	(226,304.68)	189	(1,677,835.81)	998
Houston Health Department - HHD	-	0	(1,844,936.15)	738	(1,199,332.50)	979	(3,044,268.65)	1717
Houston Information Tech Svcs - HITS	-	0	(675,967.89)	251	(35,734.60)	30	(711,702.49)	281
Houston Police Department - HPD	(706,564.03)	38	(2,339,734.87)	842	(1,376,529.89)	1059	(4,422,828.79)	1939
Houston Public Library - HPL	(414,277.39)	18	(897,773.70)	253	(1,577,758.03)	1523	(2,689,809.12)	1794
Houston Public Works - HPW	(935,310.57)	51	(10,813,238.68)	4069	(1,981,878.03)	1320	(13,730,427.28)	5440
Human Resources - HR	(30,203.88)	2	(539,663.11)	188	(200,097.83)	340	(769,964.82)	530
Legal Department - LGL	-	0	(505,211.66)	111	(2,704,216.00)	1432	(3,209,427.66)	1543
Mayor's Office - MYR	-	0	(145,838.13)	33	(162,684.56)	45	(308,522.69)	78
Municipal Courts Department - MCD	(141,612.01)	5	(236,867.36)	327	(102,427.97)	10901	(480,907.34)	11233
Parks & Recreation - PRD	(150,601.14)	202	(1,921,668.13)	624	(699,907.02)	1999	(2,772,176.29)	2825
Planning & Development - PD	-	0	(69,857.92)	25	(36,359.87)	38	(106,217.79)	63
Solid Waste Management - SWM	-	0	(346,868.06)	471	(147,829.50)	168	(494,697.56)	639
Grand Total	(4,167,479)	1049	(31,375,996)	12382	(12,596,288)	24471	(48,139,753)	37902
	9%		65%		26%		100%	

**Figure 3: Final Dataset - Breakdown Analysis by Fund
Fiscal Year 2018**

Fund Type	Approved with City Council Action				Without City Council Action				Grand Total	
	Tied to Procurements	Transaction Count	Not Tied to Procurements	Transaction Count	Tied to Procurements	Transaction Count	Not Tied to Procurements	Transaction Count	Grand Total	Transaction Count
General Funds	(41,857,449)	19,238	(28,908,644)	2,178	(6,651,912)	3,828	(5,703,958)	17,537	(83,121,963)	42,781
Special Revenue Funds	(30,982,079)	8,612	(246,204)	23	(7,998,185)	2,319	(2,213,936)	3,171	(41,440,404)	14,125
Debt Services Funds	(4,125)	1	(2,763,822)	277	-	-	-	-	(2,767,947)	278
Capital Projects Funds	(58,855,438)	4,918	(3,710,220)	1,000	-	-	-	-	(62,575,658)	5,918
Agency Funds - Governmental	-	-	(33,026,053)	5,903	-	-	-	-	(33,026,053)	5,903
Agency Funds	(356,957)	43	(725,861)	61	-	-	-	-	(1,082,818)	104
Enterprise Funds	(71,960,576)	13,758	(85,167)	15	(13,074,634)	4,766	(1,978,411)	1,045	(87,098,789)	19,584
Internal Services Funds	(1,131,061)	166	-	-	(128,147)	54	(55,707)	106	(1,314,915)	326
Service Charge Back	(77,990,131)	55,531	-	-	(3,523,118)	1,415	(2,644,276)	2,612	(84,157,524)	59,558
Grand Total	(283,147,816)	102,267	(69,465,972)	9,457	(31,375,996)	12,382	(12,596,288)	24,471	(396,586,072)	148,577
% of Total	71.4%		17.5%		7.9%		3.2%		100%	

Notes:

- 88.9% (\$352.6 million) of the \$397 million dollars in payments under \$50,000 were approved with City Council Action.
 - 71.4% (\$283 million) of the \$397 million dollars in payments under \$50,000 are tied to procurements.
 - 17.5% (\$69 million) of the \$397 million dollars in payments under \$50,000 are not tied to procurements.
 - 8% (\$33 million) of payments under \$50K were made against grants.
 - 7% (\$29 million) of payments under \$50K are related to Limited Purpose Annexation (LPA) Payments or MUD Sales Tax. Authorized in the 1999 Legislature, LPA may be conducted as part of a Strategic Partnership Agreement (SPA) with a utility district. Of the 1% Sales Tax revenue received from the state, 50% goes to the City and 50% goes to Municipal Utility Districts.
 - <1% (\$3.7 million) of payments under \$50K were for capital projects.
 - <1% (\$2.7 million) of payments under \$50K were for debt services.
- 7.9% (\$31.4 million) of the \$397 million dollars in payments under \$50,000 were related to contracts that did not require council action.

Figure 4: Final Dataset - Breakdown Analysis by Department
Fiscal Year 2018

Department	Approved with City Council Action				Without City Council Action				Grand Total	Transaction Count
	Tied to Procurements	Transaction Count	Not Tied to Procurements	Transaction Count	Tied to Procurements	Transaction Count	Not Tied to Procurements	Transaction Count		
Administration & Regulatory Affairs - ARA	(4,482,126)	1,101	(2,128,258)	32	(494,610)	370	(333,766)	2,088	(5,528,760)	3,591
Business Opportunity - BO	(21,126)	17	-	-	(1,000)	1	(67,502)	18	(89,628)	36
City Controller - CTR	(221,445)	54	(881)	1	(223,511)	44	(40,201)	96	(486,039)	195
City Council - CNL	(24,323)	19	-	-	(78,251)	7	(28,757)	26	(131,331)	52
Citywide General Government - CGG	(2,370,424)	211	(27,828,713)	2,119	(74,224)	41	(628,611)	60	(30,901,972)	2,431
Convention Entertainment Facility - C&E	(76,500)	4	(154,427)	14	-	-	(25,838)	11	(256,765)	29
Department of Neighborhoods - DON	(1,069,080)	209	(23,430)	15	(94,050)	66	(32,300)	27	(1,218,860)	317
Finance Department - FIN	(510,030)	101	(293,692)	13	(111,156)	76	(250,063)	89	(1,164,942)	279
Fleet Management - FMD	(39,787,975)	31,117	(41,958)	2	(1,857,358)	1,004	(48,524)	1,116	(41,735,815)	33,239
General Debt Services - GDS	(15,918,825)	6,918	(1,616,217)	148	-	-	-	1,116	(1,616,217)	148
General Services Department - GSD	(1,051,740)	83	(182,158)	15	(1,004,655)	503	(140,054)	226	(17,245,692)	7,662
Housing & Community Development - HCD	(26,564,818)	3,075	(11,639,898)	1,251	(522,702)	72	(19,532)	100	(13,223,873)	1,506
Houston Airport Services - HAS	(109,276)	38	(814,932)	81	(5,313,197)	1,415	(494,349)	496	(33,187,296)	5,067
Houston Emergency Center - HEC	(7,332,867)	2,704	(38,756)	6	(60,124)	43	(35,730)	95	(243,887)	182
Houston Fire - HFD	(5,159,659)	2,789	(1,433,874)	104	(1,403,531)	808	(226,305)	189	(10,396,576)	3,805
Houston Health Department - HHD	(17,376,045)	3,768	(11,637,609)	3,092	(1,844,936)	738	(1,199,333)	979	(19,841,536)	7,598
Houston Information Tech Svcs - HITS	(4,497,043)	3,270	(36,696)	4	(675,968)	251	(35,735)	30	(18,124,444)	4,053
Houston Police Department - HPD	(17,878,922)	3,889	(2,564,499)	417	(2,339,735)	842	(1,376,530)	1,059	(24,159,685)	5,588
Houston Public Library - HPL	(102,756,510)	16,973	(524,113)	196	(697,774)	253	(1,577,758)	1,523	(7,296,688)	5,861
Houston Public Works - HPW	(19,840,306)	20,837	(3,006,212)	923	(10,813,239)	4,069	(1,981,878)	1,320	(118,557,839)	23,285
Human Resources - HR	(910,129)	176	-	-	(539,663)	188	(200,098)	340	(20,580,067)	21,365
Legal Department - LGL	(265,359)	108	(3,971,000)	372	(505,212)	111	(2,704,216)	1,432	(4,119,566)	1,719
Mayor's Office - MYR	(1,227,958)	136	(363,944)	28	(145,838)	33	(162,685)	45	(4,544,882)	558
Municipal Courts Department - MCD	(6,743,076)	3,105	(659,184)	480	(236,867)	327	(102,428)	10,901	(1,931,197)	11,392
Parks & Recreation - PRD	(85,077)	73	(394,087)	22	(1,921,668)	624	(69,907)	1,999	(10,023,835)	6,208
Planning & Development - PD	(6,867,176)	1,492	(2,021,433)	122	(69,858)	25	(36,360)	38	(885,381)	158
Solid Waste Management - SWM	(283,147,816)	102,267	(69,465,972)	9,457	(34,375,996)	12,382	(12,596,288)	24,471	(396,586,072)	148,577
Grand Total										
	71.4%		17.5%		7.9%		3.2%		100%	