

## OPERATING BUDGET PROCESS

The general framework for the Operating Budget process is presented in Exhibit 1. Formalization of the process began in FY1988 with the establishment of basic policies. In FY1989, City Council approved an ordinance requiring a monthly financial status report from the Finance and Administration Department (renamed Finance Department) and the Office of the City Controller.

The budgetary process was further strengthened with the adoption of the integrated budgeting and planning resolution and budget calendar ordinance in FY1989. This resolution includes linking plans and budgets for the General, Enterprise, and Special Revenue Funds and the Capital Improvement Plan (CIP). The integrated approach also calls for service impact information, input from the public and elected officials, and linking current budgets with five-year forecasts. The budget calendar ordinance requires the development of a budget calendar with specific dates for the presentation of several phases of the budget as illustrated in Exhibit 2.

The amendment process for the budget is governed by Section 102.009 (b) (c) of the Texas Local Government Code which stipulates that after final approval of the budget, the City Council must spend funds only in strict compliance with the budget, except in an emergency. The City Council may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If Council amends the original budget to meet an emergency, Council shall file a copy of the resolution amending the budget with the City Secretary, and the City Secretary shall attach the copy to the original budget.

During the consideration of the FY2020 Adopted Budget in June 2019, City Council approved Budget Amendment 1.02 which requires all City departments to adopt a zero-based budgeting method for FY2021 only. In November 2019, the Administration released the City of Houston implementation plan for zero-based budgeting.

In April and May 2020, the Finance Department begins briefing Council on the preparation of the FY2021 Budget. After departments submit their budgets, a series of meetings with the Finance Department are conducted to evaluate and determine the requests that would be incorporated into the Mayor's Budget. Budget workshops are held by the Budget and Fiscal Affairs Committee starting in April.

## CAPITAL IMPROVEMENT PLAN PROCESS

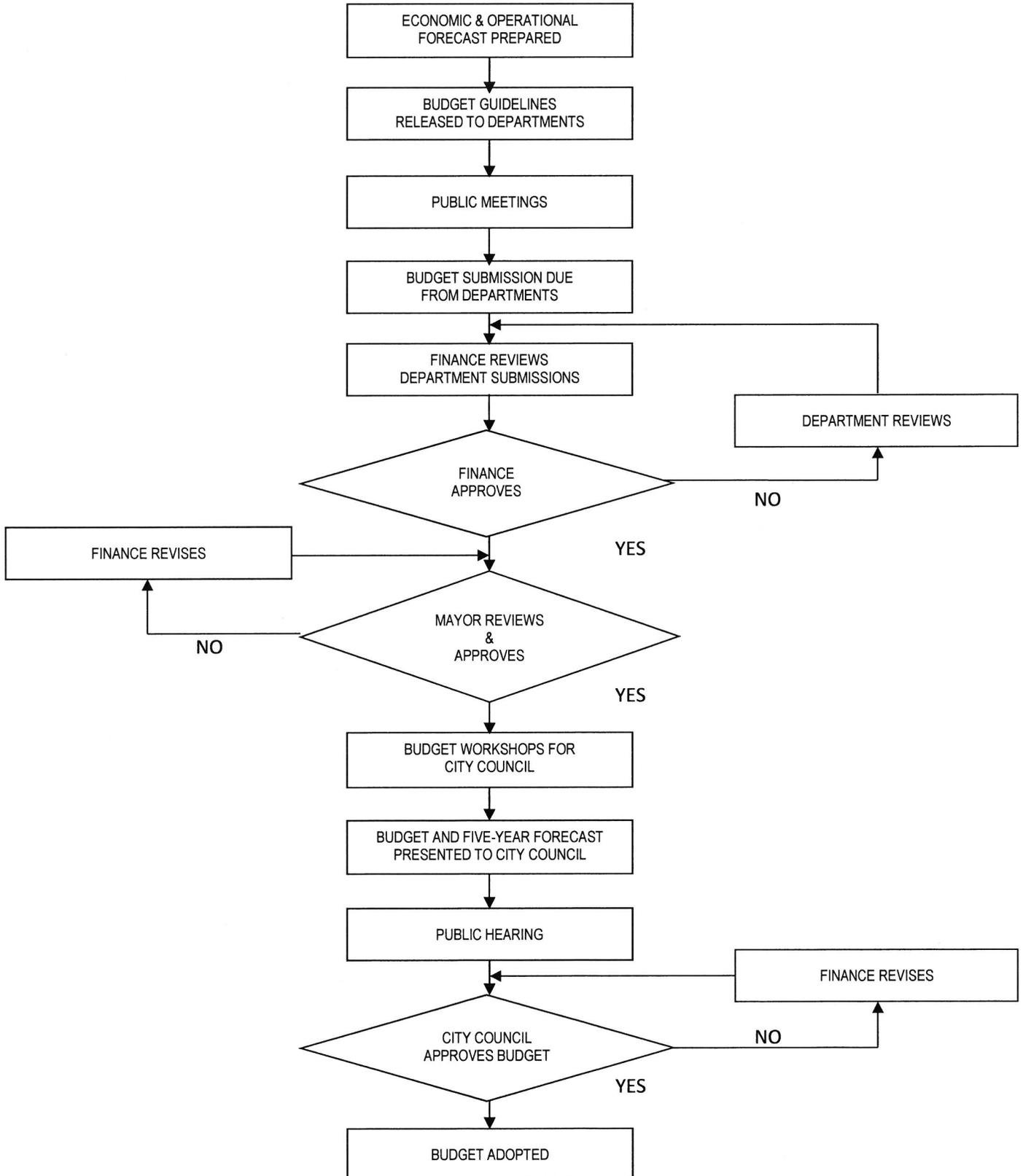
The process to prepare and adopt the five-year Capital Improvement Plan (CIP) for FY2021-FY2025 generally follows the same procedures as the Operating Budget. Refer to Exhibits 2 and 3 for schedule and comparison.

In February and March, public meetings were conducted in all Council districts. During these meetings, citizen comments were received regarding capital project plans. Comments were forwarded to applicable Council Members, Houston Public Works, and other City departments. City departments reviewed projects in the FY2020-FY2024 CIP to determine whether rescheduling of projects and adjustments in funding would be required.

In February, departmental CIP submissions were received, reviewed, and evaluated by the Finance Department. CIP reviews and discussions between City departments and Finance were held in March and April. Upon completion of an evaluation period with the Mayor, a proposed FY2021-FY2025 CIP will be prepared for presentation to City Council for review and adoption, the focus of which will be on Harvey related recovery as well as technology improvement as a result of COVID-19.

Enterprise Fund capital projects may vary from FY2020 but would do so only as a result of considerations internal to each respective enterprise/revenue bond fund program. Enterprise projects and Public Improvement Bond (PIB) funded projects will be implemented over the next five years and are included in the FY2021-FY2025 CIP.

# EXHIBIT 1 OPERATING BUDGET PROCESS



## EXHIBIT 2

MONTH	OPERATING BUDGET ACTIVITIES	CAPITAL IMPROVEMENT PLAN ACTIVITIES	GRANT ACTIVITIES
January	Operating budget preparation instructions and materials distributed	CIP preparation instructions and materials distributed to departments	N/A
February - March	Departments submit operating budget requests	Public Meetings on CIP  Departments submit CIP requests	HCDD develops and publishes the draft 2020-2024 Consolidated Plan and 2020 Annual Action Plan for public comment (CDBG, HOME, HOPWA & ESG)  HCDD presents annual budgets to Housing and Community Affairs City Council Committee  Two Public Hearings on the 2020-2024 Consolidated Plan and 2020 Annual Action Plan held
April	Finance analyzes and consolidates Operating Budget  Council Workshops on zero based budgeting for General Fund departments	Executive review of Proposed Projects	2020-2024 Consolidated Plan and 2020 Annual Action Plan submitted for Council approval  Council approves the submission of the 2020-2024 Consolidated Plan and 2020 Annual Action Plan
May	Council Budget Workshops continue  Public Meetings on Budget	N/A	N/A
May	Mayor proposes Operating Budget	N/A	2020-2024 Consolidated Plan and 2020 Annual Action Plan including CDBG, HOME, HOPWA, and ESG annual applications submitted to HUD
May - June	Council approves Operating Budget	Mayor proposes CIP Council approves Capital Improvement Plan	N/A

## EXHIBIT 3 CIP PREPARATION PROCESS

