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The basic policies related to the City's financial and budgetary policies were formalized on November 10, 1987. These policies were expanded in subsequent years with the adoption of the Integrated Budgeting and Planning Resolution (88-87) as well as Ordinance No. 2003-474, dated May 21, 2003. New policies were adopted by Ordinance No. 2014-1078 in December 2014. In May 2018, and again in November 2020, the policies were amended by Ordinance Nos. 2018-390 and 2020-999 respectively, to revise and update the amended and restated financial policies as a result of the two-year requirement. The most recent ordinance discussing the City's financial policies is Ordinance No. 2023-726, dated August 30, 2023.

The intent of the City's policies is to protect public assets and to foster reliance on public information for decision-making purposes at all levels both internally and externally. The policies establish a framework within which the Mayor, City Council, City Controller, Finance Director, and all department directors shall establish the presence of integrity, ethics, competence and a positive control environment. Managers and supervisory personnel are responsible for establishing, executing, and maintaining the financial policies and procedures at the detail level within their specific business units.

A. Definitions

Accounting Transactions – All financial/accounting entries required to be recorded in the City's general ledger system, by the due date outlined in this policy including but not limited to fiscal year-end expenditure and revenue accruals except for the following: (a) Other Post-Employment Benefits (OPEB) - Health, (b) OPEB – Long Term Disability (LTD), (c) Workers Compensation, (d) Pension, (e) Interest Capitalization, (f) TIRZ Assets, (g) Legal Liability, (h) Grant Equalization, and (i) Final Residual Transfer from Revenue Fund to Appropriate Other Funds as Required by Ordinance/Policy. This definition is intended to align with section K.5.

Advance Refunding – A refunding under the federal tax code in which the refunded obligation is not redeemed for a period of more than 90 days after the issuance of the refunding issue.

Asset Renewal and Replacement – Cyclic repair and replacement of an asset's components [e.g., roofs, electrical systems, heating, ventilation, and air conditioning (HVAC) equipment, paving, replacement vehicles, computer servers, computer networks, and telephony systems] that extends the useful life and/or retains the usable condition of facilities, fleet, and systems not normally contained in the annual operating budget. Included are major building and infrastructure systems and components that have a maintenance cycle in excess of one year.

Balanced Budget – Budget in which revenues and other resources will be sufficient to support expenditures or uses within the fiscal year.

BFA – Budget and Fiscal Affairs Committee of City Council.

Budget Stabilization Fund, formerly called the "Rainy Day Fund" – Cash reserves available for any lawful use in the event of an emergency including temporary cash flow shortages, major disasters, economic instability, and other emergencies as determined by the City. A temporary cash flow shortage is a period of time where cash inflows are not sufficient to cover required outflows, even after the normal means for managing cash flow have been exhausted. Major disasters are any natural catastrophe including, but not limited to, hurricanes, tornados, floods, severe drought, and explosions, chemical or biological threats, or acts of terrorism. Economic instability is an unforeseen, unbudgeted dire financial situation affecting revenue and/or government spending such as declining property and sales tax revenues over the prior fiscal year and/or a very significant, rapid increase in inflation. Other emergencies are any unusual occasion or instance, unforeseen and/or unanticipated, for which the City expends funds in its efforts to save lives and to protect property, public health and safety or to lessen or avert the threat of catastrophe or major disaster.

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Component Units – As defined by the Governmental Accounting Standards Board (GASB), component units are legally separate organizations that the City must include as part of its financial reporting entity for fair presentation.

Current Refunding – Refunding transaction where the refunded obligation will mature or be redeemed within 90 days from the date of issuance of the refunding issue.

Current Replacement Value - The standard industry cost and/or engineering estimate of materials, supplies, and labor required to replace a facility or item of equipment at its existing size and functional capability, and to meet applicable regulatory codes. When estimating Current Replacement Value, it should be assumed that code-compliant materials and systems will be used to replace the existing asset. Current Replacement Value is to be estimated for reconstructing an asset as it currently exists, without further modifications or improvements.

Finance Working Group – Composed of the Mayor and City Controller (as used in connection with the activities of the Finance Working Group, other than the chairing of Finance Working Group meetings, the term "Mayor" or "City Controller" includes the designee of such office holder who may only be a City employee accountable to the designating office holder) and, upon the request of either the Mayor or City Controller, may also include:

- City Attorney or designees
- Finance Director or designees
- Other appropriate department directors or their designees
- Financial Advisor
- Bond Counsel
- Independent Auditor
- Any member of City Council interested in attending, or designee
- Others deemed necessary for the individual financing

Financial Advisor – With respect to a new issue of municipal securities, commonly refers to an individual or firm that advises the issuer or other obligated person on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms and bond ratings. A financial advisor may also be employed to provide advice on subjects unrelated to a new issue of municipal securities, such as advising on cash flow and investment matters in connection with outstanding municipal securities.

Fiscal Note – Brief, high-level written estimate of the budgetary and fiscal impacts that may result from implementation of an ordinance, motion or resolution.

Fund Balance – Difference between fund assets and fund liabilities, also known as equity (for enterprise funds, fund balance is referred to as "Net Position" in line with GASB rules).

Major Renovation – Projects for the substantial rehabilitation or replacement of more than one building or building systems.

Non-Recurring Expenditures – Expenditures not expected to be funded each year. Examples include one-time transfers and one-time purchases**.**

Non-Recurring Revenues – Revenues that cannot be relied upon in future budget periods. Examples include, but are not limited to, Fund Balance, the sale of land (other than City rights-of-way), infrequent, irregular sales of City assets, bond refunding savings, infrequent, irregular revenues from development agreements, interlocal

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agreements, other contracts, short-term grants and one-time transfers, such as litigation settlements or non-routine transfers of fund balance from other funds.

Operating Maintenance – Preventive maintenance, where equipment, vehicles, and computer hardware are maintained before breakdown occurs in an attempt to avoid failures, and corrective maintenance, where equipment, vehicles, and computer hardware are maintained after breakdown occurs to bring it back to working order.

PAYGO – "Pay-As-You-Go" capital funding is the process of paying for capital expenditures at the time the cost is incurred instead of using credit or debt for the purchase. PAYGO expenditures at the City are those capital expenditures that were historically funded by credit or debt and are now paid for with cash.

Recurring Expenditures – Expenditures expected to be funded each year in order to maintain current/status quo service levels. Recurring Expenditures appear in the budget each year. Examples include salaries, benefits, supplies and services, debt and recurring pass-through expenditures; long-term contractual obligations should also be considered, including availability payments related to participation in a public-private partnership. Other expenditures including, but not limited to, supplies, services, and transfers are recurring to the extent that expenditure levels in the current year match the expenditure levels in the previous year. For example, if computer supplies to support operations are needed every year and budgeted every year, this expenditure is considered recurring.

Recurring Revenues – Revenues expected to continue year to year with a reasonable degree of predictability. Examples include property taxes, sales taxes, licenses and permits, charges for services, fines and forfeits, franchise fees and recurring pass-through revenues. Small routine right-of-way sales are also considered Recurring Revenues, but all other land sales are Non-Recurring (one-time) Revenues. This does not include Fund Balance.

Structural Balanced Budget – Budget that balances Recurring Revenues and Recurring Expenditures and the current portion of all known long-term liabilities within the current fiscal year, including but not limited to: other post-employment benefits (OPEBs); compensated absences; and current annual service cost plus interest on unfunded pension liabilities, which is the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits, plus amortization of the unfunded liabilities over a program period (this definition is intended to align with the pension-related language in Section G.2.).

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B. General Policies

1. With respect to the interpretation and application of these policies, the City shall comply with all applicable federal and state laws, the City Charter and Code of City Ordinances, Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) standards, and all bond covenants, whether existing or hereafter provided, and associated ordinances relating to all budget, accounting, reporting, disclosure, and finance activities, and financial policies. In any conflict between these policies and such governing law, standards or documents, such governing law, standards or documents shall prevail. — In Compliance

   No material weaknesses (financial or grant) were reported as outlined in the Single Audit Report for Fiscal Year ended June 30, 2024.

2. The City will seek out, apply for, and effectively administer Federal, State, and other grants that address the City's priorities and policy objectives and provide a positive benefit to the city. Local tax dollars will not be used to make up for material losses of grant aid without first City Council reviewing and approving the program and its merits as a budgetary increment. — In Compliance

   All departments have made every effort to seek and effectively administer grants from all resources: federal, state, and other as reported in the Single Audit Report for Fiscal Year ended June 30, 2024, as is evident with no material weaknesses (financial or grant) reported during the audit.

3. The proposed operating budget and proposed five-year Capital Improvement Plan (CIP) for each year shall include statements indicating whether they are in compliance with each relevant adopted financial policy. The adopted budget shall include a comprehensive listing of all adopted financial policies indicating whether the City is in compliance with each policy; beginning in FY2020, there shall be a statement explaining why the City is, or is not, in compliance with said policy. Where the City is not in compliance, the statement shall also include a plan for how the City will achieve compliance. — In Compliance

   The FY2026 Adopted Budget and the FY2026-2030 Capital Improvement Plan include a comprehensive listing of all financial policies and a statement to explain whether each policy is or is not in compliance as well as a plan for how the City will achieve compliance.

4. The City's financial policies shall be reviewed at least every two years by the Mayor or the Mayor's designee; the results of the review are to be presented to BFA, and any proposed amendments are to be presented to City Council for consideration. — In Compliance

   Previously, the financial policies were reviewed and approved in August 2023 by Ordinance 2023-726. The administration is currently reviewing the financial policies and will be presented to BFA for approval, as a result of the two-year review requirement.

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C. General Fund Reserve Policies

1. 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 pay-as-you-go (PAYGO) capital expenditures. — In Compliance

   The FY2026 Adopted Budget fund balance is 12%, which is above the City's desired minimum unassigned fund balance of 7.5%.

2. Unassigned Fund Balance in excess of the desired minimum is to be available for appropriation by City Council and shall normally be used to fund Non-Recurring Expenditures. In the event a balanced budget is not attainable, that Fund Balance may be used for Recurring Expenditures and to achieve budget balance: — In Compliance

   a. If the budget imbalance is expected to last for no more than one year and can be corrected with use of Fund Balance available in excess of the desired minimum; or

   b. If the budget imbalance is expected to continue beyond one year, provided that Fund Balance in excess of the desired minimum is used to achieve balance as part of a corresponding plan to close the gap through revenue increases and/or expenditure reductions. (Note: this is intended to align with Section G.3.'s requirement that proposed use of Non-Recurring Revenues for Recurring Expenditures must be accompanied by a justification to City Council and a plan to end dependence on Non-Recurring Revenue sources)

   The FY2026 Adopted Budget fund balance is 12% which is above the City's desired minimum unassigned fund balance of 7.5%. Any fund appropriation above the adopted budget requires council action.

3. The unassigned Fund Balance may be temporarily reduced below the desired minimum when required for response to major disasters or to provide short-term resources in the event of economic instability or revenue shortfalls related to circumstances beyond the City's control. Any proposed use of Fund Balance which decreases Fund Balance below the desired minimum shall include a justification presented to City Council and shall require approval from two-thirds of the City Council present and voting. Once the event causing use of Fund Balance below the desired minimum has concluded, the City shall allocate sufficient funds to restore unassigned Fund Balance to at least 7.5% of General Fund expenditures (excluding debt service payments and transfers for pay-as-you-go (PAYGO) capital expenditures) by the end of the second subsequent full fiscal year. — In Compliance

   The FY2026 Adopted Budget fund balance is 12%, which is above the City's desired minimum unassigned fund balance of 7.5%.

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4. In addition to the Fund Balance, the City shall maintain a separate 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. — In Compliance

   In FY2025, $23 million was transferred to the Disaster Recovery Fund (Fund 5303) for Derecho and Hurricane Beryl. In FY2026, $12 million will be replenished, and the remaining in FY2027 will be fully replenished to the Budget Stabilization Fund.

D. Enterprise Funds Reserve Policy

1. Each enterprise fund, as defined by GASB, shall have an appropriate written methodology for determining minimum and maximum cash reserves to serve as a margin or buffer for meeting obligations, mitigating risks, and ensuring stable services and fees. Factors to be considered in determining minimum and maximum cash reserves include any controlling bond covenants or indentures, as well as each fund's risk and revenue volatility, and other considerations such as cash funding of capital projects. The methodology for determining minimum and maximum cash reserves should define reserves in terms of days of operating cash on hand and should identify components of cash reserves. — In Compliance

   The Combined Utility System (CUS) maintains minimum reserves equal to 300 days of operating expenses and maximum reserves equal to 320 days of operating expenses. The minimum and maximum reserves are structured to comply with CUS bond covenants that require a minimum reserve balance of 60 days of operating expenses in the operating funds. The Houston Airport System (HAS) will maintain an operating expense reserve of a minimum of 450 days of operating expense. The minimum reserve is structured to comply with HAS bond covenants that require a minimum reserve balance of two months (60 days) of operating expenses. Houston First debt is issued as Convention and Entertainment Department bonds, and those bond covenants require maintaining an operating reserve equal to three months of current operating and maintenance expenses. Houston First maintains minimum reserves equal to 90 days of operating expenses, and additionally has a goal of maintaining an additional $20 million in reserve for unforeseen contingencies.

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E. Special Revenue Fund Reserve Policy

1. The proposed and adopted operating budget each year shall include the budgets of all special revenue funds that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. — In Compliance

   FY2026 Budget includes the budget of all special revenue funds that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

2. Certain special revenue funds shall have an appropriate written methodology for determining minimum and maximum cash reserves to serve as a margin or buffer for meeting obligations, mitigating risks, and ensuring stable services and fees. Any fiscal year-end fund balance that exceeds the established maximum cash reserve of the special revenue fund may be transferred to the General Fund, subject to City Council approval of an ordinance revising the ordinance establishing such special revenue fund and specifically authorizing such transfers, where such City Council approval is required. — In Compliance

   In June 2019, Ordinance 2019-0447 approved an annual process by which excess money can be transferred from certain Special Revenue Funds to the General Fund fund balance for purposes of City general expenditures. The ordinance established any fiscal year-end fund balance that exceeds the established maximum cash reserve of the special revenue fund may be transferred to the General Fund.

F. Internal Service Fund Health Benefits Fund Reserve Policies

1. The City will fund a catastrophic and general claim risk reserve for unexpected large losses related to self-insurance healthcare costs managed by a third-party plan administrator and paid through an internal service fund. The following reserves will be maintained within the fund: — In Compliance

   a. Claim Reserve – Periodically, and at least once every fiscal year, it will be determined by the Human Resources Department in conjunction with the Finance Department whether the fund has a funded liability to pay claims that have already been incurred but not reported as of that day. The plan is also obligated to cover the cost of administering run-out claims in the event that any of the self-insured programs are terminated.

   b. Contingency Reserve – This reserve augments the Claim Reserve and represents an estimate for claim events that are unforeseen and catastrophic. The Contingency Reserve covers costs associated with such unexpected claims and provides financial capacity for smoothing the catastrophic and general claims payments. The amount of the Contingency Reserve shall be maintained at the minimum of 10% of annual claims up to a maximum of 60 days of average claims expense paid over the prior fiscal year (12 months) for each self-insured program.

      This Contingency Reserve also supports:

      i. Maintaining cost effective and competitive benefits during periods of economic downturn, reduced revenues or higher expenses;

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ii. Maintaining cost effective and competitive benefits during periods of high medical cost trends, substantial insurance/reinsurance rate increases and an ability to absorb multiple catastrophic medical claims occurring simultaneously; and

iii. Maintaining flexibility in the fund regarding calculating the degree and amount of risk it is willing to assume on a self-funded basis.

Such reserves will be funded by the City and subscriber (active and retiree) contributions as determined appropriate by the Human Resources Department in conjunction with the Finance Department. Subscriber funds are first in and first out in claim payments; therefore, any excess health benefit contributions are City funds.

The Human Resources Department engages an independent consultant (actuary) to evaluate the claims at year end. The actuary recommends the level of reserves to properly fund for incurred but not recorded claims (IBNR). FY2026 Budget for the Health Benefit Fund includes contingency reserve of 15.1%.

G. Operating Budget Policies – Revenues and Expenditures

1. The City will adopt a Balanced Budget annually, with each fiscal year's budget presented to and passed by City Council before the beginning of that fiscal year and in accordance with state law, the City Charter, and local ordinances. — In Compliance

   The FY2026 Budget was presented and adopted by Council per Ordinance 2025-0478 *on June 4, 2025.*

2. All post-employment and employee benefit systems will be financed in a manner to fully and systematically fund all liabilities, with the City making all necessary payments in compliance with contractual obligations and statutory requirements and in a manner that results in full amortization of liabilities over a closed 30-year period. City Council shall be fully informed if sufficient funds are not allocated in the current budget. — In Progress

   Current employee benefit systems (pension systems) are fully funded over a closed 30-year period, in compliance with state law and pension reform, and are included in the FY2026 Adopted Budget. Although Other Post-Employment Benefits (OPEB) are not entirely funded in the FY2026 Adopted Budget, the Adopted Budget does include $10M to fund an OPEB trust. Together with OPEB Reform, which was effective January 2022, ongoing contributions to the trust will reduce City's Net OPEB Liability to $1.1 billion by 2048.

3. The City's annual proposed and adopted budgets and a presentation to City Council shall identify the extent to which Recurring Revenues are aligned with Recurring Expenditures. If circumstances dictate use of Non-Recurring Revenues for Recurring Expenditures in any fund, justification must be presented to City Council with a plan to end dependence on Non-Recurring Revenue sources. — In Compliance

   The FY2026 Budget Overview and Five-Year Forecast was presented to the Budget and Fiscal Affair Committee on May 7, 2025. This presentation includes an overview of the City's budget, the usage of recurring revenues and expenditures.

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4. Each enterprise fund of the City shall maintain revenues which support the full (direct and indirect) cost of the services provided. (NOTE: This is not intended to preclude appropriate use of fund balance in line with enterprise fund balance policy described in Section D.1. above). — In Compliance

   All three enterprise funds maintain revenues which support the full cost of the services provided as presented in this document in section XI Enterprise Fund.

5. A comprehensive analysis of City fees and rates shall be performed on a rotation basis at least every five years by Finance Department or an independent outside third-party contractor as deemed feasible in conjunction with the Department administering the fee, except for impact fees, which shall be made at least every ten years, and presented to BFA. Legislatively mandated or contractually required fees are exempted from the comprehensive analysis. Fees may be adjusted by ordinance during the interim period based on supplemental analysis whenever there have been significant changes in the method, level or cost of service delivery (including automatic fee and rate adjustments per City ordinance). — Not in Compliance

   The City has established a five-year rotation plan for fee review for all departments. We are not in compliance due to lack of resources and staff turnover.

6. All General Fund revenues and resources, not including those identified in the adopted budget as Beginning Fund Balance – Unassigned, received in a fiscal year in excess of the adopted and amended annual operating budget (for same fiscal year) shall be designated to the Fund Balance and shall not be appropriated for expenditures except by ordinance. Pass-through funds not included in this calculation include, but are not limited to: — In Compliance

   a. Sales Tax Revenues – pass-through payments related to strategic partnership agreements and transfers related to Chapter 380 agreements;

   b. Property Tax – pass-through transfer amount to the Dedicated Drainage and Street Renewal Fund for captured revenue and transfers related to Chapter 380 agreements;

   c. Municipal Service Fees revenues – pass-through transfer amount to Police Special Service Fund for police services in certain reinvestment zones; and

   d. Other collection revenues – payment to vendors based on commission-based contracts.

   Any fund appropriation above the adopted budget requires council action.

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7. A City employee compensation study shall be performed by an independent outside third-party contractor and presented to BFA at least every three years by the Human Resources Department in conjunction with the Finance Department. The compensation study shall review total compensation to include salary, overtime, medical benefits, paid leave, physical training leave, disability insurance, life insurance, retirement benefits, educational assistance programs, and all other compensation elements, and shall include appropriate comparisons to relevant competing employers from the public, non-profit and/or private sectors. — In Progress

   The Human Resource department is currently conducting citywide surveys as per financial policy schedule. The 2021 Total Compensation Survey was completed in May 2022. The next Total Compensation Survey is planned for 2026.

8. Operating Maintenance funding will be prioritized each year to ensure capital facilities and equipment are sufficiently maintained and maintenance is not deferred to future years. To implement this policy, funding for Operating Maintenance of General Fund facilities shall be increased by at least 0.25% biennially beginning in FY2020 and continuing until annual funding reaches at least 2% of Current Replacement Value at which time it will remain constant. — In Compliance

   The FY2026 Adopted Budget includes funding of $43.9 million, which represents 2% of the Current Replacement Value of General Fund facilities. Increasing, in compliance with the policy.

9. All Requests for Council Action that request funding not in the adopted budget (e.g., establishing a new service not in the budget, increasing enforcement above the level established in the budget, etc.) must be accompanied by a Fiscal Note that includes start-up costs of the program or project and the projected operating and maintenance costs for a minimum of five years, as well as identification of corresponding budgetary savings or other funding source necessary to meet funding needs. — In Compliance

   All Requests for Council Action include the required fiscal note for the operating budget, capital improvement plan and grants.

H. Capital Asset Management Policies

1. The five-year CIP shall be presented to and passed by City Council annually before the end of the preceding fiscal year. — In Compliance

   The Fiscal Year 2026-2030 Capital Improvement Plan was adopted by City Council on June 25, 2025.

2. Capital projects may not be included in the CIP without identified funding. Identified funding includes funds that are reasonably anticipated such as grants that have been awarded but not yet funded. Identified funding may also include proceeds from an anticipated future bond election. — In Compliance

   All listed capital projects have an identified funding source.

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3. A five-year operating budget impact projection for all projects shall be reported in the CIP. — In Compliance

   The Fiscal Year 2026-2030 Adopted Capital Improvement Plan includes all departments' operational impacts referring to the personnel, supplies, services, equipment, and non-capital cost identified as a required need within a capital project.

4. All CIP-related Requests for Council Action must include a Fiscal Note that includes design and construction costs of the program/project and the projected operating and maintenance costs for a minimum of five years, as well as a reference to the item in the CIP where funding for the request is designated. — In Compliance

   All CIP-related Requests for Council Action coming before City Council for consideration include a Fiscal Note.

5. Beginning in FY2019, over the five-year CIP, an average of 2% of the Current Replacement Value of all General Fund facilities shall be included for capital maintenance in each fiscal year of the CIP and every CIP thereafter. Such funds may be used on any owned General Fund facility. — In Compliance

Table 1. Capital Maintenance and Current Replacement Value (CRV)

Capital Maintenance Projects	($ Thousands)	% of Total CRV **
FY2026*	216,651	**7.6%**
FY2027*	149,933	**5.2%**
FY2028*	29,659	**1.0%**
FY2029*	25,670	**0.9%**
FY2030*	31,066	**1.1%**
Annual Average	90,596	**3.2%**

**See Adopted FY2026-2030 CIP for further details*

***Planned appropriations on capital maintenance projects above 2.0% will help reduce existing deferred maintenance. CRV is $2,857,601,561 and is based on 2025 Property Insurance Schedule plus 20% for utility and dirt work not included in asset values for insurance purposes.*

6. Except as required by law or legal agreements, proceeds from the sale of land or other assets shall be designated to the General Fund; and except as required by law or legal agreements, no City bond covenants, or similar agreements shall prohibit such designation or limit the use of such proceeds. — In Compliance

   In FY2025 major land sales proceeds were designated to the General Fund.

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I. Long-Term Financial Planning Policies

1. A five-year General Fund financial forecast shall be presented to BFA and provided to City Council annually in advance of the release of the proposed budget. The five-year forecast will include: — In Compliance

   a. An in-depth analysis of economic conditions, revenues, expenditures, and all long-term obligations including debt, pensions, health benefits, accrued leave, and investment in facilities, fleet, and information technology;

   b. A plan for eliminating any funding shortfalls that would prevent adoption of a Balanced Budget in any year covered by the five-year forecast; and

   c. Identification of requirements for achieving a Structural Balanced Budget in the upcoming fiscal year and the subsequent fiscal year, including a list of options for eliminating any funding shortfalls preventing achievement of a Structural Balanced Budget for the upcoming fiscal year and the subsequent fiscal year.

   The FY2026 Budget Overview and Five-Year Forecast was presented to the Budget and Fiscal Affair Committee on May 7, 2025.

2. Annually, the City shall use an independent outside third-party actuary to project the costs of its pension plans and unfunded liabilities for a period of 30 years or some other appropriate time horizon recommended by the City's actuary and approved by City Council. Costs shall be projected using the plans' assumed investment rates of return and shall include an appropriate number of downside scenarios (at least one) anticipating lower investment rates of return. — In Compliance

   As presented in Note 10 of the Annual Comprehensive Financial Report, the City utilizes the Risk Sharing Valuation Studies (RSVS) prepared by an actuary to determine costs and liabilities of all pension systems each year.

3. When a union contract is presented to City Council for adoption, supporting materials provided to the Council shall include an actuarial report estimating the impact of the proposed union agreement on pension system costs. — In Compliance

   On October 23, 2024 and May 21, 2025, the HOPE and HPOU contracts were approved respectively by City Council and an actuarial impact was provided.

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J. Debt Management Policies

1. It is the City's goal to at least maintain the current credit ratings on each type of City credit or enterprise fund as of the date of adoption of these policies. — Not in Compliance

	Moody's		*Standard & Poor's*		*Fitch*	
	Dec '14	*Current*	*Dec '14*	*Current*	*Dec '14*	*Current*
City of Houston - General Obligation	*Aa2*	*Aa3*	*AA+*	*AA*	*AA*	*AA*
Water & Sewer System - Junior Lien	*Aa1*	*Aa2*	*AA+*	*AA+*	*AA+*	*AA+*
Combined Utility System First Lien	*Aa2*	*Aa2*	*AA*	*AA*	*AA*	*AA*
Houston Airport - Senior Lien	*Aa3*	*Aa3*	*AA-*	*AA-*	*NR*	*NR*
Houston Airport - Junior Lien	*A2*	*A1*	*A*	*A*	*A*	*A+*
Convention & Entertainment	*A2*	*A2*	*A-*	*A*	*NR*	*NR*

The GO credit rating is lower than the rating as of the date of adoption of the Financial Policies in 2014. A few key factors that have been identified by the rating agencies that can lead to an upgrade are: maintenance of leverage below 200% of operating revenue and an executed long-term plan that includes revenues to correct projected structural imbalance and expected increase in operating costs.

2. The debt service Fund Balance as of each fiscal year end relating to debt secured by ad valorem taxes shall be no less than debt service payments due within the first 180 days of the following fiscal year. — In Compliance

Debt Service due by 12/31/2025:	*$75,696,000*
Debt Service Fund Balance as of 6/30/2025 (projected):	*$251,047,000*

3. A standardized presentation format for proposed debt transactions will be adopted by BFA. Presentations of debt transactions to BFA shall at least include the following information: revenue source securing the debt uses of the debt proceeds, estimated weighted average life of the debt, estimated change to the overall weighted average life of outstanding debt, estimated present value savings as applicable, estimated true interest cost, anticipated date of pricing, and closing. — In Compliance

   All Upcoming Financial Transactions BFA presentations include a slide with the standard template showing the information required by this policy.

4. Any capital project financed through the issuance of bonds shall be financed for a period not to exceed the average expected life of the assets. — In Compliance

   In anticipation of each bond financing, the Finance Department shares a comprehensive list of assets being financed with outside tax counsel. Tax Counsel reviews these details to ensure all bond financings are done in accordance with applicable limitations.

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5. Each fiscal year, the City will use that year's General Obligation (GO) debt service payment as a baseline to establish an index reflecting 4% annual growth in the City's GO debt service (i.e., if the current fiscal year's debt service is $100, then the debt service index for subsequent years would be $104, $108.16, $112.49, $116.99, etc.). If any proposed action by the City (e.g., adoption of the CIP, or Council authorization of debt issuance) is to cause the GO debt service schedule as projected by the City's Financial Advisor to exceed the index in FY2019 and/or any subsequent year(s), a funding mechanism (e.g., reduced expenditures or increased revenue) must be identified to offset the amount(s) by which the proposed debt service payment(s) exceed the index. For purposes of this section, "identification" of a funding mechanism is satisfied by presentation to BFA and/or City Council prior to any action that would incur GO debt.

   In Compliance

   GO debt service does not exceed the GO debt service index.

Fiscal Year	*GO Debt Service Index*	*GO Debt Service Due*
2026	*355,546,421*	*355,546,421*
2027	*369,768,278*	*356,212,721*
2028	*384,559,009*	*356,999,912*
2029	*399,941,369*	*321,811,385*
2030	*415,939,024*	*287,294,425*
2031	*432,576,585*	*279,347,710*
2032	*449,879,648*	*267,999,477*
2033	*467,874,834*	*219,576,842*
2034	*486,589,828*	*219,304,963*
2035	*506,053,421*	*219,989,591*
2036	*526,295,558*	*217,989,093*
2037	*547,347,380*	*202,073,742*
2038	*569,241,275*	*172,327,268*
2039	*592,010,926*	*173,523,449*
2040	*615,691,363*	*174,753,361*
2041	*640,319,018*	*176,012,298*
2042	*665,931,779*	*177,319,202*
2043	*692,569,050*	*178,646,088*
2044	*720,271,812*	*143,788,060*
2045	*749,082,684*	*140,878,552*
2046	*779,045,991*	*144,605,942*
2047	*810,207,831*	*148,433,382*
2048	*842,616,144*	*62,478,625*
2049	*876,320,790*	*64,053,650*
2050	*911,373,622*	*60,882,013*
2051	*947,828,567*	*42,149,844*

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6. To reduce the General Fund transfer for debt service while remaining in compliance with all relevant bond or other debt covenants and indentures, the maximum annual General Fund transfer for debt service is to be maintained at 20% of General Fund revenues (excluding state and federal grants) until FY2019. Beginning in FY2019 and in each subsequent fiscal year, the maximum annual General Fund transfer for debt service is to be reduced by 0.5% annually until it reaches 12% of General Fund revenues (excluding state and federal grants), at which point the maximum is to be held constant and remain at 12%. — In Compliance

   General Fund Transfer Limit: 16%

   FY2026 Budget General Fund Transfer: 11.3%

7. The City will maintain average weighted General Obligation bond maturities of 12 years or less. — In Compliance

   The average weighted General Obligation bond maturity as of April 15, 2025, is 11.096 years.

8. When refunding debt, excluding special facility debt, the average weighted maturity of the refunded bonds may not be extended by more than one year unless approved by a two-thirds vote of the City Council present and voting. — In Compliance

Series	*Delivery Date*	*Average Weighted maturity of refunded bonds (in years)*	*Average Weighted maturity of refunding bonds (in years)*
General Obligation Refunding Bonds, Series 2024A	*07/18/2024*	*1.285*	*1.288*
General Obligation Public Improvement Refunding Bonds, Series 2024B	*07/18/2024*	*1.285*	*1.288*

The average weighted maturity and the expected modification to that average maturity is presented to the Budget and Fiscal Affairs Committee when a proposed refunding transaction has been identified. The GO transactions that closed in FY2025 did not extend the average weighted maturity by more than one year.

FINANCIAL POLICIES

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9. Excluding special facility debt, and other than periodic refunding of commercial paper in accordance with routine City business, the City may initiate a refunding of outstanding debt when: — In Compliance
   a. A refinancing is expected to relieve the City of financially restrictive covenants;
   b. A refinancing is expected to significantly reduce the remaining term of the debt being refunded; or
   c. At the transaction's initiation, the City's financial advisors project net present value savings of at least:

      i. 3% for Current Refundings, unless the final maturity of the refunded bonds is less than five years, in which case the bonds may be refunded for any savings if the final maturity of the bonds refunded is not extended; and

      ii. 5% for Advance Refundings, unless the final maturity of the refunded bonds is less than five years, in which case the bonds may be refunded for any savings if the final maturity of the bonds refunded is not extended.

   The Finance Working Group will be responsible for confirming that one of the above conditions exists.

   The City's financial advisors run the numbers on each bond transaction to ensure compliance with this policy.

10. All City financings must be approved by the Finance Working Group and must first be analyzed for long-term affordability and compliance with the City's financial policies and other legal or administrative requirements. — In Compliance

    The Finance Working Group conducts bi-weekly calls to review details of upcoming financing to ensure compliance of all policies and requirements.

11. The City shall review all outstanding debt at least annually for the purposes of identifying refunding opportunities. — In Compliance

    Per the City's contract with its financial advisors, refunding analyses are provided on a regular basis.

12. A formal procurement process shall be conducted by the Finance Working Group periodically when selecting underwriters in order to promote fairness, objectivity, and transparency. The process will be an open process that will allow the pool to remain open and allow the addition of new firms on an ongoing basis. The selection committee shall report results to BFA and present the approved list of underwriters for the following year. Criteria for inclusion shall include questions related to the areas listed below to distinguish firms' qualifications and experience, including but not limited to: — In Compliance

    a. Relevant experience of the firm and the individuals assigned to the issuer, and the identification and experience of the individual in charge of day-to-day management of the bond sale, including both the investment banker(s) and the underwriter(s);

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b. A description of the firm's bond distribution capabilities including the experience of the individual primarily responsible for underwriting the proposed bonds. The firm's ability to access both retail and institutional investors should be described;

c. Demonstration of the firm's understanding of the issuer's financial situation, including ideas on how the issuer should approach financing issues such as bond structures, credit rating strategies, and investor marketing strategies;

d. Demonstration of the firm's knowledge of local political, economic, legal, or other issues that may affect the proposed financing;

e. Documentation of the underwriter's participation in the issuer's recent competitive sales or the competitive sales of other issuers in the same state;

f. Analytic capability of the firm and assigned investment banker(s);

g. Access to sources of current market information to provide bond pricing data before, during, and after the sale; and

h. Any finder's fees, fee splitting, or other contractual arrangements of the firm that could present a real or perceived conflict of interest, as well as any pending investigation of the firm or enforcement or disciplinary actions taken within the past three years by the Securities and Exchange Commission, the Municipal Securities Rulemaking Board, or any other regulatory agency.

A Request for Qualifications (RFQ) using the criteria above was completed in FY2025 to establish a pool of underwriters. A memo detailing the approved underwriting firms in the pool will be provided to BFA in FY2026.

K. Accounting, Auditing and Financial Reporting Policies

1. Single Audit Report or other audits of Federal and State grant funds will be performed in compliance with applicable provisions of the Single Audit Act, applicable Office of Management and Budget Circulars, and other relevant federal, state and local rules, and regulations. — In Compliance

   The Single Audit Report for Fiscal Year ended June 30, 2024, was completed published, and certified on the Federal Audit Clearinghouse website on December 17, 2024, in accordance with the Uniform Guidance.

2. Annual financial statements will be prepared in accordance with Generally Accepted Accounting Principles. — In Compliance

   The Annual Comprehensive Financial Report (ACFR) for Fiscal Year ended June 30, 2024, was completed, published, and submitted to Government Finance Officers Association on December 17, 2024.

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3. An annual audit will be performed by an independent public accounting firm in accordance with Generally Accepted Government Auditing Standards, and the opinion will be included in the Annual Comprehensive Financial Report (ACFR). — In Compliance

   The annual audit for Fiscal Year ending June 30, 2024, was completed by McConnell & Jones LLP and Banks, Finley, White & Co. (Joint Venture) independent public accounting firm(s) in accordance with Generally Accepted Government Auditing Standards as noted in the auditor's report dated November 18, 2024.

4. To the extent practicable, all Component Units of the City must follow all City accounting, audit, and financial reporting policies. — In Compliance

   As evidenced in their respective audit reports and their financial statements were included in the City's Annual Comprehensive Financial Report and opined by the City's independent external auditor.

5. The City will complete a year-end soft close of its books within 6 working days after August 31st of each year. The Accounting Transactions will be booked in a timely manner and General Ledger accounts will be reconciled by departmental unit to facilitate the year-end soft close. — In Progress

   The City has significantly reduced the number of late financial record-keeping entries. The City is working across departments and the Controller's Office to put processes and procedures in place to fully accommodate the compliance requirements.

6. The Single Audit Report (SAR) (annual audit) will be uploaded to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The SAR and the accompanying auditor's letter to management shall be released to City Council and published prominently on the City's website within 30 days of receipt from the auditor. — In Compliance

   The report(s) for the Fiscal Year ended June 30, 2024, was received from the City's External Auditor on December 17, 2024, uploaded to the Federal Audit Clearinghouse website on December 17, 2024, and delivered to the City Council on December 26, 2024.

7. At least every two years, the Finance Working Group shall develop and update a written disclosure policy consistent with federal securities law and the City's continuing disclosure undertakings with respect to the City's outstanding debt. — In Compliance

   The financial policy was reviewed by the Finance Working Group in FY2024, and approved on August 30, 2023 by Ordinance 2023-726. The policy will be reviewed and updated, if needed, in FY2026.

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L. Internal Control Over Financial Reporting Policies

1. The City's internal control structure will be based on the Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting (COSO) framework and comprised of the following five elements: (a) Control Environment – Factors include integrity and ethical values, commitment to competence, leadership philosophy and operating style, assignment of authority and responsibility, and policies and procedures; (b) Risk Assessment – Routine assessment of risk and its impact on internal controls; (c) Control Activities – Such as segregation of duties, authorization of transactions, retention of records, supervision or monitoring of operations, physical safeguards, etc.; (d) Information and Communication – Policies and procedures are documented and accessible; and (e) Monitoring – Assessment of the quality of performance over time and to determine whether controls are effective and track resolution achievements of identified problems. — Not in Compliance

   The City has not performed enterprise risk management reviews due to lack of staffing resources, budget constraints, and shift in priorities. The City will continue to emphasize and put processes in place so that the departments will record all transactions prior to the deadlines.

2. The Single Audit Report as addressed in K.6. above shall include a report on the sufficiency of the City's internal controls over financial reporting and shall include or be accompanied by management's response to the report; these shall also be released to City Council and published prominently on the City's website within 30 calendar days of receipt (for the report) or completion (for management's response if not included in the report). — In Compliance

   The Single Audit Report for Fiscal Year ended June 30, 2024, was completed, published, released, and placed on the City's website within 30 calendar days of receipt.

FINANCIAL POLICIES

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M. Local Economic Development Policies

1. The City shall define its scope of economic development emphasis through three distinct priorities: — In Compliance

   Priority 1: Foster increased economic opportunity for underserved Houstonians with the goal of reducing poverty and unemployment. To this end, the City shall prioritize financial incentive programs and resources to targeted areas (distressed, declining, brownfield or poor performing) that have poverty and unemployment rates above the City average to enhance their long-term sustainability.

   Priority 2: Through collaborative development of partnerships and strategic use of incentive programs to leverage third party financial resources, and with an emphasis on fostering technology and innovation, continue to support the defined industries (Energy, Aerospace, Manufacturing and Distribution, Biotech and Medical) that make up our competitive advantage and are recognized as the dominant economic contributors to the employment and capital base.

   Priority 3: Create programs designed to address a specific development deficiency within a defined geographic boundary with the intended outcome of stabilizing the local area. The City shall perform market and business analyses to identify target areas to focus its efforts. Priorities will be established to address specific development deficiencies, high poverty and/or unemployment areas, inadequate quality of life, assets, housing disparities, and insufficient access to food.

   The City is in compliance with these policies as reflected in the matrices used to assess and evaluate 380 agreements. Tax Abatements and Texas Enterprise Zone recommendations. Market analysis to address poverty and unemployment has been utilized as part of the workforce development implementation plan, the development of the Complete Communities program, and the recommendation of local Opportunity Zones to the Texas Governor's office for the creation of Opportunity Zones as part of the Federal Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low income, urban and rural communities nationwide.

2. The City shall utilize varied market and business analyses and reports compiled by Mayor's Office of Economic Development Division or third-party sources to identify target areas to focus its efforts. Priorities will be established to address specific development deficiencies, high poverty and/or unemployment areas, inadequate quality of life, assets, housing disparities, and insufficient access to food. Upon identifying target areas that are distressed or otherwise deficient in relation to any economic development priority listed above, with primary emphasis on areas where poverty, unemployment, and/or underemployment above the City average are identified, the City shall establish the criteria, guidelines and performance metric by which to evaluate projects submitted for certain incentive consideration. — In Compliance

   The City has developed guidelines and performance metrics to evaluate projects using site location, competitive industry, City development priorities, public benefits, job creation/retention, and capital investment as important requirements for the revitalization of under resourced communities.

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3. The City shall determine the most appropriate economic development program(s) available to address one or more economic development priorities, and where applicable, engage public or private partners to contribute financial or other resources to achieve the desired economic or development outcome. — In Compliance

   The Office of Economic Development through its application process receives and evaluates information submitted by companies seeking economic incentives. The scope of the project, the level of investment and job creation, and location of the project are factors considered when determining the most applicable program.

4. The City shall set forth project eligibility and/or scoring criteria to include: minimum job creation, minimum compensation levels, minimum private investment, justification for public participation, qualifying public improvements (including City infrastructure), term of incentive, financial viability of developer, public purpose for financial assistance, and where applicable total project costs. Project eligibility and scoring criteria shall give clear preference and greater weight to projects that offer community benefits including, but not limited to: employee compensation above the minimum required; provision of employee health benefits; hiring/employment of people living in communities identified as having poverty, underemployment, and/or unemployment above the city average; open opportunities for employment and job training for individuals with barriers to employment (specifically, individuals with criminal records and low educational attainment); and quality workforce housing for families earning no more than 120 percent of the Houston metropolitan area's median family income. Specific minimum thresholds for all criteria shall be reflected in local ordinances or policies governing use of economic development tools such as grants, loans, tax abatements, and other programs. — In Compliance

   In 2020, the City amended the tax abatement ordinance to add first source hiring and the provision of retail space to local business as community benefits. Additionally, other development agreements have included a requirement to deliver community benefits and to support workforce initiatives including emphasis on hiring from second chance programs and high poverty zip codes.

5. Standardized application and evaluation formats will be adopted by the Economic Development Committee or the equivalent appropriate committee as defined by the Mayor for use in consideration of economic development projects. — In Compliance

   The Office of Economic Development has presented both the application and project evaluation matrices to the Economic Development committee on April 14, 2016, and the Budget and Fiscal Affairs committee on August 30, 2016.

6. The standard application format for economic development projects shall include, but is not limited to, the following: — In Compliance

   a. Name of the applicant;
   b. General nature of the applicant's investment;
   c. Relationship between the applicant's industry and the types of jobs to be created by the applicant;
   d. Relative level of the applicant's investment per job to be created by the applicant;
   e. Number of each type of job to be created by the applicant, distinguishing between temporary/seasonal vs. permanent jobs, part-time vs. full-time jobs, and newly created vs. retained jobs;

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f. Wages, salaries, and benefits to be offered by the applicant to the job holders for each type of job, the ability of the applicant to locate or relocate in another state, or another city in the region;

g. Impact the project will have on the City;

h. Specific plans and goals for delivery of community benefits such as those identified in Section M.4. above;

i. The City's proposed investment in the project, including total investment and investment per job proposed for creation;

j. Project applicant's performance on other City-incentivized projects during the five years preceding the date of application, where applicable; and

k. Projected market value of the proposed project.

The Office of Economic Development has presented both the application and project evaluation matrices to the Economic Development committee on April 14, 2016, and the Budget and Fiscal Affairs committee on August 30, 2016.

7. The standard evaluation criteria for economic development projects shall include, but are not limited to, the following: — In Compliance

a. Scope and appropriateness of economic development tools;

b. Eligibility in accordance with Section M.4. above;

c. Compliance with the City's standard application format; and

d. Performance for any prior approved projects.

The City of Houston Matrix documents for evaluation of 380 agreements and tax abatement agreements include the criteria established and projects are scored based on how well they meet the established criteria in the financial policies.

8. The Mayor's designee, in conjunction with the City Attorney, shall establish procedures by which the City shall recoup its investment in the event a project fails to comply with the terms of its agreement for projects receiving local city incentives. — In Compliance

The Legal Department has crafted language that allows compliance with this provision in two ways: 1) Established a clause that sets a maximum reimbursement amount, and 2) Established "recapture provisions" based on goals required by the City for reimbursement.

9. The Mayor's designee shall report annually to the Economic Development Committee (and/or any other committee charged with overseeing economic development activities) detailing the progress of each active project in which the City has provided an incentive. A project shall not be deemed inactive and removed from the report until the project has achieved its goals or the City has recouped its investment. Such reports shall be published prominently on the City's website within 30 calendar days of presentation to the appropriate committee. Annual reports shall include, but are not limited to, the following: — In Progress

a. Amount of the investment each recipient committed to expend or allocate;

b. Amount of the investment each recipient expended or allocated;

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c. Market value of the property of each recipient as determined by appraiser;

d. Number of jobs each recipient of an incentive committed to create;

e. Number of new jobs each recipient actually created, the range of actual salaries with benefits component of the new jobs created, and the number of jobs created that provide health benefits for employee;

f. Community benefits to be delivered as part of the project agreement; and

g. Community benefits delivered, including identification of any areas where benefits delivered did not meet projected levels specified in the project agreement.

h. For Chapter 380 agreements, tax abatements and Texas Enterprise Zone endorsements, annual reporting shall also include:

i. The projected economic value to the City at the time of execution of the agreement through the respective project's completion;

ii. Any alterations to the projected economic value to the City;

iii. Economic benefits realized by the City since the execution of the respective agreements; and

iv. Analysis of the positive and negative impacts (economic and otherwise) on the community and immediately surrounding communities.

Financial Policies update was presented to the Economic Development Committee on October 15, 2025.

10. The Mayor's designee shall hold a public hearing for each recommended economic development project at least 10 days before the City Council may vote on the proposed project's application. This hearing may be held before the Economic Development Committee or other appropriate City Council committee established by the Mayor; the proposal and related unrestricted information shall be made available to the public at least three days prior to the public hearing. — In Compliance

Public hearings were held for the following projects: Wayfair Project-July 20, 2022, Texas Enterprise Zone nominations – October 19, 2022, TIRZ Council Action Proposals – December 7, 2022, BLEX LEED Tax Abatement – March 29, 2023, KPH-Consolidation, Inc., Kiewit Engineering Group, Inc., Huntsman International LLC, Tax Abatement renewal – April 17, 2024, Medical Center TIRZ Budget/Fourth Ward Boundary Reduction – May 29, 2024, Integra Mission Critical, LLC, TPMS 3 DA, LLC & TPMS 4 DA, LLC – July 17, 2024, Integra Mission Critical, LLC – October 16, 2024, TIRZ Project Plan Amendments – November 20, 2024, Powell Electrical Systems, Inc. – April 16, 2025, Greater Houston TIRZ redevelopment authority creation – July 16, 2025, TIRZ Budget Overview – August 20, 2025

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N. Tax Increment Reinvestment Zone (TIRZ) Policies

The Mayor's Office of Economic Development (MOED) will manage, administer and govern the City of Houston's Tax Increment Reinvestment Zone (TIRZ) Program in accordance with the guidelines defined in the TIRZ Administrative Procedures developed in 2023 and in alignment with the TIRZ Policies reflected in this section. The MOED will be required to present the compliance of items #1- #5 below to the Economic Development Committee on an annual basis if any actions were approved by council in the prior year. For any council-approved action that is noncompliant, the MOED must provide the rationale for noncompliance. — In Progress

TIRZ Policies were approved by City Council on August 30, 2023, Ordinance 2023-0726; the new policies are being presented to the Board of Chairs and Executive Directors where applicable in September 2023.

The Fiscal Year 2025 budget schedule was presented to the Economic Development Committee on August 21, 2024. Plan Amendments involving annexations and a life extension were presented to the Economic Development committee on November 20, 2024.

Coordination meetings regarding TIRZ debt issuances were held on the following dates: September 9, 2024, September 23, 2024, October 14, 2024, October 28, 2024, November 11, 2024, November 25, 2024, December 9, 2024, December 23, 2024, January 27, 2025, February 10, 2025, February 24, 2025, March 10, 2025, March 24, 2025, April 14, 2025, April 28, 2025, May 12, 2025, June 9, 2025, June 23, 2025, July 14, 2025, July 28, 2025, August 11, 2025, August 25, 2025.

1. Creation: Tax Increment Reinvestment Zones will be considered only when the area proposed clearly demonstrates a nexus between the proposed eligible TIRZ projects and economic growth spurred by new investment within the proposed geographic boundary. Evidence must demonstrate: — In Progress
   a. At least 50% projected increase in the Assessed Value from development during the initial TIRZ term life (30 years or as defined in the TIRZ creation document);
   b. Clearly defined goals, defined projects, and a plan for attracting private investment;
   c. Immediate or near term "committed or known" private investment within year one; and
   d. Ability to meet stated development and revenue goals reflected in an Economic Impact Study.

2. Life Extensions: The life extension of an existing TIRZ will be evaluated and considered for any of the following scenarios: — In Compliance
   a. Is required to secure financing for an approved project to expedite construction;
   b. Will provide for additional time to complete an approved project;
   c. Will generate revenue for projects reflected in a project plan if supported by a planned new investment; or
   d. Is needed to leverage new local, state, federal or philanthropic funding.

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3. In Termination: Termination will be recommended if: — In Progress
   a. A TIRZ has either met the objectives defined in the zone's project plan; or
   b. A TIRZ has "underperformed" and has been unsuccessful at meeting the objectives defined in the Zone's project plan after 15 years from its creation.

4. Boundary Adjustments: — In Compliance
   a. Annexations into existing Zones will be evaluated and considered for any of the following scenarios:
      i. Further the objectives of the TIRZ's project plan;
      ii. Will attract private investment in the proposed area;
      iii. Support an application to the state or federal housing agency for the development and construction of low-income housing; or
      iv. Support an application for state, federal, or philanthropic funding for transportation, park, or other infrastructure.
   b. De-annexations will be evaluated and considered if the reduction in the boundary will either:
      i. Increase the revenue generated in the area remaining after the reduction; or
      ii. Increase the City's capacity to designate other areas for Tax Increment Financing considering the 25% statutory limitation.

5. Non-Contiguous TIRZ: Non-Contiguous TIRZs will be evaluated and considered on a case-by-case basis where the criteria in Chapter 311 are met. Additional considerations must include an alignment between the area proposed for annexation with the existing TIRZ and the existing TIRZ's capacity to generate revenue sufficient to meet its project plan objectives and to fund public capital infrastructure in the proposed area that is likely to encourage private investment or spur economic development. — In Progress

6. TIRZ Performance: Mayor's Office of Economic Development Division will engage regularly with each TIRZ Board to assess and evaluate the TIRZ's performance relative to the goals, revenue generation, and timeline for the delivery of capital projects stated in the project plan. — In Progress

   TIRZs that are either not performing or underperforming to the project plan will be required to provide an action plan that will encourage and attract private investment ultimately increasing the revenue generated within the Zone to construct projects as defined in the project plan.

7. TIRZ Budgets and Capital Improvement Plans: The Annual Budget and CIP will be presented to City Council for approval only after the operating budget and capital projects have been reviewed and approved by the Mayor or designee, Finance, Houston Public Works, and the TIRZ/Redevelopment Authority Boards. — In Progress

   The budget will only reflect projects with identified funding sources (including existing funding sources or approved future funding sources) and contain a minimal capital reserve as established by the Finance Department.

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8. Debt Authorization and Issuance: The City's Finance Department and the TIRZ Bond Team will work cooperatively on all bond related matters including "pre-issuance" meetings, appointment of bond-related providers to ensure governance and to benefit from the City's providers which may have lower issuance cost options.	In Compliance