

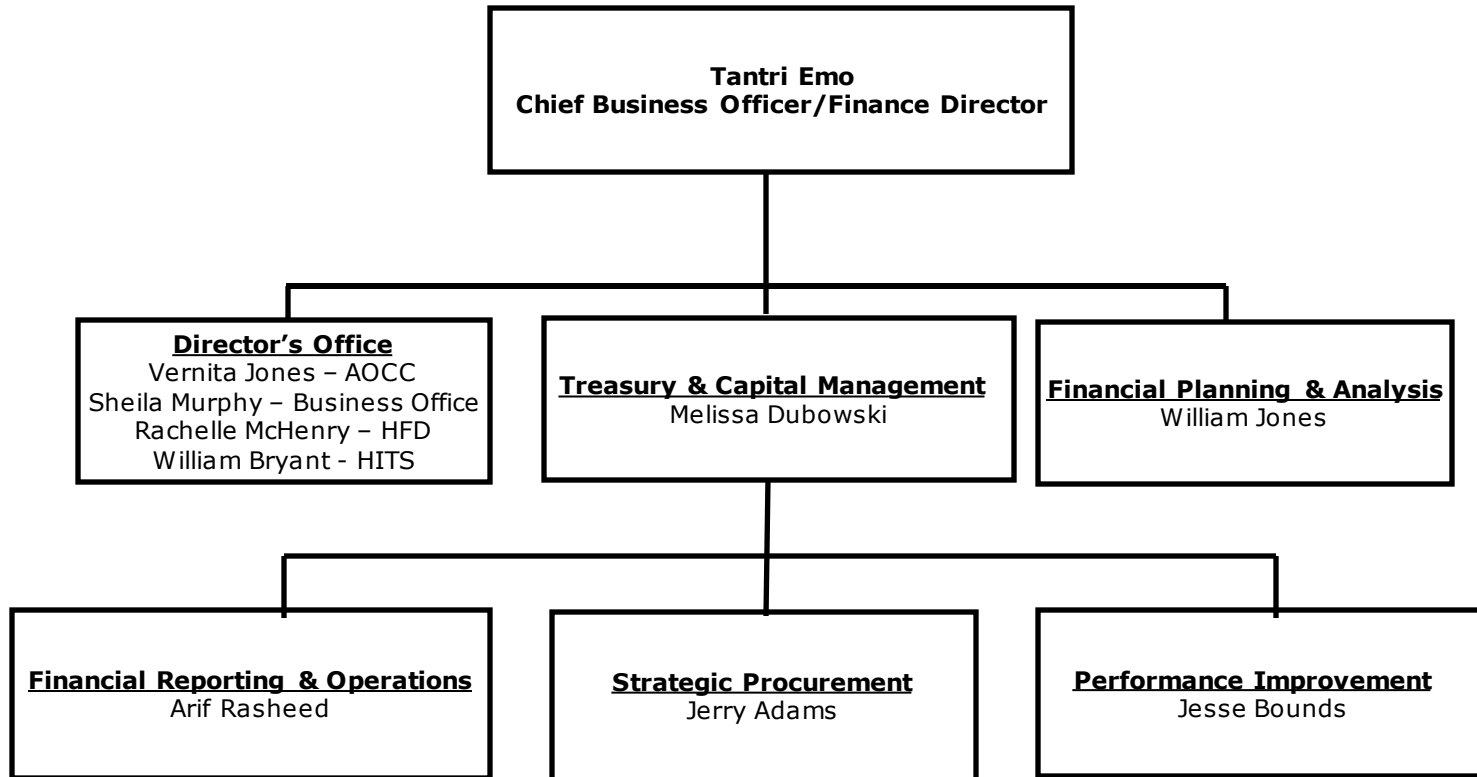


Finance Department

**FY2023 Proposed Budget
Workshop Presentation
May 11, 2022**

**Tantri Emo
Chief Business Officer/Director of Finance**

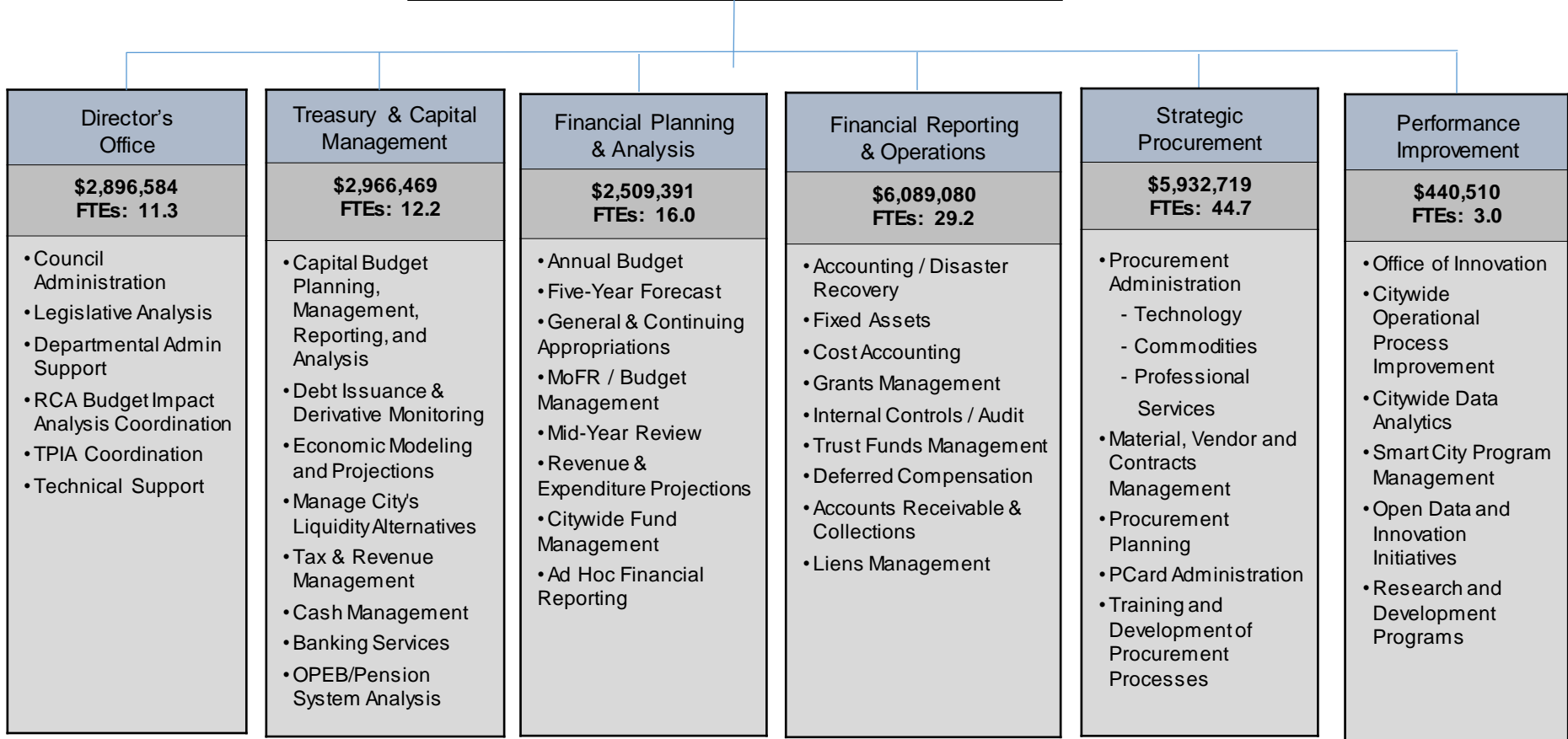
Finance Department Org Chart



Functional Org Chart



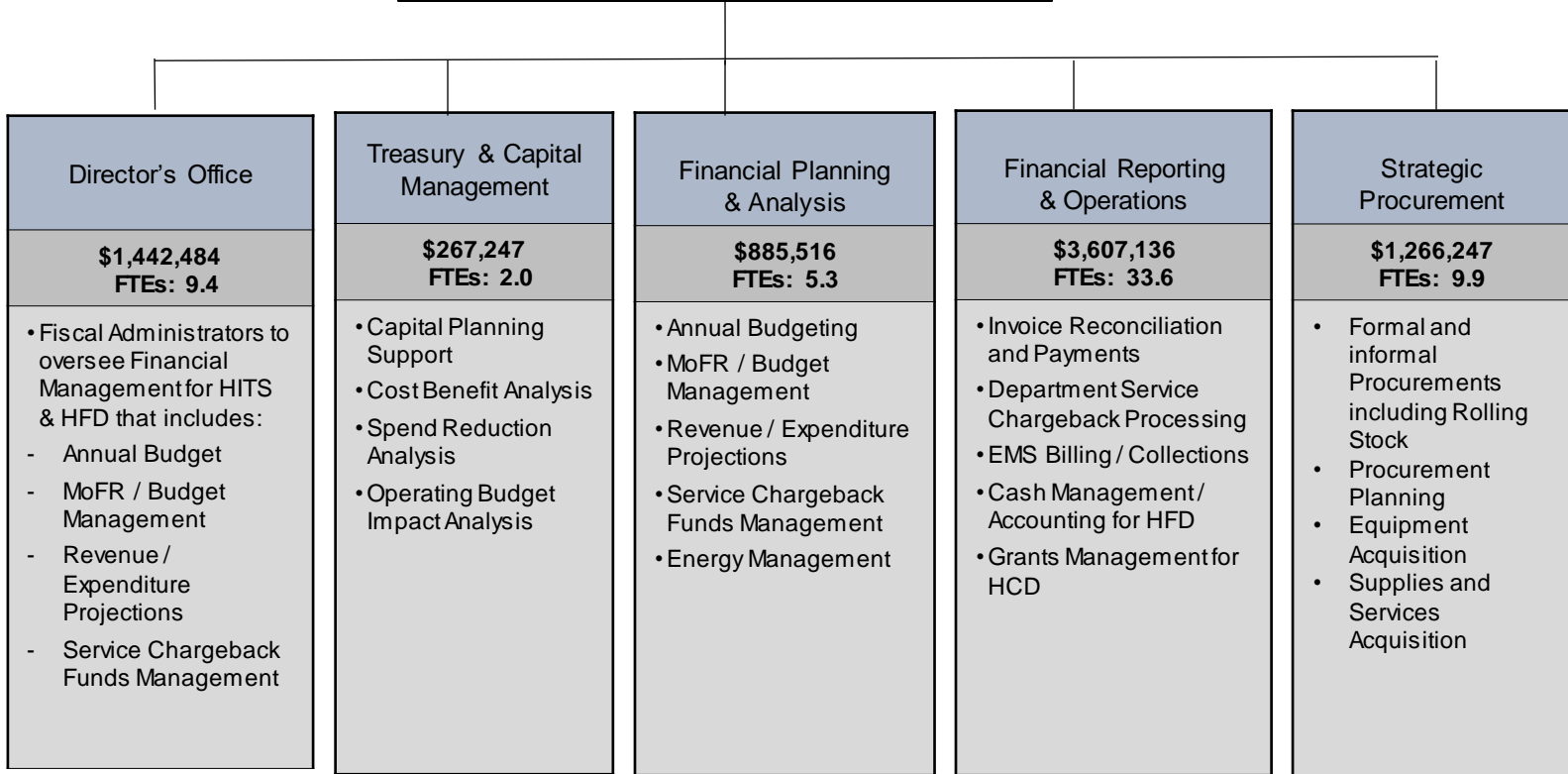
**General Fund
Fund 1000
\$20,834,753
FTEs: 116.4**



Functional Org Chart



Revolving Fund *
Fund 1002
\$7,468,630
FTEs: 60.2



** Note: This organizational chart includes services provided for programs such as Energy Management, EMS Accounts Receivable, Accounts Payable for certain departments, Fiscal Administrator (Budgeting, Payable, Capital, Procurement) for Fleet, HITS and HFD, as well as Grants Management for Housing.*



Department Programming

- **Major Services**

The Finance Department's mission is to safeguard the fiscal integrity of the City, its component units, and major services such as:

- Treasury & Capital Management
- Budget & Forecasting
- Management of energy contracts
- Financial Reporting & Auditing
- Grants Management and Oversight
- Disaster Cost Recovery
- Procurement, that includes but not limited to:
 - Disaster Cost Recovery Procurement and Supply Chain Management
 - Provide support for all City department for procurement of goods and services and oversees procurements of construction projects.
 - Maintains Citywide vendor database as well as new vendor registration
 - Maintains / monitors contract management system for multiple City department projects
 - Administers program and maintains citywide vendor performance rating database



Department Programming

- **Any statutory requirements of service delivery**
 - To ensure compliance with Texas tax code and Proposition 1 + H,
 - To present a balanced budget in accordance with state law and City financial policies,
 - To ensure continuance of Federal and State Grants,
 - To ensure completion of annual financial and single audit in compliance with applicable standards, laws, and regulations,
 - To ensure compliance on City procurements, which are governed by State of Texas and or Federal laws, City ordinance, Administrative Policies and Executive Orders.

- **Financial or societal impact of City service delivery**
 - Mismanagement of Debt service fund could result in defaulting of City debt,
 - We provide City leaders with comprehensive financial analysis so they make informed decisions on the allocation of financial resources that will ultimately impact all city services,
 - Procurement failure to perform may impact service level and shuttering essential of services due to loss of City functions and increase possibility of claw-back of Federal funds for non-compliance to procurement processes,
 - Ensure delivery is met via timely accounts payable and procurement.

Revenues By Funds (\$ in thousands)



General Fund

Category	FY2021 Actual	FY2022 Budget	FY2022 Estimates	FY2023 Proposed	Variance FY23 Prop/FY22 Estimate Over/(Under)	% Change
Property Taxes	\$1,254,015	\$1,230,985	\$1,230,985	\$1,279,853	\$48,868	3.97%
Sales Tax	\$706,829	\$703,000	\$806,920	\$806,920	\$0	0.00%
Other Tax	\$14,561	\$15,983	\$20,171	\$20,743	\$572	2.84%
Interest	\$5,133	\$5,511	\$2,586	\$4,704	\$2,118	81.90%
Others	\$1,861	\$1,603	\$1,605	\$1,603	(\$2)	-0.12%
Total	\$1,982,399	\$1,957,082	\$2,062,267	\$2,113,823	\$51,556	2.50%

Revolving Fund

Category	FY2021 Actual	FY2022 Budget	FY2022 Estimates	FY2023 Proposed	Variance FY23 Prop/FY22 Estimate Over/(Under)	% Change
Revolving Fund	\$6,421	\$6,858	\$6,837	\$7,469	\$632	9.24%
Total	\$6,421	\$6,858	\$6,837	\$7,469	\$632	9.24%



FY2023 - Revenue Highlights

- FY2023 Budget for Property Taxes of \$1.28 billion, which reflects an increase of \$48.9 million from the FY2022 estimate of \$1.23 billion
 - Based on Proposition 1 + H
 - Population estimates from US Census Bureau has yet to be received, therefore, Finance applied the 2021 inflation rate of 4.2826% and 0% growth for population for purposes of calculating Proposition 1.
- FY2023 Budget for Sales Taxes of \$806.9 million, which assumes no growth from the FY2022 estimate of \$806.9 million.
- FY2023 Budget for Mixed Beverage Tax of \$20.7 million reflects an increase of \$0.57 million higher than the FY2022 estimate of \$20.2 million.

Expenditures By Funds (\$ in thousands)



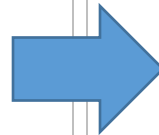
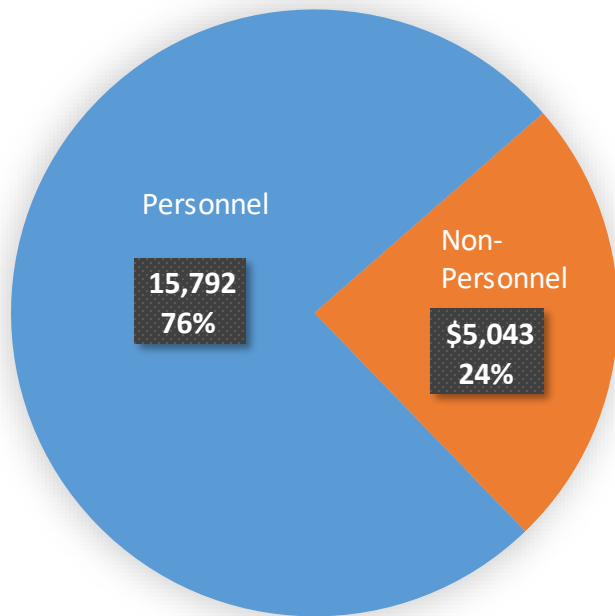
Category	FY2021 Actual	FY2022 Budget	FY2022 Estimates	FY2023 Proposed	Variance FY23 Prop/FY22 Budget Over/(Under)	% Change
General Fund	\$16,318	\$19,179	\$19,179	\$20,835	\$1,656	8.63%
Revolving Fund	\$6,421	\$6,858	\$6,837	\$7,469	\$611	8.91%
Total	\$22,739	\$26,037	\$26,016	\$28,304	\$2,267	8.71%

FY2023 Personnel vs Non-Personnel Fund 1000 (\$ in thousands)

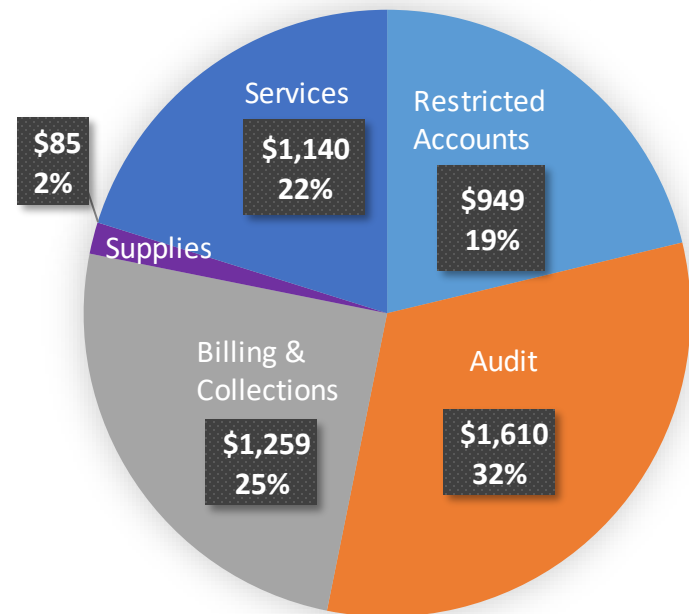


FY2023 Proposed Budget \$20,835

FY2023 Personnel vs. Non-Personnel



Other Services & Charges



FY2023 Budget Expenditures Net Change (in thousands)



Net Change to FY2023 Current Budget		
FY2022 Current Budget:		Notes:
Operating Budget	\$ 17,954	
Restricted Accounts	\$ 845	1
FY2022 HOPE Adjustment	260	2
FY2022 Health Benefit Adjustment	(15)	
City Council Surplus - One time adjustment	135	
Total FY2022 Budget Adjustments	1,225	
FY2022 Current Budget + Adjustments:	\$ 19,179	
Explanation of FY2023 Incremental Increase/(Decrease)		
Operating Budget Adjustments:		
City Council Surplus - One time adjustment	\$ (135)	
Funding for 10 new positions (including FICA & Pension)	1,170	4
Total Operating Budget Changes:	\$ 1,035	
Contractual or Mandated Adjustments:		
Health Benefits Active Civilian	\$ 77	
HOPE Pay Increases	451	3
Contract Escalations	78	
Municipal Pension	(89)	
Restricted Accounts	104	1
Total Contractual/Mandated Increases:	\$ 621	
FY2023 Proposed Budget:		
Operating and Contractual Adjustments	\$ 1,656	
FY2023 Proposed Budget:	\$ 20,835	
% Change from FY2022 Current Budget:	8.6%	
Notes:		
1. Restricted accounts include service chargeback accts for items such fuel, electricity, IT,		
2. FY2022 3% HOPE Pay Increases.		
3. FY2022 Annualized 3% HOPE Pay Increases & FY2023 3% Hope Pay Increases.		
4. Funding for 10 new positions to keep up with increasing workload mainly associated with state/federal funding, provide additional reporting for Strategic Procurement, Grants Management, and CIP/Debt functions.		



FY2023 - Expenditure Highlights

- Provides funding for health benefits, pension contribution and 3% HOPE pay increases.
- **General Fund** - Includes funding for 10 new positions to keep up with increasing workload mainly associated with the state/federal funding, provide additional reporting for Strategic Procurement , Grants Management , CIP/Debt and functions.
- **Revolving Fund** – Provides funding for financial, procurement, and accounts payable and receivable support to client departments within the City. Client departments include the Houston Fire Department, Fleet Management, Houston Information Technology Services, Houston Public Works, and General Services Department – Energy.



Questions



Appendix



Restricted Account Details

GL Description	Justification & Cost Drivers
Fuel	Fuel Program operates and manages all City owned fuel sites. Expense explanation - Fuel services are driven primarily by market pricing
Application Services	Costs include Microsoft Enterprise licenses, 3-1-1 maintenance support and applications, SAP licenses maintenance and support, various Enterprise Application and Server support personnel, CSMART (MCD Only), eSignature, Project Management, Infor, eDiscovery, Cyber Security Office software and support, HITS Budget support via the Finance Department, eSignature
Insurance Fees	Cost increase for property insurance premium.
Electricity	Responsible for administering the electricity accounts for the City. Program is responsible for overseeing procurement contracts, forecasting, providing price certainty, and financial reporting. Electricity expenses are projected to be lower than the previous year as a function of the competitive bidding process.
Natural Gas	Responsible for administering the natural gas accounts for the City. Program is responsible for overseeing procurement contracts, forecasting, providing price certainty, and financial reporting. Natural gas expenses are projected to be lower than the previous year due to current market conditions and locking in a rate favorable to the City.
Data Services	Costs associated with software and maintenance support contracts required to maintain city networks, applications, desktop devices, servers, payment card industry security, storage devices, cloud services, telephone systems and network equipment including Phonoscope circuits. Contracts cover Antivirus, Firewall and Network backup systems. Also, the Data Center costs are included in the Data Services restricted account.
Voice Services	Monthly costs for Voice/Communication Services. The services include: Local landlines, voice/data circuits, long distance, 1-800 numbers, calling cards, language lines, Citywide ISP/Internet Access. The major vendors are ATT, Department of Information Resources (DIR), Verizon and Century Link.
Voice Labor	Labor costs and parts needed to perform work associated with installation and/or upgrades of telephone systems and cabling. The sole vendor is Selrico.
GIS Revolving Fund Services	Personnel, software licenses and maintenance costs associated with the city of Houston's Enterprise Geographic Information System (EGIS)
Voice Services - Wireless	Monthly charges for Verizon Business services and mobile devices including cell phones, air cards and tablets.
Interfund HR Client Services	Include HR operation cost reflecting health benefits and restricted accounts increase.
KRONOS Service Chargeback	Software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS)
Drainage Fee Service Chargeback	Fee is based on impervious service.
Interfund Permit Center Rent Chargeback	The cost include the HPC Point of Sale cost increase for credit card merchant fee, and lease cost increase.
Interfund Vehicle Services	Provides repair, maintenance, and administrative support for all city departments' rolling stock equipment. Expense explanation - Vehicle Services are projected to increase driven by part cost, contractual increases, and an aging vehicle population.
Interfund Radio System Access	Due to the consolidation of the radio group in General Fund to revolving fund for HITS. This group is responsible for the operation and maintenance of the City's public safety radio system.

Department FY2022 Accomplishments (OPTIONAL)



- Successfully adopted property tax rate 2021 in compliance with Proposition 1 + H and in accordance with the changes made by the 86th Legislature through SB2.
- Implemented a citywide system and process to ensure effective management of the U.S. Treasury Department's Local Fiscal Recovery Funds under American Rescue Plan Act (ARPA) all budgets, expenses, compliance and reporting activities.
- Successfully appealed and defended FEMA de-obligations in the amount of \$4.3 M de-obligation for Hurricane Ike.
- Completed review and assessment of Central Services – Fleet and HITS chargeback methodology.
- Updated E.O. 1-14 and obtained approval in the form of a new Administrative Policy 4-11 – Payment and Procurement Internal Controls.
- Realized \$22.9M revenues from Ambulance Supplemental Payment Program (ASPP) for General Fund due to the implementation of the Charity Care Policy.
- Completed the consolidation of General Fund expenses for HITS into the Revolving Fund, thus positioning HITS to better align funding and resources to departments and increased transparency into the cost of IT services.
- Realized \$700K in cost savings from Early Pay Discount initiative and \$500K in negotiated vendor rebates
- Developed a streamlined Federal Procurement review and approval process including compliance gate checks
- Implemented standardized *new procurement project* review and assignment program
- Developed a centralized vendor performance monitoring program to include contract termination notices
- Increased collaboration with Harris County on shared programs and safety initiatives realizing streamlined process and reduced redundancy
- Developed Specialized Procurement Team to reduce process time for routine formal procurements involving Professional Services, Co-operative purchases and Emergency Purchase Orders reducing lead time to council action
- Completed Phase 1 of the OBB Implementation. Conducted over 45 workshops with more than 100 participants among 26 departments and over 100 programs identified.
- Started Phase 2 of the OBB Implementation which includes defining process and implementation of the new system.
- Achieved an estimated \$18.8 million in present value savings from executed bond refundings.

Demographics as of April 12, 2022



FINANCE DEPARTMENT WORKFORCE ANALYSIS

	Males					Females					Total				
	Asian/P.I.	Black	Hispanic	White	Total	Asian/P.I.	Black	Hispanic	White	Total	Asian/P.I.	Black	Hispanic	White	Total
Executives	1 17%	2 33%	1 17%	2 33%	6 100%	3 33%	3 33%	1 11%	2 22%	9 100%	4 27%	5 33%	2 13%	4 27%	15 100%
Professionals	9 23%	15 38%	8 21%	7 18%	39 100%	13 19%	35 51%	15 22%	6 8%	69 100%	22 20%	50 47%	23 21%	13 12%	108 100%
Administrative Support	2 40%	1 20%	0 0%	2 40%	5 100%	5 31%	7 44%	3 19%	1 6%	16 100%	7 33%	8 39%	3 14%	3 14%	21 100%
Total	12	18	9	11	50	21	45	19	9	94	33	63	28	20	144