



Finance Department

**FY2024 Proposed Budget
Workshop Presentation
May 17, 2023**

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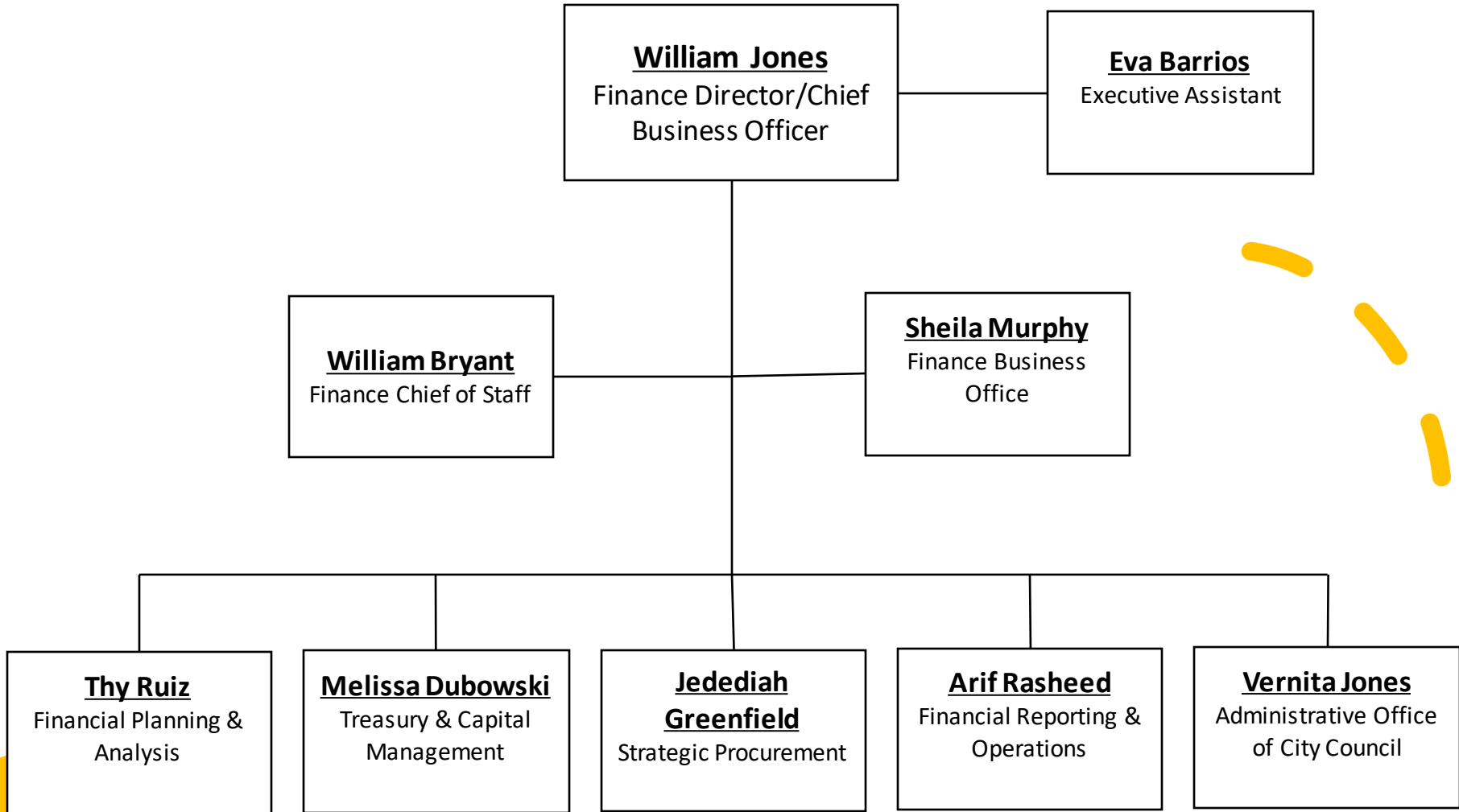


VISION

TO TRANSFORM THE WAY CITY LEADERS MAKE DECISIONS ON THE ALLOCATION OF FINANCIAL RESOURCES BY FOCUSING ON THE EXPECTED RESULTS AND OUTCOMES OF CITY SERVICES AND PROGRAMS



Department Organization Chart



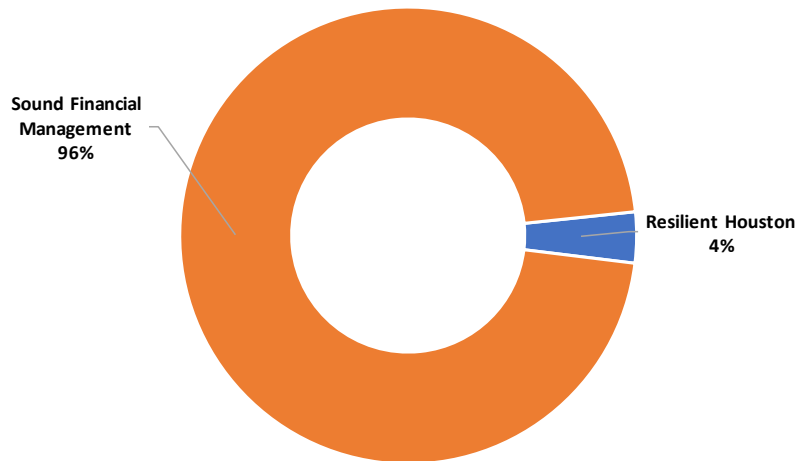


Strategic Guidance Alignment

Objective

The tables below summarize your department's alignment to the Mayor's defined Priorities and Initiatives as defined in his strategic guidance. All programs align to a mayoral priority and the overall department budget is broken down as such.

Priority Alignment



Sound Financial Management	Resilient Houston
Accounting and Financial Reporting	Disaster Cost Recovery Management
Administrative Services	Energy Management
Capital Projects and Debt Management	
Citywide Procurement and Contract Management	
Financial Management Services	
Financial Planning & Budgetary Services	
Grants Management	
Performance Improvement	
Treasury	

Key Initiatives Alignment*

- Promote Fiscal Responsibility
- Outcome – Based Budget
- Other Post Employment Benefits (OPEB)
- Open Finance
- Federal Funding Compliance

*Key Initiatives as included in the Mayor's Strategic Guidance Document <https://www.houstontx.gov/mayor/Strategic-Guidance.pdf>



Expenditure by Program [in thousands]

Objective

List program budgets for FY23 Current Budget vs FY24 Proposed (in thousands)

Program	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY 2024 Proposed	Variance FY24 Proposed/ FY23 Budget	% Change
Accounting and Financial Reporting	6,574	8,493	8,679	9,057	565	6.6%
Administrative Services	1,556	1,697	1,725	1,697	0	0.0%
Capital Projects and Debt Management	1,216	1,509	1,509	1,544	34	2.3%
Citywide Procurement and Contract Management	6,065	8,734	8,442	8,934	199	2.3%
Disaster Cost Recovery Management	365	389	389	736	348	89.3%
Energy Management	214	366	350	390	24	6.5%
Financial Management Services	2,579	2,843	2,575	2,718	-125	-4.4%
Financial Planning & Budgetary Services	1,934	2,903	2,795	3,005	102	3.5%
Grants Management	838	1,410	1,410	957	-453	-32.2%
Performance Improvement	283	441	445	449	9	2.0%
Treasury	1,748	1,717	1,719	1,754	37	2.1%
Total	23,372	30,503	30,038	31,242	738	2.4%



Accounting & Financial Reporting

Priority:	Sound Financial Management
FY2024 FTE Count:	53.4

Program Description

Directs the financial reporting and operations of internal controls, cost and fee analysis, capital fixed asset, trusts and funds management, accounts receivable, accounts payable and the annual audit for the City of Houston. Develop annual indirect cost allocation plans in accordance with 2 CFR 200.

Significant Budget Items

- Includes funding for municipal pay increases and transfer of 1 FTE from Legal for AP function
- Alignment of FTEs in the appropriate programs based on implementation of OBB.

FY24 Prop Budget by Fund

General Fund	\$5,345
CSRF	\$3,713
Total	\$9,058

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Collection rate for EMS	42%	43%	41%	43%	Manage the revenue stream and maximize revenue collections
Collection rate for vendor managed revenues	37%	39%	32%	35%	Manage the revenue stream and maximize revenue collections
Cost per Invoice	\$36	\$44	\$41	\$45	Manage AP function for 10 departments cost effectively
Invoice payments processed within payment terms	95%	95%	93%	95%	Ensure compliance per Prompt Payment Act



Administrative Services

Priority:	Sound Financial Management
FY2024 FTE Count:	3.7

Program Description

Provides support for leadership and executive support which includes development, monitoring and recording of the budget, accounts receivables and the procurement of goods and services for the department.

Significant Budget Items

- Includes funding for municipal pay increases

FY24 Prop Budget by Fund

General Fund	\$1,697
Total	\$1,697

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Expenditures Adopted Budget vs Actual Utilization	90%	98%	106%	98%	Responsible for monitoring Finance Department expenditures to ensure spent are within budget
Revenues Adopted Budget vs Actual Utilization	107%	100%	104%	100%	Responsible for monitoring Finance Department revenue



Capital Projects & Debt Management

Priority:	Sound Financial Management
FY2024 FTE Count:	10.7

Program Description

Engage all departments in the annual preparation of the five-year Capital Improvement Plan. Work with Administration and City Council to adopt the CIP annually. Maintain asset replacement models and bring forth the equipment models. Maintain asset replacement model for Fleet and IT with possibility of others coming online.

Significant Budget Items

- Includes funding for municipal pay increases

FY24 Prop Budget by Fund

General Fund	\$1,255
CSRF	\$ 289
Total	\$1,544

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Capital Improvement Plan adopted before the end of preceding fiscal year	June 23, 2021	June 23, 2022	June 29, 2022	June 23, 2023	To be in compliance with Financial Policies
Ensures submission of three actuarial valuation reports to Pension Review Board annually	April 30, 2022	April 30, 2023	April 30, 2023	April 30, 2024	To be in compliance with State statute
Review all outstanding debt annually for purposes of identifying refunding opportunities	Review 4 credits	Review 4 credits	Review 4 credits	Review 4 credits	To be in compliance with Financial Policies
Debt Service Expenditures as % of General Fund Revenues	15%	16%	15%	16%	To be in compliance with Financial Policies



Citywide Procurement & Contract Management

Priority:	Sound Financial Management
FY2024 FTE Count:	67.0

Program Description

On behalf of client departments, manage the full procurement process for the purchase of goods and services and provide oversight for any departmental delegated procurement authority. Assist client departments with developing purchase specifications, scopes of service and all other necessary information for solicitation development. Work with the vendor community, including certified MWBE firms, to competitively procure needed goods and services.

Significant Budget Items

- Includes funding for municipal pay increases
- Restructure of procurement adding 13 positions to streamline the procurement process
- Implementation of SAP Ariba to automate the procurement process

FY24 Prop Budget by Fund

General Fund	\$7,444
CSRF	\$1,490
Total	\$8,934

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Average days to complete formal Invitations to Bid "ITB" from project acceptance to Council award	207 days	N/A	247 days	120 days	Based on the restructure and automation, the process will be streamlined
Average days to complete formal Best Value Bids, Requests for Proposals and Requests for Qualifications from project acceptance to Council Award	385 days	N/A	389 days	180 days	Based on the restructure and automation, the process will be streamlined
Average days to complete direct award procurements from project acceptance to Council award	70 days	N/A	89 days	45 days	Based on the restructure, a new expedited group will now process all direct award projects



Disaster Cost Recovery Management

Priority:	Resilient Houston
FY2024 FTE Count:	5.5

Program Description

Oversee disaster cost recovery for city owned assets. This includes managing and reporting of the federal and state grants related to declared disasters.

Significant Budget Items

- Includes funding for municipal pay increases
- Alignment of FTEs in the appropriate programs based on implementation of OBB.

FY24 Prop Budget by Fund

General Fund	\$736
Total	\$736

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
For new disasters, identify and submit damaged city assets within 60 days of the disaster's recovery scoping meeting	N/A	N/A	N/A	60 days	Maximize cost recovery for damaged city assets.
Number of Project Worksheet (PW) close out requests submitted to State/FEMA	N/A	N/A	N/A	5 days	Ensure timely close out of projects upon maximized reimbursements



Energy Management

Priority:	Resilient Houston
FY2024 FTE Count:	2.3

Program Description

Manages the energy and natural gas costs of the City of Houston. This process includes but is not limited to contract energy and natural gas rates negotiations with companies, monitoring of the respective markets, and annual projections. Additionally, the program supports the City's efforts to increase investment in renewable energy and restore the Houston area's natural resources.

Significant Budget Items

- Includes funding for municipal pay increases
- Oversees the management of the electricity and natural gas contracts.

FY24 Prop Budget by Fund

CSRF	\$390
Total	\$390

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
% Renewable Energy for Electricity Contract	100%	100%	100%	100%	Goal within the Houston CAP to support energy transition
Amount (\$) of utility rebates received for energy projects	\$66,372	\$15,313	\$15,313	\$30,000	Expand the City's investments in energy efficiency
Annual energy consumption (MWh)	1,227,360 MWh	1,234,494 MWh	1,234,494 MWh	1,251,393 MWh	Monitoring to measure progress towards optimizing building energy use per CAP
Tree planting initiative (Goal of 100,000 trees planted by 2024)	N/A	20,000	20,000	80,000	Goal cited in the current energy contract for the City



Financial Management Services

Priority:	Sound Financial Management
FY2024 FTE Count:	16.1

Program Description

Manage all aspects of financial management to ensure fiscal integrity. This process includes: 1) maintaining the fiscal and financial integrity of records and information, 2) providing information that supports the client department’s management of public resources thru the annual budgeting process and long-term forecasting, 3) providing timely and accurate information to client department to support daily operations, inclusive of but not limited to, budget management and monitoring

Significant Budget Items

- Includes funding for municipal pay increases
- Manage the financial operations of: HITS, HFD, Fleet, and Council.

FY24 Prop Budget by Fund

General Fund	\$ 869
CSRF	\$1,849
Total	\$2,718

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
# of client departments supported	4	4	4	5	Standardizes the financial practices and increases efficiencies
Receive an outstanding rating (5) from client departments	N/A	N/A	N/A	5	Satisfactory ratings from client departments supports the adoption of centralizing financial management

Financial Planning & Budgetary Services



Priority:	Sound Financial Management
FY2024 FTE Count:	18.5

Program Description

Responsibilities include the development and management of the City's Operating Budget, long-range financial planning, monthly financial reporting, and ad-hoc financial analysis.

Significant Budget Items

- Includes funding for municipal pay increases
- Includes 3 additional FTEs as a result of Legal-Finance consolidation

FY24 Prop Budget by Fund

General Fund	\$3,005
Total	\$3,005

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Citywide General Fund Expenditures Adopted Budget vs Actual Utilization	101%	98%	101%	98%	Responsible for monitoring citywide expenditures to ensure spent are within budget.
Citywide General Fund Revenues Adopted Budget vs Actual Utilization	104%	100%	103%	100%	Responsible for monitoring citywide revenues to ensure revenues are within budget.
Unassigned Fund Balance as % of General Fund Expenditures less Debt Service and PAYGO	16.1%	13.2%	17.2%	16.6%	Per the Financial Policies, the City desired minimum unassigned Fund Balance for any given fiscal year is 7.5% of General Fund exp. less Debt and PAYGO.



Grants Management

Priority:	Sound Financial Management
FY2024 FTE Count:	7.2

Program Description

Grants Management is tasked with directing and monitoring grant acquisition, management, and compliance procedures to ensure consistent use by City Departments and compliance with all applicable federal, state, and local regulations.

Significant Budget Items

- Includes funding for municipal pay increases
- Alignment of FTEs in the appropriate programs based on implementation of OBB

FY24 Prop Budget by Fund

General Fund	\$880
CSRF	\$ 77
Total	\$957

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Audit findings	3	0	0	0	Accomplish zero audit findings for annual external audit
Complete and upload Single Audit Report to the Federal Audit Clearing House within 30 calendar days of receipt of the auditors' report(s)	N/A	N/A	N/A	30 days	To be in compliance with Federal requirements
Number of Grants placed in closing status in SAP	N/A	N/A	N/A	160	Ensure the Grants are closed after seeking allowable funding



Performance Improvement

Priority:	Sound Financial Management
FY2024 FTE Count:	3.0

Program Description

Performance Improvement program (also known as the Mayor's Office of Innovation and Performance) works with departments to identify and implement innovative solutions that improve customer service and modernize government operations. This division also implements performance management processes and systems to ensure continued process excellence.

Significant Budget Items

- Includes funding for municipal pay increases

FY24 Prop Budget by Fund

General Fund	\$449
Total	\$449

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Client Satisfaction Rating	N/A	N/A	100%	90%	Provide exceptional internal consulting services to City Departments
Number of In-House Consulting Engagement	N/A	N/A	28	24	Deliver/implement recommendations for City Departments
Number of Lean Six Sigma Green Belts Certified	6	6	5	6	Train departmental change agents on process improvement methods



Treasury

Priority:	Sound Financial Management
FY2024 FTE Count:	3.3

Program Description

Forecast all City taxes (property, sales, and mixed beverage) based on economic modeling. Collect and account for revenues in SAP. Ensure compliance with all applicable state laws. Perform the annual Truth in Taxation and setting of the property tax rate within 60 days of receipt of the certified roll as provided by state statute. Research, analyze, and provide recommendation of proposed tax laws and ensuring compliance with passed laws.

Significant Budget Items

- Includes funding for municipal pay increases
- Oversees the largest two General Fund revenue sources, Property Tax and Sales Tax.

FY24 Prop Budget by Fund

General Fund	\$1,754
Total	\$1,754

Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context
Variance of Mixed Beverage Tax Budget to Actual/Estimate	35.0%	15.1%	15.5%	2.0%	Responsible for monitoring revenues to ensure revenues are within budget.
Variance of Property Tax Budget to Actual/Estimate	1.1%	0.2%	0.0%	0.0%	Responsible for monitoring revenues to ensure revenues are within budget.
Variance of Sales Tax Budget to Actual/Estimate	16.7%	0.7%	10.6%	7.6%	Responsible for monitoring revenues to ensure revenues are within budget.

Expenditures by Fund [in thousands]



Objective

List total expenditures by fund in thousands – FY23 Current Budget vs FY24 Proposed (in thousands)

Fund	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY 2024 Proposed	Variance FY24 Proposed/ FY23 Budget	% Change
General	16,780	23,035	23,035	23,435	401	1.7%
Central Service Revolving Fund	6,591	7,469	7,004	7,806	338	4.5%
Total	23,372	30,503	30,038	31,242	738	2.4%

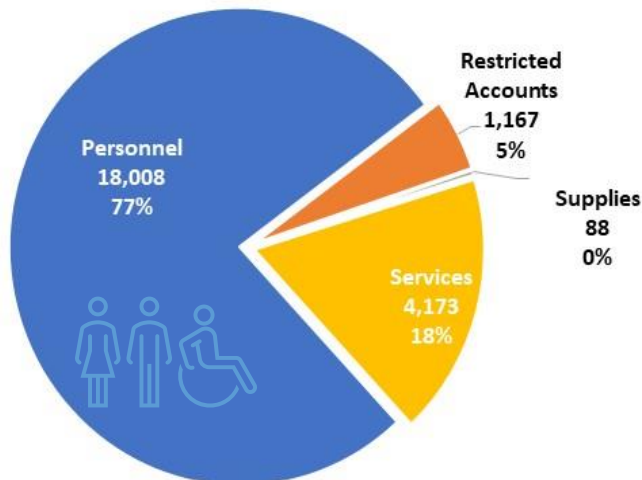
Personnel vs. Non-Personnel [in thousands]



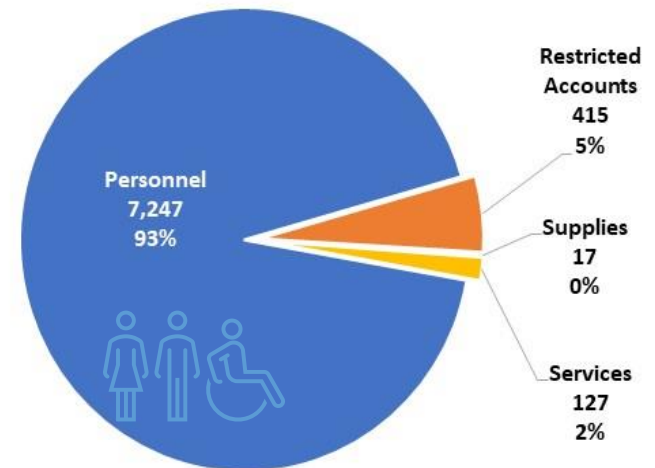
Objective

The graphs below are utilized to show much of the budget is personnel vs. non-personnel. All non-personnel charges are broken out by primary service function.

General Fund - \$23,435



Central Service Revolving Fund - \$7,806





Revenue by Program [in thousands]

Objective

List program budgets for FY23 Estimate vs FY24 Proposed in thousands

Program	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY 2024 Proposed	Variance FY24 Proposed/ FY23 Estimate	% Change
Accounting and Financial Reporting	3,271	3,565	3,550	3,744	194	5.5%
Capital Projects and Debt Management	227	282	282	304	21	7.6%
Citywide Procurement and Contract Management	1,603	1,766	1,595	1,990	395	24.8%
Energy Management	216	366	350	390	40	11.5%
Financial Management Services	1,849	1,962	1,694	1,849	155	9.1%
Grants Management	78	80	80	77	-3	-4.0%
Treasury*	2,091,054	2,105,185	2,197,370	2,270,185	72,815	3.3%
Total	2,098,297	2,113,206	2,204,920	2,278,537	73,617	3.3%

* Includes property tax and sales tax revenue



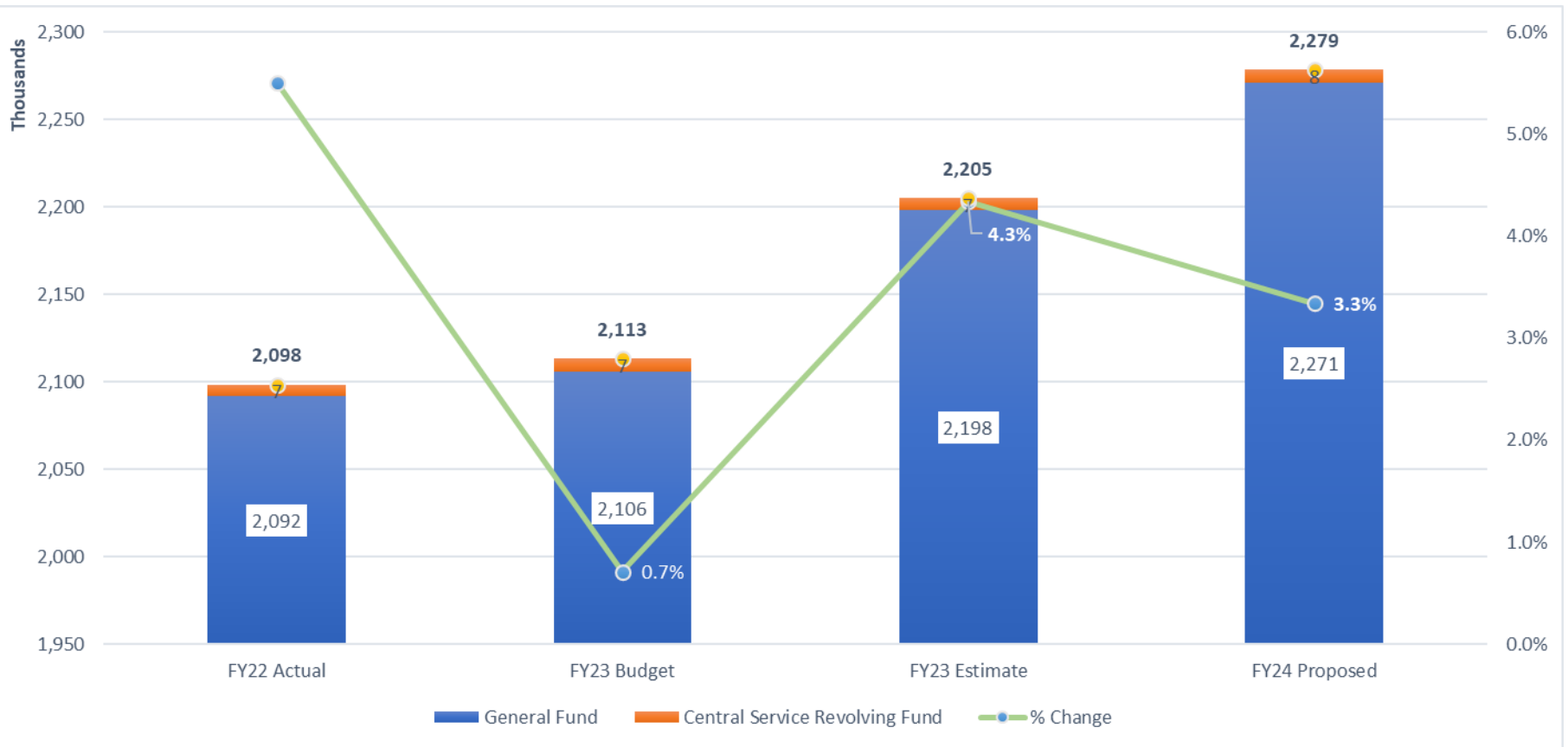
Revenue by Category [in thousands]

Objective

List program budgets for FY23 Estimate vs FY24 Proposed in thousands

Category	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY 2024 Proposed	Variance FY24 Proposed/ FY23 Estimate	% Change
Charges for Services	78	80	80	77	-3	-4.0%
Direct Interfund Services	6,527	7,404	6,939	7,745	806	11.6%
General Property Taxes	1,244,722	1,271,768	1,271,768	1,369,114	97,346	7.7%
Interest	3,288	4,704	8,459	9,533	1,074	12.7%
Miscellaneous/Other	1,408	1,558	1,543	1,556	13	0.8%
Other Fines and Forfeits	68	30	25	25	0	0.0%
Other Tax	21,585	20,743	23,956	24,896	940	3.9%
Sales Taxes	820,622	806,920	892,150	865,593	-26,558	-3.0%
Total	2,098,297	2,113,206	2,204,920	2,278,537	73,617	3.3%

Revenue by Fund [in Millions]



Revenue Highlights [in Thousands]



Revenue Highlights

Describe any significant revenue changes from FY2023 Estimates – FY2024 Proposed and provide context to the financial figures presented.

Property Tax

- An increase in property tax revenue of 7.65%, which is \$97.3 million higher than FY2023 estimates.
- Population data from U.S. Census Bureau as of July 1, 2022, has yet to be received. Therefore, the Finance Department applied the inflation rate of 8.2373% plus 0% growth for population for purposes of calculating Proposition 1.

Sales Tax

- 2.98% decrease from FY2023 estimates

Questions





Appendix



Department FY2023 Accomplishments

- Completed Open Finance initiative to provide transparency about the City's finances. This includes publication of accessible datasets about the City's budget, payroll and checkbook.
- Received Zero Audit Findings- Comptroller Sales and Use Tax Audit
- Completed OPEB Trust analysis cooperatively with HR dept included Year contribution in the proposed budget.
- Successful passage of the 2022 Voter Authorized Bond Ballot Initiatives
- Implemented Phase 2 of Outcome Based Budgeting (OBB) which incorporates OBB elements in the FY2024 Proposed Budget. The modification includes a process change and incorporates the Mayor's Strategic Guidance, focus on program budgeting, performance measures, and budget proposal and evaluation.
- Effectively managed and ensured compliance with grant requirements for federal and state grant expenditures in excess of \$1B and \$42M, respectively
- Received Zero Audit Findings – financial and grant on the annual audit(s)
- Successfully spent all of \$404M and closed out CARES Coronavirus Relief Fund Program
- Updated and Revised AP 4-11 – Internal Controls Compliance for Procurement and Payment
- Implemented a new online salary deferral process system for City of Houston 457 Deferred Compensation Plan enrollments

Workforce Analysis as of 4/24/2023



	Asian/ P.I.	Black	Hispanic	White	Total	Asian/ P.I.	Black	Hispanic	White	Total	Asian /P.I.	Black	Hispanic	White	Total
Executives	2	2	1	2	7	3	3	1	2	9	5	5	2	4	16
	29%	29%	14%	29%	100%	33%	33%	11%	22%	100%	31%	31%	13%	25%	100%
Professionals	6	15	13	8	42	12	32	17	5	66	18	47	30	13	108
	14%	36%	31%	19%	100%	18%	48%	26%	8%	100%	17%	44%	28%	12%	100%
Administrative Support	2	1	1	0	4	8	8	4	0	20	10	9	5	0	24
	50%	25%	25%	0%	100%	40%	40%	20%	0%	100%	42%	38%	21%	0%	100%
Total HC	10	18	15	10	53	23	43	22	7	95	33	61	37	17	148

Restricted Account Details



GL Description	Justification & Cost Drivers
Interfund 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.
Interfund HR Client Services	Include HR operation cost reflecting health benefits and restricted accounts increase.
Interfund KRONOS Service Charge	Software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS).
Interfund Drainage Charge	Fee is based on impervious service.
Interfund 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.
Interfund 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.
Interfund 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.
Interfund Wireless Services	Monthly charges for Verizon Business services and mobile devices including cell phones, air cards and tablets.
Interfund 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.
Interfund Vehicle Accidents	Provides vehicle accidents repairs for all city departments' rolling stock equipment.
Interfund Permit Center Point of Sale	HPC Point of Sale chargeback.
Interfund Insurance Fees	Cost increase for property insurance premium.
Interfund GIS Services	Personnel, software licenses and maintenance costs associated with the city of Houston's Enterprise Geographic Information System (EGIS).
Interfund Permit Center Rent Chargeback	HPC lease chargeback.
Interfund Vehicle Services - Tires	Tire purchases and services costs for City's rolling stock equipment.
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 Vehicle Fuel	Fuel Program operates and manages all City owned fuel sites. Expense explanation - Fuel services are driven primarily by market pricing.
Interfund 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.
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.