GUIDE TO READ THE OPERATING BUDGET

This section explains the format and contents of the FY2026 Budget document. The major sections of the budget are described below.

THE MAYOR'S BUDGET MESSAGE

The Mayor's budget message to the City Council outlines the priorities upon which the FY2026 Budget was prepared. Service highlights and significant changes are discussed.

CONNECTING BUDGET TO STRATEGY

This section outlines the connection between strategy and budget by focusing on budget allocation by priority, key initiatives, and key performance indicators.

SUPPLEMENTARY INFORMATION

This section provides a City of Houston fact sheet with leading economic indicators, the authorization for the budget, and a detailed discussion of the budget methodology. An economic forecast, overview of the budget, overview of funds, and financial and budgetary policies are also presented. Summary information for all funds is presented by department.

GENERAL FUND

This section includes a fund summary, a General Fund resources summary, and a General Fund expenditure summary.

BUDGET BY DEPARTMENT

This section includes the department's budget grouped by function. The functions and their component departments are as follows:

PUBLIC SAFETY AND JUSTICE

- Fire
- Houston Emergency Center
- Municipal Courts
- Police

DEVELOPMENT AND MAINTENANCE SERVICES

- Fleet Management
- General Services
- Planning and Development
- Houston Public Works
- Solid Waste Management

HUMAN AND CULTURAL SERVICES

- Convention and Entertainment
- Department of Neighborhoods
- Houston Airport System
- Housing and Community Development
- Houston Health Department
- Library
- Parks and Recreation

ADMINISTRATIVE SERVICES

- Administration and Regulatory Affairs
- City Secretary
- Finance
- Houston Information Technology Services
- Human Resources
- Legal
- Office of Business Opportunity

ELECTED OFFICIALS

- City Controller
- City Council
- Mayor's Office

OTHER

- General Fund Debt Service
- General Government

- Department Description and Mission

  This form includes a brief narrative outlining the department's responsibilities, short- and long-term goals.

- Summary of All Programs by Department

  This form summarizes all programs of the department by revenues, expenditures, and staffing levels for the FY2024 Actual, FY2025 Estimate, and FY2026 Budget.

- Detail of Programs by Department and Funds

  This form provides the details of the department's program listed by funds. The form includes a description of the programs, goals, Mayor's Priority, performance measures, revenues, expenditures, and staffing levels; listed by funds, for the FY2024 Actual, FY2025 Estimate, and FY2026 Budget. The FY2025 Estimate (FY2025 Projected) is based on the March 2025 Monthly Financial Report (MoFR) for General, Enterprise, Special Revenue, and Internal Service Funds.

- Department/Budget Summary by Funds

  This form includes summaries of expenditures, revenues, and staffing levels for the FY2024 Actual, FY2025 Budget, FY2025 Estimate, FY2026 Budget and FY2026 highlights of services or new programs. Also included is a graph that presents the historical year over year expenditure change from FY2022 through FY2026.

- Department Revenue Summary

  This form provides departmental revenue information by revenue source for the FY2024 Actual, FY2025 Budget, FY2025 Estimate and FY2026 Budget.

Related totals in the above section may vary slightly due to rounding.

CAPITAL AND EQUIPMENT

The Capital and Equipment Program has its own budget cycle which is included in the Capital Improvement Plan (CIP). A 5-year plan is adopted by City Council annually detailing planned appropriations. After adoption of the plan the outlined programs are presented to City Council for appropriation separately.

DEBT SERVICE FUNDS

This section consists of a narrative explaining the purpose of these funds, highlights of the FY2026 Budget, the reserve policy, and Fund Summary tables. In addition, this section includes the Annual Financing Plan (AFP), which outlines the proposed schedule for various debt issuances in the upcoming fiscal year.

FUNDS SUMMARY

The funds summary is grouped by Enterprise Funds, Special Revenue Fund, Internal Service Funds, and Service Chargeback Funds. In general, the Fund Summary includes the following items for the FY2025 Budget, the FY2025 Estimate, and the FY2026 Budget:

- Beginning fund balance/equity
- Current and projected revenues
- Current and projected expenditures
- Planned ending fund balance
- Fund balance distribution, where appropriate

Enterprise Funds

The City of Houston has three Enterprise Fund operations: Aviation, Convention and Entertainment Facilities and the Combined Utility System. Aviation's Airport Capital Outlay Fund and Combined Utility System's Water and Sewer System Operating Fund are separate funds for the purchase of capital outlay items. The Combined Utility System Water and Sewer Operating Fund pay the debt service, in addition to making operating transfers to the Combined Utility System General Purpose Fund. The fund is used for capital outlays, discretionary payments, transfers to Storm Water, and other permissible activities.

Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources, which are restricted to expenditures for specified purposes. In FY2026, the Special Revenue Funds include the following:

- Asset Forfeiture Fund
- Auto Dealers Special Revenue Fund
- BARC Special Revenue Fund
- Bayou Greenway 2020 Fund
- Building Inspection Special Fund
- Cable Television Special Fund
- Child Safety Fund
- Container Lease Fund
- Contractor Responsibility Fund
- Dedicated Drainage and Street Renewal Fund- Ad Valorem Tax
- Dedicated Drainage and Street Renewal Fund- Drainage Charge
- Dedicated Drainage and Street Renewal Fund- Metro ET AL
- Essential Public Health Services Fund
- Forensic Transition Special Fund
- Health Special Revenue Fund
- Historic Preservation Fund
- Houston Emergency Center Fund
- Houston Opioid Abatement Fund
- Houston TranStar Center Fund
- Laboratory Operations and Maintenance Fund
- Local Youth Diversion Fund
- Maintenance Renewal and Replacement Fund
- Municipal Court Building Security Fund
- Municipal Court Technology Fee Fund
- Municipal Jury Fund
- ParkHouston Special Revenue Fund
- Parks Golf Special Revenue Fund
- Park Special Revenue Fund
- Planning and Development Special Revenue Fund
- Police Special Services Fund
- Recycling Revenue Fund
- Special Waste Transportation and Inspection Fund
- Storm Water Fund
- Swimming Pool Safety Fund
- Tourism Promotion Special Revenue Fund

Internal Service Funds

Internal Service Funds are established for the purpose of providing services to City departments on a cost-reimbursement basis. Services provided by personnel in this fund type are charged to the department receiving the services. The Internal Service Funds section includes the following operations in FY2026:

- Health Benefits Fund
- Long-Term Disability Fund

The presentation format for the Internal Service Funds is identical to the Enterprise Funds.

Service Chargeback Funds

Service Chargeback Funds, previously known as Revolving Funds, are also established to provide services on a cost-reimbursement basis and as an administrative convenience. In these funds, supplies and services are delivered or acquired on behalf of a department, which is charged back for its portion of the expense. Unlike Internal Service Funds, Service Chargeback Funds have a zero balance at year end – the revenues received by these funds from the departments they provide services to are equal to the amount of these funds' expenditures. For example, the Central Services Revolving Fund pays the electrical bills for departments and is then reimbursed. This procedure also allows for the accurate allocation of costs by departments and funds that use the modified accrual basis of accounting. These funds are sub-funds of the General Fund.

The Service Chargeback Funds section includes the following operations in FY2026:

- Fleet Management Fund
- Property and Casualty Fund
- Workers' Compensation Fund
- Central Services Revolving Fund
- Project Cost Recovery Fund

APPENDICES

This section includes the glossary, which defines key budget terms as well as revenue and expenditure line-item details for the General Fund. These include line-item details for the FY2024 Actual, FY2025 Budget, FY2025 Estimate and FY2026 Budget.

Also included are schedules for Revenue Supported Debt Service, Non-Major Special Revenue Funds, Budget Summary by Fund, as well as a Summary of the FY2026 City Council actions and FY2026 Budget Ordinance. A Departmental Cross Reference is included in the appendices. This is an alphabetical listing by department, of all funds and where they are in the FY2026 Operating Budget, by section, and page number.