OPERATING BUDGET PROCESS

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

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

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

In April and May 2025, the Finance Department begins briefing Council on the preparation of the FY2026 Budget. After departments submit their budgets, a series of meetings with the Finance Department are conducted to evaluate and determine the requests that would be incorporated into the Mayor's Budget. Budget workshops are held by the Budget and Fiscal Affairs Committee starting in May.

CAPITAL IMPROVEMENT PLAN PROCESS

The process to prepare and adopt the five-year Capital Improvement Plan (CIP) for FY2026-FY2030 generally follows the same procedures as the Operating Budget. Refer to Exhibits 2 and 3 for schedule and comparison.

Public meetings are scheduled to be conducted in the fall of 2025 in all Council districts. During these meetings, citizen comments will be received regarding adopted capital project plans. Comments will be forwarded to applicable Council Members, Houston Public Works, and other City departments. City departments will review projects in the CIP to determine whether rescheduling of projects and adjustments in funding would be required.

In February, departmental CIP submissions were received, reviewed, and evaluated by the Finance Department. CIP reviews and discussions between City departments and Finance were held in March and April. Upon completion of an evaluation period with the mayor, a proposed FY2026-FY2030 CIP will be prepared for presentation to City Council for review and adoption.

Enterprise Fund capital projects will vary from the prior year as each respective enterprise/revenue bond fund program is adjusted due to revenue and costs impacts. Enterprise projects and Public Improvement Bond (PIB) funded projects will be implemented over the next five years and are included in the FY2026-FY2030 CIP.

EXHIBIT 1
OPERATING BUDGET PROCESS

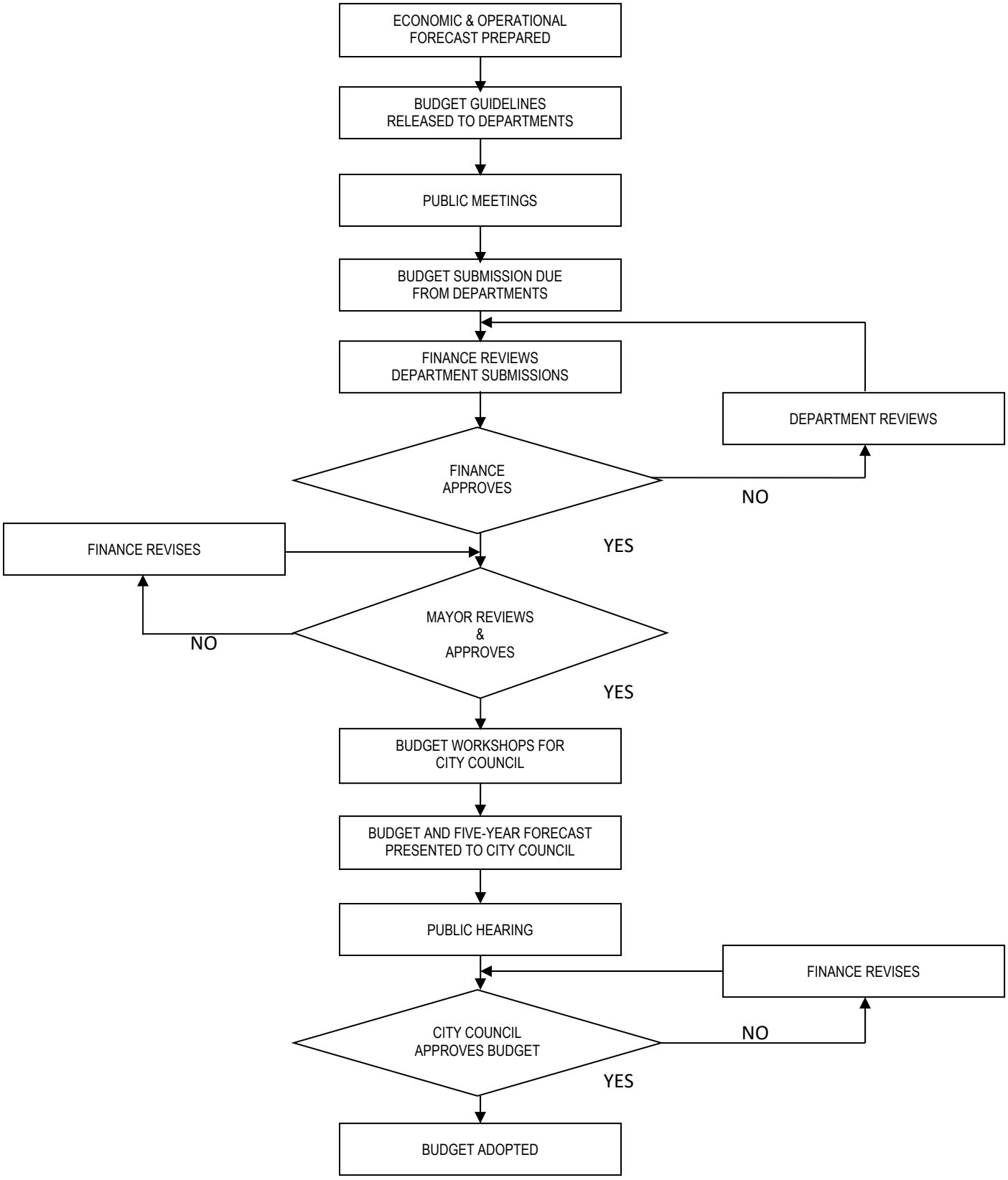


EXHIBIT 2

MONTH	OPERATING BUDGET ACTIVITIES	CAPITAL IMPROVEMENT PLAN ACTIVITIES	GRANT ACTIVITIES
December January	Operating budget preparation instructions and materials distributed	CIP preparation instructions and materials distributed to departments	N/A
February - March	Departments submit operating budget requests	Departments submit CIP requests	HCDD submitted and published the draft Action Plan for Disaster Recovery HCDD develops and publishes the draft Program Year 2025 Annual Action Plan for public comment (CDBG, HOME, HOPWA & ESG) Public Hearing on the Program Year 2025 Annual Action Plan held
April	Finance analyzes and consolidates Operating Budget	Executive review of Proposed Projects	Program Year 2025 Annual Action Plan submitted for Council approval Council approves the submission of the Program Year 2025 Annual Action Plan
May	Council Budget Workshops continue Public Meetings on Budget	N/A	N/A
May	Mayor proposes Operating Budget	N/A	Program Year 2025 Annual Action Plan including CDBG, HOME, HOPWA, and ESG annual applications submitted to HUD
May - June	Council approves Operating Budget	Mayor proposes CIP Council approves Capital Improvement Plan	N/A

EXHIBIT 3
CIP PREPARATION PROCESS

