BRIEF DESCRIPTION OF THE FUNDS USED IN BUDGET PROCESS

The City of Houston's financial management and accounting structure encompasses the ongoing operations and capital programs of twenty-two General Fund departments plus General Government and General Fund Debt Service, approximately fifty-four separate funds, and numerous independent entities or operations for which the City acts as trustee.

Governmental Funds

General revenues (i.e., property taxes, sales tax, franchise fees, municipal court fines, etc.) are budgeted and received in the General Fund for the support of most basic City services. Operations and services for public safety, financial services, libraries, solid waste management, health, most parks and recreation services, street traffic control, esplanade mowing, and citywide administration are included in the General Fund.

Enterprise Funds

Three of the City's operating departments operate similar to private enterprises. Their operations and long-term debt are covered entirely by user fees or dedicated revenue sources.

The Combined Utility System is managed by the Houston Public Works Department (HPW) and comprised of three separate funds: The Water and Sewer System Operating Fund 8300, the Combined Utility System Operating Fund 8301, and the Combined Utility System General Purpose Fund 8305. The three funds' functions as Enterprise Funds and account for all maintenance, operation, reserve, and debt service requirements for the Combined Utility System. All capital outlay expenses for the Houston Airport System are budgeted in the Houston Airport System Capital Outlay Fund in full compliance with bond ordinances. Convention and Entertainment Facilities is managed by Houston First Corporation (HFC) who leases, manages, operates, maintains, develops, and redevelops existing department facilities. HFC also collects, administers, and audits Hotel Occupancy Tax (HOT) receipts, concession revenues and license fees. Budgets covering maintenance and operations, reserves, and debt service for each of these funds are presented in the budget.

- Houston Airport System Revenue Fund
- Houston Airport System Capital Outlay Fund
- Combined Utility System
- Convention and Entertainment Facilities

Special Revenue Funds

The proceeds of dedicated revenue sources are budgeted and received in several Special Revenue Funds. The following describes the City's Special Revenue Funds:

- Asset Forfeiture Fund. The City receives forfeited funds resulting from Houston Police Department's (HPD) role in multi-faceted criminal investigations. This fund provides resources beyond HPD's General Fund budget and are restricted to law enforcement purposes. Specifically, this fund must be managed in accordance with state and federal mandates. This fund is administered by the Houston Police Department.

- Auto Dealers Special Revenue Fund. This fund is budgeted to collect the license and contract fees paid by vehicle storage lots, towing industry and various automotive sales, repair and salvage dealers. In addition, the Auto Dealers Special Revenue Fund is tasked with the disposal of abandoned vehicles, which includes collection of notification fees, city release fees, auction fees, and overages collection. These fees are used to finance a portion of the Auto Dealers regulatory and inspection efforts regarding these businesses. This fund is administered by the Houston Police Department.

- BARC Special Revenue Fund. This fund exists to fund the operation and maintenance of the City of Houston's Bureau of Animal Regulation and Care (BARC) animal shelter facilities and programs. The fund is authorized to receive funds from any source for the purpose of supporting the maintenance and operation of the City's animal shelter facilities and programs. The fund is administered by the Administration & Regulatory Affairs Department.

- Bayou Greenway 2020 Fund. The fund was created to manage the Houston Parks and Recreation Department's maintenance of the White Oak Bayou Trail based upon the Bayou Greenways 2020 initiative agreement entered between the City of Houston and the Houston Parks Board, Inc. in December 2013. This fund is administered by the Houston Parks and Recreation Department.

- Building Inspection Special Fund. This fund includes all construction and building permit revenues and expenditures for inspections and permitting activities. Outdoor sign license fees are received in this fund for enforcement of the City's sign ordinance. This fund is administered by the Houston Public Works Department.

- Cable Television Special Fund. This fund, under certain cable television franchise agreements with the City, receives contributions on a subscriber basis. This fund is used for public access cable television programming and related costs. This fund is administered by the Mayor's Office.

- Child Safety Fund. This fund accounts for monies received to fund public, parochial, and private school crossing guard programs operating within the City of Houston. Revenues to the fund are from the assessment of Municipal Court fees on non-criminal municipal violations and a portion of each vehicle registration authorized by Harris County. The fund is administered by the Houston Police Department.

- Container Lease Fund. The fund was created in FY2023 and is administered by the Solid Waste Department. This fund was created to receive the revenues from container lease fees which are to be used exclusively for both black and green containers purchase and maintenance, parts, and tools replacement, rolling stock, and personnel to support deliveries in the four solid waste operations quadrants.

- Contractor Responsibility Fund. Funds are collected through the implementation of the Pay or Play Program. The revenue collected in the Contractor Responsibility Fund is used to provide services to and offset the cost of uninsured citizens in the Houston and Harris County area. Both the Pay or Play Program and this fund are administered by the Office of Business Opportunity and governed by Executive Order 1-7.

- Dedicated Drainage and Street Renewal Fund – Ad Valorem Tax (DDSRF-Ad Valorem Tax). Prior to FY2021, this fund was a part of DDSRF-Fund 2310. The DDSRF funds group provides a dedicated, pay-as-you-go fund for enhancement, improvement and ongoing renewal of Houston's drainage and streets, as well as traffic control operations. This fund is funded by Ad Valorem Tax and is administered by the Houston Public Works Department.

- Dedicated Drainage and Street Renewal Fund – Drainage Charge (DDSRF-Drainage). The DDSRF funds group provides a dedicated, pay-as-you-go fund for enhancement, improvement and ongoing renewal of Houston's drainage and streets, as well as traffic control operations. This fund is funded by the Drainage Fee and is administered by the Houston Public Works Department.

- Dedicated Drainage and Street Renewal Fund – METRO Et Al (DDSRF-Metro Et Al). Prior to FY2021, this fund was a part of DDSRF-Fund 2310. The DDSRF funds group provides a dedicated, pay-as-you-go fund for enhancement, improvement and ongoing renewal of Houston's drainage and streets, as well as traffic control operations. This fund is primarily funded by reimbursements under the Metro General Mobility Program and is administered by the Houston Public Works Department.

- Essential Public Health Services Fund. This fund was created for the purpose of offsetting costs associated with the administration of Medicaid Transformation Waiver projects and to perform other essential public health services as defined by Chapter 121 of the Texas Health and Safety Code. This fund is administered by the Houston Health Department.

- Forensic Transition Special Fund. This fund provides a funding structure that segregates, manages, and accounts for all costs related to HPD personnel assigned to the Houston Forensic Science Center (HFSC), and supports the migration of HPD staff and positions back to HPD on a timetable suitable for the HFSC. Costs incurred by the fund will be reimbursed by the HFSC. The fund is administered by the Houston Police Department.

- Health Special Revenue Fund. This fund includes several programs that are supported by ordinances including ambulance permits, food and drug, vital statistics, international travel immunizations, Geriatric Dental Program, and specific public health purposes. This fund is administered by the Houston Health Department.

- Historic Preservation Fund. The fund was originally established in FY2010 utilizing funds set aside from the sale of historic fire stations by the City in FY2009. In 2011, Houston Public Library (HPL) was added to the fund to increase the promotion of historic preservation library buildings and programs. The use of the historic buildings and programs, administered by Houston Public Library (HPL), provides funding for the future maintenance, and needs of the historic Julia Ideson Building. This fund is administered by the Planning and Development Department and the Houston Public Library.

- Houston Emergency Center Fund. This fund consolidates the City's four separate emergency services (Police, Fire/EMS Computer Aided Dispatch System, Radio System and Records Management Systems) into one state of the art facility. This fund is administered by the Houston Emergency Center Department.

- Houston Opioid Abatement Fund. This fund was established in FY2024 for the receipt of monies obtained under a statewide opioid settlement agreement and distributed by Texas Opioid Abatement Trust Company to the city of Houston for the purpose of addressing the public health emergency pertaining to the opioid crisis. This fund is administered by the Houston Health Department.

- Houston TranStar Center Fund. This fund was established for the planning, design, operation and maintenance of transportation and emergency management operations within the greater Houston area. Funding is derived from revenue received from member agencies and is prorated based on occupancy and use of center facilities. This fund is administered by the Houston Public Works Department.

- Laboratory Operations and Maintenance Fund. This fund is solely designated for laboratory operations and maintenance for the retention of all revenue from laboratory fees. It pertains to Ordinance Amending Chapter 21 of the Code of Ordinance relating to laboratory fees. This fund is administered by the Houston Health Department.

- Local Truancy Prevention and Diversion Fund (previously known as Juvenile Case Manager Fee Fund). This fund was established FY2009, and it includes personnel and operational costs related to the Juvenile Case Manager staff. Revenue is generated from the fund's allocation of the Local Consolidated Fee as specified in Section 134.103 of the Texas Local Government Code. The mission of the fund is to partner with school districts within the City of Houston in an effort to increase school attendance and reduce truancy through early identification, assessment and prevention services, to enhance the accountability of students and families, and to limit a juvenile's exposure to the criminal justice system. This fund is administered by the Municipal Courts Department.

- Maintenance Renewal and Replacement Fund (MRR). This fund was created for maintenance and replacement of building systems and operational components as well as protecting the City of Houston's investments. This fund recognizes the shared responsibility of the City and its departments to maintain or replace existing building systems and operational components including security systems as they approach the end of their life cycle. This fund also addresses development and maintenance of the physical infrastructure of these facilities. This fund is administered, in partnership, by the General Services Department and Parks and Recreation Department.

- Municipal Court Building Security Fund. This fund was established in FY1997, and it includes security related contractual expenditures and additional security enhancements for the courts. Revenue is generated from the fund's allocation of the Local Consolidated Fee as specified in Section 134.103 of the Texas Local Government Code. The mission of the Municipal Court Building Security Fund is to protect the health and welfare of civilians and employees by ensuring that

adequate equipment, procedure, and personnel are present at all court facilities. This fund is administered by the Municipal Courts Department.

- Municipal Court Technology Fee Fund. This fund was established in FY2001, and the revenue is generated from the fund's allocation of the Local Consolidated Fee as specified in Section 134.103 of the Texas Local Government Code. The purpose of the fund is to finance technological enhancements, and maintain current technological systems to ensure court efficiencies. This fund is administered by the Municipal Courts Department.

- Municipal Jury Fund. This fund was established in January of 2020, and the revenue is generated from the fund's allocation of the Local Consolidated Fee as specified in Section 134.103 of the Texas Local Government Code. The purpose of the fund is to finance jury related costs. This fund is administered by the Municipal Courts Department.

- ParkHouston Special Revenue Fund. Previously known as Parking Management Fund, this fund supports the activities of the ParkHouston Division of the Administration & Regulatory Affairs Department. The division is responsible for enforcement of ordinances that govern vehicles parked in the public rights-of-way, management, and enforcement of a variety of permits related to parking and street uses, and the management and collection of parking meters. The division is responsible for managing and providing on-street parking alternatives for the citizens in the Greater Houston area. This fund is administered by the Administration and Regulatory Affairs Department.

- Parks Golf Special Revenue Fund. This fund was created to receive the revenues derived from all golf facilities, whether operated by the City or private entities, including all related concession fee revenues which are to be used exclusively for the maintenance, operation, and improvement to any or all such golf courses. This fund is administered by the Houston Parks and Recreation Department.

- Parks Special Revenue Fund. This fund accounts for revenue from revenue-generating activities and certain expenditures related to the operations of Parks facilities; as well as supplementing programs, services, and activities offered within the department. This fund is administered by the Houston Parks and Recreation Department.

- Planning and Development Special Revenue Fund. This fund was established in FY2016 to support development-related services such as: subdivision plat review, permit review, and one half of the lot size/minimum building line program. This fund is administered by the Planning and Development Department.

- Police Special Services Fund. This fund is a collection of monies for restricted use. The activities include joint police operations and undercover support services with outside law enforcement agencies, combatting Human Trafficking, and traffic control. The fund is administered by the Houston Police Department.

- Recycling Revenue Fund. This fund was created to allocate dedicated funds to be used for the expansion and implementation of the City's Recycling Programs. Efforts include citywide tree waste recycling, additional neighborhood depository sites, curbside recycling, and increased education and outreach. These efforts allow the City to improve its current landfill diversion rate. This fund is administered by the Solid Waste Management Department.

- Special Waste Transportation and Inspection Fund. The purpose of this fund is to prevent the infiltration of fats, oils, and grease into the sanitary sewer system, and to assure that the City's infrastructure and the health of the citizens are protected. All fees collected are expended only for the costs of permitting, inspecting, monitoring, controlling, educating and enforcing any violation pertaining to the management and disposal of the city-regulated waste. This fund is administered by the Houston Health Department.

- Storm Water Fund. This fund receives revenues from the Combined Utility System Fund and Dedicated Drainage and Street Renewal Fund-Drainage Charge. Funds are transferred to this fund to support storm water drainage operation and maintenance activities. The core purpose is to provide the best level of maintenance to the storm water infrastructure with the resources provided and to maintain flow of storm water free of debris and foreign objects that cause flooding. This fund is administered by the Houston Public Works Department.

- Swimming Pool Safety Fund. This fund receives proceeds from enforcing municipal, state and federal pool and spa safety standards. State and federal pool and safety standards apply to all pools and spas serving more than two dwellings; in accordance with the requirements, operators of pools and spas at apartment or condominium projects are required to obtain permits and to comply with the standards. The fees collected in pursuant of swimming pool and spa safety are used for the purposes of activities related to permitting, inspecting, monitoring, abating, controlling, educating and enforcement of municipal, state, and federal standards. This fund is administered by the Houston Health Department.

- Tourism Promotion Special Revenue Fund. Previously known as Houston Civic Events Fund, this fund was created to enhance the City of Houston's image through coordination of the civic celebration program; management of the City's art and cultural plan; promotion of business travel and hotel occupancy; and execution of protocol services. This fund is administered by the Mayor's Office.

Internal Service Funds

Internal Service Funds were established for the purpose of providing services to the City departments on a cost-reimbursement basis. These funds are shown in the Internal Service Funds section of the budget document. Included are the following:

- Health Benefits Fund. This fund was created to account for the financial activity of the City's medical and health-related plans. Employee, retiree, and the city premium contributions are budgeted as revenues. The following are budgeted as expenditures: self-insured medical claims; medical, dental, vision and life insurance premiums; health and dependent care Flexible Spending Account funding; and health benefits program administrative costs. This fund is administered by the Human Resources Department.

- Long-Term Disability (LTD) Fund. This fund is used to account for the long-term sick leave benefits for eligible City employees. The LTD Fund is funded solely by the City through premiums charged to the departments based on the number of employees covered by the plan. Such premiums cover the cost of all benefits (claims) to the employees and third-party administrative fees. This fund is administered by the Human Resources Department.

Service Chargeback Funds

Service Chargeback Funds, previously known as Revolving Funds, are established to provide services to other City departments on a cost-reimbursement basis and are shown in the Service Chargeback Funds section. Included are the following:

- Central Services Revolving Fund. This fund provides goods and services to operating departments. The receiving department's budget is charged for the actual cost incurred by the Central Services Revolving Fund, with the revolving fund revenue account credited by the same amount. As an example, citywide temporary personnel costs are budgeted in this fund. This fund is administered by the General Services Department, Administration and Regulatory Affairs, Houston Information Technology Services, Planning & Development, Human Resources, and Finance Department.

- Fleet Management Fund. The fund is used to account for fleet maintenance and fuel operations for citywide departments. This fund is administered by the Fleet Department

- Property and Casualty Fund. This fund records the transactions of the City's self-insurance program for property loss, personnel action claims, and purchases of insurance policies such as coverage for City property and tort claims. The Administration and Regulatory Affairs Department oversees the insurance functions, including the City's commercial property insurance program and insurance claim and disaster recoveries while the Legal Department administers the claims portion. Revenue is generated from premiums assessed to other funds. These premiums are based on projected expenditures. This Fund is administered by the Legal Department and the Administration and Regulatory Affairs Department.

- Workers' Compensation Fund. This fund was established to collect and report all costs of compliance with statutes related to Workers Compensation and loss prevention. The revenues are derived through charging the departments an administrative premium semi-monthly per employee plus all direct costs related to claim expenditures, which includes indemnity, medical and disability payments. This fund is administered by the Human Resources Department.

- Project Cost Recovery Fund. This fund is used to pay the costs of department employees who directly and indirectly work on Capital Improvement Plan (CIP) related projects. These costs are then recovered from the appropriate CIP project fund. This fund is administered by the Houston Public Works Department and General Services Department.

Equipment Acquisition Consolidated Fund

The Equipment Acquisition Consolidated Fund supports the acquisition of durable capital assets for all General Fund departments. Historically, funding has come from issuing Commercial Paper for the purchase of such capital assets. This fund is administered by the Finance Department.

Debt Service Funds

General Obligation (GO) debt is secured by and payable from the receipts of an annual ad valorem tax levied, within legal limits, on taxable property within the City. The City has covenanted to assess, levy and collect an ad valorem tax in each calendar year, within applicable limitations, sufficient to pay the principal and interest on all outstanding obligations payable in such Tax Year. Such obligations include: (i) Public improvement bonds, (ii) Certificates of obligation, (iii) Certain obligations to fund a portion of the City's unfunded actuarial accrued liability to the City's pension programs, and (iv) General obligation on commercial paper notes.

The primary source of funds to make obligated payments is the General Fund, which annually transfers the legally required amount into the Debt Service Fund. The Debt Service Fund accumulates the resources necessary to pay the principal and interest on all outstanding obligations payable in that fiscal year.

The Debt Service Fund makes payments for arbitrage rebates and administrative fees to administer the debt program.

The City's tax rate for Fiscal Year 2025 (Tax Year 2024) was $0.519190 (per $100 assessed valuation), which includes $0.140585 for debt service. This debt service tax rate determines the amount of funds that the General Fund is legally required to transfer into the Debt Service Fund.

Trust and Agency Funds

Comprehensive budgets for trust and agency funds are not included in the City's budget due to City Council's limited authority to program expenditures.

Trust and Agency Funds are used to account for assets held by a government unit as trustee, or agent for the individuals, private organizations, other governmental units, and/or other funds. The City has created trust and agency funds for Tax Increment Reinvestment Zones (TIRZ) since FY1991. As development occurs in each zone, taxes generated by the increase in value attributable to those improvements, or "tax increment", are captured in separate funds set up for each TIRZ. TIRZ funds are then used to pay for approved project costs. Examples of typical costs include infrastructure improvements in water, sanitary sewer and storm water systems, lighting, paving on public right-of-way, streetscaping, impact fees, and debt service on bonds sold for the same purpose. Contributions from other taxing jurisdictions participating in the TIRZ are collected by each respective jurisdiction and sent to the City for deposit in the TIRZ funds. These funds are administered by the Mayor's Office of Economic Development/TIRZ.

Capital Project Funds

Funding for major capital improvement projects, regardless of funding source, is presented in the five-year Capital Improvement Plan (CIP). Debt service requirements are budgeted in the General Debt Service Fund or Enterprise Funds where applicable. Funding for each capital project, including site acquisition, engineering and design, construction and initial equipment purchases (including environmental and civic art) required to make a facility operational are included in the CIP. Primary funding sources for the CIP are as follows:

- Commercial paper notes and Public Improvement Bond proceeds.
- Revenue Bond proceeds (e.g., bonds supported by Combined Utility System fees, Houston Airport System revenues, Convention and Entertainment Facilities revenue/hotel occupancy tax).
- Operating funds or capital reserve funds (e.g., operating budget funds).
- Contributions from private or other public sources (e.g., local private developers, other local governments and authorities, and state or federal agencies) participating in the City-sponsored projects.
- Grants such as Community Development Block Grant (CDBG).
- Tax Increment Reinvestment Zones (TIRZ).

These funds are administered by the Finance Department.

Other Financial Funds

Comprehensive budgets for certain entities are not included in the City's budget or the CIP due to the City Council's limited authority to program expenditures. They are included in the City's Annual Comprehensive Financial Report.

- Federal and state grants are accepted by the City and accounted for based upon each grant's respective fiscal period, which usually differs from that of the City (July 1 - June 30). If a grant requires a local match in whole or in part, the budget includes expenditures and revenues that pertain to these aspects of the grant in the receiving department or fund. If applicable (grant is more than $400,000.00 or requires an annual cash match), these grants and contracts are approved by Council action.
- The City's three pension funds are governed by independent boards and are maintained separately from the operating, debt service, and capital funds. Contributions from both the employees and employer (City) are also maintained separately for the Deferred Compensation and Long-Term Disability programs.
- Other funds established by the City Council or the City Controller to account for contributions from private individuals (e.g., Library Gift Endowment Fund; Houston Parks Board Trust Fund; Water Fund (Water Aid to Elderly Residents); Houston Economic Development; and the Battaglia Trust Fund) are dedicated to specific unbudgeted but public purposes.