

FY2027

Proposed Budget

WORKSHOP PRESENTATION

BUDGET AND FISCAL AFFAIRS

MAY 19, 2026

OFFICE OF CITY CONTROLLER CHRIS HOLLINS

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Vision of the City Controller's Office



Accountability

Hold our City government to the highest standards of integrity and efficiency, eliminating waste, fraud, and abuse.



Transparency

Put important information about the City's finances, operations, and services at the fingertips of every Houstonian in a language and format that they can understand.



Innovation

Bring new ideas and best practices to every City department so that we can invest more in – and provide better services to – Houston families and neighborhoods.



Strategic Priorities

AUDIT



Protect our tax dollars with aggressive financial audits; improve outcomes with performance audits

FINANCIAL REPORTING



Help Houston chart a path to fiscal sustainability by identifying opportunities to increase revenues and decrease costs; increase transparency with clearer, more relevant communication

OPERATIONS



Increase the efficiency and lower the cost of the City's financial operations

TREASURY



Maximize public funds to pursue refinancing opportunities and to meet urgent needs



City Controller's Organizational Design



Strategic alignment with Mayor’s priorities

Mayor’s priority



Government that Works

Our Office’s programs



Audit



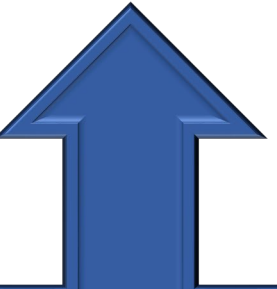

Executive Oversight





Financial Reporting




Operations

Treasury



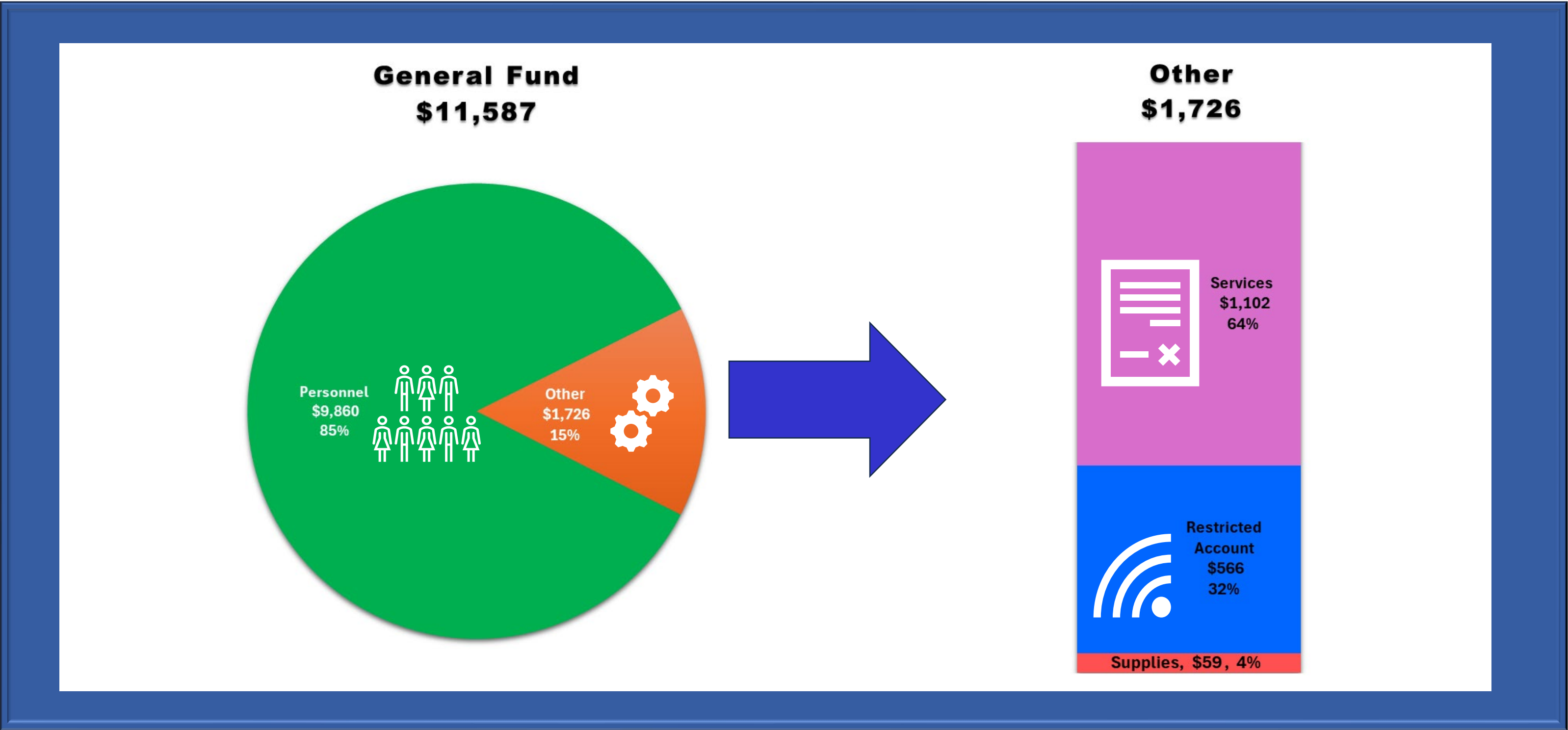

Expenditures by Fund (in thousands)

Fund	FY25 Actual	FY26 Current Budget	FY26 Estimate	FY27 Proposed	Variance FY27 Proposed/ FY26 Budget	% Change
General Fund	\$10,394	\$11,043	\$10,942	\$11,587	\$544	5%
Total	\$10,394	\$11,043	\$10,942	\$11,587	\$544	5%

Total may reflect slight variances due to rounding.



Personnel vs Non-Personnel Costs (in thousands)



Expenditures by Program (in thousands)

Program	FY25 Actual	FY26 Current Budget	FY26 Estimate	FY27 Proposed	Variance FY27 Proposed/ FY26 Budget	% Change
Audit	\$1,859	\$2,751	\$2,725	\$2,920	\$169	6%
Executive Oversight	923	1,143	1,131	1,185	42	4%
Financial Reporting	1,864	1,905	1,886	1,946	41	2%
Operations	3,730	3,639	3,609	3,876	237	7%
Treasury	1,362	1,605	1,591	1,659	54	3%
Debt Service and Interfund Transfer*	656	-	-	-	-	-%
Total	\$10,394	\$11,043	\$10,942	\$11,587	\$544	5%

*FY2025 reflects a one-time expense for asbestos abatement and new carpeting across five floors of City Hall funded through vacancy savings.

Total may reflect slight variances due to rounding.



Audit

Priority:	Government that Works
FTE Count:	14.4

Program Description
Performs audits and projects focused on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, and consideration of fraud, waste, and abuse.

Significant Budget Items
<ul style="list-style-type: none"> Includes funding for health benefits and pension contribution and municipal contractual pay increases.

FY27 Prop Budget by Fund	
General Fund	\$2,920
Total	\$2,920

Performance

Measure Name	FY25 Actual	FY26 Target	FY26 Estimate	FY27 Target
Average # of findings per Quality Review report	N/A	2	2	N/A
Dollar amount of cost/revenue opportunities identified	\$6.0M	\$2.6M	\$2.0M	\$2.9M
Maximum business days to issue the report after completion of field work	45 days	45 days	>45 days	45 days
Audits scheduled for completion during the fiscal year are issued by the approved budget date.	N/A	N/A	N/A	75%
Percentage of findings and recommendations agreed to by the auditee (does not include non-response findings)	80%	80%	92%	80%



Executive Oversight

Priority:	Government that Works
FTE Count:	6.8

Program Description
Sets policy for the City Controller's Office; increases accountability by holding City government to the highest standards of integrity and efficiency, and by working to eliminate fraud, waste, and abuse; serves as the independent financial voice for the City of Houston; increases transparency by putting important information about the City's finances, operations, and services at the fingertips of every Houstonian in a language and format they can understand; and brings new ideas and best practices to every City department so that critical services can be delivered to Houstonians at the high standard we all deserve.

Significant Budget Items
<ul style="list-style-type: none"> Includes funding for health benefits and pension contribution and municipal contractual pay increases

FY27 Prop Budget by Fund	
General Fund	\$1,185
Total	\$1,185

Performance

Measure Name	FY25 Actual	FY26 Target	FY26 Estimate	FY27 Target
Annual external newsletter distribution	4	4	4	4
Annual website visitors	70,000	70,000	80,000	85,000
Community events hosted	7	7	7	7
Community events participation	N/A	80	50	75



Financial Reporting

Priority:	Government that Works
FTE Count:	9.5

Program Description	Significant Budget Items	FY27 Prop Budget by Fund	
Dedicated to promoting transparency, integrity, and accountability in the city's financial operations. By delivering accurate, timely, and comprehensive financial reports, we equip stakeholders with the essential information to make informed decisions and uphold responsible stewardship of public resources for the benefit of all residents.	<ul style="list-style-type: none"> Includes funding for health benefits and pension contribution and municipal contractual pay increases. 	General Fund	\$1,946
		Total	\$1,946

Performance

Measure Name	FY25 Actual	FY26 Target	FY26 Estimate	FY27 Target
Number of insight reports	N/A	4	6	6
Variance of sales tax forecast from actual	2.0%	2.0%	2.0%	2.0%
Expenditures Adopted Budget vs Actual Utilization	98%	98%	100%	98%



Operations

Priority:	Government that Works
FTE Count:	21.5

Program Description	Significant Budget Items	FY27 Prop Budget by Fund	
Ensures the availability of funds for city contracts; ensure city invoices and payment requests meet applicable city policies and best practices; maintain the integrity of city records for financial transactions and contracts; maintain internal controls by reconciling cash disbursement against the city's book of accounts; and ensure City vendors do not owe back taxes. Provides the Office of the City Controller with services in human resources, budget, purchasing, and administrative processes to maximize staff productivity.	<ul style="list-style-type: none"> Includes funding for health benefits and pension contribution and municipal contractual pay increases 	General Fund	\$3,878
		Total	\$3,878

Performance

Measure Name	FY25 Actual	FY26 Target	FY26 Estimate	FY27 Target
Early payment discounts secured	\$2,000,000	\$2,000,000	\$1,800,000	\$2,000,000
Number of paper checks remitted	35,000	32,210	35,000	32,210
Number of unclaimed funds captured	N/A	30	700	100
Percent of ordinance certification processes completed prior to relevant City Council date	100%	100%	99%	100%
Received invoices paid within one week	N/A	100%	93%	100%



Treasury

Priority:	Government that Works
FTE Count:	7.8

Program Description	Significant Budget Items	FY27 Prop Budget by Fund	
Manages the City investment portfolio related to the three accounts General Pool, Tax Exempt, and HUD Section 108. Ensures that all investments comply with the Texas Government Code Chapter 2256 of the Public Fund Investment Act. The Treasury Division is also responsible for the City's debt portfolio system (manages the City's commercial paper program, and bond dept financing), consisting of each City credit Airport, Convention & Entertainment, Combined Utility, and General Obligation. The Debt Transparency Report" is publicized at the end of the year pursuant to Texas H.B. 1378. Also, the division manages the City's depository banking system.	<ul style="list-style-type: none"> Includes funding for health benefits and pension contribution and municipal contractual pay increases 	General Fund	\$1,659
		Total	\$1,659

Performance

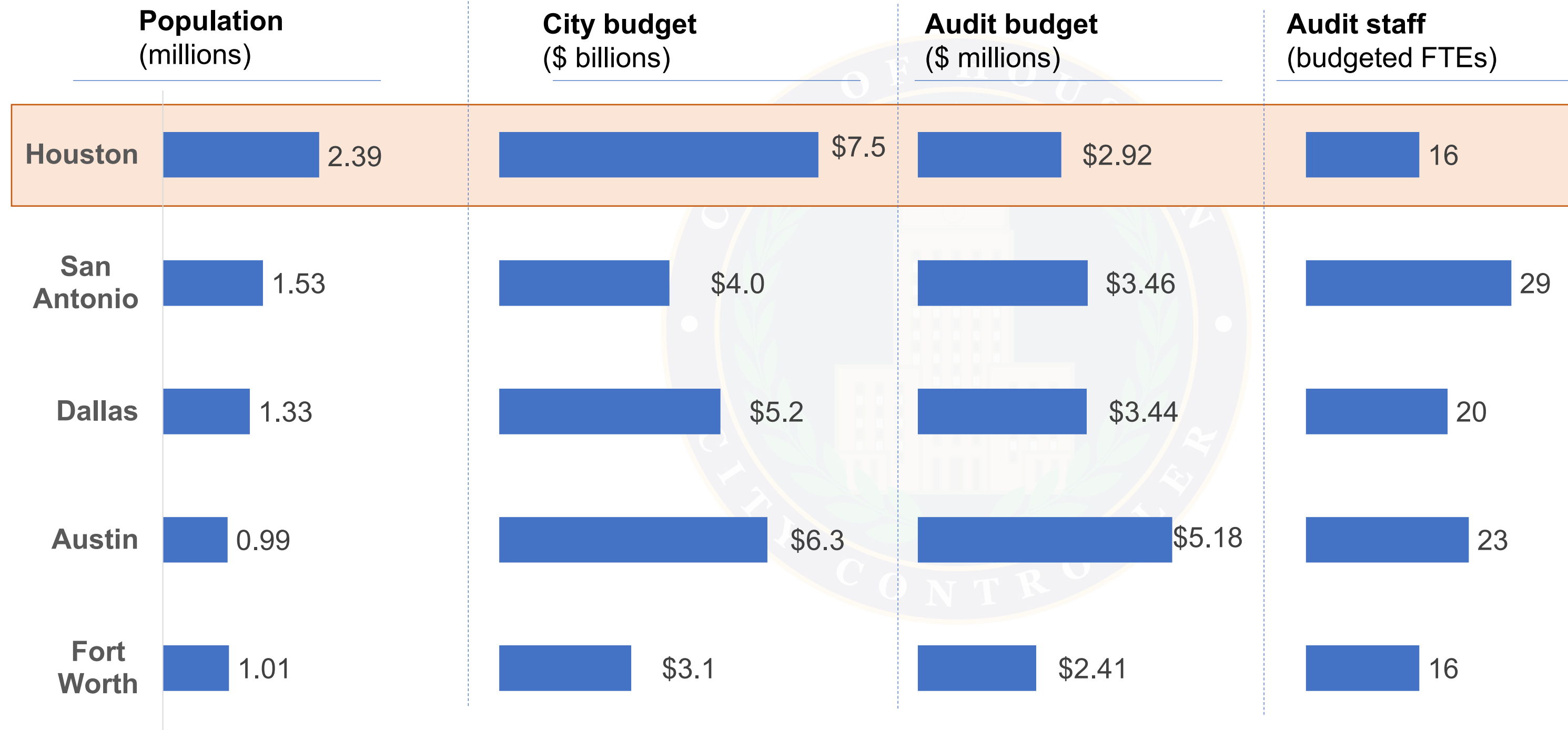
Measure Name	FY25 Actual	FY26 Target	FY26 Estimate	FY27 Target
Percent of City debt service paid on a timely basis	100%	100%	100%	100%
City's total return on investment over the Merrill Lynch Custom Benchmark (which consists of Treasury, T-Bill, and Agency)	5 basis points	5 basis points	5 basis points	5 basis points
Maintain healthy cash balance	\$11M - \$13M	\$10M - \$14M	\$11M - \$13M	\$10M - \$14M
Weighted average interest rate of all City's letter of credit commercial paper draws	< 5%	< 5%	< 5%	< 5%
City's investment portfolio credit rating maintained with Fitch Ratings	AAAf	AAAf	AAAf	AAAf



Houston's Audit Division Is Understaffed

- Requesting \$703,155 in FY2027 to add **five** audit positions as the first phase of a multi-year expansion.
- Houston has the largest municipal budget among major Texas peer cities, but one of the smallest audit staffs, limiting oversight capacity.
- Additional staffing will strengthen coverage of risk, internal controls, contracts, IT, performance, and fraud, waste, and abuse.

Houston's Audit Division is under-resourced compared to other major cities in Texas

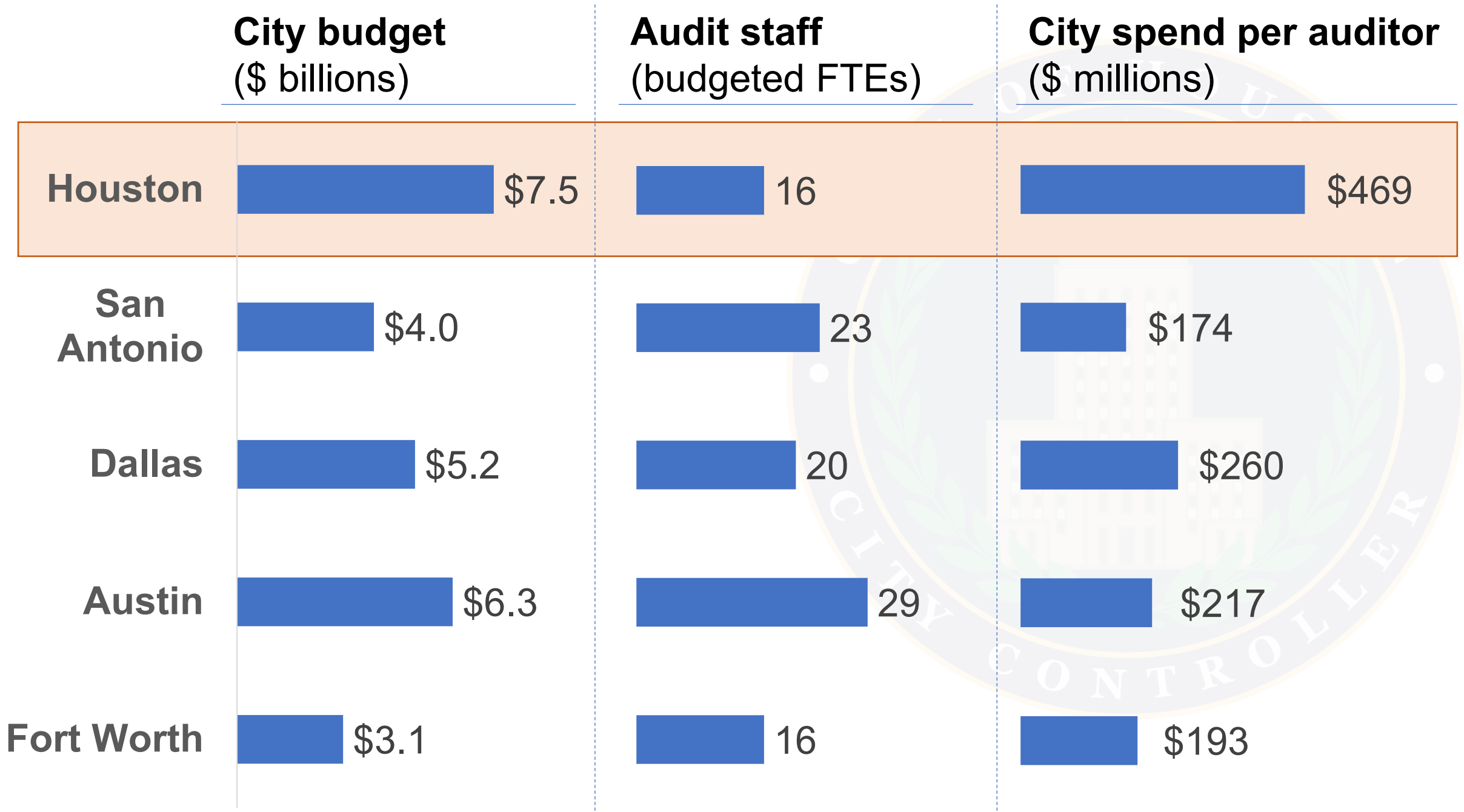


- Houston is the **largest city in the State** of Texas, with the largest municipal budget
- Houston's **Audit Division is the smallest of its peer cities** within Texas, hindering its ability to effectively evaluate the City's internal controls, risks and governance functions

Source: 2024 Census population estimates; most recent budgets of each city.



Similarly, Houston’s per-auditor responsibility is much higher than its peers



- Per-auditor responsibility in Houston is **more than double** the major city peer average of \$211 million, and **more than 80% higher than** closest peer (Dallas)
- To bring Houston in line with closest peer would require a total of 29 auditors (**13 more than currently budgeted**)

Source: 2024 Census population estimates; most recent budgets of each city.



Houston Audit Division is missing core functions

Function	Description	Status
Oversight	City Auditor and support staff	<ul style="list-style-type: none"> • Exists in status quo (3 FTE) • Understaffed (2 FTE)
Process	Identify and mitigate risk (e.g., Solid Waste cart inventory, GSD security compliance, HPD evidence room compliance)	<ul style="list-style-type: none"> • Exists in status quo (9 FTE) • Understaffed (3 FTE)
Performance and data analysis	Assess the efficiency and effectiveness of city programs and services, providing recommendations for improvements that can lead to cost savings and enhanced service delivery	<ul style="list-style-type: none"> • Exists in status quo (2 FTE) • Understaffed (3 FTE)
Contracts	Analyze and monitor contracts to ensure adherence to terms, take advantage of savings/revenue opportunities, and identify discrepancies	<ul style="list-style-type: none"> • Exists in status quo (1 FTE) • Understaffed (1 FTE)
Forensics	Monitor financial and other records to detect and prevent fraud, embezzlement, and other illegitimate behavior	<ul style="list-style-type: none"> • Does not exist; critical need (2 FTE)
Information Technology	Evaluating current security systems, identifying potential risks, ensuring regular practice of IT controls, and safeguarding all IT assets	<ul style="list-style-type: none"> • Exists in status quo (1 FTE) • Understaffed (2 FTE)



To manage growth responsibly, we recommend increasing Audit Division in phases

Recommended expansion of Audit Division

Function	Current staffing*	Recommended FY2027 growth	Recommended FY2028 growth	Recommended FY2029 growth	Recommended staffing
Oversight	3	1	1	0	5
Process	9	1	1	1	11
Performance	2	0	1	2	5
Contracts	1	1	0	0	3
Forensics	0	1	1	0	2
IT	1	1	1	0	3
Total	16	5	5	3	29

- **Five (5) auditors recommended in FY2027**
 - 1 Auditor V
 - 2 Auditor IVs
 - 2 Auditor IIIs
- **Budget impact of \$703,155**

* Two positions are pending fulfillment.





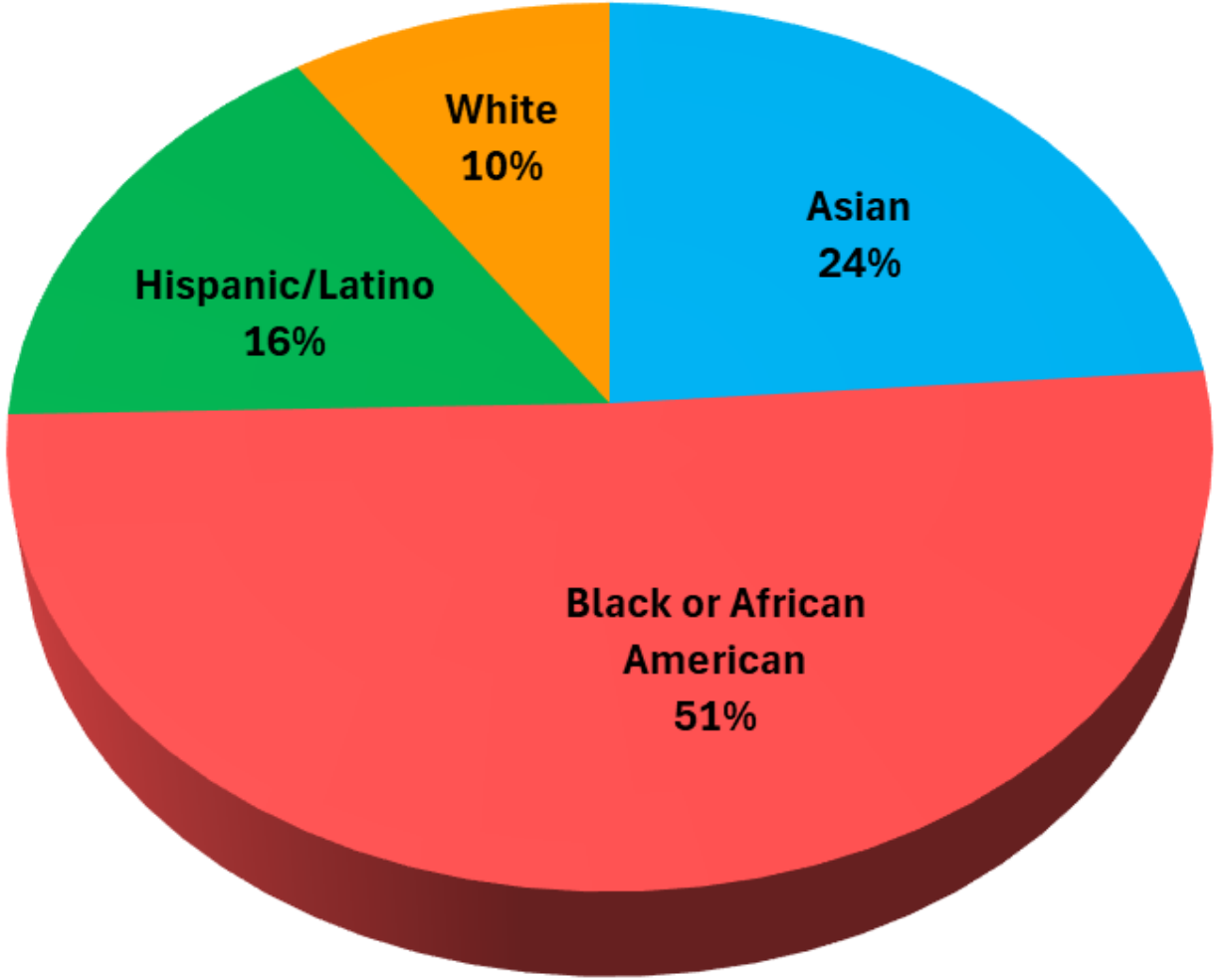


Demographics

GENDER



ETHNICITY



Data as of April 2026



Department FY2026 Accomplishments

Documented end-to-end workflow of critical processes, clarified ownership and backups, and created repeatable foundation for load-balancing, succession planning and future automation

Completed physical space modifications plan to accommodate in person working approach

Refined ordinance certification process training and held training for departments

Completed the second annual Popular Annual Financial Report (PAFR), helping simplify City finances and make financial information more accessible to everyday residents.

Over the past two quarters, the average yield on commercial paper has risen to 20%, up from last year by 17%, resulting in a larger allocation within the City's investment portfolio.

The City has released a new user-friendly Debt Transparency Report designed to make complex financial information more accessible to the public. The report highlights major capital projects and provides a clear overview of the City's outstanding debt, helping residents better understand how long-term investments are funded.

RESTRICTED ACCOUNTS

Description	Justification & Cost Drivers
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.
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	Monthly charges for Verizon Business services and mobile devices including cell phones, air cards and tablets.
Interfund - GIS Services	Personnel, software licenses and maintenance costs associated with the city of Houston's Enterprise Geographic Information System (EGIS)
Interfund HR Client Services	Include HR operation cost reflecting health benefits and restricted accounts increase.
Interfund - Insurance	Cost increase for property insurance premium.
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 - KRONOS Service Charge	Software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS).

