



Financial Policies Updates

September 2, 2025

Melissa Dubowski, Director

Overview of the Policies

The Financial Policies are broad in scope and cover the areas of Financial Planning, Operating and Capital Budget Development, Debt Management, Internal Financial Controls, and Economic Development

- A. Definitions
- B. General Policies
- C. General Fund Reserve Policies
- D. Enterprise Funds Reserve Policy
- E. Special Revenue Fund Reserve Policy
- F. Internal Service Fund – Health Benefit Fund Reserve Policies
- G. Operating Budget Policies – Revenues and Expenditures
- H. Capital Asset Management Policies
- I. Long-Term Financial Planning Policies
- J. Debt Management Policies
- K. Accounting, Auditing and Financial Reporting Policies
- L. Internal Control Over Financial Reporting Policies
- M. Local Economic Development Policies
- N. Tax Increment Reinvestment Zone (TIRZ) Policies

Where can the Financial Policies be found?



1. On the Finance Department website

The screenshot shows the official website of the City of Houston Finance Department. At the top, there is a navigation bar with links for RESIDENTS, BUSINESS, VISITORS, GOVERNMENT, SERVICES, and CONTACT / SEARCH. The City of Houston seal is centered in the header. Below the header, the URL www.houstontx.gov/finance is displayed. The main banner features a night view of the Houston skyline with the text "FINANCE DEPARTMENT" overlaid. Below the banner, a breadcrumb trail shows a home icon followed by "> Finance Department". The main heading "FINANCE DEPARTMENT" is followed by a paragraph describing the department's mission. A section titled "Divisions" lists six departments: Director's Office, Administrative Office of City Council, Financial Planning and Analysis, Financial Reporting and Operations, Strategic Procurement, and Treasury and Capital Management. On the right side, a "WHAT'S NEW IN FINANCE" section lists recent updates, and a "FINANCE DEPT PUBLICATIONS" section lists various documents. A red arrow points to the "Financial Policies (.pdf)" link in the publications list.

RESIDENTS BUSINESS VISITORS

GOVERNMENT SERVICES CONTACT / SEARCH

www.houstontx.gov/finance

FINANCE DEPARTMENT

> Finance Department

FINANCE DEPARTMENT

The mission of the Finance Department is to safeguard the fiscal integrity of the City, its component units, and other dependent entities, and enable other City stakeholders to do the same. We will do this by sustaining and growing a dynamic organization filled with strong people that use rigorous policies, processes, and systems.

Divisions

The responsibilities of the Finance department are distributed among following divisions:

- Director's Office (Melissa Dubowski, Finance Director)
- Administrative Office of City Council (Vernita Jones, Assistant Director)
- Financial Planning and Analysis (Paula Lichanpanit, Acting Deputy Director)
- Financial Reporting and Operations (Arif Rasheed, Deputy Director)
- Strategic Procurement (Jedediah Greenfield, Chief Procurement Officer)
- Treasury and Capital Management (Alma Tamborello, Acting Deputy Director)

WHAT'S NEW IN FINANCE

- EY Efficiency Study
- Share Your Cost Savings Ideas!
- Outcome-Based Budget
- Monthly Financial Report
- Pension Reform Information
- PFM Long Range Financial Report
- Review of FY2018 Spending under \$50K

FINANCE DEPT PUBLICATIONS

- Annual Budget
- Budget and Five Year Forecast Presentation
- Capital Improvement Plan
- Cost Allocation Plan
- Fee Schedule
- Financial Policies (.pdf)**
- Fixed Assets

Where can the Financial Policies be found?

2. In the Budget Book: all policies have a **Current Status** and a **Compliance Statement** reported annually

– Example:

FINANCIAL POLICIES	CURRENT STATUS
<u>B. General Policies</u>	
<p>1. With respect to the interpretation and application of these policies, the City shall comply with all applicable federal and state laws, the City Charter and Code of City Ordinances, Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) standards, and all bond covenants, whether existing or hereafter provided, and associated ordinances relating to all budget, accounting, reporting, disclosure, and finance activities, and financial policies. In any conflict between these policies and such governing law, standards or documents, such governing law, standards or documents shall prevail.</p> <p><i>No material weaknesses (financial or grant) were reported as outlined in the Single Audit Report for Fiscal Year ended June 30, 2023</i></p>	In Compliance
<p>2. The City will seek out, apply for, and effectively administer Federal, State, and other grants that address the City's priorities and policy objectives and provide a positive benefit to the city. Local tax dollars will not be used to make up for material losses of grant aid without first City Council reviewing and approving the program and its merits as a budgetary increment.</p> <p><i>All departments have made every effort to seek and effectively administer grants from all resources: federal, state and other as reported in the Single Audit Report for Fiscal Year ended June 30, 2023, as was evident with no material weaknesses (financial or grant) reported during the audit.</i></p>	In Compliance

Background

- Basic policies related to City's financial and budgetary policies were adopted by Resolution 88-87
- Adopted by Ordinance 2014-1078
- Amended by Ordinance 2015-0514 to include provisions regarding pay-as-you-go (PAYGO) funding
- Amended by Ordinance 2018-390 to revise and update the financial policies as a result of the two-year review requirement
- Amended by Ordinance 2020-999 to revise and update the financial policies based on Federal requirement changes, clarification of content related to debt, financial reporting, and economic development
- Amended by Ordinance 2023-726 to revise and update the financial policies with the primary change being the addition of the TIRZ policies

Review Requirement

- Under section B4 states:

“ The City’s financial policies shall be reviewed at least every two years by the Mayor or the Mayor’s designee, the results of the review are to be presented to BFA, and any proposed amendments are to be presented to City Council for consideration.”
- Basis of review for targeted opportunities for improvement:
 - What is not clear or could be written to better reflect the real world?
 - Where is language potentially conflicting or confusing?
 - What and how can we do better?
- Includes review by Finance and Economic Development leadership

Proposed Amendment

Amendment Number	Amendment	Council Member
8.01	<p>Recognizing the increasing costs and frequency of extreme weather events and natural disasters impacting the City of Houston, the minimum amount of the Budget Stabilization Fund shall be increased by \$5 million and funds used shall be replenished within one (1) year. The requirements of the Budget Stabilization Fund shall be amended as follows:</p> <p>In addition to the Fund Balance, the City shall maintain a separate Budget Stabilization Fund in an amount not less than the greater of (a) 1% of Adopted Budget General Fund expenditures (excluding debt service payments and transfers for pay-as-you-go (PAYGO) capital expenditures) or (b) \$20 25 million, which may be used in accordance with the definition of the fund. Transfers necessary to meet this requirement shall occur by July 31 of each fiscal year. Any proposed use of the Budget Stabilization Fund shall be accompanied by a justification to City Council and shall require approval from two-thirds of the City Council present and voting. When an event causing use of the Budget Stabilization Fund has concluded, the City shall allocate sufficient funds within 365 days by the end of the second subsequent full fiscal year within 365 days to restore the Budget Stabilization Fund to at least minimum levels.</p>	Kamin (8)

Proposed Policy Updates

Section C4 – related to the Budget Stabilization Fund

4. In addition to the Fund Balance, the City shall maintain a separate Budget Stabilization Fund in an amount not less than the greater of (a) 1% of Adopted Budget General Fund expenditures (excluding debt service payments and transfers for pay-as-you-go (PAYGO) capital expenditures) or (b) \$20 million, which may be used in accordance with the definition of the fund. Transfers necessary to meet this requirement shall occur by July 31 of each fiscal year. Any proposed use of the Budget Stabilization Fund shall be accompanied by a justification to City Council and shall require approval from two-thirds of the City Council present and voting. When an event causing use of the Budget Stabilization Fund has concluded, the City shall allocate sufficient funds by the end of the second subsequent full fiscal year to restore the Budget Stabilization Fund to at least minimum levels.
- Increase the Budget Stabilization Fund to \$25M – FIN supports
 - Restore funds within 365 days – FIN *does not* support

Timing of Reimbursement

- **FEMA Public Assistance (PA) Program** – is a reimbursement grant. The city must perform recovery work, including permanent work, from natural disasters, pay its vendors and submit all documentation for review and audits to FEMA/TDEM before projects are obligated and **reimbursements** are received.
- **Lengthy-time period to complete and obligate project worksheets** – For both the Derecho and Hurricane Beryl, we are still working with FEMA to complete and obligate project worksheets.
- **Timing of reimbursement from Federal and State partners** – The costs and period of recovery from disaster events nearly always extend well beyond a single fiscal year. For instance, FEMA just started obligating the smaller, low-hanging fruit, non-debris-related project worksheets in CY2025. As of today, we are diligently working with FEMA and TDEM on the **reimbursement** of HPD overtime costs, which is expected to be completed and received in FY2026, but is more than 365 days after the disaster events.

Best Practices

- **Best Practices and Peer City Comparisons** – Many peer cities and financial best practices recommend a replenishment period of up to two years or more, recognizing the need for fiscal flexibility. This best practice allows for a more measured approach, minimizing the negative impacts on disaster-related operations and services (e.g., debris removal, emergency protective measures, critical disaster operational expenses).
- **Government Finance Officers Association (GFOA) Guidance** – The premier association of Finance Officers in North America, allows for up to a three-year replenishment period following recovery from an extreme event.

Property Insurance

- **Insurance as Reserves** – GFOA also stresses the importance of insurance, which plays an equally important role in disaster recovery
- **Insurance has been significantly expanded since Hurricane Harvey** – Total flood coverage limit was \$100M including HFC leased properties.
- **Today, the combined flood coverage totals \$600M — an increase of \$500M.** Similarly, the combined coverage limits for named storms/hurricanes (including flood resulting from a named storm) are also \$600M.
- Through **Business Interruption** insurance coverage, the Houston Airport System, General Services Department, and Houston First Corporation have protection for **lost revenue** resulting from property damage with a **limit of \$596M.**
- **The City also maintains terrorism property insurance coverage with a \$250M loss limit** for all scheduled City of Houston locations, including the COH-owned properties leased and managed by HFC.

Current Status of Budget Stabilization Fund



- **Current Status of BSF Repayment** – The FY2026 Adopted Budget approves the return of \$12M in FY26, bringing the total to \$14.4M.
- Based on analysis performed, the Finance Department is unable to replenish the BSF up to \$25M in FY2026 without tapping into the Fund Balance of the General Fund.

Next Steps

- Continuing to review all Financial Policies for recommended updates
- Come back to Council to pass an updated ordinance

Questions