

City of Houston, Texas

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021**



Chris B. Brown, City Controller



OFFICE OF THE CITY CONTROLLER – 118 YEARS OF HOUSTON HISTORY



CITY OF HOUSTON, TEXAS

Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021

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CITY OF HOUSTON, TEXAS





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Office of the City Controller

Houston City Controller Chris B. Brown is the second highest elected official in Houston City Government (the “City”) and its Chief Financial Officer. The Office of the Houston City Controller superintends the fiscal affairs of the City. This includes conducting audits, managing investments and debt, preparing financial statements and providing leadership on policy issues pertaining to the City’s financial health. Controller Brown thus serves as an independently elected “financial watchdog” over City government’s fiscal affairs.

The Treasury Division is responsible for managing the City’s \$4.8 billion investment portfolio in accordance with state law and the City’s investment policy. Fitch has awarded the City’s general investment its highest portfolio rating, AAA. The Treasury Division is also responsible for overseeing a debt program of approximately \$14 billion. The City has multiple general obligation commercial paper programs with total authorization of \$725 million. The current issuance capacity of the commercial paper programs is \$725 million which is supported by credit facilities or lines of credit. Additionally, the City has two appropriation facilities supported by a forward bond purchase agreement in the amount of \$300 million. The City has four interest rate swaps with a total notional amount of \$902 million. The City’s general obligation debt is rated Aa3 by Moody’s; AA by Standard and Poor’s; and AA by Fitch Ratings.

The Audit Division adheres to recognized professional auditing standards (Government Auditing Standards and International Standards as issued by the Institute of Internal Auditors). During Fiscal Year 2021, the Audit Division engaged in 24 Audits and Special Projects that produced 7 Audit Reports as posted on the Controller’s website. The audits and projects performed focused on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, consideration of fraud, waste or abuse, and quality assurance. These efforts resulted in city-wide policy and procedure changes, improved processes, and millions in potential recoveries. The Audit Division also provided updates to the City Controller regarding compliance efforts, fraud, waste or abuse reports and quality assurance results. In the most recent peer review, the Association of Local Government Auditors (ALGA) concluded “the internal quality control system of the Office of the City Controller’s Audit Division within the City of Houston was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards”.

The Operations and Technical Services Division is responsible for funding certification for contracts, accounts payable (AP), vendor payments and cash disbursement, travel advances, monthly bank account reconciliation, review and approval of City-wide personnel action requests (PAR), payroll payments processing, City-wide contract review, financial and accounting records retention and imaging retrieval, City-wide vendor liaison, and the Controller’s Office information technology (IT) operations. In the coming year, the division’s goals are to complete the implementation of a financial transparency solution dubbed “Checkbook HOU”, continue the City’s move to a paperless approval system for invoices and agreements, and reduce the number of paper checks issued.

The Financial Reporting Division is ultimately responsible for the preparation of both the Monthly Financial and Operations Report (MFOR) and the Annual Comprehensive Financial Report (ACFR), although every division of the City Controller's Office contributes to the ACFR effort. The ACFR is available on the City Controller’s website: www.houstoncontroller.org and on a USB drive upon request. The division also produces the annual Trends Report.



2021 CITY OF HOUSTON Annual Comprehensive Financial Report

Chris B. Brown **Houston City Controller**



Chris B. Brown is a lifelong Houstonian who was sworn into office as City Controller in January 2016 and re-elected to a second term in 2019.

As the Controller of the nation's fourth largest city, Controller Brown oversees a \$5 billion budget, manages the city's \$4.5 billion investment portfolio, superintends its \$14 billion debt portfolio, and through the Controller's Office Audit Division, has generated more than \$10 million in savings via increased efficiencies. As Controller, Chris has also helped save city taxpayers more than \$508 million through refinancing the city's existing debt.

As Controller, Chris has led on the city's most pressing financial issues, playing an instrumental role in solving Houston's pension crisis, addressing billions of dollars in unfunded Other Post-Employment Benefits (OPEB) liability, and championing the city's pursuit of adopting a structurally balanced budget every fiscal year.

Controller Brown's career spans more than two decades across both the public and private sectors. Prior to being elected Controller in December 2015, Chris served as Chief Deputy City Controller, where he managed the day-to-day operations of the office and oversaw a staff of more than 65 employees. Before being appointed Chief Deputy City Controller in 2009, Chris worked as City Council Chief of Staff, spearheading community development initiatives and serving as a liaison to the Budget and Fiscal Affairs Committee.

Chris's career began in the private sector, where he worked as a trader for Coastal Securities, an investment bank. After several years, Chris co-founded an equity trading firm where he worked as the head of operations. This work gave him first-hand experience with leadership, risk management, compliance, reporting, building operations, and negotiating complex agreements.

In addition to his professional experience, Chris is actively involved with several organizations in a leadership capacity.

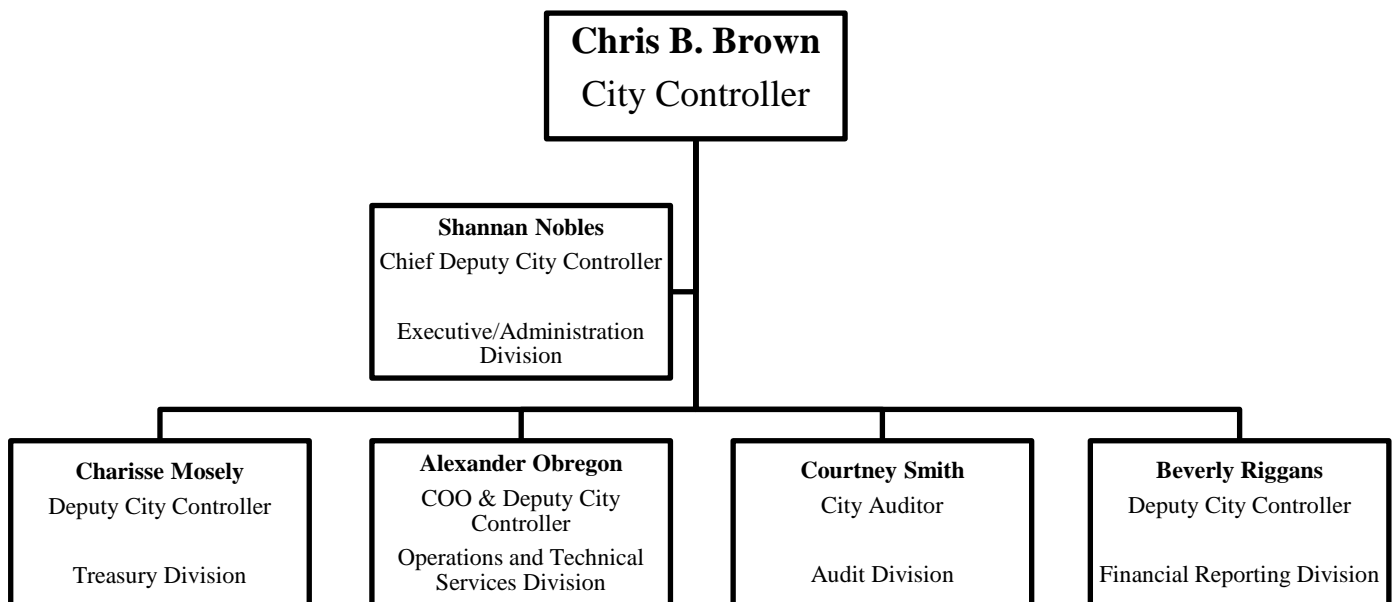
Controller Brown currently serves on the National League of Cities' Finance, Administration & Intergovernmental Relations (FAIR) Committee. He was appointed Chairman of the FAIR committee in 2019, a role in which he played a key role in developing the organization's policy positions on a range of issues. Chris also serves on the board of the William A. Lawson Institute for Peace & Prosperity (WALIPP), the Asia Society of Texas Advisory Board, and the Texan-French Alliance for the Arts. He is a past board member of the TCU National Alumni and SEARCH Homeless Services.

As a fourth-generation Houstonian, Chris has deep roots across the community. He attended Texas Christian University where he obtained a Bachelor of Business Administration in Finance, and later earned a Master's in Business Administration from the University of Houston. Chris and his wife Divya are involved in many philanthropic causes, and are proud parents to their daughter, Milana, and son, Britton.



City of Houston

The Office of the City Controller





2021 CITY OF HOUSTON
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Elected Officials City of Houston, Texas



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Controller Chris B. Brown



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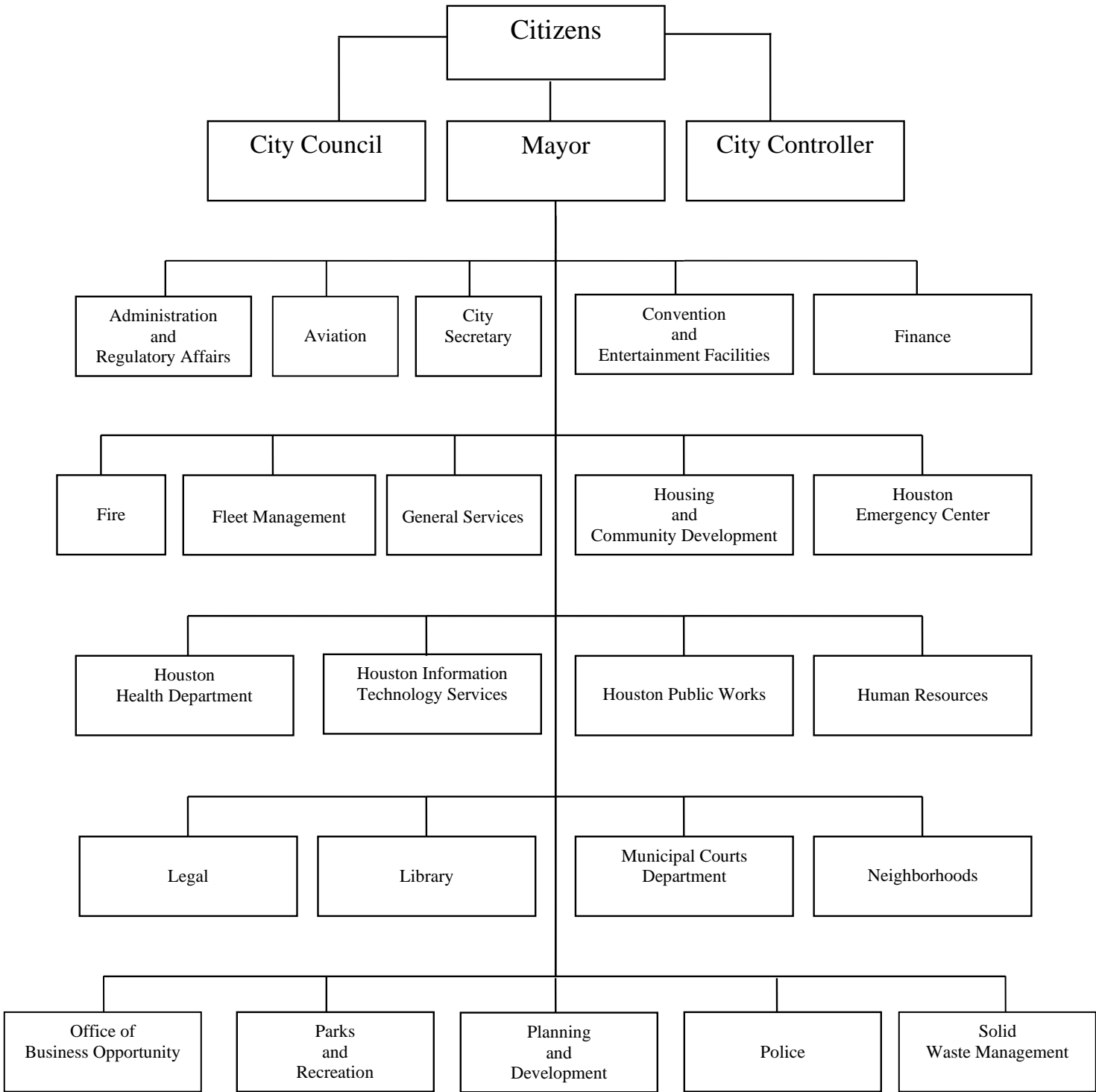


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AT-LARGE POSITION 5



Organization Chart City Government



Office of the City Controller
City of Houston, Texas



Chris B. Brown

December 10, 2021

Citizens of Houston, Honorable Mayor and City Council Members:

I am pleased to provide you with the Annual Comprehensive Financial Report (ACFR) of the City of Houston, Texas, (the City) for the year ended June 30, 2021, including the independent auditor's report prepared by McConnell & Jones/Banks, Finley, White & Co. The ACFR was prepared by the City Controller's Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

The City's management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable, but not absolute, assurance that the assets of the City are protected from loss, theft or misuse, and for the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

The ACFR is presented in three sections. The Introductory Section includes this transmittal letter, a list of elected City officials, and organizational charts for the Office of City Controller and for City government. The Financial Section includes Management's Discussion and Analysis (MD&A), basic financial statements, combined and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. The Statistical Section includes selected financial and demographic information generally presented in a multi-year basis.

The Basic Financial Statements of the City include all government activities, organizations and functions, including those legally separate organizations for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by GASB.

The Reporting Entity and Its Services

The Mayor serves as the Chief Executive Officer of the City. The City Controller is the second-highest elected official within City Government and serves as the Chief Financial Officer. The legislative body of the City is the City Council, which consists of the Mayor, eleven district members and five at-large members. In November 2015, voters approved a proposition changing the terms of Mayor, Controller and Council members to four years, with a limit of two terms, which became effective in January 2016.

The City provides a full range of municipal government services including police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, water production and distribution, solid waste collection, sanitary code enforcement, wastewater treatment, health and human services, building and maintenance, parks and recreation, library, convention and cultural activities, and operation of three municipal airports, George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.

The City does not operate hospitals, schools, transportation, or higher education systems. Special districts and governmental entities with independent taxing authority administer these services.

History and Population

Houston was founded on August 30, 1836, by New York real estate brokers John Kirby Allen and Augustus Chapman Allen. The Allen brothers paid \$9,428 for 6,642 acres of land at the headwaters of Buffalo Bayou. About a year later, General Sam Houston, the first president of the Republic of Texas, authorized Houston to incorporate. For the next four years Houston was the capital of the Republic. In the early years, cotton and the railroad were the key drivers of Houston's economy. That changed in 1901 with the discovery of oil at Spindletop in Beaumont, Texas. Energy is still king, but the area's economy is now also supported by other major drivers including the Port of Houston, the Texas Medical Center, NASA's Johnson Space Center, and a budding technology ecosystem bolstered by the city's startup infrastructure. Houston is also home to several world-class colleges and universities.

At the time of the first census in Texas in 1850, Houston had a population of 2,397 and Galveston, a bustling port 45 miles south of Houston, was the state's largest city. Today, Houston is the largest city in Texas and the fourth largest city in the U.S. In the first decade of the new century, a quarter million people from other U.S. cities and towns have relocated to Houston. Houston, with more than 2.3 million people, is a melting pot of ethnicities and remains the nation's most diverse metro area. The City is the seat of a burgeoning metropolitan area encompassing nine counties with a total population nearing 7.1 million.

Budgetary Information

In accordance with State law and the City Charter, Houston City Council shall, in collaboration with the Mayor and City departments, adopt balanced budgets each year for the General Fund, Debt Service Fund, Special Revenue Funds, Internal Service Funds, and Proprietary Funds. Exceptions are the Grant Revenue, Disaster Recovery, Health Special, and Housing Special Revenue Funds, for which City Council adopts separate operating or program budgets throughout the year. The City also does not budget capital projects and other capital expenditures related to the General Fund. Instead, City Council authorizes these expenditures through individual appropriation ordinances.

Proprietary Fund budgets, also called Enterprise Funds, exclude depreciation and amortization expenses. These Proprietary Fund budgets include debt service and capital equipment costs, but exclude buildings and improvements, with the exception of Aviation, which budgets its current year expenses for these projects. As with the General Fund capital projects, approval of each Proprietary Fund capital project is accomplished through individual appropriation ordinances. No City expenditures may be made without an appropriation. City Council can legally appropriate only those amounts of money that the City Controller has previously certified are, or will be, in the City treasury.

Although the legal level of budgetary control is at the departmental level within a fund, the City maintains internal budgetary control at the expenditure category (i.e., Personnel Services, Supplies, Other Services and Capital Outlay). Budget control is primarily managed using an automated encumbrance and accounts payable system.

The City is required to undergo an annual Single Audit in conformity with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements of the State of Texas *Uniform Grants Management Standards*. These audits are conducted simultaneously with the City's annual financial statement audit. Information related to these Single Audits, including the schedules of federal and state financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations is included in separate Single Audit reports.

The Area's Economy

Houston experienced significant economic growth in the early 2010s as the United States climbed out of the Great Recession. With rising energy prices as its catalyst, the local economy became one of the most rapidly growing

in the nation, resulting in thousands of new jobs and a population influx that has continued until present day. In 2015, energy prices began to slide, and the region's economy began to slow, as energy firms began to reduce workforces and cut costs.

Over the past 18 months, the region has been tasked with responding to the COVID-19 pandemic. The onset of the pandemic at the beginning of calendar year 2020 had a severe economic impact on the region. Between March and April 2020, more than 350,000 Houstonians were either furloughed or permanently laid off, as businesses were shuttered to help slow the spread of COVID-19. At the end of FY 2021, the region regained some of the jobs lost at the outset of the pandemic, but employment levels remained 276,400 jobs short of their pre-COVID level. The impact on businesses across the region has been significant, and the drop in business owners is the largest on record. The impact on minority-owned businesses has been severe and as the region continues the ongoing recovery, it must make supporting the small business community one of its foremost economic priorities.

Even with the pronounced downturn at the outset of the pandemic, the economic recovery has been quicker and more robust than initially expected. More than halfway through the recovery at the end of FY 2021, the region has regained more than half of the jobs lost due to the pandemic. The sectors most impacted by social distancing early in the pandemic are at or near full recovery. How much more room the economy has to run and the extent of the recovery is still tied to the status and spread of the virus, so mitigation measures will continue to be vital to the success of the regional economy going forward.

The Houston metro area's GDP of \$512.20 billion keeps Houston as the seventh largest metro economy in the United States. If the Houston Metropolitan Statistical Area (MSA) were an independent nation, it would rank as the world's 25th largest economy, behind Belgium (\$517.6 billion) and ahead of Iran (\$458.5 billion) and Austria (\$447.72 billion), per the International Monetary Fund.

While the regional economy has shown resiliency during recent slowdowns, it faces unprecedented economic circumstances at the end of FY 2020. The multifaceted aspect of this downturn will put particularly pronounced pressure on the region's economy and will require the City to make prudent financial decisions to help weather the uncertainty ahead.

Employment: A bright spot for the region is that its economy is far better equipped to weather a downturn than any time in its recent history. Houston's economy at the end of FY 2021 is more than double what it was in the mid-1980s, and is buoyed by a bustling port, a world-class medical complex, and a vast network of leading institutions of higher education.

In FY 2021, the region's employment rate continues to be closely tied to the oil industry. Energy employment in Houston peaked at 300,100 jobs in November 2014. Over the next three years, the industry shed nearly 93,000 jobs, or close to 30 percent of its local workforce. Only after exploration activity picked up in late 2016 did hiring resume, and only in services and equipment manufacturing. While hiring has picked up steam since the onset of the COVID-19 pandemic, labor shortages are still plaguing the recovery efforts. How effective employers are at recruiting and retaining workers will play an outsized role in reaching a full economic recovery as the acute phase of the pandemic continues to wane.

Population growth: The Houston MSA has seen a loss of population only once in the past 40 years, in 1988 following the loss of 220,000 jobs during that recession. Typically, Houston has expected to see a population growth of about 125,000 annually, half of that through migration and half through the natural attrition of births over deaths. Over the past two fiscal years, population growth across the region has slowed slightly from the blistering pace set during the most recent oil boom years of the mid-2010s.

Even with that, the Greater Houston region has added just under 100,000 people in each of the past three fiscal years, which represents more than 250 new people moving into the region per day. The pace at which this growth will continue will largely depend on the regional economy, continued affordability, and the city's ability to address its structural budget issues, as well as manage investments needed to make Houston more resilient in the face of future storms.

Housing and real estate: At the end of FY 2021, the City’s real estate market continues to hit all-time highs despite – and in parts, because of – the pandemic. Indeed, the real estate market has been buoyed by the pandemic and historically low interest rates.

In the last month of FY 2021, the region saw 10,638 single-family homes sold as compared to 9,362 for the same month year prior. Additionally, the single-family home median sales price of \$314,500 represents a 20 percent increase from the same month prior year. As in last year’s ACFR, sales volume has increased for homes at all price levels, with the homes priced over \$750,000 leading the way. Both the median and SFH average sales price of homes (\$314,500 and \$395,316, respectively) remain at record levels.

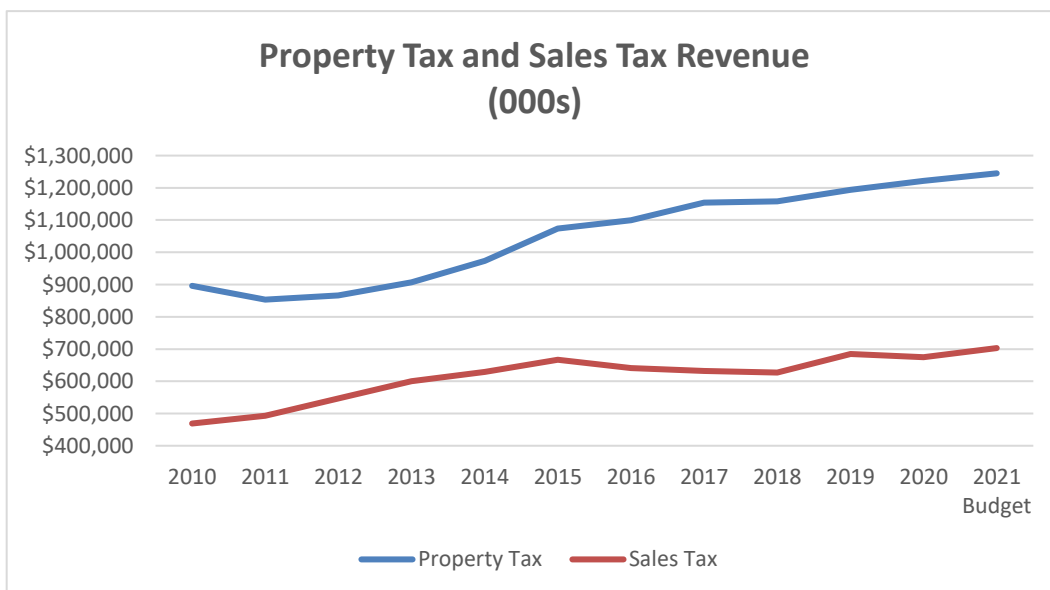
Houston’s real estate market continues to be a bright spot for the regional economy as we enter a new fiscal year. Low interest rates, a desire for more space, and a relatively low cost of living continue to drive the strength of the region’s real estate market at the end of FY 2021.

The Houston MSA continues to see a slow rise in the cost of living. While most of those costs remain below the national average – particularly as compared to other major metropolitan regions – that trend is expected to continue. With that, Houston is not as affordable as it once was. Per the Council for Community and Economic Research (C2ER), the cost of living in Houston was 12.3 percent below the national average in '07 but only 6 percent below at the end of FY 21. How the region manages the demands of a growing population – and the rising costs associated with that – will play a pivotal role in future growth.

Purchasing and income: The Houston Purchasing Managers Index (PMI), a short-term indicator for regional production, registered in the high 40s at the end of FY 2020, but has reached 60.1 at the end of FY 2021. This is an encouraging sign for the ongoing economic recovery, as readings above 50 signal economic expansion for the next three to four months.

Although the purchase price of a single-family home in metro Houston has risen 70 percent over the past decade, wages have risen only 27 percent over the same period. This disparity could place a strain on the region’s continued growth, as costs continue to trend upward.

How does the area economy affect City of Houston service delivery? The graph below illustrates a rebounding economy. Property tax revenue for the City, represented by the top line, has seen sustained growth following the recession of the late 2000s. Sales tax, the lower line, experienced a slowdown during the downturn, but has sustained positive momentum since Hurricane Harvey hit the region in August 2017.



Property and Sales Taxes: Property tax is the City’s single largest source of revenue. FY 2021 was the seventh year the City was affected by the Proposition One revenue cap, which resulted in a lowering of the tax rate.

As we ended FY 2015, we had our first month of declining sales tax – a trend that continued into the beginning of FY 2018. The city’s sales tax revenue picked up in-line with the rising price of oil but has begun to flatten out as we close out FY 2020. The economic recession caused by the COVID-19 pandemic and a struggling energy sector caused a significant drop in sales tax revenue. That said, the city saw a sharp rebound in sales tax revenue as FY 2021 ended, due in part to the more than \$5 trillion in economic stimulus injected into the economy in response to the pandemic, the rapid rollout of vaccines, and increased household spending supported by government stimulus programs.

Financial Policies and Planning

The City has had formal financial and budgetary procedures in place since 1987. They require, among other things, a balanced budget, annual review of all fees and charges, funding of employee pensions and other benefits in a manner that systematically funds liabilities and maintenance of an Unassigned Fund Balance in its General Fund of a minimum of 7.5 percent of total expenses less debt service. Any funds in excess of 7.5 percent of total expenses less debt service are available for non-recurring expenses.

A 1983 resolution adopted by City Council requires the Mayor to develop and submit annually to the City Council for approval a continuous five-year Capital Improvement Plan (CIP). Each year, the Mayor must review the CIP, revise it as necessary, and obtain approval and adoption by City Council. The 2021 – 2025 CIP calls for the appropriation of \$9.15 billion over the five-year period for both enterprise and property tax supported projects. About \$7.32 billion of this total will be paid for with income generated by the self-supporting enterprise funds. The rest will be funded with tax-supported public improvement bonds approved by Houston voters.

The City’s financial policies further require that capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20 percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City’s total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City.

As of June 30, 2021, the City’s outstanding debt payable from taxes and other revenue sources totaled \$14 billion. This is in compliance with all applicable financial policies and considered manageable.

The City has investments totaling approximately \$4.8 billion. The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investment. The success of this deliberate approach is evident in the ‘AAA’ credit quality rating and “V1” volatility rating assigned to the City’s General Investment Portfolio by Fitch Rating Services.

Long-term Financial Forecast and Major Initiatives

The most recent five-year planning scenario available from the City’s Finance Department indicates known cost increases continue to put stress on the City budget. The main factors driving increased expenditures are increased costs for employee health insurance benefits and operating costs for new facilities. Various strategies are being used to ensure balanced budgets including cost cutting and productivity improvements, a strong commitment to an affordable CIP, and strict management of employee health care benefits.

Retiree & Other-Post Employment Benefits (OPEB)

The City also provides certain health care benefits for its retired employees, their spouses and survivors. Beginning with Fiscal Year 2018, the City is required by the Government Accounting Standards Board Statement No. 75 (GASB 75) to recognize the full other post-employment benefits (OPEB) liability on the city’s balance sheet. The

OPEB plan deals with benefits such as health and life insurance for current and future retirees. Almost all city employees become eligible for these benefits after they reach normal retirement age.

As of the last ACFR, the city's unfunded OPEB liability is in excess \$2.2 billion. It has been the City's practice to fund the cost of OPEBs on an annual pay-as-you-go (PAYGO) basis and account for OPEB costs as a current operating expense in the fiscal year in which the OPEB cost is paid. This practice satisfies the obligation to the debt but does not structurally reduce the accrued liability. Based on the five year-average, the city is adding more than \$160 million to the unfunded liability per year. In addition to making only minimum payments – the PAYGO amount – on the debt, it's clear that the approach to addressing the unfunded liability is unsustainable.

At the time of this report, the administration is in the process of developing and implementing a solution to this issue. This much is clear: without a solution in place, the City of Houston could face another financial challenge that will threaten both the health care benefits of its retirees, as well as its overall long-term financial stability.

Structural Budget Deficit

Another critical financial goal the city must work toward – and eventually reach – is achieving a structurally balanced budget every fiscal year.

A structurally balanced budget is achieved when recurring revenues match recurring expenditures and will require the City to take a new approach to its budgeting process. Adopting a structurally balanced budget will require increased transparency in the City's financial reporting to help identify the source of the structural deficiencies in the budget. The curtailing of utilizing one-time, non-recurring funding sources to fill budget "holes" will also be an important step toward this goal. These funding sources are finite – and are often tangible city assets – so are not reliable, structurally sound budgeting tools. Another important note: the indicator that most reflects the city's structural balance is net current activity. However, net current activity is not inclusive of all city obligations because deferred OPEB or deferred maintenance is not reported. As it relates to the city's budgeting process, net current activity is calculated by subtracting the city's total expenditures from its total revenue.

Achieving structural budgetary balance is and must continue to be the foremost financial priority for the City of Houston.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Houston for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the 24th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the dedicated services and hard work of a highly qualified staff. The City of Houston has such a staff in the City Controller's Office. Although much time and effort in preparation of this report lies in the Financial Reporting Division, there was support from the other divisions of the Office: Administration, Executive, Operations and Technical Services, and Treasury. I would like to express my appreciation to the entire staff of the City Controller's Office, and to the staffs of the Finance, Aviation, Houston First (formerly, Convention and Entertainment Facilities), and Houston Public Works departments who assisted and contributed to the preparation of this report.

The City Controller's Office also received invaluable assistance and support from many others outside its immediate organization. Within the City of Houston, the accounting staffs of the operating departments and the technical staff of the Information Services Division all played key roles in producing this report. McConnell & Jones/Banks, Finley, White & Co was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way City finances are reported.

Request for Information

This financial report is designed to provide a general overview of the City of Houston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, 901 Bagby Street, 8th Floor, Houston, Texas 77002. The ACFR is accessible on the City's web site and is also available in USB drive format.



Chris B. Brown
City Controller

Sources:

COH 2020 Operating Budget
COH 2021-2025 Capital Improvement Plan
UH Hobby Center for Public Policy
Texas Workforce Commission
The Perryman Group

Greater Houston Partnership
Houston Association of Realtors
UH Institute for Regional Forecasting
Rice University Institute for Urban Research
Center for State and Local Government Excellence



Government Finance Officers Association

Certificate of
Achievement
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in Financial
Reporting

Presented to

**City of Houston
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Independent Auditors' Report

To the Honorable Mayor, Members of City Council, and
City Controller of the City of Houston, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund, and the Police Officer's Pension Trust Fund, blended component units of the City, which, in the aggregate, represent 100% of the assets and net position of the pension trust funds, within the fiduciary funds. Except for Houston Area Library Automated Network and Lamar Terrace Public Improvement District, we did not audit the financial statements of any governmental discretely presented component units which represent 8.9%, (6.4%) and 7.6%, respectively, of the assets, net position (deficit), and revenues of the governmental activities or any business-type discretely presented component units which represents 6.3%, 11.5% and 7.6%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such pension trust funds, governmental discretely presented component units, and business-type discretely presented component units, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor,
Members of City Council, and City Controller
City of Houston, Texas
Page 2

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Prior Period Financial Statements

As described in Note 16 to the financial statements, an error in the revenue recognition methodology for long-term-term joint venture construction contracts, was discovered by management. The error resulted in the misstatement of amounts previously reported for capital contributions, investment income, and their related liabilities as of June 30, 2020. The management of the City appropriately adopted the percentage of completion method during the current fiscal year. Accordingly, amounts reported for capital contributions, investment income and related liabilities have been restated in the year 2020, and an adjustment has been made to net position as of June 30, 2020, to correct the misstatement. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 5 through 15), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 140 through 145), Pension System Supplementary Information (pages 146 through 150), and Other Post-Employment Benefits Supplementary Information (pages 150 and 151) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houston's basic financial statements. The Introductory Section, Individual Fund Statements and Schedules, and the Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor,
Members of City Council, and City Controller
City of Houston, Texas
Page 3

The Individual Fund Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the Individual Fund Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the City of Houston, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Houston, Texas's internal control over financial reporting and compliance.

McConnell & Jones LLP Banks, Finley, White & Co.

December 10, 2021

CITY OF HOUSTON, TEXAS

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City of Houston, Texas

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

As management of the City of Houston (the "City"), we offer readers of this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for the year ended June 30, 2020. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Since the COVID-19 pandemic began, the Federal Government infused more than \$5 trillion in economic stimulus into the economy in response to the COVID-19 global pandemic. Of the \$404.8 million of CARES Act funds the City received in quarter four of Fiscal Year 2020 from the Federal Government, \$393 million has been spent. The funds were used for directly responding to the COVID-19 pandemic but could not be used for revenue replacement.

The Federal Government stimulus programs resulted in the rapid rollout of vaccines and increased household spending, which was great for the Houston economy. As a result, the City saw increased revenue in some areas at almost pre-COVID-19 levels, with revenues increasing by \$831 million.

The City was awarded \$304 million of the American Rescue Plan Act (ARPA) grant in the last quarter of Fiscal Year 2021, none of which were spent in this reporting period. These funds will be used for the response efforts relating to local fiscal recovery from the COVID-19 pandemic.

In addition, the City was awarded a \$100 million grant to be used by the City's Housing and Community Development Department for single family affordable housing projects as required by Chapter 311 of the Texas Tax Code. None of those funds were spent in this reporting period.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed into law on March 27, 2020 provided \$10 billion of assistance to U.S. airports, which was apportioned among such airports based on various formulas. The Houston Airport System, (the "Airport System"), a department of the City is eligible to receive a total of \$200.2 million of CARES Act funds, on a reimbursement basis, through the Federal Aviation Administration (the "FAA") over a four-year period per the CARES Act. In addition, the Coronavirus Response and Relief Supplemental Appropriation Act ("CRRSA Act"), passed by the U.S. Congress on December 27, 2020, provided relief to airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and minimum annual guarantees for eligible airport concessions at various airports. The Airport System and its airport concessions are eligible to receive approximately \$45.8 million and \$6.2 million, respectively, of CRRSA Act funds on a reimbursement basis over a four-year period. Furthermore, the American Rescue Plan Act of 2021 ("ARPA") was signed into law by the President of the United States on March 11, 2021 to provide additional financial assistance to the airports. The Airport System and its concessions are eligible to receive approximately a total of \$181.0 million and \$24.8 million, respectively, of ARP Act funds, on a reimbursement basis, over a 4-year period. As of and for the year ended June 30, 2021, no CRRSA Act or ARP Act funds were expended by the Airport System. The Airport System has appropriated through the CARES Act, \$200 million on a reimbursement basis. The Airport System submitted and received \$8 million in CARES Act reimbursements in fiscal year 2020. There remains great uncertainty as to when economic activity will return to pre-pandemic levels, but we are optimistic by the prospect of a widely distributed COVID-19 vaccine next year.

Financial Highlights

Some of the City's financial highlights for the fiscal year ending June 30, 2021 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources \$3.6 billion. This is a net increase from the prior year of \$2 billion and is mainly attributed to \$404 million in unspent grant funds, \$750 million in amounts due from other governments and firefighter's net pension asset of \$291 million.
- The net position of governmental activities increased by \$877 million. The increase is primarily attributed to reductions in the pension liability.
- The City's unrestricted net position is a deficit of \$7.3 billion. The deficit is the result of \$7.7 billion of all pension and OPEB related liabilities and net deferred outflows and inflows that are required to be presented by the Governmental Accounting Standards Board (GASB) pronouncements 68 and 75 in the government-wide financial statements. The implementation of these reporting standards had a significant negative impact upon the net position of the governmental activities beginning in the year 2016.
- The City's total expenses were \$5 billion compared to \$5.5 billion in the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health, housing and community development, parks and recreation, and library. The business-type activities of the City include the airport system, combined utility system and convention & entertainment facilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable. With the exception of the three pension systems, financial information for the component units is reported separately from the financial information presented for the primary government itself. The pension systems, although also legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet displays a reconciliation to facilitate this comparison between governmental funds. The reconciliation between the governmental fund statement of revenues, expenditures, and changes in fund balances and governmental activities is provided on a separate schedule.

The City maintains ten individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the CARES Act fund, the capital projects fund and the grants fund, all of which are considered to be major funds. Data from the other funds is combined in the column labeled "Nonmajor Governmental Funds" on both of these statements (see the separate tab labeled "Governmental Funds" for more information on these funds).

Proprietary funds. The City maintains two different types of proprietary funds: Enterprise funds (see separate tab of same name) and internal service funds (see separate tab of same name). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its aviation system, combined utility system and the convention and entertainment facilities. The City uses internal service funds to account for health and benefits and long-term disability activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the airport system, combined utility system and convention and entertainment facilities, all of which are considered to be major funds for the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds (see separate tab of same name) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes (see separate tab of same name) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning: General fund – budget vs. actual; the City's progress in funding its obligation to provide pension benefits to its employees; and other post-employment benefits.

Net Position
June 30, 2021
(With comparative totals for 2020)
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 2,798 | \$ 2,110 | \$ 5,347 | \$ 4,886 | \$ 8,145 | \$ 6,996 |
| Capital assets | 8,455 | 8,283 | 11,626 | 10,959 | 20,081 | 19,242 |
| Total assets | <u>11,253</u> | <u>10,393</u> | <u>16,973</u> | <u>15,845</u> | <u>28,226</u> | <u>26,238</u> |
| Deferred outflows of resources | 841 | 1,043 | 417 | 529 | 1,258 | 1,572 |
| Long-term liabilities | 7,509 | 10,253 | 12,670 | 12,978 | 20,179 | 23,231 |
| Other liabilities | 1,500 | 1,277 | 891 | 1,143 | 2,391 | 2,420 |
| Total liabilities | <u>9,009</u> | <u>11,530</u> | <u>13,561</u> | <u>14,121</u> | <u>22,570</u> | <u>25,651</u> |
| Deferred inflows of resources | 2,808 | 506 | 499 | 98 | 3,307 | 604 |
| Net position | | | | | | |
| Net investment in capital assets, | 6,333 | 5,993 | 1,521 | 1,111 | 7,854 | 7,104 |
| Restricted | 1,713 | 412 | 1,356 | 1,440 | 3,069 | 1,852 |
| Unrestricted (deficit) | <u>(7,769)</u> | <u>(7,005)</u> | <u>453</u> | <u>(396)</u> | <u>(7,316)</u> | <u>(7,401)</u> |
| Total net position (deficit) | <u>\$ 277</u> | <u>\$ (600)</u> | <u>\$ 3,330</u> | <u>\$ 2,155</u> | <u>\$ 3,607</u> | <u>\$ 1,555</u> |

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, on a government-wide basis, assets and deferred outflows were higher than liabilities and deferred inflows by \$3.6 billion at the close of the most recent fiscal year.

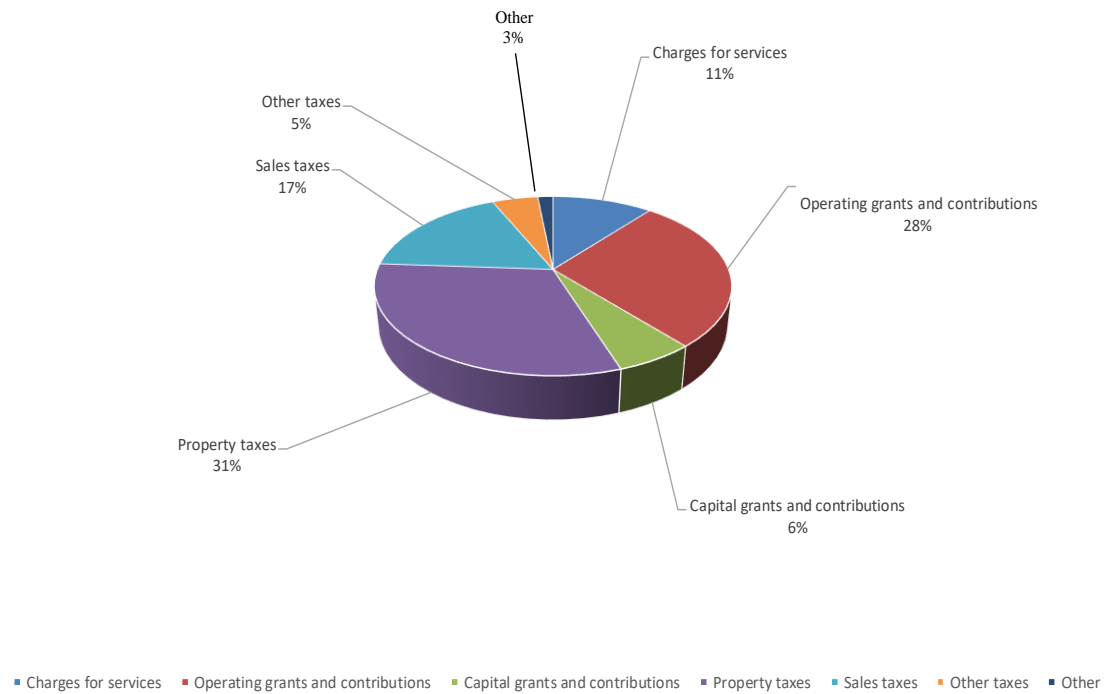
The largest portion of the City's net position is net investment in capital assets of approximately \$7.9 billion (e.g., land, building, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Resources that are subject to external restrictions on how they may be used represents \$3 billion of the City's net position.

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------|-----------------------------|----------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Program Revenues: | | | | | | |
| Charges for services | \$ 440 | \$ 478 | \$ 1,489 | \$ 1,673 | \$ 1,929 | \$ 2,151 |
| Operating grants and contributions | 1,139 | 592 | 222 | 25 | 1,361 | 617 |
| Capital grants and contributions | 246 | 208 | 433 | 36 | 679 | 244 |
| General revenues: | | | | | | |
| Property taxes | 1,270 | 1,223 | - | - | 1,270 | 1,223 |
| Sales taxes | 707 | 684 | - | - | 707 | 684 |
| Other taxes | 201 | 228 | 47 | 67 | 248 | 295 |
| Other | 67 | 106 | 77 | 172 | 144 | 278 |
| Gain (loss) on sale of asset | 1 | 16 | - | - | 1 | 16 |
| Total revenues | 4,071 | 3,535 | 2,268 | 1,973 | 6,339 | 5,508 |
| Expenses: | | | | | | |
| General government | 447 | 519 | - | - | 447 | 519 |
| Public safety | 1,298 | 2,058 | - | - | 1,298 | 2,058 |
| Public works | 397 | 408 | - | - | 397 | 408 |
| Health | 290 | 172 | - | - | 290 | 172 |
| Housing and community development | 372 | 137 | - | - | 372 | 137 |
| Parks and recreation | 97 | 112 | - | - | 97 | 112 |
| Library | 43 | 55 | - | - | 43 | 55 |
| Interest on Long-term Debt | 134 | 143 | - | - | 134 | 143 |
| Depreciation and amortization | 179 | 163 | - | - | 179 | 163 |
| Airport System | - | - | 586 | 631 | 586 | 631 |
| Convention & Entertainment Facilities | - | - | 76 | 90 | 76 | 90 |
| Combined Utility System | - | - | 1,052 | 1,033 | 1,052 | 1,033 |
| Total expenses | 3,257 | 3,767 | 1,714 | 1,754 | 4,971 | 5,521 |
| Change in net position before contributions, special items and transfers | 814 | (232) | 554 | 219 | 1,368 | (13) |
| Contributions | - | - | - | - | - | - |
| Transfers | 63 | 52 | (63) | (52) | - | - |
| Change in net position | 877 | (180) | 491 | 167 | 1,368 | (13) |
| Net assets, July 1 as previously reported | (600) | (998) | 2,155 | 1,970 | 1,555 | 972 |
| Prior period adjustment | - | 578 | 684 | 18 | 684 | 596 |
| Beginning net position July 1 | (600) | (420) | 2,839 | 1,988 | 2,239 | 1,568 |
| Net position (deficit) June 30 | \$ 277 | \$ (600) | \$ 3,330 | \$ 2,155 | \$ 3,607 | \$ 1,555 |

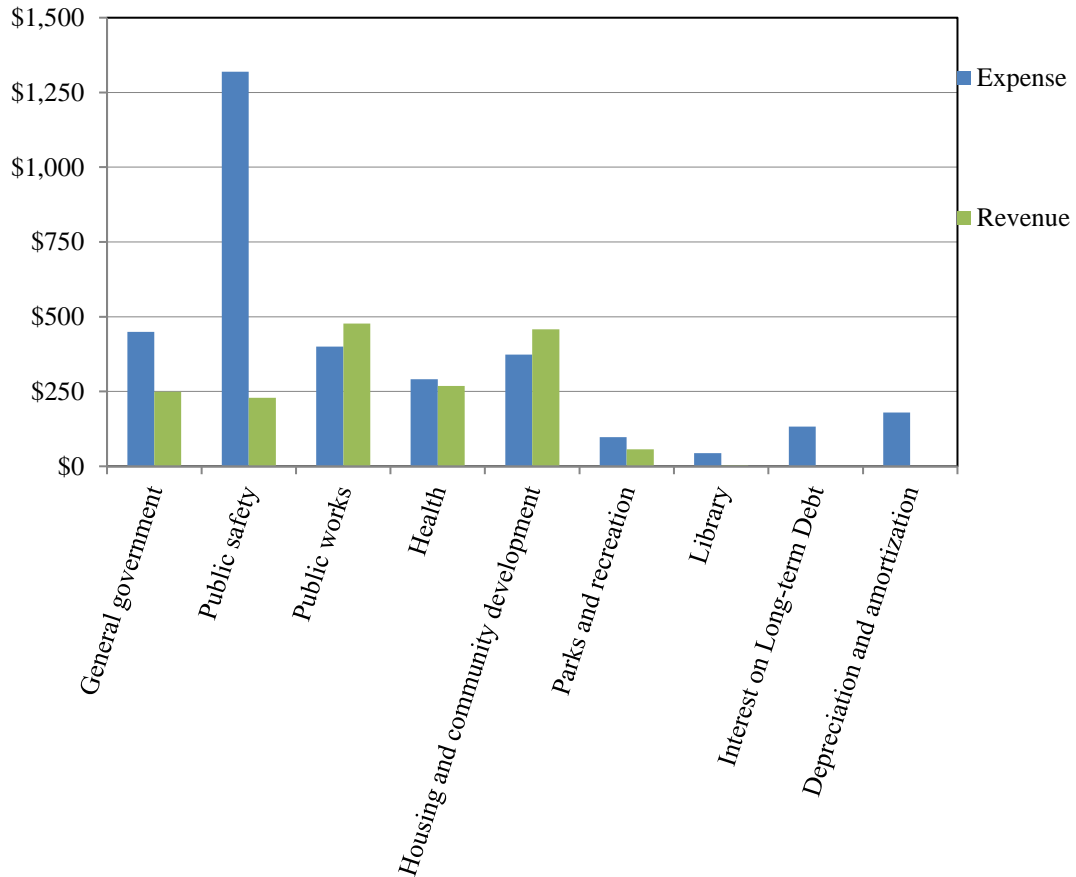
Governmental activities. Governmental activities increased the City's net position from Fiscal Year 2020 by \$877 million. The key elements of this change are as follows:

- Revenues were up from Fiscal Year 2020 by 536 million, while expenses decreased by \$510 million.
- The City saw increases in its primary revenue streams of sales tax, franchise tax, mixed beverage tax, fines and forfeitures, licenses and permits, and other miscellaneous revenues, primarily due to the economic impact of COVID-19.

Revenue by Source - Governmental Activities



Program Revenue and Expense Governmental

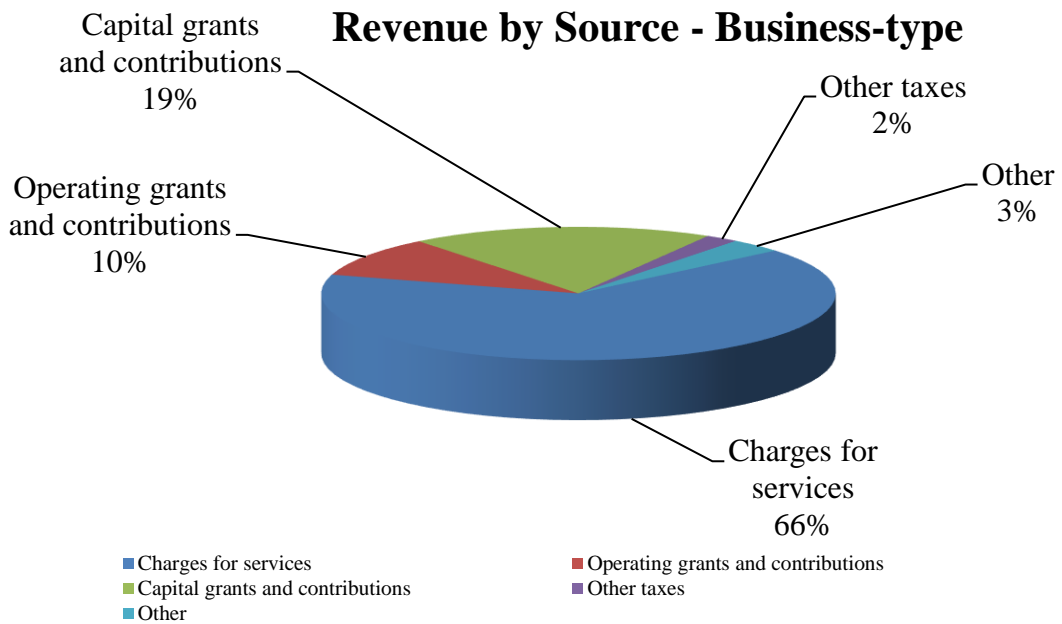
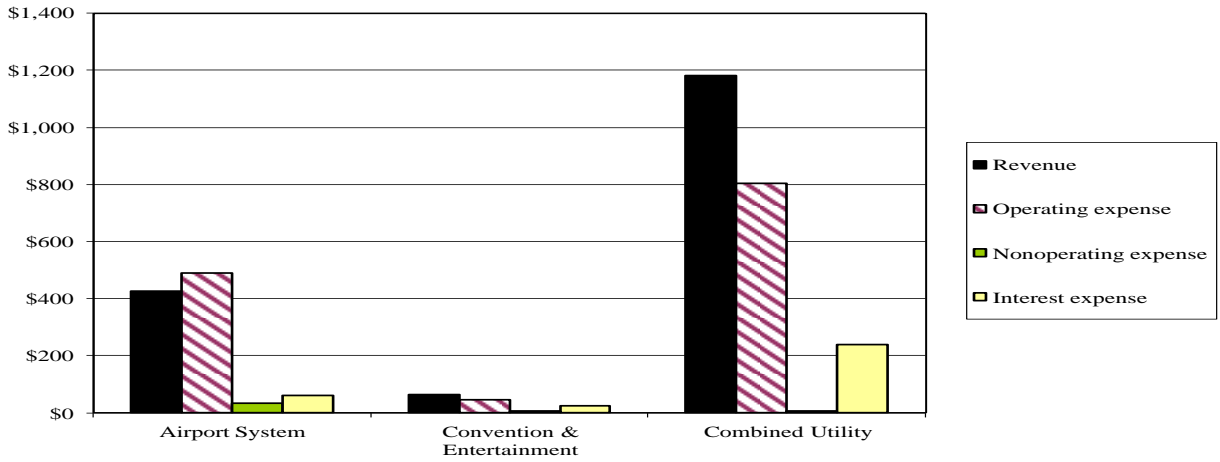


Business-type activities. Business-type activities increased the City’s net position during the year by \$493 million. The cumulative effect of the implementation of a prior period adjustment in the Combined Utility System (see note 16) increased net position by \$684 million, resulting in an overall increase from the prior year of \$1.177 million.

Key elements of this change are as follows:

- The Airport System’s operating expenses were down by 10.4%, from \$546 million to \$489 million. Operating revenues were down by 32.5% from \$472 million to \$319 million, due to decreases in landing fees, rentals, parking, and concession fees as enplaned passengers decreased by approximately 31.9% due to COVID-19 pandemic. Nonoperating revenues were up 75.8%, from \$154 million to \$272 million due mainly to an increase in CARES Act grant, partially offset by decreases in Passenger Facility Charges and Customer Facility Charges.
- Convention & Entertainment operating expenses were down 29% from \$62 million to \$44 million. Operating revenues were down 33% from \$9 million to \$6 million due to decreased parking revenue. Hotel occupancy tax was down \$20 million.
- The Combined Utility System operating expenses increased by 2.6% from \$784 million to \$804 million due to an increase in the depreciation and amortization of assets as well as personnel services. Operating revenues decreased by 0.6% from \$1.100 billion to \$1.093 billion due to a decrease in metered water revenues.

Program Revenue & Expense Business-type



Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds (see separate tab of same name). The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1.247 billion. Approximately 25% of this total, or \$312 million, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is set aside to indicate that it is not available for new spending because it has already been assigned for capital expenditures, \$92 million; restricted to pay debt service, \$149 million; or a variety of other restricted purposes, \$694 million.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$312 million, while the total fund balance reached \$349 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15% of total general fund expenditures, while total fund balance represents 16% of that same amount. Revenues increased by \$26 million while expenditures decreased by \$5 million.

Key differences between the general fund activity between prior and current year are as follows:

- Property tax revenue increased by \$32 million. Total assessed value of property increased by \$14 billion even though the tax rate decreased.
- Sales tax revenue increased by \$22 million in part due to the more than \$5 trillion in economic stimulus injected into the economy in response to the pandemic, the rapid rollout of vaccines, and increased household spending supported by government stimulus programs.
- Franchise revenue decreased by \$15 million due to a 4% decrease in kilowatt hour consumption because of lower commercial and electric demand due to the COVID-19 pandemic.
- Hotel occupancy decreased by \$10 million due to the effects of COVID-19.
- Intergovernmental grants increased by \$23 million due to ambulance supplemental reimbursements and municipal service fees from tax incremental reinvestment zones.
- Investment income decreased by \$16 million due to unrealized losses and lower interest rates.
- \$16 million decrease in expenditures due to savings in personnel, supplies and services, and retiree health benefits.

Debt service expenditures for the debt service fund decreased by \$30 million. The decrease is due to no new general obligation bond issuances and no debt refunding.

The CARES Act Fund is used to account for the approximately \$404.8 million received in fiscal year 2020 from the federal government pursuant to the Coronavirus Aid Relief & Economic Security Act (CARES Act). The funds are to be used for public health expenses such as contact tracing and testing, rent relief for vulnerable populations, public health and safety programs such as telehealth, COVID-19 call centers, supporting social distancing and CDC guidelines, and other programs to respond to the SARS-CoV-2 pandemic. As of June 30, 2021, \$387.4 million has been spent.

The capital projects fund, which is used for the acquisition and/or construction of capital facilities by the City (except those financed by Enterprise Funds), has a fund balance of \$153 million as compared to \$169 million a year ago, a decrease of \$3 million. Intergovernmental grants decreased by \$19 million primarily due a reduction in the completion of Metro projects. Capital outlay increased by \$29 million primarily due to an increase in the number and completion of various projects throughout the City.

The grants fund, which is used to account for grant resources received from various local, state, and national agencies and organizations, has a fund balance of \$165 million, a 49% increase. This increase is due primarily to increased housing assistance and health costs related to the COVID-19 pandemic.

The ARPA Fiscal Recovery Fund is used to receive funds from the U.S. Department of Treasury to be used for the response efforts relating to local fiscal recovery from the COVID-19 pandemic pursuant to the American Rescue Plan Act of 2021. The City was awarded \$304 million during fiscal year 2021.

The Affordable Housing TIRZ 2021 fund is used by the City's Housing and Community Development Department for single family affordable housing projects as required by Chapter 311 of the Texas Tax Code. The \$100 million grant was not spent in Fiscal Year 2021.

Proprietary funds (see tabs labeled "Enterprise Funds" and "Internal Services Funds"). The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, the Airport System had an unrestricted fund balance of \$10 million, Convention and Entertainment had an unrestricted net position of \$32 million and the Combined Utility System had an unrestricted net position of \$411 million. The increase in net position for the Airport System for the fiscal year was \$29 million. The Convention and Entertainment fund experienced a decrease in net position during the fiscal year of \$13 million. The Combined Utility System fund experienced an increase of \$481 million in net position during the fiscal year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Revenues were above the final budget by \$26 million due to increases in property tax by \$21 million as a result of increased assessed value of property; increases in sales tax, industrial district and intergovernmental grants totaling \$51 million due to the influx of Federal funds into the economy to encourage spending. The decreases in franchise fees, mixed beverage tax, ambulance and charges for services, fines and forfeits and licenses and permits totaled \$38 million due to disruptions in services and stay-at-home orders from State Government as a result of the COV-19 pandemic. Additionally, total interest income was \$8 million lower because of lower interest rates. The details of the more significant variances are highlighted below:

- \$21 million above budget in property tax
- \$6 million above budget in industrial assessments
- \$32 million above budget in sales taxes
- \$4 million below budget in franchise fees
- \$5 million below budget in mixed beverage tax
- \$8 million below budget in interest revenue
- \$5 million below budget in ambulance services
- \$15 million below budget in charges for services
- \$13 million above budget in intergovernmental grants
- \$6 million below budget in fines and forfeits
- \$3 million below budget in licenses and permits

Total expenditures for the General Fund were \$24 million below the final expenditure budget and is mainly due to savings in personnel, supplies, services and retiree benefits. The details of the more significant variances are highlighted below:

- \$13 million under budget in general government
- \$2 million above budget in public safety
- \$3 million above budget in neighborhoods
- \$1 million under budget in health
- \$9 million under budget in parks
- \$3 million under budget in library
- \$4 million under budget in retiree benefits
- \$2 million below above in current expenditures

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totaled \$20 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges. The City's net investment in capital assets was relatively stable.

Capital Assets

June 30, 2021

(With comparative totals for 2020)
(net of accumulated depreciation, in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land and right of way | \$ 2,344 | \$ 2,318 | \$ 500 | \$ 492 | \$ 2,844 | \$ 2,810 |
| Buildings, improvements and equipment | 2,921 | 2,817 | 5,949 | 5,979 | 8,870 | 8,796 |
| Construction in progress | 689 | 567 | 2,236 | 1,556 | 2,925 | 2,123 |
| Water rights | - | - | 847 | 847 | 847 | 847 |
| Runway rights | - | - | - | 18 | - | 18 |
| Garage rights | - | - | 13 | 13 | 13 | 13 |
| Intangibles | - | - | 23 | - | 23 | - |
| Infrastructure Assets | 8,132 | 7,934 | 12,224 | 11,898 | 20,356 | 19,832 |
| Less accumulated depreciation | (5,631) | (5,354) | (10,166) | (9,844) | (15,797) | (15,198) |
| Total | <u>\$ 8,455</u> | <u>\$ 8,282</u> | <u>\$ 11,626</u> | <u>\$ 10,959</u> | <u>\$ 20,081</u> | <u>\$ 19,241</u> |

More detailed information regarding capital assets can be found in Note 6 to the financial statements.

Major capital asset events during the current fiscal year included the following:

- Governmental fund activities recorded a \$173 million increase in capital assets for the current year. Buildings, improvements, and equipment increased \$104 million, infrastructure assets increased \$198 million, while accumulated depreciation increased \$277 million.
- Enterprise fund activities increased \$667 million for the current year, with construction in progress increasing by \$680 million.

Long-term debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$15 billion. The two largest portions of this total are made up of \$2.2 billion comprising debt backed by the full faith and credit of the government and \$10.7 billion comprising various enterprise fund revenue bonds which are payable from future revenues of the various operations of those enterprise funds. The remainder of the City's debt represents various long-term contracts and \$1.5 billion in pension bonds.

Outstanding Debt

June 30, 2021

(With comparative totals for 2020)
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds and commercial paper | \$ 2,216 | \$ 2,310 | \$ 20 | \$ 408 | \$ 2,236 | \$ 2,718 |
| Pension bonds | 1,400 | 1,422 | 98 | 101 | 1,498 | 1,523 |
| Special facility bonds | - | - | 69 | 74 | 69 | 74 |
| Revenue bonds | - | - | 10,650 | 9,275 | 10,650 | 9,275 |
| Other borrowings | 29 | 19 | 462 | 891 | 491 | 910 |
| Total | <u>\$ 3,645</u> | <u>\$ 3,751</u> | <u>\$ 11,299</u> | <u>\$ 10,749</u> | <u>\$ 14,944</u> | <u>\$ 14,500</u> |

The City's total debt remained stable during the current fiscal year.

More detailed information on long-term debt can be found in Note 8 to the financial statements.

Standard & Poor's, Moody's, Fitch's and Kroll's underlying ratings of the City's obligations as of June 30, 2021 are as follows:

| | Standard & Poor's | Moody's | Fitch's | Kroll |
|--|-------------------|---------|---------|-------|
| General Obligation | AA | Aa3 | AA | N/R |
| Water & Sewer System Junior Lien | AA+ | Aa1 | AA+ | N/R |
| Combined Utility System First Lien | AA | Aa2 | AA | N/R |
| Houston Airport System-Subordinate Lien | A | A1 | A | AA- |
| Houston Airport System-CRCF Special Facility | BBB+ | A3 | A- | N/R |
| Convention & Entertainment - Senior Lien | A | A2 | N/R | N/R |
| Combined Utility System - CWA | AA | N/R | AA+ | N/R |

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is \$30.1 billion, which is significantly in excess of the City's outstanding general obligation debt.

Next Year's Budget and Rates

Highlights of the fiscal year 2022 budget are as follows:

- The property tax rate was decreased to 55.083 cents per \$100 of valuation.
- The general fund budget will increase spending by 3.74% from the fiscal 2021 budget. The change is primarily driven by the increase of sales tax revenue due to the economic stimulus program which greatly impacted the economy and the City's budget.
- The Houston economy is expected to see one of its best years ever as the energy and manufacturing sectors continue to rebound from the short recession, bolstering other industries devastated by the COVID-19 pandemic. FY2021 year-over-year sales tax revenue was higher by \$22 million. The City expects sales tax revenue to continue to increase in FY2022.
- The FY2022 budget provides funding for health benefits and pension contributions. In addition, the budget includes four new cadet classes for the Fire Department and six new cadet classes for the Police Department, as well as the continuation of one paramedic training class, and the restoration of prior year's funding level from COV-19 eligible redeployment costs that were funded out of the Coronavirus Relief Fund under the 2020 CARES Act.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, Attention: Financial Reporting Division, 901 Bagby Street, Houston, Texas 77002.

CITY OF HOUSTON, TEXAS
STATEMENT OF NET POSITION

June 30, 2021
(amounts expressed in thousands)

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|----------------------|---------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | Governmental | Business-type |
| Assets | | | | | |
| Cash and cash equivalents (Note 3A) | \$ 810,474 | \$ 898,404 | \$ 1,708,878 | \$ 142,589 | \$ 52,531 |
| Investments (Note 3A) | 735,605 | 1,380,595 | 2,116,200 | 339,444 | 25,864 |
| Receivables, net of allowances | | | | | |
| Accounts receivable | 262,633 | 226,690 | 489,323 | 44,473 | 20,073 |
| Hotel occupancy tax receivable | - | 17,484 | 17,484 | - | - |
| Property taxes receivable | 43,674 | - | 43,674 | 146,792 | - |
| Sales taxes receivable | 132,924 | - | 132,924 | - | - |
| Mixed beverage taxes receivable | 3,302 | - | 3,302 | - | - |
| Franchise taxes receivable | 10,276 | - | 10,276 | - | - |
| Special assessments receivable | 8,049 | 93 | 8,142 | 26 | - |
| Accrued interest and other | - | - | - | 1,420 | 629 |
| Due from component units | - | 45,431 | 45,431 | - | - |
| Internal balances | 32,626 | (32,626) | - | - | - |
| Due from other governments | 298,048 | 611,909 | 909,957 | 699 | 100 |
| Inventory | 23,654 | 14,670 | 38,324 | 251 | - |
| Prepaid items | 3,395 | 14,918 | 18,313 | 2,953 | 7,265 |
| Notes receivable | 30,100 | - | 30,100 | - | - |
| Restricted: | | | | | |
| Cash and cash equivalents (Note 3A) | - | 260,205 | 260,205 | - | 26,485 |
| Investments (Note 3A) | - | 1,290,723 | 1,290,723 | 12,745 | 63,441 |
| Receivables and deposits | - | 15,415 | 15,415 | 834 | 125,086 |
| Due from component units | - | 305,957 | 305,957 | - | - |
| Property held for sale | - | - | - | 44,186 | - |
| Amounts held by other governments | - | 12,070 | 12,070 | - | - |
| Lease asset receivable | 38,141 | 284,344 | 322,485 | - | 61,594 |
| Lease ROU, net of accumulated amortization | 73,746 | 262 | 74,008 | 205 | 14,260 |
| Due from primary government | - | - | - | 17,687 | - |
| Firefighter's net pension asset | 291,003 | - | 291,003 | - | - |
| Capital assets: | | | | | |
| Land and right-of-way | 2,326,946 | 500,221 | 2,827,167 | 141,950 | 42,680 |
| Buildings | 1,405,842 | 3,777,674 | 5,183,516 | 199,254 | 947,170 |
| Improvements and equipment | 1,515,140 | 2,170,726 | 3,685,866 | - | - |
| Construction in progress | 688,938 | 2,236,013 | 2,924,951 | 35,575 | 5,143 |
| Water rights | - | 847,495 | 847,495 | - | - |
| Garage rights | - | 13,144 | 13,144 | - | - |
| Rights and intangibles | 16,858 | 23,030 | 39,888 | - | - |
| Infrastructure assets | 8,132,274 | 12,224,083 | 20,356,357 | - | - |
| Less accumulated depreciation and amortization | (5,630,975) | (10,166,301) | (15,797,276) | (36,745) | (261,502) |
| Total assets | <u>\$ 11,252,673</u> | <u>\$ 16,972,629</u> | <u>\$ 28,225,302</u> | <u>\$ 1,094,338</u> | <u>\$ 1,130,819</u> |
| Deferred outflows of resources | | | | | |
| Deferred outflows of resources | 840,953 | 416,721 | 1,257,674 | 2,277 | 4,093 |
| Total deferred outflows of resources | <u>\$ 840,953</u> | <u>\$ 416,721</u> | <u>\$ 1,257,674</u> | <u>\$ 2,277</u> | <u>\$ 4,093</u> |

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
STATEMENT OF NET POSITION

June 30, 2021
(amounts expressed in thousands)

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|----------------------|---------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | Governmental | Business-type |
| Liabilities | | | | | |
| Accounts payable and accrued expenditures | \$ 218,822 | 225,230 | \$ 444,052 | \$ 55,275 | \$ 18,846 |
| Accrued payroll liabilities | 91,132 | 11,679 | 102,811 | 192 | 1,284 |
| Cost of issuance | - | 1,196 | 1,196 | - | - |
| Accrued interest payable | 53,955 | 81,221 | 135,176 | 9,220 | 4,811 |
| Due to other governments | 5,073 | 3,028 | 8,101 | 12,579 | - |
| Other liabilities | - | - | - | - | 1,384 |
| Advances and deposits | 17,791 | 55,970 | 73,761 | 1,247 | - |
| Unearned revenue | 534,945 | 8,278 | 543,223 | 4,835 | 1,027 |
| Due to component units | - | 30,654 | 30,654 | - | - |
| Due to primary government | - | - | - | - | 44,939 |
| Contracts and retainages payable | - | 66,044 | 66,044 | 31,701 | 10,673 |
| Contracts payable - debt current maturities | - | 8,581 | 8,581 | - | - |
| Non-current liabilities | | | | | |
| Due within one year | | | | | |
| Notes payable | 195 | 1,068 | 1,263 | 27,457 | 20,402 |
| Bonds payable | 164,926 | 362,305 | 527,231 | 52,761 | - |
| Claims and judgments | 44,142 | 3,572 | 47,714 | - | - |
| Compensated absences | 167,650 | 15,763 | 183,413 | - | - |
| Lease liability | 6,574 | 143 | 6,717 | 728 | 2,212 |
| Construction billings and retainages | - | - | - | 3,570 | - |
| Special facility bonds payable | - | 7,505 | 7,505 | - | - |
| Commercial paper | 173,600 | - | 173,600 | - | - |
| Arbitrage rebate liability | - | 2,818 | 2,818 | - | - |
| Other liabilities | - | 1,947 | 1,947 | - | - |
| Pension bonds payable | 21,374 | 3,554 | 24,928 | - | - |
| Due in more than one year | | | | | |
| Notes payable | 28,694 | 13,353 | 42,047 | 95,818 | 490,112 |
| Bonds payable | 1,806,276 | 10,287,853 | 12,094,129 | 783,673 | - |
| Claims and judgments | 152,957 | 3,699 | 156,656 | - | - |
| Compensated absences | 340,846 | 19,038 | 359,884 | 1,458 | - |
| Contracts payable | - | 441,265 | 441,265 | - | - |
| Special facility bonds payable | - | 60,680 | 60,680 | - | - |
| Commercial paper | 71,000 | 20,000 | 91,000 | - | - |
| Due to other governments | - | 8,228 | 8,228 | - | - |
| Unearned revenue | - | 701,215 | 701,215 | - | 15,579 |
| Lease liabilities | 75,066 | 123 | 75,189 | 31,783 | 12,017 |
| Arbitrage rebate liability | - | 2,883 | 2,883 | - | - |
| Accrued interest payable | - | 49,398 | 49,398 | - | - |
| SWAP liability | - | 214,123 | 214,123 | - | - |
| Pension obligation bonds payable | 1,378,754 | 93,948 | 1,472,702 | - | - |
| Other post employment benefits liability | 2,323,042 | 306,602 | 2,629,644 | - | - |
| Municipal net pension liability | 1,125,621 | 447,355 | 1,572,976 | - | - |
| Police officers' net pension liability | 206,586 | - | 206,586 | - | - |
| Total liabilities | \$ 9,009,021 | \$ 13,560,319 | \$ 22,569,340 | \$ 1,112,297 | \$ 623,286 |
| Deferred inflows of resources | | | | | |
| Deferred inflows of resources | 2,808,059 | 498,641 | 3,306,700 | - | 78,754 |
| Total deferred inflows of resources | \$ 2,808,059 | \$ 498,641 | \$ 3,306,700 | \$ - | \$ 78,754 |
| Net position | | | | | |
| Net investment in capital assets | 6,333,063 | 1,521,493 | 7,854,556 | 246,572 | 326,621 |
| Restricted net position | | | | | |
| Restricted for debt service | 107,530 | 492,371 | 599,901 | 97,265 | 6,230 |
| Restricted for renewal and replacement | - | 10,000 | 10,000 | - | - |
| Restricted for maintenance and operations | - | 159,416 | 159,416 | 3,555 | - |
| Restricted for others' capital improvement | - | 52,362 | 52,362 | - | - |
| Restricted for capital improvement | 365,868 | 642,248 | 1,008,116 | 47,415 | - |
| Other restricted | 1,239,143 | - | 1,239,143 | 97,584 | 67,492 |
| Unrestricted (deficit) | (7,769,058) | 452,500 | (7,316,558) | (508,073) | 32,529 |
| Total net position (deficit) | \$ 276,546 | \$ 3,330,390 | \$ 3,606,936 | \$ (15,682) | \$ 432,872 |

* The notes to the basic financial statements are an integral part of this statement *

**CITY OF HOUSTON, TEXAS
STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2021
(amounts expressed in thousands)**

| Functions/Programs | Expenses | Program Revenue | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities | | | | |
| General government | \$ 446,806 | \$ 57,546 | \$ 193,291 | \$ - |
| Public safety | 1,298,153 | 120,269 | 108,287 | - |
| Public works | 396,938 | 231,258 | 112,451 | 128,294 |
| Health | 289,922 | 21,463 | 247,250 | - |
| Housing and community development | 372,492 | - | 457,740 | 100,000 |
| Parks and recreation | 96,721 | 9,372 | 16,597 | 17,627 |
| Library | 43,135 | 295 | 2,908 | - |
| Interest and fiscal charges | 134,277 | - | - | - |
| Unallocated depreciation expense | 179,046 | - | - | - |
| Total governmental activities | <u>3,257,490</u> | <u>440,203</u> | <u>1,138,524</u> | <u>245,921</u> |
| Business-type activities | | | | |
| Airport System | 585,528 | 389,865 | 187,369 | 24,757 |
| Convention & Entertainment facilities | 75,561 | 6,100 | - | - |
| Combined Utility System | 1,052,061 | 1,092,740 | 34,559 | 408,344 |
| Total business-type activities | <u>1,713,150</u> | <u>1,488,705</u> | <u>221,928</u> | <u>433,101</u> |
| Total primary government | <u>\$ 4,970,640</u> | <u>\$ 1,928,908</u> | <u>\$ 1,360,452</u> | <u>\$ 679,022</u> |
| Component Units | | | | |
| Governmental | \$ 428,133 | \$ 21,976 | \$ 61,712 | \$ 30,065 |
| Business-type | 200,855 | 85,851 | 82,739 | - |
| Total component units activities | <u>\$ 628,988</u> | <u>\$ 107,827</u> | <u>\$ 144,451</u> | <u>\$ 30,065</u> |

General Revenues and Transfers:

| |
|---|
| Taxes: |
| Property taxes levied for general purposes/tax increments |
| Property taxes levied for debt service |
| Industrial assessments tax |
| Sales tax |
| Franchise tax |
| Mixed beverage tax |
| Hotel occupancy tax |
| Investment earnings |
| Other |
| Gain on disposal of asset |
| Transfers |
| Total general revenues and transfers |
| Change in net position |
| Net position beginning, as previously reported |
| Change in reporting entity |
| Prior period adjustment |
| Cumulative effect of prior period adjustment |
| Beginning net position, July 1 |
| Net position ending |

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

| Net (Expense) Revenue and Changes in Net Position | | | | | |
|--|-----------------------------|---------------------|--------------------|-------------------|--|
| Primary Government | | | Component Units | | |
| Governmental Activities | Business-type Activities | Total | Governmental | Business-type | |
| \$ (195,969) | \$ - | \$ (195,969) | \$ - | \$ - | |
| (1,069,597) | - | (1,069,597) | - | - | |
| 75,065 | - | 75,065 | - | - | |
| (21,209) | - | (21,209) | - | - | |
| 185,248 | - | 185,248 | - | - | |
| (53,125) | - | (53,125) | - | - | |
| (39,932) | - | (39,932) | - | - | |
| (134,277) | - | (134,277) | - | - | |
| (179,046) | - | (179,046) | - | - | |
| <u>(1,432,842)</u> | <u>-</u> | <u>(1,432,842)</u> | <u>-</u> | <u>-</u> | |
| - | 16,463 | 16,463 | - | - | |
| - | (69,461) | (69,461) | - | - | |
| - | 483,582 | 483,582 | - | - | |
| - | 430,584 | 430,584 | - | - | |
| <u>(1,432,842)</u> | <u>430,584</u> | <u>(1,002,258)</u> | <u>-</u> | <u>-</u> | |
| - | - | - | (314,380) | - | |
| - | - | - | - | (32,265) | |
| - | - | - | <u>(314,380)</u> | <u>(32,265)</u> | |
| 960,257 | - | 960,257 | 214,412 | 748 | |
| 309,678 | - | 309,678 | - | - | |
| 25,435 | - | 25,435 | - | - | |
| 706,829 | - | 706,829 | - | - | |
| 154,093 | - | 154,093 | - | - | |
| 14,561 | - | 14,561 | - | - | |
| 7,444 | 47,449 | 54,893 | 1,575 | - | |
| 2,463 | 13,916 | 16,379 | 4,784 | 4,566 | |
| 64,537 | 63,371 | 127,908 | 245 | 13,778 | |
| 799 | - | 799 | - | - | |
| 63,433 | (63,433) | - | - | - | |
| <u>2,309,529</u> | <u>61,303</u> | <u>2,370,832</u> | <u>221,016</u> | <u>19,092</u> | |
| 876,687 | 491,887 | 1,368,574 | (93,364) | (13,173) | |
| (600,141) | 2,154,856 | 1,554,715 | 69,301 | 460,930 | |
| - | - | - | 833 | (14,885) | |
| - | 683,647 | 683,647 | 7,548 | - | |
| <u>(600,141)</u> | <u>2,838,503</u> | <u>2,238,362</u> | <u>77,682</u> | <u>446,045</u> | |
| <u>(600,141)</u> | <u>2,838,503</u> | <u>2,238,362</u> | <u>77,682</u> | <u>446,045</u> | |
| <u>\$ 276,546</u> | <u>\$ 3,330,390</u> | <u>\$ 3,606,936</u> | <u>\$ (15,682)</u> | <u>\$ 432,872</u> | |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021
(amounts expressed in thousands)

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>CARES Act</u> |
|---|-------------------|-------------------------|-----------------------------|------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 129,172 | \$ 102,603 | \$ 71,841 | \$ 22,891 |
| Investments | 112,133 | 46,204 | 192,715 | - |
| Receivables, net of allowances | | | | |
| Accounts receivable | 115,583 | - | 1 | - |
| Property taxes receivable | 43,674 | - | - | - |
| Sales taxes receivable | 132,924 | - | - | - |
| Mixed beverage taxes receivable | 3,302 | - | - | - |
| Franchise taxes receivable | 10,276 | - | - | - |
| Special assessments receivable | 8,049 | - | - | - |
| Lease asset receivable | 38,141 | - | - | - |
| Due from other funds | 79,759 | 250 | 6,757 | 17 |
| Due from other governments | 8,185 | 300 | 37,745 | - |
| Inventory | 20,893 | - | - | - |
| Prepaid items | 2,734 | - | 61 | - |
| Notes receivable | - | - | 7,600 | - |
| Total assets | <u>\$ 704,825</u> | <u>\$ 149,357</u> | <u>\$ 316,720</u> | <u>\$ 22,908</u> |
| Liabilities and fund balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 81,994 | \$ 72 | \$ 43,530 | \$ 1,454 |
| Accrued payroll liabilities | 79,926 | - | - | - |
| Due to other funds | 12,624 | - | 20,119 | 4,680 |
| Due to other governments | 3,536 | - | - | - |
| Advances and deposits | 10,583 | - | - | - |
| Claims and judgments | 2,472 | - | - | - |
| Compensated absences | 6,400 | - | - | - |
| Unearned revenue | - | - | 100,048 | 16,220 |
| Total liabilities | <u>197,535</u> | <u>72</u> | <u>163,697</u> | <u>22,354</u> |
| Deferred inflows of resources | | | | |
| Deferred inflow of resources | 157,764 | - | - | - |
| Total deferred inflows of resources | <u>157,764</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance | | | | |
| Non-Spendable | | | | |
| Prepays | 2,734 | - | 61 | - |
| Inventory | 20,893 | - | - | - |
| Committed | 12,615 | - | - | - |
| Restricted | 1,072 | 149,285 | 60,636 | 554 |
| Assigned | - | - | 92,326 | - |
| Unassigned | 312,212 | - | - | - |
| Total fund balance | <u>349,526</u> | <u>149,285</u> | <u>153,023</u> | <u>554</u> |
| Total liabilities and fund balance | <u>\$ 704,825</u> | <u>\$ 149,357</u> | <u>\$ 316,720</u> | <u>\$ 22,908</u> |

* The notes to the basic financial statements are an integral part of this statement *

| ARPA Fiscal Recovery Fund | Grants | Affordable Housing TIRZ 2021 | Nonmajor Governmental Funds | Total |
|------------------------------|-------------------|---------------------------------|-----------------------------|---------------------|
| \$ 303,888 | \$ 26,148 | \$ 29,534 | \$ 99,017 | \$ 785,094 |
| - | - | 71,104 | 260,665 | 682,821 |
| - | 96,574 | - | 50,472 | 262,630 |
| - | - | - | - | 43,674 |
| - | - | - | - | 132,924 |
| - | - | - | - | 3,302 |
| - | - | - | - | 10,276 |
| - | - | - | - | 8,049 |
| - | - | - | - | 38,141 |
| - | 2,414 | - | 10,568 | 99,765 |
| - | 227,147 | - | 24,641 | 298,018 |
| - | 82 | - | 2,679 | 23,654 |
| - | 600 | - | - | 3,395 |
| - | 22,500 | - | - | 30,100 |
| <u>\$ 303,888</u> | <u>\$ 375,465</u> | <u>\$ 100,638</u> | <u>\$ 448,042</u> | <u>\$ 2,421,843</u> |
| \$ - | \$ 76,779 | \$ - | \$ 13,362 | \$ 217,191 |
| - | 4,059 | - | 6,981 | 90,966 |
| - | 17,313 | - | 10,210 | 64,946 |
| - | 487 | - | 1,050 | 5,073 |
| - | 262 | - | 6,946 | 17,791 |
| - | - | - | - | 2,472 |
| - | - | - | 28 | 6,428 |
| 303,884 | 111,744 | - | - | 531,896 |
| <u>303,884</u> | <u>210,644</u> | <u>-</u> | <u>38,577</u> | <u>936,763</u> |
| - | - | - | 80,727 | 238,491 |
| - | - | - | 80,727 | 238,491 |
| - | 600 | - | - | 3,395 |
| - | 82 | - | 2,679 | 23,654 |
| - | - | - | 68,760 | 81,375 |
| 4 | 164,139 | 100,638 | 257,299 | 733,627 |
| - | - | - | - | 92,326 |
| - | - | - | - | 312,212 |
| <u>4</u> | <u>164,821</u> | <u>100,638</u> | <u>328,738</u> | <u>1,246,589</u> |
| <u>\$ 303,888</u> | <u>\$ 375,465</u> | <u>\$ 100,638</u> | <u>\$ 448,042</u> | |

Amounts reported in the Statement of Net Position are different because:

| | |
|---|----------------|
| 1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 8,454,691 |
| 2. Revenues earned but not available are not recognized as revenues on the fund financial statements | 201,022 |
| 3. Deferred inflows and outflows related to pension and debt are not recognized on the fund financial statements | (1,929,637) |
| 4. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. | 21,602 |
| 6. Lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 73,746 |
| 5. Liabilities, including bonds payable, not due and payable in the current period are not reported in the funds | (7,791,467) |
| Net position of governmental activities | <u>276,546</u> |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES and CHANGES in FUND BALANCES GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021
(amounts expressed in thousands)

| | General | Debt Service | Capital Projects | CARES Act |
|--|-------------------|-------------------------|-----------------------------|------------------|
| Revenues | | | | |
| Taxes and assessments | \$ 2,161,885 | \$ - | \$ - | \$ - |
| Licenses and permits | 32,136 | - | - | - |
| Charges for services | 152,553 | - | - | - |
| Intergovernmental - grants | 67,281 | - | 44,925 | 317,370 |
| Fines and forfeitures | 18,016 | - | - | - |
| Contributions | 500 | - | - | - |
| Investment income (loss) | 1,314 | (560) | (238) | 222 |
| Other | 14,150 | 2,068 | 14,700 | - |
| Total revenues | 2,447,835 | 1,508 | 59,387 | 317,592 |
| Expenditures | | | | |
| Current | | | | |
| General government | 251,611 | - | - | 111,408 |
| Public safety | 1,460,875 | - | - | 45,345 |
| Public works | 209,759 | - | - | 12,445 |
| Health | 57,208 | - | - | 83,762 |
| Housing and community development | 320 | - | - | 36,629 |
| Parks and recreation | 54,465 | - | - | 13,660 |
| Library | 38,504 | - | - | 2,475 |
| Retiree benefits | 13,290 | - | - | - |
| Capital outlay | 35,653 | - | 290,188 | 11,496 |
| Debt Service | | | | |
| Debt service principal | - | 212,959 | - | - |
| Debt service interest | 2,268 | 149,349 | - | - |
| Debt service fiscal agent & fees | - | 3,348 | - | - |
| Total expenditures | 2,123,953 | 365,656 | 290,188 | 317,220 |
| Excess (deficiency) of revenues over (under) expenditures | 323,882 | (364,148) | (230,801) | 372 |
| Other financing sources (uses) | | | | |
| Issuance of debt | 23,000 | - | 91,000 | - |
| Issuance of debt for capital lease | 11,610 | - | - | - |
| Debt service fiscal agent & fees | - | - | - | - |
| Premium on sale of refunding bonds | - | - | - | - |
| Sale of capital assets | 3,694 | - | - | - |
| Transfers in | 69,596 | 355,163 | 128,050 | - |
| Transfers out | (440,986) | - | (4,308) | - |
| Payment to escrow agent for refunded bonds | - | - | - | - |
| Insurance proceeds | - | - | - | - |
| Total other financing sources (uses) | (333,086) | 355,163 | 214,742 | - |
| Changes in fund balance | (9,204) | (8,985) | (16,059) | 372 |
| Fund balances, July 1 | 358,730 | 158,270 | 169,082 | 182 |
| Fund balances, June 30 | \$ 349,526 | \$ 149,285 | \$ 153,023 | \$ 554 |

* The notes to the basic financial statements are an integral part of this statement *

| ARPA Fiscal Recovery Fund | Grants | Affordable Housing TIRZ 2021 | Nonmajor Governmental Funds | Total | 2020 |
|------------------------------|------------|---------------------------------|-----------------------------------|--------------|--------------|
| \$ - | \$ - | \$ - | \$ 493 | \$ 2,162,378 | \$ 2,133,402 |
| - | - | - | 80,659 | 112,795 | 119,354 |
| - | - | - | 166,459 | 319,012 | 310,695 |
| - | 620,886 | - | 132,845 | 1,183,307 | 656,699 |
| - | - | - | 10,325 | 28,341 | 29,664 |
| - | - | 100,000 | - | 100,500 | - |
| 4 | 209 | 638 | 1,120 | 2,709 | 45,567 |
| - | - | - | 31,754 | 62,672 | 56,394 |
| 4 | 621,095 | 100,638 | 423,655 | 3,971,714 | 3,351,775 |
| - | 22,515 | - | 45,155 | 430,689 | 447,770 |
| - | 25,406 | - | 49,296 | 1,580,922 | 1,546,820 |
| - | 17,701 | - | 159,724 | 399,629 | 377,394 |
| - | 125,778 | - | 22,976 | 289,724 | 156,884 |
| - | 332,127 | - | 140 | 369,216 | 135,419 |
| - | 1,442 | - | 8,007 | 77,574 | 83,058 |
| - | 83 | - | - | 41,062 | 40,435 |
| - | - | - | - | 13,290 | 14,196 |
| - | 24,097 | - | 35,382 | 396,816 | 337,810 |
| - | 189 | - | - | 213,148 | 228,668 |
| - | 170 | - | - | 151,787 | 164,793 |
| - | - | - | 390 | 3,738 | 5,760 |
| - | 549,508 | - | 321,070 | 3,967,595 | 3,539,007 |
| 4 | 71,587 | 100,638 | 102,585 | 4,119 | (187,232) |
| - | 9,724 | - | - | 123,724 | 624,690 |
| - | - | - | - | 11,610 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 61,685 |
| - | - | - | 92 | 3,786 | 22,306 |
| - | - | - | 106,808 | 659,617 | 660,650 |
| - | (10) | - | (150,880) | (596,184) | (608,280) |
| - | - | - | - | - | (552,367) |
| - | - | - | - | - | 982 |
| - | 9,714 | - | (43,980) | 202,553 | 209,666 |
| 4 | 81,301 | 100,638 | 58,605 | 206,672 | 22,434 |
| - | 83,520 | - | 270,133 | 1,039,917 | 1,017,483 |
| \$ 4 | \$ 164,821 | \$ 100,638 | \$ 328,738 | \$ 1,246,589 | \$ 1,039,917 |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021
(amounts expressed in thousands)**

| | | |
|---|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 206,672 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation of \$310,285 and net disposal of assets of \$2,987 was less than the increase in capital assets of \$485,772 in the current period. For capital outlay, the Statement of Revenues, Expenditures and Changes in Fund Balance is \$396,816 of which \$11,610 is related to right of use assets which were offset by proceeds from financing related to leases. The City also recorded donated capital assets of \$100,496 which is recorded as capital contributions in the Statement of Activities.</p> | | 172,430 |
| <p>Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.</p> | | 201,022 |
| <p>Generally, governmental funds report revenue when cash is actually received, or is expected 60 days after the close of the fiscal year. Cash received during the period relates to prior periods.</p> | | (203,041) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, as expenditures, the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | 106,726 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Governmental funds report payments as expenditures in the period of disbursement. The liquidation of long-term liabilities previously accrued should not be reported in the statement of activities.</p> | | 412,674 |
| <p>Internal service funds are used by management to charge the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.</p> | | (15,114) |
| <p>Net effect of lease transactions</p> | | (4,682) |
| Change in net position of governmental activities | \$ | 876,687 |

The Notes to the Financial Statement are a basic part of this statement.

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2021
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | |
|--|--|---|-----------------------------|
| | Airport System | Convention & Entertainment | Combined Utility |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 275,677 | \$ 24,258 | \$ 598,469 |
| Investments | 10,260 | 31,054 | 1,339,281 |
| Receivables, net of allowances | | | |
| Accounts receivable | 55,708 | 13 | 170,969 |
| Hotel occupancy tax receivable | - | 17,484 | - |
| Special assessments receivable | - | - | 93 |
| Due from component units | - | 45,431 | - |
| Due from other funds | 1,523 | - | 368 |
| Due from other governments | 31,934 | - | 7,242 |
| Inventory | 2,079 | - | 12,591 |
| Prepaid items | 5,705 | - | 6,363 |
| Lease receivable | 15,687 | 1,407 | - |
| Restricted assets | | | |
| Cash and cash equivalents | 260,168 | - | 37 |
| Restricted accounts receivable | 15,415 | - | - |
| Investments | 7,783 | - | - |
| Total current assets | 681,939 | 119,647 | 2,135,413 |
| Noncurrent Assets | | | |
| Investments | 6,084 | 36,136 | 64,959 |
| Due from component units | - | 305,957 | - |
| Prepaid items | 173 | - | 2,677 |
| Lease asset receivable | 260,575 | 6,675 | - |
| Lease right-of-use assets, net of accumulated amortization | 235 | - | 27 |
| Due from other governments | - | - | 572,733 |
| Amounts held by other governments | - | - | 12,070 |
| Restricted assets | - | - | - |
| Investments | 1,175,761 | - | - |
| Total noncurrent restricted assets | 1,442,828 | 348,768 | 652,466 |
| Capital assets | | | |
| Land | 216,100 | 93,860 | 190,261 |
| Buildings | 3,036,287 | 566,149 | 175,238 |
| Improvements and equipment | 1,968,479 | 8,409 | 193,838 |
| Infrastructure | 553,970 | 334 | 11,669,779 |
| Construction in progress | 409,680 | - | 1,826,333 |
| Intangibles | 23,030 | - | - |
| Water rights | - | - | 847,495 |
| Garage rights | - | 13,144 | - |
| Less accumulated depreciation and amortization | (3,462,330) | (329,998) | (6,373,973) |
| Net capital assets | 2,745,216 | 351,898 | 8,528,971 |
| Total noncurrent assets | 4,188,044 | 700,666 | 9,181,437 |
| Total assets | 4,869,983 | 820,313 | 11,316,850 |
| Deferred outflows of resources | | | |
| Deferred outflows | 31,340 | 1,154 | 384,227 |
| Total deferred outflows of resources | \$ 31,340 | \$ 1,154 | \$ 384,227 |

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

| <u>Business-type Activities-Enterprise</u> | | <u>Governmental Activities Internal Service Funds</u> | |
|--|---------------------|---|---------------|
| <u>Total</u> | | | |
| \$ | 898,404 | \$ | 25,380 |
| | 1,380,595 | | 52,784 |
| | 226,690 | | 3 |
| | 17,484 | | - |
| | 93 | | - |
| | 45,431 | | - |
| | 1,891 | | 79 |
| | 39,176 | | 30 |
| | 14,670 | | - |
| | 12,068 | | - |
| | 17,094 | | - |
| | 260,205 | | - |
| | 15,415 | | - |
| | 7,783 | | - |
| | <u>2,936,999</u> | | <u>78,276</u> |
| | 107,179 | | - |
| | 305,957 | | - |
| | 2,850 | | - |
| | 267,250 | | - |
| | 262 | | - |
| | 572,733 | | - |
| | 12,070 | | - |
| | - | | - |
| | 1,175,761 | | - |
| | <u>2,444,062</u> | | <u>-</u> |
| | 500,221 | | - |
| | 3,777,674 | | 963 |
| | 2,170,726 | | - |
| | 12,224,083 | | - |
| | 2,236,013 | | 7 |
| | 23,030 | | - |
| | 847,495 | | - |
| | 13,144 | | - |
| | <u>(10,166,301)</u> | | <u>(638)</u> |
| | <u>11,626,085</u> | | <u>332</u> |
| | <u>14,070,147</u> | | <u>332</u> |
| | <u>17,007,146</u> | | <u>78,608</u> |
| | 416,721 | | - |
| \$ | <u>416,721</u> | \$ | <u>-</u> |

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2021
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | |
|---|--|---|-----------------------------|
| | Airport System | Convention & Entertainment | Combined Utility |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 10,383 | \$ 3 | \$ 214,844 |
| Accrued payroll liabilities | 4,161 | - | 7,518 |
| Accrued interest payable | 41,334 | 5,270 | 34,617 |
| Notes payable | 1,068 | - | - |
| Contracts and retainages payable | 66,044 | - | - |
| Due to other funds | 99 | - | 36,651 |
| Due to component units | - | 30,654 | - |
| Due to other governments | 1,846 | - | 1,182 |
| Special facility bonds payable | 7,505 | - | - |
| Advances and deposits | 2,320 | - | 53,650 |
| Contracts payable - debt current maturities | - | - | 8,581 |
| Cost of issuance payable | 1,117 | 79 | - |
| Claims and judgments | 903 | - | 2,669 |
| Compensated absences | 5,477 | - | 10,286 |
| Arbitrage rebate | - | - | 2,818 |
| Pension obligation bonds payable | - | 185 | 3,369 |
| Other liabilities | 1,947 | - | - |
| Current lease liability | 128 | - | 15 |
| Revenue bonds payable | 75,580 | 22,058 | 264,667 |
| Unearned revenue | 8,278 | - | - |
| Total current liabilities | 228,190 | 58,249 | 640,867 |
| Noncurrent liabilities | | | |
| Accrued interest payable | - | - | 49,398 |
| Revenue bonds payable | 2,346,426 | 612,390 | 7,329,037 |
| Special facility bonds payable | 60,680 | - | - |
| Claims and judgments | 2,174 | - | 1,525 |
| Compensated absences | 8,541 | - | 10,497 |
| Contracts payable | - | - | 441,265 |
| Commercial paper | 20,000 | - | - |
| Arbitrage rebate liability | - | - | 2,883 |
| Due to other governments | - | - | 8,228 |
| Lease liabilities | 111 | - | 12 |
| Municipal pension trust liability | 161,545 | 4,719 | 281,091 |
| Other post employment benefits | 83,494 | 9,149 | 213,959 |
| Notes payable | 13,353 | - | - |
| SWAP liability | - | - | 214,123 |
| Unearned revenue | - | 5,733 | 695,482 |
| Pension obligation bonds payable | 2,006 | 3,009 | 88,933 |
| Total noncurrent liabilities | 2,698,330 | 635,000 | 9,336,433 |
| Total liabilities | 2,926,520 | 693,249 | 9,977,300 |
| Deferred inflows of resources | | | |
| Deferred inflows | 341,420 | 17,612 | 139,609 |
| Total deferred inflows of resources | 341,420 | 17,612 | 139,609 |
| Net position | | | |
| Net investment in capital assets | 495,497 | 31,208 | 994,788 |
| Restricted net position | | | |
| Restricted for debt service | 384,267 | 36,136 | 71,968 |
| Restricted for renewal and replacement | 10,000 | - | - |
| Restricted for maintenance and operations | 54,232 | 11,756 | 91,195 |
| Restricted for others' capital improvement | 52,362 | - | - |
| Restricted for capital improvements | 627,464 | - | 14,784 |
| Unrestricted | 9,561 | 31,506 | 411,433 |
| Total net position | \$ 1,633,383 | \$ 110,606 | \$ 1,584,168 |

Cumulative asset resulting from internal service funds overcharging proprietary funds

Net position of business-type activities

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

| <u>Business-type Activities-Enterprise</u> | | <u>Governmental Activities Internal Service Funds</u> | |
|--|-------------------|---|------------------|
| <u>Total</u> | | | |
| \$ | 225,230 | \$ | 1,631 |
| | 11,679 | | 166 |
| | 81,221 | | - |
| | 1,068 | | - |
| | 66,044 | | - |
| | 36,750 | | 39 |
| | 30,654 | | - |
| | 3,028 | | - |
| | 7,505 | | - |
| | 55,970 | | - |
| | 8,581 | | - |
| | 1,196 | | - |
| | 3,572 | | 34,587 |
| | 15,763 | | 189 |
| | 2,818 | | - |
| | 3,554 | | - |
| | 1,947 | | - |
| | 143 | | - |
| | 362,305 | | - |
| | 8,278 | | 3,049 |
| | <u>927,306</u> | | <u>39,661</u> |
| | 49,398 | | - |
| | 10,287,853 | | - |
| | 60,680 | | - |
| | 3,699 | | 15,000 |
| | 19,038 | | 112 |
| | 441,265 | | - |
| | 20,000 | | - |
| | 2,883 | | - |
| | 8,228 | | - |
| | 123 | | - |
| | 447,355 | | - |
| | 306,602 | | - |
| | 13,353 | | - |
| | 214,123 | | - |
| | 701,215 | | - |
| | 93,948 | | - |
| | <u>12,669,763</u> | | <u>15,112</u> |
| | <u>13,597,069</u> | | <u>54,773</u> |
| | 498,641 | | - |
| | <u>498,641</u> | | <u>-</u> |
| | 1,521,493 | | 332 |
| | 492,371 | | - |
| | 10,000 | | - |
| | 157,183 | | - |
| | 52,362 | | - |
| | 642,248 | | - |
| | 452,500 | | 23,503 |
| | <u>3,328,157</u> | | <u>\$ 23,835</u> |
| | 2,233 | | |
| \$ | <u>3,330,390</u> | | |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2021
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | |
|--|--|---|-----------------------------|
| | Airport System | Convention & Entertainment | Combined Utility |
| Operating Revenues | | | |
| Landing area fees | \$ 70,578 | \$ - | \$ - |
| Terminal space rentals | 155,598 | - | - |
| Parking | 43,815 | 4,651 | - |
| Concession | 42,093 | - | - |
| Other | 6,471 | - | - |
| Rental | - | 1,449 | - |
| Water/Sewer billing | - | - | 1,092,740 |
| Health benefit premiums | - | - | - |
| Total operating revenue | <u>318,555</u> | <u>6,100</u> | <u>1,092,740</u> |
| Operating Expenses | | | |
| Administrative costs | - | - | - |
| Claims costs | - | - | - |
| Maintenance and operating | 318,568 | 30,441 | 529,971 |
| Depreciation and amortization | 170,820 | 13,418 | 273,747 |
| Total operating expenses | <u>489,388</u> | <u>43,859</u> | <u>803,718</u> |
| Operating income (loss) | <u>(170,833)</u> | <u>(37,759)</u> | <u>289,022</u> |
| Nonoperating revenues (expenses) | | | |
| Investment income | 1,523 | 9,083 | 3,310 |
| Hotel occupancy tax | - | 47,449 | - |
| Other revenue | 11,078 | 431 | 51,862 |
| Gain (loss) on disposal of assets | (27,601) | (5,753) | (1,970) |
| Interest expense | (62,107) | (25,475) | (239,067) |
| Cost of issuance | (6,020) | - | (3,502) |
| CARES grant | 187,369 | - | - |
| Passenger facility charges | 62,541 | - | - |
| Contributions | - | - | 34,559 |
| Customer facility charges | 8,769 | - | - |
| Special facility cost | (75) | - | - |
| Total nonoperating revenues (expenses) | <u>175,477</u> | <u>25,735</u> | <u>(154,808)</u> |
| Income (loss) before capital contributions and transfers | <u>4,644</u> | <u>(12,024)</u> | <u>134,214</u> |
| Capital contributions | <u>24,757</u> | <u>-</u> | <u>408,344</u> |
| Transfers out | <u>-</u> | <u>(1,449)</u> | <u>(61,984)</u> |
| Total transfers | <u>-</u> | <u>(1,449)</u> | <u>(61,984)</u> |
| Change in net position | 29,401 | (13,473) | 480,574 |
| Liability resulting from internal service fund's undercharging proprietary funds | | | |
| Net change | | | |
| Beginning Net Position as previously reported | 1,603,982 | 124,079 | 419,947 |
| Prior period adjustment | - | - | 683,647 |
| Total net position, July 1, | <u>1,633,383</u> | <u>110,606</u> | <u>1,103,594</u> |
| Total net position, June 30 | <u>\$ 1,633,383</u> | <u>\$ 110,606</u> | <u>\$ 1,584,168</u> |

Internal service fund activity is reported with governmental activities. The amount shown represents the net expense allocated to business-type activities.

Total change in net position business-type activities

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

| <u>Business-type Activities Enterprise Funds</u> | <u>Governmental Activities Internal Service Funds</u> |
|--|---|
| <u>Total</u> | |
| \$ 70,578 | \$ - |
| 155,598 | - |
| 48,466 | - |
| 42,093 | - |
| 6,471 | 1,357 |
| 1,449 | - |
| 1,092,740 | - |
| - | 385,662 |
| <u>1,417,395</u> | <u>387,019</u> |
| - | 6,356 |
| - | 400,109 |
| 878,980 | - |
| 457,985 | 37 |
| <u>1,336,965</u> | <u>406,502</u> |
| <u>80,430</u> | <u>(19,483)</u> |
| 13,916 | (246) |
| 47,449 | - |
| 63,371 | - |
| (35,324) | - |
| (326,649) | - |
| (9,522) | - |
| 187,369 | - |
| 62,541 | - |
| 34,559 | - |
| 8,769 | - |
| (75) | - |
| <u>46,404</u> | <u>(246)</u> |
| 126,834 | (19,729) |
| 433,101 | - |
| (63,433) | - |
| <u>(63,433)</u> | <u>-</u> |
| 496,502 | (19,729) |
| | 43,564 |
| | - |
| | 23,835 |
| | <u>\$ 23,835</u> |
| (4,615) | |
| <u>\$ 491,887</u> | |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | |
|---|--|---|-----------------------------|
| | Airport System | Convention & Entertainment | Combined Utility |
| Cash flows from operating activities | | | |
| Receipts from customers | \$ 327,039 | \$ 6,502 | \$ 1,120,175 |
| Payments to employees | (106,283) | (546) | (196,170) |
| Payments to suppliers | (168,061) | - | (254,927) |
| Internal activity-payments (to) from other funds | (69,604) | 5 | (21,284) |
| Claims paid | - | - | (2,190) |
| Due to(from) other governments | - | - | - |
| Other receipts | 6,470 | 141 | 51,845 |
| Other payments | - | (26,288) | - |
| Receipts from component units | - | 1,449 | - |
| Receipts from other governments | - | - | 58 |
| Net cash provided by (used in) operating activities | <u>(10,439)</u> | <u>(18,737)</u> | <u>697,507</u> |
| Cash flows from investing activities | | | |
| Interest income on investments | 15,388 | (7,001) | 3,310 |
| Purchases of investments | (2,233,546) | (119,878) | (3,397,479) |
| Sales of investments | 2,066,830 | 136,666 | 3,452,148 |
| Net cash provided by (used in) investing activities | <u>(151,328)</u> | <u>9,787</u> | <u>57,979</u> |
| Cash flows from capital and related financing activities | | | |
| Retirement of revenue bonds | (795,780) | (88,872) | (221,985) |
| Lease liabilities | (192) | - | - |
| Retirement of special facility bonds | (6,240) | - | - |
| Proceeds from SECO Loan | 14,097 | - | - |
| Refunding of revenue bonds | - | - | (401,935) |
| Retirement of commercial paper | (496,773) | - | (590,000) |
| Proceeds from issuance of revenue bonds | 1,216,043 | 20,000 | 1,224,579 |
| Retirement of subordinate lien bonds | - | - | (11,215) |
| Proceeds from issuance of commercial paper | 383,800 | - | 315,000 |
| Passenger facilities charges | 50,319 | - | - |
| Customer facilities charges | 8,191 | - | - |
| Retirement of Junior Lien bonds | - | - | (22,405) |
| Interest expense on debt | (99,233) | 23,464 | (288,767) |
| Other income items | 11,078 | - | - |
| Proceeds from disposition of assets | - | - | 1,901 |
| Proceeds of subordinate lien bonds | - | - | 38,000 |
| Grant receipts | 4,197 | - | - |
| Retirement of contracts payable | - | - | (8,312) |
| Acquisition of property, plant and equipment | (174,533) | - | (933,040) |
| Due from other governments | - | - | 331,504 |
| Cost of issuance on debt | (6,020) | - | (4,811) |
| Special facility cost | (75) | - | - |
| Net cash provided by (used in) capital and related financing activities | <u>108,879</u> | <u>(45,408)</u> | <u>(571,486)</u> |

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

| | Business-type Activities Enterprise Funds | Governmental Activities Internal Service Funds |
|----|--|---|
| | Total | |
| \$ | 1,453,716 | 385,499 |
| | (302,999) | (6,280) |
| | (422,988) | (424) |
| | (90,883) | (95) |
| | (2,190) | (394,973) |
| | - | (5) |
| | 58,456 | 1,356 |
| | (26,288) | - |
| | 1,449 | - |
| | 58 | - |
| | <u>668,331</u> | <u>(14,922)</u> |
| | 11,697 | (246) |
| | (5,750,903) | (131,272) |
| | <u>5,655,644</u> | <u>144,665</u> |
| | <u>(83,562)</u> | <u>13,147</u> |
| | (1,106,637) | - |
| | (192) | - |
| | (6,240) | - |
| | 14,097 | - |
| | (401,935) | - |
| | (1,086,773) | - |
| | 2,460,622 | - |
| | (11,215) | - |
| | 698,800 | - |
| | 50,319 | - |
| | 8,191 | - |
| | (22,405) | - |
| | (364,536) | - |
| | 11,078 | - |
| | 1,901 | - |
| | 38,000 | - |
| | 4,197 | - |
| | (8,312) | - |
| | (1,107,573) | (7) |
| | 331,504 | - |
| | (10,831) | - |
| | (75) | - |
| | <u>(508,015)</u> | <u>(7)</u> |

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | |
|---|--|---|-----------------------------|
| | Airport System | Convention & Entertainment | Combined Utility |
| Cash flows from noncapital financing activities | | | |
| Proceeds from interfund receivable | - | - | 2,005 |
| Interest expense on pension obligation bonds | - | - | (4,959) |
| CARES grant | 180,867 | - | - |
| Retirement of pension bonds | - | (95) | (3,126) |
| Payments from component unit | - | 22,301 | - |
| Hotel occupancy tax revenue | - | 35,658 | - |
| Retirement of interfund payable | - | - | (1,003) |
| Transfers to debt service fund | - | - | (5,049) |
| Transfers to other funds | - | - | (56,935) |
| Net cash provided by (used in) noncapital financing activities | 180,867 | 57,864 | (69,067) |
| Net increase in cash and cash equivalents | 127,979 | 3,506 | 114,933 |
| Cash and cash equivalents, July 1 | 407,866 | 20,752 | 483,573 |
| Cash and cash equivalents, June 30 | \$ 535,845 | \$ 24,258 | \$ 598,506 |
| Cash and cash equivalents | | | |
| Pooled cash and cash equivalents (Note 3A) | \$ 275,677 | \$ 24,258 | \$ 598,469 |
| Current restricted cash and cash equivalents (Note 3A) | 260,168 | - | 37 |
| Total cash and cash equivalents, June 30 | \$ 535,845 | \$ 24,258 | \$ 598,506 |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ (170,833) | \$ (37,759) | \$ 289,022 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | |
| Depreciation and amortization | 170,820 | 13,418 | 273,747 |
| Other post employment benefits | (6,623) | 9,808 | 33,143 |
| Other revenues (expenses) | - | 431 | 51,845 |
| Terminal space revenue bond | - | (1,588) | - |
| Receipts from other governments | - | - | 58 |
| Changes in assets and liabilities | | | |
| Net due from component unit | - | 5 | - |
| Accounts receivable | 19,794 | 4 | 2,411 |
| Due from other funds | 223 | - | 9,150 |
| Inventory and prepaid insurance | (600) | - | (1,629) |
| Lease receivable | (11,649) | - | - |
| Accounts payable | (1,808) | 2 | (8,624) |
| Accrued payroll liabilities | 610 | - | 729 |
| Due to (from) other funds | (548) | - | 16,088 |
| Advances and deposits | 685 | - | 7,094 |
| Due from other governments | - | - | (832) |
| Claims and judgments-workers' compensation | 1,555 | - | 1,492 |
| Compensated absences | 725 | (546) | 496 |
| Other current liabilities | 841 | - | - |
| Pension obligation payable | (17,899) | (2,220) | 4,241 |
| Deferred revenue | - | (292) | - |
| Deferred inflow - leases | 4,268 | - | - |
| Other long-term liabilities | - | - | 19,076 |
| Net cash provided by (used in) operating activities | \$ (10,439) | \$ (18,737) | \$ 697,507 |
| Non cash transactions | | | |
| Capital additions included in notes payable | \$ (67,161) | \$ - | \$ - |
| Bond amortization expense | (15,948) | - | - |
| Unrealized loss on investments | (13,865) | - | - |
| Donated capital | - | - | (15,817) |
| Capitalized interest expense | 10,248 | - | 25,832 |
| CAB accretion interest | - | - | 8,491 |
| Gain (loss) on disposal of assets | (27,601) | - | 1,970 |
| Total non cash transactions | \$ (114,327) | \$ - | \$ 20,476 |

(Continued)

* The notes to the basic financial statements are an integral part of this statement *

| <u>Business-type Activities Enterprise Funds</u> | <u>Governmental Activities Internal Service Funds</u> |
|--|---|
| <u>Total</u> | |
| 2,005 | - |
| (4,959) | - |
| 180,867 | - |
| (3,221) | - |
| 22,301 | - |
| 35,658 | - |
| (1,003) | - |
| (5,049) | - |
| (56,935) | - |
| <u>169,664</u> | <u>-</u> |
| 246,418 | (1,782) |
| <u>912,191</u> | <u>27,163</u> |
| <u>\$ 1,158,609</u> | <u>\$ 25,381</u> |
| | |
| \$ 898,404 | \$ 25,381 |
| 260,205 | - |
| <u>\$ 1,158,609</u> | <u>\$ 25,381</u> |
| | |
| \$ 80,430 | \$ (19,483) |
| | |
| 457,985 | 37 |
| 36,328 | - |
| 52,276 | - |
| (1,588) | - |
| 58 | - |
| 5 | - |
| 22,209 | 1 |
| 9,373 | (79) |
| (2,229) | - |
| (11,649) | - |
| (10,430) | (460) |
| 1,339 | (3) |
| 15,540 | 13 |
| 7,779 | - |
| (832) | (8) |
| 3,047 | 5,237 |
| 675 | (12) |
| 841 | - |
| (15,878) | - |
| (292) | (165) |
| 4,268 | - |
| 19,076 | - |
| <u>\$ 668,331</u> | <u>\$ (14,922)</u> |
| | |
| \$ (67,161) | \$ - |
| (15,948) | - |
| (13,865) | - |
| (15,817) | - |
| 36,080 | - |
| 8,491 | - |
| (25,631) | - |
| <u>\$ (93,851)</u> | <u>\$ -</u> |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021
(amounts expressed in thousands)

| | Pension Trust Funds | Private Trust Funds | Agency Funds |
|--|--------------------------------|--------------------------------|-------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 17,779 | \$ 246 | \$ 4,781 |
| Investments | | | |
| Investments held by trust | - | 7,411 | - |
| U.S. government and agency securities | - | - | - |
| Corporate bonds | - | - | - |
| Other fixed income securities | 2,741,478 | - | - |
| Commingled equity funds | 2,295,280 | - | - |
| Common and preferred stock | 4,729,348 | - | - |
| Real estate, partnerships and alternatives | 5,070,099 | - | - |
| Short-term investment funds | 1,364,572 | - | 10,914 |
| Invested securities lending collateral | 226,943 | - | - |
| Receivables, net of allowances | | | |
| Accounts receivable | 7,111 | - | 279,594 |
| Contributions | 24,217 | - | - |
| Accrued interest and other | 10,091 | - | - |
| Other | 4,347 | - | - |
| Other Assets | 15,024 | - | - |
| Land | 5,805 | - | - |
| Building | 3,442 | - | - |
| Total assets | <u>16,515,536</u> | <u>7,657</u> | <u>295,289</u> |
| Liabilities | | | |
| Accounts payable | 19,803 | - | 295,160 |
| Advances and deposits | - | - | 129 |
| Security lending collateral | 226,943 | - | - |
| Foreign funds contracts payable | 311 | - | - |
| Other liabilities | 7,379 | - | - |
| Total liabilities | <u>254,436</u> | <u>-</u> | <u>295,289</u> |
| Net position | | | |
| Net position held in trust for pension benefits and other purposes | <u>\$ 16,261,100</u> | <u>\$ 7,657</u> | <u>\$ -</u> |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2021
(amounts expressed in thousands)

| | Pension Trust | Private Purpose Trust |
|---|--------------------------|----------------------------------|
| Additions | | |
| Contributions: | | |
| City of Houston | \$ 413,351 | \$ - |
| Plan members | 112,947 | - |
| Total contributions | 526,298 | - |
| Investment earnings | | |
| Interest and dividends | 140,731 | - |
| Net decrease in the fair value of investments | 4,070,746 | - |
| Total investment income | 4,211,477 | - |
| Less investment expense | (23,446) | - |
| Net investment income | 4,188,031 | 1,687 |
| Total additions | 4,714,329 | 1,687 |
| Deductions | | |
| Benefits | 993,032 | - |
| Refund of contributions | 5,260 | - |
| Administrative expense | 12,132 | - |
| Total deductions | 1,010,424 | - |
| Change in net position | 3,703,905 | - |
| Total net position restricted, July 1 | 12,557,195 | 5,970 |
| Total net position restricted, June 30 | \$16,261,100 | \$ 7,657 |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2021
amounts expressed in thousands

| | Greater Greenspoint Redevelopment Authority | Houston Forensic Science, LGC | Lake Houston Redevelopment Authority | Main Street Market Square Redevelopment Authority | Memorial City Redevelopment Authority |
|--|--|--|---|--|--|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash | \$ 9,573 | \$ 1,984 | \$ 50,497 | 257 | \$ 3 |
| Investments | | | | | |
| Equity in pooled cash and investments | 15,090 | - | - | 12,722 | 19,184 |
| Receivables, net of allowances | | | | | |
| Accounts receivable | - | 33 | 5,648 | 415 | - |
| Property taxes receivable, net | 14,824 | - | - | 20,484 | 17,241 |
| Special assessments receivable | - | - | - | - | - |
| Accrued interest and other | - | - | - | - | - |
| Due from Other Funds | - | - | - | - | - |
| Due from primary government | - | 400 | - | - | - |
| Due from other governments | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Property Held for resale | - | - | - | - | - |
| Prepaid items | - | 371 | - | 451 | 260 |
| Restricted assets | | | | | |
| Investments | - | - | - | - | - |
| Other receivables | 76 | - | - | - | 1 |
| Due from other governments - grants | - | - | - | - | - |
| Total current assets | <u>39,563</u> | <u>2,788</u> | <u>56,145</u> | <u>34,329</u> | <u>36,689</u> |
| Noncurrent Assets | | | | | |
| Restricted assets | | | | | |
| Investments | - | - | - | - | - |
| Total noncurrent assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Right to use assets, net of amortization | | | | | |
| Right to use assets | - | - | - | - | - |
| Total right to use assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital assets | | | | | |
| Land | 5,506 | - | - | - | 6,971 |
| Buildings, improvements and equipment | 35,126 | 38,633 | - | - | - |
| Construction in progress | - | - | - | - | - |
| Less accumulated depreciation and amortization | (8,269) | (5,244) | - | - | - |
| Total capital assets | <u>32,363</u> | <u>33,389</u> | <u>-</u> | <u>-</u> | <u>6,971</u> |
| Total assets | <u>71,926</u> | <u>36,177</u> | <u>56,145</u> | <u>34,329</u> | <u>43,660</u> |
| Deferred outflows of resources | | | | | |
| Deferred outflows of resources | - | - | - | - | - |
| Total deferred outflows of resources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 2,569 | 1,722 | 607 | 5,887 | 39 |
| Accrued payroll liabilities | - | - | - | - | - |
| Accrued interest payable | 425 | - | - | 699 | 685 |
| Contracts and retainages payable | - | - | 24,584 | 669 | 100 |
| Notes payable | - | - | - | - | 19,231 |
| Lease payable | - | 659 | - | - | - |
| Due to other governments | - | - | - | - | 2,257 |
| Advances and deposits | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - |
| Current liabilities payable from restricted assets | | | | | |
| Bonds payable | 1,495 | - | - | 2,200 | 5,360 |
| Construction billings and retainages | - | - | - | - | - |
| Total current liabilities | <u>4,489</u> | <u>2,381</u> | <u>25,191</u> | <u>9,455</u> | <u>27,672</u> |
| Noncurrent liabilities | | | | | |
| Notes payable | - | - | - | - | - |
| Bonds payable | 30,410 | - | 49,073 | 47,437 | 49,128 |
| Lease payable | - | 31,673 | - | - | - |
| Compensated absences | - | 1,458 | - | - | - |
| Total Noncurrent liabilities | <u>30,410</u> | <u>33,131</u> | <u>49,073</u> | <u>47,437</u> | <u>49,128</u> |
| Total liabilities | <u>34,899</u> | <u>35,512</u> | <u>74,264</u> | <u>56,892</u> | <u>76,800</u> |
| Net position | | | | | |
| Net investment in capital assets | 18,221 | 1,056 | - | - | 6,971 |
| Restricted net position | | | | | |
| Restricted for debt service | 2,734 | - | - | 8,639 | 19,074 |
| Restricted for maintenance and operations | - | - | - | - | - |
| Restricted for capital improvements | - | - | - | - | - |
| Other restricted | - | - | - | - | - |
| Unrestricted (deficit) | 16,072 | (391) | (18,119) | (31,202) | (59,185) |
| Total net position (deficit) | <u>\$ 37,027</u> | <u>\$ 665</u> | <u>\$ (18,119)</u> | <u>\$ (22,563)</u> | <u>\$ (33,140)</u> |

* The notes to the basic financial statements are an integral part of this statement *

| Midtown Redevelopment Authority | OST/Alameda Corridors Redevelopment Authority | Southwest Houston Redevelopment Authority | Upper Kirby Redevelopment Authority | Uptown Development Authority | Nonmajor Component Units | Total |
|---------------------------------------|--|--|---|------------------------------------|--------------------------------|--------------------|
| \$ 5,777 | \$ 69 | \$ 3,445 | \$ 221 | \$ 24,058 | \$ 46,705 | \$ 142,589 |
| 15,664 | 64,980 | 37,024 | 20,635 | - | 154,145 | 339,444 |
| - | - | - | 15,510 | 3,488 | 19,379 | 44,473 |
| 23,732 | 10,056 | - | - | 39,070 | 21,385 | 146,792 |
| - | - | - | - | - | 26 | 26 |
| - | - | - | - | 1,420 | - | 1,420 |
| - | - | - | - | - | - | - |
| - | - | 9,552 | - | - | 7,735 | 17,687 |
| - | 12 | - | - | 130 | 557 | 699 |
| - | - | - | - | - | 251 | 251 |
| 44,186 | - | - | - | - | - | 44,186 |
| - | - | 241 | - | 7 | 1,623 | 2,953 |
| - | - | - | - | - | 11,663 | 11,663 |
| 528 | - | - | - | - | 229 | 834 |
| - | - | - | - | - | - | - |
| <u>89,887</u> | <u>75,117</u> | <u>50,262</u> | <u>36,366</u> | <u>68,173</u> | <u>263,698</u> | <u>753,017</u> |
| - | - | - | - | - | 1,082 | 1,082 |
| - | - | - | - | - | 1,082 | 1,082 |
| - | - | - | - | - | 205 | 205 |
| - | - | - | - | - | 205 | 205 |
| 14,945 | 3,154 | 6,938 | 13,509 | 17,101 | 73,826 | 141,950 |
| 87,486 | 36 | - | - | 30,568 | 7,405 | 199,254 |
| - | - | - | - | - | 35,575 | 35,575 |
| (11,073) | (35) | - | - | (6,958) | (5,166) | (36,745) |
| <u>91,358</u> | <u>3,155</u> | <u>6,938</u> | <u>13,509</u> | <u>40,711</u> | <u>111,640</u> | <u>340,034</u> |
| - | - | - | - | - | - | - |
| <u>181,245</u> | <u>78,272</u> | <u>57,200</u> | <u>49,875</u> | <u>108,884</u> | <u>376,625</u> | <u>1,094,338</u> |
| - | - | 194 | - | 2,083 | - | 2,277 |
| \$ - | \$ - | \$ 194 | \$ - | \$ 2,083 | \$ - | \$ 2,277 |
| 3,078 | 951 | 3,033 | 5,001 | 20,242 | 12,146 | 55,275 |
| - | - | - | - | - | 192 | 192 |
| 2,272 | 795 | 1,050 | 72 | 2,386 | 836 | 9,220 |
| 4,257 | - | - | 137 | - | 1,954 | 31,701 |
| 2,256 | - | - | 3,000 | 901 | 2,069 | 27,457 |
| - | - | - | - | - | 69 | 728 |
| - | - | - | - | 8,690 | 1,632 | 12,579 |
| - | - | - | 33 | - | 1,214 | 1,247 |
| - | - | - | - | - | 4,835 | 4,835 |
| 3,640 | 2,310 | 2,640 | - | 32,836 | 2,280 | 52,761 |
| - | 3,570 | - | - | - | - | 3,570 |
| <u>15,503</u> | <u>7,626</u> | <u>6,723</u> | <u>8,243</u> | <u>65,055</u> | <u>27,227</u> | <u>199,565</u> |
| 18,934 | - | - | 30,000 | 8,972 | 37,912 | 95,818 |
| 81,364 | 61,639 | 81,853 | - | 290,453 | 92,316 | 783,673 |
| - | - | - | - | - | 110 | 31,783 |
| - | - | - | - | - | - | 1,458 |
| <u>100,298</u> | <u>61,639</u> | <u>81,853</u> | <u>30,000</u> | <u>299,425</u> | <u>130,338</u> | <u>912,732</u> |
| - | - | - | - | - | - | - |
| <u>115,801</u> | <u>69,265</u> | <u>88,576</u> | <u>38,243</u> | <u>364,480</u> | <u>157,565</u> | <u>1,112,297</u> |
| 63,677 | 3,154 | 6,938 | 13,509 | 24,658 | 108,388 | 246,572 |
| 12,541 | 4,651 | 2,647 | 1,926 | 44,154 | 899 | 97,265 |
| - | - | - | - | - | 3,555 | 3,555 |
| 3,081 | - | 28,460 | - | - | 15,874 | 47,415 |
| 47,408 | - | - | - | - | 50,176 | 97,584 |
| (61,263) | 1,202 | (69,227) | (3,803) | (322,325) | 40,168 | (508,073) |
| <u>\$ 65,444</u> | <u>\$ 9,007</u> | <u>\$ (31,182)</u> | <u>\$ 11,632</u> | <u>\$ (253,513)</u> | <u>\$ 219,060</u> | <u>\$ (15,682)</u> |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2021
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Greenspoint Redevelopment Authority | Houston Forensic Science LGC | Lake Houston Redevelopment Authority |
|--|-----------------|---------------------------------|---|---|--|---|---|
| Component Units | | | | | | | |
| Greater Greenspoint Redevelopment Authority | 16,982 | - | - | - | (16,982) | - | - |
| Houston Forensic Science LGC, Inc. | 30,958 | - | 30,250 | - | - | (708) | - |
| Lake Houston Redevelopment Authority | 25,374 | - | - | - | - | - | (25,374) |
| Main Street Market Square Redevelopment Authority | 26,552 | - | - | - | - | - | - |
| Memorial City Redevelopment Authority | 10,538 | - | - | - | - | - | - |
| Midtown Redevelopment Authority | 17,077 | - | - | - | - | - | - |
| OST/Almeda Corridors Redevelopment Authority | 14,236 | - | 129 | - | - | - | - |
| Southwest Houston Redevelopment Authority | 12,484 | - | - | - | - | - | - |
| Upper Kirby Redevelopment Authority | 5,888 | 1,959 | - | - | - | - | - |
| Uptown Development Authority | 169,032 | - | - | 17,685.00 | - | - | - |
| Nonmajor component units | 99,012 | 20,017 | 31,333 | 12,380 | - | - | - |
| Total component units | 428,133 | 21,976 | 61,712 | 30,065 | (16,982) | (708) | (25,374) |
| General Revenues: | | | | | | | |
| Taxes | | | | | | | |
| Property Taxes - general purposes / tax increments | | | | | | | |
| | | | | | 14,824 | - | 18,270 |
| Hotel occupancy tax | | | | | | | |
| | | | | | - | - | - |
| Unrestricted investment earnings (loss) | | | | | | | |
| | | | | | - | - | 40 |
| Other | | | | | | | |
| | | | | | 176 | (92) | - |
| Total general revenues and transfers | | | | | | | |
| | | | | | 15,000 | (92) | 18,310 |
| Change in net position | | | | | | | |
| | | | | | (1,982) | (800) | (7,064) |
| Net Position (deficit) beginning | | | | | | | |
| | | | | | 39,009 | 1,465 | (11,055) |
| Net Position (deficit) ending | | | | | | | |
| | | | | | <u>\$ 37,027</u> | <u>\$ 665</u> | <u>\$ (18,119)</u> |

* The notes to the basic financial statements are an integral part of this statement *

Net (Expense) Revenue and Change in Net Position

| Market Square Redevelopment Authority | Memorial City Redevelopment Authority | Midtown Redevelopment Authority | Corridors Redevelopment Authority | Houston Redevelopment Authority | Upper Kirby Redevelopment Authority | Uptown Development Authority | Nonmajor Component Units | Total |
|--|--|--|--|--|--|---|---|--------------------|
| - | - | - | - | - | - | - | - | (16,982) |
| - | - | - | - | - | - | - | - | (708) |
| (26,552) | - | - | - | - | - | - | - | (25,374) |
| - | (10,538) | - | - | - | - | - | - | (26,552) |
| - | - | (17,077) | - | - | - | - | - | (10,538) |
| - | - | - | (14,107) | - | - | - | - | (17,077) |
| - | - | - | - | (12,484) | - | - | - | (14,107) |
| - | - | - | - | - | (3,929) | - | - | (12,484) |
| - | - | - | - | - | - | (151,347) | - | (3,929) |
| - | - | - | - | - | - | - | (35,282) | (151,347) |
| <u>(26,552)</u> | <u>(10,538)</u> | <u>(17,077)</u> | <u>(14,107)</u> | <u>(12,484)</u> | <u>(3,929)</u> | <u>(151,347)</u> | <u>(35,282)</u> | <u>(314,380)</u> |
| 20,422 | 18,148 | 25,403 | 11,913 | 9,551 | 12,511 | 46,087 | 37,283 | 214,412 |
| - | - | - | - | - | - | - | 1,575 | 1,575 |
| 193 | 27 | 38 | 56 | 86 | 20 | 9 | 4,315 | 4,784 |
| - | - | (1,737) | 106 | - | - | - | 1,792 | 245 |
| <u>20,615</u> | <u>18,175</u> | <u>23,704</u> | <u>12,075</u> | <u>9,637</u> | <u>12,531</u> | <u>46,096</u> | <u>44,965</u> | <u>221,016</u> |
| (5,937) | 7,637 | 6,627 | (2,032) | (2,847) | 8,602 | (105,251) | 9,683 | (93,364) |
| <u>(16,626)</u> | <u>(40,777)</u> | <u>58,817</u> | <u>11,039</u> | <u>(28,335)</u> | <u>3,030</u> | <u>(148,262)</u> | <u>200,996</u> | <u>69,301</u> |
| <u>\$ (22,563)</u> | <u>\$ (33,140)</u> | <u>\$ 65,444</u> | <u>\$ 9,007</u> | <u>\$ (31,182)</u> | <u>\$ 11,632</u> | <u>\$ (253,513)</u> | <u>\$ 219,060</u> | <u>\$ (15,682)</u> |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Net Position
June 30, 2021
amounts expressed in thousands

| | Houston First Corporation | Houston Housing Finance Corp | Houston Zoo, Inc | Total Component Units |
|---|--|---|-----------------------------|--------------------------------------|
| ASSETS | | | | |
| Cash | \$ 15,731 | \$ 31,885 | \$ 4,915 | \$ 52,531 |
| Investments | - | - | 25,864 | 25,864 |
| Receivables, net of allowances | | | | |
| Accounts receivable | 8,138 | 7,563 | 4,372 | 20,073 |
| Accrued interest and other | - | 629 | - | 629 |
| Prepaid items | 6,175 | 117 | 973 | 7,265 |
| Lease receivable | 1,884 | - | - | 1,884 |
| Restricted assets | | | | |
| Investments | 39,509 | - | - | 39,509 |
| Other receivables | 3,295 | 144 | 54,799 | 58,238 |
| Due from other governments - grants | - | 100 | - | 100 |
| Total current assets | <u>74,732</u> | <u>40,438</u> | <u>90,923</u> | <u>206,093</u> |
| Noncurrent Assets | | | | |
| Restricted cash and cash equivalents | - | 384 | 26,101 | 26,485 |
| Investments | 23,932 | - | - | 23,932 |
| Receivable and deposits | 60,382 | 6,466 | - | 66,848 |
| Lease receivable | 59,710 | - | - | 59,710 |
| Right to use lease asset | 14,260 | - | - | 14,260 |
| Total noncurrent assets | <u>158,284</u> | <u>6,850</u> | <u>26,101</u> | <u>191,235</u> |
| Property, plant & equipment | | | | |
| Land | 14,824 | 27,856 | - | 42,680 |
| Buildings, improvements and equipment | 649,512 | 54,436 | 243,222 | 947,170 |
| Construction in progress | 5,143 | - | - | 5,143 |
| Less accumulated depreciation and amortization | (181,229) | (5,568) | (74,705) | (261,502) |
| Total property, plant & equipment | <u>488,250</u> | <u>76,724</u> | <u>168,517</u> | <u>733,491</u> |
| Total assets | <u>721,266</u> | <u>124,012</u> | <u>285,541</u> | <u>1,130,819</u> |
| Deferred Outflow of Resources | | | | |
| Deferred outflow of resources | 4,093 | - | - | 4,093 |
| Total deferred outflow of resources | <u>4,093</u> | <u>-</u> | <u>-</u> | <u>4,093</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 16,903 | \$ 645 | \$ 1,298 | \$ 18,846 |
| Accrued payroll liabilities | - | - | 1,284 | 1,284 |
| Accrued interest payable | 4,811 | - | - | 4,811 |
| Contracts and retainages payable | - | - | 10,673 | 10,673 |
| Due to primary government | 44,939 | - | - | 44,939 |
| Notes payable | 19,969 | 433 | - | 20,402 |
| Lease payable | 2,212 | - | - | 2,212 |
| Other liabilities - current | 773 | 551 | 60 | 1,384 |
| Deferred revenue | 337 | - | 690 | 1,027 |
| Total current liabilities | <u>89,944</u> | <u>1,629</u> | <u>14,005</u> | <u>105,578</u> |
| Long-term liabilities | | | | |
| Notes payable | 430,291 | 46,570 | 13,251 | 490,112 |
| Lease payable | 12,017 | - | - | 12,017 |
| Deferred revenue | 7,050 | - | 8,529 | 15,579 |
| Total noncurrent liabilities | <u>449,358</u> | <u>46,570</u> | <u>21,780</u> | <u>517,708</u> |
| Total liabilities | <u>539,302</u> | <u>48,199</u> | <u>35,785</u> | <u>623,286</u> |
| Deferred Inflow of Resources | | | | |
| Deferred inflow of resources | 59,551.00 | 19,203 | - | 78,754 |
| Total deferred inflow of resources | <u>59,551.00</u> | <u>19,203</u> | <u>-</u> | <u>78,754</u> |
| Net assets | | | | |
| Investment in capital assets, net of related debt | 162,707 | 29,720 | 134,194 | 326,621 |
| Restricted net assets | | | | |
| Restricted for debt service | 6,230 | - | - | 6,230 |
| Other restricted | - | - | 67,492 | 67,492 |
| Unrestricted (deficit) | (42,431) | 26,890 | 48,070 | 32,529 |
| Total equity and other credits | <u>126,506</u> | <u>56,610</u> | <u>249,756</u> | <u>432,872</u> |
| Total liabilities, equity and other credits | <u>\$ 725,359</u> | <u>\$ 124,012</u> | <u>\$ 285,541</u> | <u>\$ 1,134,912</u> |

* The notes to the financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2021
amounts expressed in thousands

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions |
|-------------------------------|-------------------|---------------------------------|---|
| Component Units | | | |
| Houston First Corporation | 145,334 | 52,983 | 60,712 |
| Houston Housing Finance Corp. | 10,183 | 607 | 490 |
| Houston Zoo Inc. | 45,338 | 32,261 | 21,537 |
| Totals | <u>\$ 200,855</u> | <u>\$ 85,851</u> | <u>\$ 82,739</u> |

General Revenues:

| |
|---|
| Taxes |
| Property Taxes levied for general purposes/tax increments |
| RG |
| Contributions |
| Unrestricted investment earnings |
| Other |
| Total general revenues and transfers |
| Change in net position |
| Net Position (deficit) beginning |
| Net Position (deficit) ending |

* The notes to the basic financial statements are an integral part of this statement *

Net (Expense) Revenue and Change in Net Position

| Houston First Corporation | Houston Housing Finance Corp. | Houston Zoo, Inc. | Total |
|--|--|------------------------------|-------------------|
| (31,639) | - | - | (31,639) |
| - | (9,086) | - | (9,086) |
| - | - | 8,460 | 8,460 |
| <u>(31,639)</u> | <u>(9,086)</u> | <u>8,460</u> | <u>(32,265)</u> |
| - | 748 | - | 748 |
| - | - | - | - |
| - | - | - | - |
| 1,562 | 881 | 2,123 | 4,566 |
| <u>8,787</u> | <u>5,213</u> | <u>(222)</u> | <u>13,778</u> |
| <u>10,349</u> | <u>6,842</u> | <u>1,901</u> | <u>19,092</u> |
| (21,290) | (2,244) | 10,361 | (13,173) |
| <u>147,796</u> | <u>58,854</u> | <u>239,395</u> | <u>446,045</u> |
| <u>\$ 126,506</u> | <u>\$ 56,610</u> | <u>\$ 249,756</u> | <u>\$ 432,872</u> |

* The notes to the basic financial statements are an integral part of this statement *

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021



CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Houston, Texas (City) was incorporated under the laws of the Republic of Texas in 1837 and again under the laws of the State of Texas in 1905. The City operates under a Home Rule Charter with a Mayor-Council form of government and provides the following services as authorized or required by its charter: public safety (police and fire), highways and streets, sanitation, water, airports, health services, culture-recreation, storm drainage, solid waste disposal, planning and inspection, civil defense, public improvements, and general administrative services, including pension and other benefits for its employees.

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board (GASB), which establishes combined statements at the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles.

The significant accounting policies of the City are as follows:

A. Principles Used in Determining the Reporting Entity for Financial Reporting Purposes

The accompanying financial statements include financial statements for related organizations in accordance with generally accepted accounting principles. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

Component units are related organizations to the primary government. They are legally separate, independently audited, and are incorporated into the Annual Comprehensive Financial Report "(Annual Report)". Factors for determining if an entity should be treated as a component unit of a primary government are as follows:

- Fiscal dependency: does the primary government appoint a voting majority of the governing body
- Financial benefit or burden relationship or the ability for the primary government to impose its will
- Financial presentation: the potential that exclusion would result in misleading financial reporting

There are 2 classifications of component units: blended and discretely presented.

A blended component unit functions, for all practical purposes, as an integral part of the primary government, much like a department. The following criteria is utilized to determine if a component unit is blended:

- Substantively the same governing body and a financial benefit or burden relationship exists
- Substantively the same governing body and operational responsibility falls with the primary government
- (Almost) exclusive service or benefit to the primary government itself rather than its citizens
- Total debt of the component unit repayable (almost) entirely from resources of the primary government

If a component unit does not function as an integral part of the primary government, it is reported as a discretely presented component unit.

B. Basis of Presentation - Financial Reporting Entity

1. Component Units

Most component units of the City issue separately audited financial statements and are reported in the Annual Report. Additional information is available by contacting the entities at the addresses shown herein.

Blended component units are incorporated into the financial reports of the City.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Following are the City's blended component units:

| <u>Blended Component Units Reported with the Primary Government</u> | <u>Brief Description of Activities, Relationship to the City and Key Inclusion Criteria</u> |
|---|--|
| <p><i>Houston Firefighters' Relief and Retirement Fund</i> 4225 Interwood North Parkway Houston, TX 77032</p> | <p>Responsible for administration, management, and operation of the pension system solely for active and retired City of Houston firefighters. One member of the Board is either the Mayor or an appointed representative, five members are elected by active firefighters, one member is elected by retired firefighters, two members are citizen representatives, and one member is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Firefighters' Relief and Retirement Pension Trust Fund.</p> |
| <p><i>Houston Municipal Employees Pension System</i> 1201 Louisiana, Suite 900 Houston, TX 77002</p> | <p>Responsible for administration, management, and operation of the pension system solely for active and retired municipal (non-classified) employees of the City. One member of the Board is appointed by the Mayor, one member of the Board is appointed by the City Controller, four are elected by active employees, two are elected by retirees, one is appointed by the elected trustees and two are appointed by the governing body of the City. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Municipal Employee's Pension Trust Fund.</p> |
| <p><i>Houston Police Officers' Pension System</i> 602 Sawyer, Suite 300 Houston, TX 77007</p> | <p>Responsible for administration, management, and operation of the pension system solely for active and retired police officers of the City. One member of the Board is appointed by the Mayor, three are elected by employees, two are elected by retirees, and one is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> <p>Reporting Fund: Houston Police Officer's Pension Trust Fund.</p> |

Discretely presented component units, both business-type and governmental, are reported in separate columns in the government-wide financial statements of the City. Discretely presented component units are classified as major and minor component units. Whether a given component unit is major depends on the nature and significance of its relationship to the primary government as follows:

- It is essential that financial statement users have separate information on the component unit because of the type of services it provides to citizens.
- The component unit is engaged in significant transactions with the primary government.
- There is a significant financial benefit or burden relationship with the primary government.

Major discretely presented component units, both business-type and governmental, are reported in detail within combining statements included as part of the basic financial statements. Non-major discretely presented component units are summarized in one column within said combining statements.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Following are the City's discretely presented business-type component units: (* indicates a major designation)

| Discretely Reported Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| <p><i>*Houston First Corporation</i> 701 Avenida de las Americas Houston, TX 77010</p> | <p>On June 1, 2011, City of Houston City Council approved the consolidation of the City's Convention & Entertainment Facilities Department (Department) operations into the Hotel Corporation (Consolidation), effective July 1, 2011, in order to bring various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as "Houston First Corporation," and Houston First Corporation (HFC) assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. The City appoints a voting majority of HFC's board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> |
| <p><i>*Houston Housing Finance Corporation</i> 9545 Katy Freeway, Suite 105 Houston, TX 77024</p> | <p>Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate-income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and a financial benefit/burden relationship exists, allowing the City to impose its will.</p> |
| <p><i>*Houston Zoo, Inc</i> 1513 Cambridge Street Houston, TX 77030</p> | <p>Houston Zoo, Inc. (HZI) is a 501(c)(3) non-profit corporation and has a contract with Houston Zoo Development Corporation to operate the Zoo. The Mayor may appoint up to 20% of the Board of Directors of HZI. Houston Zoo Development Corporation (HZDC) is a local government corporation that leases the zoo from the City. The lease provides for the City to make payments in support of capital and operating expenses over the lease term, which it makes available to HZI. The City appoints a voting majority to the HZI board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.</p> |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Following are the City's discretely presented governmental fund component units: (* indicates a major designation)

| <u>Discretely Reported Component Units</u> | <u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u> |
|--|---|
| <p><i>City Park Redevelopment Authority</i> <i>c/o TIFWorks, LLC</i> <i>P.O. Box 10330</i> <i>Houston, TX 77002</i></p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the City Park Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood northwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p> |
| <p><i>East Downtown Redevelopment Authority</i> <i>c/o Bracewell & Giuliani, LLP</i> <i>711 Louisiana Street, Suite 2300</i> <i>Houston, TX 77002</i></p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the East Downtown Tax Increment Zone Board in the redevelopment of a blighted neighborhood east of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.</p> |
| <p><i>Fifth Ward Redevelopment Authority</i> <i>c/o Fifth Ward Community Redevelopment Corporation</i> <i>4300 Lyons Avenue, Suite 300</i> <i>Houston, TX 77020</i></p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fifth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p> |
| <p><i>Fourth Ward Redevelopment Authority</i> <i>410 Pierce Street, Suite 355</i> <i>Houston, TX 77002</i></p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fourth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.</p> |
| <p><i>*Greater Greenspoint Redevelopment Authority</i> <i>16800 Greenspoint Park Drive, #160S</i> <i>Houston, TX 77060</i></p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Greater Greenspoint Tax Increment Reinvestment Zone Board in the redevelopment of the Greenspoint Mall and a blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p> |
| <p><i>Greater Houston Convention and Visitors Bureau</i> <i>701 Avenida De Las Americas</i> <i>Houston, TX 77010</i></p> | <p>A non-profit organization established in 1963. Prior to July 1, 2014 the organization was funded by both private sector memberships and a portion of the hotel occupancy tax. Subsequent to July 1, 2014 it is funded by only private sector memberships. Their mission is to improve the economy of Greater Houston by attracting conventions, tourists and film projects to the area through sales and marketing efforts. The City has financial accountability because there is a fiscal dependence on the City and a financial benefit/burden relationship exists, allowing the City to impose its will.</p> |
| <p><i>Gulfgate Redevelopment Authority</i> <i>c/o Bracewell & Giuliani, LLP</i> <i>711 Louisiana Street, Suite 2300</i> <i>Houston, TX 77002</i></p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and a blighted adjacent neighborhood southeast of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.</p> |

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Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

Hardy/Near Northside Redevelopment Authority
c/o Bracewell & Giuliani, LLP
711 Louisiana Street, Suite 2300
Houston, TX 77002

A local government corporation established by the City of Houston in 2009 in accordance with Chapter 311 of the Texas Tax Code. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

Harrisburg Redevelopment Authority
c/o Hawes Hill & Associates, LLP
9610 Long Point Rd., Suite 150
Houston, TX 77055

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Harrisburg Tax Increment Reinvestment Zone Board in the redevelopment of the East End area of Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

Hiram Clarke/Fort Bend Redevelopment Authority
14083 South Main Street
Houston, TX 77035

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Hiram Clarke/Fort Bend Tax Increment Reinvestment Zone Board in the redevelopment of the Hiram Clarke area of Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

Houston Area Library Automated Network
Houston Central Library
500 McKinney Street
Houston, TX 77002

Provides review and guidance to the operation, funding and development of the Houston Area Library Automated Network, which provides library services to Houston and surrounding communities. Three members are appointed by City Council, two by the County, and one elected by the smaller libraries. The City does appoint a voting majority, and is financially accountable for this organization because HALAN is fiscally dependent on the City for revenues, allowing the City the ability to impose its will.

Houston Arts Alliance
3201 Allen Parkway, Suite 250
Houston, TX 77019

A 501(c)(3) non-profit corporation with a mission to enhance the city's quality of life through advancing and investing in the arts and diverse cultural programming. The Alliance awards grants, provides arts-related services and manages portions of the City's Civic Art Program. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.

Houston BARC Foundation
c/o City of Houston, Administration and Regulatory Affairs Department
611 Walker Street, 13th Floor
Houston, TX 77002

A 501(c)(3) non-profit corporation with a mission to enhance the city's quality of life through advancing and investing in the care and humane treatment of animals. The Foundation solicits funds, gifts, and bequests for use at BARC. It promotes awareness to Houston area residents on responsible pet ownership, and the humane treatment of all animals. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will.

Houston Civic Events, Inc
c/o City of Houston, Mayor's Office of Special Events
901 Bagby Street, 1st Floor
Houston, TX 77002

A 501(c)(3) non-profit, local government corporation and component unit created specifically to support the City's Civic Celebration Program. Under the existing structure, donations and sponsorship revenues received by the Mayor's Office of Special Events are currently housed with two component units, Houston Parks Board, Inc. and Central Houston Civic Improvement, Inc. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

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Houston Downtown Park Corporation
1500 McKinney Street
Houston, TX 77010

****Houston Forensic Science Center, Inc***
500 Jefferson Street, 13th Floor
Houston, TX 77002

Houston Land Bank
c/o City of Houston, Housing
and Community Department
1919 Decatur
Houston, TX 77007

Houston Media Source
410 Roberts Street
Houston, TX 77003

Houston Parks Board LGC, Inc
300 N. Post Oak Lane
Houston, TX 77024

Houston Public Library Foundation
Houston Central Library
550 McKinney Street
Houston, TX 77002

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to aid and act on behalf of the City to accomplish the City's governmental purpose of providing for the acquisition, development, operation, and maintenance of a new public park, open space and related amenities and facilities to provide recreational, educational and tourism opportunities within, and beautification of the Central Business District of the City. Additionally, the corporation maintains an enterprise fund to account for the activities of the Discovery Green Parking Garage. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide forensic science services previously provided by the Houston Police Department. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

The Houston Land Bank (HLB) formerly known as Land Assemblage Redevelopment Authority (LARA) is a 13-member board appointed by the Mayor, City Council, Harris County and the Houston Independent School District. The HLB is organized for the purpose of aiding, assisting and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City and in undertaking and completing one or more projects, as may be defined or determined by the City Council. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.

A non-profit organization organized to coordinate and develop all public and educational cable access activities within the City of Houston. Funding is provided by Public and Educational and Government Access (PEG) payments made to the city by cable operators under the City's cable franchises with respect to the annual support of the PEG Channels for the support of public, educational, and governmental access programming. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

Acquires land for and develops and improves new and existing public parks and open spaces, and advises the Mayor and City Council on park acquisitions and improvements. These activities provide a direct benefit to the City. The Houston Parks Board administers and manages the LGC's business operations and grants privately raised funds to the LGC in support of its purpose. LGC board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, the LGC's assets revert to the City. There is a potential that exclusion of the LGC would result in misleading financial reporting.

A 501(c)(3) non-profit corporation that solicits and manages funds raised privately for library improvements and advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. There is a potential that exclusion would result in misleading financial reporting.

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Houston Recovery Center, LGC
150 North Chenevert Street, Suite 100
Houston, TX 77002

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide management of the Houston Center for Sobriety. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial burden to the City, allowing the City to impose its will.

****Lake Houston Redevelopment Authority***
c/o TIFWorks, LLC
P.O. Box 10330
Houston, TX 77206

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist Tax Increment Reinvestment Zone 10 Board in the redevelopment of the Lake Houston area. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

Lamar Terrace Public Improvement District
City of Houston
P. O. Box 1562
Houston, TX 77251

Special tax district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City, allowing the City to impose its will.

Leland Woods Redevelopment Authority I
c/o Bracewell, LLP
711 Louisiana Street, Suite 2300
Houston, TX 77002-2770

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.

Leland Woods Redevelopment Authority II
c/o Bracewell, LLP
711 Louisiana, Suite 2300
Houston, TX 77002-2770

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City, Leland Woods Redevelopment Authority and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.

****Main Street Market Square Redevelopment Authority***
909 Fannin, Suite 1650
Houston, TX 77010

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Main St./Market Square Tax Increment Reinvestment Zone Board in the redevelopment of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

****Memorial City Redevelopment Authority***
c/o Hawes Hill & Associates, LLP
P.O. Box 22167
Houston, TX 77227-2167

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and the Town & Country Mall areas west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

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Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

Memorial-Heights Redevelopment Authority
c/o John Kuhl, Attorney
SKLaw
1980 Post Oak Boulevard, Suite 1380
Houston, TX 77056

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial Heights Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

****Midtown Redevelopment Authority***
410 Pierce Street, Suite 355
Houston, TX 77002

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Midtown Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

Miller Theatre Advisory Board, Inc
6000 Hermann Park Drive
Houston, TX 77030-1702

A 501(c)(3) non-profit corporation with a mission to act as a steward of public and private funds to provide professional-caliber performances, free to the public, at the Miller Outdoor Theatre for the cultural enrichment of Houston's diverse communities and visitors to this great city. Miller Outdoor Theatre is owned by the City and the Board awards grants to various artistic and performing groups for performances at Miller Outdoor Theater. The City has financial accountability because the directors are appointed by the Mayor and approved by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.

Montrose Redevelopment Authority
8588 Katy Freeway, Suite 441
Houston, TX 77024

Montrose Redevelopment Authority was set up as a local government corporation pursuant to provisions of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number Twenty-Seven (the "Zone") and neighboring areas and to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. The Authority may issue bonds with consent of City Council. The Authority is managed by a Board of Directors consisting of seven members who are appointed by the Mayor with the approval of City Council.

Old Sixth Ward Redevelopment Authority
c/o City of Houston, Mayor's Office
of Economic Development
901 Bagby Street, 4th Floor
Houston, TX 77002

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, and the City has investment authority for the Authority's assets.

****OST/Almeda Corridors Redevelopment Authority***
5445 Almeda Road, Suite 545
Houston, TX 77004

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Almeda Corridors Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

Saint George Place Redevelopment Authority
c/o Hawes Hill & Associates, LLP
P.O. Box 22167
Houston, TX 77227-2167

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the St. George Place Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood in southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council. The operations provide financial benefits to the City and the City has investment authority for the Authority's assets.

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|---|---|
| <p>South Post Oak Redevelopment Authority <i>c/o City of Houston, Mayor's Office of Economic Development</i> 901 Bagby Street, 4th Floor Houston, TX 77002</p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the South Post Oak Tax Increment Reinvestment Zone Board in the development of an affordable housing project in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, and the operations provide financial benefits to the City.</p> |
| <p>*Southwest Houston Redevelopment Authority <i>c/o Hawes Hill & Associates, LLP</i> P.O. Box 22167 Houston, TX 77227-2167</p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Southwest Houston Tax Increment Reinvestment Zone Board (TIRZ 20) in the redevelopment of the Sharpstown Mall and adjacent neighborhoods southwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p> |
| <p>Stadium Park Redevelopment Authority <i>c/o Hawes Hill & Associates, LLP</i> P.O. Box 22167 Houston, TX 77227-2167</p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to enhance the various corridors around the NRG Reliant complex park with general improvements in the form of landscaping and street improvement such as lighting, signage, and way-finding graphics. Private funds will be actively sought and interlocal agreements entered into with other governmental agencies as needed. The Authority will serve as a catalyst to encourage adjacent property owners and/or institutions to improve their properties. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p> |
| <p>*Upper Kirby Redevelopment Authority 3120 Southwest Freeway, Suite 102 Houston, TX 77098</p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Upper Kirby Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p> |
| <p>*Uptown Development Authority 1980 Post Oak Boulevard, Suite 1700 Houston, TX 77056</p> | <p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Uptown Tax Increment Reinvestment Zone Board in the redevelopment of the Galleria Mall area, west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p> |

2. Related Organizations

The following entities are related organizations to which the City appoints board members but for which the City has no significant financial accountability. Some of these organizations are Access Houston Cable Corporation, Coastal Water Authority, Employees Deferred Compensation Plan, Harris County–Houston Sports Authority, Metropolitan Transit Authority of Harris County, Houston Clean City Commission, and the Miller Theater Advisory Council. All transactions with these related organizations are conducted in the ordinary course of business. Further financial information is available from the respective organizations.

C. Basis of Presentation – Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity between governmental funds has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable and is a financial burden/benefit.

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The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized on the basis of funds, each of which is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balance/net position, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The type and purpose of funds is described below.

Fund Accounting

1. The City reports the following major governmental funds:

- (a) **General Fund** - is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.
- (b) **Debt Service Fund** - is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of tax supported debt.
- (c) **Capital Projects Fund** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of public improvement bonds and from special assessments.
- (d) **CARES Act 2020 Fund** - is used to account for sources and uses of funds received from the Federal and State Governments or other sources related to aid in the economic relief pertaining to the COVID-19 pandemic.
- (e) **ARPA Fiscal Recovery Fund** - The ARPA Fiscal Recovery Fund is used to receive funds from the U.S. Department of Treasury to be used for the response efforts relating to local fiscal recovery from the COVID-19 pandemic pursuant to the American Rescue Plan Act of 2021.
- (f) **Affordable Housing TIRZ 2021** - The Affordable Housing TIRZ 2021 fund is used by the City's Housing and Community Development Department for single family affordable housing projects as required by Chapter 311 of the Texas Tax Code.
- (g) **Grants Fund** - is used to account for grant resources received from various local, state and federal sources. The use of these resources is restricted to a particular function of the City by each grantor.

2. The City reports the following major enterprise funds:

- (a) **Airport System Fund** - is used to account for the operations of the City's Airport System (the Airport System). The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.
- (b) **Convention and Entertainment Facilities Fund** - is used to account for the operations of the City's major entertainment facilities, outdoor venues, and parking garages and surface lots. These assets include, but are not limited to, the following: George R. Brown Convention Center, Gus S. Wortham Center, Jesse H. Jones Hall, Houston Center for the Arts, Talento Bilingue de Houston, Jones Plaza, and Theater District parking garages.
- (c) **Combined Utility System Fund** - is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

3. The City reports the following additional funds:

- (a) **Nonmajor Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than identified major fund) that are legally restricted to expenditures for specific purposes.
- (b) **Internal Service Funds** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.
- (c) **Fiduciary Fund Types** - are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include the following:

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- (1) **Pension Trust Funds** - are used to account for the assets held in trust for the members and beneficiaries of the City's three defined benefit pension plans.
- (2) **Agency Funds** - are custodial in nature and do not involve measurement of results of operations. They are relative to the City's payroll revolving and deposit funds, and activity relating to receipt and disbursement of taxes collected for entities outside of the City government.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements display information about the City as a whole. Government-wide statements exclude both fiduciary funds and fiduciary component units. The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with Statement of Government Accounting Standards No. 33, "Accounting and Financial Reporting for Non-exchange Transactions". Program revenues include (1) amounts received from those who purchase, use, or directly benefit from a program, (2) amounts received from parties outside the City of Houston's citizenry that are restricted to one or more specific programs and (3) earnings on investments that are legally restricted for a specific program. Program revenue is divided into three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current period. Expenditures are recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Claims, judgments and compensated absences are recognized when matured.

The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: property taxes, including delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; mixed beverage tax; franchise fees; fines and forfeits; ambulance receipts; and investment earnings. Intergovernmental revenue from reimbursable grants and capital projects is recognized when the related expenditure is incurred.

All governmental funds and certain component units are accounted for using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheets of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables and reported as deferred inflow.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Proprietary funds and pension trust funds of the primary government and certain component units are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position.

All proprietary funds define operating revenues and expenses consistent with the precepts of Statement of Government Accounting Standards No. 9 paragraphs 16 – 19 and 31: cash receipts from customers, cash receipts from interfund services provided and used with other funds and other operating cash receipts. All other revenues or expenses recognized are non-operating.

All proprietary and pension trust funds use the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and compensated absences, are recognized when they are incurred.

When restricted and unrestricted resources are available to cover expenses, unrestricted resources are first applied. Administrative overhead charges are included in direct program expenses.

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In accordance with Government Accounting Standards Board Statement No. 62 paragraphs 114-123, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", the City utilizes the percentage-of-completion method for a long-term construction contract when estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable.

E. Assets and Liabilities

1. Deposits and Investments

Substantially all cash, except for imprest accounts, is deposited with financial institutions in non-interest-bearing accounts. The City's deposit account is considered as a non-interest-bearing account. Instead of receiving interest on the accounts, the City receives the "Earnings Credit Rate". The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. All cash and investments are displayed on the statement of net position as "Cash and cash equivalents" and "Investments" and in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

Investments are carried at fair value as defined in GASB Statement 72 "Fair Value Measurement and Application". Consistent with GASB Statement 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note 3 to the financial statements. Similar disclosure for debt held by the City at fair values is disclosed in Note 8.C.13 to the financial statements. The blended and discretely presented component units separately invest their funds and report investments pursuant to their respective investment policies described in their separately audited financial statements at their fair values.

"Cash and cash equivalents" and "Investments" are further split into current and non-current in accordance with GASB Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements".

The City considers all highly liquid debt securities with a maturity date of three months or less to be cash equivalents.

Investments authorized by the City's investment policy, which is guided by state laws and city ordinances, generally include: obligations of the United States of America or its agencies and instrumentalities; fully-collateralized Certificates of Deposit from City Council-approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions; no-load money market mutual funds registered and regulated by the Securities and Exchange Commission; corporate commercial paper; fully collateralized repurchase agreements; and reverse repurchase agreements within specific terms. Investments are carried at fair value based on quoted market prices.

2. Inventories of Materials and Supplies

With the exception of fuel, inventories are carried at the average cost in government-wide, proprietary and governmental funds. Inventories are presented under the consumption method. These inventories include: automobile parts, chemical and medical supplies, uniforms and their accessories, vaccines and office supplies. Fuel is carried at market/replacement cost.

3. Capital Assets

a. Governmental Funds and Governmental Activities - Property, Plant, Equipment, and Infrastructure

Capital assets are defined by the general government as assets with an initial cost of \$5,000 or more, and an estimated useful life in excess of one fiscal year. The costs of maintenance and repairs that do not significantly add to the utility of an asset, or materially extend its useful life beyond its initially estimated useful life are not capitalized.

Capital asset valuation is based on historical costs if purchased or constructed, or based on estimated historical costs if original costs are not available - such as for the costs of infrastructure acquired prior to fiscal year 1981. Donated capital assets are recorded at acquisition value on the dates of donation.

General governmental capital acquisition and construction charges for land; buildings and improvements; improvements other than buildings; machinery and equipment; construction in progress; and infrastructure (e.g., storm drainage, streets and bridges) are reflected as capital outlay expenditures in the governmental funds' Statement of Revenues, Expenditures and

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Changes in Fund Balances. Capitalizable expenditures are reported also as capital assets in the Governmental Activities column of the government-wide Statement of Net Position.

During any construction phase, capitalizable outlays are reported as construction-in-progress on the government-wide Statement of Net Position. There is no depreciation expense for this class of capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Useful Life |
|-----------------------------------|---------------------------|
| Buildings and improvements | Range from 20 to 45 years |
| Improvements other than buildings | Range from 15 to 30 years |
| Machinery | Range from 5 to 20 years |
| Equipment | Range from 3 to 15 years |
| Storm drainage | Range from 40 to 50 years |
| Streets | Range from 6 to 50 years |
| Bridges | Range from 20 to 50 years |

b. Enterprise Funds – Property, Plant and Equipment

Property, plant, and equipment owned by the Enterprise Funds are stated at cost or estimated historical cost if original cost is not available. Construction costs (excluding land and equipment) are added to work-in-progress until the assets are substantially complete. At that point, the project is moved to the appropriate asset category and depreciation begins. Land and equipment costs are added to the capital asset base in the year of acquisition. Interest costs on funds borrowed to finance the construction of property, plant and equipment of the enterprise funds are capitalized when the interest costs materially exceed interest earnings on related revenue bond proceeds. For fiscal year 2021, the capitalized interest cost for the Airport System was \$10.2 million and Combined Utility System Fund was \$25.8 million. Depreciation on equipment begins in the year of acquisition.

Depreciation is computed using the straight-line method on the composite asset base over the estimated useful lives as follows:

| <u>Assets</u> | <u>Years</u> |
|---------------------------------------|--------------|
| Airport System Facilities | 3-50 |
| Convention & Entertainment Facilities | 5-45 |
| Combined Utility System Facilities | 5-50 |

Water rights and conveyance system rights of the Combined Utility System Fund are not amortized. Garage rights of the Convention and Entertainment fund are amortized over the life of the related contracts. These rights are reported as capital assets. Land use and avigation easements of the Houston Airport System are not amortized.

4. Leases

Leases are defined by the general government as the right to use an underlying asset. As lessee, the City recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Re-measurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The City calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

As lessor, the City recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

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For lease contracts that are short-term, the City recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases between the Airport System and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASBS No. 87, paragraph 43, the Airport System recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note 9.

5. Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and prepaid bond insurance costs in Enterprise Funds are amortized over the term of the bonds using the effective interest or straight-line amortization method. Gains or losses on Enterprise Fund refundings are reported as deferred inflows or outflows and are amortized over the term of the lesser of the new bonds or the refunded bonds using the straight-line or effective interest method. Debt issuance costs are recognized as expenditures/expenses when incurred.

F. Deferred Outflows and Inflows of Resources

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

The components of the deferred outflows of resources and deferred inflows of resources are as follows (in thousands):

| | Governmental Activities | Business Type Activities | | | Total |
|---|-------------------------|--------------------------|----------------------------|-------------------------|-----------------------|
| | | Aviation | Convention & Entertainment | Combined Utility System | |
| Deferred Outflows of Resources from: | | | | | |
| Municipal pension activities | \$ 14 | \$ 2 | \$ - | \$ 3 | \$ 19 |
| Police pension activities | 240,913 | - | - | - | 240,913 |
| Firefighter's municipal pension activities | 325,553 | - | - | - | 325,553 |
| Deferred Outflows of Resources for pensions | 566,480 | 2 | - | 3 | 566,485 |
| OPEB activities - long-term disability | 3,107 | 293 | - | 566 | 3,966 |
| OPEB activities - health benefits | 247,723 | 8,827 | 981 | 22,699 | 280,230 |
| Leases | - | - | 5 | - | 5 |
| Unamortized bond refunding costs/SWAP liability | 23,643 | 22,218 | 168 | 360,959 | 406,988 |
| Total Deferred Outflows of Resources | 840,953 | 31,340 | 1,154 | 384,227 | 1,257,674 |
| Deferred Inflows of Resources from: | | | | | |
| Municipal pension activities | (392,506) | (56,331) | (1,646) | (98,017) | (548,500) |
| Police pension activities | (942,467) | - | - | - | (942,467) |
| Firefighter's municipal pension activities | (982,285) | - | - | - | (982,285) |
| Deferred Inflows of Resources for pensions | (2,317,258) | (56,331) | (1,646) | (98,017) | (2,473,252) |
| OPEB activities - health benefits | (451,124) | (16,075) | (1,786) | (41,336) | (510,321) |
| OPEB activities - long term disability | (1,407) | (133) | - | (256) | (1,796) |
| Unearned revenues | (801) | - | - | - | (801) |
| Unamortized cost on refunded debt | - | - | (6,232) | - | (6,232) |
| Leases | (37,469) | (268,881) | (7,948) | - | (314,298) |
| Total Deferred Inflows of Resources | \$ (2,808,059) | \$ (341,420) | \$ (17,612) | \$ (139,609) | \$ (3,306,700) |

In the fund financials, revenues that have met the eligibility criteria for future years except for the time availability have been reclassified from liabilities to deferred inflows of resources. In the "government wide" financials, the unamortized loss on refunding has been reclassified from long-term debt to deferred outflows.

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G. Fund Balances and Budget Stabilization Arrangements

1. Fund Balance Descriptions

- a. Non-spendable** - indicates that portion of a fund balance that cannot be spent because they are either:
- 1) not in spendable form (such as inventories and prepaid amounts); or
 - 2) legally or contractually required to be maintained intact.
- b. Restricted** - indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either:
- 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed** – refers to that portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council. The same formal action is required to remove the limitation.
- d. Assigned** – indicates that portion of a fund balance that are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations.
- e. Unassigned** – residual net resources as a positive balance within the general fund only.

2. Fund Balance Summary

A summary of the nature and purpose of governmental fund balances at June 30, 2021 is as follows (in thousands):

| | General | Debt Service | Capital Projects | Grant | CARES ACT | ARPA | Affordable Housing | Non-Major Special Revenue Funds | | | | | Total Nonmajor | Total |
|-----------------------------|----------------|----------------|------------------|----------------|------------|----------|--------------------|---------------------------------|----------------|------------------|--------------|---------------|----------------|------------------|
| | | | | | | | | Public Safety | Public Works | Health & Housing | Parks | Other | | |
| Fund balances: | | | | | | | | | | | | | | |
| Non-spendable: | | | | | | | | | | | | | | |
| Inventory | 20,893 | - | - | 82 | - | - | - | - | 2,679 | - | - | - | 2,679 | 23,654 |
| Prepaid items | 2,734 | - | 61 | 600 | - | - | - | - | - | - | - | - | - | 3,395 |
| Total non-spendable | 23,627 | - | 61 | 682 | - | - | - | - | 2,679 | - | - | - | 2,679 | 27,049 |
| Restricted for: | | | | | | | | | | | | | | |
| Grants and other purposes | - | - | - | - | - | - | - | - | - | - | - | 5,275 | 5,275 | 5,275 |
| Police special purpose | 432 | - | - | - | - | - | - | 6,196 | - | - | - | - | 6,196 | 6,628 |
| Public transit operations | - | - | - | - | - | - | - | - | - | - | - | 3,946 | 3,946 | 3,946 |
| Affordable housing programs | - | - | - | - | - | - | 100,638 | - | - | 25,919 | - | - | 25,919 | 126,557 |
| Health services | 640 | - | - | 164,139 | 554 | 4 | - | - | - | - | - | 60,813 | 60,813 | 226,150 |
| Community development | - | - | - | - | - | - | - | - | - | - | 163 | 965 | 1,128 | 1,128 |
| Capital construction | - | - | 60,636 | - | - | - | - | - | 141,065 | - | - | 12,957 | 154,022 | 214,658 |
| Debt service | - | 149,285 | - | - | - | - | - | - | - | - | - | - | - | 149,285 |
| Total restricted | 1,072 | 149,285 | 60,636 | 164,139 | 554 | 4 | 100,638 | 6,196 | 141,065 | 25,919 | 163 | 83,956 | 257,299 | 733,627 |
| Committed to: | | | | | | | | | | | | | | |
| Community development | 2,023 | - | - | - | - | - | - | 6 | - | - | 1,341 | 423 | 1,770 | 3,793 |
| Economic development | - | - | - | - | - | - | - | - | - | - | - | 1,945 | 1,945 | 1,945 |
| Court operations | - | - | - | - | - | - | - | 792 | - | - | - | - | 792 | 792 |
| Police special purpose | - | - | - | - | - | - | - | 13,598 | (4) | - | - | - | 13,594 | 13,594 |
| Emergency services | - | - | - | - | - | - | - | 4,996 | - | - | - | - | 4,996 | 4,996 |
| Capital construction | 7,273 | - | - | - | - | - | - | - | - | - | - | - | - | 7,273 |
| Public parks and preserves | 3,319 | - | - | - | - | - | - | - | 1,772 | - | 2,877 | - | 4,649 | 7,968 |
| Recycling programs | - | - | - | - | - | - | - | - | 1,272 | - | - | - | 1,272 | 1,272 |
| Development services | - | - | - | - | - | - | - | - | 30,402 | - | - | - | 30,402 | 30,402 |
| Health services | - | - | - | - | - | - | - | - | - | 7,095 | - | - | 7,095 | 7,095 |
| Affordable housing programs | - | - | - | - | - | - | - | - | - | - | - | 99 | 99 | 99 |
| Public transit operations | - | - | - | - | - | - | - | - | - | - | - | 2,146 | 2,146 | 2,146 |
| Total committed | 12,615 | - | - | - | - | - | - | 19,392 | 33,442 | 7,095 | 4,218 | 4,613 | 68,760 | 81,375 |
| Assigned: | | | | | | | | | | | | | | |
| Capital construction | - | - | 92,326 | - | - | - | - | - | - | - | - | - | - | 92,326 |
| Total assigned | - | - | 92,326 | - | - | - | - | - | - | - | - | - | - | 92,326 |
| Unassigned: | 312,212 | - | - | - | - | - | - | - | - | - | - | - | - | 312,212 |
| Total | 349,526 | 149,285 | 153,023 | 164,821 | 554 | 4 | 100,638 | 25,588 | 177,186 | 33,014 | 4,381 | 88,569 | 328,738 | 1,246,589 |

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

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3. Budget Stabilization Arrangements

In accordance with the City's Financial Policies (as amended by Ordinance 2018-390), the City created a 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 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. Also, in accordance with the financial policies, the City will maintain Fund Balance as additional insurance against disasters, emergencies, and economic instability. The City's desired minimum unassigned Fund Balance for any given fiscal year is 7.5% of General Fund expenditures for that fiscal year, excluding debt service payments and transfers for pay-as-you-go (PAYGO) capital expenditures. These amounts are included in the General Fund's Unassigned Fund balance. On April 1, 2020, Ordinance 2020-276 was passed authorizing the appropriation of \$5 million from the Budget Stabilization Fund to the "COVID-19 Disaster" Fund for expenditures related to the public health emergency response efforts for COVID-19. On February 24, 2021, Ordinance 2021-144 was passed authorizing the appropriation of \$10 million from the Budget Stabilization Fund to the Disaster Recovery Fund for immediate relief during Winter Storm Uri. In FY2022, the Budget Stabilization Fund will be fully replenished.

H. Transfers, Revenues, Expenditures and Expenses

1. Interfund Transactions

A description of the four basic types of interfund transactions and the related accounting policies are as follows:

- a. Loans are reported as receivables and payables as appropriate.
- b. Charges for services are reported as revenues for the performing fund and expenditures of the requesting fund.
- c. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.
- d. All other interfund transfers, such as legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, are transfers. Transfers are classified as other financing sources or uses (or transfers for proprietary funds) in the Statement of Revenues, Expenditures (or expenses) and Changes in Fund Balances (or net position). For reporting at the government-wide statements level, the City eliminates direct interfund charges for services and the balances created within the same fund categories (i.e. governmental vs. business-type). This process ensures neither business-type nor governmental funds report direct internal revenue/expenditures. Interfund activity and balances resulting from transactions with the fiduciary funds are not eliminated. Instead, the fiduciary interfund activity and balances are treated as transactions with an external party. Interfund activity with discretely presented component units are handled in the same manner as fiduciary interfund activity balances. However, the discretely presented balances are reported on a separate line of the Statement of Net Position. The Internal Service Fund reports any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

2. Compensated Absences

Full-time civilian employees of the City are eligible for 10 days of vacation leave per year. After four years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees may accumulate up to 105 days of vacation leave (60 days for employees with a computation date after December 31, 1999). However, upon termination or retirement, full-time civilian employees are paid a maximum of 90 days of unused vacation leave (45 days for employees with a computation date after December 31, 1999) which is based on the average rate of pay during the employee's highest 60 days of employment. Part-time and temporary employees are not eligible for vacation or sick leave benefits. Firefighters accrue 15 to 22 days of vacation annually, based upon years of service. Police officers participate in a paid time off program that combines sick and vacation leave. Officers enter the program upon completion of their probationary period and then accrue 15 to 40 days annually, based upon years of service.

The majority of full-time civilian employees and firefighters are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses less than 16 hours of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave but will not accumulate and will not be paid out at termination. The balance of full-time civilian employees and firefighters are covered by a sick plan that was closed to

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employees in 1985. That plan accumulates a cash value for every sick day not used, which is payable upon resignation or retirement. As noted above, classified police officers are covered by a paid time off plan.

The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation and compensatory time benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. This reclassification had no effect on previously reported change in net position.

K. Internal Service Funds

The Internal Service Funds' purpose is to measure the full cost of providing health benefits and long-term disability to City employees and dependents for the purpose of fully recovering that cost through fees or charges – employee payroll deductions and expenditures in departmental personnel budgets. Any profit (loss) during a period is credited (charged) back to participating programs. All assets and liabilities are reported in the governmental activities column of the Statement of Net Position.

L. New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, "Leases". This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City has implemented GASB 87 in this annual report.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020 as postponed by GASB 95. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, "Omnibus 2020". This statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. The City has implemented GASB 92 in this annual report.

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates". This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement are effective for reporting

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periods ending after December 31, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 96, “Subscription-Based Information Technology Arrangements”. This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.” This statement (1) clarifies rules related to reporting of fiduciary activities under Statements No. 14 and No. 84; (2) mitigate costs for defined contribution plans; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting of Code section 457 plans that meet the definition of a pension plan. The requirements in paragraphs 4 and 5 are effective upon issuance. All other requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2021.

In October 2021, the GASB issued Statement No. 98, “The Annual Comprehensive Annual Report”. The statement addresses references in authoritative literature to the term comprehensive annual financial report. The Statement replaces an existing term but does not otherwise establish new accounting and financial reporting requirements. Comprehensive annual financial report has been replaced with annual comprehensive financial report (ACFR). The requirements of this statement are effective for fiscal years ending after December 15, 2021 with earlier application encouraged. The City has implemented GASB 98 in this annual report.

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NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Position

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental fund statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the government-wide statement of net position. Also, during the year the City refunded some of its existing debt. The amount borrowed is received in the governmental funds and increases fund balance. The amount that was sent to the paying agent to be escrowed for payment of the old debt as it comes due is paid out of governmental funds and reduces fund balance. The difference between those amounts will be amortized as an adjustment to interest expense in the government-wide statement of activities over the remaining life of the refunded bonds.

Balances at June 30, 2021 were (in thousands):

| | |
|---|-----------------------|
| Deferred outflows of resources | \$ 840,953 |
| Deferred inflows of resources | <u>(2,770,590)</u> |
| | <u>\$ (1,929,637)</u> |
| | |
| Internal Service Fund total assets | \$ 78,608 |
| Internal Service Fund liabilities | (54,773) |
| Allocation to Proprietary Funds | <u>(2,233)</u> |
| | <u>\$ 21,602</u> |
| | |
| Bonds and notes payable | \$ (3,644,819) |
| Accrued interest | (53,955) |
| Compensated absences not reported at the fund level | (501,767) |
| Claims and judgments not reported at the fund level | (145,040) |
| Net pension liability | (1,041,204) |
| Lease liability | (81,640) |
| Other post employment benefits obligation | <u>(2,323,042)</u> |
| | <u>\$ (7,791,467)</u> |

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statement of net position, however, issuing debt increases long-term liabilities and does not affect the government-wide statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the government-wide statement of net position.

Balances at June 30, 2021 were (in thousands):

| | |
|--------------------|---------------------|
| Debt issued: | |
| Commercial paper | \$ (114,000) |
| Section 108 loans | <u>(9,724)</u> |
| | <u>\$ (123,724)</u> |
| | |
| Repayments: | |
| Principal payments | \$ 213,148 |
| | <u>\$ 213,148</u> |
| | |
| Amortization of: | |
| Premium | \$ 17,302 |
| Net adjustment | <u>\$ 17,302</u> |
| Total | <u>\$ 106,726</u> |

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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment is a combination of the following items (in thousands):

| | | |
|--|----|-------------------------|
| Property taxes earned but not available | \$ | 42,330 |
| Ambulance fees earned but not available | | 62,782 |
| Fines and forfeits earned but not available | | 2,917 |
| Other (primarily storm water drainage fees) earned but not available | | <u>92,993</u> |
| Total revenue not reported at fund level | \$ | <u><u>201,022</u></u> |
| | | |
| Property taxes for prior periods | \$ | (26,411) |
| Ambulance fees for prior periods | | (80,510) |
| Fines and forfeits for prior periods | | (2,926) |
| Other (primarily storm water drainage fees) earned but not available | | <u>(93,194)</u> |
| Total revenue for prior period transactions | \$ | <u><u>(203,041)</u></u> |
| | | |
| Accrued interest | \$ | 159 |
| Municipal Employees pension | | 648,524 |
| Police Officers' pension | | 1,304,899 |
| Firefighters' pension | | 1,272,784 |
| Claims and judgments | | (13,519) |
| Deferred inflow from pensions | | (2,301,064) |
| Deferred outflow from pensions | | (190,997) |
| Compensated absences | | (21,067) |
| Arbitrage | | 605 |
| Other post employment benefits | | <u>(287,650)</u> |
| Total differences in accrued expenses | \$ | <u><u>412,674</u></u> |

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NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

The City's investment policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities should have a fair value of not less than 102% of the amount of the deposits collateralized thereby, adjusted by the amount of applicable depository insurance. There were no deposits with custodial risk at year end.

Cash and Cash Equivalents and Investments

The City maintains a cash and investment pool (the Pool) that is available for use by all funds. On the Statement of Net Position, "Cash and Cash Equivalents" includes each fund's portion of the Pool and each fund's non-pooled cash; "Investments" represents each fund's portion of the Pool and non-pooled investment. Participation in the Pool is limited to normal operating activities of the fund and other funds that are restricted because of statutory or contractual considerations, but does not include cash on hand (petty cash and change funds) which is included in non-pooled cash. Earnings from the Pool are allocated to the funds based upon each fund's average daily balance in the Pool. A summary of balances in pooled and non-pooled accounts follows.

| | Pooled Cash and Cash Equivalents | Pooled Investments | Total Pooled Cash and Investments | Non-Pooled Cash | Non-Pooled Investments | Total Cash and Investments |
|----------------------------|-------------------------------------|-------------------------|--------------------------------------|----------------------|---------------------------|-------------------------------|
| Governmental Funds: | | | | | | |
| General | \$ 129,081,795 | \$ 112,132,451 | \$ 241,214,246 | \$90,473 | \$ - | \$ 241,304,719 |
| Debt Service | 102,573,829 | 40,278,930 | 142,852,759 | 29,606 | 5,924,809 | 148,807,174 |
| CARES Act 2020 Fund | 22,891,221 | - | 22,891,221 | - | - | 22,891,221 |
| ARPA Fiscal Recovery Fund | 303,888,224 | - | 303,888,224 | - | - | 303,888,224 |
| Affordable Housing | 29,533,696 | 71,104,051 | 100,637,747 | - | - | 100,637,747 |
| Capital Projects | 71,840,776 | 192,715,090 | 264,555,866 | - | - | 264,555,866 |
| Grants | 26,146,589 | - | 26,146,589 | 1,000 | - | 26,147,589 |
| Non-major: | | | | | | |
| Health and Housing | 9,946,488 | 23,950,603 | 33,897,091 | - | - | 33,897,091 |
| Other Special Revenue | 27,940,428 | 53,343,341 | 81,283,769 | - | - | 81,283,769 |
| Parks and Recreation | 1,607,762 | 3,765,087 | 5,372,849 | 4,650 | - | 5,377,499 |
| Public Safety | 9,341,649 | 17,416,394 | 26,758,043 | - | - | 26,758,043 |
| Public Works | 50,173,605 | 162,190,629 | 212,364,234 | 2,100 | - | 212,366,334 |
| Enterprise Funds: | | | | | | |
| Airport System | 484,805,017 | 1,199,888,433 | 1,684,693,450 | 51,039,974 | - | 1,735,733,424 |
| Convention & Entertainment | 24,257,903 | 67,190,582 | 91,448,485 | - | - | 91,448,485 |
| Combined Utility | 598,468,988 | 1,404,240,274 | 2,002,709,262 | 37,053 | - | 2,002,746,315 |
| Internal Service: | | | | | | |
| Health Benefits | 22,514,529 | 46,770,196 | 69,284,725 | - | - | 69,284,725 |
| Long-term Disability | 2,865,913 | 6,014,408 | 8,880,321 | - | - | 8,880,321 |
| Agency: | | | | | | |
| City Deposits | 36,914 | 92,348 | 129,262 | - | - | 129,262 |
| TIRZ Deposits | 4,744,152 | 10,821,606 | 15,565,758 | - | - | 15,565,758 |
| Trust Fund | - | - | - | 245,794 | 7,411,114 | 7,656,908 |
| Total | <u>\$ 1,922,659,478</u> | <u>\$ 3,411,914,423</u> | <u>\$ 5,334,573,901</u> | <u>\$ 51,450,650</u> | <u>\$ 13,335,923</u> | <u>\$ 5,399,360,474</u> |

B. Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2021. The City held \$5.18 billion in high grade, fixed income investments in three separate investment pools, each serving a specific purpose as described below. All investments are governed by state law and the City's Investment Policy, which dictates the following objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investment
4. Legal Requirements

These funds are managed internally by City personnel. The investments listed below do not include the City's three pension funds, which are described separately in this report.

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1. General Investment Pool

The General Investment Pool consists of all working capital, construction, and debt service funds not subject to yield restriction under IRS arbitrage regulations. The funds of the City's enterprise systems, as well as the general fund, are commingled in this pool to gain operational efficiency. Approximately 98.6% of the City's total pooled investable funds are held in this portfolio.

| City of Houston Investments As of June 30, 2021 | Credit Quality Ratings (1)(2) | Fair Value (\$ in millions) | WAM* (years) |
|--|--|--|-------------------------|
| U.S. Treasury Securities | AAA | \$ 1,605.40 | 2.513 |
| Govt. Agency Securities (3) | AAA | 1,116.87 | 2.233 |
| Govt. Agency Securities (State of Israel Bond) | AA | 10.00 | 0.088 |
| Govt. Agency Securities (3) (4) | Not Rated | 400.61 | 2.260 |
| Govt. Mortgaged Backed Securities (3) (4) | Not Rated | 1.63 | 0.970 |
| MMF - TexSTAR Cash Reserves | AAA Short Term | 708.02 | 0.101 |
| Commercial Paper | A-1/P-1 Short Term | 969.55 | 0.273 |
| Municipal Securities | AAA Long Term | 191.43 | 2.228 |
| Municipal Securities | AA Long Term | 181.49 | 2.144 |
| Total Investments | | <u>\$ 5,185.00</u> | |

* Weighted Average Maturity (WAM) is computed using average life of mortgage backed securities and effective maturity of callable securities.

- (1) Fitch Ratings Inc. has assigned an AAA credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAA signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.
- (2) All credit ratings shown are either actual Fitch ratings, or if a Fitch credit rating is not available, the equivalent Fitch credit rating is shown to represent the actual Moody's or Standard & Poor's credit rating.
- (3) These are securities issued by government sponsored enterprises, including the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Corporation (Fannie Mae), and Federal Farm Credit Bank.
- (4) These securities were issued by the Federal Home Loan Bank, Freddie Mac, Fannie Mae, and Farmer Mac. While these individual issues were not rated, senior lien debt of these entities is rated AAA.

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average maturity to 2.5 years maximum. As of June 30, 2021, this investment portfolio's dollar-weighted average maturity was 1.65 years. Modified duration was 1.63 years. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.63 years would experience approximately a 1.63% change in market price for every 100 basis point change in yield.

Credit Risk – Investments. The U.S. Treasury Securities and Housing and Urban Development Securities are direct obligations of the United States government. Government Agency Securities and Mortgage Backed Securities were issued by government sponsored enterprises but are not direct obligations of the U.S. Government. The Money Market Mutual Funds were rated AAA. Municipal Securities were rated at least AA. The City's investment policy limits investments in the General Investment Pool to high quality securities with maximum maturity of five years for all U.S. Treasuries, Government Agency, and Municipal Securities with the exception of Government Mortgaged Backed Securities which can have maximum maturity of 15 years. Certificates of Deposit maximum maturity is two years, and Commercial Paper maximum maturity is 365 days. The General Investment Pool maximum sector exposure are as follow: U.S. Treasuries up to 100%; Government Agency Securities up to 85% with maximum exposure to any one Agency issuer is 35%; Mortgage Backed Securities up to 20%; Municipal Securities up to 20% with a rating not less than A by a nationally recognized rating agency; Money Market Mutual Funds up to 25%; Certificates of Deposit up to 15%; and Commercial Paper up to 20%.

Credit Risk – Securities Lending. Under its securities lending program, the City receives 102% of fair value for its U.S. Treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. At June 30, 2021 there were no securities lending agreements outstanding.

Custodial Credit Risk. The custodial credit risk for investments is the risk that in the event of failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the

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counterparty's trust department or agent but not in the City's name. As of June 30, 2021, none of the City's investments in the General Investment Pool 9900 were subject to custodial credit risk.

Foreign Currency Risk. Foreign currency risk is the risk that investments will change value due to changes in exchange rates between time of purchase and reporting or sale. The City's general pool investments are limited by policy to US dollar denominated investments and not subject to this risk.

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

| | Fair Value Measurements Using (\$ in millions) | | | |
|--|---|--------------------------|--|--|
| | | Quoted prices | Other significant observable inputs | Significant observable inputs |
| | 6/30/21 | (Level 1) | (Level 2) | (Level 3) |
| Investments by fair value level | | | | |
| U.S. Treasury Securities | \$ 1,605.40 | \$ 1,605.40 | \$ - | \$ - |
| Govt. Agency Securities | 1,517.47 | - | 1,517.47 | - |
| Govt. Agency Securities (Sate of Israel bd) | 10.00 | - | - | 10.00 |
| Govt. Mortgage Backed Securities | 1.63 | - | 1.63 | - |
| Municipal Securities | 372.92 | - | 372.92 | - |
| Commercial Paper | 969.55 | - | 969.55 | - |
| Total Investment by Fair Value Level | \$ 4,476.97 | \$ 1,605.40 | \$ 2,861.57 | \$ 10.00 |
| Investments measured at the net asset value (NAV) | | | | |
| MMF - TexSTAR Cash Reserves | \$ 708.02 | \$ - | \$ 708.02 | \$ - |
| Total investments measured at the net asset value (NAV) | \$ 708.02 | \$ - | \$ 708.02 | \$ - |
| Total investments measured at fair value and NAV | \$ 5,184.99 | \$ 1,605.40 | \$ 3,569.59 | \$ 10.00 |

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 & 3 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing Sources: IDC for municipal securities and Reuters for all else.

TexSTAR uses the fair value method to report its investments. Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

2. Tax Exempt Pool

The Tax Exempt Pool consists of those funds which are subject to yield restrictions and arbitrage regulation under the 1986 Tax Reform Act. All these investments were held in a tax-exempt municipal bonds and cash.

| City of Houston | Credit Quality | Fair Value | WAM |
|--|-----------------------|-------------------------|------------|
| Investments As of June 30, 2021 | Ratings | (\$ in millions) | |
| Municipal Securities | AAA Long Term | \$ 7.70 | 485 |

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Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this pool's dollar-weighted average maturity to 1.5 years. As of June 30, 2021, the pool's dollar-weighted average maturity was 485 days or 1.329 years. Modified duration was 1.231 years.

Credit Risk. The City's investment policy limits investments in the Tax-Exempt Pool to high quality securities with a maturity of less than three years and a minimum rating of AA.

Custodial Credit Risk. As of June 30, 2021, none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

| | Fair Value Measurements Using (\$ in millions) | | | |
|---|--|------------------|--|----------------------------------|
| | | Quoted prices | Other significant observable inputs | Significant observable inputs |
| | <u>6/30/21</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Investments by fair value level | | | | |
| Municipal Securities | \$ 7.70 | \$ - | \$ 7.70 | \$ - |
| Total Investment by Fair Value Level | \$ 7.70 | \$ - | \$ 7.70 | \$ - |

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing Sources: IDC for municipal securities and Reutoers for all else.

3. Housing Department Section 108 Pool

The Housing Department Pool was created to comply with rules of the US Department of Housing and Urban Development ("HUD"), which requires that funds provided by HUD must be held in a separate custodial account for HUD's benefit. The primary goal of this fund is to meet the cash flow and investment needs of the City's Housing and Community Development HUD program.

| City of Houston Investments As of June 30, 2021 | Credit Quality Ratings | Fair Value (\$ in millions) | WAM |
|--|---------------------------|--------------------------------|---------|
| U.S. Treasury Bills | F1+ | \$ 8.00 | 88 days |

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2021, this investment portfolio's dollar-weighted average stated maturity was 88 days. Modified duration was 0.244 years.

Credit Risk. The HUD Pool consists only of U.S. Treasury Bills with maturities less than six months. HUD requires that investment of these funds must be in direct obligations of the United States Government. The City's investment policy limits investments in the HUD Pool to high quality U.S. Treasury Bill Securities, with maximum maturity of six months.

Custodial Credit Risk. As of June 30, 2021, none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

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A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

| | Fair Value Measurements Using (\$ in millions) | | | |
|---|--|--------------------------------------|--|--|
| | <u>6/30/21</u> | Quoted prices <u>(Level 1)</u> | Other significant observable inputs <u>(Level 2)</u> | Significant observable inputs <u>(Level 3)</u> |
| | Investments by fair value level | | | |
| Debt Securities | | | | |
| U.S. Treasury Bills | \$ 8.00 | \$ 8.00 | \$ - | \$ - |
| Total Investment by Fair Value Level | \$ 8.00 | \$ 8.00 | \$ - | \$ - |

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing Sources: IDC for municipal securities and Reutoers for all else.

4. Miscellaneous Money Market Accounts

In addition to its investment pools, the City maintains several money market accounts for various purposes. These accounts are considered cash and cash equivalents on the Statements of Cash Flows because they maintain a weighted average maturity of less than three months. These accounts are described below:

| City of Houston Investments As of June 30, 2021 | Credit Quality Ratings | Fair Value (\$ in millions) | WAM |
|---|-----------------------------------|--|------------|
| BlackRock Institutional Temporary Liquidity Fund: Balances held for Consolidated Rental Car Facility operations, improvements, debt service | AAA | \$ 51.024 | 36 days |
| First American US Treasury Money Market Fund: Balances held for commercial paper debt service | AAA | 0.087 | 37 days |
| Total Miscellaneous Money Market Funds | | \$ 51.111 | |

Risk Disclosures:

Interest Rate Risk. These money market funds maintain an average maturity of less than 60 days and seek to maintain a stable net asset value of \$1.00. These funds are redeemable on a same day notice.

Credit Risk. These funds hold only US dollar denominated securities that present minimal credit risk. They have the highest credit ratings.

Custodial Credit Risk. As of June 30, 2021, none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

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A summary of the investment under the fair value hierarchy follows:

| | Fair Value Measurements Using (\$ in millions) | | | |
|---|--|--------------------|--|----------------------------------|
| | | Quoted prices | Other significant observable inputs | Significant observable inputs |
| | <u>6/30/21</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Investments measured at the net asset value (NAV) | | | | |
| BlackRock FedFund-Institutional | \$ 51.024 | \$ - | \$ 51.024 | \$ - |
| First American US Treasury MMF | 0.087 | - | 0.087 | - |
| Total investment measured at the net asset value (NAV) | <u>\$ 51.111</u> | <u>\$ -</u> | <u>\$ 51.111</u> | <u>\$ -</u> |

Security Valuation Disclosure:

Security fair value levels are established on a security by security basis. Matrix pricing, market corroborated pricing inputs such as yield curve and indices; often includes fixed income bonds, over the counter swaps, and other derivatives. These can also include securities priced using quoted prices for similar assets or liabilities in active markets and quoted prices for similar assets or liabilities in markets that are not active.

5. Houston Foundation

The Houston Foundation consists of the Hill Trust. It is reported as an Nonmajor Other Special Revenue Fund; its investments are laid out below. The Hill Trust was established by will in the early 1900's as a general purpose charity trust. The trust is administered by an outside trustee. The City's Administration and Regulatory Affairs Department provides administrative support to the foundation and its board.

| City of Houston | Credit Quality | Fair Value | WAM |
|--|-----------------------|-------------------------|----------------|
| Investments As of June 30, 2021 | Ratings | (\$ in millions) | (years) |
| Cash and Equivalents | Not rated | \$ 0.062 | N/A |
| Fixed Income | Not rated | 0.986 | 7.10 |
| Equities | N/A | 4.302 | N/A |
| Tangible Assets | N/A | 0.022 | N/A |
| Total Assets | | <u>\$ 5.372</u> | |

Risk Disclosures:

Interest Rate Risk. The cash and equivalents portions of this portfolio are invested in money market mutual funds. The fixed income portfolio is invested in bond mutual funds with average maturities equal to or less than 9.7 years. The weighted average maturity for the fixed income portfolio is 7.1 years, and the weighted average duration is 5.3 years.

Credit Risk. The allocations of assets among various asset classes are set by the Foundation board. The fixed income portfolio consists of unrated mutual funds. The equities portion of this portfolio is invested in common stocks.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City of Houston will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2021 all of the Foundation's holdings were subject to custodial credit risk.

Foreign Currency Risk. Foreign currency risk is the risk that investments will change value due to changes in exchange rates between times of purchase, reporting or sale. The equity investments of the Houston Foundation are subject to this risk to the extent that the corporations held have not fully hedged their foreign currency dealings.

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A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

| | Fair Value Measurements Using (\$ in millions) | | | |
|---|---|--|--|--|
| | 6/30/21 | Quoted prices (Level 1) | Other significant observable inputs (Level 2) | Significant observable inputs (Level 3) |
| | | | | |
| Investments by fair value level | | | | |
| Cash and Equivalents | \$ 0.0624 | \$ 0.0624 | \$ - | \$ - |
| Fixed Income | 0.9863 | 0.2973 | 0.6889 | - |
| Equities | 4.3024 | 1.8062 | 2.4962 | - |
| Tangible Assets | 0.0217 | - | - | 0.0217 |
| Total Investment by Fair Value Level | \$ 5.3728 | \$ 2.1659 | \$ 3.1851 | \$ 0.0217 |

Security Valuation Disclosure:

Domestic equity securities and investment companies are valued at the last sale price on the principal exchange on which they trade, except for securities traded on the NASDAQ, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Foreign securities are generally valued at last price on the foreign exchange or market on which they trade. If any foreign share prices are not readily available as a result of limited share activity, the securities are valued at the last sale price of local shares in the principal market in which such securities are normally traded.

Securities, if any, for which market quotations are not readily available, or that have quotations which the Trustee believes are not reliable, are valued at fair value as determined in good faith by procedures approved by the Trustee. If a security is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, the Trustee may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

6. Investments – Houston Municipal Employees Pension System (the System)

The System's Board, in accordance with the power and authority conferred under the Texas Statutes, engaged State Street Bank and Trust Company (Custodian) as custodian of the assets of the System, and in said capacity, the Custodian is a fiduciary of the System's assets with respect to its discretionary duties including safekeeping of the System's assets.

The Custodian has established and maintains a custodial account to hold, or direct its agents to hold, for the account of the System all assets that the Board shall from time to time deposit with the Custodian. All rights, title and interest in and to the System's assets shall at all times be vested in the System.

The Board shall manage the investment program of the System in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The Board has adopted an Investment Policy Statement to set forth the factors involved in the management of investment assets for the System and which is made part of every investment management agreement.

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The fair values of the System's investments at June 30, 2021, are presented by type, as follows:

| | |
|-----------------------------|-------------------------|
| Short-Term Investment Funds | \$ 125,346,459 |
| Global Equity | 1,185,060,244 |
| Fixed Income | 298,808,110 |
| Absolute Return | 144,475,395 |
| Inflation Linked | 495,943,783 |
| Private Credit | 97,343,729 |
| Private Equity | 1,110,219,835 |
| Real Estate | 383,623,381 |
| Total Investments | <u>\$ 3,840,820,936</u> |

Custodial Credit Risk. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

Concentration Risk. The allocation of assets among various asset classes is set by the Board. For major asset classes (e.g., global equity, fixed income, real estate, private equity, inflation-linked, absolute return and private credit), the System will further diversify by employing managers with demonstrated skills in complementary areas of expertise.

The managers retained will utilize varied investment approaches, but, when combined will exhibit characteristics that are similar, but not identical, to the asset class proxy utilized in the strategic asset allocation plan. The Investment Policy Statement of the System provides that no public market investment manager shall have more than 20.0% (at fair value) of the System's assets.

Representative guidelines by type of investment are disclosed in the System's separately issued financial statements.

As of June 30, 2021, across all asset classes, the System held two securities with a market value over 5.0% of the System's fiduciary net position. One security, BlackRock MSCI ACWI Minimum Volatility Index, had a fair value of \$262.8 million, representing 6.8% of the System's portfolio as of June 30, 2021. This investment also exceeded the 5% threshold last year. The second security, Blackrock Equity Index Fund A, had a fair value of \$224.1 million, representing 5.8% of the portfolio.

At June 30, 2021, the following table shows the System's investments by type, amount and the effective duration rate.

| | <u>Effective Duration</u> | <u>Domestic</u> | <u>International</u> | <u>Fair Value</u> |
|-------------------------------------|---------------------------|-----------------------|----------------------|-----------------------|
| Collateralized mortgage obligations | 3.9 | \$ 11,009,455 | \$ - | \$ 11,009,455 |
| Convertible bonds | 0.8 | 4,702,199 | - | 4,702,199 |
| Corporate bonds | 5.0 | 109,602,096 | 23,435,466 | 133,037,562 |
| GNMA/FNMA/FHLMC | 3.2 | 22,441,035 | - | 22,441,035 |
| Municipal | N/A | - | - | - |
| Government issues | 8.5 | 29,903,714 | 931,460 | 30,835,173 |
| Misc. receivable (auto/credit card) | 1.6 | 4,974,214 | - | 4,974,214 |
| Other ABS | N/A | 1,742,431 | - | 1,742,431 |
| Bank Loan ¹ | N/A | 27,430,921 | 344,612 | 27,775,533 |
| Total | | <u>\$ 211,806,064</u> | <u>\$ 24,711,538</u> | <u>\$ 236,517,602</u> |

¹The bank loan market, or "leveraged loan" market as it is sometimes known, comprises debt with below investment grade credit ratings. Bank loans generally rank senior to the company's other debt, and offer higher credit ratings, and less risk than high yield bonds. Bank loans typically use floating rather than fixed interest rates. Companies often access this market to fund leveraged buyouts.

Credit Risk. The quality ratings of investments in fixed income securities are set forth in the Investment Policy Statement.

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The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2021 are as follows:

| Quality Rating | Asset Backed Securities | Corp Bonds & Bank Loans | CMO | US Gov't Agencies | Gov't Issues | Municipals | TOTAL | % of Holdings | |
|-------------------------------|-------------------------|-------------------------|-----------|-------------------|--------------|------------|--------------|------------------|---------|
| AAA | 3,026,433 | - | 1,819,065 | - | - | - | \$ 4,845,498 | 0.13% | |
| AA | 580,904 | - | - | - | - | - | 580,904 | 0.02% | |
| A | - | 4,441,138 | - | - | - | - | 4,441,138 | 0.12% | |
| BBB | - | 37,587,805 | - | - | 248,332 | - | 37,836,137 | 0.99% | |
| BB | - | 26,072,209 | - | - | 203,044 | - | 26,275,253 | 0.68% | |
| B | - | 34,919,453 | - | - | - | - | 34,919,453 | 0.91% | |
| CCC | - | 26,982,090 | - | - | - | - | 26,982,090 | 0.70% | |
| CC | - | - | - | - | - | - | - | 0.00% | |
| C | - | - | - | - | - | - | - | 0.00% | |
| D | - | 664,378 | - | - | - | - | 664,378 | 0.02% | |
| NA* | 3,109,308 | 34,848,222 | 9,190,390 | 22,441,034 | 30,383,797 | - | 99,972,751 | 2.60% | |
| Total Fixed Income Securities | | | | | | | | \$ 236,517,602 | 6.16% |
| Other Investments | | | | | | | | 3,604,304,013 | 93.84% |
| Total Investments | | | | | | | | \$ 3,840,821,615 | 100.00% |

*NA = Not Available

Foreign Currency Risk. International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using the System's Investment Policy.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The System has an indirect exposure to foreign currency fluctuation as of June 30, 2021 as follows:

| | Fair Value |
|--------------------|-----------------------|
| Australian Dollar | \$ 11,200,924 |
| Brazilian Real | 4,188,462 |
| Canadian Dollar | 19,433,511 |
| Chilean Peso | - |
| Danish Krone | 3,997,134 |
| Euro Currency | 136,399,257 |
| Hong Kong Dollar | 23,200,587 |
| Hungarian Forint | 487,898 |
| Indian Rupee | 178,677 |
| Indonesian Rupiah | 1,714,580 |
| Japanese Yen | 51,248,351 |
| Mexican Peso | 1,451,775 |
| New Israeli Sheqel | 84,731 |
| New Taiwan Dollar | 9,358,831 |
| Norwegian Krone | 1,783,876 |
| Philippine Peso | 336,920 |
| Polish Zloty | 696,028 |
| Pound Sterling | 46,828,886 |
| Singapore Dollar | 1,755,648 |
| South African Rand | 5,076,223 |
| South Korean Won | 8,109,319 |
| Swedish Krona | 17,896,977 |
| Swiss Franc | 16,506,526 |
| Thailand Baht | - |
| Turkish Lira | 831,236 |
| | <u>\$ 362,766,357</u> |

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The System has adopted the provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows:

Houston Municipal Employees Pension System had some of their short term investments measured at cost. For fiscal year 2021, the amount was \$125,347,000.00.

| | |
|---|---------------------|
| Level 1 inputs are quoted prices in active markets for identical assets | \$ 854,670 |
| Level 2 inputs are significant other observable inputs | 229,947 |
| Level 3 inputs are significant unobservable inputs | 12,050 |
| Short Term Investments at cost | 125,347 |
| Investments measured at net asset value | <u>2,618,808</u> |
| Total Investments | <u>\$ 3,840,822</u> |

Alternative Investments – As of June 30, 2021, the System was invested in commingled funds, limited partnerships, real estate trusts, and loans and mortgage funds.

7. Investments – Houston Firefighters’ Relief and Retirement Fund (the Fund)

Statutes of the State of Texas authorize the Fund to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets as described in section 802.202 of the Government Code. The Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of the Fund given prevailing economic and capital market conditions. While the Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk-taking is justifiable.

The Board manages the investment program of the Fund in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The Board has adopted an Investment Policy Statement (Investment Policy) to set forth the factors involved in the management of investment assets for the Fund. The Board has established an Investment Committee to act on all matters related to investments.

The fair values of the Fund’s investments as of June 30, 2021 by type are as follows:

| | |
|------------------------------------|-------------------------|
| Short-Term Investment Funds | \$ 160,416,145 |
| Fixed Income-Government Securities | 127,776,917 |
| Fixed Income-Corporate Bonds | 693,934,305 |
| Fixed Income-Convertibles | 3,490,302 |
| Common Equity | 2,061,653,985 |
| Preferred Equity | 674,442 |
| Hedge Funds: | |
| Equity Hedge Funds | 20,274,136 |
| Global Macro Hedge Fund | 151,707,497 |
| Inflation Hedge Fund | 81,030,668 |
| Multi-Strategy FOHFs | 692,470 |
| Private Equity: | |
| Buyout Partnerships/Funds | 842,311,229 |
| Co-Investments | 139,844,570 |
| Credit Partnerships/Funds | 97,629,387 |
| Distressed Debt Partnerships/Funds | 90,619,904 |
| Direct Investments | 1,075,000 |
| Infrastructure Partnerships/Funds | 48,468,330 |
| Mixed Strategies | 42,591,227 |
| Secondary Partnerships/Funds | 180,191,392 |
| Special Situations Investments | 76,256,139 |
| Venture Capital Partnerships/Funds | 154,908,979 |
| Real Estate | 266,573,705 |
| Total Investments | <u>\$ 5,242,120,729</u> |

Custodial Credit Risk. Portions of the Fund’s investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in companies, partnerships and real estate are investments that are evidenced by contracts rather than securities.

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Custodial credit risk disclosures relate to securities. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are (i) uninsured, (ii) not registered in the name of the Fund, and (iii) are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. At June 30, 2021 the Fund's security investments (excluding cash) that were not subject to custodial credit risk were the investments not registered on an exchange.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Fund's investment in a single issue. The allocation of assets among various asset classes is set by the Board with the objective of optimizing the investment return of the Fund within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, hedge funds, private equity and real estate), the Fund further diversifies by employing investment managers who implement the strategies selected by the Investment Committee (IC). In addition, Exchange Traded Funds (ETFs) may be used.

Significant risk management asset allocation guidelines are disclosed in the Fund's separately issued financial statements.

As of June 30, 2021, more than 5% of the Fund's net assets are in the Mellon Dynamic ex-U.S. Equity Fund (10.82%), Mellon Dynamic U.S. Equity Fund (7.39%), KKR Global Credit Opportunities Fund (6.95%), Mellon ACWI Ex-U.S. Fund (6.26%), and Mellon Broad Market Stock Index Fund (6.21%). As of June 30, 2020, more than 5% of the Fund's net assets are in the Mellon Dynamic U.S. Equity Fund (8.36%), Mellon ACWI Ex-U.S. Fund (7.73%), KKR Global Credit Opportunities Fund (7.45%), Mellon Dynamic ex-U.S. Equity Fund (7.14%), BlackRock Russell 3000 Fund (6.41%), and Mellon Broad Market Stock Index Fund (5.46%).

Interest Rate Risk. The Fund invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of external investment managers, subject to compliance with its investment management agreement and the Fund's Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment comes due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the external manager's investment management agreement.

At June 30, 2021, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

| | <u>Weighted Average Maturity</u> | <u>Fair Value</u> |
|-------------------------------|----------------------------------|-----------------------|
| Commingled Funds | 3.02 | \$ 365,300,980 |
| Non-U.S. Collateralized | 20.92 | 697,345 |
| Non-U.S. Convertibles | 21.97 | 400,842 |
| Non-U.S. Corporate | 6.78 | 76,595,597 |
| Non-U.S. Treasuries | 18.07 | 3,847,300 |
| Taxable Municipals | 15.48 | 7,167,425 |
| U.S. Agencies | 27.29 | 31,485,957 |
| U.S. Collateralized | 17.51 | 10,110,533 |
| U.S. Convertibles | 9.38 | 3,089,460 |
| U.S. Corporate | 6.22 | 241,229,850 |
| U.S. Treasuries | 12.79 | 85,276,235 |
| Total Fixed Income Securities | | <u>\$ 825,201,524</u> |

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund does not have a formal policy limiting investment credit risk, but rather mandates such limits within the investment management agreement of each manager as may be appropriate to strategy.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation (depreciation) in fair value of investments. The Fund's policy allows external investment managers to decide what action to take regarding their respective portfolio's foreign currency exposures subject to compliance with its respective investment management agreement of each manager as may be appropriate to strategy the Fund's Investment Policy Statement.

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The Fund's exposure to foreign currency fluctuation as of June 30, 2021 is as follows:

| | <u>Fair Value</u> | <u>Percentage of Holdings</u> |
|---|-----------------------|-------------------------------|
| Euro Currency Unit | \$ 162,201,469 | 3.09% |
| Mexican Peso | 521,300 | 0.01% |
| Indian Rupee | 240,459 | 0.00% |
| Brazil Real | 120,860 | 0.00% |
| Norwegian Krone | 497 | - |
| swiss Franc | - | - |
| Japanese Yen | - | - |
| Total securities subject to foreign currency risk | <u>\$ 163,084,585</u> | <u>3.10%</u> |

The Fund's exposure to investment credit risk in fixed income securities (which includes government securities, corporate bonds, convertibles) as of June 30, 2021 is as follows:

| <u>Quality Rating</u> | <u>Fair Value</u> | <u>Percentage of Holdings</u> |
|------------------------------------|-----------------------|-------------------------------|
| AGY | \$ 31,485,957 | 0.60% |
| AAA | 4,459,390 | 0.09% |
| AA1 | 185,328 | 0.00% |
| AA2 | 926,148 | 0.02% |
| AA3 | 8,513,587 | 0.16% |
| A1 | 7,377,237 | 0.14% |
| A2 | 39,891,110 | 0.76% |
| A3 | 39,481,607 | 0.75% |
| BAA1 | 60,310,715 | 1.15% |
| BAA2 | 49,413,494 | 0.94% |
| BAA3 | 39,562,854 | 0.75% |
| BA1 | 6,122,826 | 0.12% |
| BA2 | 6,326,067 | 0.12% |
| BA3 | 5,864,812 | 0.11% |
| B1 | 5,311,606 | 0.10% |
| B2 | 6,170,902 | 0.12% |
| B3 | 5,511,932 | 0.11% |
| B | 365,300,980 | 6.97% |
| CAA1 | 3,665,549 | 0.07% |
| CAA2 | 1,832,316 | 0.03% |
| CAA3 | 334,758 | 0.01% |
| CA | 70,756 | 0.00% |
| C | - | 0.00% |
| DEF | - | 0.00% |
| Not rated | 51,805,358 | 0.99% |
| Total credit risk debt securities* | <u>\$ 739,925,289</u> | <u>14.11%</u> |

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, have not been included in this disclosure.

The provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows:

| | |
|---|-------------------------|
| Level 1 inputs are quoted prices in active markets for identical assets | \$ 381,640,835 |
| Level 2 inputs are significant other observable inputs | 327,474,244 |
| Level 3 inputs are significant unobservable inputs | 2,245,000 |
| Investments measured at net asset value | <u>4,530,760,650</u> |
| Total Investments | <u>\$ 5,242,120,729</u> |

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Alternative Investments – As of June 30, 2021, the System was invested in various private equity funds and hedge funds as detailed in the table below.

| <u>Investment Type</u> | <u>Fair Value (\$000's)</u> |
|------------------------|-----------------------------|
| Private Equity | \$ 1,673,896,157 |
| Hedge Funds | 253,704,771 |
| Total | \$ 1,927,600,928 |

8. Investments – Houston Police Officers’ Pension (the System)

Summary of Significant Accounting Policies

Statutes of the State of Texas authorize the System to invest surplus funds in a manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. These statutes stipulate that the governing body of the System is responsible for the management and administration of the funds of the System and shall determine the procedure it finds most efficient and beneficial for the management of the reserve fund of the System. The governing body may directly manage the investments of the System or may choose and contract for professional investment management services. Investments are reported at fair value in accordance with GASB 72, Fair Value Measurement and Application, which defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurements.

Custodial Credit Risk for Deposits and Investments. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the System will not be able to recover the value of the investment or collateral in possession of the counterparty. The System does not have an investment policy regarding custodial credit risk. The System considers only demand deposits as cash. As of June 30, 2021, the System had a balance of \$24 thousand and \$482 thousand, respectively, on deposit at a financial institution. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to \$250 thousand at this financial institution. Therefore, as of June 30, 2021, none of the System’s bank balance of \$24 thousand was exposed to custodial credit risk. At June 30, 2021, the System did not have any other investments with other financial institutions subject to custodial credit risk.

Credit Risk. As of June 30, 2021, the System’s fixed income assets that are not U.S. government guaranteed represented 100% and 96.2%, respectively, of the System’s fixed income plus short term investments portfolio. The tables below and on the following page summarize the System’s fixed income portfolio and short term investment exposure levels and credit qualities as of June 30, 2021.

**Average Credit Quality and Exposure Levels of Non-U.S. Government
Guaranteed Securities**

| <u>Fixed Income Security Type</u> | <u>Fair Value (\$000's)</u> | <u>Percent of Total</u> | <u>Weighted Average Credit Quality</u> |
|------------------------------------|-----------------------------|-------------------------|--|
| Corporate Bonds | \$ 252,011 | 12.3% | B |
| Corporate Convertible Bonds | 129,605 | 6.3 | BB |
| Mutual Bond Funds | 595,434 | 29.0 | Not Rated |
| <u>Short Term Investment Funds</u> | <u>1,078,809</u> | <u>52.4</u> | Not Rated |
| Total | <u>\$ 2,055,859</u> | <u>100.0%</u> | |

**Ratings Dispersion Detail
(\$000's)**

| <u>Credit Rating Level</u> | <u>Corporate</u> | | | <u>Short Term</u> |
|----------------------------|------------------------|--------------------------|--------------------------|-------------------------|
| | <u>Corporate Bonds</u> | <u>Convertible Bonds</u> | <u>Mutual Bond Funds</u> | <u>Investment Funds</u> |
| A | \$ - | \$ 3,279 | \$ - | \$ - |
| BBB | 8,777 | 5,630 | - | - |
| BBB | 128,973 | 2,873 | - | - |
| BBB | 81,569 | 2,228 | - | - |
| CCC | 25,046 | 3,181 | - | - |
| Not Rated | 7,646 | 112,414 | 595,434 | 1,078,809 |
| Total | <u>\$ 252,011</u> | <u>\$ 129,605</u> | <u>\$ 595,434</u> | <u>\$ 1,078,809</u> |

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The System's investment policy allows investment managers full discretion in adopting investment strategies to deal with these risks. Specific guidelines governing risks and concentrations and portfolio quality are established in contracts with each manager and are monitored by System staff.

Credit risk for derivative instruments held by the System results from counterparty risk, which is essentially that the counterparty will be unable to fulfill its obligations, which are then assumed by the System. Information regarding the System's credit risk related to derivatives is found under the derivatives disclosures.

Policies regarding credit risk pertaining to credit risk associated with the System's securities lending program are found under the securities lending disclosures.

Concentration of Credit Risk. The System's investment policy does not provide for specific limits on investment in any one single security, as this is governed by contracts with individual managers. As of both June 30, 2021, the System did not have any single investment in any one organization which represented greater than 5% of plan net position.

Interest Rate Risk. Interest rate risk is managed within the portfolio using the modified duration methodology. It is widely used in the management of fixed income portfolios and estimates the sensitivity of a bond's price to interest rate changes. The System's investment policy delegates the management of interest rate risk to the individual investment managers in accordance with each manager's designated strategy. Investment managers have full discretion in adopting investment strategies to deal with these risks, and all of the System's fixed income portfolios are managed in accordance with guidelines that are specific as to the degree of interest rate risk taken. The reporting of modified duration as of June 30, 2021, found in the tables below quantify the interest rate risk of the System's fixed income and short term investments.

Modified Duration by Security Type

| <u>Security Type</u> | <u>Fair Value (\$000's)</u> | <u>Percent of Total</u> | <u>Weighted Average Modified Duration (years)</u> |
|-----------------------------|-----------------------------|-------------------------|---|
| Corporate Bonds | \$ 252,011 | 12.30% | 4.6 |
| Corporate Convertible Bonds | 129,605 | 6.3 | 4.9 |
| Mutual Bond Funds | 595,434 | 29.0 | 6.1 |
| Short Term Investment Funds | 1,078,809 | 52.4 | 0.1 |
| Total | <u>\$ 2,055,859</u> | <u>100.0%</u> | 0.0 |

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Modified Duration Analysis by Security Type

| <u>Corporate Bonds</u> | <u>Fair Value (\$000's)</u> | <u>Average Modified</u> | <u>Contribution to Modified Duration</u> |
|------------------------------------|-----------------------------|-------------------------|--|
| Less than 1 year | \$ 5,267 | 0.6 | 0.0 |
| 1 to 5 years maturities | 131,034 | 3.2 | 1.6 |
| 5 to 10 years maturities | 100,779 | 5.7 | 2.3 |
| Greater than 10 years maturities | 14,931 | 11.2 | 0.7 |
| <u>Total</u> | <u>\$ 252,011</u> | | <u>4.6</u> |
| | | | |
| <u>Corporate Convertible Bonds</u> | | | |
| Less than 1 year | \$ 3,484 | 0.7 | 0.0 |
| 1 to 5 years maturities | 90,444 | 3.8 | 2.6 |
| 5 to 10 years maturities | 30,629 | 6.3 | 1.5 |
| Greater than 10 years maturities | 5,048 | 21.8 | 0.8 |
| <u>Total</u> | <u>\$ 129,605</u> | | <u>4.9</u> |
| | | | |
| <u>Mutual Bond Funds</u> | | | |
| Less than 1 year | \$ 13,604 | 6.1 | 0.1 |
| 1 to 5 years maturities | 274,862 | 6.1 | 2.8 |
| 5 to 10 years maturities | 227,893 | 6.1 | 2.4 |
| Greater than 10 years maturities | 79,075 | 6.1 | 0.8 |
| <u>Total</u> | <u>\$ 595,434</u> | | <u>6.1</u> |
| | | | |
| <u>Short Term Investment Funds</u> | | | |
| Less than 1 year | \$ 1,002,011 | 0.1 | 0.1 |
| 1 to 5 years maturities | 76,798 | 0.1 | 0.0 |
| <u>Total</u> | <u>\$ 1,078,809</u> | | <u>0.1</u> |

Foreign Currency Risk. The books and records of the System are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation in fair value of investments. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the System and the amount actually received. International and global managers have the permission to use currency forward and futures contracts to hedge currency against the U.S. dollar. Currency forwards and futures used for the purpose of hedging currency shall be subject to the following guidelines: 1) net forward and futures sales of any currency may not exceed total fair value of the assets denominated in that currency. This limitation does not apply to global fixed income managers and currency overlay managers if provided for in their contracts, 2) foreign currency exchange contracts with a maturity exceeding 12 months are not permitted, 3) currency options may be entered into in lieu of or in conjunction with forwards sales of currencies with the same limitations as currency forwards and futures. Cross hedging, the selling of one foreign currency for another foreign currency, which may or may not be the base currency of the portfolio, is permitted.

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The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2021, is shown in the table below.

Foreign Currency Exposure by Asset Class (\$000's)

| Currency | Short Term | | Equities | Alternative | |
|-----------------------------|---------------------|--------------|---------------------|-----------------|---------------------|
| | Investments | Fixed Income | | Investments | Total |
| Canadian dollar | \$ 57,775 | \$ - | \$ 99,400 | \$ - | \$ 157,175 |
| Chinese yuan renminbi | - | - | 146,055 | - | 146,055 |
| Euro | (152,020) | - | 278,175 | 2,756 | 128,911 |
| Japanese yen | (107,521) | - | 202,478 | - | 94,957 |
| Australian dollar | - | - | 62,838 | - | 62,838 |
| Swiss franc | - | - | 65,191 | 6,855 | 72,046 |
| Thai baht | - | - | 60,596 | - | 60,596 |
| New Taiwan dollar | - | - | 42,344 | - | 42,344 |
| Hong Kong dollar | - | - | 35,038 | - | 35,038 |
| Kuwaiti dinar | - | - | 34,709 | - | 34,709 |
| Swedish krona | - | - | 28,363 | - | 28,363 |
| Indonesian rupiah | - | - | 27,892 | - | 27,892 |
| South Korean won | - | - | 25,657 | - | 25,657 |
| Brazilian real | - | - | 22,653 | - | 22,653 |
| Danish krone | - | - | 22,616 | - | 22,616 |
| Singapore dollar | - | - | 18,178 | - | 18,178 |
| Indian rupee | - | - | 17,587 | - | 17,587 |
| New zealand dollar | - | - | 16,056 | - | 16,056 |
| Saudi riyal | - | - | 14,511 | - | 14,511 |
| British pound sterling | (66,523) | - | 79,949 | - | 13,426 |
| Hungarian forint | - | - | 10,510 | - | 10,510 |
| Turkish lira | - | - | 6,967 | - | 6,967 |
| Pakistan rupee | - | - | 6,709 | - | 6,709 |
| Mexico peso | - | - | 5,326 | - | 5,326 |
| New Israeli shekel | - | - | 5,236 | - | 5,236 |
| Norwegian krone | - | - | 4,179 | - | 4,179 |
| South African rand | - | - | 3,638 | - | 3,638 |
| Russian ruble | - | - | 2,746 | - | 2,746 |
| Polish zloty | - | - | 2,663 | - | 2,663 |
| Qatari riyal | - | - | 2,459 | - | 2,459 |
| Malaysian ringgit | - | - | 2,166 | - | 2,166 |
| Chilean peso | - | - | 1,894 | - | 1,894 |
| United Arab Emirates dirham | - | - | 1,015 | - | 1,015 |
| Phillipine peso | - | - | 788 | - | 788 |
| Colombian peso | - | - | 633 | - | 633 |
| Argentine austral | - | - | 540 | - | 540 |
| Czech koruna | - | - | 446 | - | 446 |
| Egyptian pound | - | - | 280 | - | 280 |
| Peruvian nuevo sol | - | - | 80 | - | 80 |
| Total | \$ (268,289) | \$ - | \$ 1,358,561 | \$ 9,611 | \$ 1,099,883 |

Securities Lending Program. The System's Board of Trustees' policies permit the System to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. The System receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having fair values equal to or exceeding 102% and 105% of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever the fair value of the securities on loan changes, the borrower must adjust the collateral accordingly. The System's bank pools all collateral received from securities lending transactions and invests any cash collateral. The System holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2021, the weighted-average maturity of the collateral pool was 31 days. The relationship between the maturities of the collateral pool and the System's loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2021, was \$125,217 thousand and \$34,741 thousand, respectively. The System also had non-cash collateral at June 30, 2021, of \$8,095 thousand and \$722 thousand respectively, consisting of treasury securities and letters of credit. The System cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed.

CITY OF HOUSTON, TEXAS
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The fair value of securities on loan at June 30, 2021, was \$130,019 thousand and \$34,933 thousand, respectively. At June 30, 2021, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$133,312 thousand, exceeds the amounts the borrowers owe the System, \$130,019 thousand.

Derivatives. The System's investment managers may invest in derivatives if permitted by the guidelines established by the System's Board of Trustees. The System's staff monitors guidelines and compliance. From time to time the System's investment managers will invest in equity, fixed income and short term futures contracts along with foreign currency forward contracts. No derivatives are purchased with borrowed funds. These investments derivatives are primarily classified in Level 1 of the fair value hierarchy as futures contracts are price base on market quotes.

The fair value balance of posted margin and collateral and notional amounts of derivative instruments outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instruments for the year then ended is shown in the table below. The Change in Fair Value figures are reported as a component of net appreciation (depreciation) in the Statement of Changes in Fiduciary Net Position.

Fair Value (\$000's) at June 30, 2021

| (\$000's) | As of June 30, 2021 | | | | |
|----------------------|------------------------------|---------------|-----------------------|-----------------------|--------------|
| | Year ending June 30, 2021 | Posted | Collateral Held at | Collateral | Notional |
| | <u>Changes in Fair Value</u> | <u>Margin</u> | <u>Custodian Bank</u> | <u>Held at Broker</u> | <u>Value</u> |
| Equity Futures | \$ 368,793 | \$ 82,417 | \$ 782,721 | \$ - | \$ 1,364,025 |
| Currency Futures | (2,047) | 1,150 | 67,708 | - | (270,275) |
| Fixed Income Futures | (1,837) | (72) | 10,422 | - | 40,122 |

Futures are used to obtain market exposure and to take advantage of mis-pricing opportunities. When a position is taken in a futures contract, a margin is posted and the contract is subject to daily mark-to-market adjustments. For options, no margin is posted. Instead, options are purchased at a premium, which is either forfeited or recouped, depending on the gain or loss on the contract. Foreign currency contracts are used to hedge against the currency risk in the System's investments in foreign equity and fixed income securities. To liquidate the contract prior to expiration an offsetting position in the same contract must be taken.

These derivative instruments are subject to the following risks:

- *Custodial Credit Risk* – Custodial credit risk for derivative instruments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of the derivative instruments or collateral securities that are in the possession of an outside party. Consistent with the System's investment policy, the System's derivative instruments were held by the counterparty that was acting as the System's agent.
- *Credit Risk* – Credit risk is the risk that the counterparty will not fulfill its obligations. The System does not have an investment policy specifically regarding credit risk for derivative instruments. The System's investment policy allows investment managers full discretion in adopting investment strategies to deal with this risk. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.
- *Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the System's derivative instruments.
- *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of derivative instruments. The System's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments as outlined in the following schedule. The System has a currency hedging program in place that hedges fifty percent of the exposure to the Euro, Pound, and Yen exposure in these investment programs. This hedging program is disclosed elsewhere in this footnote.

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The System's derivative instruments exposure to foreign currency risk in U.S. dollars as of June 30, 2021, is shown in the table below (\$000's).

| Currency | Equity Derivatives | Currency Derivatives | Total |
|-----------------------------|-------------------------------|---------------------------------|-------------------|
| Canadian dollar | \$ 60,800 | \$ 55,789 | \$ 116,589 |
| Chinese yuan renminbi | 88,298 | - | 88,298 |
| Swiss franc | 52,454 | - | 52,454 |
| Australian dollar | 38,484 | - | 38,484 |
| Thai baht | 36,631 | - | 36,631 |
| Kuwaiti dinar | 34,709 | - | 34,709 |
| Euro | 178,742 | (152,020) | 26,722 |
| Indonesian rupiah | 25,994 | - | 25,994 |
| Swedish krona | 20,072 | - | 20,072 |
| Hong Kong dollar | 17,395 | - | 17,395 |
| Japanese yen | 124,016 | (107,521) | 16,495 |
| Danish krone | 13,863 | - | 13,863 |
| Brazilian real | 13,691 | - | 13,691 |
| Singapore dollar | 13,250 | - | 13,250 |
| British pound sterling | 78,747 | (66,523) | 12,224 |
| Hungarian forint | 10,125 | - | 10,125 |
| New Taiwan dollar | 9,188 | - | 9,188 |
| Saudi riyal | 8,770 | - | 8,770 |
| Pakistan rupee | 4,574 | - | 4,574 |
| Turkish lira | 4,207 | - | 4,207 |
| Norwegian krone | 3,372 | - | 3,372 |
| Mexican peso | 3,225 | - | 3,225 |
| New Israeli shekel | 3,211 | - | 3,211 |
| South Korean won | 2,954 | - | 2,954 |
| Qatari riyal | 1,828 | - | 1,828 |
| Russian ruble | 1,660 | - | 1,660 |
| Polish zloty | 1,610 | - | 1,610 |
| New Zealand dollar | 1,338 | - | 1,338 |
| Malaysian ringgit | 1,310 | - | 1,310 |
| Chilean peso | 1,148 | - | 1,148 |
| United Arab Emirates dirham | 614 | - | 614 |
| Indian rupee | 580 | - | 580 |
| Phillipine peso | 475 | - | 475 |
| Colombian peso | 381 | - | 381 |
| Argentine austral | 326 | - | 326 |
| Czech koruna | 270 | - | 270 |
| Egyptian pound | 171 | - | 171 |
| Peruvian nuevo sol | 47 | - | 47 |
| Total | <u>\$ 858,530</u> | <u>\$ (270,275)</u> | <u>\$ 588,255</u> |

CITY OF HOUSTON, TEXAS
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Alternative Investments – As of June 30, 2021, the System was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the table below.

| <u>Investment Type</u> | <u>Fair Value (\$000's)</u> |
|-------------------------------|-----------------------------|
| <i>Private Equity</i> | |
| Leveraged Buyouts | \$ 728,478 |
| Energy | 129,797 |
| Special Situations | 161,880 |
| Private Equity Secondaries | 106,570 |
| Venture Capital | 14,961 |
| <i>Other Alternatives</i> | |
| Real Estate | 564,338 |
| Private Credit | 381,541 |
| Hedge Funds | |
| Global macro hedge funds | 105,365 |
| Multi-strategy hedge funds | 161,126 |
| Long/short credit hedge funds | 3,937 |
| Long/short equity hedge funds | 36,964 |
| Total | \$ 2,394,957 |

The provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows (in thousands):

| | |
|---|---------------------|
| Level 1 inputs are quoted prices in active markets for identical assets | \$ 18 |
| Level 2 inputs are significant other observable inputs | 1,600,102 |
| Level 3 inputs are significant unobservable inputs | 2,085,582 |
| Investments measured at net asset value (NAV) | <u>3,432,134</u> |
| Total Investments | <u>\$ 7,117,836</u> |

CITY OF HOUSTON, TEXAS
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NOTE 4: ACCOUNTS RECEIVABLE

The following were the accounts receivable by fund as of June 30, 2021 (\$000's):

GOVERNMENTAL FUNDS

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor</u> | <u>Grants</u> | <u>Internal Service Fund</u> | <u>Total Governmental Activities</u> |
|--------------------------------------|-------------------|-----------------------------|-------------------------|------------------|-------------------|--------------------------------------|--|
| Receivables: | | | | | | | |
| Accounts | \$ 796,539 | \$ 1 | \$ - | \$ 161,647 | \$ 119,192 | \$ 77 | 1,077,456 |
| Property tax | 75,810 | - | - | - | - | - | 75,810 |
| Sales tax | 132,924 | - | - | - | - | - | 132,924 |
| Mixed beverage | 3,302 | - | - | - | - | - | 3,302 |
| Franchise | 10,276 | - | - | - | - | - | 10,276 |
| Special assessment | 8,049 | - | - | - | - | - | 8,049 |
| Due from other governments | 8,185 | 37,745 | 300 | 24,641 | 227,147 | 30 | 298,048 |
| Gross receivables | 1,035,085 | 37,746 | 300 | 186,288 | 346,339 | 107 | 1,605,865 |
| Less allowance for doubtful accounts | (713,092) | - | - | (111,175) | (22,618) | (74) | (846,959) |
| Net total receivables | <u>\$ 321,993</u> | <u>\$ 37,746</u> | <u>\$ 300</u> | <u>\$ 75,113</u> | <u>\$ 323,721</u> | <u>\$ 33</u> | <u>\$ 758,906</u> |

ENTERPRISE FUNDS

| | <u>Airport</u> | <u>Convention and Entertainment</u> | <u>Combined Utility</u> | <u>Total Enterprise Activities</u> |
|--------------------------------------|-------------------|---|-------------------------|--|
| Receivables: | | | | |
| Accounts | \$ 78,854 | \$ 531 | \$ 396,560 | \$ 475,945 |
| Hotel occupancy tax | - | 17,484 | - | 17,484 |
| Special assessment | - | - | 93 | 93 |
| Due from other governments | 31,934 | - | 7,242 | 39,176 |
| Gross receivables | 110,788 | 18,015 | 403,895 | 532,698 |
| Less allowance for doubtful accounts | (7,731) | (518) | (225,591) | (233,840) |
| Net total receivables | <u>\$ 103,057</u> | <u>\$ 17,497</u> | <u>\$ 178,304</u> | <u>\$ 298,858</u> |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5: PROPERTY TAX

The City's annual ad valorem property tax is required to be levied by October 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31 of the year following the year of the levy. A tax lien attaches to all property on January 1 of each year to secure the payment of all taxes, penalties and interest that is ultimately imposed on the property. The tax rate established by the City Council for the 2020 tax year was \$0.561840 per \$100 of assessed value with \$0.423094 for operations and \$0.138746 for debt service.

In 2004, Houston voters approved Proposition 1, which limits increases in ad valorem tax revenues collected by the City. In each Fiscal Year, Proposition 1 limits increases in ad valorem tax revenues collected by the City by limiting such annual ad valorem collections to the lesser of (i) the actual ad valorem tax revenues collected in the preceding Fiscal Year, plus 4.5%, or (ii) actual ad valorem revenues received in Fiscal Year 2005, adjusted for the cumulative combined rates of inflation and the City's population growth (as determined by the U.S. Census). The Texas Property Tax Code ("Code"), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for countywide appraisal districts.

Tax Increment Reinvestment Zones (TIRZs)

The City of Houston has 26 active Tax Increment Reinvestment Zones (TIRZs) currently.

| TIRZ # | TIRZ Name | TIRZ # | TIRZ Name | TIRZ # | TIRZ Name |
|---------------|-----------------------|---------------|------------------|---------------|-------------------------------|
| 1 | St. George Place | 11 | Greenspoint | 20 | Southwest |
| 2 | Midtown | 12 | City Park | 21 | Hardy/Near Northside |
| 3 | Main St/Market Square | 13 | Old Sixth Ward | 22 | Leland Woods |
| 5 | Memorial Heights | 14 | Fourth Ward | 23 | Harrisburg |
| 6 | Eastside | 15 | East Downtown | 24 | Greater Houston |
| 7 | OST/Almeda | 16 | Uptown | 25 | Hiram Clarke/Fort Bend County |
| 8 | Gulfgate | 17 | Memorial City | 26 | Sunnyside |
| 9 | South Post Oak | 18 | Fifth Ward | 27 | Montrose |
| 10 | Lake Houston | 19 | Upper Kirby | | |

The TIRZ's were created pursuant to Chapter 311 of the Texas Tax Code to aid in financing the development or redevelopment of unproductive, underdeveloped or blighted areas.

The City of Houston, through its agreement with each individual TIRZ, contributes tax increment dollars to finance capital projects such as streets, drainage, water, parks and public facilities, streetscape (sidewalks, lighting, landscaping), parking facilities, and affordable housing to enhance economic growth. The amount of tax increment contributed by the City is based on the incremental taxable value generated by each individual TIRZ above its taxable value at creation.

Each TIRZ is required by Chapter 311 to create a project plan and reinvestment zone financing plan that reflects the Zone's goals and priorities for its term. The plan is subsequently approved by City Council for implementation. Annually, City Council reviews and approves each TIRZ budget for implementation of capital projects.

In fiscal year 2021, the City of Houston contributed \$163.8 million in tax increments to the City-led TIRZs. A summary of taxing units that participate in various TIRZs through interlocal agreements are listed below. These taxing units contributed a combined \$43.7 million to the TIRZs. The City-led TIRZ budgets totaled \$535.7 million in expenditures for fiscal year 2021.

| City of Houston TIRZ Interlocal Participation Agreements | |
|--|--|
| Taxing Jurisdiction | TIRZ Number |
| Harris County ^{1,2} | 1, 2, 3, 5, 7, 8, 9, 10, 11, 13, 15, 24 |
| Harris County Flood Control District ¹ | 2, 3 |
| Harris County Hospital District ¹ | 3 |
| Harris County Port of Houston Authority ¹ | 3 |
| Houston Community College District | 2 |
| Houston Independent School District | 1, 2, 3, 4, 5, 7, 8, 9, 12, 13, 14, 15, 16, 18, 19 |
| Humble Independent School District | 10 |
| Aldine and Spring Independent School Districts, Lone Star College District | 11 |

¹Included in the Harris County Interlocal Agreement

²Harris County no longer participates in TIRZ No. 1, 2, 5, 7, 8, 9, 10, 11 and 13

CITY OF HOUSTON, TEXAS
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³Harris County Hospital District and Harris County Flood Control no longer participates in TIRZ No. 2 and 3

⁴Houston Independent School District no longer participates in TIRZ No. 5 and 19

Tax Abatements

The City also enters into property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Chapter 312. These have investment and employment requirements that must be met to have a portion of their property taxes abated. In fiscal year 2021, the total amount abated was \$1,219,524, to nine businesses.

| Company Name | Abatement Project Information | Investment Requirement | City's Abatement Commitments | Amount Eligible for Abatement (HCAD Value) | Tax abatement for Tax Year 2020 (COH tax rate - 0.0056184) |
|-------------------------------------|---|-------------------------------|---|---|---|
| BVSW Garden Oaks | To renovate, develop, upgrade, and expand the existing 136 units of deteriorated, vacant apartment property into 166 units of upscale multi-family housing accommodations. | \$8,000,000 | City agrees to grant the Owner a fifty percent (50%) of the ad valorem taxes levied on the Improvements in the Zone. | \$12,199,464 | \$68,541 |
| Brittmoore Founders District | Development of a multi-use facility including office space, co-working space, retail, regional community events center, 250+ units of multi-family apartments, athletic facilities and park amenities; the use of the facility is to create a 32 acre mixed-use entrepreneurial hub for startups, technology firms, and other high-growth businesses. | \$150,000,000 | City agrees to grant the Owner a ninety percent (90%) of the ad valorem taxes levied on the Improvements in the Zone. | \$12,107,589 | \$68,025 |
| UPS | The facility will be approximately 400,000 to 500,000 square feet comprising package handling and distribution center and ancillary office facilities. | \$59,000,000 | City agrees to grant the Owner a seventy-five percent (75%) of the ad valorem taxes levied on the Improvements in the Zone. | \$78,363,098 | \$440,275 |
| Emerson Process LLLP | Company will construct and install the Improvements in the Zone by the Effective Date of Abatement. | \$13,850,000 | City agrees to grant the Owner a 50% abatement of the ad valorem and personal property taxes on the improvements in the Zone. | \$7,308,425 | \$41,062 |

(continued)

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

| | | | | | |
|--|---|---------------|--|--------------|-----------|
| CyrusOne | CyrusOne will invest a minimum of \$10,000,000.00 in constructing and installing the improvements in the Zone by Effective date of Abatement and \$90,000,000.00 by the end of 2017. If, at the end of 2017, CyrusOne has not invested at least 70% of the \$90,000,000 investment commitment or \$63,000,000 the City will reduce the tax abatement percentage to 40%. | \$90,000,000 | City agrees to grant CyrusOne a fifty percent (50%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. The tax abatement will apply to the appraised value up to \$72,000,000.00 and is capped at that value. Any value in excess of \$72,000,000.00 will not be subject to the abatement. | \$22,781,245 | \$127,994 |
| Halliburton | The Owner represents that it will complete construction of the Facility on the Real Property no later than December 31, 2015. The Owner represents and warrants that it will invest a minimum of \$145,000,000 in designing, construction, and installing the Improvements by the Effective Date of Abatement. | \$145,000,000 | City agrees to grant Halliburton a fifty percent (50%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. Maximum abatement amount is \$1,500,000. | \$10,159,001 | \$57,077 |
| Kroger | The Company represents and warrants that it will invest approx. \$24M related to an upgrade of the Facility and approx. \$17M related to the expansion of the Facility in the Zone by the Effective Date of Abatement. | \$10,097,947 | City agrees to grant Kroger a Seventy five percent (75%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. The real property improvements subjects to tax abatement are \$17M. | \$3,460,860 | \$19,445 |
| Cullen SH Apartments | The Company represents and warrants that it will invest a minimum of \$22M in acquiring the Real Property and constructing and installing the Improvements in the Zone by the Effective Date of Abatement. | \$22,000,000 | City agrees to grant Cullen SH Apartments 90% abatement of the improvements. | \$22,855,313 | \$128,410 |
| Converge Midstream Services (formerly Fairway Energy) | The Company represents and warrants that it will invest a minimum of \$218M in capital improvements to the Facility by the Effective Date of Abatement and has provided a pro forma of projected annual Net Operating Income. | \$218,000,000 | City agrees to grant a 50% abatement of the ad valorem taxes on the Improvements in the Zone during the Abatement Period. | \$47,824,110 | \$268,695 |

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: CAPITAL ASSETS

A. Governmental Activities of the Primary Government

A summary of changes in capital assets for the year ended June 30, 2021 follows (in thousands):

| | Balance July 1, 2020 | Additions | Retirements | Transfers | Balance June 30, 2021 |
|---|-------------------------------------|-------------------|--------------------|------------------|--------------------------------------|
| Governmental Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 535,473 | \$ 11,780 | \$ (932) | \$ 1,504 | \$ 547,825 |
| Right of way | 1,768,846 | 9,434 | (201) | 1,042 | 1,779,121 |
| Construction Work in Progress | 566,784 | 310,488 | - | (188,334) | 688,938 |
| Total capital assets not being depreciated | <u>2,871,103</u> | <u>331,702</u> | <u>(1,133)</u> | <u>(185,788)</u> | <u>3,015,884</u> |
| Depreciable capital assets: | | | | | |
| Buildings | 1,394,254 | 898 | (2,109) | 12,799 | 1,405,842 |
| Rights & Intangibles - Amortizable | 14,400 | 82 | - | 2,376 | 16,858 |
| Improvements and Equipment | 1,423,221 | 80,601 | (24,721) | 36,039 | 1,515,140 |
| Infrastructure | 7,933,747 | 72,419 | (8,466) | 134,574 | 8,132,274 |
| Total other capital assets | <u>10,765,622</u> | <u>154,000</u> | <u>(35,296)</u> | <u>185,788</u> | <u>11,070,114</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (549,832) | (37,743) | 2,011 | - | (585,564) |
| Rights and Intangibles | (10,312) | (2,751) | - | - | (13,063) |
| Improvements and Equipment | (997,468) | (90,396) | 23,250 | - | (1,064,614) |
| Infrastructure | (3,796,520) | (179,395) | 8,181 | - | (3,967,734) |
| Total accumulated depreciation | <u>(5,354,132)</u> | <u>(310,285)</u> | <u>33,442</u> | <u>-</u> | <u>(5,630,975)</u> |
| Depreciable capital assets, net | <u>5,411,490</u> | <u>(156,285)</u> | <u>(1,854)</u> | <u>185,788</u> | <u>5,439,139</u> |
| Governmental Activities capital assets, net | <u>\$ 8,282,593</u> | <u>\$ 175,417</u> | <u>\$ (2,987)</u> | <u>\$ -</u> | <u>\$ 8,455,023</u> |

B. Business-type Activities

| | Balance July 1, 2020 | Additions | Retirements | Transfers | Balance June 30, 2021 |
|--|-------------------------------------|------------------|--------------------|------------------|--------------------------------------|
| Airport System | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 216,100 | \$ - | \$ - | \$ - | \$ 216,100 |
| Rights & Intangibles- Non Amortizable | 13,394 | - | - | 4,939 | 18,333 |
| Construction Work in Progress | 255,070 | 202,807 | - | (48,197) | 409,680 |
| Total capital assets not being depreciated | <u>484,564</u> | <u>202,807</u> | <u>-</u> | <u>(43,258)</u> | <u>644,113</u> |
| Depreciable capital assets: | | | | | |
| Buildings | 3,076,131 | 49 | (68,380) | 28,487 | 3,036,287 |
| Improvements and Equipment | 1,955,324 | 8,876 | (748) | 5,027 | 1,968,479 |
| Infrastructure | 587,314 | 126 | (43,214) | 9,744 | 553,970 |
| Rights & Intangibles- Amortizable | 4,697 | - | - | - | 4,697 |
| Total other capital assets | <u>5,623,466</u> | <u>9,051</u> | <u>(112,342)</u> | <u>43,258</u> | <u>5,563,433</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,623,380) | (95,299) | 56,909 | - | (1,661,770) |
| Improvements and Equipment | (1,366,636) | (64,710) | 748 | - | (1,430,598) |
| Infrastructure | (381,746) | (10,603) | 27,084 | - | (365,265) |
| Rights & Intangibles | (4,685) | (12) | - | - | (4,697) |
| Total accumulated depreciation | <u>(3,376,447)</u> | <u>(170,624)</u> | <u>84,741</u> | <u>-</u> | <u>(3,462,330)</u> |
| Depreciable capital assets, net | <u>2,247,019</u> | <u>(161,573)</u> | <u>(27,601)</u> | <u>43,258</u> | <u>2,101,103</u> |
| Airport System capital assets, net | <u>\$ 2,731,583</u> | <u>\$ 41,234</u> | <u>\$ (27,601)</u> | <u>\$ -</u> | <u>\$ 2,745,216</u> |

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June 30, 2021

| | Balance July 1, 2020 | Additions | Retirements | Balance June 30, 2021 |
|---|-------------------------------------|--------------------|--------------------|--------------------------------------|
| Convention and Entertainment Facilities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 95,687 | \$ - | \$ (1,827) | \$ 93,860 |
| Construction Work in Progress | - | - | - | - |
| Total capital assets not being depreciated | <u>95,687</u> | <u>-</u> | <u>(1,827)</u> | <u>93,860</u> |
| Depreciable capital assets: | | | | |
| Buildings | 577,527 | - | (11,379) | 566,148 |
| Garage Rights | 13,144 | - | - | 13,144 |
| Improvements and Equipment | 8,632 | - | (223) | 8,409 |
| Infrastructure | 334 | - | - | 334 |
| Total other capital assets | <u>599,637</u> | <u>-</u> | <u>(11,602)</u> | <u>588,035</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (312,099) | (13,026) | 7,469 | (317,656) |
| Garage Rights | (5,764) | (343) | (2) | (6,109) |
| Improvements and Equipment | (6,218) | (34) | 206 | (6,046) |
| Infrastructure | (172) | (15) | 1 | (186) |
| Total accumulated depreciation/amortization | <u>(324,253)</u> | <u>(13,418)</u> | <u>7,674</u> | <u>(329,997)</u> |
| Depreciable capital assets, net | <u>275,384</u> | <u>(13,418)</u> | <u>(3,928)</u> | <u>258,038</u> |
| Convention and Entertainment Facilities capital assets, net | <u>\$ 371,071</u> | <u>\$ (13,418)</u> | <u>\$ (5,755)</u> | <u>\$ 351,898</u> |

| | Balance July 1, 2020 | Additions | Retirements | Transfers | Balance June 30, 2021 |
|---|-------------------------------------|-------------------|--------------------|------------------|--------------------------------------|
| Combined Utility System | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 179,545 | \$ 703 | \$ (265) | \$ 9,222 | \$ 189,205 |
| Right of way | 923 | - | - | 133 | 1,056 |
| Rights and Intangibles - Non-depreciable | 845,785 | - | - | - | 845,785 |
| Construction Work in Progress | 1,300,959 | 916,320 | - | (390,946) | 1,826,333 |
| Total capital assets not being depreciated | <u>2,327,212</u> | <u>917,023</u> | <u>(265)</u> | <u>(381,591)</u> | <u>2,862,379</u> |
| Depreciable capital assets: | | | | | |
| Buildings | 171,324 | - | (2,260) | 6,174 | \$ 175,238 |
| Improvements and Equipment | 190,223 | 7,934 | (4,078) | (241) | 193,838 |
| Infrastructure | 11,309,882 | 24,815 | (40,576) | 375,658 | 11,669,779 |
| Rights & Intangibles - depreciable | 1,613 | 97 | - | - | 1,710 |
| Total depreciable capital assets | <u>11,673,042</u> | <u>32,846</u> | <u>(46,914)</u> | <u>381,591</u> | <u>12,040,565</u> |
| Less accumulated depreciation/amortization for: | | | | | |
| Buildings | (88,519) | (3,665) | 1,733 | - | \$ (90,451) |
| Improvements and Equipment | (140,698) | (13,423) | 3,999 | 41 | (150,081) |
| Infrastructure | (5,914,053) | (256,266) | 37,577 | (41) | (6,132,783) |
| Rights & Intangibles | (280) | (378) | - | - | (658) |
| Total accumulated depreciation/amortization | <u>(6,143,550)</u> | <u>(273,732)</u> | <u>43,309</u> | <u>-</u> | <u>(6,373,973)</u> |
| Depreciable capital assets, net | <u>5,529,492</u> | <u>(240,886)</u> | <u>(3,605)</u> | <u>381,591</u> | <u>5,666,592</u> |
| Combined Utility System capital assets, net | <u>7,856,704</u> | <u>676,137</u> | <u>(3,870)</u> | <u>-</u> | <u>8,528,971</u> |
| Business-type activities capital assets, net | <u>\$ 10,959,358</u> | <u>\$ 703,953</u> | <u>\$ (37,226)</u> | <u>\$ -</u> | <u>\$ 11,626,085</u> |

CITY OF HOUSTON, TEXAS
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C. Depreciation and Amortization Expense

Depreciation expense was charged to functions programs of the primary government as follows (in thousands):

| | |
|---|-------------------|
| Governmental activities | |
| General government | \$ 43,251 |
| Public safety | 38,124 |
| Public works | 12,127 |
| Health | 5,116 |
| Housing | 1,548 |
| Parks and recreation | 24,851 |
| Library | 6,222 |
| Infrastructure | 179,046 |
| Total depreciation expense - governmental activities | <u>\$ 310,285</u> |
| Business-type activities | |
| Airport System | \$ 170,624 |
| Convention & Entertainment Facilities | 13,418 |
| Combined Utility System | 273,732 |
| Total depreciation expense - business-type activities | <u>\$ 457,774</u> |

Amortization expense was charged to functions programs of the primary government as follows (in thousands):

| | |
|---|-----------------|
| Governmental activities | |
| General government | \$ 2,753 |
| Public safety | 746 |
| Public works | 1,889 |
| Health | 969 |
| Housing | 1,607 |
| Total amortization expense - governmental activities | <u>\$ 7,964</u> |
| Business-type activities | |
| Airport System | \$ 196 |
| Combined Utility System | 15 |
| Total amortization expense - business-type activities | <u>\$ 211</u> |

D. Pension Trust Funds

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$483,325 for use in the construction of a new office building for its operations and its members. In April of 2001, the construction of the new building was completed. The building's capitalized cost of \$9,940,771 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2021 amounted to \$6,559,173.

NOTE 7: SHORT-TERM DEBT – TAX AND REVENUE ANTICIPATION NOTES

Short-term debt activity for the year ended June 30, 2021, was as follows (in thousands):

| | <u>Balance</u> <u>July 1, 2020</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Balance</u> <u>June 30, 2021</u> |
|--------------------|---------------------------------------|---------------|-----------------|--|
| Tax and Revenue | | | | |
| Anticipation Notes | \$ - | \$ 230,000 | \$ 230,000 | \$ - |

On July 21, 2020, the City closed on the sale of \$230,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2020. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2021. The stated interest rate was 4.23% and the average yield was .296%. The notes matured on June 30, 2021.

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CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 8: LONG-TERM LIABILITIES

A. General Long-Term Liabilities

Changes in General Long-Term Liabilities for the year ended June 30, 2021 are summarized as follows (in thousands):

| | Balance | | Retirements/ | Balance | Amounts |
|---|----------------------|-------------------|-----------------------|----------------------|-------------------|
| | June 30, 2020 | Additions | Transfers | June 30, 2021 | Due within |
| | | | | | One Year |
| Governmental Activities | | | | | |
| Bonds and notes payable: | | | | | |
| General tax obligation debt | \$ 3,455,082 | \$ 114,000 | \$ (212,959) | \$ 3,356,123 | \$ 359,900 |
| HUD Section 108 Loans | 19,354 | 9,724 | (189) | 28,889 | 195 |
| Plus premium (discount) on bonds | 277,109 | - | (17,302) | 259,807 | - |
| Total bonds and notes payable | <u>3,751,545</u> | <u>123,724</u> | <u>(230,450)</u> | <u>3,644,819</u> | <u>360,095</u> |
| Other liabilities: | | | | | |
| Claims and judgments | 177,872 | 352,150 | (332,923) | 197,099 | 44,142 |
| Compensated absences | 488,518 | 80,495 | (60,517) | 508,496 | 167,650 |
| Arbitrage rebate | 605 | - | (605) | - | - |
| Other Post Employment Benefit obligation | 2,013,883 | 310,313 | (1,154) | 2,323,042 | - |
| Net Pension liability | 4,267,411 | - | (2,935,204) | 1,332,207 | - |
| Total other liabilities | <u>6,948,289</u> | <u>742,958</u> | <u>(3,330,403)</u> | <u>4,360,844</u> | <u>211,792</u> |
| Governmental Activities Long-Term Liabilities | <u>\$ 10,699,834</u> | <u>\$ 866,682</u> | <u>\$ (3,560,853)</u> | <u>\$ 8,005,663</u> | <u>\$ 571,887</u> |
| Discretely Presented Component Units: | | | | | |
| Notes payable | \$ 660,897 | \$ 61,270 | \$ 88,378 | \$ 633,789 | \$ 47,859 |
| Bonds payable | 578,872 | 327,790 | 70,228 | 836,434 | 52,761 |
| Discretely Presented Component Units Long-Term Liabilities | <u>\$ 1,239,769</u> | <u>\$ 389,060</u> | <u>\$ 158,606</u> | <u>\$ 1,470,223</u> | <u>\$ 100,620</u> |

Within governmental funds, contributions toward the other post-employment benefit obligations and liquidation of the net pension liability are made from the general fund.

| | Balance | | Retirements/ | Balance | Amounts |
|---|----------------------|---------------------|-----------------------|----------------------|---------------------|
| | June 30, 2020 | Additions | Transfers | June 30, 2021 | Due within |
| | | | | | One Year |
| Business-type activities | | | | | |
| Bonds and notes payable: | | | | | |
| Airport System debt | \$ 2,065,068 | \$ 1,547,582 | \$ (1,298,793) | 2,313,857 | \$ 84,153 |
| Convention and Entertainment debt | 453,512 | 6,000 | (24,698) | 434,814 | 22,243 |
| Combined Utility System debt | 6,860,208 | 1,409,790 | (1,234,918) | 7,035,080 | 268,036 |
| Long-term contracts - Combined Utility | 452,916 | - | (8,312) | 444,604 | 8,581 |
| Premiums, discounts amount | 917,559 | 267,459 | (113,261) | 1,071,757 | - |
| Total bonds and notes payable | <u>10,749,263</u> | <u>3,230,831</u> | <u>(2,679,982)</u> | <u>11,300,112</u> | <u>383,013</u> |
| Other liabilities: | | | | | |
| Claims and judgments | 4,223 | 3,048 | - | 7,271 | 3,572 |
| Compensated absences | 34,127 | 16,627 | (15,953) | 34,801 | 15,763 |
| Arbitrage rebate liability | 7,972 | - | (2,271) | 5,701 | 2,818 |
| Other Post Employment Benefit obligation | 219,741 | 86,861 | - | 306,602 | - |
| Net Pension liability | 676,932 | - | (229,577) | 447,355 | - |
| Total other liabilities | <u>942,995</u> | <u>106,536</u> | <u>(247,801)</u> | <u>801,730</u> | <u>22,153</u> |
| Business-type activities Long-Term Liabilities | <u>\$ 11,692,258</u> | <u>\$ 3,337,367</u> | <u>\$ (2,927,783)</u> | <u>\$ 12,101,842</u> | <u>\$ 405,166</u> |
| Total Reporting Entity Long-Term Liabilities | <u>\$ 23,631,861</u> | <u>\$ 4,593,109</u> | <u>\$ (6,330,031)</u> | <u>\$ 21,577,229</u> | <u>\$ 1,079,090</u> |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

B. Schedule of Changes in Bonds and Long-Term contracts (amounts expressed in thousands):

| | Stated Interest Rate Range, % | Face Value Outstanding 6/30/2020 | FY21 Issued/ Increased |
|--|--|---|---------------------------------------|
| General Tax Obligation Debt | | | |
| Public improvement bonds | 0.25 to 6.32 | \$ 1,888,435 | \$ - |
| Pension obligations | 5.31 to 6.29 | 1,422,407 | - |
| Commercial paper | 0.12 to 10.00 | 131,900 | 114,000 |
| Tax and revenue certificates of obligation | 4.00 to 5.00 | 12,340 | - |
| | | <u>\$ 3,455,082</u> | <u>\$ 114,000</u> |
| Total General Tax Obligation Debt | | | |
| | | <u>\$ 19,354</u> | <u>\$ 9,724</u> |
| HUD Section 108 Loans | | | |
| | | <u>\$ -</u> | <u>\$ -</u> |
| Note Payable CWA | | | |
| Revenue Bonded Debt | | | |
| Airport System Bonds | | | |
| Subordinate lien revenue and refunding bonds | 0.883 to 5.70 | \$ 1,855,340 | \$ 1,149,685 |
| Special facility bonds | 0.40 to 6.88 | 74,425 | - |
| Pension obligations | 5.31 | 2,006 | - |
| State Energy Conservation (SECO) Loans | 2.00 | 324 | 14,097 |
| Commercial paper | 0.11 to 1.4 | 132,973 | 383,800 |
| | | <u>\$ 2,065,068</u> | <u>\$ 1,547,582</u> |
| Convention and Entertainment Facilities | | | |
| Senior lien hotel occupancy tax/parking facilities | 1.12 to 5.75 | \$ 450,133 | \$ 6,000 |
| Pension obligations | 5.31 to 6.29 | 3,379 | - |
| | | <u>\$ 453,512</u> | <u>\$ 6,000</u> |
| Combined Utility System | | | |
| Combined Utility System first lien bonds | 0.02 to 6.00 | \$ 6,009,025 | \$ 1,056,790 |
| Water and Sewer System junior lien revenue bond | 1.25 to 6.90 | 49,949 | - |
| Combined Utility System commercial paper | 0.12 to 10.00 | 275,000 | 315,000 |
| Combined Utility System subordinate lien bonds | 0.22 to 3.42 | 430,805 | 38,000 |
| Pension obligations | 5.31 to 6.29 | 95,429 | - |
| | | <u>\$ 6,860,208</u> | <u>\$ 1,409,790</u> |
| Long-Term Contracts-Water and Sewer System | | | |
| Coastal Water Authority | 2.00 to 7.50 | \$ 56,955 | \$ - |
| Other long term contracts | 3.22 to 5.85 | 395,961 | - |
| | | <u>\$ 452,916</u> | <u>\$ -</u> |
| Total Revenue Bonded Debt and Long-Term Contracts, Primary Government | | | |
| | | <u>\$ 9,831,704</u> | <u>\$ 2,963,372</u> |
| Total Bonds and Long-Term Contracts Payable, Primary Government | | | |
| | | <u>\$ 13,306,140</u> | <u>\$ 3,087,096</u> |

(Continued)

- (1) Adjustments consist of unamortized bond premiums, discounts, and capital appreciation bond accretions.
- (2) Amount of refunding general tax obligation debt paid to escrow agent included payment of premiums and accrued interest on refunded bonds. Loss on refunding is reported as deferred outflow of resources.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

| FY21 Redeemed/ Refunded (2) | Face Value Outstanding 6/30/2021 | Adjustments (1) | Net Outstanding 6/30/2021 |
|--|---|------------------------|--------------------------------------|
| \$ 188,125 | \$ 1,700,310 | \$ 259,496 | \$ 1,959,806 |
| 22,279 | 1,400,128 | - | 1,400,128 |
| 1,300 | 244,600 | - | 244,600 |
| 1,255 | 11,085 | 311 | 11,396 |
| <u>\$ 212,959</u> | <u>\$ 3,356,123</u> | <u>\$ 259,807</u> | <u>\$ 3,615,930</u> |
| <u>\$ 189</u> | <u>\$ 28,889</u> | <u>\$ -</u> | <u>\$ 28,889</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 795,780 | \$ 2,209,245 | \$ 212,761 | \$ 2,422,006 |
| 6,240 | 68,185 | - | 68,185 |
| - | 2,006 | - | 2,006 |
| - | 14,421 | - | 14,421 |
| 496,773 | 20,000 | - | 20,000 |
| <u>\$ 1,298,793</u> | <u>\$ 2,313,857</u> | <u>\$ 212,761</u> | <u>\$ 2,526,618</u> |
| \$ 24,513 | 431,620 | \$ 202,828 | \$ 634,448 |
| 185 | 3,194 | - | 3,194 |
| <u>\$ 24,698</u> | <u>\$ 434,814</u> | <u>\$ 202,828</u> | <u>\$ 637,642</u> |
| \$ 623,920 | \$ 6,441,895 | \$ 542,992 | \$ 6,984,887 |
| 6,656 | 43,293 | 107,934 | 151,227 |
| 590,000 | - | - | - |
| 11,215 | 457,590 | - | 457,590 |
| 3,127 | 92,302 | - | 92,302 |
| <u>\$ 1,234,918</u> | <u>\$ 7,035,080</u> | <u>\$ 650,926</u> | <u>\$ 7,686,006</u> |
| \$ 3,960 | \$ 52,995 | \$ 3,848 | \$ 56,843 |
| 4,352 | 391,609 | 1,394 | 393,003 |
| <u>\$ 8,312</u> | <u>\$ 444,604</u> | <u>\$ 5,242</u> | <u>\$ 449,846</u> |
| <u>\$ 2,566,721</u> | <u>\$ 10,228,355</u> | <u>\$ 1,071,757</u> | <u>\$ 11,300,112</u> |
| <u>\$ 2,779,869</u> | <u>\$ 13,613,367</u> | <u>\$ 1,331,564</u> | <u>\$ 14,944,931</u> |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

C. Terms of Long-Term Debt

1. Public Improvement Bonds

The City has issued Public Improvement Bonds on numerous occasions. The bonds are payable from ad valorem tax revenues. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable in various amounts annually through March 1, 2043.

2. Pension Obligation Bonds

The City has issued several series of General Obligation Taxable Pension Bonds. The proceeds were used to reduce the unfunded actuarial accrued liability of the Houston Municipal Employees Pension System and the Houston Police Officers Pension System. Interest is payable semi-annually, and principal is payable in varying amounts through 2047. Although these obligations have an ad valorem tax pledge, a portion of the liabilities is recorded in the enterprise funds because the liabilities are directly related and expected to be paid from those funds based on percentages of payroll.

3. General Obligation Commercial Paper

The City currently multiple General Obligation Commercial Paper Programs with total authorization of \$975 million. The programs' current issuance capacity is \$925 million, of which \$625 million is supported by credit facilities. General Obligation Commercial Paper, \$200 million Series E Program, \$200 million Series G Program, \$100 million Series H-2 Program, \$125 million Series J. The Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the Notes, but not to exceed 10%. Principal on the Notes is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under credit lines. Interest is payable from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt. At June 30, 2021, \$244.6 million (par amt) of GO commercial paper was outstanding. The City's outstanding notes from credit agreements contain a two – three-year repayment provision in the event of default or material adverse change.

The City has two unused programs, \$200 million Series K-1 and \$100 million Series K-2 that are Forward Bond Purchase Agreements.

During fiscal year 2021, the average interest rate for the outstanding General Obligation Notes was 0.13933. This does not include Series K-1, K-2 and G-1 which was established mainly for appropriation purposes; therefore, there were no draws during fiscal year 2021. The average fees related to Series K-1 was 0.13%, K-2 is 0.13% and G-1 is 0.22% without any notes outstanding during fiscal year 2021. The Credit Agreements expire on the following dates: Series E-1 on July 15, 2021, Series E-2 on April 22, 2022, Series G-1 on April 11, 2024 Series G-2 on November 19, 2021, Series H-2 on November 13, 2023, Series J on May 20, 2023, Series K-1 on February 2, 2026, and Series K-2 on February 2, 2026.

4. Certificates of Obligation

Since 1988, the City has issued Certificates of Obligation each year to provide for the purchase of equipment utilized in general City operations including, without limitation, police vehicles, maintenance vehicles and equipment, computer equipment, and costs associated with demolishing dangerous structures. Each year the City is obligated to levy, assess, and collect ad valorem taxes sufficient to pay principal and interest on the certificates payable semi-annually until maturity.

5. HUD Section 108 Loan

The City has borrowed money from the United States Department of Housing and Urban Development (“HUD”) and loaned it to the Houston Business Development Initiative (“HBDI”) and three hotels in the downtown business district. HBDI in turn makes small business loans to under-served areas of the community. The City has pledged only certain grant revenues and its receipts from the loans to repay HUD.

6. Airport System Revenue Bonds

At June 30, 2021, the Airport System has no senior lien revenue bonds outstanding. Any bonds issued on the senior lien would require net revenues, as defined by the Master Bond Ordinance, totaling 125% of the debt service requirements for such fiscal year. The Airport System has issued subordinate lien revenue bonds which are paid solely from a lien on the Airport System's net revenues, which must total 110% of the debt service requirements for subordinate lien revenue bonds for such fiscal year. At June 30, 2021, the subordinate lien revenue bonds have an outstanding balance totaling \$2,209,245,000 with a final maturity in 2048.

7. Airport System Inferior Lien Contract

On October 21, 2015, the City authorized up to \$450 million in Airport System Inferior Lien Revenue Bonds, in one or more series. On November 5, 2015 the City authorized execution of a forward delivery purchase agreement with the Royal Bank of Canada (“RBC”), to expire November 5, 2022, for the issuance of \$450 million in Inferior Lien Revenue Bonds. City Council must reauthorize this liquidity arrangement annually. For the year ended June 30, 2021, no Inferior Lien Revenue Bonds have been issued and outstanding.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

8. Airport System Special Facility Bonds

The Airport System Special Facilities Taxable Revenue Bonds, (CRCF Project), Series 2001, original par value \$130,250,000, financed the design and construction of a common car customer service building, a parking structure, maintenance, storage and administrative facilities for each car rental company lessee, a common bus fleet and maintenance facility, and related infrastructure at Intercontinental. The City holds legal title to the completed CRCF, as it was constructed on airport property, but the facility is operated and maintained by IAH RACS, LLC, a limited liability company formed by various car rental companies. The bonds are payable from Customer Facility Charges (“CFC”) collected by the car rental companies from their customers and remitted to a trustee for payment of debt service and other uses allowable by a trust indenture. As of June 30, 2021, the daily usage charge per customer is set at \$4.00. The trust indenture determines when and how the City is responsible for changing the rate, which under the Bond covenants must be set to provide a debt service coverage ratio of at least 125%. The bonds are limited special obligations of the City, payable solely from and secured by pledged CFC. There is no pledge of car rental company revenues, or of any general revenue of the City.

On September 4, 2014, the City issued \$38,225,000 in Airport System Special Facilities Taxable Revenue Refunding Bonds (CRCF Project), Series 2014, at coupons ranging from 0.40% to 2.99%. The bonds mature in varying amounts from 2015 to 2021. Proceeds of the bonds were used to refund \$37,245,000 of the City’s outstanding Airport System Special Facilities Taxable Revenue Bonds (CRCF), Series 2001, and to pay costs of issuance. Net present value savings related to the refunded bonds totaled \$5,078,199 and reduced total debt service by \$6,110,108. The bonds are limited special obligations of the City, payable solely from and secured by pledged CFC. These bonds do not constitute a debt or pledge of the faith or credit of the City or the Fund.

At June 30, 2021, special facilities revenue and refunding bonds (CRCF) outstanding totaled \$68.2 million.

9. Airport System Commercial Paper Notes

During the year ended June 30, 2013, the City authorized up to \$150 million in Airport System Commercial Paper Notes (“Commercial Paper”). On November 20, 2013, the City re-authorized and amended the Series A and B Commercial Paper. A new direct pay letter of credit was issued on December 18, 2013, covering \$150 million in face value of Series A and B Commercial Paper, plus \$11.1 million in respect of 270 days accrued interest computed at 10%. This letter of credit expired on December 16, 2016 and was replaced by a letter of credit for the same amount issued by Sumitomo Mitsui Banking Corporation (“SMBC”), which expires on December 15, 2021. Any advances made under the letter of credit and not repaid within 90 days will be converted to term loans payable in twenty quarterly installments, subject to the greater of several options for interest rates. The maximum interest rate permitted under the ordinance is 15%.

On April 1, 2020, the agreement with SMBC was expanded to \$350 million, plus interest. During the year ended June 30, 2020, HAS drew down \$84.5 million, bringing the total outstanding balance at June 30, 2020 to \$133.0 million, with interest rates ranging from 0.20% to 1.40%.

On Oct 20, 2020 and June 22, 2021, the outstanding balance of Commercial Paper in the amount of \$151.0 million and \$345.8 million was refunded by the issuance of Series 2020A and Series 2021A bonds, respectively. At June 30, 2021, the outstanding balance of Commercial Paper was \$20.0 million, with interest rate of 0.11%, and the available limit for additional borrowings was approximately \$330.0 million.

10. Airport System Loans

During the year ended June 30, 2020, the Airport System began to borrow and incur interest on two loans obtained from the State Energy Conservation Office (“SECO”), a segment within the State of Texas Comptroller. The SECO program affords low-rate 2% loans for borrowers approved to build or acquire energy efficient equipment or other assets.

The Airport System entered into two reimbursement loan agreements with SECO, each with a SECO-approved list of projects to be completed within approximately eighteen months, and with the initial repayment to commence shortly thereafter. After the Airport System has incurred the construction or acquisition costs, it submits the charges to SECO for reimbursement. Upon reimbursement by SECO, interest expense accrues at two percent.

Loan No. 1 has a maximum amount of \$8.0 million to be repaid over approximately ten years, with repayment to commence once all projects are completed. Loan #2 has a maximum amount of \$7.5 million, and similar terms to Loan No. 1. At June 30, 2021, the Airport System has a total of \$14.4 million loan balance outstanding. The replacement projects continued throughout the year ended June 30, 2021 and have not completed as of June 30, 2021.

There are no unique default provisions, payment provisions, or collateral pledged to either of these loans. In the event of default, such as failing to make timely payments in accordance with the agreements, the outstanding balances, including accrued interest, may become due immediately. As of June 30, 2021, the Airport System is in compliance with terms and conditions of these loan agreements.

CITY OF HOUSTON, TEXAS
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11. Convention and Entertainment Facilities Bonds

These bonds are special limited obligations of the City that are paid from a lien on the pledged receipts of the Hotel Occupancy Tax (HOT), and revenues collected from certain City-owned parking facilities. The pledged HOT receipts are equal to 5.65% of the cost of substantially all hotel room rentals in the City, plus related penalties and interest for delinquent payments. As long as any of the Senior Lien Bonds remain outstanding, the City is required to levy a Hotel Occupancy Tax at a rate not less than 7%. The City currently levies a Hotel Occupancy Tax at the rate of 7%. Final maturity of the bonds is September 1, 2044.

Flexible Rate Notes from direct borrowings are paid from a lien on the pledged receipts of the Hotel Occupancy Tax (HOT), as of June 30, 2021, Flexible Rate Notes totaled \$27 million and contain a provision that in an event of default, outstanding amounts are due immediately.

The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Bonds. The surety policy expires upon final maturity of the outstanding Bonds that are due through September 1, 2033.

12. Water and Sewer System Junior Lien Revenue Bonds

The City’s Water and Sewer System Junior Lien Revenue Bonds are all bonds outstanding under the Previous Ordinance. On June 10, 2004, as part of the restructuring to the new Combined Utility System, the City refunded a substantial portion of its outstanding junior lien bonds and reissued bonds as Combined Utility System bonds. Debt service payments on remaining Water and Sewer Junior Lien Revenue Bonds (“Junior Lien Bonds”) will be made after payment of operating expenses and prior to any debt service payments on the Combined Utility System bonds. The final maturity date for the remaining junior lien bonds is December 1, 2028. No additional Junior Lien Bonds may be issued. As of June 30, 2021, the current principal balance outstanding is \$43.29 million.

13. Combined Utility System First Lien Revenue Bonds

On September 3, 2003, City Council authorized creation of the Combined Utility System (“the System”). The Combined Utility System, established under the Master Ordinance, currently consists of the City’s Water and Sewer Facilities, and from time to time, may include such other utility systems, that the City elects to combine with the Combined Utility System, as permitted by the Master Ordinance. The System’s First Lien Revenue Bonds are special obligations of the City, payable from and secured by a pledge on Net Revenues of the System, after payment of all required payments, including and not limited to, those defined as maintenance and operation expenses under Previous Ordinance, and debt service on Water and Sewer Junior Lien bonds. Therefore, the lien on Net Revenues securing these bonds is subordinate to the lien securing Junior Lien Bonds. For any bonds outstanding on First Lien, the Master Ordinance requires the System to generate Net Revenues at least equal to the greater of 120% of the combined debt service on all Previous Ordinance and First Lien Revenue Bonds outstanding, or 110% of the combined debt service on all Previous Ordinance, First Lien and Second Lien Revenue Bonds outstanding, in such fiscal year.

In May 2004, the System issued First Lien Revenue Refunding Bonds, Series 2004B and 2004C bonds, in the form of auction rate securities. In 2008, Series 2004B auction rate securities were converted to variable rate demand bonds, while Series 2004C auction rate securities were refunded by First Lien Revenue Refunding, Series 2008A and 2008D bonds, in the par amounts of \$249.08 million and \$200.43 million, respectively. Series 2004B-1 bonds were later refunded by First Lien Revenue Refunding Bonds, Series 2012A and 2012B bonds, in the par amount of \$125 million and \$100 million, respectively. The refunding bonds were issued as SIFMA index floating rate notes. In 2010, Series 2008A bonds were refunded by First Lien Revenue Refunding Bonds, Series 2010B, effectively converting the bonds into floating rate notes. The bonds were subsequently refunded by Series 2012C, Series 2016C and recently by Series 2018C bonds on August 1, 2018. The refunding bonds were issued as LIBOR index floating rate bonds. In June 2018 and most recently in April 2020, Series 2012B and 2012A bonds, were remarketed and effectively converted back to variable rate demand bonds.

14. Combined Utility System SWAP Agreements

In accordance with the Government Accounting Standards Board Statement No. 72 – Fair Value Measurement and Application, the City has determined the swap liability to be a level 2 measurement. The fair market value below includes consideration of the City’s credit rating and an adjustment for nonperformance risk. The City has determined that the swaps are effective hedges and the change in the fair values are reported as deferred inflows/outflows on the statement of net position (GASB 53, para.75). A summary of the total fair value is as follows:

| <u>Notional Amount</u> | <u>Change in Fair Value</u> | <u>Fair Value at June 30, 2021</u> |
|------------------------|-------------------------------------|------------------------------------|
| \$902,400,000 | \$140,689,862 (Deferred Outflow) | \$214,122,717 (SWAP Liability) |

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General Terms:

Objective (GASB 53, para. 71): To manage interest rate exposure and to reduce the cost of capital related to the City's Combined Utility System First Lien Revenue Refunding Bonds, Series 2004B (the "Series 2004B Bonds"), the City entered into several interest rate swap agreements (the "Series 2004B Swaps"). Additionally, to manage interest rate exposure and to reduce the cost of capital related to the City's Combined Utility System First Lien Revenue Refunding Bonds, Series 2018C (the "Series 2018C Bonds"), the City entered into an interest rate swap agreement (the "Series 2018C Swap"). The Series 2004B Swaps and Series 2018C Swap are collectively referred to herein as the "Swaps". Moreover, the Series 2004B Bonds and the Series 2018C Bonds are collectively referred to herein as the "Bonds".

Hedging Relationship (GASB 53): Hedge accounting can be applied for derivatives that are found to be effective hedges under GASB 53. The City has determined that the swaps are effective hedges and the changes in fair values are reported as deferred inflows/outflows on the statement of net assets.

Non-Performance Adjustments (GASB 72, para. 62): GASB 72 requires a government to consider nonperformance risk when measuring the fair value of a liability. The fair values include consideration of the City's credit rating and an adjustment for nonperformance risk.

Credit risk (GASB 53, para. 73(a)): As of June 30, 2021, the City was not exposed to credit risk because the Swaps had a negative fair market value. However, should interest rates change and the fair market value of the Swaps become positive, then the City will be exposed to credit risk in the amount of the fair market value of the Swaps. In accordance with the City's swap policy and as established the Swaps, if a counterparty's credit rating falls below AA, collateral must be posted in varying amounts, depending on the credit rating and the fair market value of the Swaps. No collateral has been required to date.

Basis risk (GASB 53, para. 73(c)): Basis risk is measured by the difference between variable receipts on the Swaps and variable payments on the Bonds. In the case of the Series 2004B Bonds, the basis is the difference between the 1-Week Securities Industry and Financial Markets Association ("SIFMA") and 10-Year Constant Maturity Swap Rate ("10-Year CMS"). In the case of the Series 2018C Bonds, the basis is the difference between 1-Month London Interbank Offered Rate ("LIBOR") and 10-Year CMS.

Termination risk (GASB 53, para. 73(d)): The City retains the right to terminate the Swaps at any time and for any reason. If the City terminates any of the Swaps, then a termination payment reflecting the "then-current" market value of the Swaps will be payable to or receivable by the City. By comparison, the City's counterparties may only terminate the Swaps in the event that the City fails to perform under the terms of the swap agreement, e.g., the City defaults on any swap payments.

Hedged Debt (GASB 53, para. 74): As of June 30, 2021, debt service requirements for the swap agreements are reported in Note 8D as if the swap was in effect, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated bonds are included with other Combined Utility System Bonds on Note 8D.

a. Combined Utility System Synthetic Fixed Rate Swap Agreements

Combined Utility System Synthetic Fixed Rate Swaps. On June 10, 2004, the City entered into three identical pay-fixed, receive variable rate swap agreements. The City pre-qualified six firms to submit competitive bids on the swap. The bidding took place on June 7, 2004. The three firms selected all matched the lowest fixed rate bid of 3.7784%. On November 15, 2018, the City amended the swap by changing the floating rate index from one-month LIBOR to 10-year constant maturity swap rate (CMS).

Terms. The notional amount totals \$653,325,000, the principal amount of the associated 2004B Bonds. The City's swap agreements contain scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the 2004B Bonds in varying amounts during the years 2028 to 2034.

Under the terms of the swaps, the City will pay a fixed rate of 3.7784% and receive a floating rate equal to 57.6% of One-Month US Dollar LIBOR plus 37 basis points. All agreements were effective June 10, 2004, the date of issuance of the 2004B Bonds, and will terminate on May 15, 2034.

However, effective November 15, 2018, as per the amended terms, the City will now receive variable payments based on 58.55% of 10-year CMS.

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At June 30, 2021, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

| | Amended Terms | RATE (%) Received (Paid) |
|---|------------------|--------------------------------|
| Variable rate payment from counterparties | 58.55% 10Y CMS | 0.6418 |
| Swap Receipt | | 0.6418 |
| Fixed rate paid to counterparties | | (3.7784) |
| Net rate (paid)/received for swap | | (3.1366) |
| Year-end variable rate on 2004B bonds, year-end | | (0.0830) |
| Plus: dealer and credit fees on 2004B bonds | | (0.5945) |
| Effective rate of 2004B bonds | | (3.8141) |

In contrast, the fixed rate the City paid on its Combined Utility System Series 2004A fixed rate bonds, which have a comparable maturity, was 5.08%.

Fair Value. Because long-term interest rates have changed since inception of the swaps, the swaps had a negative fair value of \$156,631,196 on June 30, 2021. After adjustment for the refunded portion, the value reported in the financial statements is negative \$160,129,154. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

| Counterparty | Notional Amount | GAAP Fair Value | Counterparty Rating (Moody's/S&P/Fitch) |
|-----------------|----------------------|------------------------|--|
| Goldman Sachs | \$353,325,000 | \$(84,712,330) | A1/A+/A+ |
| JP Morgan Chase | 150,000,000 | (35,963,629) | Aa2/A+/AA |
| Wells Fargo | 150,000,000 | (35,955,237) | Aa2/A+/AA- |
| Total | \$653,325,000 | \$(156,631,196) | |

b. Combined Utility System Forward Interest Rate Swap

Combined Utility System Forward Starting Swap. On November 1, 2005, the City entered into a forward interest rate swap transaction with Royal Bank of Canada ("RBC"). The City pre-qualified eight firms to submit competitive bids on the swap. RBC submitted the lowest fixed rate bid of 3.761% and was selected. On September 1, 2015, the swap agreement was novated to Wells Fargo.

On November 15, 2018, the City amended the swap by changing the floating rate index from one-month LIBOR to 10-year constant maturity swap rate (CMS). The transaction was conducted through a competitive bid process.

Terms. Under the terms of the initial contract, the City will pay a fixed rate of 3.761% on a par value of \$249,075,000, and it will receive variable payments based on 70% of One-Month US Dollar LIBOR. The City's scheduled net swap payments are insured by Ambac Assurance Corporation.

However, effective November 15, 2018, as per the amended terms, the City will now receive variable payments based on 58.55% of 10-year CMS.

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At June 30, 2021, the effective rate on the 2018C Bonds associated with the swap was computed as follows:

| | Initial Terms | Amended Terms | | RATE (%) Received (Paid) |
|---|------------------|------------------|--|--------------------------------|
| Variable rate payment from counterparties Swap Receipt | | 58.55% 10Y CMS | | 0.6418 |
| Fixed rate paid to counterparties | Fixed | | | (3.7610) |
| Net rate (paid)/received for swap | | | | <u>(3.1192)</u> |
| Year-end variable rate on 2018C bonds | | | | <u>(0.4766)</u> |
| Effective rate of 2018C bonds | | | | (3.5958) |

Fair value. The swap had a fair value of negative \$57,491,521 on June 30, 2021. The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

| Counterparty | Notional Amount | Fair Value | Counterparty Rating (Moody's/S&P/Fitch) |
|--------------|--------------------|-----------------|--|
| Wells Fargo | \$ 249,075,000 | \$ (57,491,521) | Aa2/A+/AA- |

15. Combined Utility System Commercial Paper

Effective December 17, 2009, the City established a \$700 million Series B Commercial Paper Note program that provides for the issuance of Commercial Paper Notes to finance costs of eligible projects, including acquisition, construction, improvements and additions or extension for the City's Combined Utility System, and pay costs of issuance. The program is structured as a revolving Commercial Paper Note program, whereby the Series B Notes may be issued for a period that does not exceed 270 days and the maximum interest rate may not exceed 10%. The Series B Commercial Paper Notes are issued as Third Lien Obligations and are payable from and secured by a lien on Net Revenues of the System which is subordinate to the lien securing payment of First Lien Bonds. The System's outstanding notes from credit agreements contain a two – three-year repayment provision in the event of default or material adverse change.

A portion of the Series B Notes, in the amount of \$375 million, is secured by credit facilities from Bank of America (Series B-1 and Series B-6) with an expiration date of August 19, 2027, Sumitomo Mitsui Banking Corporation, acting through its New York Branch (Series B-3) with an expiration date of January 10, 2025, and PNC Bank, N.A (Series B-4) with an expiration date of July 12, 2022. As of June 30, 2021, the System has no outstanding in Series B commercial paper notes.

In addition, the City has established an Extendable Commercial Paper ("ECP") Note program in the amounts of \$75 million and \$250 million, that provide for the issuance of Series B-2 and Series B-5 ECP Notes as Third Lien Obligations, through March 2022 and March 2023. The Series B-2 ECP Notes and Series B-5 ECP Notes may each be issued for a period not to exceed 90 days (which may be extended, but in no event later than 270 days following the date of issuance) and bear interest at an annual rate not to exceed 9%. The Series B-2 and Series B-5 ECP Notes are (1) separately offered and remarketed by Morgan Stanley & Co. LLC, (2) issued as Third Lien Obligations and (3) are separately payable from and secured by a lien on Net Revenues of the System, which is subordinate to the lien securing payment of First Lien Bonds. Proceeds of Series B-2 and B-5 ECP Notes may each be used to finance various capital projects of the System.

16. Combined Utility Subordinate Liens

On December 2015 and December 2016, the City closed on a TWDB subordinate lien State Water Implementation Fund for Texas (SWIFT) Loans of \$25,915,000 and \$63,020,000, respectively. These loans were issued to fund the Northeast Plant Expansion and Northeast Transmission Line. Annual debt service is payable from the Combined Utility System, General Purpose Fund. The annual debt service payments began in May 2016 and May 2017, respectively. As of June 30, 2021, \$3,230,000 and \$6,705,000 of the principal has been paid for the 2015 loan and 2016 loan, respectively. These bonds mature on November 15, 2045 and November 15, 2046, respectively. Two new SWIFT loans were issued in November 2017 (2017C) and June 2018 (2018B) for \$83,170,000 and \$106,910,000, respectively. The annual debt service payments began in May 2018 and November 2018, respectively and the bonds mature in fiscal year 2047. As of June 30, 2021, \$6,415,000 of principal has been paid for 2017C and \$5,335,000 of principal has been made paid for 2018B. A new SWIFT loan was issued in November 2018 (2018F) for \$170,265,000. As of June 30, 2021, \$8,005,000 of principal was paid for this bond. This bond matures in fiscal year 2049.

Additionally, a new SWIFT loan was issued in November 2020 (2020E) for \$38,000,000. As of June 30, 2021, \$0 of principal was paid for this bond. This bond matures in fiscal year 2049.

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17. Coastal Water Authority (“CWA”)

The contract payable relating to CWA represents the outstanding balance of \$52,995,000 at June 30, 2021 for Series 2010 and Series 2014 (both refunding) issued by CWA, a governmental agency of the State of Texas, to finance the construction of a water conveyance system. Pursuant to a series of exchange agreements with CWA, the City issued the Certificate and endorsed the bonds and is unconditionally obligated to pay from the gross revenues of the City's Combined Utility System all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The outstanding bonds mature on December 15, 2025 and December 15, 2034, respectively.

Luce Bayou

In January 2009, the City entered into a contract with CWA for the project design, property acquisition, construction and financing of the Luce Bayou Interbasin Transfer Project. This would include the construction of infrastructure sized to transfer approximately 450,000 acre feet per year of the City's permitted surface water from Trinity River to Lake Houston. The funding for this project is to be financed and paid through the Texas Water Development Board (TWDB) financing program. The WIF Bonds are secured by the City's pledged revenues to pay Debt Service. The current contract payable out of the General Purpose Fund relating to Luce Bayou as of June 30, 2021 represents \$28,754,000 of State Participation Loan (maturing in 2047), \$28,000,000 of Series 2009 WIF Loan (maturing in 2029, outstanding principal balance of \$22,945,000 as of June 30, 2021) and \$5,115,000 of Series 2010 WIF Loan (maturing in 2030, outstanding principal balance of \$4,280,000 as of June 30, 2021). The annual debt service payments for the State Participation Loan started in FY 2015, Series 2009 started in FY2019 and Series 2010 WIF Loan started in FY 2020. In FY 2017, two new State Water Implementation Revenue Fund for Texas (SWIRFT) bonds were issued in relation to Luce Bayou on November 2015 and December 2016 for \$66,565,000 and \$136,460,000, respectively. The annual debt service payments for these bonds started in FY 2019 and their maturity is in 2050 and 2051, respectively. Additionally in FY 2018, two new State Water Implementation Revenue Fund for Texas (SWIRFT) bonds were issued in relation to Luce Bayou on November 2017 for \$72,795,000 and \$24,180,000, respectively. The annual debt service payments for the \$72.795 million bond started in FY 2019. This bond matures in 2052. The annual debt service payments for the \$24.1million bond started in FY 2018, with a current outstanding principal balance of \$21,720,000 as of June 30, 2021. This bond matures in 2047.

Luce Bayou-Land & Mitigation Costs-ROW

Land and Mitigation Costs associated with the Luce Bayou Project relate to acquisition of land and costs of environmental mitigation. CWA advanced funds to pay for the City's share of Land and Mitigation costs from available CWA revenues in lump sums (\$6.4 million in 2009, \$3.2 million in 2010, \$3.2 million in 2012) for a total of \$12.8 million. Repayment of the loan started in FY 2019 with the accrued interests during 2009-2020 rolled into principal to be amortized over the next 20 years. As of June 2021, the current principal balance is \$15.873 million.

18. Other Contracts

Payments on the following contracts will be made only after the Combined Utility System has funded all maintenance and operation costs and debt service payments for the Combined Utility System, including required reserves.

On June 20, 1967, the City, TRA, and Chambers-Liberty Counties Navigation District contracted with the United States of America to have the U.S. Army Corps of Engineers build a salinity control barrier and recreation facilities at Wallisville Lake. Because of legal actions, construction was blocked for a long period, and the project was not completed until April 2003. The City's share of the project cost was \$10,580,707, which will be paid to the U.S. government over 50 years at 3.222% interest with final payment due January 1, 2053. Current principal balance outstanding as of June 30, 2021 is \$8.2 million.

In April 2000, the City, Brazos River Authority ("BRA"), and the Texas Water Development Board ("TWDB") entered into an agreement to develop the Allen's Creek water supply reservoir in Fort Bend County as a regional water supply. TWDB paid \$14,000,000, or 50% of funding, to provide for construction of the project, and the City agreed to purchase TWDB's share. Interest payments on the lease-purchase began in 2005 at an average rate of 5.85%. Interest costs over the first eight years were partially deferred to later years. Principal payments will begin in 2023, and the final principal payment will be made in 2037. H.B. 2846, passed during the 86th Session of the Texas Legislature and signed into law on June 2, 2019, mandates that the City sell its ownership interest in Allen's Creek reservoir to the Brazos River Authority at or below a capped price of \$23 million. The City has filed a suit in state district court in Travis County seeking a declaratory judgment that H.B. 2846 is invalid and unenforceable because it violates the Texas Constitution. In particular, H.B. 2846 requires an unconstitutional forced sell of property and is an unconstitutional local law. In addition, it is a retroactive law and, in violation of the Texas Constitution, imposes debt on the Brazos River Authority. Finally, the City seeks a declaratory judgment that H.B. 2846 is void because the state lacks legal authority to force the City to enter into a specific contract to sell vested water rights. The trial court granted the City's Motion for Summary Judgment and ruled that H.B. 2846 is unconstitutional and void. Brazos River Authority filed a Notice of Appeal, and the case is currently pending in the Third Texas Court of Appeals.

In response to repeated extreme rainfall and flooding events impacting the Brays Bayou watershed, the Harris County Flood Control District (HCFCD) and the United States Army Corp of Engineers (USACE) have partnered to implement the Brays Bayou Federal Flood

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Damage Reduction Project (“Project Brays”), with HCFCD assuming responsibility for planning and implementation in 1998. While the primary stormwater channel and detention basin improvements have been completed work remains to reconstruct bridges carrying thoroughfares across the bayous.

To accelerate the completion of the remaining bridge construction modifications and replacements approved by USACE as part of Project Brays the City has entered into an interlocal agreement with the HCFCD to advance up to \$43 million. The interlocal agreement provides that HCFCD will pass certain reimbursements received from USACE to pay back all or part of the City’s advanced funding.

To provide the upfront funding, on October 17, 2017 the Texas Water Development Board (TWDB) approved a loan to the City at zero percent interest for \$43 million dollars. On June 27, 2018, City Council approved an ordinance approving and authorizing the Interlocal Agreement between the City and HCFCD. On August 7, 2018 City Council authorized Texas Public Improvement Bonds, Series 2018A for \$43 million dollars plus cost of issuance fees. The City will be responsible for repayment of the TWDB loan, regardless of the timing or amounts received by the City under the interlocal agreement with HCFCD. The debt service obligation will be shared 50/50 by the General Fund and the Combined Utility System. The General Fund and the Combined Utility System will be reimbursed by HCFCD upon their receipt of reimbursement from USACE. Debt service payments will begin March 2020 and end March 2041.

In Fiscal 2021, the City received \$4.5 million dollars in reimbursements for construction invoices for the Project Brays. HCFCD informed the City the USACE now has the resources to fund the full project therefore the interlocal agreement was terminated. All Other Interfund receivables and Other Interfund payables were removed from the Combined Utility System Statement of Net Position. The balance of the loan proceeds (\$40 million dollars) will be repaid to TWDB in Fiscal 2021.

D. Schedule for Debt Service Requirements to Maturity:

Aggregate future debt service payments to maturity as of June 30, 2021 are as follows (in thousands):

1. General Long-Term Tax Obligation Debt:

| Year Ending | Public Improvement Bonds | | Pension Obligation Bonds | |
|--------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| June 30 | | | | |
| 2022 | 196,330 | 73,963 | 24,655 | 64,123 |
| 2023 | 192,000 | 64,999 | 27,154 | 62,800 |
| 2024 | 178,580 | 57,366 | 29,829 | 61,352 |
| 2025 | 143,605 | 50,457 | 32,670 | 59,764 |
| 2026 | 128,445 | 44,488 | 35,697 | 58,034 |
| 2027-2031 | 531,945 | 131,562 | 266,043 | 257,260 |
| 2032-2036 | 211,550 | 44,821 | 304,319 | 180,752 |
| 2037-2041 | 78,315 | 13,442 | 270,143 | 115,208 |
| 2042-2046 | 26,270 | 5,315 | 329,123 | 56,876 |
| 2047-2051 | 13,270 | 1,077 | 80,495 | 3,188 |
| Total | \$ 1,700,310 | \$ 487,490 | \$ 1,400,128 | \$ 919,357 |

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| Year Ending June 30 | General Obligation Commercial Paper | | Tax and Revenue Certificates of Obligation | |
|--------------------------------|--|-----------------|---|-----------------|
| | Principal | Interest | Principal | Interest |
| 2022 | 173,600 | 1,436 | 1,315 | 135 |
| 2023 | - | 504 | 1,380 | 69 |
| 2024 | 71,000 | 188 | 8,390 | - |
| 2025 | - | - | - | - |
| 2026 | - | - | - | - |
| 2027-2031 | - | - | - | - |
| 2032-2036 | - | - | - | - |
| 2037-2041 | - | - | - | - |
| 2042-2046 | - | - | - | - |
| 2047-2051 | - | - | - | - |
| Total | \$ 244,600 | \$ 2,128 | \$ 11,085 | \$ 204 |

| Year Ending June 30 | Total Future Requirements | | |
|--------------------------------|----------------------------------|---------------------|--------------------------------------|
| | Principal | Interest | Total Future Requirements |
| 2022 | \$ 395,900 | 139,657 | \$ 535,557 |
| 2023 | 220,534 | 128,372 | 348,906 |
| 2024 | 287,799 | 118,906 | 406,705 |
| 2025 | 176,275 | 110,221 | 286,496 |
| 2026 | 164,142 | 102,522 | 266,664 |
| 2027-2031 | 797,988 | 388,822 | 1,186,810 |
| 2032-2036 | 515,869 | 225,573 | 741,442 |
| 2037-2041 | 348,458 | 128,650 | 477,108 |
| 2042-2046 | 355,393 | 62,191 | 417,584 |
| 2047-2051 | 93,765 | 4,265 | 98,030 |
| Total | \$ 3,356,123 | \$ 1,409,179 | \$ 4,765,302 |

2. HUD Section 108 Loans (in thousands):

| Year Ending June 30 | HUD Section 108 Loans (in thousands) | | |
|--------------------------------|---|-----------------|--------------------------------------|
| | Principal | Interest | Total Future Requirements |
| 2022 | 195 | 144 | \$ 339 |
| 2023 | 201 | 139 | 340 |
| 2024 | 208 | 133 | 341 |
| 2025 | 215 | 128 | 343 |
| 2026 | 222 | 122 | 344 |
| 2027-2031 | 1,225 | 509 | 1,734 |
| 2032-2036 | 2,424 | 177 | 2,601 |
| 2037-2041 | - | - | - |
| 2042-2046 | - | - | - |
| 2047-2051 | - | - | - |
| Total | \$ 4,690 | \$ 1,352 | \$ 6,042 |

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3. Enterprise Funds:

| Year Ending June 30 | Airport System Senior Lien Commercial Paper | | Airport System Subordinate Lien Revenue Bonds | |
|--------------------------------|--|-----------------|--|-------------------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$ - | \$ 2,360 | \$ 75,580 | \$ 78,788 |
| 2023 | - | 2,360 | 77,700 | 81,237 |
| 2024 | - | 2,367 | 119,710 | 78,193 |
| 2025 | 20,000 | 1,772 | 122,925 | 74,809 |
| 2026 | - | - | 126,350 | 71,218 |
| 2027-2031 | - | - | 720,960 | 281,622 |
| 2032-2036 | - | - | 480,095 | 143,439 |
| 2037-2041 | - | - | 254,320 | 75,604 |
| 2042-2046 | - | - | 145,485 | 32,412 |
| 2047-2051 | - | - | 86,120 | 5,037 |
| Total | \$ 20,000 | \$ 8,859 | \$ 2,209,245 | \$ 922,359 |

| Year Ending June 30 | Airport System Pension Obligations | | Airport System Special Facility Bonds- Rental Car Facility | |
|--------------------------------|---|-----------------|---|------------------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$ - | \$ 107 | \$ 7,505 | \$ 4,691 |
| 2023 | - | 106 | 8,165 | 4,175 |
| 2024 | - | 106 | 8,870 | 3,613 |
| 2025 | - | 106 | 9,630 | 3,003 |
| 2026 | - | 107 | 10,445 | 2,340 |
| 2027-2031 | 925 | 485 | 23,570 | 2,465 |
| 2032-2036 | 1,081 | 137 | - | - |
| 2037-2041 | - | - | - | - |
| 2042-2046 | - | - | - | - |
| 2047-2051 | - | - | - | - |
| Total | \$ 2,006 | \$ 1,154 | \$ 68,185 | \$ 20,287 |

| Year Ending June 30 | SECO Direct Placement | | Year Ending June 30 | Airport System Total Future Requirements | | |
|--------------------------------|----------------------------------|-----------------|--------------------------------|---|-------------------|---------------------|
| | Principal | Interest | | Principal | Interest | Total |
| 2022 | \$ 1,068 | \$ 288 | 2022 | \$ 84,153 | \$ 86,234 | \$ 170,387 |
| 2023 | 1,089 | 267 | 2023 | 86,954 | 88,145 | 175,099 |
| 2024 | 1,111 | 245 | 2024 | 129,691 | 84,524 | 214,215 |
| 2025 | 1,133 | 223 | 2025 | 153,688 | 79,913 | 233,601 |
| 2026 | 1,156 | 200 | 2026 | 137,951 | 73,865 | 211,816 |
| 2027-2031 | 6,134 | 646 | 2027-2031 | 751,589 | 285,218 | 1,036,807 |
| 2032-2036 | 2,730 | 167 | 2032-2036 | 483,906 | 143,743 | 627,649 |
| 2037-2041 | - | - | 2037-2041 | 254,320 | 75,604 | 329,924 |
| 2042-2046 | - | - | 2042-2046 | 145,485 | 32,412 | 177,897 |
| 2047-2051 | - | - | 2047-2051 | 86,120 | 5,037 | 91,157 |
| Total | \$ 14,421 | \$ 2,036 | Total | \$ 2,313,857 | \$ 954,695 | \$ 3,268,552 |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

| Year Ending | Convention and Entertainment Facilities Revenue Bonds | | Convention and Entertainment Pension Obligations | | Convention and Entertainment Total Future Requirements | |
|--------------------|--|-------------------|---|-----------------|---|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| June 30 | | | | | | |
| 2022 | \$ 22,058 | \$ 30,963 | \$ 185 | \$ 199 | \$ 22,243 | \$ 31,162 |
| 2023 | 27,915 | 30,958 | 220 | 187 | 28,135 | 31,145 |
| 2024 | 52,138 | 31,117 | 220 | 174 | 52,358 | 31,291 |
| 2025 | 26,153 | 30,330 | 235 | 160 | 26,388 | 30,490 |
| 2026 | 26,012 | 30,517 | 250 | 145 | 26,262 | 30,662 |
| 2027-2031 | 129,545 | 153,316 | 1,617 | 461 | 131,162 | 153,777 |
| 2032-2036 | 100,979 | 94,402 | 467 | 85 | 101,446 | 94,487 |
| 2037-2041 | 30,495 | 6,356 | - | - | 30,495 | 6,356 |
| 2042-2046 | 16,325 | 1,339 | - | - | 16,325 | 1,339 |
| Total | \$ 431,620 | \$ 409,298 | \$ 3,194 | \$ 1,411 | \$ 434,814 | \$ 410,709 |

| Year Ending | Water and Sewer Jr. Lien Revenue Bonds | | Combined Utility System Revenue Bonds | | Combined Utility System Swap Agreement |
|--------------------|---|-------------------|--|---------------------|---|
| | Principal | Interest | Principal | Interest | Net Swap Payment |
| June 30 | | | | | |
| 2022 | \$ 4,347 | \$ 11,133 | \$ 247,845 | \$ 223,443 | 23,825 |
| 2023 | 4,604 | 12,741 | 260,605 | 223,489 | 23,675 |
| 2024 | 4,766 | 14,239 | 268,690 | 213,308 | 23,693 |
| 2025 | 4,274 | 13,716 | 279,810 | 202,567 | 23,658 |
| 2026 | 4,085 | 14,070 | 285,995 | 191,007 | 23,675 |
| 2027-2031 | 21,217 | 84,502 | 1,628,515 | 774,861 | 107,846 |
| 2032-2036 | - | - | 1,710,835 | 483,853 | 25,603 |
| 2037-2041 | - | - | 925,700 | 228,893 | - |
| 2042-2046 | - | - | 539,630 | 103,686 | - |
| 2047-2051 | - | - | 279,795 | 22,364 | - |
| 2052-2056 | - | - | 14,475 | 244 | - |
| Total | \$ 43,293 | \$ 150,401 | \$ 6,441,895 | \$ 2,667,715 | \$ 251,975 |

| Year Ending | Combined Utility System Subordinate Lien | | Combined Utility System Pension Obligations | |
|--------------------|---|-------------------|--|------------------|
| | Principal | Interest | Principal | Interest |
| June 30 | | | | |
| 2022 | \$ 12,475 | \$ 11,750 | \$ 3,369 | \$ 4,771 |
| 2023 | 12,625 | 11,584 | 3,625 | 4,569 |
| 2024 | 12,795 | 11,405 | 3,901 | 4,353 |
| 2025 | 12,975 | 11,211 | 4,195 | 4,121 |
| 2026 | 13,180 | 11,001 | 4,503 | 3,872 |
| 2027-2031 | 69,565 | 51,220 | 29,475 | 14,875 |
| 2032-2036 | 78,055 | 42,609 | 14,309 | 7,184 |
| 2037-2041 | 89,625 | 31,027 | 10,327 | 4,974 |
| 2042-2046 | 103,925 | 16,516 | 14,942 | 2,582 |
| 2047-2051 | 52,370 | 2,214 | 3,656 | 145 |
| 2052-2056 | - | - | - | - |
| Total | \$ 457,590 | \$ 200,537 | \$ 92,302 | \$ 51,446 |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Combined Utility System Total Future Requirements

| Year Ending June 30 | Principal | Interest | Net Swap Payment | Total Future Requirements |
|------------------------|--------------------|--------------------|---------------------|------------------------------|
| 2022 | \$ 268,036 | \$ 251,097 | \$ 23,825 | \$ 542,958 |
| 2023 | 281,459 | 252,383 | 23,675 | 557,517 |
| 2024 | 290,152 | 243,305 | 23,693 | 557,150 |
| 2025 | 301,254 | 231,615 | 23,658 | 556,527 |
| 2026 | 307,763 | 219,950 | 23,675 | 551,388 |
| 2027-2031 | 1,748,772 | 925,458 | 107,846 | 2,782,076 |
| 2032-2036 | 1,803,199 | 533,646 | 25,603 | 2,362,448 |
| 2037-2041 | 1,025,652 | 264,894 | - | 1,290,546 |
| 2042-2046 | 658,497 | 122,784 | - | 781,281 |
| 2047-2051 | 335,821 | 24,723 | - | 360,544 |
| 2052-2056 | 14,475 | 244 | - | 14,719 |
| Total | <u>\$7,035,080</u> | <u>\$3,070,099</u> | <u>\$ 251,975</u> | <u>\$ 10,357,154</u> |

4. Long-Term Contracts-Water and Sewer System (in thousands):

| Year Ending June 30 | Coastal Water Authority Maintenance and Operation Lien | | US Army Corps of Engineers | | Texas Water Development Board | |
|------------------------|--|------------------|-------------------------------|-----------------|----------------------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 4,125 | \$ 2,251 | \$ 152 | \$ 265 | \$ - | \$ 1,497 |
| 2023 | 4,300 | 2,056 | 154 | 260 | 610 | 819 |
| 2024 | 4,515 | 1,835 | 160 | 255 | 645 | 783 |
| 2025 | 4,735 | 1,604 | 166 | 250 | 680 | 746 |
| 2026 | 9,535 | 1,247 | 171 | 244 | 725 | 706 |
| 2027-2031 | 13,285 | 3,673 | 941 | 1,136 | 4,290 | 2,850 |
| 2032-2036 | 12,500 | 1,025 | 1,102 | 974 | 5,700 | 1,440 |
| 2037-2041 | - | - | 1,292 | 785 | 1,350 | 79 |
| 2042-2046 | - | - | 1,514 | 563 | - | - |
| 2047-2051 | - | - | 1,774 | 303 | - | - |
| 2052-2056 | - | - | 792 | 38 | - | - |
| Total | <u>\$ 52,995</u> | <u>\$ 13,691</u> | <u>\$ 8,218</u> | <u>\$ 5,073</u> | <u>\$ 14,000</u> | <u>\$ 8,920</u> |

| Year Ending June 30 | CWA Luce Bayou | | CWA Luce Bayou ROW | | CWA Luce Bayou SWIRFT | | Other Contracts Total Future Requirements | |
|------------------------|------------------|------------------|--------------------|-----------------|-----------------------|-------------------|--|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 3,045 | \$ 1,935 | \$ 619 | \$ 621 | \$ 640 | \$ 4,039 | \$ 8,581 | \$ 10,608 |
| 2023 | 3,120 | 1,959 | 644 | 596 | 645 | 5,331 | 9,473 | 11,021 |
| 2024 | 3,200 | 1,878 | 670 | 570 | 655 | 6,815 | 9,845 | 12,136 |
| 2025 | 3,280 | 2,325 | 697 | 542 | 660 | 8,367 | 10,218 | 13,834 |
| 2026 | 3,375 | 2,768 | 724 | 514 | 670 | 9,918 | 15,200 | 15,397 |
| 2027-2031 | 11,205 | 12,542 | 4,080 | 2,103 | 3,540 | 72,110 | 37,341 | 94,414 |
| 2032-2036 | 5,880 | 6,691 | 4,961 | 1,204 | 7,235 | 96,105 | 37,378 | 107,439 |
| 2037-2041 | 8,990 | 4,340 | 3,477 | 212 | 76,210 | 50,294 | 91,319 | 55,710 |
| 2042-2046 | 11,295 | 1,980 | - | - | 96,065 | 32,085 | 108,874 | 34,628 |
| 2047-2051 | 2,589 | 61 | - | - | 104,930 | 12,620 | 109,293 | 12,984 |
| 2052-2056 | - | - | - | - | 6,290 | 237 | 7,082 | 275 |
| Total | <u>\$ 55,979</u> | <u>\$ 36,479</u> | <u>\$ 15,872</u> | <u>\$ 6,362</u> | <u>\$ 297,540</u> | <u>\$ 297,921</u> | <u>\$ 444,604</u> | <u>\$ 368,446</u> |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

E. Debt Issuances and Refunding

Combined Utility System Revenue and Refunding Bonds

On July 1, 2020, the City issued \$610,720,000 of Combined Utility First Lien Revenue Refunding Bonds Series 2020C and 2020D (Taxable) with coupons ranging from 0.455% to 5%. The proceeds were placed in Escrow for the purpose of generating resources for debt service payments of the refunded portions of Combined Utility System First Lien Revenue Refunding Bonds, Series 2008C, 2011F, 2010A, 2011C, 2012D, 2013B; to refund \$275,000,000 of Combined Utility System Commercial Paper Notes; \$200,000,000 was placed in a Construction Fund for projects; and to pay costs of issuance of the Bonds. The true interest cost of the 2020C Bonds is 2.510% and 2020D Bonds is 2.161%. The Bonds mature in varying amounts from 2021 to 2049. Net Present Value Savings related to the Bonds totaled \$36,118,143, or 17.29% of the refunded bonds, and reduced debt service by \$45,646,937.

On August 19, 2020, the City issued \$80,120,000 of Combined Utility First Lien Revenue Refunding Series 2020A (Forward Delivery) with coupons at 5%. The proceeds were placed in Escrow for the purpose of generating resources for debt service payments of the refunded portion of CUS 2011A and to pay costs of issuance of the Bonds. The true interest cost of the 2020A Bonds is 2.465%. The Bonds mature in varying amounts from 2033 to 2034. Net Present Value Savings related to the Bonds totaled \$26,599,994 or 26.34% of the refunded bonds, and reduced debt service by \$34,159,661.

On November 17, 2020, the City issued \$38,000,000 in Combined Utility System Subordinate Lien Revenue Bonds Series 2020E, as a private placement with the Texas Water Development Board with coupons ranging from 0.120% to 2.480%. Proceeds will be used to pay for projects and to pay costs of issuance of the Bonds. The Bonds mature in varying amounts from 2021 to 2049.
On May 27, 2021, the City remarketed \$100,000,000 of Combined Utility System First Lien Revenue Bonds, Series 2012B to variable rate demand bonds.

On June 24, 2021, the City issued \$365,950,000 of Combined Utility First Lien Revenue Refunding Bonds Series 2021A and 2021B (Taxable) with coupons ranging from 2.375% to 5%. The proceeds were placed in Escrow for the purpose of generating resources for debt service payments of the refunded portions of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012D and 2013B; to refund \$315,000,000 of Combined Utility System Commercial Paper Notes and to pay costs of issuance of the Bonds. The true interest cost of the 2021A Bonds is 2.434% and 2021B Bonds is 2.077%. The Bonds mature in varying amounts from 2021 to 2051. Net Present Value Savings related to the Bonds totaled \$11,262,778 or 12.32% of the refunded bonds and reduced debt service by \$13,805,364.

Houston Airport System Subordinate Lien Revenue Refunding Bonds

On October 20, 2020, the City issued \$863,675,000 in Houston Airport Subordinate Lien Revenue Refunding Bonds Series 2020A (AMT), 2020B (NON-AMT) and 2020C (Taxable) with coupons at .0883% to 5%. The proceeds were placed in escrow for the purpose of generating resources for debt service payments of the refunded portions of HAS 2010 (AMT), 2000B (NON-AMT), 2011A (AMT), 2011B (AMT), 2012A (AMT), 2012B (NON-AMT); to refund \$150,973,000 of Houston Airport System Commercial Paper Notes; and to pay costs of issuance of the Bonds. The true interest cost of the 2020A Bonds is 3.061%, 2020B is 1.143% and 2020C Bonds is 2.086%. The Bonds mature in varying amounts from 2022 to 2047. Net Present Value Savings related to the Bonds totaled \$94,799,712 and reduced debt service by \$98,213,180.

On June 22, 2021, the City issued \$286,010,000 in Houston Airport Subordinate Lien Revenue Refunding Bonds Series 2021A (AMT), with coupons at 4.0% to 5%. The proceeds were used to refund \$345,800,000 of Houston Airport System Commercial Paper Notes and to pay costs of issuance of the Bonds. The true interest cost of the 2021A Bonds is 2.637%. The Bonds mature in varying amounts from 2023 to 2048.

Prior Year Defeased Debt

In fiscal year 2018, the City issued Public Improvement Bonds Series 2017A to defease \$313,730,000 of the 2007A, 2009A, 2009B, 2010A, 2010B, 2011A and 2012A Public Improvement Refunding Bonds by placing new bond proceeds in an escrow to provide for future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of June 30, 2021, \$57,770,000 of defeased bonds are still outstanding.

In fiscal year 2020, the City issued Combined Utility System First Lien Revenue Refunding Bonds Series 2019 B&C to defease \$498,615,000 of the outstanding CUS Series 2011D, 2011F, 2012D and 2012F Bonds, by placing new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of June 30, 2021, \$44,720,000 of defeased bonds are still outstanding.

In fiscal year 2020, the City issued Public Improvement Bonds Series 2019 A, B & C to defease \$380,505,000 of Bonds by placing new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of June 30, 2021, \$194,775,000 of defeased bonds are still outstanding.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

In fiscal year 2021, the City issued Combined Utility System First Lien Revenue Refunding Bonds Series 2020 C&D to defease \$208,885,000 of the outstanding CUS Series 2008C, 2010A, 2011C, 2012D and 2013B Bonds, by placing new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of June 30, 2021, \$114,680,000 of defeased bonds are still outstanding.

In fiscal year 2021, the City issued Combined Utility System First Lien Revenue Refunding Bonds Series 2021B to defease \$92,070,000 of the CUS Series 2012D and 2013B Bonds, by placing new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of June 30, 2021, \$92,070,000 of defeased bonds are still outstanding.

In fiscal year 2021, the City issued Houston Airport System Subordinate Lien Revenue Refunding Bonds Series 2020 A, B & C to defease \$706,690,000 of Bonds by placing a portion of new bond proceeds in an escrow to provide for the future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the enterprise section of the financial statements. As of June 30, 2021, \$596,585,000 of defeased bonds are still outstanding.

F. Bond Compliance Requirements

The revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the revenue bonds and to account for the revenues (as defined), which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein.

The City is generally required to make a monthly transfer to debt service funds equal to one-sixth of the next interest payment and one-twelfth of the next principal payment. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 2%. During fiscal year 2021 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

On November 4, 2001, voters of the City authorized the issuance of \$776,000,000 of Public Improvement Bonds. Since June 2002 City Council has authorized issuance of the entire amount as General Obligation Commercial Paper Series G, H-1 and H-2.

On November 7, 2006, voters of the City authorized the issuance of \$625,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$524,950,000 as General Obligation Commercial Paper Series G, H-1, H-2 and J.

On November 2012, voters authorized an additional \$410,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$400,308,000 as General Obligation Commercial Paper Series G1, G2, H-2 and J.

On November 2017, voters authorized an additional \$495,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$97,966,000 as General Obligation Commercial Paper Series G, H-2 and J.

In addition, the City is authorized by the City Charter to issue \$100,000 annually in general improvement bonds without voter approval.

F. Legal Debt Margin

At June 30, 2021, the City's legal debt limit was 10% of assessed property valuation totaling \$338,485,344. The City's legal debt margin less applicable outstanding debt was \$30,232,604.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 9: LEASES

Operating Leases

A. City as Lessee

The City has obtained office space, data processing, machinery, and other equipment through long-term operating leases. The terms and conditions for these leases varies. Some leases are fixed, periodic payments over the lease term, which ranges between 1-50 years.

At June 30, 2021, operating leases consisted of the following:

| | Beg. Balance | | | | Ending Balance |
|------------------------------------|----------------------|------------------|--------------------|------------------|-----------------------|
| | June 30, 2020 | Additions | Retirements | Transfers | June 30, 2021 |
| Governmental Leases | | | | | |
| Right of Use - Land | \$ 168 | \$ - | \$ - | \$ - | \$ 168 |
| Right of Use - Buildings | 58,548 | 11,610 | - | - | 70,158 |
| Right of Use - Equipment | 11,384 | - | - | - | 11,384 |
| Total leases | <u>70,100</u> | <u>11,610</u> | <u>-</u> | <u>-</u> | <u>81,710</u> |
| Less accumulated amortization for: | | | | | |
| Right of Use - Land | \$ - | \$ (17) | \$ - | \$ - | \$ (17) |
| Right of Use - Buildings | - | (5,173) | - | - | (5,173) |
| Right of Use - Equipment | - | (2,774) | - | - | (2,774) |
| Total accumulated amortization | <u>-</u> | <u>(7,964)</u> | <u>-</u> | <u>-</u> | <u>(7,964)</u> |
| Governmental leases, net | <u>70,100</u> | <u>3,646</u> | <u>-</u> | <u>-</u> | <u>73,746</u> |

| | Beg. Balance | | | | Ending Balance |
|------------------------------------|----------------------|------------------|--------------------|------------------|-----------------------|
| | June 30, 2020 | Additions | Retirements | Transfers | June 30, 2021 |
| Airport System Leases | | | | | |
| Right of Use - Buildings | \$ 192 | \$ - | \$ - | \$ - | \$ 192 |
| Right of Use - Equipment | 239 | - | - | - | 239 |
| Total leases | <u>431</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>431</u> |
| Less accumulated amortization for: | | | | | |
| Right of Use - Buildings | \$ - | \$ (55) | \$ - | \$ - | \$ (55) |
| Right of Use - Equipment | - | (141) | - | - | (141) |
| Total accumulated amortization | <u>-</u> | <u>(196)</u> | <u>-</u> | <u>-</u> | <u>(196)</u> |
| Airport System leases, net | <u>431</u> | <u>(196)</u> | <u>-</u> | <u>-</u> | <u>235</u> |

| | Beg. Balance | | | | Ending Balance |
|-------------------------------------|----------------------|------------------|--------------------|------------------|-----------------------|
| | June 30, 2020 | Additions | Retirements | Transfers | June 30, 2021 |
| Combined Utility System Leases | | | | | |
| Right of Use - Equipment | \$ 42 | \$ - | \$ - | \$ - | \$ 42 |
| Total leases | <u>42</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>42</u> |
| Less accumulated amortization for: | | | | | |
| Right of Use - Equipment | \$ - | \$ (15) | \$ - | \$ - | \$ (15) |
| Total accumulated amortization | <u>-</u> | <u>(15)</u> | <u>-</u> | <u>-</u> | <u>(15)</u> |
| Combined Utility System leases, net | <u>42</u> | <u>(15)</u> | <u>-</u> | <u>-</u> | <u>27</u> |
| Business-type leases, net | <u>\$ 473</u> | <u>\$ (211)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 262</u> |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Principal and interest requirements to maturity for the lease liability at June 30, 2021 are as follows (in thousands):

| General Government | | | | Airport System | | | |
|-------------------------------|------------------|-----------------|--------------|-------------------------------|------------------|-----------------|--------------|
| Year ended June 30 | Principal | Interest | Total | Year ended June 30 | Principal | Interest | Total |
| 2022 | \$ 6,574 | \$ 1,290 | \$ 7,864 | 2022 | \$ 128 | \$ 6 | \$ 134 |
| 2023 | 5,643 | 1,208 | 6,851 | 2023 | 77 | 2 | 79 |
| 2024 | 5,275 | 1,131 | 6,406 | 2024 | 34 | 1 | 35 |
| 2025 | 5,438 | 1,054 | 6,492 | | | | |
| 2026 | 5,576 | 975 | 6,551 | | | | |
| 2027 - 2031 | 23,619 | 3,688 | 27,307 | | | | |
| 2032 - 2036 | 6,063 | 2,644 | 8,707 | | | | |
| 2037 - 2041 | 7,798 | 1,980 | 9,778 | | | | |
| 2042 - 2046 | 9,935 | 1,067 | 11,002 | | | | |
| 2047 - 2049 | 5,719 | 149 | 5,868 | | | | |
| Total | \$ 81,640 | \$ 15,186 | \$ 96,826 | Total | \$ 239 | \$ 9 | \$ 248 |

| Combined Utility System | | | | Total Reporting Entity | | | |
|--------------------------------|------------------|-----------------|--------------|-------------------------------|------------------|-----------------|--------------|
| Year ended June 30 | Principal | Interest | Total | Year ended June 30 | Principal | Interest | Total |
| 2022 | \$ 15 | \$ 2 | \$ 17 | 2022 | \$ 6,717 | \$ 1,298 | \$ 8,015 |
| 2023 | 12 | 1 | 13 | 2023 | 5,732 | 1,211 | 6,943 |
| | | | | 2024 | 5,309 | 1,132 | 6,441 |
| | | | | 2025 | 5,438 | 1,054 | 6,492 |
| | | | | 2026 | 5,576 | 975 | 6,551 |
| | | | | 2027 - 2031 | 23,619 | 3,688 | 27,307 |
| | | | | 2032 - 2036 | 6,063 | 2,644 | 8,707 |
| | | | | 2037 - 2041 | 7,798 | 1,980 | 9,778 |
| | | | | 2042 - 2046 | 9,935 | 1,067 | 11,002 |
| | | | | 2047 - 2049 | 5,719 | 149 | 5,868 |
| Total | \$ 27 | \$ 3 | \$ 30 | Total | \$ 81,906 | \$ 15,198 | \$ 97,104 |

B. City as Lessor

The Convention and Entertainment Facilities Department leases all of its capital assets to Houston First Corporation, a discretely presented component unit. The agreement is a cancellable operating lease that terminates in 2026. The capital assets include the George R Brown Convention Center and the Convention Center Parking Garage, Wortham Theater Center, Jones Hall for the Performing Arts, Theater District Parking Garages, Miller Outdoor Theater, and Talento Bilingue De Houston, among others.

The Airport System leases terminal space (except for regulated leases), aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants under various operating leases, a majority of which is non-cancellable and terminate no later than July 2058. Certain provisions of the leases provide for fixed and variable rental payments, and all are generally designed to allow the Airport System to meet its debt service requirements and recover certain operating and maintenance costs. In addition, certain of the agreements under which the Airport System receives revenue from the operation of concessions at Intercontinental and Hobby airports provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

For the year ended June 30, 2021, payments are as follows (in thousands):

Governmental

| | <u>Fixed Payments</u> |
|----------------|------------------------------|
| Rentals, bldgs | \$ 1,319 |
| | <u>\$ 1,319</u> |

Enterprise

| | <u>HAS</u> | | <u>C&E</u> | |
|------------------|------------------------------|---------------------------------|------------------------------|---------------------|
| | <u>Fixed Payments</u> | <u>Variable Payments</u> | <u>Fixed Payments</u> | <u>Total</u> |
| Rentals, bldgs | \$ 20,621 | \$ - | \$ 1,449 | \$ 22,070 |
| Concessions | 1,608 | 16,637 | - | 18,245 |
| Interest revenue | 10,193 | - | - | 10,193 |
| | <u>\$ 32,422</u> | <u>\$ 16,637</u> | <u>\$ 1,449</u> | <u>\$ 50,508</u> |

Principal and interest requirements to maturity for the lease receivable at June 30, 2021 are as follows: (in thousands):

| <u>General Government</u> | | | | <u>Airport System</u> | | | |
|----------------------------------|-------------------------|------------------------|---------------------|------------------------------|-------------------------|------------------------|---------------------|
| <u>Year ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Year ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| <u>June 30</u> | | | | <u>June 30</u> | | | |
| 2022 | \$ 767 | \$ 750 | \$ 1,517 | 2022 | \$ 15,687 | \$ 9,776 | \$ 25,463 |
| 2023 | 784 | 736 | 1,520 | 2023 | 13,860 | 9,237 | 23,097 |
| 2024 | 801 | 721 | 1,522 | 2024 | 11,495 | 8,775 | 20,270 |
| 2025 | 819 | 705 | 1,524 | 2025 | 11,025 | 8,365 | 19,390 |
| 2026 | 754 | 690 | 1,444 | 2026 | 11,062 | 7,968 | 19,030 |
| 2027 - 2031 | 4,701 | 3,200 | 7,901 | 2027 - 2031 | 42,447 | 34,632 | 77,079 |
| 2032 - 2036 | 6,063 | 2,644 | 8,707 | 2032 - 2036 | 33,058 | 28,062 | 61,120 |
| 2037 - 2041 | 7,798 | 1,980 | 9,778 | 2037 - 2041 | 39,239 | 21,589 | 60,828 |
| 2042 - 2046 | 9,935 | 1,067 | 11,002 | 2042 - 2046 | 36,836 | 14,372 | 51,208 |
| 2047 - 2051 | 5,719 | 149 | 5,868 | 2047 - 2051 | 40,800 | 7,467 | 48,267 |
| 2052 - 2056 | - | - | - | 2052 - 2056 | 19,279 | 1,495 | 20,774 |
| 2057 - 2059 | - | - | - | 2057 - 2059 | 1,474 | 46 | 1,520 |
| Total | <u>\$ 38,141</u> | <u>\$ 12,642</u> | <u>\$ 50,783</u> | Total | <u>\$ 276,262</u> | <u>\$ 151,784</u> | <u>\$ 428,046</u> |

| <u>Convention & Entertainment</u> | | | | <u>Total Reporting Entity</u> | | | |
|--|-------------------------|------------------------|---------------------|--------------------------------------|-------------------------|------------------------|---------------------|
| <u>Year ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Year ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| <u>June 30</u> | | | | <u>June 30</u> | | | |
| 2022 | \$ 1,407 | \$ 115 | \$ 1,522 | 2022 | \$ 17,861 | \$ 10,641 | \$ 28,502 |
| 2023 | 1,431 | 90 | 1,521 | 2023 | 16,075 | 10,063 | 26,138 |
| 2024 | 1,456 | 65 | 1,521 | 2024 | 13,752 | 9,561 | 23,313 |
| 2025 | 1,482 | 40 | 1,522 | 2025 | 13,326 | 9,110 | 22,436 |
| 2026 | 1,508 | 14 | 1,522 | 2026 | 13,324 | 8,672 | 21,996 |
| 2027 - 2031 | 798 | - | 798 | 2027 - 2031 | 47,946 | 37,832 | 85,778 |
| 2032 - 2036 | - | - | - | 2032 - 2036 | 39,121 | 30,706 | 69,827 |
| 2037 - 2041 | - | - | - | 2037 - 2041 | 47,037 | 23,569 | 70,606 |
| 2042 - 2046 | - | - | - | 2042 - 2046 | 46,771 | 15,439 | 62,210 |
| 2047 - 2051 | - | - | - | 2047 - 2051 | 46,519 | 7,616 | 54,135 |
| 2052 - 2056 | - | - | - | 2052 - 2056 | 19,279 | 1,495 | 20,774 |
| 2057 - 2059 | - | - | - | 2057 - 2059 | 1,474 | 46 | 1,520 |
| Total | <u>\$ 8,082</u> | <u>\$ 324</u> | <u>\$ 8,406</u> | Total | <u>\$ 322,485</u> | <u>\$ 164,750</u> | <u>\$ 487,235</u> |

CITY OF HOUSTON, TEXAS
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C. Regulated Leases

The City and United Airlines (“United”), Southwest Airlines (“Southwest”), Delta Air Lines, American Airlines, Spirit Airlines, and Air Canada (collectively, the “Signatory Airlines”) entered into Airport Use and Lease agreements (“Regulated Leases”), for usage of Intercontinental and Hobby Airport facilities for the purpose of conducting business as air transportation businesses. These agreements are non-cancellable and terminate no later than 2042, with options to extend, or month-to-month and cancellable with 30 days’ notice. Under the terms of these agreements, Signatory Airlines pay the Airport System monthly based on the annual rental rate/fee schedule. Rate calculations are based on total estimates of costs and expenses, estimates of passengers and total landed weight, and other factors. Final settlements are made each year after the audit of Airport System Fund’s ACFR. Other airlines operating at Intercontinental and Hobby airports are billed at rates established by the City ordinances.

Under the agreements with United, United has exclusive and preferential use of certain space and facilities of terminals A, B, C, and E at Intercontinental Airport and preferential use of certain apron areas. And under these agreements, all or part of the concession revenues and related costs generated from terminals B, C, and E of Intercontinental Airport are excluded from the Airport System Fund’s concession revenues and operating expenses on the statements of revenues, expenses, and changes in net position, as United operates, retains revenues, and pay related costs of operations for those concessions in accordance with the agreements. In addition, one of the agreements with Southwest grants Southwest preferential use of West Terminal/West Concourse, boarding gates, and other areas at Hobby Airport. Another agreement grants Southwest exclusive and preferential use of certain terminal areas of terminal A at Intercontinental Airport. No other airlines have exclusive or preferential use of more than ten (10) percent of terminal space or other areas of the Airport System as of June 30, 2021. Exclusive and preferential use of space are summarized as follows:

George Bush Intercontinental Airport (IAH)

| | <u>United</u> | <u>Southwest</u> | <u>Total IAH</u> |
|--|---------------|------------------|------------------|
| Terminal areas - leasable airline space (in thousands) | 1,941 sq. ft. | 32 sq. ft. | 3,216 sq. ft. |
| Apron - leasable airline space (in thousands) | 2,728 sq. ft. | 85 sq. ft. | 3,871 sq. ft. |
| Number of gates and remote stands | 96 | 3 | 135 |

William P. Hobby Airport (HOU)

| | <u>Southwest</u> | <u>Total HOU</u> |
|--|------------------|------------------|
| Terminal areas - leasable airline space (in thousands) | 381 sq. ft. | 467 sq. ft. |
| Apron - leasable airline space (in thousands) | 516 sq. ft. | 815 sq. ft. |
| Number of gates and remote stands | 24 | 30 |

| | <u>Fixed Payments</u> | <u>Variable Payments</u> |
|--------------------------|-----------------------|--------------------------|
| United | \$ 73,107 | \$ 24,064 |
| Southwest | \$ 19,720 | \$ 16,839 |
| Other Signatory Airlines | \$ 12,842 | \$ 6,099 |

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Expected future minimum lease payments from Regulated Leases at June 30, 2021 are as follows (in thousands), projected by management of the Airport System using the following assumptions: 1) revenues earned from the Signatory Airlines during the year ended June 30, 2021, 2) through the expiration of the agreements with the Signatory Airlines or the next five (5) years, whichever is longer, 3) compounded at three (3) percent per annum without considering possible effect of the ongoing COVID-19 pandemic, and 4) without considering future expansion and changes in operations by the Airport System or the Signatory Airlines:

| Year ending June 30 | Total |
|----------------------------|---------------------|
| 2022 | \$ 156,812 |
| 2023 | 161,516 |
| 2024 | 166,362 |
| 2025 | 171,352 |
| 2026 | 176,493 |
| 2027 - 2031 | 842,007 |
| 2032 - 2036 | 976,117 |
| 2037 - 2041 | 1,067,198 |
| 2042 - 2046 | 180,767 |
| Total | \$ 3,898,624 |

The Airport System' senior lien and subordinate lien revenue refunding bonds are secured by net revenues earned from the airlines.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10: PENSION PLANS

A. General Information

Plan Descriptions

The City has three single employer defined benefit pension plans (Municipal Employees' Pension System, Firefighters' Relief and Retirement Fund, and the Police Officers' Pension System) which provides pension benefits for substantially all of its full-time employees. These pension plans were established under the authority of Texas statutes (Vernon's Texas Civil Statutes, Articles 6243.e2 (1), 6243h, 6243g-4, respectively), which establish the various benefit provisions. Independent Boards of Trustees administer each plan. The fiscal year of each pension fund ends June 30. The most recent available stand-alone financial statements of the pension funds are for the year ended June 30, 2020. The specific summary plan description for each Plan and the financial statements are available at the plan offices (see Note 1(B) (1)).

Benefits Provided

Houston Municipal Employees' Pension System (HMEPS). The plan includes three contributory groups and provides for service-connected disability and death benefits to eligible members and surviving spouse and/or dependents, with no age or service eligibility requirements. Pension benefits are based on a participant's average monthly salary and years of debited service, as defined in the Pension Statute. Pension benefits are adjusted annually for a cost-of-living adjustment of between 0% and 2%, depending on investment returns. The maximum pension benefit is 90% of the participant's average monthly salary. A Deferred Retirement Option Plan (DROP) is available to eligible members.

Houston Firefighters' Relief and Retirement Fund (HFRRF). Prior to July 1, 2017, retirement benefits for firefighters with 20 or more years of service are entitled to 50% of average salary (defined as the monthly average of their highest individual 78 pay periods) for a total monthly pension not to exceed 80% of the average monthly salary for the highest 78 pay periods. After July 1, 2017, benefits accrue at 2.75% per year prior to 20 years of service and 2% thereafter for those hired prior to July 1, 2017. For those hired after that date, 2.25% is accrued per year, up to 20 years of service and 2% thereafter, subject to a maximum of 80%. Benefits are adjusted annually for a cost-of-living adjustment between 0% and 4% for eligible members. A Deferred Retirement Option Plan (DROP) is available to eligible members with 20 or more years of service that were hired prior to July 1, 2017.

Houston Police Officers' Pension System (HPOPS). Retirement benefits for police officers are equal to 2.75% of the member's pensionable pay for each of the member's first 20 years of service plus 2% of pensionable pay for each year in excess of 20 years with no maximum percentage. Members hired or rehired after October 9, 2004 accrue benefits equal to 2.25% of the member's pensionable pay for the first 20 years plus 2% of the member's pensionable pay for each year in excess of 20 years, subject to a maximum of 80%. Pension benefits are adjusted annually for a cost-of-living adjustment between 0% and 4%. A Deferred Retirement Option Plan (DROP) is available, generally, to members hired before October 9, 2004 for eligible members with at least 20 years of service.

Contributions

Employer and employee obligations to contribute, as well as employee contribution rates, are included in the enabling pension statutes. Additionally, these laws provide that employer funding be based on annual actuarial valuations. There are three contributory pension plans. All pension plans provide service, disability, death, and survivor benefits. In addition, each pension plan recognizes participant and employer contributions as revenues in the period in which they are due pursuant to formal commitments and recognizes benefits and refunds when they are due and payable in accordance with the terms of the pension statutes.

As of the most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

| | Houston Firefighters' Pension | Houston Municipal Employees' Pension | Houston Police Officers' Pension |
|---|-------------------------------------|--|--|
| Retirees and beneficiaries currently receiving benefits | 3,038 | 11,373 | 4,786 |
| Former members - entitled to but not receiving benefits | 29 | 7,059 | 55 |
| Active members: | | | |
| Vested | 665 | 7,605 | 1,571 |
| Non-vested | 3,410 | 3,989 | 3,358 |
| Total participants | <u>7,142</u> | <u>30,026</u> | <u>9,770</u> |

CITY OF HOUSTON, TEXAS
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B. Net Pension Liability (Asset)

The “Net Pension Liability” (NPL) is the difference between the “Total Pension Liability” (TPL) and the plan’s “Fiduciary Net Position” (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA’s). In addition, ad hoc COLA’s are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans. The City’s total pension liability, net pension liability and certain sensitivity information are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled forward from the valuation date to the measurement date of June 30, 2021 using generally accepted actuarial principles.

| Net Pension Liability (in thousands) | Houston Firefighters' Pension | Houston Municipal Employees' Pension | Houston Police Officers' Pension |
|--------------------------------------|-------------------------------------|--|--|
| Measurement Date | June 30, 2021 | June 30, 2021 | June 30, 2021 |
| Total Pension Liability | \$ 4,965,760 | \$ 5,440,061 | \$ 7,343,837 |
| Less: Fiduciary Net Position | (5,256,763) | (3,867,085) | (7,137,251) |
| Net Pension Liability (Asset) | <u>\$ (291,003)</u> | <u>\$ 1,572,976</u> | <u>\$ 206,586</u> |

A schedule of Net Pension Liability (Asset), in addition to the information above, includes multi-year trend information (beginning with FY 2015) and is presented in the Required Supplementary Information section on pages 146 through 149.

C. Schedule of Changes in Net Pension Liability (Asset)

Changes in the City’s net pension liability (asset) presented below are calculated on the same basis as each of the plans. The Change in Net Pension Liability (Asset) for Fire, Municipal, and Police pension plans for the Fiscal Year ended June 30, 2021 are as follows:

| Change in Net Pension Liability (in thousands) | Houston Firefighters' Relief and Retirement Fund | | |
|---|---|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Service Cost | \$ 55,596 | \$ - | \$ 55,596 |
| Interest on the Total Pension Liability | 362,472 | - | 362,472 |
| Difference between Expected and Actual Experience | (94,948) | - | (94,948) |
| Employer Contributions | - | 77,495 | (77,495) |
| Employees Contributions | - | 29,873 | (29,873) |
| Pension Plan Net Investment Income | - | 1,338,230 | (1,338,230) |
| Assumptions Changes | (155,659) | - | (155,659) |
| Benefit Payments | (286,414) | (286,414) | - |
| Administrative Expense | - | (4,213) | 4,213 |
| Other | - | (1,140) | 1,140 |
| Net Change | (118,953) | 1,153,831 | (1,272,784) |
| Net Pension Liability Beginning | 5,084,713 | 4,102,932 | 981,781 |
| Net Pension Liability (Asset) Ending | <u>\$ 4,965,760</u> | <u>\$ 5,256,763</u> | <u>\$ (291,003)</u> |

CITY OF HOUSTON, TEXAS
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Houston Municipal Employees' Pension System

| Change in Net Pension Liability (in thousands) | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|----------------------------|--------------------------------|--------------------------|
| Service Cost | \$ 78,564 | \$ - | \$ 78,564 |
| Interest on the Total Pension Liability | 363,611 | - | 363,611 |
| Difference between Expected and Actual Experience | (20,427) | - | (20,427) |
| Employer Contributions | - | 184,762 | (184,762) |
| Employees Contributions | - | 33,325 | (33,325) |
| Pension Plan Net Investment Income | - | 1,084,386 | (1,084,386) |
| Benefit Payments | (314,150) | (314,150) | - |
| Refunds | (402) | (402) | - |
| Administrative Expense | - | (3,111) | 3,111 |
| Other | - | 487 | (487) |
| Net Change | 107,196 | 985,297 | (878,101) |
| Net Pension Liability Beginning | 5,332,865 | 2,881,788 | 2,451,077 |
| Net Pension Liability Ending | <u>\$ 5,440,061</u> | <u>\$ 3,867,085</u> | <u>\$ 1,572,976</u> |

Houston Police Officers' Pension System

| Change in Net Pension Liability (in thousands) | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|----------------------------|--------------------------------|--------------------------|
| Service Cost | \$ 73,040 | \$ - | \$ 73,040 |
| Interest on the Total Pension Liability | 484,527 | - | 484,527 |
| Difference between Expected and Actual Experience | 99,635 | - | 99,635 |
| Employer Contributions | - | 151,094 | (151,094) |
| Employees Contributions | - | 49,749 | (49,749) |
| Pension Plan Net Investment Income | - | 1,764,927 | (1,764,927) |
| Assumptions Changes | - | - | - |
| Benefit Payments | (394,893) | (394,893) | - |
| Refunds | (2,433) | (2,433) | - |
| Administrative Expense | - | (3,669) | 3,669 |
| Net Change | 259,876 | 1,564,775 | (1,304,899) |
| Net Pension Liability Beginning | 7,083,961 | 5,572,476 | 1,511,485 |
| Net Pension Liability Ending | <u>\$ 7,343,837</u> | <u>\$ 7,137,251</u> | <u>\$ 206,586</u> |

D. Pension Expense

For the year ended June 30, 2021, the City recognized a decrease in total pension expense of \$88,665,000. Pension expense recognized by plan is as follows (in thousands):

| Amounts Recognized in Pension Expense | Houston Firefighters' Pension | Houston Municipal Employees' Pension | Houston Police Officers' Pension |
|---|----------------------------------|---|-------------------------------------|
| Changes for the year: | | | |
| Service Cost | \$ 55,596 | \$ 78,564 | \$ 73,040 |
| Interest | 362,472 | 363,611 | 484,527 |
| Difference between Expected and Actual Experience | (9,632) | (148,785) | 91,190 |
| Differences between Projected and Actual Earnings | (192,132) | (198,257) | (307,249) |
| Member Contributions | (29,873) | (33,325) | (49,749) |
| Net Investment Income | (290,895) | - | (383,068) |
| Administrative Expense | 4,213 | 3,111 | 3,669 |
| Assumption Changes | 33,654 | - | - |
| Other | 1,140 | (487) | - |
| Total Pension Expense | <u>\$ (65,457)</u> | <u>\$ 64,432</u> | <u>\$ (87,640)</u> |

CITY OF HOUSTON, TEXAS
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E. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City on June 30, 2021 for each plan are as follows (in thousands):

| | HFRRF | | | HMEPS | | | HPOPS | | | Total Deferred | | |
|--|--------------------------------|-------------------------------|---------------------|--------------------------------|-------------------------------|---------------------|--------------------------------|-------------------------------|---------------------|--------------------------------------|-------------------------------------|---------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total HFRRF | Deferred Outflows of Resources | Deferred Inflows of Resources | Total HMEPS | Deferred Outflows of Resources | Deferred Inflows of Resources | Net HPOPS | Total Deferred Outflows of Resources | Total Deferred Inflows of Resources | Inflow and Outflow of Resources |
| Differences between expected actual experience | \$ 108,491 | \$ (126,450) | \$ (17,959) | \$ 19 | \$ (30,181) | \$ (30,162) | \$ 118,246 | \$ (24,346) | \$ 93,900 | \$ 226,756 | \$ (180,977) | \$ 45,779 |
| Changes of assumptions | 217,062 | (169,944) | 47,118 | - | - | - | 122,667 | - | 122,667 | 339,729 | (169,944) | 169,785 |
| Net difference between projected and actual earnings on pension plan investments | - | (685,891) | (685,891) | - | (518,319) | (518,319) | - | (918,121) | (918,121) | - | (2,122,331) | (2,122,331) |
| Total | \$ 325,553 | \$ (982,285) | \$ (656,732) | \$ 19 | \$ (548,500) | \$ (548,481) | \$ 240,913 | \$ (942,467) | \$ (701,554) | \$ 566,485 | \$ (2,473,252) | \$ (1,906,767) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be recognized in pension expense as follows (in thousands):

| | Houston Firefighters' Relief and Retirement | Houston Municipal Employees' Pension | Houston Police Officers' Pension | Pension Total |
|---------------------|---|--------------------------------------|----------------------------------|-----------------------|
| Year ended June 30: | | | | |
| 2022 | \$ (134,296) | \$ (135,478) | \$ (76,593) | \$ (346,367) |
| 2023 | (123,827) | (121,097) | (180,142) | (425,066) |
| 2024 | (131,572) | (114,680) | (201,312) | (447,564) |
| 2025 | (209,523) | (177,228) | (264,936) | (651,687) |
| 2026 | (26,075) | - | 14,387 | (11,688) |
| Thereafter | (31,439) | - | 7,042 | (24,397) |
| Total | \$ (656,732) | \$ (548,483) | \$ (701,554) | \$ (1,906,769) |

A single discount rate of 7.00% was used to measure the total pension liability for the HMEPS and the HPOPS. This single discount rate was based on the expected rate of return on the respective pension plan's investments of 7.00% and the current municipal bond rate was not applicable. The projection of cash flows used to determine this single discount rate assumed that respective plan member contributions will be made at the current contribution rate and that City contributions will be made at the rate determined actuarially in the annual Risk Sharing Valuation Study (RSVS) which would become effective in the fiscal year beginning one year after the study date. Based on these assumptions, the respective pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, a single discount rate of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2021 measurement date, the single discount rate used was 7.00% for each of the plans.

The discount rate used to measure the HFRRF total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years. Therefore, a single discount rate of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2021 measurement date, the single discount rate of 7.25% was used.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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F. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability for each of the City's plans, calculated using the discount rate, as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|--|------------------------------|--|------------------------------|
| Houston Firefighters' Pension - Net Pension Liability (Asset) | \$ 232,147 | \$ (291,003) | \$ (721,889) |
| | 6.00% | 7.00% | 8.00% |
| Houston Municipal Employees' Pension Liability | \$ 2,143,095 | \$ 1,572,976 | \$ 1,095,299 |
| | 6.00% | 7.00% | 8.00% |
| Houston Police Officers' Pension Liability (Asset) | \$ 989,884 | \$ 206,586 | \$ (434,122) |

G. Assumptions

| <u>Schedule of Assumptions</u> | <u>Houston Firefighters' Pension</u> | <u>Houston Municipal Employees' Pension</u> | <u>Houston Police Officers' Pension</u> |
|--------------------------------|---|---|---|
| Inflation | 3% | 2.25% | 2.30% |
| Salary Changes | 3% | 3.00% to 5.25% | 0% to 20%, plus a 2.75% inflation and productivity |
| Investment Rate of Return | 7.25% | 7.00% | 7.00% |
| Valuation Date | 7/1/2020 | 7/1/2020 | 7/1/2020 |
| Actuarial Cost Method | Entry Age Normal Cost | Entry Age Normal Cost | Ultimate Entry Age Normal Cost |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll, 30 year closed laddered bases |
| Amortization Period | 30 Years | 27 Years | 26 Years |
| Asset Valuation Method | Market value | 5 Year smoothed market, direct offset of deferred gains and losses | Market value of assets less a five-year phase in of the excess(shortfall) between expected investment return and actual income. |
| Ad hoc OPEB and Ad hoc COLA | 2.50% Annually | 3% - 6% | 4% |
| Mortality Assumption | Mortality Improvement Scale MP-2019 | RP-2000 Table scaled by 125% for males and 112% for females | RP-2014 Table combined healthy mortality tables with blue collar adjustment for males and no collar adjustment for females. |

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NOTE 11: OTHER EMPLOYEE BENEFITS

The City of Houston OPEB plan is a single-employer plan, and calculations are based on the OPEB benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The City provides certain health care benefits for retired employees as approved during the annual budget process. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City.

Contributions are recognized in the year paid. The cost of retiree health care premiums and claim liability incurred by the City (employer and subscriber) amounted to \$92,603,093 for the year ended June 30, 2021. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. On June 30, 2021 there were 11,147 retirees including active survivors eligible to receive benefits. Effective August 1, 2011 all Medicare Eligible Retirees must enroll in an insured Medicare Advantage Program Plan.

Actuarially Determined Contribution and Total OPEB Liability

The Annual OPEB cost associated with the City's retiree health care costs for the current year is as follows (in thousands):

| | |
|--|---------------------------|
| Actuarially Determined Contribution before Timing Adjustment | \$ 312,311 |
| Expected net benefits payments | - |
| Actuarially Determined Contribution | <u>312,311</u> |
| Contribution made | 62,372 |
| Net OPEB liability, beginning | 2,218,057 |
| Change in Net OPEB liability | <u>396,042</u> |
| Net OPEB liability, end of year | <u><u>\$2,614,099</u></u> |

A. Post-Retirement Health Insurance Benefits

1. Membership

Membership data is updated every two years by the Actuary. As of the most recent actuarial valuation of the net OPEB liability, membership data is as follows:

| | |
|--|----------------------|
| Retirees and beneficiaries currently receiving | 10,726 |
| Active members | <u>21,057</u> |
| Total participants | <u><u>31,783</u></u> |

2. Net OPEB Liability

The Net OPEB liability was measured as of June 30, 2020. The Total OPEB Liability was determined from an actuarial valuation as of June 30, 2020. The Net OPEB Liability is the Total OPEB Liability less the Plan Fiduciary Net Position. The Total OPEB Liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

| | |
|------------------------------|----------------------------|
| Measurement Date | <u>June 30, 2020</u> |
| Reporting Date | <u>June 30, 2021</u> |
| Total OPEB Liability | \$ 2,614,099 |
| Less: Fiduciary Net Position | - |
| Net OPEB Liability | <u><u>\$ 2,614,099</u></u> |

A schedule of Net OPEB Liability, in addition to the information above, includes multi-year trend information (beginning with Fiscal year 2018) and is presented in the Required Supplementary Information section on page 140.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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3. Schedule of Changes in Net OPEB Liability

| Change in Net OPEB Liability (in thousands) | Net OPEB Liability |
|---|-----------------------|
| Service Cost | \$ 115,672 |
| Interest | 80,598 |
| Change of benefit terms | - |
| Difference between Expected and Actual Experience | (64,790) |
| Assumptions Changes | 326,935 |
| Benefit Payments | (62,373) |
| Net Change | 396,042 |
| Beginning Net OPEB Liability | 2,218,057 |
| Ending Net OPEB Liability | \$ 2,614,099 |

4. OPEB Expense

For the reporting year ended June 30, 2021, the City recognized OPEB expense of \$114,887,000. OPEB expense recognized is as follows (in thousands):

| Amounts Recognized in OPEB Expense (in thousands) | |
|--|------------|
| Components of OPEB Expense: | |
| Service Cost | \$ 115,672 |
| Interest | 80,598 |
| Current-period benefit changes | - |
| Difference between Expected and Actual Experience | (9,256) |
| Recognition Deferred | (118,832) |
| Expensed Portion of Current Period Changes in Assumptions | 46,705 |
| OPEB Expense | \$ 114,887 |

5. Schedule of Deferred Outflows and Inflows of Resources

Deferred inflows and outflows of resources related to OPEB reported by the City at June 30, 2021 is as follows (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Changes of assumptions | \$ 280,230 | \$ (378,814) |
| Net difference between projected and and actual earnings on investments | - | - |
| Difference between expected and actual earnings in the Total OPEB Liability | - | (131,507) |
| City of Houston contributions subsequent to the measurement date | - | - |
| Total | \$ 280,230 | \$ (510,321) |

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to Net OPEB Liability at June 30, 2021 will be recognized in OPEB expense as follows (in thousands):

| Year Ended June 30: | Deferred Outflows and Inflows of Resources |
|---------------------|---|
| 2022 | \$ (81,383) |
| 2023 | (81,383) |
| 2024 | (81,383) |
| 2025 | (34,789) |
| 2026 | 11,398 |
| Thereafter | 37,449 |
| Total | \$ (230,091) |

6. Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate and the healthcare cost trend rate, as well as what the City's Net OPEB Liability would have been if it were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

| 1% Decrease 1.21% | Current Discount Rate 2.21% | 1% Increase 3.21% |
|----------------------|--------------------------------|----------------------|
| \$ 3,114,149 | \$ 2,614,099 | \$ 2,227,874 |

| 1% Decrease in Health Care Cost Trend Rates | Current Health Care Cost Trend Rates | 1% Decrease in Health Care Cost Trend Rates |
|---|--|---|
| \$ 2,170,812 | \$ 2,614,099 | \$ 3,208,231 |

7. Schedule of Assumptions

The total OPEB liability is based on an actuarial valuation as of June 30, 2020 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Schedule of Assumptions

| | |
|-------------------------------|--|
| Inflation | 2.25% |
| Salary Increases | 3.00% to 5.25%, varies by job classification, service an age |
| Discount Rate | 2.21% |
| Measurement Date | June 30, 2020 |
| Healthcare costs trends rates | |
| Medical | 7.00% grading down to 4.5% by 0.25% per annum |
| Prescription drug | 8.00% grading down to 4.5% by 0.25% per annum |
| Medicare Advantage | 6.00% grading down to 4.5% by 0.25% per annum |
| Medicare Supplement | 6.00% grading down to 4.5% by 0.25% per annum |
| Administrative costs | 2.00% |
| Healthy Mortality Rates | Rates that vary by job classification and employee status. The rates are consistent with the pension plans valuation assumptions for the same employees. |

B. Health Benefits Internal Service Fund

Effective May 1, 2011, the City elected to be substantially self-insured and on May 1, 2019 once again awarded CIGNA a five-year contract with two (2) one-year renewal options for 3 new health plans. All have a heavy emphasis on a wellness component and includes: 1) a limited network HMO-type plan, 2) an open access PPO-type plan with out-of-network coverage, 3) a consumer driven

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high deductible health plan, partnered with a health reimbursement account. Previously Texas Option Plan as terminated on April 30, 2019. Effective May 1, 2013, the City will no longer purchase individual and aggregate stop-loss coverage. The City will assume the financial risk of catastrophic and overall claim liability.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaled \$279,119,770 for the year ended June 30, 2021.

| CIGNA | | |
|--|----------------------|----------------------|
| Schedule of Changes in Liability | | |
| (in thousands) | | |
| | June 30, 2021 | June 30, 2020 |
| Beginning actuarial estimate of | | |
| claims liability reserve, July 1 | \$ 22,100 | \$ 22,950 |
| Catastrophic claims reserve, July 1 | 15,000 | 15,000 |
| Incurred claims for fiscal year | 341,950 | 304,635 |
| Payments on claims - net of RX rebates and refunds | (331,184) | (306,335) |
| Actuarial adjustment | (5,383) | 850 |
| Ending actuarial estimate of claims | | |
| liability including catastrophic | | |
| claims liability, June 30 | <u>\$ 42,483</u> | <u>\$ 37,100</u> |

The City also provides 1 times the salary of basic life insurance, with a minimum of \$15,000, at no cost to the employee. The employee, at no cost to the City, may then obtain additional life insurance up to four times their annual salary. The current costs for active employees for both basic and voluntary life insurance totaled \$6,582,428 for the year ended June 30, 2021.

C. Incurred for Catastrophic claims

In addition to the IBNR, to mitigate claim volatility, the city has funded a catastrophic claim liability of \$15 million. This would increase the total liability to \$42 million and designated fund balance of \$21 million for claim volatility.

D. Long-Term Disability Plan

The long-term disability plan, accounted for as an internal service fund, is a part of the Income Protection Plan implemented effective September 1, 1985 (renamed the Compensable Sick Leave Plan (CSL) in October, 1996) and is provided at no cost to City employees who are members of CSL. Coverage is effective the later of September 1, 1985 or upon completion of one year of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity or 70% of base plus longevity when combined with income benefits available from other sources. Plan benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months absence from work. The plan is administered by Reed Group (Previously Hewitt Associates LLC), which is reimbursed from the fund for claims as they are paid along with a fee for administrative services. Effective September 1, 2001 the Meet and Confer Agreement establishes Paid Time Off (PTO) for police classified officers. This replaces their participation in the LTD plan.

| Schedule of Changes in Liability | | |
|---|----------------------|----------------------|
| (in thousands) | | |
| | June 30, 2021 | June 30, 2020 |
| Beginning actuarial estimate of | | |
| claims liability, July 1 | \$ 7,248 | \$ 6,720 |
| Incurred claims for fiscal year | 940 | 1,200 |
| Payments on claims | (940) | (899) |
| Actuarial adjustment | (147) | 227 |
| Ending actuarial estimate of | | |
| claims liability, June 30 | <u>\$ 7,101</u> | <u>\$ 7,248</u> |

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Actuarially Determined Contribution and Total Claim Liability (in thousands)

During fiscal year 2021, there was a decrease of \$147 thousand in the amount of disabled life reserves.

| | |
|--|-----------------|
| Total claim liability at beginning of period | \$ 7,248 |
| Changes due to assumption changes | 19 |
| Increase attributable to additions | 771 |
| Decrease attributable to terminations | (357) |
| Change attributable to passage of time and adjustments | (580) |
| Net change | <u>(147)</u> |
| Total claim liability at end of period | <u>\$ 7,101</u> |

1. Changes in Total OPEB Liability (in thousands)

| | Increase (Decrease) |
|-----------------------|----------------------|
| | Total OPEB Liability |
| Balance at 06/30/2020 | \$ 15,568 |
| Changes for the year | |
| Service Cost | 1,434 |
| Interest | 365 |
| Experience | (914) |
| Benefit Payments | (941) |
| Assumption Changes | 33 |
| Net Changes | <u>(23)</u> |
| Balance at 06/30/2021 | <u>\$ 15,545</u> |

2. OPEB Expense Components (in thousands) for the year ended June 30, 2021, the City will recognize OPEB expense of \$2,092,591.

| | |
|---|-----------------|
| Service Cost | \$ 1,436 |
| Interest on TOL | 365 |
| Differences between expected and actual exp | (63) |
| Changes in Assumptions | <u>354</u> |
| Total OPEB Expense | <u>\$ 2,092</u> |

At June 30, 2021, the City reports deferred outflows of resources and deferred inflows of resources related to OPEB expense from the following sources:

3. Deferred Outflows of Resources and Deferred Inflows of Resources (in thousands)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 963 | \$ (1,699) |
| Changes in assumptions | 3,003 | (97) |
| | <u>\$ 3,966</u> | <u>\$ (1,796)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (in thousands) as follows:

Year Ended June 30:

| | |
|------------|-----------------|
| | 291 |
| 2022 | 291 |
| 2023 | 291 |
| 2024 | 291 |
| 2025 | 291 |
| 2026 | 291 |
| Thereafter | <u>715</u> |
| | <u>\$ 2,170</u> |

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4. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (in thousands)

The following presents the total OPEB liability, calculated using the discount rate of 2.16%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage-point higher than the current rate:

| | 1% Decrease | Current Discount | 1% Increase |
|-----------------------------|-------------|------------------|-------------|
| | 1.16% | Rate of 2.16% | 3.16% |
| City's Total OPEB Liability | \$ 16,190 | \$ 15,545 | \$ 13,879 |

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (Plan), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The Plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available until termination, retirement, death or unforeseeable emergency. However, the Plan now offers loans to participant employees. The maximum loan amount is the lesser of \$50,000 or 50% of the total account balance, less any outstanding loans. The minimum loan amount is \$1,000. Pursuant to tax law changes, the Plan's assets are no longer subject to the City's general creditors and are not included in these financial statements.

F. Workers' Compensation Self-Insurance Plan

The City has established a Workers' Compensation Self-Insurance Plan, accounted for within the various operating funds. The plan is administered by TriStar Insurance Group, Inc. Funds are wire transferred to TriStar as needed to pay claims.

As of June 30, 2021, the City has an accumulated liability in the amount of \$136 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the government-wide Statement of Net Position and Enterprise Funds. The amount of liability is based on an actuarial study.

| | Schedule of Changes in Liability | |
|--|---|----------------------|
| | (in thousands) | |
| | June 30, 2021 | June 30, 2020 |
| Beginning actuarial estimate of claims liability, July 1 | \$ 114,216 | \$ 98,734 |
| Incurred claims for fiscal year | 34,284 | 23,603 |
| Payments on claims | (27,318) | (22,501) |
| Actuarial adjustment | 14,338 | 14,380 |
| Ending actuarial estimate of claims liability, June 30 | \$ 135,520 | \$ 114,216 |

NOTE 12: INTERFUND TRANSACTIONS

A. Transfers

Transfers during the year ended June 30, 2021 were as follows (in thousands):

| Transferred from: | Transferred to: | | | | Total Transfers Out |
|------------------------------|------------------------|------------------------------------|---------------------|-------------------------|----------------------------|
| | General Fund | Nonmajor Governmental Funds | Debt Service | Capital Projects | |
| General Fund | \$ - | \$ 106,168 | \$ 332,838 | \$ 1,980 | \$ 440,986 |
| Grants Fund | - | 10 | - | - | 10 |
| Nonmajor Funds | 11,606 | 630 | 12,967 | 125,677 | 150,880 |
| Capital Projects | - | - | 4,308 | - | 4,308 |
| Convention and Entertainment | 1,449 | - | - | - | 1,449 |
| Combined Utility System | 56,541 | - | 5,050 | 393 | 61,984 |
| Total transfers in | \$ 69,596 | \$ 106,808 | \$ 355,163 | \$ 128,050 | \$ 659,617 |

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Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) use unrestricted revenues in the Combined Utility System and non-major revenue fund to finance general fund programs.

B. Interfund Charges

The General Fund charges the Airport System, Combined Utility System, Capital Project, Auto Dealer's and Cable Television Funds for services provided by the General Fund on behalf of these funds. Such charges totaled \$81,872,000 for the year ended June 30, 2021 and are recorded as revenue in the General Fund and as expense, expenditure or capital assets in the funds assessed.

Included in the Fiscal Year 2021 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

| | Airport System | Combined Utility System | Other Funds | Total |
|------------------|---------------------------|------------------------------------|--------------------|------------------|
| General Services | \$ 3,063 | \$ 9,503 | \$ 10,825 | \$ 23,391 |
| Fire Services | 20,039 | - | - | 20,039 |
| Police Services | 32,196 | - | - | 32,196 |
| Legal | 95 | 56 | 304 | 455 |
| Other | 281 | 4,046 | 1,464 | 5,791 |
| Total | <u>\$ 55,674</u> | <u>\$ 13,605</u> | <u>\$ 12,593</u> | <u>\$ 81,872</u> |

C. Schedule of Amounts Due To and Due From Other Funds

The interfund balances are primarily due to charges for services between funds during the fiscal year and settled shortly after year-end. The composition of interfund balances as of June 30, 2021 is as follows (in thousands):

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|------------------|
| General Fund | Grants Revenue | \$ 16,525 |
| | CARES ACT Fund | 3,858 |
| | Combined Utility System | 36,522 |
| | Nonmajor Governmental Funds | 3,712 |
| | Capital Projects Fund | 19,005 |
| | Airport System | 98 |
| | Internal Service Fund | 39 |
| | | <u>\$ 79,759</u> |
| Grants Revenue | General Fund | \$ 1,147 |
| | Capital Projects Fund | 1,112 |
| | Nonmajor Governmental Funds | 8 |
| | CARES ACT Fund | 140 |
| | Combined Utility System | 7 |
| | <u>\$ 2,414</u> | |
| Capital Projects Fund | Grants Revenue | \$ 413 |
| | Nonmajor Governmental Funds | 6,344 |
| | | <u>\$ 6,757</u> |
| Airport System | General Fund | \$ 1,389 |
| | Combined Utility System | 29 |
| | Nonmajor Governmental Funds | 6 |
| | CARES ACT Fund | 99 |
| | | <u>\$ 1,523</u> |
| Combined Utility System | Nonmajor Governmental Funds | \$ 84 |
| | General Fund | 6 |
| | CARES ACT Fund | 278 |
| | <u>\$ 368</u> | |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | \$ 56 |
| | General Fund | 9,797 |
| | CARES ACT Fund | 254 |
| | Grants Revenue | 365 |
| | Combined Utility System | 93 |
| | Capital Projects Fund | 2 |
| | Airport System | 1 |
| | <u>\$ 10,568</u> | |
| CARES ACT Fund | General Fund | \$ 7 |
| | Grants Revenue | 10 |
| | | <u>\$ 17</u> |
| Internal Service Fund | General Fund | \$ 28 |
| | CARES ACT Fund | 51 |
| | | <u>\$ 79</u> |
| Debt Service Fund | General Fund | \$ 250 |
| | | <u>\$ 250</u> |

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NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits and claims alleging that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotional practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; and claims involving property tax assessments and various other liability claims. Alleged damages in the lawsuits are approximately \$4 million. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits. There is other threatened litigation for which an amount cannot be determined. The City typically utilizes the General Fund to liquidate claims and judgments. In the Statement of Net Position, the City has recognized a liability of \$16.8 million for potential litigation losses arising from various lawsuits.

In 2004, Houston voters approved two ballot propositions limiting City revenue growth. Proposition 1 generally limits annual growth in property tax revenues to the lesser of the actual revenues in the preceding fiscal year, plus 4.5 percent, or the revenues received in the previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. With the exception of grant monies, revenue received from other governmental entities and interfund transfers, Proposition 2 caps growth in all City revenues, including the General Fund, Special Revenue Funds and Enterprise Funds (combined revenues). Proposition 2 would require a 60 percent vote at a regular election before the City could increase combined revenues over the combined revenues for the preceding fiscal year as adjusted for rates of change in the consumer price index and population growth. Any combined revenues collected by the City in excess of the Proposition 2 restriction would be placed in a taxpayer relief fund. Although both propositions received a majority of votes in the 2004 election, the City declared that Proposition 2 was not effective because Proposition 1 received the higher number of favorable votes.

Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. After protracted litigation, on August 26, 2011, the Texas Supreme Court vacated the judgment of the trial court (for lack of ripeness) without reference to the merits and dismissed the case for want of jurisdiction. In April 2014, the suit was refiled. The court granted the City Defendant's Motion for Summary Judgment on September 16, 2019 and denied plaintiffs' Motion for Summary Judgment. On October 4, 2019, the trial court held a bench trial on the remaining issues. On October 29, 2019, the trial court held for the City Defendants, ordering that the plaintiffs take nothing. The parties cross appealed and the case has been fully briefed. Oral arguments were held on June 2, 2021.

In 2007, Houston voters approved several ballot propositions including Proposition G, which eliminated some of the most serious concerns created by the potential application of Proposition 2 by revising how the City's revenues limited by the Charter would be calculated (including the removal of the revenues of the City's Enterprise Funds from the revenues limited by the City Charter), and Proposition H, which allowed the City to raise revenues for police, fire, and emergency services in excess of the revenues allowed under any revenue limitations contained in the City Charter.

In 2013, the City commenced formal negotiations with the Environmental Protection Agency ("EPA") and the Department of Justice ("DOJ") (collectively the "United States") on a draft Clean Water Act consent decree relating to the City's Wastewater Treatment and Collection System ("System") that would contain specific remedial measures to address sanitary sewer overflows ("SSOs") and wastewater treatment plant permit exceedances and mitigate against future occurrences. The State of Texas ("State") has also been a party to the negotiations and resolution of this matter. Before the EPA, DOJ, State and the City could complete the consent decree negotiations, a citizen group called Bayou City Waterkeeper ("BCW") notified the City in July 2018 of BCW's Notice of Intent to Sue ("NOI") the City on the same matters being addressed in the consent decree negotiations with the United States and State. In response to the threatened citizen suit, the United States and the State filed a suit against the City first in the United States District Court for the Southern District of Texas (Civil Action No. 4:18-cv-03368) – on September 20, 2018 – which the City believes precludes BCW under federal law from filing a separate suit on the same matters. The United States also requested that the Court stay the United States' proceeding to allow the parties to complete the settlement negotiations, and the Court granted the motion to stay. BCW also ultimately intervened in the United States' September 20, 2018 lawsuit as allowed by the Clean Water Act. In addition, and notwithstanding the United States' suit, BCW filed a separate action (also in the United States District Court for the Southern District of Texas; Civil Action No. 4:18-cv-03369) on the next day – September 21, 2018 – which the City seeks to dismiss as being barred under law by the first-filed case. That litigation was also stayed to allow settlement negotiations to proceed between the United States, the State and the City.

Following filing of the lawsuit on September 20, 2018, the United States, State and City continued settlement negotiations, which resulted in an agreement between those parties on a proposed consent decree (the "Consent Decree"). On July 24, 2019, City Council, by ordinance, approved the Consent Decree and payment of \$4.4 million in penalties to the State and EPA, and \$200,000 in attorney fees to the State to resolve all civil claims of the federal government and the State against the City for alleged wastewater violations since 2005. The City signed the Consent Decree on July 26, 2019, and after execution by federal and state officials, the Consent Decree was lodged with the federal District Court on August 27, 2019. Notice of the lodging of the Consent Decree was published in the Federal Register on September 3, 2019 which opened a 30-day period (until October 14, 2019) for the submission of public comments to the United States on the Consent Decree; on October 9, 2019, however, the United States extended the public comment period on the Consent Decree until November 8, 2019. Notice of the Consent Decree was published in the Texas Register on September 13, 2019, which opened a 30-day

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period (until October 14, 2019) for the submission of public comments to the State of Texas on the Consent Decree. The public comment periods for the State and United States closed on October 14, 2019 and November 8, 2019 respectively. On August 7, 2020, the DOJ and the State filed a motion to enter the Consent Decree with the Court, including the response to comments that were submitted concerning the Consent Decree. After reviewing the motion, comments, and any other pleadings in support of or opposing entry of the Consent Decree, the Court signed an Order on March 31, 2021 approving the Consent Decree as lodged on August 27, 2019. The City has posted a copy of the Consent Decree and related documents on its website at <https://www.publicworks.houstontx.gov/>. The BWC separate lawsuit (United States District Court for the Southern District of Texas; Civil Action No. 4:18-cv-03369) was dismissed with prejudice on April 8, 2021 by joint motion filed with the court by the City and BCW after the Consent Decree was entered

While the total amount of the investment to be made in the wastewater system will not be known until the System completes the assessment work to identify the condition and remedial measures needed, it is estimated that the City may be required to invest an additional \$2 billion over 15 years to upgrade the wastewater system pursuant to the Consent Decree. In Fiscal Year 2019, the System engaged a utility rate consultant to review the water and wastewater cost of service and rate design, and water and wastewater impact fee update, which would, among other things, take into account the additional investment requirements in the then-proposed Consent Decree. (SEE NOTE 17 – SUBSEQUENT EVENTS). The City sought court validation of the water and wastewater rates excluding contract rates and on October 4, 2021, a final judgment was entered by a Travis County District Court validating the water and wastewater rates for which the City sought validation. Other than the costs identified above that have been paid for resolution of all civil claims of the federal government and the State against the City for alleged wastewater violations since 2005, the City cannot predict the final financial impact on current and future long-term operations, annual maintenance and/or capital improvements costs that may be required, which could be substantial. The Consent Decree terms cause stipulated penalties to accrue in certain situations; it is unclear at this time whether, or how much, stipulated penalty monies may be demanded from the City under the Consent Decree. The City continues to manage the System, including Consent Decree commitments, through capital investments, maintenance and assessment activities. These activities include enhanced sewer cleaning, restaurant inspections, system inspections and investigations, SSO response, and public outreach and education.

In 2011, City Council passed an ordinance that imposed an assessment upon benefitted properties that receive drainage services (the “Drainage Utility Fee”) to assist with the provision, maintenance and improvement of the City’s drainage and street drainage systems. Certain properties are exempt from the Drainage Utility Fee, including State government agency facilities, public and private institutions of higher education, and churches existing at the time of passage. Exempted properties comprise approximately 2.55% of the drainage service area.

The Drainage Utility Fee is deposited into a segregated drainage account in the “Dedicated Pay-As-You-Go Fund for Drainage and Streets” (the “Pay-As-You-Go Fund”), which also includes ad valorem tax revenue, certain grants, and a developer impact fee. All funding in the Pay-As-You-Go Fund that is not derived from ad valorem taxes is excluded from the revenue limitations in the City Charter.

Jones v. Turner. On October 21, 2019, taxpayers filed suit in state district court alleging miscalculation by the City of required ad valorem tax contributions to Pay-As-You-Go-Fund resulting in alleged underpayments into the fund. The plaintiffs seek declaratory relief, an injunction, mandamus relief, attorneys’ fees, and any other relief to which they may be entitled. The trial court denied the City’s plea to the jurisdiction in December 2019, and the Fourteenth Texas Court of Appeals reversed in the City’s favor and rendered a decision dismissing Jones’ claims. Jones had filed a motion for rehearing/en banc rehearing which was denied on March 11, 2021. Jones has filed a petition for review in the Texas Supreme Court. The City filed a response and is awaiting a decision from the Court on whether it will grant review.

Drainage Utility Fee Litigation. In 2012, the owners of three apartment complexes filed a lawsuit against the City and the Director of Houston Public Works in their official capacity, challenging the validity of the Drainage Utility Fee and alleging ultra vires actions by the Director. The City filed a plea to the jurisdiction seeking dismissal of the suit. The City’s plea was granted in part and denied in part. The apartment complexes’ remaining ultra vires claims, declaratory judgment claims, and constitutional challenges to the ordinance remain pending in the district court. The apartment complexes appealed, the court of appeals affirmed the trial court’s decision and the Supreme Court denied review.

Three railroad companies had intervened in the lawsuit to challenge the Drainage Utility Fee but, on the City’s motion, the court struck the railroad companies’ intervention. The railroad companies then filed their own lawsuit challenging the validity of various aspects of the assessment of the Drainage Utility Fee, alleging both ultra vires and constitutional claims, and asking for injunctive relief and attorneys’ fees. The parties reached a settlement during the second round of court-ordered mediation. All parties signed a Mutual Release and Settlement Agreement governing the Railroads’ payment to Houston for drainage service and establishing a framework for resolution of future disputes regarding drainage. The case is now closed.

A small business filed a lawsuit contending that the City and Mayor Sylvester Turner and the Director of Houston Public Works in their official capacities have illegally assessed, collected and spent hundreds of millions of dollars for drainage and street repairs from Houston taxpayers and landowners for the past seven years, pursuant to a void Charter Amendment and/or a void City Ordinance. The case was abated pending the resolution of a similar case challenging the drainage fee ordinance.

An additional lawsuit has been filed against the City seeking a declaratory judgment that the Drainage Utility Fee is illegal and asking that the City reimburse residents who have paid the fee in prior years. The lawsuit seeks to certify such residents as a class. The trial

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court dismissed the case; the plaintiff has appealed, and the dismissal of the case was affirmed on appeal. The plaintiffs have filed a petition for review in the Texas Supreme Court. The Supreme Court has asked for full briefing but not yet decided whether to grant review.

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$13.9 million, to be used for: assessment and remediation of asbestos, lead and mold; Phase I and II environmental site assessments and remediation; and remediation of radioactive material.

C. Commitments for Capital Facilities

At June 30, 2021, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$2,357,759,000 for capital projects.

D. Risk Management

The City purchases fidelity coverage to comply with City ordinance, Boiler and Machinery Insurance with a per occurrence loss limit of \$100 million and commercial Property Insurance with a per occurrence loss limit of \$200 million. The commercial property insurance sublimit for flood is \$200 million. The commercial Property Insurance provides deductibles as follows: \$2 million per occurrence for all perils except; 3% of the damaged insured value for windstorm or hail from a named storm, subject to a \$2.5 million minimum and a \$15 million maximum deductible; and 3% of the damaged insured value for flood, subject to a \$2.5 million minimum and a \$15 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is \$15 million.

Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. This determination is based on reported pending claims, estimates of claims incurred but not yet reported, actuarial reports and historical analysis. All claims are accounted for in the Government-wide Statement of Net Position.

Claims that are expected to be paid with expendable, available financial resources are accounted for in the General Fund and the appropriate Enterprise Funds.

For unemployment claims, the City pays claims as they are settled. Unemployment claim activity is as follows:

| | Unemployment Claim Activity | |
|---|------------------------------------|-----------------------------|
| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
| Unpaid claims, beginning of fiscal year | \$751,277 | \$431,385 |
| Incurred claims (including IBNRs) | 544,493 | 1,741,934 |
| Claim payments | <u>(1,285,683)</u> | <u>(1,422,042)</u> |
| Unpaid claims, end of fiscal year | <u>\$10,087</u> | <u>\$751,277</u> |

E. Purchase Commitments for Electricity

On July 1, 2020, the City entered into an electricity supply agreement with Reliant Energy Retail Services, Inc. for a 5-year term with two 1-year options, with locked rates for the duration of the contract terms. The total committed price is approximately \$634 million for expected usage of the potentially 7-year contract.

On November 13, 2015, the City entered into a solar energy supply agreement with ENGIE to supply solar power to the City from a facility located in Alpine, Texas, for a 20-year term starting in April 2017. The contract value is approximately \$124.7 million.

F. Federal and State

Amount received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, could be a liability of the City.

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June 30, 2021

G. Risk and Uncertainties

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention (“CDC”) called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all Texas counties in response to the Pandemic. Pursuant to Chapter 41, Texas Government Code, the Governor has broad authority to respond to disasters, including the authority to suspend any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and to issue executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal and State actions and policies are focused on limiting opportunities for the public to congregate and individuals to interact with each other, which affects the operation of businesses and directly impacts the national, State and local economies.

In addition to actions by State and Federal officials, on March 11, 2020, the Harris County (the “County”) Judge activated the County’s emergency management plan by issuing a Declaration of Local Disaster for Public Health Emergency (the “Declaration”) in order to contain the COVID-19 outbreak and prevent its spread throughout the County. Also on March 11, 2020, the Mayor of the City issued a proclamation declaring a local state of disaster for a public health emergency for the City of Houston resulting from the imminent threat to the public health and the potential for loss of life and property of people and communities of the City caused by the introduction, transmission, or spread (or imminent threat of the same) of COVID-19.

On March 17, 2020, the City Council of the City approved Ordinance No. 2020-212 to authorize the continuation of the local state of disaster for a public health emergency relating to COVID-19. On March 24, 2020, the County Judge issued a “Stay Home, Work Safe” Order (“Stay Home Order”) prohibiting gatherings and providing that residents stay home other than to perform Essential Services as defined in Federal guidance. The Stay Home Order, which lasted until June 10, 2020, provided that in performing or obtaining Essential Services, residents should follow CDC guidelines on social distancing.

The Pandemic has negatively affected travel, commerce, and financial markets globally and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The City continues to monitor the Pandemic and work with local, state and national agencies to address its potential impact on the City. The pandemic continues to have a negative financial impact on local, state and national economies, in a manner that have affected and may adversely affect the amount of property and sales and use taxes, franchise charges and fees, and other general revenues received by the City.

The City has identified several funding sources to assist with expenses related to the COVID-19 outbreak. In April 2020, Ordinance 2020-276, authorizing appropriation and transfer of \$5M was approved on April 1, 2020. Refer to footnote 3. The City established the COVID-19 Disaster Fund and transferred \$5 million out of the Budget Stabilization Fund to cover expenditures related to public health emergency response efforts and also received another \$5 million through a CDC grant. Most significantly, in April 2020 the City received \$404.9 million from the U.S. Department of Treasury pursuant to the Coronavirus Aid Relief & Economic Security Act (the “CARES Act”).

In addition, The Houston Airport System is scheduled to receive up to \$200.2 million from the Federal Aviation Administration as part of the CARES Act’s attempt to help offset the negative impact on major airports’ revenue due to the reduction in passenger traffic. In fiscal year 2021 and 2020 the Airport System received \$187.3 million and \$8.1 million, respectively, and used the proceeds to offset against its Subordinate Lien Bond debt service.

H. Affordable Housing Tax Increment Zone Contribution

On March 24, 2021, City Council adopted and passed an Ordinance creating the Uptown TIRZ Series 2021 Affordable Homes Fund for use by the City’s Housing and Community Development Department for single family affordable housing projects. Uptown TIRZ issued \$100,000,000 in bonds and contributed the funds to the City on May 4, 2021. The City will reimburse Uptown TIRZ by reducing the amount Uptown TIRZ pays to the City each year.

The funds will be used by the City as follows:

- Homebuyer Choice Program – 410 units for \$52,787,500
- Homebuyer Assistance Program 15 units for \$495,000
- New Home Development Program – 660 units for \$46,717,500

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 14: RELATED ORGANIZATION TRANSACTIONS

A. Metropolitan Transit Authority (Metro)

The City and METRO have an inter-local agreement governing the distribution and usage of a portion of incremental sales tax collected within the METRO service area for Eligible Transportation Projects (“General Mobility Program”, “Program”). The City uses funds allocated through the Program to perform street maintenance/construction, traffic control, and other eligible transportation projects. During the fiscal year ended June 30, 2021 the City received \$90.638 million from METRO under this contract. The breakout was \$24.624 million to Capital Projects and \$66.014 million to Special Revenues. \$0 of payments were for the prior contract year. In addition, the City did not make any payments to METRO for services performed through the Program.

Consistent with provisions under Chapter 451 of the Texas Transportation Code, the City currently appoints five (5) of the nine (9) members of the METRO Board of Directors; however, the City has no financial accountability for the Authority and the entity is separate from the operating activities of the City.

B. Trinity River Authority (TRA)

As described in Note 8C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2008, all outstanding long-term debt had been paid off. During the fiscal year ended June 30, 2021 the City paid \$4.1 million for maintenance and operating expenses under the terms of the contract.

In December 2016, the City and the TRA entered into a Raw Water Supply Contract. This contract referred to prior agreements with TRA regarding the construction of Lake Livingston and the Wallisville salinity control barrier of which the City paid for all the construction costs. The 2016 agreement established a receivable due from TRA for their 30% share of the project costs. The receivable will be offset by the charges due from the City to TRA as established by the Raw Water Supply contract. It is estimated the receivable will be dismissed by 2040. The balance as of June 30, 2021 is \$67.0 million. The current portion of this receivable is \$3.5 million with the remaining \$63.5 million reflected as non-current.

C. Coastal Water Authority (CWA)

The City has a long-term contract with Coastal Water Authority (CWA) for water conveyance. During the fiscal year ended June 2021, the City paid CWA \$6.4 million for debt services and \$25.3 million for maintenance and operating expenses.

D. Component Units

The City has a number of component units, most of which have fiscal years ended June 30, 2021. Six discretely presented component units: Greater Houston Convention and Visitors Bureau, Houston Arts Alliance, Houston First Corporation, Houston Housing Finance Corporation, Houston Media Source, and Houston Zoo, Inc., have fiscal years ended December 31, 2020. Subsequent to December 31, 2020, the City received interest payments of \$9,227 thousand from Houston First Corporation.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 15: CONDUIT DEBT OBLIGATIONS

The City has authorized various issues of Special Facilities Bonds to enable United Airlines, Inc. (“United”) (formerly known as Continental Airlines, Inc.), a publicly traded company, to construct facilities at the George Bush Intercontinental Airport (“Special Facilities”) that were deemed to be in the public interest. These bonds are limited special obligations of the City, payable solely from and secured by a pledge of revenues generated from lease agreements with United. Collected pledged revenues are remitted directly to a trustee by United. Under the terms of the related lease agreements, United operates, maintains, and insures the terminals, and manages and retains revenues from all concessions operated in the Terminal B and E Special Facilities. The City operates, maintains, insures, and manages and retains revenues from all concessions operated in all other terminal facilities.

The City holds legal title to the completed facilities, as they are constructed on airport property, but the constructed facilities are operated and controlled by United through long-term leases, and the Fund will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the Fund accounts for the Special Facilities Bonds shown in the following table as conduit debt, and neither the debt nor the related assets have been recorded in the accompanying financial statements.

| Conduit Debt Outstanding at June 30, 2021 (in thousands) | June 30, 2021 |
|---|----------------------|
| Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), \$113,305,000 original principal, matures in 2038 | \$ 113,305 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project), Series 2014 (AMT), \$308,660,000 original principal, matures in 2029 | 274,480 |
| Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT), \$176,650,000 original principal, matures in 2035 | 176,650 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Technical Operations Center), Series 2018 (AMT), \$90,650,000 original principal, matures in 2028 | 90,650 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT), \$46,425,000 original principal, matures in 2028 | 46,425 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020A (AMT), \$34,165,000 original principal, matures in 2027 | 34,165 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020B-2 (AMT), \$47,470,000 original principal, matures in 2027 | 47,470 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT), \$66,890,000 original principal, matures in 2027 | 66,890 |
| Total Conduit Debt Outstanding | \$ 850,035 |

On June 29, 2020, the City issued \$34,165,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020A (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020A costs of issuance. The bonds were issued as a 5% Term Bond due July 1, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued \$47,470,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020B-2 (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020B-2 costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.375%.

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

On June 29, 2020, the City issued \$66,890,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020C costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.625%.

On February 20, 2018, the City issued \$90,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Technical Operations Center Project), Series 2018 (AMT) on behalf of United, to finance the construction of a technical operations center and related facilities at IAH. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On February 20, 2018, the City issued \$46,425,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT) on behalf of United, to finance the improvement, renovation, expansion and repair of certain special facilities at IAH, including improvements to an existing aircraft maintenance hangar facility, construction of an aircraft shops facility, and renovation of a maintenance and parts storage facility. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On March 16, 2015, the City issued \$176,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT) on behalf of United, to finance the construction of a new North Concourse building at Terminal B with jet bridge loading, and to make improvements to related facilities. The bonds were issued with a coupon rate of 5.00%, and a yield of 4.75%, to mature in varying amounts from 2026 to 2035.

On May 8, 2014, the City issued \$308,660,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project) Series 2014 on behalf of United, at coupon rates ranging from 4.50% to 5.00%. The bonds mature in varying amounts from 2020 to 2029. Proceeds of the bonds were used to refund a portion of the City's outstanding Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal E project) Series 2001 and to pay costs of issuance.

On November 17, 2011, the City issued \$113,305,000 in Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), at coupon rates ranging from 6.50% to 6.625%, to finance the replacement of two flight stations at Terminal B, with a new South Concourse building to serve United Airlines' regional jet operations.

NOTE 16: PRIOR PERIOD ADJUSTMENT

The net position in the Combined Utility System enterprise fund as of the beginning of the fiscal year has been increased due to the City's adoption of the percentage of completion method of revenue recognition for long term joint venture construction contracts (see note 1D). This increase was partially offset by a retroactive reduction to investment income on the capital contributions for these contracts. The investment income has been reclassified to Due to other governments.

These changes resulted in a net increase to net position of \$683.65 million dollars.

The table below presents the effects of these changes on the Statement of Revenues, Expenses and Changes in Net Position and Statement of Net Position:

| <u>Combined Utility System (in thousands)</u> | <u>July 1, 2020 as previously reported</u> | <u>July 1, 2020 as re-stated</u> |
|--|--|--------------------------------------|
| <i>Statement of Net Position</i> | | |
| Noncurrent Liabilities | | |
| Unearned Revenue | \$ 1,620,723 | \$ 931,220 |
| Due to other governments | - | 5,855 |
| <i>Statement of Revenue, Expenses, and changes in Net Position</i> | | |
| Investment Income | 58,243 | 54,988 |
| Capital Contributions | 16,691 | 319,627 |
| Change in Net Position | <u>163,314</u> | <u>462,995</u> |
| Total Net Position before adjustments | 256,633 | 640,599 |
| Cumulative effect of prior period adjustment | - | 383,966 |
| Net Position after adjustments | <u>\$ 419,947</u> | <u>\$ 1,103,594</u> |

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 17: SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes

On September 20, 2021, the City closed the sale of \$75,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2021. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2022. The stated interest rate was .076%. The notes will mature on June 30, 2022.

B. Combined Utility System First Lien Revenue and Refunding Bonds Series 2018C

On July 29, 2021, the City remarketed \$249,075,000 of Combined Utility System First Lien Revenue Refunding Bonds Series 2018C to variable rate demand bonds.

C. Water Sewer Rate Study and Impact Fee Study

Approximately every five years, the City commissions water and wastewater rate studies to assess the adequacy and equitability of its rates. Additionally, every 10 years, the City commissions impact fee studies to assess the adequacy and equitability of these fees. In Fiscal Year 2019, the City engaged Carollo Engineers, Inc. as the City's utility rate and impact fee consultant, to review the System's water and wastewater cost of service and rate design, and water and wastewater impact fee update, which would, among other things, take into account the additional investment requirements of the then-proposed Consent Decree.

The study was completed in Fiscal Year 2021 and was presented to the Budget and Fiscal Affairs Committee on April 27, 2021. On June 23, 2021, based on the studies' recommendations, City Council approved an ordinance authorizing the implementation of the new impact fees on July 1, 2021 and new water and wastewater rates on September 1, 2021. A copy of the final report, incorporating an executive summary, prepared by the consultant, is available on the City Secretary's website: <https://www.houstontx.gov/citysec/HPW/serviceratestudy.pdf> and <https://www.houstontx.gov/citysec/HPW/impactfeereport.pdf>.

D. General Obligation Public Improvement Bonds Series 2021D and Series 2021E (TWDB FIF Loans)

On September 23, 2021, the City issued \$10,100,000 of Public Improvement Bonds, Series 2021D and \$8,583,000 of Public Improvement Bonds, Series 2021E as a Private Placement with the Texas Water Development Board with 0.0% coupons. The proceeds were placed in a project fund for Project Taylor Gully and Wynnewood Acres respectively, and to pay for a debt service reserve fund and cost of issuance related to the issuance of the Bonds. The Bonds mature in varying amounts from 2022 to 2051.

E. Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2021

On August 5, 2021, the City issued \$31,165,000 of Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2021 with coupons from 3% to 4%. The proceeds were placed in Escrow for the purpose of generating resources for debt service payments of the refunded portions of C&E 2011A and 2015 and to pay costs of issuance of the Bonds.

F. Public Improvement Refunding Bonds Series 2021A and 2021B (Taxable); Certificates of Obligation (Demolition Program) Series 2021C

On August 31, 2021, the City issued \$306,070,000 of Public Improvement Refunding Bonds Series 2021A and 2021B (Taxable); and \$2,595,000 of Certificates of Obligation (Demolition Program) Series 2021C with coupons from 0.166% to 5%. The proceeds were used to refund \$222,000,000 of General Obligation Commercial Paper Notes Series G-2, H-2, E-1 and E-2; placed in Escrow for the purpose of generating resources for debt service payments of the refunded portion of PIB Series 2012A and 2014A; demolish dangerous structures within the City; and pay costs of issuance related to the Bonds. The true interest cost of the 2021A Bonds is 1.66%, 2021B Bonds is 1.90% and CO 2021C Bonds is 0.353%. The Bonds mature in varying amounts from year 2022 to 2042. Net present value savings related to the bonds refunded totaled \$12,316,695.29 and reduced debt service by \$12,313,212.17.

G. Airport System CARES Act, CRRSA Act, and ARP Act Federal Assistance Federal Assistance

For the period from July 1, 2021 through December 10, 2021, the Airport System received no additional CARES Act reimbursements.

On December 27, 2020, the United States Congress passed the Coronavirus Response and Relief Supplemental Appropriation Act ("CRRSA Act") with the purpose of relief to airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and minimum annual guarantees for eligible airport concessions at various airports. Under the CRRSA Act, the FAA provides funding through the Airport Coronavirus Relief Grant Program ("ACRGP").

CITY OF HOUSTON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

On April 21, 2021, the City, for and on behalf of the Airport System, executed a ACRGP Grant with the FAA and is eligible to receive a total of \$45.7 million. This grant may be used for costs related to eligible operating expenses and debt service payment.

On May 20, 2021, the City, for and on behalf of the Airport System, executed a ACRGP Concessions Relief Addendum with the FAA and is eligible to receive a total of \$6.2 million. This grant may be used to provide credit relief to eligible concessions based on criteria established by the FAA. A portion of these funds, up to two (2) percentage, may be used to reimburse the Airport System for administrative costs.

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARP Act”) was signed into law by the President of the United States. ARP Act includes \$8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. To distribute these funds, the FAA has established the Airport Rescue Grants (“ARG”).

On August 19, 2021, the City, for and on behalf of the Airport System, executed a ARG Grant with the FAA and is eligible to receive a total of \$181.0 million. This grant may be used for costs related to eligible operating expenses and debt service payment.

For the period from July 1, 2021 through December 10, 2021, the Airport System received approximately a total of \$34.4 million and \$7.8 million in ACRGP and ARG reimbursements, respectively.

H. Conduit Debt Obligations

On August 25, 2021, the City issued \$70,175,000 and \$219,320,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal E Project and Terminal Improvement Projects), Series 2021A and 2021B-1, respectively, on behalf of United, for the purpose of 1) financing the costs of development, construction, and acquisition of a new multi-terminal baggage handling system and other infrastructure improvements at George Bush Intercontinental Airport and 2) paying related costs of issuance. Interest rate for both series is 4% per annum. Maturity dates are July 1, 2041 and July 15, 2041 for Series 2021A and 2021B-1, respectively.

NOTE 18: CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2020, the City adopted GASB’s No. 87 – Leases, using the facts and circumstances that existed at the beginning of the period of implementation. The standard requires that it is applied retroactively unless it is impractical to do so. Due to the sheer number of leases the City considered it impractical to do so. As a result, there was no impact to the City’s beginning net position upon adoption of the new accounting standard.

Required Supplementary Information - (unaudited)

**CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2021
amounts expressed in thousands
(unaudited)**

| | Budgeted Amounts | | Actual Budget Basis | Variance with Final Budget- Pos (Neg) |
|---|---------------------|---------------------|------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes and assessments | | | | |
| Property Taxes | \$ 1,233,391 | \$ 1,233,391 | \$ 1,254,016 | \$ 20,625 |
| Industrial Assessments | 19,311 | 19,311 | 25,435 | 6,124 |
| Sales Tax | 675,000 | 675,000 | 706,829 | 31,829 |
| Franchise Tax | 157,259 | 157,259 | 153,600 | (3,659) |
| Mixed Beverage Tax | 19,528 | 19,528 | 14,561 | (4,967) |
| Total taxes and assessments | <u>2,104,489</u> | <u>2,104,489</u> | <u>2,154,441</u> | <u>49,952</u> |
| Licenses and permits | | | | |
| General | 26,220 | 26,220 | 24,385 | (1,835) |
| Health Permits | 7,769 | 7,769 | 7,001 | (768) |
| Total licenses and permits | <u>33,989</u> | <u>33,989</u> | <u>31,386</u> | <u>(2,603)</u> |
| Charges for services | | | | |
| Ambulance service | 51,000 | 51,000 | 46,366 | (4,634) |
| Library fees | 10 | 10 | 4 | (6) |
| Parking | 325 | 325 | 123 | (202) |
| Services performed for other funds | | | | |
| Direct | 63,175 | 63,175 | 59,308 | (3,867) |
| Indirect | 24,258 | 24,258 | 24,688 | 430 |
| Rents and royalties | 1,568 | 1,568 | 1,461 | (107) |
| Others | 29,294 | 29,294 | 17,641 | (11,653) |
| Total charges for services | <u>169,630</u> | <u>169,630</u> | <u>149,591</u> | <u>(20,039)</u> |
| Intergovernmental - grants | 54,682 | 54,682 | 67,258 | 12,576 |
| Fines and forfeits | | | | |
| Municipal Courts | 19,744 | 19,744 | 14,993 | (4,751) |
| Others | 3,846 | 3,846 | 3,023 | (823) |
| Total fines and forfeits | <u>23,590</u> | <u>23,590</u> | <u>18,016</u> | <u>(5,574)</u> |
| Interest | 9,011 | 9,011 | 1,603 | (7,408) |
| Other | | | | |
| Sale of Property | 191 | 191 | 400 | 209 |
| Other | 13,787 | 13,787 | 12,890 | (897) |
| Total Other | <u>13,978</u> | <u>13,978</u> | <u>13,290</u> | <u>(688)</u> |
| Total revenues | <u>2,409,369</u> | <u>2,409,369</u> | <u>2,435,585</u> | <u>26,216</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 10,199 | 10,199 | 6,031 | (4,168) |
| Sale of capital assets | 2,500 | 2,500 | 2,543 | 43 |
| Lease financing principal | - | - | 11,610 | 11,610 |
| Total other financing sources (uses) | <u>12,699</u> | <u>12,699</u> | <u>20,184</u> | <u>7,485</u> |
| Total revenues and other financing sources | <u>\$ 2,422,068</u> | <u>\$ 2,422,068</u> | <u>\$ 2,455,769</u> | <u>\$ 33,701</u> |

* See Note to Required Supplementary Information *

CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2021
amounts expressed in thousands
(unaudited)

| | Budgeted Amounts | | Actual Budget Basis | Variance with Final Budget- Pos (Neg) |
|---|------------------|---------------|------------------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| General government | | | | |
| Legislative and executive | | | | |
| Legislative - Council | | | | |
| Personnel services | 7,372 | 7,208 | 7,160 | 48 |
| Other current expenditures | 3,468 | 3,605 | 1,496 | 2,109 |
| Equipment acquisition | 3 | 37 | 14 | 23 |
| Total legislative - council | <u>10,843</u> | <u>10,850</u> | <u>8,670</u> | <u>2,180</u> |
| Legislative - Mayor's Office | | | | |
| Personnel services | 4,891 | 4,767 | 4,859 | (92) |
| Other current expenditures | 749 | 806 | 699 | 107 |
| Total executive - mayor's office | <u>5,640</u> | <u>5,573</u> | <u>5,558</u> | <u>15</u> |
| Total legislative and executive | <u>16,483</u> | <u>16,423</u> | <u>14,228</u> | <u>2,195</u> |
| Office of Business Opportunity | | | | |
| Personnel services | 3,412 | 3,261 | 3,177 | 84 |
| Other current expenditures | 408 | 416 | 303 | 113 |
| Equipment acquisition | - | 1 | 1 | - |
| Total office of business opportunity | <u>3,820</u> | <u>3,678</u> | <u>3,481</u> | <u>197</u> |
| Municipal Courts Administration | | | | |
| Municipal Courts | | | | |
| Personnel services | 23,567 | 22,721 | 21,652 | 1,069 |
| Other current expenditures | 6,336 | 6,153 | 5,428 | 725 |
| Equipment acquisition | 14 | 14 | 13 | 1 |
| Total municipal courts | <u>29,917</u> | <u>28,888</u> | <u>27,093</u> | <u>1,795</u> |
| Elections | - | 900 | 807 | 93 |
| Finance administration | | | | |
| Controller | | | | |
| Personnel services | 7,334 | 7,051 | 6,748 | 303 |
| Other current expenditures | 1,344 | 1,319 | 1,066 | 253 |
| Total controller | <u>8,678</u> | <u>8,370</u> | <u>7,814</u> | <u>556</u> |
| Finance | | | | |
| Personnel services | 13,982 | 13,398 | 12,424 | 974 |
| Other current expenditures | 4,973 | 5,040 | 3,873 | 1,167 |
| Equipment acquisition | - | 16 | 21 | (5) |
| Total finance | <u>18,955</u> | <u>18,454</u> | <u>16,318</u> | <u>2,136</u> |
| Administrative and Regulatory Affairs | | | | |
| Personnel services | 16,338 | 15,599 | 14,021 | 1,578 |
| Other current expenditures | 3,723 | 3,627 | 3,248 | 379 |
| Equipment acquisition | 7 | 7 | - | 7 |
| Total administrative and regulatory affairs | <u>20,068</u> | <u>19,233</u> | <u>17,269</u> | <u>1,964</u> |
| Bond and Legal | <u>2,085</u> | <u>2,085</u> | <u>972</u> | <u>1,113</u> |
| Total finance administration | <u>49,786</u> | <u>48,142</u> | <u>42,373</u> | <u>5,769</u> |

* See Note to Required Supplementary Information *

CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2021
amounts expressed in thousands
(unaudited)

| | Budgeted Amounts | | Actual Budget Basis | Variance with Final Budget- Pos (Neg) |
|---------------------------------------|------------------|------------------|------------------------|---|
| | Original | Final | | |
| Legal | | | | |
| Personnel services | 14,561 | 14,536 | 13,361 | 1,175 |
| Other current expenditures | 1,498 | 1,465 | 1,107 | 358 |
| Equipment acquisition | - | 107 | 108 | (1) |
| Total legal | <u>16,059</u> | <u>16,108</u> | <u>14,576</u> | <u>1,532</u> |
| City Secretary | | | | |
| Personnel services | 892 | 808 | 608 | 200 |
| Other current expenditures | 121 | 171 | 152 | 19 |
| Total city secretary | <u>1,013</u> | <u>979</u> | <u>760</u> | <u>219</u> |
| Planning and Development | | | | |
| Personnel services | 3,089 | 2,989 | 2,847 | 142 |
| Other current expenditures | 359 | 348 | 345 | 3 |
| Total planning and development | <u>3,448</u> | <u>3,337</u> | <u>3,192</u> | <u>145</u> |
| Human Resources | | | | |
| Personnel services | 2,107 | 2,544 | 2,124 | 420 |
| Other current expenditures | 420 | 430 | 290 | 140 |
| Equipment acquisition | 2 | 7 | 6 | 1 |
| Total human resources | <u>2,529</u> | <u>2,981</u> | <u>2,420</u> | <u>561</u> |
| Total general government | <u>123,055</u> | <u>121,436</u> | <u>108,930</u> | <u>12,506</u> |
| Public safety | | | | |
| Police | | | | |
| Personnel services | 864,538 | 845,366 | 846,831 | (1,465) |
| Other current expenditures | 66,096 | 73,017 | 71,311 | 1,706 |
| Equipment acquisition | 300 | 808 | 1,926 | (1,118) |
| Total police | <u>930,934</u> | <u>919,191</u> | <u>920,068</u> | <u>(877)</u> |
| Fire | | | | |
| Personnel services | 458,221 | 447,687 | 444,251 | 3,436 |
| Other current expenditures | 51,730 | 58,418 | 56,155 | 2,263 |
| Equipment acquisition | - | 54 | 6,710 | (6,656) |
| Total fire | <u>509,951</u> | <u>506,159</u> | <u>507,116</u> | <u>(957)</u> |
| Total public safety | <u>1,440,885</u> | <u>1,425,350</u> | <u>1,427,184</u> | <u>(1,834)</u> |
| Public Works | | | | |
| Administration | | | | |
| Personnel services | 919 | 890 | 747 | 143 |
| Other current expenditures | 26,238 | 20,588 | 23,584 | (2,996) |
| Total administration | <u>27,157</u> | <u>21,478</u> | <u>24,331</u> | <u>(2,853)</u> |
| General Services | | | | |
| Personnel services | 13,245 | 12,125 | 11,283 | 842 |
| Other current expenditures | 28,447 | 29,018 | 26,034 | 2,984 |
| Equipment acquisition | - | 20 | 523 | (503) |
| Total general services | <u>41,692</u> | <u>41,163</u> | <u>37,840</u> | <u>3,323</u> |

* See Note to Required Supplementary Information *

CITY OF HOUSTON, TEXAS
GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2021
amounts expressed in thousands
(unaudited)

| | Budgeted Amounts | | Actual Budget Basis | Variance with Final Budget- Pos (Neg) |
|--|---------------------|---------------------|------------------------|---|
| | Original | Final | | |
| Solid Waste | | | | |
| Personnel services | 37,677 | 39,194 | 39,214 | (20) |
| Other current expenditures | 46,386 | 43,772 | 42,877 | 895 |
| Equipment acquisition | 1,000 | 1,715 | 1,680 | 35 |
| Total solid waste | <u>85,063</u> | <u>84,681</u> | <u>83,771</u> | <u>910</u> |
| Total public works | <u>153,912</u> | <u>147,322</u> | <u>145,942</u> | <u>1,380</u> |
| Department of Neighborhoods | | | | |
| Personnel services | 8,335 | 7,991 | 7,613 | 378 |
| Other current expenditures | 3,184 | 2,973 | 2,258 | 715 |
| Equipment acquisition | - | - | 3,718 | (3,718) |
| Total department of neighborhoods | <u>11,519</u> | <u>10,964</u> | <u>13,589</u> | <u>(2,625)</u> |
| Health | | | | |
| Personnel services | 39,742 | 36,095 | 35,432 | 663 |
| Other current expenditures | 22,914 | 22,290 | 21,705 | 585 |
| Equipment acquisition | 137 | 31 | 39 | (8) |
| Total health | <u>62,793</u> | <u>58,416</u> | <u>57,176</u> | <u>1,240</u> |
| Housing | | | | |
| Personnel services | 92 | 91 | 82 | 9 |
| Other current expenditures | 424 | 417 | 238 | 179 |
| Total housing | <u>516</u> | <u>508</u> | <u>320</u> | <u>188</u> |
| Parks and Recreation | | | | |
| Personnel services | 44,517 | 40,100 | 33,600 | 6,500 |
| Other current expenditures | 20,626 | 21,945 | 19,311 | 2,634 |
| Equipment acquisition | 16 | 20 | 4 | 16 |
| Total parks and recreation | <u>65,159</u> | <u>62,065</u> | <u>52,915</u> | <u>9,150</u> |
| Library | | | | |
| Personnel services | 33,489 | 31,708 | 29,023 | 2,685 |
| Other current expenditures | 5,809 | 6,124 | 5,783 | 341 |
| Equipment acquisition | 3,602 | 3,602 | 3,595 | 7 |
| Total library | <u>42,900</u> | <u>41,434</u> | <u>38,401</u> | <u>3,033</u> |
| Retiree Benefits | | | | |
| Hospital and life insurance | 17,285 | 17,285 | 13,290 | 3,995 |
| Total retiree benefits | <u>17,285</u> | <u>17,285</u> | <u>13,290</u> | <u>3,995</u> |
| Other current expenditures | | | | |
| Tax appraisal fees | 10,430 | 10,430 | 10,372 | 58 |
| Limited-purpose Annexation Districts | 58,317 | 58,317 | 66,151 | (7,834) |
| Claims and judgments | 12,609 | 12,609 | 12,396 | 213 |
| Membership dues | 453 | 453 | 348 | 105 |
| Advertising and promotion | 528 | 528 | 187 | 341 |
| Consultants | 1,660 | 1,660 | 1,290 | 370 |
| Miscellaneous support services | 51,758 | 63,974 | 59,267 | 4,707 |
| Total other current expenditures | <u>135,755</u> | <u>147,971</u> | <u>150,011</u> | <u>(2,040)</u> |
| Debt service | | | | |
| Debt service interest | 4,443 | 1,543 | 2,268 | (725) |
| Total debt service | <u>4,443</u> | <u>1,543</u> | <u>2,268</u> | <u>(725)</u> |
| Total expenditures | <u>2,058,222</u> | <u>2,034,294</u> | <u>2,010,026</u> | <u>24,268</u> |
| Other financing sources (uses) | | | | |
| Transfers out | 454,523 | 450,172 | 449,994 | 178 |
| Total other financing sources (uses) | <u>454,523</u> | <u>450,172</u> | <u>449,994</u> | <u>178</u> |
| Total expenditures and other financing uses | <u>\$ 2,512,745</u> | <u>\$ 2,484,466</u> | <u>\$ 2,460,020</u> | <u>\$ 24,446</u> |

* See Note to Required Supplementary Information *

CITY OF HOUSTON, TEXAS
REQUIRED RECONCILIATION FOR GENERAL FUND
BUDGET vs. GAAP PRESENTATION

For the Year Ended June 30, 2021
amounts expressed in thousands
(unaudited)

Revenues

| | |
|---|---------------------|
| Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules | \$ 2,435,585 |
| Revenues of non-budgeted funds | |
| Equipment Acquisition | 498 |
| Revolving Funds | 1,296 |
| Building Security | 520 |
| Grant Matching Fund | 82 |
| Storm Water | 17 |
| Bureau of Animal Regulation and Care | 1,432 |
| Forensic Transition | 672 |
| Civic Events | 7,453 |
| Renewal and Replacement | 509 |
| Health and Environmental | <u>60</u> |
| Total revenues of non-budgeted funds | <u>12,539</u> |
| Interest on pooled investments from non-budgeted revenues | <u>(289)</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances | <u>\$ 2,447,835</u> |

Expenditures

| | |
|---|---------------------|
| Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules | \$ 2,010,026 |
| Expenditures of non-budgeted funds | |
| Equipment Acquisition | 21,993 |
| Revolving Funds | 1,296 |
| Building Security | 410 |
| Grant Matching Fund | 178 |
| Storm Water | 42,973 |
| Bureau of Animal Regulation and Care | 11,505 |
| Fleet maintenance | 606 |
| Forensic Transition | 674 |
| Civic Events | 9,371 |
| Renewal and Replacement | 24,876 |
| Health and Environmental | <u>45</u> |
| Total expenditures of non-budgeted funds | <u>113,927</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances | <u>\$ 2,123,953</u> |

Other financing sources (uses)

| | |
|--|---------------------|
| Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules | \$ (429,810) |
| Proceeds from Issuance of Debt | 23,000 |
| Sale of Assets | 1,151 |
| Transfers of Non Budgeted Funds | <u>72,573</u> |
| Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances-government funds | <u>\$ (333,086)</u> |

CITY OF HOUSTON, TEXAS
REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2021
(Unaudited)

1. General Budget Policies

During January of each year, the Mayor, with City Council input, establishes budget guidelines. All departments of the City submit requests for appropriations to the Mayor and the City's Department of Finance so that a budget may be prepared. Typically during June, the City Controller certifies that funds are available for a continuing appropriation and the budget is proposed to City Council. City Council holds public hearings and a final budget is normally adopted by June 30th. A final appropriation ordinance is adopted later in the fiscal year and may include budget revisions or amendments.

The legal level of budgetary control is the departmental level within each fund, even though the budget is prepared by fund, department, and expenditure category. The Mayor is authorized to transfer unlimited budgeted amounts within departments and amounts between departments, provided such transfers do not exceed 5% of an expenditure category. Expenditure categories are personnel services, other current expenditures and capital outlay. Appropriations related to funds with annual budgets lapse at year-end except for Capital Outlay appropriations, which cover multiple years.

On April 28, 2021, City Council approved the fiscal year 2021 general appropriation ordinance in the amount of \$2.484 billion for the General Fund.

Annual operating budgets are adopted for the General Operating Fund, the Debt Service Fund, the Special Revenue Funds (except for the Grants Revenue Fund, Disaster Recovery, Health Special Fund and the Housing Special Fund) and the Proprietary Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets for proprietary funds are prepared on the accrual basis, but focus on expenses relating to maintenance and operations, and equipment purchases and, accordingly, exclude depreciation and other allocations related to income determination.

The following provides actual fiscal year 2021 results for both budgeted and non-budgeted Special Revenue Funds (in thousands):

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Other Sources (Uses)</u> |
|--------------------------------------|---------------------|---------------------|-----------------------------|
| Budgeted Special Revenue Funds | \$ 391,224 | \$ 291,916 | \$ (44,036) |
| Non-budgeted Disaster Recovery Fund | - | - | - |
| Non-budgeted Grants Revenue Fund | 621,095 | 549,508 | 9,714 |
| Non-budgeted Health and Housing | 1,529 | 463 | 196 |
| Non-budgeted Other Funds | 30,993 | 28,690 | (232) |
| Total Special Revenue Funds - Actual | <u>\$ 1,044,841</u> | <u>\$ 870,577</u> | <u>\$ (34,358)</u> |

2. General Fund Budgetary Highlights

Revenues were \$33.7 million above budget. This increase was mainly evident in taxes and assessments of \$50 million. Additionally, increases in intergovernmental grants of \$12.6 million and other financing sources of \$7.5 million was offset by decreases in licenses and permits of \$2.6 million, charges for services of \$20 million, fines and forfeits of \$5.5 million, interest of \$7.4 million, other income of \$1 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$20.6 million increase in property tax
- \$6.1 million increase in industrial assessments
- \$32 million increase in sales tax
- \$3.7 million decrease in franchise tax
- \$5 million decrease in mixed beverage tax

CITY OF HOUSTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 7 Fiscal Years

(in thousands)

| | Fire | | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 (1) |
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 55,596 | \$ 57,743 | \$ 55,532 | \$ 52,579 | \$ 80,002 | \$ 76,407 | \$ 68,145 |
| Interest | 362,472 | 349,760 | 343,416 | 332,357 | 389,938 | 369,708 | 353,405 |
| Changes of benefit terms | - | - | - | - | (645,971) | - | - |
| Differences between expected and actual experience | (94,948) | 78,724 | 34,668 | 62,117 | (65,194) | (63,047) | (28,536) |
| Differences between expected and actual earnings on plan investments | (155,659) | - | - | - | - | - | - |
| Changes of assumptions | - | - | (47,463) | (16,572) | 534,646 | 2,918 | 2,801 |
| Benefit payments including refunds of employee contributions | (286,414) | (330,323) | (272,398) | (289,108) | (249,394) | (211,673) | (196,362) |
| Refunds | - | - | - | - | - | - | - |
| Net change in total pension liability | \$ (118,953) | \$ 155,904 | \$ 113,755 | \$ 141,373 | \$ 44,027 | \$ 174,313 | \$ 199,453 |
| Total pension liability - beginning | 5,084,713 | 4,928,809 | 4,815,054 | 4,673,681 | 4,629,654 | 4,455,341 | 4,255,888 |
| Total pension liability - ending (a) | 4,965,760 | 5,084,713 | 4,928,809 | 4,815,054 | 4,673,681 | 4,629,654 | 4,455,341 |
| Plan fiduciary net position | | | | | | | |
| Contributions-employer | \$ 77,495 | \$ 83,837 | \$ 89,897 | \$ 83,010 | \$ 93,658 | \$ 94,279 | \$ 92,610 |
| Contributions-employee | 29,873 | 33,441 | 34,281 | 35,622 | 25,404 | 25,511 | 25,092 |
| Net investment income | 1,338,230 | 84,115 | 221,775 | 322,306 | 432,948 | (47,437) | 51,801 |
| Benefit payments, including refunds of employee contributions | (286,414) | (330,323) | (272,398) | (289,108) | (249,394) | (211,673) | (196,362) |
| Administrative expense | (4,213) | (4,516) | (4,952) | (4,890) | (4,898) | (6,771) | (6,640) |
| Refunds | - | - | - | - | - | - | - |
| Other | (1,140) | (1,314) | (1,265) | (1,676) | (2,298) | (1,890) | (1,676) |
| Net change in plan fiduciary net position | \$ 1,153,831 | \$ (134,760) | \$ 67,338 | \$ 145,264 | \$ 295,420 | \$ (147,981) | \$ (35,175) |
| Plan fiduciary net position-beginning | 4,102,932 | 4,237,692 | 4,170,354 | 4,025,090 | 3,729,670 | 3,877,651 | 3,912,826 |
| Plan fiduciary net position-ending (b) | 5,256,763 | 4,102,932 | 4,237,692 | 4,170,354 | 4,025,090 | 3,729,670 | 3,877,651 |
| City's net pension liability (asset) -ending (a)-(b) | <u>\$ (291,003)</u> | <u>\$ 981,781</u> | <u>\$ 691,117</u> | <u>\$ 644,700</u> | <u>\$ 648,591</u> | <u>\$ 899,984</u> | <u>\$ 577,690</u> |
| Plan fiduciary net position as percentage of the total pension liability | 105.86% | 80.69% | 85.98% | 86.61% | 86.12% | 80.56% | 87.03% |
| Covered payroll | \$ 243,045 | \$ 259,235 | \$ 272,498 | \$ 260,345 | \$ 289,947 | \$ 280,436 | \$ 277,745 |
| Net position liability as a percentage of covered payroll | <u>-119.73%</u> | <u>378.72%</u> | <u>253.62%</u> | <u>247.63%</u> | <u>223.69%</u> | <u>320.92%</u> | <u>207.99%</u> |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

(1) The 2015 amounts are based on 8.0% per City actuary.

CITY OF HOUSTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 7 Fiscal Years
(in thousands)

| | Municipal | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 (1) |
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 78,564 | \$ 77,819 | \$ 77,175 | \$ 78,149 | \$ 75,961 | \$ 68,968 | \$ 65,810 |
| Interest | 363,611 | 356,430 | 349,592 | 341,276 | 331,166 | 379,781 | 361,007 |
| Changes of benefit terms | - | - | - | - | (724,683) | - | - |
| Differences between expected and actual experience | (20,427) | (28,865) | (11,538) | 19,158 | (38,387) | (16,194) | (23,380) |
| Differences between expected and actual earnings on plan investments | - | - | - | - | - | - | - |
| Changes of assumptions | - | - | - | - | 562,237 | 91,248 | - |
| Benefit payments including refunds of employee contributions | (314,150) | (308,002) | (291,060) | (283,928) | (280,456) | (253,178) | (234,955) |
| Refunds | (402) | (650) | (1,394) | (807) | (718) | (1,105) | (1,549) |
| Net change in total pension liability | \$ 107,196 | \$ 96,732 | \$ 122,775 | \$ 153,848 | \$ (74,880) | \$ 269,520 | \$ 166,933 |
| Total pension liability - beginning | <u>5,332,865</u> | <u>5,236,133</u> | <u>5,113,358</u> | <u>4,959,510</u> | <u>5,034,390</u> | <u>4,764,870</u> | <u>4,597,937</u> |
| Total pension liability - ending (a) | <u>5,440,061</u> | <u>5,332,865</u> | <u>5,236,133</u> | <u>5,113,358</u> | <u>4,959,510</u> | <u>5,034,390</u> | <u>4,764,870</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions-employer | \$ 184,762 | \$ 176,430 | \$ 176,261 | \$ 421,562 | \$ 182,558 | \$ 159,958 | \$ 145,007 |
| Contributions-employee | 33,325 | 32,582 | 32,536 | 27,905 | 15,902 | 15,874 | 16,198 |
| Net investment income | 1,084,388 | (115,165) | 200,445 | 231,815 | 290,911 | 27,639 | 73,370 |
| Benefit payments, including refunds of employee contributions | (314,150) | (308,002) | (291,060) | (283,928) | (280,456) | (253,178) | (234,955) |
| Administrative expense | (402) | (4,891) | (1,394) | (807) | (718) | (1,105) | (1,549) |
| Refunds | (3,111) | (650) | (5,363) | (6,442) | (6,827) | (7,360) | (7,007) |
| Other | 487 | 484 | 710 | (3,905) | 1,272 | 1,651 | 1,041 |
| Net change in plan fiduciary net position | \$ 985,299 | \$ (219,212) | \$ 112,135 | \$ 386,200 | \$ 202,642 | \$ (56,521) | \$ (7,895) |
| Plan fiduciary net position-beginning | <u>2,881,788</u> | <u>3,101,000</u> | <u>2,988,865</u> | <u>2,602,665</u> | <u>2,400,023</u> | <u>2,456,544</u> | <u>2,464,439</u> |
| Plan fiduciary net position-ending (b) | <u>3,867,087</u> | <u>2,881,788</u> | <u>3,101,000</u> | <u>2,988,865</u> | <u>2,602,665</u> | <u>2,400,023</u> | <u>2,456,544</u> |
| City's net pension liability-ending (a)-(b) | <u>\$1,572,974</u> | <u>\$2,451,077</u> | <u>\$2,135,133</u> | <u>\$2,124,493</u> | <u>\$2,356,845</u> | <u>\$2,634,367</u> | <u>\$2,308,326</u> |
| Plan fiduciary net position as percentage of the total pension liability | <u>71.09%</u> | <u>54.04%</u> | <u>59.22%</u> | <u>58.45%</u> | <u>52.48%</u> | <u>47.67%</u> | <u>51.56%</u> |
| Covered payroll | <u>\$642,917</u> | <u>\$625,056</u> | <u>\$614,451</u> | <u>\$611,493</u> | <u>\$604,895</u> | <u>\$640,529</u> | <u>\$624,205</u> |
| Net position liability as a percentage of covered payroll | <u>244.66%</u> | <u>392.14%</u> | <u>347.49%</u> | <u>347.43%</u> | <u>389.63%</u> | <u>411.28%</u> | <u>369.80%</u> |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

(1) The 2015 amounts are based on 8.0% per City actuary.

CITY OF HOUSTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 7 Fiscal Years

(in thousands)

| | Police | | | | | | |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 (1) |
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 73,040 | \$ 70,081 | \$ 66,750 | \$ 63,633 | \$ 60,930 | \$ 66,098 | \$ 56,062 |
| Interest | 484,527 | 474,376 | 462,691 | 445,113 | 433,598 | 488,223 | 473,065 |
| Changes of benefit terms | - | - | - | - | (1,006,000) | - | - |
| Differences between expected and actual experience | 99,635 | (23,461) | (16,454) | 69,534 | 80,023 | 10,390 | 26,705 |
| Differences between expected and actual earnings on plan investments | - | - | - | - | - | - | - |
| Changes of assumptions | - | - | - | 21,399 | 778,710 | (676,151) | 664,974 |
| Benefit payments including refunds of employee contributions | (394,893) | (355,373) | (335,600) | (361,033) | (458,733) | (259,076) | (225,656) |
| Refunds | (2,433) | (2,209) | (2,278) | (1,329) | (1,696) | (978) | (945) |
| Net change in total pension liability | \$ 259,876 | \$ 163,414 | \$ 175,109 | \$ 237,317 | \$ (113,168) | \$ (371,494) | \$ 994,205 |
| Total pension liability - beginning | 7,083,961 | 6,920,547 | 6,745,438 | 6,508,121 | 6,621,289 | 6,992,783 | 5,998,578 |
| Total pension liability - ending (a) | 7,343,837 | 7,083,961 | 6,920,547 | 6,745,438 | 6,508,121 | 6,621,289 | 6,992,783 |
| Plan fiduciary net position | | | | | | | |
| Contributions-employer | \$ 151,094 | \$ 149,078 | \$ 142,429 | \$ 887,143 | \$ 133,805 | \$ 137,392 | \$ 113,665 |
| Contributions-employee | 49,749 | 49,062 | 46,896 | 45,254 | 40,104 | 39,017 | 37,719 |
| Net investment income | 1,764,927 | 61,193 | 340,167 | 463,079 | 667,476 | (135,833) | 35,341 |
| Benefit payments, including refunds of employee contributions | (394,893) | (355,373) | (335,600) | (361,033) | (458,733) | (259,076) | (225,656) |
| Administrative expense | (2,433) | (2,209) | (2,278) | (1,329) | (1,696) | (978) | (945) |
| Refunds | (3,669) | (3,922) | (3,580) | (3,679) | (4,238) | (4,585) | (3,478) |
| Other | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | \$ 1,564,775 | \$ (102,171) | \$ 188,034 | \$ 1,029,435 | \$ 376,718 | \$ (224,063) | \$ (43,354) |
| Plan fiduciary net position-beginning | 5,572,476 | 5,674,647 | 5,486,613 | 4,457,178 | 4,080,460 | 4,304,523 | 4,347,877 |
| Plan fiduciary net position-ending (b) | 7,137,251 | 5,572,476 | 5,674,647 | 5,486,613 | 4,457,178 | 4,080,460 | 4,304,523 |
| City's net pension liability-ending (a)-(b) | <u>\$ 206,586</u> | <u>\$ 1,511,485</u> | <u>\$ 1,245,900</u> | <u>\$ 1,258,825</u> | <u>\$ 2,050,943</u> | <u>\$ 2,540,829</u> | <u>\$ 2,688,260</u> |
| Plan fiduciary net position as percentage of the total pension liability | <u>97.19%</u> | <u>78.66%</u> | <u>82.00%</u> | <u>81.34%</u> | <u>68.49%</u> | <u>61.63%</u> | <u>61.56%</u> |
| Covered payroll | \$ 473,801 | \$ 464,301 | \$ 444,871 | \$ 412,786 | \$ 424,300 | \$ 407,058 | \$ 395,360 |
| Net position liability as a percentage of covered payroll | <u>43.60%</u> | <u>325.54%</u> | <u>280.06%</u> | <u>304.96%</u> | <u>483.37%</u> | <u>624.19%</u> | <u>679.95%</u> |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

(1) The 2015 amounts are based on 8.0% per City actuary.

CITY OF HOUSTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021
(unaudited)

Schedule of City Contributions for Pension Plans
for the Fiscal Years ended June 30, (in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|------------|------------|--------------|------------|------------|------------|
| Fire (1) | | | | | | | |
| Actuarially determined contribution | \$ 88,104 | \$ 96,332 | \$ 99,676 | \$ 96,530 | \$ 88,745 | \$ 87,464 | N/A |
| Contributions in relation to the actuarially determined contribution | 77,495 | 83,837 | 89,897 | 83,010 | 93,658 | 94,279 | 92,610 |
| Contribution deficiency (excess) | \$ 10,609 | \$ 12,495 | \$ 9,779 | \$ 13,520 | \$ (4,913) | \$ (6,815) | \$ 92,610 |
| Covered payroll | \$ 243,045 | \$ 259,235 | \$ 272,498 | \$ 260,345 | \$ 289,947 | \$ 280,436 | \$ 277,745 |
| Contributions as a percentage of covered payroll | 31.9% | 32.3% | 33.0% | 31.88% | 32.3% | 33.6% | 33.3% |
| Municipal | | | | | | | |
| Actuarially determined contribution | \$ 188,294 | \$ 182,950 | \$ 178,256 | \$ 423,989 | \$ 184,733 | \$ 162,230 | \$ 155,299 |
| Contributions in relation to the actuarially determined contribution | 184,762 | 176,430 | 176,261 | 421,562 | 182,558 | 159,959 | 145,007 |
| Contribution deficiency (excess) | \$ 3,532 | \$ 6,520 | \$ 1,995 | \$ 2,427 | \$ 2,175 | \$ 2,271 | \$ 10,292 |
| Covered payroll | \$ 642,917 | \$ 625,056 | \$ 614,451 | \$ 611,493 | \$ 604,895 | \$ 640,529 | \$ 624,205 |
| Contributions as a percentage of covered payroll | 28.74% | 28.23% | 28.69% | 68.94% | 30.18% | 24.97% | 23.23% |
| Police | | | | | | | |
| Actuarially determined contribution | \$ 140,292 | \$ 146,626 | \$ 141,202 | \$ 131,142 | \$ 167,980 | \$ 161,154 | \$ 150,949 |
| Contributions in relation to the actuarially determined contribution | 151,094 | 149,078 | 142,429 | 887,143 | 133,805 | 137,392 | 113,665 |
| Contribution deficiency (excess) | \$ (10,802) | \$ (2,452) | \$ (1,227) | \$ (756,001) | \$ 34,175 | \$ 23,762 | \$ 37,284 |
| Covered payroll | \$ 473,801 | \$ 464,301 | \$ 444,871 | \$ 412,786 | \$ 424,300 | \$ 407,058 | \$ 395,360 |
| Contributions as a percentage of covered payroll | 31.9% | 32.1% | 32.0% | 214.9% | 31.5% | 33.8% | 28.7% |

A funding valuation for Fire Pension was not performed as of July 1, 2014; therefore, no actuarially determined contribution was calculated for the period July 1, 2014 to June 30, 2015 although the City did make contributions.

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

Schedule of OPEB Contributions (in thousands)

| | Health Benefits | | | |
|--|------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 |
| Actuarially Determined Contribution | \$ 204,586 | \$ 133,961 | \$ 194,236 | \$ 188,579 |
| Contributions in relation to the actuarially determined contribution | (62,373) | (45,811) | (57,100) | (39,820) |
| Contribution deficiency (excess) | \$ 142,213 | \$ 88,150 | \$ 137,136 | \$ 148,759 |
| Covered payroll | \$ 1,308,459 | \$ 1,332,000 | \$ 1,285,000 | \$ 1,235,000 |
| Contribution as a percentage of covered payroll | 4.77% | 3.44% | 4.44% | 3.22% |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

CITY OF HOUSTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021
(unaudited)

| | Long-Term Disability | | | |
|--|-----------------------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2019 | 2018 |
| Actuarially Determined Contribution | \$ 7,101 | \$ 7,248 | \$ 6,720 | \$ 5,990 |
| Contributions in relation to the actuarially determined contribution | (941) | (899) | (947) | (975) |
| Contribution deficiency (excess) | \$ 6,160 | \$ 6,349 | \$ 5,773 | \$ 5,015 |
| Covered payroll | \$ 642,917 | \$ 625,056 | \$ 614,451 | \$ 611,493 |
| Contribution as a percentage of covered payroll | 1.10% | 1.16% | 1.09% | 0.98% |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
(in thousands)

| | Health Benefits | | | |
|---|------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 |
| Total OPEB Liability | | | | |
| Service Cost | \$ 115,672 | \$ 118,901 | \$ 110,793 | \$ 139,332 |
| Interest | 80,598 | 90,952 | 90,245 | 73,306 |
| Changes of benefit terms | - | (17,819) | (5,007) | - |
| Differences between expected and actual experience | (64,790) | (17,603) | (99,153) | (15,727) |
| Changes of assumptions | 326,935 | (164,752) | (224,161) | (310,431) |
| Benefit payments including refunds of employee contributions | (62,373) | (45,811) | (57,100) | (39,820) |
| Net change OPEB liability | 396,042 | (36,132) | (184,383) | (153,340) |
| Net OPEB liability - beginning | 2,218,057 | 2,254,189 | 2,438,572 | 2,591,912 |
| Net OPEB liability - ending (a) | \$ 2,614,099 | \$ 2,218,057 | \$ 2,254,189 | \$ 2,438,572 |
| Plan fiduciary net position as percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered payroll | \$ 1,308,459 | \$ 1,332,000 | \$ 1,285,000 | \$ 1,235,000 |
| Net OPEB liability as a percentage of covered payroll | 199.78% | 166.52% | 175.42% | 197.46% |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

CITY OF HOUSTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021
(unaudited)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
(in thousands)

| | Long-Term Disability | | | |
|---|-----------------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Total OPEB Liability | \$ 1,436 | \$ 719 | \$ 776 | \$ 730 |
| Service Cost | 365 | 461 | 409 | 379 |
| Interest | - | - | - | - |
| Changes of benefit terms | - | (1,079) | 1,369 | (14) |
| Differences between expected and actual experience | (914) | 3,476 | 255 | (158) |
| Changes of assumptions | 33 | | | |
| Benefit payments including refunds of employee contributions | (942) | (901) | (957) | (975) |
| Net change OPEB liability | (22) | 2,676 | 1,852 | (38) |
| Net OPEB liability - beginning | 15,568 | 12,892 | 11,030 | 11,068 |
| Net OPEB liability - ending (a) | <u>\$ 15,546</u> | <u>\$ 15,568</u> | <u>\$ 12,892</u> | <u>\$ 11,030</u> |
| | | | | |
| Plan fiduciary net position as percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | |
| Covered payroll | \$ 642,917 | \$ 625,056 | \$ 614,451 | \$ 611,493 |
| | | | | |
| Net OPEB liability as a percentage of covered payroll | 2.42% | 2.49% | 2.10% | 1.80% |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

CITY OF HOUSTON, TEXAS

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Governmental Funds

General Fund – The General Fund is used to account for sources and uses of financial resources applicable to the general government operation of the City. All general operating revenues and expenditures that are not restricted and, therefore, accounted for in another fund, are recorded in the General Fund.

Debt Service Fund – The Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt other than debt issued for and serviced by Enterprise Funds.

Capital Projects Fund – The Capital Projects Fund accounts for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by Enterprise Funds.

CARES Act 2020 Fund – The CARES Act Fund is used to account for sources and uses of funds received from the Federal, State Governments or other sources related to aid in the economic relief pertaining to the COVID-19 pandemic, specifically the Coronavirus Relief Fund (CRF), pursuant to the Coronavirus Aid, Relief, and Economic Security Act.

ARPA Fiscal Recovery Fund – The ARPA Fiscal Recovery Fund is used to receive funds from the U.S. Department of Treasury to be used for the response efforts relating to local fiscal recovery from the COVID-19 pandemic pursuant to the American Rescue Plan Act of 2021.

Affordable Housing TIRZ 2021 – The Affordable Housing TIRZ 2021 fund is used by the City’s Housing and Community Development Department for single family affordable housing projects as required by Chapter 311 of the Texas Tax Code.

Grant Funds – The Grants Fund is used to account for grant resources received from various local, state, and national agencies and organizations. The use of these resources is restricted to a particular function of the city by the grantor.

Nonmajor Funds – Nonmajor Funds did not meet the established criteria for major fund status. They are used to account for the proceeds of specific revenue sources (other than capital projects) that are restricted to expenditures for special purposes. All Nonmajor Funds have been presented; however only certain sub-funds have legally adopted budgets. Nonmajor funds are:

- **Public Safety Special Fund**
 - Budgeted: Asset Forfeiture, Auto Dealers, Child Safety, Houston Emergency Center, Local Truancy Prevention & Diversion, Municipal Courts Technology Fee, Municipal Jury, and Police Special Services
 - Not budgeted: Helmets for Bicycle Safety, Nuisance Abatement, FTA Special
- **Public Works Special Fund**
 - Budgeted: Building Inspection, Dedicated Drainage and Street Renewal, Historic Preservation, Planning and Development Special, and Recycling Expansion Program
 - Not budgeted: Mobility Response Team
- **Health and Housing Special Fund**
 - Budgeted: Essential Public Health Services, Health Special, Laboratory Services, Special Waste, and Swimming Pool Safety
 - Not budgeted: Housing Special, and HJTPC Self Insurance
- **Parks and Recreation Special Fund**
 - Budgeted: Bayou Greenway 2020, Parks Golf Special, Parks Special
 - Not budgeted: MacGregor Parks Endowment, Planting Tree
- **Other Special Revenue Fund**
 - Budgeted: Cable Television, Contractor Responsibility, Houston TranStar, and Park Houston
 - Not budgeted: MNC Memorial City Way, W.A.T.E.R., John Battaglia Trust, Inc. Fund, and Houston Foundation

CITY OF HOUSTON, TEXAS
GENERAL FUND
Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|--------------------------------------|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 129,172 | \$ 166,829 |
| Investments | 112,133 | 120,467 |
| Receivables, net of allowances | | |
| Accounts receivable | 115,583 | 114,407 |
| Property taxes receivable, net | 43,674 | 35,609 |
| Sales taxes receivable | 132,924 | 109,521 |
| Mixed beverage taxes receivable | 3,302 | 1,758 |
| Franchise taxes receivable | 10,276 | 10,812 |
| Special assessments receivable | 8,049 | 8,426 |
| Lease asset receivable | 38,141 | - |
| Due from other funds | 79,759 | 72,027 |
| Due from other governments | 8,185 | 8,208 |
| Inventory | 20,893 | 20,024 |
| Prepaid items | 2,734 | 2,643 |
| Total assets | \$ 704,825 | \$ 670,731 |
| Liabilities and fund balance | | |
| Liabilities | | |
| Accounts payable | 81,994 | 78,556 |
| Accrued payroll liabilities | 79,926 | 73,280 |
| Due to other funds | 12,624 | 17,036 |
| Due to other governments | 3,536 | 9,598 |
| Advances and deposits | 10,583 | 1,811 |
| Claims and judgments | 2,472 | 2,001 |
| Compensated absences | 6,400 | 7,467 |
| Total liabilities | 197,535 | 189,749 |
| Deferred inflows of resources | | |
| Deferred inflow of resources | 157,764 | 122,252 |
| Total deferred inflows of resources | 157,764 | 122,252 |
| Fund balance | | |
| Non-Spendable | | |
| Prepays | 2,734 | 2,643 |
| Inventory | 20,893 | 20,024 |
| Restricted | | |
| Committed | 1,072 | 1,044 |
| Unassigned | 12,615 | 18,792 |
| Total fund balance | 312,212 | 316,227 |
| Total fund balance | 349,526 | 358,730 |
| Total liabilities and fund balance | \$ 704,825 | \$ 670,731 |

CITY OF HOUSTON, TEXAS
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------------|-------------------|
| Revenues | | |
| Taxes and assessments | | |
| Property Taxes | \$ 1,254,016 | \$ 1,222,154 |
| Industrial Assessments | 25,435 | 24,797 |
| Sales Tax | 706,829 | 684,425 |
| Franchise Tax | 153,600 | 168,135 |
| Mixed Beverage Tax | 14,561 | 15,379 |
| Hotel Occupancy Tax | 7,444 | 16,922 |
| Licenses and permits | 32,136 | 33,314 |
| Charges for services | 152,553 | 156,067 |
| Intergovernmental - grants | 67,281 | 44,530 |
| Fines and forfeits | 18,016 | 20,413 |
| Contributions | 500 | - |
| Investment income | 1,314 | 17,348 |
| Other | 14,150 | 18,187 |
| Total revenues | <u>2,447,835</u> | <u>2,421,671</u> |
| Expenditures | | |
| Current | | |
| General government | 251,611 | 265,885 |
| Public safety | 1,460,875 | 1,435,006 |
| Public works | 209,759 | 220,894 |
| Health | 57,208 | 57,546 |
| Housing and community development | 320 | 560 |
| Parks and recreation | 54,465 | 69,687 |
| Library | 38,504 | 39,892 |
| Retiree benefits | 13,290 | 14,196 |
| Capital outlay | 35,653 | 22,374 |
| Debt Service | | |
| Debt service interest | 2,268 | 2,547 |
| Total expenditures | <u>2,123,953</u> | <u>2,128,587</u> |
| Other financing sources (uses) | | |
| Proceeds from issuance of debt | 23,000 | 29,000 |
| Lease financing principal | 11,610 | - |
| Sale of capital assets | 3,694 | 22,059 |
| Transfers in | 69,596 | 64,833 |
| Transfers out | (440,986) | (438,843) |
| Total other financing sources (uses) | <u>(333,086)</u> | <u>(322,951)</u> |
| Change in fund balance | (9,204) | (29,867) |
| Fund balances, July 1 | <u>358,730</u> | <u>388,597</u> |
| Fund balances, June 30 | <u>\$ 349,526</u> | <u>\$ 358,730</u> |

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 102,603 | \$ 90,576 |
| Investments | 46,204 | 67,694 |
| Due from other funds | 250 | - |
| Due from other governments | 300 | - |
| Total assets | \$ 149,357 | \$ 158,270 |
| Liabilities and fund balance | | |
| Liabilities | | |
| Accounts payable | 72 | - |
| Total liabilities | 72 | - |
| Fund balance | | |
| Restricted | 149,285 | 158,270 |
| Total fund balance | 149,285 | 158,270 |
| Total liabilities and fund balance | \$ 149,357 | \$ 158,270 |

CITY OF HOUSTON, TEXAS
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget vs. Actual
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|--|-----------------------|-------------------|-------------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Investment income (loss) | \$ 3,586 | \$ 3,586 | \$ (560) | \$ (4,146) | \$ 6,503 |
| Other | 455 | 455 | 2,068 | 1,613 | 3,559 |
| Total revenues | <u>4,041</u> | <u>4,041</u> | <u>1,508</u> | <u>(2,533)</u> | <u>10,062</u> |
| Expenditures | | | | | |
| Debt service principal | 212,959 | 212,959 | 212,959 | - | 228,485 |
| Debt service interest | 146,782 | 146,782 | 149,349 | (2,567) | 161,730 |
| Debt service fiscal agent & fees | 6,401 | 6,401 | 3,348 | 3,053 | 5,370 |
| Total expenditures | <u>366,142</u> | <u>366,142</u> | <u>365,656</u> | <u>486</u> | <u>395,585</u> |
| Other financing sources (uses) | | | | | |
| Net proceeds from issuance of refunding debt | - | - | - | - | 493,315 |
| Premium on refunding debt | - | - | - | - | 61,685 |
| Transfers in | 356,423 | 356,423 | 355,163 | (1,260) | 409,327 |
| Payment to escrow agent for refunded bonds | (300) | (300) | - | 300 | (552,367) |
| Total other financing sources (uses) | <u>356,123</u> | <u>356,123</u> | <u>355,163</u> | <u>(960)</u> | <u>411,960</u> |
| Change in fund balance | (5,978) | (5,978) | (8,985) | (3,007) | 26,437 |
| Fund balances, July 1 | <u>158,270</u> | <u>158,270</u> | <u>158,270</u> | <u>-</u> | <u>131,833</u> |
| Fund balances, June 30 | <u>\$ 152,292</u> | <u>\$ 152,292</u> | <u>\$ 149,285</u> | <u>\$ (3,007)</u> | <u>\$ 158,270</u> |

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|--|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 71,841 | \$ 69,776 |
| Investments | 192,715 | 202,542 |
| Receivables, net of allowances | | |
| Accounts receivable | 1 | 1 |
| Due from other funds | 6,757 | 13,082 |
| Due from other governments | 37,745 | 12,315 |
| Interfund receivable | - | 21,031 |
| Prepaid items - Construction materials | 61 | 7 |
| Notes receivable | 7,600 | 8,900 |
| Total assets | \$ 316,720 | \$ 327,654 |
| Liabilities and fund balance | | |
| Accounts payable | 43,530 | 37,060 |
| Due to other funds | 20,119 | 11,526 |
| Interfund payable | - | 22,033 |
| Unearned revenue | 100,048 | 87,953 |
| Total liabilities | 163,697 | 158,572 |
| Fund balance | | |
| Prepays | 61 | 7 |
| Restricted | 60,636 | 58,034 |
| Assigned | 92,326 | 111,041 |
| Total fund balance | 153,023 | 169,082 |
| Total liabilities and fund balance | \$ 316,720 | \$ 327,654 |

CITY OF HOUSTON, TEXAS
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|---|-------------|-------------|
| Revenues | | |
| Intergovernmental - grants | \$ 44,925 | \$ 64,174 |
| Investment income (loss) | (238) | 7,914 |
| Other | 14,700 | 9,523 |
| Total revenues | 59,387 | 81,611 |
| Expenditures | | |
| Current | | |
| Capital outlay | 290,188 | 261,051 |
| Total expenditures | 290,188 | 261,051 |
| Other financing sources (uses) | | |
| Proceeds from issuance of debt | 91,000 | 87,900 |
| Sale of capital assets | - | 126 |
| Transfers in | 128,050 | 123,793 |
| Insurance proceeds | - | 982 |
| Transfers out | (4,308) | (1,003) |
| Total other financing sources (uses) | 214,742 | 211,798 |
| Change in fund balance | (16,059) | 32,358 |
| Fund balances, July 1 | 169,082 | 136,724 |
| Fund balances, June 30 | \$ 153,023 | \$ 169,082 |

CITY OF HOUSTON, TEXAS
CARES ACT 2020 FUND
Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|-------------------------------------|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 22,891 | \$ 365,927 |
| Due from other funds | 17 | 10,060 |
| Total assets | \$ 22,908 | \$ 375,987 |
| Liabilities and fund balance | | |
| Liabilities | | |
| Accounts payable | 1,454 | 4,866 |
| Accrued payroll liabilities | - | 39 |
| Due to other funds | 4,680 | 36,018 |
| Due to other governments | - | 231 |
| Unearned revenue | 16,220 | 334,651 |
| Total liabilities | 22,354 | 375,805 |
| Fund balance | | |
| Non-Spendable | | |
| Restricted | 554 | 182 |
| Total fund balance | 554 | 182 |
| Total liabilities and fund balance | \$ 22,908 | \$ 375,987 |

CITY OF HOUSTON, TEXAS
CARES ACT 2020 FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|-----------------------------------|-------------|-------------|
| Revenues | | |
| Intergovernmental - grants | \$ 317,370 | \$ 70,218 |
| Investment income | 222 | 158 |
| Total revenues | 317,592 | 70,376 |
| Expenditures | | |
| Current | | |
| General government | 111,408 | 7,461 |
| Public safety | 45,345 | 36,185 |
| Public works | 12,445 | 951 |
| Health | 83,762 | 6,729 |
| Housing and community development | 36,629 | 14,851 |
| Parks and recreation | 13,660 | 3,498 |
| Library | 2,475 | 519 |
| Capital outlay | 11,496 | - |
| Total expenditures | 317,220 | 70,194 |
| Change in fund balance | 372 | 182 |
| Fund balances, July 1 | 182 | - |
| Fund balances, June 30 | \$ 554 | \$ 182 |

CITY OF HOUSTON, TEXAS
ARPA Fiscal Recovery Fund
Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|-------------------------------------|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 303,888 | \$ - |
| Total assets | \$ 303,888 | \$ - |
| Liabilities and fund balance | | |
| Liabilities | | |
| Unearned revenue | 303,884 | - |
| Total liabilities | 303,884 | - |
| Fund balance | | |
| Non-Spendable | | |
| Restricted | 4 | - |
| Total fund balance | 4 | - |
| Total liabilities and fund balance | \$ 303,888 | \$ - |

CITY OF HOUSTON, TEXAS
ARPA Fiscal Recovery Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|------------------------|------|------|
| Revenues | | |
| Investment income | \$ 4 | \$ - |
| Total revenues | 4 | - |
| | | |
| Change in fund balance | 4 | - |
| Fund balances, July 1 | - | - |
| | | |
| Fund balances, June 30 | \$ 4 | \$ - |

CITY OF HOUSTON, TEXAS
GRANTS FUND
Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|---|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 26,148 | \$ 43,785 |
| Investments | - | 66,408 |
| Receivables, net of allowances | | |
| Accounts receivable | 96,574 | 68,200 |
| Due from other funds | 2,414 | 1,164 |
| Due from other governments | 227,147 | 12,238 |
| Inventory | 82 | 499 |
| Prepaid items | 600 | 615 |
| Notes receivable | 22,500 | 12,500 |
| Total assets | \$ 375,465 | \$ 205,409 |
| Liabilities and fund balance | | |
| Liabilities | | |
| Accounts payable | 76,779 | 26,788 |
| Accrued payroll liabilities | 4,059 | 3,046 |
| Due to other funds | 17,313 | 6,083 |
| Due to other governments | 487 | 15,761 |
| Advances and deposits | 262 | 1,565 |
| Unearned revenue | 111,744 | 68,646 |
| Total liabilities | 210,644 | 121,889 |
| Fund balance | | |
| Non-Spendable | | |
| Prepays | 600 | 615 |
| Inventory | 82 | 499 |
| Restricted | 164,139 | 82,406 |
| Total fund balance | 164,821 | 83,520 |
| Total liabilities and fund balance | \$ 375,465 | \$ 205,409 |

CITY OF HOUSTON, TEXAS
GRANTS FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------------|------------------|
| Revenues | | |
| Intergovernmental - grants | \$ 620,886 | \$ 364,841 |
| Investment income | 209 | 4,914 |
| Total revenues | <u>621,095</u> | <u>369,755</u> |
| Expenditures | | |
| Current | | |
| General government | 22,515 | 123,951 |
| Public safety | 25,406 | 23,744 |
| Public works | 17,701 | 20,286 |
| Health | 125,778 | 67,131 |
| Housing and community development | 332,127 | 119,897 |
| Parks and recreation | 1,442 | 1,808 |
| Library | 83 | 24 |
| Capital outlay | 24,097 | 16,320 |
| Debt service principal | 189 | 183 |
| Debt service interest | 170 | 516 |
| Total expenditures | <u>549,508</u> | <u>373,860</u> |
| Other financing sources (uses) | | |
| Net proceeds from issuance of debt | 9,724 | 14,475 |
| Transfers out | (10) | (16,780) |
| Total other financing sources (uses) | <u>9,714</u> | <u>(2,305)</u> |
| Change in fund balance | 81,301 | (6,410) |
| Fund balances, July 1 | <u>83,520</u> | <u>89,930</u> |
| Fund balances, June 30 | <u>\$ 164,821</u> | <u>\$ 83,520</u> |

CITY OF HOUSTON, TEXAS
Affordable Housing TIRZ 2021
Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|------------------------------------|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 29,534 | \$ - |
| Investments | 71,104 | - |
| Total assets | \$ 100,638 | \$ - |
| Fund balance | | |
| Restricted | 100,638 | - |
| Total fund balance | 100,638 | - |
| Total liabilities and fund balance | \$ 100,638 | \$ - |

CITY OF HOUSTON, TEXAS
Affordable Housing TIRZ 2021
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|-------------------------|-----------------------|---------------------|-------------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Contributions | \$ - | \$ - | \$ 100,000 | \$ 100,000 | \$ - |
| Interest | - | - | 638 | \$ 638 | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>100,638</u> | <u>100,638</u> | <u>-</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Housing and development | 100,000 | 100,000 | - | 100,000 | - |
| Total expenditures | <u>100,000</u> | <u>100,000</u> | <u>-</u> | <u>100,000</u> | <u>-</u> |
| Change in fund balance | (100,000) | (100,000) | 100,638 | 200,638 | - |
| Fund balances, July 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, June 30 | <u>\$ (100,000)</u> | <u>\$ (100,000)</u> | <u>\$ 100,638</u> | <u>\$ 200,638</u> | <u>\$ -</u> |

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <i>Nonmajor Funds</i> | | |
|--------------------------------------|---|--|--|
| | Public Safety Special Fund | Public Works Special Fund | Health & Housing Special Fund |
| Assets | | | |
| Cash and cash equivalents | \$ 9,342 | \$ 50,176 | \$ 9,946 |
| Investments | 17,416 | 162,190 | 23,951 |
| Receivables, net of allowances | | | |
| Accounts receivable | 1,024 | 43,067 | 265 |
| Due from other funds | 2,361 | 278 | 143 |
| Due from other governments | 1,871 | 19,079 | - |
| Inventory | - | 2,679 | - |
| Total assets | <u>\$ 32,014</u> | <u>\$ 277,469</u> | <u>\$ 34,305</u> |
| Liabilities and fund balance | | | |
| Liabilities | | | |
| Accounts payable | 1,549 | 8,654 | 474 |
| Accrued payroll liabilities | 1,593 | 4,137 | 741 |
| Due to other funds | 260 | 7,096 | 8 |
| Due to other governments | 1 | - | - |
| Advances and deposits | 2,817 | 3,102 | 27 |
| Compensated absences | 2 | 18 | 7 |
| Total liabilities | <u>6,222</u> | <u>23,007</u> | <u>1,257</u> |
| Deferred inflows of resources | | | |
| Deferred inflow of resources | 204 | 77,276 | 34 |
| Total deferred inflows of resources | <u>204</u> | <u>77,276</u> | <u>34</u> |
| Fund balance | | | |
| Non-Spendable | | | |
| Inventory | - | 2,679 | - |
| Committed | 19,392 | 33,442 | 7,095 |
| Restricted | 6,196 | 141,065 | 25,919 |
| Total fund balance | <u>25,588</u> | <u>177,186</u> | <u>33,014</u> |
| Total liabilities and fund balance | <u>\$ 32,014</u> | <u>\$ 277,469</u> | <u>\$ 34,305</u> |

(Continued)

Nonmajor Funds

| Parks & Recreation Special Fund | | Other Special Revenue Fund | | 2021 | 2020 | | |
|--|--------------|-----------------------------------|---------------|-------------|----------------|-----------|----------------|
| \$ | 1,612 | \$ | 27,941 | \$ | 99,017 | \$ | 67,241 |
| | 3,765 | | 53,343 | | 260,665 | | 222,454 |
| | 266 | | 5,850 | | 50,472 | | 62,001 |
| | 3 | | 7,783 | | 10,568 | | 2,762 |
| | - | | 3,691 | | 24,641 | | 39,369 |
| | - | | - | | 2,679 | | 2,185 |
| \$ | 5,646 | \$ | 98,608 | \$ | 448,042 | \$ | 396,012 |
| | 258 | | 2,427 | | 13,362 | | 14,661 |
| | 211 | | 299 | | 6,981 | | 6,945 |
| | - | | 2,846 | | 10,210 | | 18,466 |
| | 16 | | 1,033 | | 1,050 | | 933 |
| | 673 | | 327 | | 6,946 | | 4,046 |
| | - | | 1 | | 28 | | 39 |
| | <u>1,158</u> | | <u>6,933</u> | | <u>38,577</u> | | <u>45,090</u> |
| | 107 | | 3,106 | | 80,727 | | 80,789 |
| | <u>107</u> | | <u>3,106</u> | | <u>80,727</u> | | <u>80,789</u> |
| | - | | - | | 2,679 | | 2,185 |
| | 4,218 | | 4,613 | | 68,760 | | 74,219 |
| | <u>163</u> | | <u>83,956</u> | | <u>257,299</u> | | <u>193,729</u> |
| | 4,381 | | 88,569 | | 328,738 | | 270,133 |
| \$ | 5,646 | \$ | 98,608 | \$ | 448,042 | \$ | 396,012 |

CITY OF HOUSTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <i>Nonmajor Funds</i> | | |
|---------------------------------------|---|--|--|
| | Public Safety Special Fund | Public Works Special Fund | Health & Housing Special Fund |
| Revenues | | | |
| Franchise Tax | \$ - | \$ 493 | \$ - |
| Licenses and permits | 2,964 | 72,512 | 4,869 |
| Charges for services | 3,740 | 142,189 | 4,690 |
| Intergovernmental - grants | 16,673 | 66,014 | 28,819 |
| Fines and forfeits | 1,122 | 7 | - |
| Investment income | (54) | 712 | 281 |
| Other | 13,440 | 2,364 | 80 |
| Total revenues | <u>37,885</u> | <u>284,291</u> | <u>38,739</u> |
| Expenditures | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | 49,296 | - | - |
| Public works | - | 159,724 | - |
| Health | - | - | 22,976 |
| Housing and community development | - | - | 140 |
| Parks and recreation | - | - | - |
| Capital outlay | 861 | 33,693 | 388 |
| Debt service fiscal agent & fees | - | 390 | - |
| Total expenditures | <u>50,157</u> | <u>193,807</u> | <u>23,504</u> |
| Other financing sources (uses) | | | |
| Sale of capital assets | - | 89 | - |
| Transfers in | 14,927 | 90,085 | 596 |
| Transfers out | (1,750) | (144,486) | - |
| Total other financing sources (uses) | <u>13,177</u> | <u>(54,312)</u> | <u>596</u> |
| Change in fund balance | 905 | 36,172 | 15,831 |
| Fund balances, July 1 | <u>\$ 24,683</u> | <u>\$ 141,014</u> | <u>\$ 17,183</u> |
| Fund balances, June 30 | <u>\$ 25,588</u> | <u>\$ 177,186</u> | <u>\$ 33,014</u> |

(Continued)

| <i>Nonmajor Funds</i> | | | |
|--|---|-------------------|-------------------|
| Parks & Recreation Special Fund | Other Special Revenue Fund | 2021 | 2020 |
| \$ - | \$ - | 493 | \$ 421 |
| 85 | 229 | 80,659 | 86,040 |
| 9,086 | 6,754 | 166,459 | 155,797 |
| - | 21,339 | 132,845 | 112,936 |
| - | 9,196 | 10,325 | 9,251 |
| 8 | 173 | 1,120 | 8,730 |
| 496 | 15,374 | 31,754 | 25,125 |
| <u>9,675</u> | <u>53,065</u> | <u>423,655</u> | <u>398,300</u> |
| - | 45,155 | 45,155 | 50,473 |
| - | - | 49,296 | 51,885 |
| - | - | 159,724 | 135,263 |
| - | - | 22,976 | 25,478 |
| - | - | 140 | 111 |
| 8,007 | - | 8,007 | 8,065 |
| 16 | 424 | 35,382 | 38,065 |
| - | - | 390 | 390 |
| <u>8,023</u> | <u>45,579</u> | <u>321,070</u> | <u>309,730</u> |
| - | 3 | 92 | 121 |
| - | 1,200 | 106,808 | 62,697 |
| (216) | (4,428) | (150,880) | (151,654) |
| <u>(216)</u> | <u>(3,225)</u> | <u>(43,980)</u> | <u>(88,836)</u> |
| 1,436 | 4,261 | 58,605 | (266) |
| <u>\$ 2,945</u> | <u>\$ 84,308</u> | <u>\$ 270,133</u> | <u>270,399</u> |
| <u>\$ 4,381</u> | <u>\$ 88,569</u> | <u>\$ 328,738</u> | <u>\$ 270,133</u> |

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - ASSET FORFEITURE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Confiscations | \$ 4,100 | \$ 4,100 | \$ 3,167 | \$ (933) | \$ 7,478 |
| Income (loss) | 23 | 23 | (59) | (82) | 298 |
| Other | - | - | - | - | 185 |
| Total revenues | <u>4,123</u> | <u>4,123</u> | <u>3,108</u> | <u>(1,015)</u> | <u>7,961</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 9,188 | 7,970 | 6,260 | 1,710 | 7,445 |
| Capital outlay | 312 | 575 | 574 | 1 | 568 |
| Total expenditures | <u>9,500</u> | <u>8,545</u> | <u>6,834</u> | <u>1,711</u> | <u>8,013</u> |
| Change in fund balance | (5,377) | (4,422) | (3,726) | 696 | (52) |
| Fund balances, July 1 | <u>7,529</u> | <u>7,529</u> | <u>7,529</u> | <u>-</u> | <u>7,581</u> |
| Fund balances, June 30 | <u>\$ 2,152</u> | <u>\$ 3,107</u> | <u>\$ 3,803</u> | <u>\$ 696</u> | <u>\$ 7,529</u> |

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - AUTO DEALERS
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 2,733 | \$ 2,733 | \$ 2,759 | \$ 26 | \$ 2,647 |
| Charges for services | 790 | 790 | 856 | 66 | 688 |
| Investment income | 50 | 50 | 12 | (38) | 84 |
| Other | 4,300 | 4,300 | 4,544 | 244 | 4,110 |
| Total revenues | <u>7,873</u> | <u>7,873</u> | <u>8,171</u> | <u>298</u> | <u>7,529</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 6,738 | 6,820 | 6,535 | 285 | 6,201 |
| Capital outlay | 745 | 663 | - | 663 | 9 |
| Total expenditures | <u>7,483</u> | <u>7,483</u> | <u>6,535</u> | <u>948</u> | <u>6,210</u> |
| Other financing sources (uses) | | | | | |
| Transfers out | (1,750) | (1,750) | (1,750) | - | (1,648) |
| Total other financing sources (uses) | <u>(1,750)</u> | <u>(1,750)</u> | <u>(1,750)</u> | <u>-</u> | <u>(1,648)</u> |
| Change in fund balance | (1,360) | (1,360) | (114) | 1,246 | (329) |
| Fund balances, July 1 | <u>1,788</u> | <u>1,788</u> | <u>1,788</u> | <u>-</u> | <u>2,117</u> |
| Fund balances, June 30 | <u>\$ 428</u> | <u>\$ 428</u> | <u>\$ 1,674</u> | <u>\$ 1,246</u> | <u>\$ 1,788</u> |

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - CHILD SAFETY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|------------------------|-----------------------|---------------|---------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Fines and forfeits | \$ 800 | \$ 800 | \$ 659 | \$ (141) | \$ 659 |
| Income (loss) | 45 | 45 | (14) | (59) | 72 |
| Other | 2,615 | 2,615 | 2,811 | 196 | 2,416 |
| Total revenues | <u>3,460</u> | <u>3,460</u> | <u>3,456</u> | <u>(4)</u> | <u>3,147</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 3,460 | 2,974 | 2,974 | - | 3,191 |
| Total expenditures | <u>3,460</u> | <u>2,974</u> | <u>2,974</u> | <u>-</u> | <u>3,191</u> |
| Change in fund balance | - | 486 | 482 | (4) | (44) |
| Fund balances, July 1 | <u>47</u> | <u>47</u> | <u>47</u> | <u>-</u> | <u>91</u> |
| Fund balances, June 30 | <u>\$ 47</u> | <u>\$ 533</u> | <u>\$ 529</u> | <u>\$ (4)</u> | <u>\$ 47</u> |

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - HOUSTON EMERGENCY CENTER
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 250 | \$ 250 | \$ 281 | \$ 31 | \$ 281 |
| Intergovernmental - grants | 17,171 | 17,171 | 16,357 | (814) | 15,399 |
| Investment income | - | - | 12 | 12 | 55 |
| Total revenues | <u>17,421</u> | <u>17,421</u> | <u>16,650</u> | <u>(771)</u> | <u>15,735</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 30,088 | 30,088 | 26,264 | 3,824 | 25,821 |
| Capital outlay | - | - | 24 | (24) | - |
| Total expenditures | <u>30,088</u> | <u>30,088</u> | <u>26,288</u> | <u>3,800</u> | <u>25,821</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 9,617 | 9,617 | 9,617 | - | 9,617 |
| Total other financing sources (uses) | <u>9,617</u> | <u>9,617</u> | <u>9,617</u> | <u>-</u> | <u>9,617</u> |
| Change in fund balance | (3,050) | (3,050) | (21) | 3,029 | (469) |
| Fund balances, July 1 | <u>5,017</u> | <u>5,017</u> | <u>5,017</u> | <u>-</u> | <u>5,486</u> |
| Fund balances, June 30 | <u>\$ 1,967</u> | <u>\$ 1,967</u> | <u>\$ 4,996</u> | <u>\$ 3,029</u> | <u>\$ 5,017</u> |

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - LOCAL TRUANCY PREVENTION AND DIVERSION
(formerly JUVENILE CASE MANAGER FEE FUND)
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | <u>2021</u> | | | Variance with Final Budget- Pos (Neg) | <u>2020</u> |
|------------------------|-----------------------|---------------|---------------|--|---------------|
| | <u>Budget Amounts</u> | | <u>Actual</u> | | |
| | <u>Original</u> | <u>Final</u> | | | |
| Revenues | | | | | |
| Charges for services | \$ 446 | \$ 446 | \$ 134 | \$ (312) | \$ 657 |
| Fines and forfeits | 519 | 519 | 453 | (66) | 125 |
| Income (loss) | 22 | 22 | (2) | (24) | 32 |
| Total revenues | <u>987</u> | <u>987</u> | <u>585</u> | <u>(402)</u> | <u>814</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 1,481 | 1,481 | 779 | 702 | 802 |
| Total expenditures | <u>1,481</u> | <u>1,481</u> | <u>779</u> | <u>702</u> | <u>802</u> |
| Change in fund balance | (494) | (494) | (194) | 300 | 12 |
| Fund balances, July 1 | <u>974</u> | <u>974</u> | <u>974</u> | <u>-</u> | <u>962</u> |
| Fund balances, June 30 | <u>\$ 480</u> | <u>\$ 480</u> | <u>\$ 780</u> | <u>\$ 300</u> | <u>\$ 974</u> |

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - MUNICIPAL COURTS TECHNOLOGY FEE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | <u>2021</u> | | <u>Actual</u> | <u>Variance with Final Budget- Pos (Neg)</u> | <u>2020 Actual</u> |
|------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | <u>Budget Amounts</u> | | | | |
| | <u>Original</u> | <u>Final</u> | | | |
| Revenues | | | | | |
| Income (loss) | \$ 44 | \$ 44 | \$ (2) | \$ (46) | \$ 64 |
| Other | 980 | 980 | 764 | (216) | 849 |
| Total revenues | <u>1,024</u> | <u>1,024</u> | <u>762</u> | <u>(262)</u> | <u>913</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 1,200 | 1,200 | 1,095 | 105 | 1,058 |
| Total expenditures | <u>1,200</u> | <u>1,200</u> | <u>1,095</u> | <u>105</u> | <u>1,058</u> |
| Change in fund balance | (176) | (176) | (333) | (157) | (145) |
| Fund balances, July 1 | <u>2,195</u> | <u>2,195</u> | <u>2,195</u> | <u>-</u> | <u>2,340</u> |
| Fund balances, June 30 | <u>\$ 2,019</u> | <u>\$ 2,019</u> | <u>\$ 1,862</u> | <u>\$ (157)</u> | <u>\$ 2,195</u> |

CITY OF HOUSTON, TEXAS
PUBLIC SAFETY SPECIAL FUND - POLICE SPECIAL SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|------------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 300 | \$ 300 | \$ 205 | \$ (95) | \$ 297 |
| Charges for services | 4,101 | 4,101 | 2,250 | (1,851) | 3,392 |
| Intergovernmental - grants | 357 | 357 | 316 | (41) | 356 |
| Income (loss) | 130 | 130 | (3) | (133) | 208 |
| Other | 2,324 | 2,324 | 2,153 | (171) | 1,549 |
| Total revenues | <u>7,212</u> | <u>7,212</u> | <u>4,921</u> | <u>(2,291)</u> | <u>5,802</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 11,294 | 11,294 | 5,335 | 5,959 | 7,256 |
| Capital outlay | - | - | 241 | (241) | 255 |
| Total expenditures | <u>11,294</u> | <u>11,294</u> | <u>5,576</u> | <u>5,718</u> | <u>7,511</u> |
| Other financing sources (uses) | | | | | |
| Sale of assets | - | - | - | - | 52 |
| Transfers in | 980 | 980 | 5,310 | 4,330 | 1,210 |
| Total other financing sources (uses) | <u>980</u> | <u>980</u> | <u>5,310</u> | <u>4,330</u> | <u>1,262</u> |
| Change in fund balance | (3,102) | (3,102) | 4,655 | 7,757 | (447) |
| Fund balances, July 1 | <u>6,018</u> | <u>6,018</u> | <u>6,018</u> | <u>-</u> | <u>6,465</u> |
| Fund balances, June 30 | <u>\$ 2,916</u> | <u>\$ 2,916</u> | <u>\$ 10,673</u> | <u>\$ 7,757</u> | <u>\$ 6,018</u> |

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - BUILDING INSPECTION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | Actual | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|------------------|------------------|--|------------------------|
| | Budget Amounts | | | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes and assessments | | | | | |
| Franchise Tax | \$ 513 | \$ 513 | \$ 493 | \$ (20) | \$ 421 |
| Licenses and permits | 76,962 | 76,962 | 70,765 | (6,197) | 75,900 |
| Charges for services | 10,816 | 10,816 | 9,251 | (1,565) | 10,103 |
| Fines and forfeits | 7 | 7 | 7 | - | 10 |
| Income (loss) | 727 | 727 | (90) | (817) | 1,384 |
| Other | 461 | 461 | 372 | (89) | 425 |
| Total revenues | <u>89,486</u> | <u>89,486</u> | <u>80,798</u> | <u>(8,688)</u> | <u>88,243</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public works | 90,116 | 93,807 | 77,832 | 15,975 | 76,527 |
| Capital outlay | 16,801 | 5,518 | 3,766 | 1,752 | 1,587 |
| Total expenditures | <u>106,917</u> | <u>99,325</u> | <u>81,598</u> | <u>17,727</u> | <u>78,114</u> |
| Other financing sources (uses) | | | | | |
| Sale of capital assets | 62 | 62 | 58 | (4) | 69 |
| Transfers out | (4,561) | (12,153) | (12,081) | (72) | (9,373) |
| Total other financing sources (uses) | <u>(4,499)</u> | <u>(12,091)</u> | <u>(12,023)</u> | <u>(76)</u> | <u>(9,304)</u> |
| Change in fund balance | (21,930) | (21,930) | (12,823) | 9,107 | 825 |
| Fund balances, July 1 | <u>35,741</u> | <u>35,741</u> | <u>35,741</u> | <u>-</u> | <u>34,916</u> |
| Fund balances, June 30 | <u>\$ 13,811</u> | <u>\$ 13,811</u> | <u>\$ 22,918</u> | <u>\$ 9,107</u> | <u>\$ 35,741</u> |

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - DDSRF-DRAINAGE CHARGE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | Actual | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|------------------|------------------|--|------------------------|
| | Budget Amounts | | | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 111,695 | \$ 111,695 | \$ 123,736 | \$ 12,041 | \$ 112,602 |
| Licenses & Permits | - | - | - | - | 1,863 |
| Intergovernmental Revenue | - | - | - | - | 73,755 |
| Miscellaneous/Other | 2 | 2 | - | (2) | 1,539 |
| Income (Loss) | 100 | 100 | 729 | 629 | 2,433 |
| Total revenues | <u>111,797</u> | <u>111,797</u> | <u>124,465</u> | <u>12,668</u> | <u>192,192</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public works | 7,867 | 14,867 | 23,711 | (8,844) | 50,212 |
| Capital outlay | - | 10,172 | - | 10,172 | 33,895 |
| Debt service fiscal agent & fees | 415 | 415 | 390 | 25 | 390 |
| Total expenditures | <u>8,282</u> | <u>25,454</u> | <u>24,101</u> | <u>1,353</u> | <u>84,497</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | 7 | 7 | 46,509 |
| Transfers out | (155,737) | (138,565) | (136,575) | 1,990 | (128,126) |
| Total other financing sources (uses) | <u>(155,737)</u> | <u>(138,565)</u> | <u>(136,568)</u> | <u>1,997</u> | <u>(81,617)</u> |
| Change in fund balance | (52,222) | (52,222) | (36,204) | 16,018 | 26,078 |
| Fund balances, July 1 | 95,227 | 95,227 | 95,227 | - | 69,149 |
| Fund balances, June 30 | <u>\$ 43,005</u> | <u>\$ 43,005</u> | <u>\$ 59,023</u> | <u>\$ 16,018</u> | <u>\$ 95,227</u> |

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - DDSRF - AD VALOREM
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | Actual | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|------------------|------------------|--|------------------------|
| | Budget Amounts | | | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Income (loss) | 75 | 75 | 214 | 139 | - |
| Total revenues | <u>75</u> | <u>75</u> | <u>214</u> | <u>139</u> | <u>-</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public works | 3,910 | 3,910 | 4,328 | (418) | - |
| Capital outlay | 13,993 | 13,993 | 6,590 | 7,403 | - |
| Total expenditures | <u>17,903</u> | <u>17,903</u> | <u>10,918</u> | <u>6,985</u> | <u>-</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 135,121 | 135,121 | 135,121 | - | - |
| Transfers out | (58,610) | (58,610) | (41,626) | (16,984) | - |
| Total other financing sources (uses) | <u>76,511</u> | <u>76,511</u> | <u>93,495</u> | <u>(16,984)</u> | <u>-</u> |
| Change in fund balance | 58,683 | 58,683 | 82,791 | 24,108 | - |
| Fund balances, July 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, June 30 | <u>\$ 58,683</u> | <u>\$ 58,683</u> | <u>\$ 82,791</u> | <u>\$ 24,108</u> | <u>\$ -</u> |

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - DDSRF -METRO ET AL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 100 | \$ 100 | \$ 225 | \$ 125 | \$ - |
| Licenses & Permits | 2,003 | 2,003 | 1,230 | (773) | - |
| Intergovernmental Revenue | 79,200 | 79,200 | 66,014 | (13,186) | - |
| Miscellaneous/Other | 1,322 | 1,322 | 1,609 | 287 | - |
| Income (loss) | - | - | (132) | (132) | - |
| Total revenues | <u>82,625</u> | <u>82,625</u> | <u>68,946</u> | <u>(13,679)</u> | <u>-</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public works | 79,582 | 79,984 | 43,518 | 36,466 | - |
| Capital outlay | 637 | 147 | 23,441 | (23,294) | - |
| Total expenditures | <u>80,219</u> | <u>80,131</u> | <u>66,959</u> | <u>13,172</u> | <u>-</u> |
| Other financing sources (uses) | | | | | |
| Sale of capital assets | - | - | 31 | (31) | - |
| Transfers out | (1,070) | (1,158) | (88) | (1,070) | - |
| Total other financing sources (uses) | <u>(1,070)</u> | <u>(1,158)</u> | <u>(57)</u> | <u>(1,101)</u> | <u>-</u> |
| Change in fund balance | 1,336 | 1,336 | 1,930 | 594 | - |
| Fund balances, July 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, June 30 | <u>\$ 1,336</u> | <u>\$ 1,336</u> | <u>\$ 1,930</u> | <u>\$ 594</u> | <u>\$ -</u> |

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - HISTORIC PRESERVATION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|------------------------|-----------------|-----------------|-----------------|---|-----------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 200 | \$ 200 | \$ 58 | \$ (142) | \$ 203 |
| Income (loss) | 36 | 36 | (1) | (37) | 62 |
| Total revenues | <u>236</u> | <u>236</u> | <u>57</u> | <u>(179)</u> | <u>265</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public Works | 719 | 719 | 158 | 561 | 168 |
| Capital outlay | - | - | - | - | 120 |
| Total expenditures | <u>719</u> | <u>719</u> | <u>158</u> | <u>561</u> | <u>288</u> |
| Change in fund balance | (483) | (483) | (101) | 382 | (23) |
| Fund balances, July 1 | <u>1,873</u> | <u>1,873</u> | <u>1,873</u> | <u>-</u> | <u>1,896</u> |
| Fund balances, June 30 | <u>\$ 1,390</u> | <u>\$ 1,390</u> | <u>\$ 1,772</u> | <u>\$ 382</u> | <u>\$ 1,873</u> |

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - PLANNING & DEVELOPMENT SPECIAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 399 | \$ 399 | \$ 437 | \$ 38 | \$ 380 |
| Charges for services | 7,189 | 7,189 | 8,278 | 1,089 | 7,434 |
| Income (Loss) | 90 | 90 | 4 | (86) | 215 |
| Other | 45 | 45 | 56 | 11 | 61 |
| Total revenues | <u>7,723</u> | <u>7,723</u> | <u>8,775</u> | <u>1,052</u> | <u>8,090</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public works | 13,071 | 13,071 | 8,441 | 4,630 | 6,914 |
| Capital outlay | - | - | 2 | (2) | - |
| Total expenditures | <u>13,071</u> | <u>13,071</u> | <u>8,443</u> | <u>4,628</u> | <u>6,914</u> |
| Change in fund balance | (5,348) | (5,348) | 332 | 5,680 | 1,176 |
| Fund balances, July 1 | <u>6,720</u> | <u>6,720</u> | <u>6,720</u> | <u>-</u> | <u>5,544</u> |
| Fund balances, June 30 | <u>\$ 1,372</u> | <u>\$ 1,372</u> | <u>\$ 7,052</u> | <u>\$ 5,680</u> | <u>\$ 6,720</u> |

CITY OF HOUSTON, TEXAS
PUBLIC WORKS SPECIAL FUND - RECYCLING REVENUE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|---------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 137 | \$ 137 | \$ 80 | \$ (57) | \$ 70 |
| Income (loss) | 30 | 30 | (14) | (44) | 59 |
| Other | 230 | 230 | 327 | 97 | 325 |
| Total revenues | <u>397</u> | <u>397</u> | <u>393</u> | <u>(4)</u> | <u>454</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Parks and recreation | 2,366 | 2,366 | 1,629 | 737 | 1,441 |
| Total expenditures | <u>2,366</u> | <u>2,366</u> | <u>1,629</u> | <u>737</u> | <u>1,441</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 3,794 | 3,794 | 3,794 | - | 3,794 |
| Transfers out | (2,321) | (2,321) | (2,321) | - | (2,643) |
| Total other financing sources (uses) | <u>1,473</u> | <u>1,473</u> | <u>1,473</u> | <u>-</u> | <u>1,151</u> |
| Change in fund balance | (496) | (496) | 237 | 733 | 164 |
| Fund balances, July 1 | <u>1,034</u> | <u>1,034</u> | <u>1,034</u> | <u>-</u> | <u>870</u> |
| Fund balances, June 30 | <u>\$ 538</u> | <u>\$ 538</u> | <u>\$ 1,271</u> | <u>\$ 733</u> | <u>\$ 1,034</u> |

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - ESSENTIAL PUBLIC HEALTH SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|----------------------------|-----------------------|------------------|------------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 18 | \$ 18 | \$ 23 | \$ 5 | \$ 2 |
| Intergovernmental - grants | 22,807 | 22,807 | 25,767 | 2,960 | 13,734 |
| Investment income | 271 | 271 | 268 | (3) | 319 |
| Other | - | - | - | - | 5 |
| Total revenues | <u>23,096</u> | <u>23,096</u> | <u>26,058</u> | <u>2,962</u> | <u>14,060</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Health | 16,215 | 16,215 | 11,410 | 4,805 | 14,435 |
| Total expenditures | <u>16,215</u> | <u>16,215</u> | <u>11,410</u> | <u>4,805</u> | <u>14,435</u> |
| Change in fund balance | 6,881 | 6,881 | 14,648 | 7,767 | (375) |
| Fund balances, July 1 | <u>6,719</u> | <u>6,719</u> | <u>6,719</u> | <u>-</u> | <u>7,094</u> |
| Fund balances, June 30 | <u>\$ 13,600</u> | <u>\$ 13,600</u> | <u>\$ 21,367</u> | <u>\$ 7,767</u> | <u>\$ 6,719</u> |

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - HEALTH SPECIAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------|-----------------|-----------------|---|-----------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 459 | \$ 459 | \$ 448 | \$ (11) | \$ 448 |
| Charges for services | 1,317 | 1,317 | 1,184 | (133) | 1,132 |
| Intergovernmental - grants | 2,218 | 2,218 | 3,052 | 834 | 2,559 |
| Income (Loss) | 123 | 123 | (2) | (125) | 164 |
| Other | 110 | 110 | 59 | (51) | 67 |
| Total revenues | <u>4,227</u> | <u>4,227</u> | <u>4,741</u> | <u>514</u> | <u>4,370</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Health | 6,870 | 6,589 | 5,017 | 1,572 | 4,886 |
| Capital outlay | <u>152</u> | <u>433</u> | <u>388</u> | <u>45</u> | <u>155</u> |
| Total expenditures | <u>7,022</u> | <u>7,022</u> | <u>5,405</u> | <u>1,617</u> | <u>5,041</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | <u>400</u> | <u>400</u> | <u>400</u> | <u>-</u> | <u>400</u> |
| Total other financing sources (uses) | <u>400</u> | <u>400</u> | <u>400</u> | <u>-</u> | <u>400</u> |
| Change in fund balance | (2,395) | (2,395) | (264) | 2,131 | (271) |
| Fund balances, July 1 | <u>5,059</u> | <u>5,059</u> | <u>5,059</u> | <u>-</u> | <u>5,330</u> |
| Fund balances, June 30 | <u>\$ 2,664</u> | <u>\$ 2,664</u> | <u>\$ 4,795</u> | <u>\$ 2,131</u> | <u>\$ 5,059</u> |

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - LABORATORY SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|------------------------|----------------|---------------|---------------|---|----------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 486 | \$ 486 | \$ 401 | \$ (85) | \$ 406 |
| Income (Loss) | 5 | 5 | 1 | (4) | 7 |
| Other | - | - | 31 | 31 | - |
| Total revenues | <u>491</u> | <u>491</u> | <u>433</u> | <u>(58)</u> | <u>413</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Health | 567 | 567 | 378 | 189 | 382 |
| Total expenditures | <u>567</u> | <u>567</u> | <u>378</u> | <u>189</u> | <u>382</u> |
| Change in fund balance | (76) | (76) | 55 | 131 | 31 |
| Fund balances, July 1 | <u>225</u> | <u>225</u> | <u>225</u> | <u>-</u> | <u>194</u> |
| Fund balances, June 30 | <u>\$ 149</u> | <u>\$ 149</u> | <u>\$ 280</u> | <u>\$ 131</u> | <u>\$ 225</u> |

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - SPECIAL WASTE TRANSPORTATION & INSPECTION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|----------------|---------------|-----------------|---|-----------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 2,992 | \$ 2,992 | \$ 2,972 | \$ (20) | \$ 2,824 |
| Charges for services | 1,200 | 1,200 | 1,550 | 350 | 1,536 |
| Income (Loss) | 40 | 40 | 3 | (37) | 51 |
| Total revenues | <u>4,232</u> | <u>4,232</u> | <u>4,525</u> | <u>293</u> | <u>4,411</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Health | 5,664 | 5,664 | 4,598 | 1,066 | 4,440 |
| Capital outlay | 108 | 108 | - | 108 | 22 |
| Total expenditures | <u>5,772</u> | <u>5,772</u> | <u>4,598</u> | <u>1,174</u> | <u>4,462</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 350 | 350 | - | (350) | - |
| Total other financing sources (uses) | <u>350</u> | <u>350</u> | <u>-</u> | <u>(350)</u> | <u>-</u> |
| Change in fund balance | (1,190) | (1,190) | (73) | 1,117 | (51) |
| Fund balances, July 1 | <u>1,917</u> | <u>1,917</u> | <u>1,917</u> | <u>-</u> | <u>1,968</u> |
| Fund balances, June 30 | <u>\$ 727</u> | <u>\$ 727</u> | <u>\$ 1,844</u> | <u>\$ 1,117</u> | <u>\$ 1,917</u> |

CITY OF HOUSTON, TEXAS
HEALTH & HOUSING SPECIAL FUND - SWIMMING POOL SAFETY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|------------------------|-----------------------|---------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 1,338 | \$ 1,338 | \$ 1,448 | \$ 110 | \$ 1,246 |
| Income (Loss) | 17 | 17 | 4 | (13) | 27 |
| Total revenues | <u>1,355</u> | <u>1,355</u> | <u>1,452</u> | <u>97</u> | <u>1,273</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Health | 1,853 | 1,853 | 1,249 | 604 | 1,063 |
| Capital outlay | 81 | 81 | - | 81 | 22 |
| Total expenditures | <u>1,934</u> | <u>1,934</u> | <u>1,249</u> | <u>685</u> | <u>1,085</u> |
| Change in fund balance | (579) | (579) | 203 | 782 | 188 |
| Fund balances, July 1 | <u>958</u> | <u>958</u> | <u>958</u> | <u>-</u> | <u>770</u> |
| Fund balances, June 30 | <u>\$ 379</u> | <u>\$ 379</u> | <u>\$ 1,161</u> | <u>\$ 782</u> | <u>\$ 958</u> |

CITY OF HOUSTON, TEXAS
PARKS & RECREATION SPECIAL FUND - BAYOU GREENWAY 2020
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 1,392 | \$ 1,392 | \$ 1,228 | \$ (164) | \$ 1,295 |
| Income (Loss) | 19 | 19 | 2 | (17) | 41 |
| Total revenues | <u>1,411</u> | <u>1,411</u> | <u>1,230</u> | <u>(181)</u> | <u>1,336</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Parks and recreation | 1,171 | 1,143 | 909 | 234 | 890 |
| Capital outlay | 302 | 165 | - | 165 | - |
| Total expenditures | <u>1,473</u> | <u>1,308</u> | <u>909</u> | <u>399</u> | <u>890</u> |
| Other financing sources (uses) | | | | | |
| Transfers out | - | (165) | (165) | - | (302) |
| Total other financing sources (uses) | <u>-</u> | <u>(165)</u> | <u>(165)</u> | <u>-</u> | <u>(302)</u> |
| Change in fund balance | (62) | (62) | 156 | 218 | 144 |
| Fund balances, July 1 | <u>1,185</u> | <u>1,185</u> | <u>1,185</u> | <u>-</u> | <u>1,041</u> |
| Fund balances, June 30 | <u>\$ 1,123</u> | <u>\$ 1,123</u> | <u>\$ 1,341</u> | <u>\$ 218</u> | <u>\$ 1,185</u> |

CITY OF HOUSTON, TEXAS
PARKS & RECREATION SPECIAL FUND - PARKS GOLF
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|---------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 6,447 | \$ 6,447 | \$ 6,848 | \$ 401 | \$ 3,181 |
| Income (Loss) | 17 | 17 | 31 | 14 | (19) |
| Other | 3 | 3 | - | (3) | 2 |
| Total revenues | <u>6,467</u> | <u>6,467</u> | <u>6,879</u> | <u>412</u> | <u>3,164</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Parks and recreation | <u>6,436</u> | <u>6,436</u> | <u>5,664</u> | <u>772</u> | <u>4,893</u> |
| Total expenditures | <u>6,436</u> | <u>6,436</u> | <u>5,664</u> | <u>772</u> | <u>4,893</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | 1,200 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,200</u> |
| Change in fund balance | 31 | 31 | 1,215 | 1,184 | (529) |
| Fund balances, July 1 | <u>202</u> | <u>202</u> | <u>202</u> | <u>-</u> | <u>731</u> |
| Fund balances, June 30 | <u>\$ 233</u> | <u>\$ 233</u> | <u>\$ 1,417</u> | <u>\$ 1,184</u> | <u>\$ 202</u> |

CITY OF HOUSTON, TEXAS
PARKS & RECREATION SPECIAL FUND - PARKS SPECIAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses and permits | \$ 183 | \$ 183 | \$ 85 | \$ (98) | \$ 124 |
| Charges for services | 1,961 | 1,961 | 1,010 | (951) | 1,413 |
| Income (Loss) | 95 | 95 | (25) | (120) | 124 |
| Other | 54 | 54 | 496 | 442 | 65 |
| Total revenues | <u>2,293</u> | <u>2,293</u> | <u>1,566</u> | <u>(727)</u> | <u>1,726</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Parks and recreation | 3,571 | 2,534 | 1,434 | 1,100 | 2,282 |
| Capital outlay | 45 | 50 | 16 | 34 | 23 |
| Total expenditures | <u>3,616</u> | <u>2,584</u> | <u>1,450</u> | <u>1,134</u> | <u>2,305</u> |
| Other financing sources (uses) | | | | | |
| Transfers out | - | (51) | (51) | - | (1,200) |
| Total other financing sources (uses) | <u>-</u> | <u>(51)</u> | <u>(51)</u> | <u>-</u> | <u>(1,200)</u> |
| Change in fund balance | (1,323) | (342) | 65 | 407 | (1,779) |
| Fund balances, July 1 | <u>1,392</u> | <u>1,392</u> | <u>1,392</u> | <u>-</u> | <u>3,171</u> |
| Fund balances, June 30 | <u>\$ 69</u> | <u>\$ 1,050</u> | <u>\$ 1,457</u> | <u>\$ 407</u> | <u>\$ 1,392</u> |

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - CABLE TELEVISION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Income (Loss) | \$ 12 | \$ 12 | \$ 12 | \$ - | \$ 125 |
| Other | 3,781 | 3,781 | 3,531 | (250) | 3,878 |
| Total revenues | <u>3,793</u> | <u>3,793</u> | <u>3,543</u> | <u>(250)</u> | <u>4,003</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 5,073 | 4,638 | 3,749 | 889 | 3,850 |
| Capital outlay | - | 435 | 78 | 357 | 134 |
| Total expenditures | <u>5,073</u> | <u>5,073</u> | <u>3,827</u> | <u>1,246</u> | <u>3,984</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 1,039 | 1,039 | 800 | (239) | 800 |
| Total other financing sources (uses) | <u>1,039</u> | <u>1,039</u> | <u>800</u> | <u>(239)</u> | <u>800</u> |
| Change in fund balance | (241) | (241) | 516 | 757 | 819 |
| Fund balances, July 1 | <u>4,700</u> | <u>4,700</u> | <u>4,700</u> | <u>-</u> | <u>3,881</u> |
| Fund balances, June 30 | <u>\$ 4,459</u> | <u>\$ 4,459</u> | <u>\$ 5,216</u> | <u>\$ 757</u> | <u>\$ 4,700</u> |

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - CONTRACTORS RESPONSIBILITY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Income (Loss) | \$ 43 | \$ 43 | \$ (1) | \$ (44) | \$ 85 |
| Other | 452 | 452 | 677 | 225 | 629 |
| Total revenues | <u>495</u> | <u>495</u> | <u>676</u> | <u>181</u> | <u>714</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 546 | 500 | 438 | 62 | 293 |
| Total expenditures | <u>546</u> | <u>500</u> | <u>438</u> | <u>62</u> | <u>293</u> |
| Other financing sources (uses) | | | | | |
| Transfers out | (400) | (630) | (630) | - | (630) |
| Total other financing sources (uses) | <u>(400)</u> | <u>(630)</u> | <u>(630)</u> | <u>-</u> | <u>(630)</u> |
| Change in fund balance | (451) | (635) | (392) | 243 | (209) |
| Fund balances, July 1 | <u>2,338</u> | <u>2,338</u> | <u>2,338</u> | <u>-</u> | <u>2,547</u> |
| Fund balances, June 30 | <u>\$ 1,887</u> | <u>\$ 1,703</u> | <u>\$ 1,946</u> | <u>\$ 243</u> | <u>\$ 2,338</u> |

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - HOUSTON TRANSTAR
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | Actual | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 925 | \$ 925 | \$ 934 | \$ 9 | \$ 892 |
| Intergovernmental - grants | 2,051 | 2,051 | 2,158 | 107 | 2,148 |
| Income (Loss) | 25 | 25 | 13 | (12) | 92 |
| Total revenues | <u>3,001</u> | <u>3,001</u> | <u>3,105</u> | <u>104</u> | <u>3,132</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 3,171 | 3,171 | 2,431 | 740 | 2,378 |
| Capital outlay | - | - | 52 | (52) | 247 |
| Total expenditures | <u>3,171</u> | <u>3,171</u> | <u>2,483</u> | <u>688</u> | <u>2,625</u> |
| Other financing sources (uses) | | | | | |
| Sale of capital assets | - | - | 3 | (3) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>3</u> | <u>3</u> | <u>-</u> |
| Change in fund balance | (170) | (170) | 625 | 795 | 507 |
| Fund balances, July 1 | <u>3,227</u> | <u>3,227</u> | <u>3,227</u> | <u>-</u> | <u>2,720</u> |
| Fund balances, June 30 | <u>\$ 3,057</u> | <u>\$ 3,057</u> | <u>\$ 3,852</u> | <u>\$ 795</u> | <u>\$ 3,227</u> |

CITY OF HOUSTON, TEXAS
OTHER SPECIAL REVENUE FUND - PARK HOUSTON
(formerly PARKING MANAGEMENT SPECIAL REVENUE FUND)
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | 2021 | | Actual | Variance with Final Budget- Pos (Neg) | 2020 Actual |
|---------------------------------------|-----------------------|-----------------|-----------------|--|------------------------|
| | Budget Amounts | | | | |
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes and assessments | | | | | |
| Parking Violations | \$ 9,657 | \$ 9,657 | \$ 9,195 | \$ (462) | \$ 8,454 |
| Parking Fees | 11,015 | 11,015 | 5,807 | (5,208) | 8,293 |
| Permit Fees | 342 | 342 | 229 | (113) | 240 |
| Income (Loss) | 68 | 68 | (1) | (69) | 128 |
| Other | 22 | 22 | 381 | 359 | 89 |
| Total revenues | <u>21,104</u> | <u>21,104</u> | <u>15,611</u> | <u>(5,493)</u> | <u>17,204</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 12,829 | 12,929 | 10,215 | 2,714 | 10,433 |
| Capital outlay | <u>240</u> | <u>140</u> | <u>-</u> | <u>140</u> | <u>119</u> |
| Total expenditures | <u>13,069</u> | <u>13,069</u> | <u>10,215</u> | <u>2,854</u> | <u>10,552</u> |
| Other financing sources (uses) | | | | | |
| Transfers out | <u>(8,043)</u> | <u>(1,822)</u> | <u>(3,798)</u> | <u>1,976</u> | <u>(8,236)</u> |
| Total other financing sources (uses) | <u>(8,043)</u> | <u>(1,822)</u> | <u>(3,798)</u> | <u>1,976</u> | <u>(8,236)</u> |
| Change in fund balance | (8) | 6,213 | 1,598 | (4,615) | (1,584) |
| Fund balances, July 1 | <u>548</u> | <u>548</u> | <u>548</u> | <u>-</u> | <u>2,132</u> |
| Fund balances, June 30 | <u>\$ 540</u> | <u>\$ 6,761</u> | <u>\$ 2,146</u> | <u>\$ (4,615)</u> | <u>\$ 548</u> |

CITY OF HOUSTON, TEXAS

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Enterprise Funds

Enterprise funds are established to account for City operations that are financed and operated in a manner similar to private business enterprises where the cost of providing goods or services to the general public is financed primarily through user charges.

Airport System — This fund is used to account for the operations of the City’s Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Airport.

Convention and Entertainment Facilities — This fund is used to account for the managements of the City’s major convention and entertainment centers, as well as parking facilities and selected downtown parks. These centers include George R. Brown Convention Center, Jones Hall, Wortham Theater Center, Bayou Places, Hobby Center, Talento Bilingue de Houston, and Miller Outdoor Theater. The parking facilities include the Theater District Parking Garage, the Convention District Garages and various surface lots. Downtown parks include Sesquicentennial Park, Jones Plaza, Root Memorial Square, and Sabine Promenade.

Combined Utility System — This fund is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statements of Net Position
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 275,677 | \$ 149,223 |
| Investments | 10,260 | 20,353 |
| Receivables, net of allowances | | |
| Accounts receivable | 55,708 | 75,502 |
| Due from other funds | 1,523 | 1,746 |
| Due from other governments | 31,934 | 4,871 |
| Inventory | 2,079 | 2,002 |
| Prepaid items | 5,705 | 5,171 |
| Lease receivable | 15,687 | - |
| Restricted assets | | |
| Cash and cash equivalents | 260,168 | 258,643 |
| Investments | 7,783 | 27,834 |
| Restricted accounts receivable | 15,415 | 2,615 |
| Total current assets | <u>681,939</u> | <u>547,960</u> |
| Noncurrent Assets | | |
| Investments | 6,084 | 15,972 |
| Prepaid items | 173 | 184 |
| Lease receivable | 260,575 | - |
| Lease right-of-use assets, net of accumulated amortization | 235 | - |
| Restricted assets | | |
| Investments | 1,175,761 | 982,879 |
| Total noncurrent assets | <u>1,442,828</u> | <u>999,035</u> |
| Capital assets | | |
| Land | 216,100 | 216,100 |
| Buildings | 3,036,287 | 3,076,131 |
| Improvements and equipment | 1,968,479 | 1,955,324 |
| Construction in progress | 409,680 | 255,070 |
| Intangibles | 23,030 | 18,091 |
| Infrastructure | 553,970 | 587,314 |
| Less accumulated depreciation | <u>(3,462,330)</u> | <u>(3,376,447)</u> |
| Net capital assets | <u>2,745,216</u> | <u>2,731,583</u> |
| Total noncurrent assets | <u>4,188,044</u> | <u>3,730,618</u> |
| Total assets | <u>\$ 4,869,983</u> | <u>\$ 4,278,578</u> |
| Deferred Outflows of Resources | | |
| Unamortized costs on refunded debt | 22,218 | 17,263 |
| Deferred outflows on pension liability | 2 | 25,876 |
| Deferred outflow on OPEB liability | 9,120 | 1,809 |
| Total Deferred Outflows of Resources | <u>31,340</u> | <u>44,948</u> |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statements of Net Position
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 10,383 | \$ 12,191 |
| Accrued payroll liabilities | 4,161 | 3,551 |
| Accrued interest payable | 41,334 | 47,201 |
| Contracts and retainages payable | 66,044 | 40,085 |
| Due to other funds | 99 | 646 |
| Due to other governments | 1,846 | - |
| Notes payable | 1,068 | - |
| Cost of issuance payable | 1,117 | - |
| Advances and deposits | 2,320 | 1,636 |
| Lease liabilities | 128 | - |
| Claims and judgments | 903 | 928 |
| Compensated absences | 5,477 | 5,681 |
| Special facility bonds payable | 7,505 | 6,240 |
| Other liabilities | 1,947 | 2,965 |
| Revenue bonds payable | 75,580 | 89,090 |
| Unearned revenue | 8,278 | 8,267 |
| Total current liabilities | <u>228,190</u> | <u>218,481</u> |
| Noncurrent liabilities | | |
| Revenue bonds payable, net | 2,346,426 | 1,928,601 |
| Special facility bonds payable | 60,680 | 68,185 |
| Claims and judgments | 2,174 | 593 |
| Compensated absences | 8,541 | 7,612 |
| Commercial paper | 20,000 | 132,973 |
| Arbitrage rebate | - | 109 |
| Lease liabilities | 111 | - |
| Municipal pension trust liability | 161,545 | 258,223 |
| Notes payable | 13,353 | 324 |
| Other post employment benefits | 83,494 | 71,512 |
| Pension obligation bonds payable | 2,006 | 2,006 |
| Total noncurrent liabilities | <u>2,698,330</u> | <u>2,470,138</u> |
| Total liabilities | <u>2,926,520</u> | <u>2,688,619</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows on pension liability | 56,331 | 3,425 |
| Deferred inflows on OPEB health benefits liability | 16,208 | 27,500 |
| Deferred inflows from leases | 268,881 | - |
| Total Deferred Inflows of Resources | <u>341,420</u> | <u>30,925</u> |
| Net position | | |
| Net investment in capital assets | 495,497 | 514,164 |
| Restricted net position | | |
| Restricted for debt service | 384,267 | 464,280 |
| Restricted for renewal and replacement | 10,000 | 10,000 |
| Restricted for maintenance and operations | 54,232 | 54,807 |
| Restricted for special facility | 52,362 | 55,105 |
| Restricted for capital improvements | 627,464 | 619,884 |
| Unrestricted (deficit) | 9,561 | (114,258) |
| Total net position | <u>\$ 1,633,383</u> | <u>\$ 1,603,982</u> |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Operating Revenues | | |
| Landing area fees | \$ 70,578 | \$ 95,862 |
| Rentals, building and ground areas | 155,598 | 223,301 |
| Parking | 43,815 | 81,173 |
| Concession | 42,093 | 65,737 |
| Other | 6,471 | 5,839 |
| Total operating revenue | <u>318,555</u> | <u>471,912</u> |
| Operating Expenses | | |
| Maintenance and operating | 318,568 | 370,430 |
| Depreciation and amortization | 170,820 | 175,573 |
| Total operating expenses | <u>489,388</u> | <u>546,003</u> |
| Operating income (loss) | <u>(170,833)</u> | <u>(74,091)</u> |
| Nonoperating revenues (expenses) | | |
| Investment income | 1,523 | 43,701 |
| Customer facility charges | 8,769 | 13,320 |
| Special facility cost | (75) | (37) |
| Other revenues (expenses) | 11,078 | 10,820 |
| Loss on disposal of assets | (27,601) | (10,856) |
| Passenger facility charges | 62,541 | 78,418 |
| Interest expense | (62,107) | (74,533) |
| CARES Act grant | 187,369 | 8,057 |
| Cost of issuance for debt | (6,020) | - |
| Total Nonoperating revenues (expenses) | <u>175,477</u> | <u>68,890</u> |
| Income before contributions and transfers | <u>4,644</u> | <u>(5,201)</u> |
| Capital contributions | <u>24,757</u> | <u>10,927</u> |
| Change in net position | 29,401 | 5,726 |
| Total net position, July 1 | <u>1,603,982</u> | <u>1,598,256</u> |
| Total net position, June 30 | <u>\$ 1,633,383</u> | <u>\$ 1,603,982</u> |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM
Statements of Cash Flows
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 327,039 | \$ 407,437 |
| Payments to employees | (106,283) | (103,654) |
| Payments to suppliers | (168,061) | (183,762) |
| Internal activity-payments to other funds | (69,604) | (70,139) |
| Other receipts | 6,470 | 5,839 |
| Net cash provided by operating activities | (10,439) | 55,721 |
| Cash flows from investing activities | | |
| Interest income on investments | 15,388 | 28,019 |
| Purchase of investments | (2,233,546) | (1,723,912) |
| Sales of investments | 2,066,830 | 1,954,537 |
| Net cash provided by (used in) capital and related financing activities | (151,328) | 258,644 |
| Cash flows from noncapital financing activities | | |
| CARES Act grant | 180,867 | 8,057 |
| Net cash provided by (used in) noncapital financing activities | 180,867 | 8,057 |
| Cash flows from capital and related financing activities | | |
| Retirement of revenue bonds | (795,780) | (80,110) |
| Lease liabilities | (192) | - |
| Retirement of special facility bonds | (6,240) | (5,960) |
| Proceeds from SECO Loan | 14,097 | 324 |
| Proceeds from issuance of commercial paper | 383,800 | 84,500 |
| Interest expense on debt | (99,233) | (100,304) |
| Other income items | 11,078 | 10,820 |
| Passenger facilities charges | 50,319 | 92,773 |
| Customer facilities charges | 8,191 | 14,281 |
| Proceeds from issuance of revenue bonds | 1,216,043 | - |
| Grant receipts | 4,197 | 24,447 |
| Special facility cost | (75) | (37) |
| Acquisition of property, plant and equipment | (174,533) | (149,989) |
| Retirement of commercial paper | (496,773) | - |
| Cost of issuance expense for revenue bonds | (6,020) | - |
| Net cash used in capital and related financing activities | 108,879 | (109,255) |
| Net increase(decrease) in cash and cash equivalents | 127,979 | 213,167 |
| Cash and cash equivalents, July 1 | 407,866 | 194,699 |
| Cash and cash equivalents, June 30 | \$ 535,845 | \$ 407,866 |
| Cash and cash equivalents | | |
| Pooled cash and cash equivalents (Note 3A) | 275,677 | 149,223 |
| Current restricted cash and cash equivalents (Note 3A) | 260,168 | 258,643 |
| Total cash and cash equivalents, June 30 | \$ 535,845 | \$ 407,866 |
| Reconciliation of operating income(loss) to net cash provided by operating activities | | |
| Operating income(loss) | \$ (170,833) | \$ (74,091) |
| Adjustments to reconcile operating income(loss) to net cash provided by operating activities | | |
| Depreciation and amortization | 170,820 | 175,573 |
| Other post employment benefits | (6,623) | (2,891) |
| Changes in assets and liabilities | | |
| Accounts receivable | 19,794 | (61,182) |
| Due from other funds | 223 | (1,260) |
| Inventory and prepaid insurance | (600) | (539) |
| Lease receivable | (11,649) | - |
| Accounts payable | (1,808) | (3,383) |
| Accrued payroll liabilities | 610 | 384 |
| Due to other funds | (548) | 400 |
| Advances and deposits | 685 | (804) |
| Claims and judgments - workers' compensation | 1,555 | (286) |
| Compensated absences | 725 | 683 |
| Other current liabilities | 841 | 5,181 |
| Pension Obligation payable | (17,899) | 17,936 |
| Deferred inflow - leases | 4,268 | - |
| Net cash provided by operating activities | \$ (10,439) | \$ 55,721 |
| Non cash transactions | | |
| Bond amortization expense | \$ (15,948) | \$ (16,901) |
| Capital additions included in notes payable | (67,161) | (40,085) |
| Capitalized interest expense | 10,248 | 9,150 |
| Unrealized gain and (loss) on investments | (13,865) | 15,683 |
| Loss on disposal of assets | (27,601) | (10,856) |
| Total non cash transactions | \$ (114,327) | \$ (43,009) |

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Position
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 24,258 | \$ 20,752 |
| Investments | 31,054 | 31,387 |
| Receivables, net of allowances | | |
| Accounts receivable | 13 | 15 |
| Hotel occupancy tax receivable | 17,484 | 5,693 |
| Due from component units | 45,431 | 57,711 |
| Lease asset receivable | 1,407 | |
| Total current assets | <u>119,647</u> | <u>115,563</u> |
| Noncurrent Assets | | |
| Investments | 36,136 | 36,510 |
| Due from component units | 305,957 | 313,880 |
| Total noncurrent restricted assets | <u>342,093</u> | <u>350,390</u> |
| Lease receivable receivable | 6,675 | - |
| Capital assets | | |
| Land | 93,860 | 95,687 |
| Buildings | 566,149 | 577,527 |
| Improvements and equipment | 8,409 | 8,632 |
| Infrastructure | 334 | 334 |
| Garage rights | 13,144 | 13,144 |
| Less accumulated depreciation and amortization | (329,998) | (324,253) |
| Net capital assets | <u>358,573</u> | <u>371,071</u> |
| Total noncurrent assets | <u>700,666</u> | <u>721,461</u> |
| Total assets | <u>\$ 820,313</u> | <u>\$ 837,024</u> |
| Deferred Outflows of Resources | | |
| Deferred outflow on pension liability | - | 902 |
| Deferred outflow on OPEB liability | 981 | 45 |
| Deferred outflow for leases | 5 | - |
| Deferred outflow for unamortized cost on refunded debt | 168 | 180 |
| Total deferred outflows of resources | <u>1,154</u> | <u>1,127</u> |

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Net Position
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 3 | \$ - |
| Accrued interest payable | 5,270 | 5,681 |
| Due to component units | 30,654 | 28,557 |
| Cost of issuance payable | 79 | 78 |
| Compensated absences | - | 274 |
| Pension obligation bonds payable | 185 | 185 |
| Revenue bonds payable | 22,058 | 24,513 |
| Total current liabilities | 58,249 | 59,288 |
| Noncurrent liabilities | | |
| Revenue bonds payable | 612,390 | 628,374 |
| Compensated absences | - | 273 |
| Municipal pension trust liability | 4,719 | 6,939 |
| Other post employment benefits | 9,149 | 2,289 |
| Unearned revenue | 5,733 | 6,025 |
| Pension obligation bonds payable | 3,009 | 3,194 |
| Total noncurrent liabilities | 635,000 | 647,094 |
| Total liabilities | 693,249 | 706,382 |
| Deferred Inflows of Resources | | |
| Deferred inflows on pension liability | 1,646 | 144 |
| Deferred inflows for unamortized cost on refunded debt | 6,232 | 6,722 |
| Deferred inflows on OPEB health benefits liability | 1,786 | 824 |
| Deferred inflows for leases | 7,948 | - |
| Total deferred inflows of resources | 17,612 | \$ 7,690 |
| Net Position | | |
| Net investment in capital assets | 31,208 | 49,570 |
| Restricted net position | | |
| Restricted for debt service | 36,136 | 36,510 |
| Restricted for maintenance and operations | 11,756 | 11,617 |
| Unrestricted | 31,506 | 26,382 |
| Total net position | \$ 110,606 | \$ 124,079 |

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Operating Revenues | | |
| Parking | \$ 4,651 | \$ 8,037 |
| Rental | 1,449 | 1,449 |
| Total operating revenue | 6,100 | 9,486 |
| Operating Expenses | | |
| Maintenance and operating | 30,441 | 48,935 |
| Depreciation and amortization | 13,418 | 13,480 |
| Total operating expenses | 43,859 | 62,415 |
| Operating loss | (37,759) | (52,929) |
| Nonoperating revenue (expenses) | | |
| Investment income | 9,083 | 12,000 |
| Hotel occupancy tax | 47,449 | 67,348 |
| Other revenue | 431 | 292 |
| Gain (loss) on disposal of assets | (5,753) | - |
| Interest on long-term debt | (25,475) | (27,321) |
| Cost of issuance for debt | - | (1) |
| Total nonoperating revenues (expenses) | 25,735 | 52,318 |
| Income before contributions and transfers | (12,024) | (611) |
| Transfers out | (1,449) | (1,449) |
| Total transfers | (1,449) | (1,449) |
| Change in net position | (13,473) | (2,060) |
| Total net position, July 1 | 124,079 | 126,139 |
| Total net position, June 30 | \$ 110,606 | \$ 124,079 |

CITY OF HOUSTON, TEXAS
CONVENTION & ENTERTAINMENT
Statement of Cash Flows
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020</u> | |
|--|--------------------|--------------------|--|
| Cash flows from operating activities | | | |
| Receipts from customers | \$ 6,502 | \$ 8,087 | |
| Payments to employees | (546) | (217) | |
| Payments to suppliers | - | (23) | |
| Internal activity-payments (to) from other funds | 5 | (5) | |
| Other revenues | 141 | - | |
| Other expenses | (26,288) | (49,147) | |
| Receipts from component units | 1,449 | 1,449 | |
| Net cash used in operating activities | <u>(18,737)</u> | <u>(39,856)</u> | |
| Cash flows from investing activities | | | |
| Interest income on investments | (7,001) | 12,000 | |
| Purchase of investments | (119,878) | (92,187) | |
| Proceeds from sale of investments | 136,666 | 111,424 | |
| Net cash provided by investing activities | <u>9,787</u> | <u>31,237</u> | |
| Cash flows from capital and related financing activities | | | |
| Retirement of revenue bonds | (88,872) | (99,735) | |
| Proceeds from issuance of revenue bonds | 20,000 | 20,000 | |
| Cost of issuance on debt | - | (629) | |
| Interest expense on debt | 23,464 | (17,525) | |
| Net cash provided by (used in) capital and related financing activities | <u>(45,408)</u> | <u>(97,889)</u> | |
| Cash flows from noncapital financing activities | | | |
| Retirement of pension bonds | (95) | (90) | |
| Payments from component unit | 22,301 | 34,828 | |
| Hotel occupancy tax revenue | 35,658 | 84,440 | |
| Interest expense on pension obligation bonds | - | (203) | |
| Net cash provided by noncapital financing activities | <u>57,864</u> | <u>118,975</u> | |
| Net decrease in cash and cash equivalents | 3,506 | 12,467 | |
| Cash and cash equivalents, July 1 | 20,752 | 8,285 | |
| Cash and cash equivalents, June 30 | <u>\$ 24,258</u> | <u>\$ 20,752</u> | |
| Cash and cash equivalents | | | |
| Pooled cash and cash equivalents (Note 3A) | <u>\$ 24,258</u> | <u>\$ 20,752</u> | |
| Total cash and cash equivalents, June 30 | <u>\$ 24,258</u> | <u>\$ 20,752</u> | |
| Reconciliation of operating loss to net cash used in operating activities | | | |
| Operating loss | \$ (37,759) | \$ (52,929) | |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities | | | |
| Depreciation and amortization | 13,418 | 13,480 | |
| Other post employment benefits | 9,808 | (89) | |
| Other revenues | 431 | 292 | |
| Other expenses | (1,588) | (1,449) | |
| Changes in assets and liabilities | | | |
| Net due from component unit | 5 | - | |
| Accounts receivable and prepaids | 4 | 50 | |
| Accounts payable | 2 | - | |
| Due to (from) other funds | - | (5) | |
| Compensated absences | (546) | 547 | |
| Deferred revenue | (292) | (291) | |
| Pension obligation payable | (2,220) | 538 | |
| Net cash used in operating activities | <u>\$ (18,737)</u> | <u>\$ (39,856)</u> | |
| Non cash transactions | | | |
| Unrealized gain on investments | \$ - | \$ 859 | |
| Receivable from component unit | - | (20,000) | |
| Addition of Subordinate Lien Flexible Rate Notes | - | 20,000 | |
| Addition of HOT and Special Revenue Series Bonds | - | - | |
| Refunding of HOT and Special Revenue Bond Series | - | - | |
| Total non cash transactions | <u>\$ -</u> | <u>\$ 859</u> | |

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Position
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands**

| | 2021 | 2020 (restated) |
|--|----------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 598,469 | \$ 483,542 |
| Investments | 1,339,281 | 1,330,039 |
| Receivables, net of allowances | | |
| Accounts receivable | 170,969 | 173,380 |
| Special assessments receivable | 93 | 93 |
| Due from other funds | 368 | 9,518 |
| Due from other governments | 7,242 | 7,242 |
| Inventory | 12,591 | 11,901 |
| Prepaid items | 6,363 | 5,424 |
| Restricted assets | | |
| Cash and cash equivalents | 37 | 31 |
| Total current assets | 2,135,413 | 2,021,170 |
| Noncurrent Assets | | |
| Investments | 64,959 | 128,870 |
| Prepays | 2,677 | 3,009 |
| Due from other governments | 572,733 | 719,931 |
| Interfund receivable | - | 22,033 |
| Amounts held by other governments | 12,070 | 12,318 |
| Lease right-of-use assets, net of accumulated amortization | 27 | - |
| Total noncurrent restricted assets | 652,466 | 886,161 |
| Capital assets | | |
| Land | 190,261 | 180,468 |
| Buildings | 175,238 | 171,324 |
| Improvements and equipment | 193,838 | 190,223 |
| Infrastructure | 11,669,779 | 11,309,882 |
| Construction in progress | 1,826,333 | 1,300,959 |
| Rights and intangibles | 847,495 | 847,398 |
| Less accumulated depreciation and amortization | (6,373,973) | (6,143,550) |
| Net capital assets | 8,528,971 | 7,856,704 |
| Total noncurrent assets | 9,181,437 | 8,742,865 |
| Total assets | \$ 11,316,850 | \$ 10,764,035 |
| Deferred outflows of resources | | |
| Deferred outflow on pension liability | 3 | 39,353 |
| Deferred outflow on OPEB liability | 23,265 | 3,545 |
| SWAP liability/Unamortized cost on refunded debt | 360,959 | 440,667 |
| Total deferred outflows of resources | 384,227 | 483,565 |

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Net Position
June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands**

| | 2021 | 2020 (restated) |
|--|---------------------|------------------------|
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 214,844 | \$ 239,771 |
| Accrued payroll liabilities | 7,518 | 6,789 |
| Accrued interest payable | 34,617 | 33,222 |
| Contracts payable | 8,581 | 8,312 |
| Due to other funds | 36,651 | 20,563 |
| Due to other governments | 1,182 | 1,060 |
| Advances and deposits | 53,650 | 46,556 |
| Pension obligation bonds payable ST | 3,369 | 3,126 |
| Cost of issuance payable | - | 1,309 |
| Claims and judgments | 2,669 | 960 |
| Compensated absences | 10,286 | 10,200 |
| Commercial paper payable | - | 275,000 |
| Arbitrage rebate | 2,818 | 197 |
| Bonds payable | 264,667 | 239,856 |
| Interfund liabilities | - | 1,002 |
| Current lease liability | 15 | - |
| Total current liabilities | 640,867 | 887,923 |
| Noncurrent liabilities | | |
| Accrued interest payable | 49,398 | 41,291 |
| Bonds payable | 7,329,037 | 6,795,978 |
| Claims and judgments | 1,525 | 1,742 |
| Compensated absences | 10,497 | 10,087 |
| Contracts payable | 441,265 | 451,003 |
| Other interfund liabilities | - | 20,029 |
| Due to other governments | 8,228 | 5,855 |
| Arbitrage rebate | 2,883 | 7,666 |
| Lease liability | 12 | - |
| Municipal pension trust liability | 281,091 | 411,770 |
| Police officers' pension trust liability | - | - |
| Other post employment benefits | 213,959 | 145,940 |
| SWAP liability | 214,123 | 282,004 |
| Unearned revenue | 695,482 | 931,221 |
| Pension obligation bonds payable | 88,933 | 92,303 |
| Total noncurrent liabilities | 9,336,433 | 9,196,889 |
| Total liabilities | 9,977,300 | 10,084,812 |
| Deferred inflows of resources | | |
| Deferred inflows on pension liability | 98,017 | 2,446 |
| Deferred inflows on OPEB liability | 41,592 | 56,748 |
| Total deferred inflows of resources | 139,609 | 59,194 |
| Net Position | | |
| Net investment in capital assets | 994,788 | 539,019 |
| Restricted net position | | |
| Restricted for maintenance and operations | 91,195 | 85,001 |
| Restricted for debt service | 71,968 | 70,005 |
| Restricted for capital improvements | 14,784 | 15,358 |
| Unrestricted | 411,433 | 394,211 |
| Total net position | \$ 1,584,168 | \$ 1,103,594 |

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands

| | <u>2021</u> | <u>2020 (restated)</u> |
|--|---------------------|------------------------|
| Operating Revenues | | |
| Water/Sewer billing | \$ 1,092,740 | \$ 1,100,092 |
| Total operating revenue | <u>1,092,740</u> | <u>1,100,092</u> |
| Operating Expenses | | |
| Maintenance and operating | 529,971 | 518,591 |
| Depreciation and amortization | 273,747 | 265,306 |
| Total operating expenses | <u>803,718</u> | <u>783,897</u> |
| Operating income | <u>289,022</u> | <u>316,195</u> |
| Nonoperating revenue (expenses) | | |
| Investment income | 3,310 | 54,988 |
| Other revenue | 51,862 | 47,016 |
| Gain (loss) on disposal of assets | (1,970) | (1,280) |
| Interest expense | (239,067) | (242,914) |
| Cost of issuance of debt | (3,502) | (4,526) |
| Contributions in | 34,559 | 24,810 |
| Total nonoperating revenues (expenses) | <u>(154,808)</u> | <u>(121,906)</u> |
| Income before contributions and transfers | <u>134,214</u> | <u>194,289</u> |
| Capital contributions | <u>408,344</u> | <u>319,627</u> |
| Transfers out | <u>(61,984)</u> | <u>(50,921)</u> |
| Total transfers | <u>(61,984)</u> | <u>(50,921)</u> |
| Change in net position | 480,574 | 462,995 |
| Cumulative effect of prior period adjustment | - | 383,966 |
| Beginning position, July 1 | <u>1,103,594</u> | <u>256,633</u> |
| Total net position, June 30 | <u>\$ 1,584,168</u> | <u>\$ 1,103,594</u> |

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2021
(With comparative amounts for 2020)
amounts expressed in thousands**

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 1,120,175 | \$ 1,097,371 |
| Payments to employees | (196,170) | (188,765) |
| Payments to suppliers | (254,927) | (235,516) |
| Internal activity-payments to other funds | (21,284) | (35,541) |
| Claims paid | (2,190) | (1,867) |
| Other receipts | 51,845 | 45,943 |
| Receipts from other governments | 58 | (3,651) |
| Net cash provided by operating activities | 697,507 | 677,974 |
| Cash flows from investing activities | | |
| Interest income on investments | 3,310 | 58,242 |
| Purchases of investments | (3,397,479) | (2,362,736) |
| Sales of investments | 3,452,148 | 2,580,361 |
| Net cash provided by investing activities | 57,979 | 275,867 |
| Cash flows from capital and related financing activities | | |
| Retirement of revenue bonds | (221,985) | (199,720) |
| Retirement of commercial paper | (590,000) | (185,000) |
| Refunding of revenue bonds | (401,935) | (498,615) |
| Retirement of contracts payable | (8,312) | (8,009) |
| Proceeds from issuance of revenue bonds | 1,224,579 | 771,076 |
| Proceeds from issuance of commercial paper | 315,000 | 275,000 |
| Retirement of junior lien bonds | (22,405) | (23,520) |
| Interest expense on debt | (288,767) | (314,170) |
| Cost of issuance for debt | (4,811) | (4,527) |
| Proceeds from disposition of assets | 1,901 | 679 |
| Retirement of subordinate lien bonds | (11,215) | (11,090) |
| Proceeds of subordinate lien bonds | 38,000 | - |
| Due from other governments | 331,504 | 384,965 |
| Acquisition of property, plant and equipment | (933,040) | (767,440) |
| Net cash used for capital and related financing activities | (571,486) | (580,371) |
| Cash flows from noncapital financing activities | | |
| Proceeds from interfund receivable | 2,005 | - |
| Interest expense on pension obligation bonds | (4,959) | (5,050) |
| Retirement of pension bonds | (3,126) | (1,547) |
| Retirement of interfund payable | (1,003) | (1,002) |
| Transfers to debt service fund | (5,049) | (5,577) |
| Transfers to other funds | (56,935) | (45,344) |
| Net cash used in noncapital financing activities | (69,067) | (58,520) |
| Net increase in cash and cash equivalents | 114,933 | 314,950 |
| Cash and cash equivalents, July 1 | 483,573 | 168,623 |
| Cash and cash equivalents, June 30 | \$ 598,506 | \$ 483,573 |
| Cash and cash equivalents: | | |
| Pooled cash and cash equivalents (Note 3A) | \$ 598,469 | \$ 483,542 |
| Non-pooled cash and cash equivalents (Note 3A) | 37 | 31 |
| Total cash and cash equivalents, June 30 | \$ 598,506 | \$ 483,573 |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 289,022 | \$ 316,195 |
| Depreciation and amortization | 273,747 | 265,306 |
| Other post employment benefits | 33,143 | (5,993) |
| Other revenues and expense | 51,845 | 45,943 |
| Receipts from other governments | 58 | (3,651) |
| Changes in assets and liabilities | | |
| Accounts receivable | 2,411 | (26,977) |
| Due from other funds | 9,150 | (4,051) |
| Due from other governments | (832) | 2,396 |
| Inventory & prepaid insurance | (1,629) | 1,052 |
| Accounts payable | (8,624) | 16,806 |
| Accrued payroll liabilities | 729 | 1,090 |
| Due to other funds | 16,088 | 10,325 |
| Advances and deposits | 7,094 | 1,018 |
| Claims and judgments-workers' compensation | 1,492 | 971 |
| Compensated absences | 496 | 929 |
| Pension obligation payable | 4,241 | 37,106 |
| Other long-term liabilities | 19,076 | 19,509 |
| Net cash provided by operating activities | \$ 697,507 | \$ 677,974 |
| Non cash transactions | | |
| Capital additions included in liabilities | \$ - | \$ (19,407) |
| CAB accretion interest | 8,491 | 9,268 |
| Donated capital | (15,817) | (16,566) |
| Capitalized interest | 25,832 | 21,668 |
| Gain on disposal of assets | 1,970 | 1,280 |
| Total non cash transactions | \$ 20,476 | \$ (3,757) |

CITY OF HOUSTON, TEXAS

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Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one city department to other city departments on a cost reimbursement basis.

Health Benefits — This fund is used to account for the costs incurred to provide City employees' health care and life insurance benefits.

Long-Term Disability — This fund is used to account for the costs incurred to provide City employees' long-term disability coverage.

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Net Position
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | Health Benefits | Long-term Disability | 2021 | 2020 |
|---------------------------------------|------------------|-------------------------|------------------|------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 22,514 | \$ 2,866 | \$ 25,380 | \$ 27,164 |
| Investments | 46,770 | 6,014 | 52,784 | 66,177 |
| Receivables, net of allowances | | | | |
| Accounts receivable | 3 | - | 3 | 2 |
| Due from other funds | 79 | - | 79 | - |
| Due from other governments | 30 | - | 30 | 22 |
| Total current assets | <u>69,396</u> | <u>8,880</u> | <u>78,276</u> | <u>93,365</u> |
| Capital assets | | | | |
| Buildings, improvements and equipment | 963 | - | 963 | 963 |
| Construction in progress | 7 | - | 7 | - |
| Total capital assets | <u>970</u> | <u>-</u> | <u>970</u> | <u>963</u> |
| Less accumulated depreciation | <u>(638)</u> | <u>-</u> | <u>(638)</u> | <u>(601)</u> |
| Net capital assets | <u>332</u> | <u>-</u> | <u>332</u> | <u>362</u> |
| Total noncurrent assets | <u>332</u> | <u>-</u> | <u>332</u> | <u>362</u> |
| Total Assets | <u>69,728</u> | <u>8,880</u> | <u>78,608</u> | <u>93,727</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 1,593 | 38 | 1,631 | 2,091 |
| Accrued payroll liabilities | 166 | - | 166 | 170 |
| Due to other funds | 39 | - | 39 | 26 |
| Claims and judgments | 27,486 | 7,101 | 34,587 | 29,350 |
| Compensated absences | 189 | - | 189 | 312 |
| Unearned revenue | 3,049 | - | 3,049 | 3,214 |
| Total current liabilities | <u>32,522</u> | <u>7,139</u> | <u>39,661</u> | <u>35,163</u> |
| Noncurrent liabilities | | | | |
| Claims and judgments | 15,000 | - | 15,000 | 15,000 |
| Compensated absences | 112 | - | 112 | - |
| Total noncurrent liabilities | <u>15,112</u> | <u>-</u> | <u>15,112</u> | <u>15,000</u> |
| Total liabilities | <u>47,634</u> | <u>7,139</u> | <u>54,773</u> | <u>50,163</u> |
| Net Position | | | | |
| Net investment in capital assets | 332 | - | 332 | 362 |
| Unrestricted | 21,762 | 1,741 | 23,503 | 43,202 |
| Total net position | <u>\$ 22,094</u> | <u>\$ 1,741</u> | <u>\$ 23,835</u> | <u>\$ 43,564</u> |

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | <u>Health Benefits</u> | <u>Long-term Disability</u> | <u>2021</u> | <u>2020</u> |
|--|------------------------|---------------------------------|------------------|------------------|
| Operating Revenues | | | | |
| Other | \$ 1,355 | \$ 2 | \$ 1,357 | \$ 1,330 |
| Health benefit premiums | 385,583 | 79 | 385,662 | 374,950 |
| Total operating revenues | <u>386,938</u> | <u>81</u> | <u>387,019</u> | <u>376,280</u> |
| Operating Expenses | | | | |
| Administrative costs | 6,328 | 28 | 6,356 | 6,329 |
| Claims costs | 399,208 | 901 | 400,109 | 370,016 |
| Depreciation and amortization | 37 | - | 37 | 46 |
| Total operating expenses | <u>405,573</u> | <u>929</u> | <u>406,502</u> | <u>376,391</u> |
| Operating income (loss) | <u>(18,635)</u> | <u>(848)</u> | <u>(19,483)</u> | <u>(111)</u> |
| Nonoperating revenues (expenses) | | | | |
| Investment income | <u>(259)</u> | <u>13</u> | <u>(246)</u> | <u>3,228</u> |
| Total Nonoperating revenues (expenses) | <u>(259)</u> | <u>13</u> | <u>(246)</u> | <u>3,228</u> |
| Income (loss) before contributions and transfers | <u>(18,894)</u> | <u>(835)</u> | <u>(19,729)</u> | <u>3,117</u> |
| Change in net position | (18,894) | (835) | (19,729) | 3,117 |
| Total net position, July 1 | <u>40,988</u> | <u>2,576</u> | <u>43,564</u> | <u>40,447</u> |
| Total net position, June 30 | <u>\$ 22,094</u> | <u>\$ 1,741</u> | <u>\$ 23,835</u> | <u>\$ 43,564</u> |

CITY OF HOUSTON, TEXAS
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | <u>Health Benefits</u> | <u>Long-term Disability</u> | <u>2021</u> | <u>2020</u> |
|--|------------------------|---------------------------------|--------------------|------------------|
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ 385,417 | \$ 82 | \$ 385,499 | \$ 374,988 |
| Payments to employees | (6,280) | - | (6,280) | (2,642) |
| Payments to suppliers | (424) | - | (424) | (1,737) |
| Internal activity-payments to other funds | (95) | - | (95) | 385 |
| Claims paid | (393,896) | (1,077) | (394,973) | (370,378) |
| Due from (to) other governments | (8) | 3 | (5) | (12) |
| Other receipts | 1,356 | - | 1,356 | 1,330 |
| Net cash provided by (used in) operating activities | <u>(13,930)</u> | <u>(992)</u> | <u>(14,922)</u> | <u>1,934</u> |
| Cash flows from investing activities | | | | |
| Interest income on investments | (259) | 13 | (246) | 3,227 |
| Purchase of investments | (116,457) | (14,815) | (131,272) | (113,539) |
| Proceeds from sale of investments | 128,443 | 16,222 | 144,665 | 127,747 |
| Net cash provided by investing activities | <u>11,727</u> | <u>1,420</u> | <u>13,147</u> | <u>17,435</u> |
| Acquisition of property, plant and equipment | (7) | - | (7) | (5) |
| | <u>(7)</u> | <u>-</u> | <u>(7)</u> | <u>(5)</u> |
| Net increase in cash and cash equivalents | (2,210) | 428 | (1,782) | 19,364 |
| Cash and cash equivalents, July 1 | 24,725 | 2,438 | 27,163 | 7,799 |
| Cash and cash equivalents, June 30 | <u>\$ 22,515</u> | <u>\$ 2,866</u> | <u>\$ 25,381</u> | <u>\$ 27,163</u> |
| Cash and cash equivalents | | | | |
| Pooled cash and cash equivalents (Note 3A) | \$ 22,515 | \$ 2,866 | \$ 25,381 | \$ 27,163 |
| Total cash and cash equivalents, June 30 | <u>\$ 22,515</u> | <u>\$ 2,866</u> | <u>\$ 25,381</u> | <u>\$ 27,163</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities | | | | |
| Operating income (loss) | \$ (18,635) | \$ (848) | \$ (19,483) | \$ (112) |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation | 37 | - | 37 | 46 |
| Accounts receivable | 1 | - | 1 | 2 |
| Due from other funds | (79) | - | (79) | 629 |
| Accounts payable | (463) | 3 | (460) | 1,755 |
| Accrued payroll liabilities | (3) | - | (3) | 32 |
| Due to other funds | 13 | - | 13 | (159) |
| Due to other governments | (8) | - | (8) | (12) |
| Claims for workers' compensation | 5,384 | (147) | 5,237 | (324) |
| Compensated absences | (12) | - | (12) | 41 |
| Deferred revenue | (165) | - | (165) | 36 |
| Net cash provided by (used in) operating activities | <u>\$ (13,930)</u> | <u>\$ (992)</u> | <u>\$ (14,922)</u> | <u>\$ 1,934</u> |

Fiduciary Funds (Trust and Agency Funds)

Trust and Agency Funds are used to account for assets held by a government unit as trustee, or agent, for individuals, private organizations, other governmental units, and/or other funds.

Pension trust funds are used to account for the operation of the employee pension retirement programs. The funds include: Houston Firefighters' Relief and Retirement, Houston Municipal Employees', and Police Officers' funds.

Agency funds are custodial in nature, and assets equal liabilities with no measure of the results of operations or financial position. Agency funds include: Payroll Revolving, City Deposits, and Tax Clearing Funds.

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Plan Net Position
June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | | Firefighters' Relief and Retirement Pension Trust Fund |
|---|-----------|---|
| <hr/> | | |
| Assets | | |
| Cash and cash equivalents | \$ | 6,102 |
| Investments | | |
| U.S. government and agency securities | | - |
| Corporate bonds | | - |
| Other fixed income securities | | 825,201 |
| Commingled equity funds | | - |
| Common and preferred stock | | 2,062,328 |
| Real estate, partnerships and alternatives | | 2,194,175 |
| Short-term investment funds | | 160,416 |
| Invested securities lending collateral | | 77,687 |
| Receivables, net of allowances | | |
| Due from broker | | - |
| Contributions | | 8,005 |
| Accrued interest and dividends | | 2,462 |
| Other | | 126 |
| Other assets | | 820 |
| Land | | 483 |
| Building | | 3,382 |
| Total assets | | 5,341,187 |
| <hr/> | | |
| Liabilities and plan net position | | |
| Liabilities | | |
| Accounts payable | | 6,634 |
| Securities lending collateral | | 77,687 |
| Foreign funds contracts payable | | - |
| Other liabilities | | 104 |
| Total liabilities | | 84,425 |
| <hr/> | | |
| Net position restricted for pensions | \$ | 5,256,762 |
| <hr/> <hr/> | | |

| Municipal Employees' Pension Trust Fund | | Police Officers' Pension Trust Fund | | 2021 | 2020 |
|--|------------------|--|------------------|----------------------|----------------------|
| \$ | 11,653 | \$ | 24 | \$ 17,779 | \$ 19,669 |
| | - | | - | - | 46,657 |
| | - | | - | - | 211,421 |
| | 939,227 | | 977,050 | 2,741,478 | 1,665,193 |
| | 2,295,280 | | - | 2,295,280 | 608,648 |
| | - | | 2,667,020 | 4,729,348 | 4,214,532 |
| | 480,967 | | 2,394,957 | 5,070,099 | 4,637,032 |
| | 125,347 | | 1,078,809 | 1,364,572 | 1,107,695 |
| | 24,039 | | 125,217 | 226,943 | 101,674 |
| | 1,885 | | 5,226 | 7,111 | 9,030 |
| | 13,648 | | 2,564 | 24,217 | 24,853 |
| | - | | 7,629 | 10,091 | 19,477 |
| | 4,145 | | 76 | 4,347 | 16,681 |
| | 6,407 | | 7,797 | 15,024 | 10,489 |
| | - | | 5,322 | 5,805 | 483 |
| | - | | 60 | 3,442 | 3,705 |
| | <u>3,902,598</u> | | <u>7,271,751</u> | <u>16,515,536</u> | <u>12,697,239</u> |
| | 4,218 | | 8,951 | 19,803 | 25,992 |
| | 24,039 | | 125,217 | 226,943 | 101,674 |
| | 311 | | - | 311 | 6,905 |
| | 6,943 | | 332 | 7,379 | 5,473 |
| | <u>35,511</u> | | <u>134,500</u> | <u>254,436</u> | <u>140,044</u> |
| \$ | <u>3,867,087</u> | \$ | <u>7,137,251</u> | <u>\$ 16,261,100</u> | <u>\$ 12,557,195</u> |

CITY OF HOUSTON, TEXAS
PENSION TRUST FUNDS
Combining Statement of Changes in Plan Net Position
For the Year Ended June 30, 2021
(With comparative totals for 2020)
amounts expressed in thousands

| | Firefighters' Relief and Retirement Pension Trust Fund |
|---|---|
| Additions: | |
| Contributions | |
| City of Houston | \$ 77,495 |
| Members | 29,873 |
| Total Contributions | 107,368 |
| Investment income | |
| Interest | 14,523 |
| Net appreciation(depreciation) in fair value of investments | 1,330,057 |
| Dividends | 1,010 |
| Income on securities lending | 55 |
| Earnings from real estate, limited partnerships real estate investments, and other investments | 607 |
| Other income | 22 |
| Total investment and other income (loss) | 1,346,274 |
| Less - investment expense | (8,106) |
| Less - cost of securities lending | 61 |
| Total additions (reductions) | 1,445,597 |
| Deductions: | |
| Benefits paid to members | 283,989 |
| Refunds to members | 2,425 |
| Other | 5,353 |
| Total deductions | 291,767 |
| Net increase (decrease) | 1,153,830 |
| Net position restricted for pensions, beginning of year | 4,102,932 |
| Net position restricted for pensions, end of year | \$ 5,256,762 |

(Continued)

| Municipal Employees' Pension Trust Fund | Police Officers' Pension Trust Fund | 2021 | 2020 |
|--|--|----------------------|----------------------|
| \$ 184,762 | \$ 151,094 | \$ 413,351 | \$ 409,345 |
| 33,325 | 49,749 | 112,947 | 115,085 |
| <u>218,087</u> | <u>200,843</u> | <u>526,298</u> | <u>524,430</u> |
| 13,104 | 24,677 | 52,304 | 77,546 |
| 1,028,223 | 1,712,466 | 4,070,746 | (78,180) |
| 23,417 | 34,748 | 59,175 | 52,642 |
| 140 | - | 195 | 822 |
| 27,941 | - | 28,548 | 698 |
| 487 | - | 509 | 630 |
| <u>1,093,312</u> | <u>1,771,891</u> | <u>4,211,477</u> | <u>54,158</u> |
| (8,390) | (7,110) | (23,606) | (23,136) |
| (47) | 146 | 160 | (395) |
| <u>1,302,962</u> | <u>1,965,770</u> | <u>4,714,329</u> | <u>555,057</u> |
| 314,150 | 394,893 | 993,032 | 990,699 |
| 402 | 2,433 | 5,260 | 5,858 |
| 3,110 | 3,669 | 12,132 | 14,643 |
| <u>317,662</u> | <u>400,995</u> | <u>1,010,424</u> | <u>1,011,200</u> |
| 985,300 | 1,564,775 | 3,703,905 | (456,143) |
| 2,881,787 | 5,572,476 | 12,557,195 | 13,013,338 |
| <u>\$ 3,867,087</u> | <u>\$ 7,137,251</u> | <u>\$ 16,261,100</u> | <u>\$ 12,557,195</u> |

CITY OF HOUSTON, TEXAS
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2021
amounts expressed in thousands

| | <u>June 30, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2021</u> |
|----------------------------------|----------------------|------------------|------------------|----------------------|
| Payroll Revolving Fund | | | | |
| Assets | | | | |
| Accounts receivable | 9,118 | - | 1,033 | 8,085 |
| Total assets | <u>\$ 9,118</u> | <u>\$ -</u> | <u>\$ 1,033</u> | <u>\$ 8,085</u> |
| Liabilities | | | | |
| Accounts payable | \$ 9,118 | \$ - | \$ 1,033 | \$ 8,085 |
| Total liabilities | <u>\$ 9,118</u> | <u>\$ -</u> | <u>\$ 1,033</u> | <u>\$ 8,085</u> |
| City Deposit Fund | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 32 | \$ 5 | \$ - | \$ 37 |
| Investments | 100 | - | 8 | 92 |
| Total assets | <u>\$ 132</u> | <u>\$ 5</u> | <u>\$ 8</u> | <u>\$ 129</u> |
| Liabilities | | | | |
| Advances and deposits | \$ 132 | \$ - | \$ 3 | \$ 129 |
| Total liabilities | <u>\$ 132</u> | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ 129</u> |
| Tax Clearing Fund | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 3,960 | \$ 784 | \$ - | \$ 4,744 |
| Investments | 11,595 | - | 773 | 10,822 |
| Accounts receivable | 234,818 | 36,691 | - | 271,509 |
| Total assets | <u>\$ 250,373</u> | <u>\$ 37,475</u> | <u>\$ 773</u> | <u>\$ 287,075</u> |
| Liabilities | | | | |
| Accounts payable | \$ 250,373 | \$ 36,702 | \$ - | \$ 287,075 |
| Total liabilities | <u>\$ 250,373</u> | <u>\$ 36,702</u> | <u>\$ -</u> | <u>\$ 287,075</u> |
| Totals - All Agency Funds | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 3,992 | \$ 789 | \$ - | \$ 4,781 |
| Investments | 11,695 | - | 781 | 10,914 |
| Accounts receivable | 243,936 | 36,691 | 1,033 | 279,594 |
| Total assets | <u>\$ 259,623</u> | <u>\$ 37,480</u> | <u>\$ 1,814</u> | <u>\$ 295,289</u> |
| Liabilities | | | | |
| Accounts payable | \$ 259,491 | \$ 36,702 | \$ 1,033 | \$ 295,160 |
| Advances and deposits | 132 | - | 3 | 129 |
| Total liabilities | <u>\$ 259,623</u> | <u>\$ 36,702</u> | <u>\$ 1,036</u> | <u>\$ 295,289</u> |

Discretely Presented Component Units (Governmental-type)

Discretely Presented Component Units are legally separate organizations that the City of Houston must include as a part of its financial reporting entity for fair presentation. The City has twenty-eight (28) governmental non major component units which are divided into five (5) major categories.

Redevelopment – Local government corporations created by the City to redevelop blighted neighborhoods adjacent to Downtown Houston and other areas of the City.

Arts & Cultural – Non-profit organizations with a mission to enhance the city’s quality of life through advancing and investing in the arts, diverse cultural programming, library service, tourist and film projects.

Educational & Research – Non-profit organizations with a mission to coordinate and develop public and educational cable access activities within the City of Houston.

Houston BARC Foundation – A 501(c)(3) non-profit corporation with a mission to enhance the city’s quality of life through advancing and investing in the care and humane treatment of animals.

Houston Recovery Center LGC, Inc. – Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide management of the Houston Center for Sobriety.

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED NON MAJOR COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2021
amounts expressed in thousands

| | Redevelopment Authorities | Arts & Cultural Authorities | Educational & Research Authorities | BARC Foundation | Recovery Center, LGC | Nonmajor Component Units |
|--|------------------------------|--------------------------------|--|--------------------|-------------------------|-----------------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash | \$ 21,246 | \$ 22,368 | \$ 2,336 | \$ 304 | \$ 451 | \$ 46,705 |
| Equity in pooled cash and investments | 129,737 | 2,141 | 22,267 | - | - | 154,145 |
| Receivables, net of allowances | | | | | | |
| Accounts receivable | 8,690 | 10,347 | 338 | 4 | - | 19,379 |
| Property taxes receivable, net | 21,385 | - | - | - | - | 21,385 |
| Sales taxes receivable | - | - | - | - | - | - |
| Mixed beverage taxes receivable | - | - | - | - | - | - |
| Franchise taxes receivable | - | - | - | - | - | - |
| Special assessments receivable | 26 | - | - | - | - | 26 |
| Accrued interest and other | - | - | - | - | - | - |
| Due from component units | - | - | - | - | - | - |
| Due from primary government | 6,530 | 1,205 | - | - | - | 7,735 |
| Due from other governments | - | - | - | - | 557 | 557 |
| Property Held for resale | - | 251 | - | - | - | 251 |
| Prepaid items | 1,040 | 492 | 7 | - | 84 | 1,623 |
| Restricted assets | | | | | | |
| Investments | 9,053 | 2,610 | - | - | - | 11,663 |
| Other receivables | 56 | 123 | - | - | 50 | 229 |
| Due from other governments - grants | - | - | - | - | - | - |
| Total current assets | <u>197,763</u> | <u>39,537</u> | <u>24,948</u> | <u>308</u> | <u>1,142</u> | <u>263,698</u> |
| Noncurrent Assets | | | | | | |
| Restricted assets | | | | | | |
| Investments | - | 1,082 | - | - | - | 1,082 |
| Assessments receivable | - | - | - | - | - | - |
| Accrued interest receivable | - | - | - | - | - | - |
| Other long-term receivables | - | - | - | - | - | - |
| Due from other Funds | - | - | - | - | - | - |
| Due from other governments - grants | - | - | - | - | - | - |
| Amounts held by other governments | - | - | - | - | - | - |
| Total noncurrent assets | <u>-</u> | <u>1,082</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,082</u> |
| Other assets, net of depreciation | | | | | | |
| Other long-term receivables | - | 205 | - | - | - | 205 |
| Total other assets | <u>-</u> | <u>205</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>205</u> |
| Capital assets | | | | | | |
| Land | 3,095 | 70,731 | - | - | - | 73,826 |
| Buildings, improvements and equipment | 1,208 | 5,970 | - | - | 227 | 7,405 |
| Construction in progress | 5,372 | 30,203 | - | - | - | 35,575 |
| Less accumulated depreciation and amortization | (813) | (4,265) | - | - | (88) | (5,166) |
| Total capital assets | <u>8,862</u> | <u>102,639</u> | <u>-</u> | <u>-</u> | <u>139</u> | <u>111,640</u> |
| Total assets | <u>206,625</u> | <u>143,463</u> | <u>24,948</u> | <u>308</u> | <u>1,281</u> | <u>376,625</u> |
| Deferred outflows of resources | | | | | | |
| Deferred outflows of resources | - | - | - | - | - | - |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | 7,966 | 3,947 | 103 | - | 130 | 12,146 |
| Accrued payroll liabilities | - | - | 32 | - | 160 | 192 |
| Accrued interest payable | 836 | - | - | - | - | 836 |
| Contracts and retainages payable | 1,954 | - | - | - | - | 1,954 |
| Notes payable | 2,000 | 69 | - | - | - | 2,069 |
| Lease payable - current | - | 69 | - | - | - | 69 |
| Due to other funds | - | - | - | - | - | - |
| Due to the City of Houston | - | - | - | - | - | - |
| Due to other governments | - | 1,632 | - | - | - | 1,632 |
| Advances and deposits | 74 | 223 | 917 | - | - | 1,214 |
| Claims for workers' compensation | - | - | - | - | - | - |
| Claims and judgments | - | - | - | - | - | - |
| Compensated absences | - | - | - | - | - | - |
| Deferred Revenue | 26 | 4,809 | - | - | - | 4,835 |
| Current liabilities payable from restricted assets | | | | | | |
| Accounts payable | - | - | - | - | - | - |
| Bonds payable | 2,280 | - | - | - | - | 2,280 |
| Notes payable | - | - | - | - | - | - |
| Accrued interest payable | - | - | - | - | - | - |
| Advances and deposits | - | - | - | - | - | - |
| Construction billings and retainages | - | - | - | - | - | - |
| Due to other funds/Internal balances | - | - | - | - | - | - |
| Due to other governments | - | - | - | - | - | - |
| Due to component units | - | - | - | - | - | - |
| Total current liabilities | <u>15,136</u> | <u>10,749</u> | <u>1,052</u> | <u>-</u> | <u>290</u> | <u>27,227</u> |
| Noncurrent liabilities | | | | | | |
| Due to primary government | - | - | - | - | - | - |
| Notes payable | 37,912 | - | - | - | - | 37,912 |
| Bonds payable | 92,316 | - | - | - | - | 92,316 |
| Compensated absences | - | - | - | - | - | - |
| Contracts payable | - | - | - | - | - | - |
| General tax obligation debt | - | - | - | - | - | - |
| Commercial paper | - | - | - | - | - | - |
| Arbitrage rebate | - | - | - | - | - | - |
| Other long-term liabilities | - | 110 | - | - | - | 110 |
| Accrued maintenance, repair and replacement cost | - | - | - | - | - | - |
| Due to City of Houston | - | - | - | - | - | - |
| Municipal pension trust liability | - | - | - | - | - | - |
| Police officers' pension trust liability | - | - | - | - | - | - |
| Fire fighter's pension trust liability | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Total Noncurrent liabilities | <u>130,228</u> | <u>110</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>130,338</u> |
| Total liabilities | <u>145,364</u> | <u>10,859</u> | <u>1,052</u> | <u>-</u> | <u>290</u> | <u>157,565</u> |
| Net position | | | | | | |
| Net investment in capital assets | 5,855 | 102,394 | - | - | 139 | 108,388 |
| Restricted net position | | | | | | |
| Restricted for debt service | 899 | - | - | - | - | 899 |
| Restricted for renewal and replacement | - | - | - | - | - | - |
| Restricted for maintenance and operations | - | 3,555 | - | - | - | 3,555 |
| Restricted for others' capital improvement | - | - | - | - | - | - |
| Restricted for capital improvements | 15,874 | - | - | - | - | 15,874 |
| Other restricted | 19,206 | 11,382 | 19,550 | 2 | 36 | 50,176 |
| Unrestricted (deficit) | 19,427 | 15,273 | 4,346 | 306 | 816 | 40,168 |
| Total net position (deficit) | <u>\$ 61,261</u> | <u>\$ 132,604</u> | <u>\$ 23,896</u> | <u>\$ 308</u> | <u>\$ 991</u> | <u>\$ 219,060</u> |

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2021
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
|---------------------------------------|-----------------|---------------------------------|---|---|
| Redevelopment Authorities | 35,634 | - | 10,194 | - |
| Arts & Cultural Authorities | 54,922 | 20,011 | 15,017 | 12,380 |
| Educational & Research Authorities | 4,111 | - | 1,884 | - |
| Houston BARC Foundation | 130 | 6 | 87 | - |
| Houston Recovery Center LGC, Inc. | 4,210 | - | 4,146 | - |
| Total nonmajor component units | 99,007 | 20,017 | 31,328 | 12,380 |

General Revenues:

| |
|--|
| Taxes |
| Property Taxes - general purposes / tax increments |
| Hotel occupancy tax |
| Unrestricted investment earnings (loss) |
| Other |
| Total general revenues and transfers |
| Change in net position |
| Net Position (deficit) beginning |
| Change in Accounting entity |
| Prior period adjustment |
| Net Position (deficit) ending |

CITY OF HOUSTON, TEXAS
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2020
amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

| TIRZ Redevelopment Authorities | CUL Arts & Cultural Authorities | Educational & Research Authorities | Houston BARC Foundation | Houston Recovery Center LGC | Total Nonmajor Component Units |
|---|--|---|--|--|---|
| (25,440) | - | - | - | - | (25,440) |
| - | (7,514) | - | - | - | (7,514) |
| - | - | (2,227) | - | - | (2,227) |
| - | - | - | (37) | - | (37) |
| - | - | - | - | (64) | (64) |
| <u>(25,440)</u> | <u>(7,514)</u> | <u>(2,227)</u> | <u>(37)</u> | <u>(64)</u> | <u>(35,282)</u> |
| 37,283 | - | - | - | - | 37,283 |
| - | 1,575 | - | - | - | 1,575 |
| 79 | 75 | 4,161 | - | - | 4,315 |
| 1,643 | 105 | 36 | - | 8 | 1,792 |
| <u>39,005</u> | <u>1,755</u> | <u>4,197</u> | <u>-</u> | <u>8</u> | <u>44,965</u> |
| 13,565 | (5,759) | 1,970 | (37) | (56) | 9,683 |
| 38,976 | 138,701 | 21,927 | 345 | 1,047 | 200,996 |
| 1,171 | (338) | - | - | - | 833 |
| 7,549 | - | (1) | - | - | 7,548 |
| <u>\$ 61,261</u> | <u>\$ 132,604</u> | <u>\$ 23,896</u> | <u>\$ 308</u> | <u>\$ 991</u> | <u>\$ 219,060</u> |

CITY OF HOUSTON, TEXAS

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Statistical Section

(Unaudited)

This part of the City's Statistical annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| <u>Content</u> | <u>Page</u> |
|--|--------------------|
| Financial Trends | 230 |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | |
| Revenue Capacity | 242 |
| These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | |
| Debt Capacity | 247 |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 257 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | |
| Operating Information | 265 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | |

CITY OF HOUSTON, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|-----------------------|
| Governmental Activities | | | | |
| Net investment in capital assets | \$ 3,783,152 | \$ 3,959,260 | \$ 4,102,861 | \$ 4,250,590 |
| Restricted | 182,831 | 117,949 | 174,158 | 192,129 |
| Unrestricted | (2,343,970) | (2,469,700) | (2,651,151) | (5,487,349) |
| Total governmental activities net position | <u>\$ 1,622,013</u> | <u>\$ 1,607,509</u> | <u>\$ 1,625,868</u> | <u>\$ (1,044,630)</u> |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 666,936 | \$ 573,460 | \$ 240,888 | \$ 546,551 |
| Restricted | 871,409 | 949,449 | 1,024,548 | 1,131,835 |
| Unrestricted | (25,444) | (6,835) | 280,879 | (488,671) |
| Total business-type activities net position | <u>\$ 1,512,901</u> | <u>\$ 1,516,074</u> | <u>\$ 1,546,315</u> | <u>\$ 1,189,715</u> |
| Primary government | | | | |
| Net investment in capital assets | \$ 4,450,088 | \$ 4,532,720 | \$ 4,343,749 | \$ 4,797,141 |
| Restricted | 1,054,240 | 1,067,398 | 1,198,706 | 1,323,964 |
| Unrestricted | (2,369,414) | (2,476,535) | (2,370,272) | (5,976,020) |
| Total primary government net position | <u>\$ 3,134,914</u> | <u>\$ 3,123,583</u> | <u>\$ 3,172,183</u> | <u>\$ 145,085</u> |

Source: Annual Comprehensive Financial Report

| <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 4,434,420 | \$ 4,593,229 | \$ 4,865,143 | \$ 5,138,847 | \$ 5,992,469 | \$ 6,333,063 |
| 42,240 | 43,419 | 186,774 | 367,538 | 412,184 | 1,712,541 |
| (5,910,541) | (4,433,681) | (5,966,761) | (6,504,244) | (7,004,794) | (7,769,058) |
| <u>\$ (1,433,881)</u> | <u>\$ 202,967</u> | <u>\$ (914,844)</u> | <u>\$ (997,859)</u> | <u>\$ (600,141)</u> | <u>\$ 276,546</u> |
| | | | | | |
| \$ 629,382 | \$ 742,298 | \$ 823,404 | \$ 754,981 | \$ 1,111,081 | \$ 1,521,493 |
| 1,129,659 | 1,264,135 | 1,370,336 | 1,415,795 | 1,440,243 | 1,356,397 |
| (420,196) | (354,001) | (486,875) | (200,570) | (396,468) | 452,500 |
| <u>\$ 1,338,845</u> | <u>\$ 1,652,432</u> | <u>\$ 1,706,865</u> | <u>\$ 1,970,206</u> | <u>\$ 2,154,856</u> | <u>\$ 3,330,390</u> |
| | | | | | |
| \$ 5,063,802 | \$ 5,335,527 | \$ 5,688,547 | \$ 5,893,828 | \$ 7,103,550 | \$ 7,854,556 |
| 1,171,899 | 1,307,554 | 1,557,110 | 1,783,333 | 1,852,427 | 3,068,938 |
| (6,330,737) | (4,787,682) | (6,453,636) | (6,704,814) | (7,401,262) | (7,316,558) |
| <u>\$ (95,036)</u> | <u>\$ 1,855,399</u> | <u>\$ 792,021</u> | <u>\$ 972,347</u> | <u>\$ 1,554,715</u> | <u>\$ 3,606,936</u> |

CITY OF HOUSTON, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|-----------------------|-----------------------|-----------------------|
| Expenses | | | |
| Governmental activities: | | | |
| General government | \$ 270,279 | \$ 239,586 | \$ 247,481 |
| Public safety | 1,431,987 | 1,514,034 | 1,598,854 |
| Public works | 289,395 | 298,462 | 318,888 |
| Health | 111,891 | 121,988 | 133,159 |
| Housing and community development | 71,417 | 88,143 | 51,626 |
| Parks and recreation | 89,379 | 90,261 | 93,637 |
| Library | 42,455 | 44,913 | 48,724 |
| Interest in long-term debt | 157,407 | 151,893 | 143,231 |
| Depreciation and amortization | 126,303 | 130,620 | 132,817 |
| Total governmental activities expenses | <u>2,590,515</u> | <u>2,679,900</u> | <u>2,768,417</u> |
| Business-type activities: | | | |
| Airport System | 542,387 | 530,070 | 561,443 |
| Convention & Entertainment Facilities | 42,387 | 42,418 | 113,316 |
| Combined Utility System | 913,503 | 898,725 | 919,547 |
| Total business-type activities expenses | <u>1,498,277</u> | <u>1,471,213</u> | <u>1,594,306</u> |
| Total primary government expenses | <u>\$ 4,088,792</u> | <u>\$ 4,151,113</u> | <u>\$ 4,362,723</u> |
| Program Revenues | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government | 69,017 | 34,379 | 63,338 |
| Public safety | 141,965 | 139,087 | 188,521 |
| Public works | 171,177 | 238,836 | 266,422 |
| Health | 18,081 | 18,563 | 17,710 |
| Parks and recreation | 7,576 | 8,361 | 7,475 |
| Library | 979 | 1,356 | 1,681 |
| Operating grants and contributions | 303,085 | 312,959 | 277,700 |
| Capital grants and contributions | - | - | - |
| Total governmental activities program revenues | <u>711,880</u> | <u>753,541</u> | <u>822,847</u> |
| Business-type activities: | | | |
| Charges for services: | | | |
| Airport System | 417,550 | 432,994 | 452,107 |
| Convention & Entertainment Facilities | 8,934 | 10,372 | 11,124 |
| Combined Utility System | 917,238 | 924,690 | 953,408 |
| Operating grants and contributions | 12,014 | 10,834 | 10,692 |
| Capital grants and contributions | 22,984 | 19,800 | 50,382 |
| Total business-type activities program revenues | <u>1,378,720</u> | <u>1,398,690</u> | <u>1,477,713</u> |
| Total primary government program revenues | <u>\$ 2,090,600</u> | <u>\$ 2,152,231</u> | <u>\$ 2,300,560</u> |
| Net (expense)/revenue | | | |
| Governmental activities | \$ (1,878,635) | \$ (1,926,359) | \$ (1,945,570) |
| Business-type activities | (119,557) | (72,523) | (116,593) |
| Total primary government net expense | <u>\$ (1,998,192)</u> | <u>\$ (1,998,882)</u> | <u>\$ (2,062,163)</u> |

Source: Annual Comprehensive Financial Report

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|----|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| \$ | 359,640 | \$ 425,707 | \$ 297,716 | \$ 420,663 | \$ 412,427 | \$ 519,746 | \$ 446,622 |
| | 1,858,766 | 1,993,340 | 229,891 | 2,137,632 | 2,034,121 | 2,057,684 | 1,298,378 |
| | 336,311 | 343,657 | 341,257 | 423,137 | 402,857 | 407,569 | 397,085 |
| | 150,931 | 158,896 | 148,995 | 171,802 | 164,550 | 171,950 | 289,855 |
| | 65,275 | 61,707 | 61,608 | 53,965 | 91,997 | 137,035 | 372,473 |
| | 112,844 | 98,994 | 89,457 | 126,416 | 107,788 | 112,225 | 96,661 |
| | 49,374 | 48,691 | 34,966 | 51,312 | 50,007 | 54,956 | 43,093 |
| | 158,212 | 191,025 | 142,469 | 160,247 | 165,573 | 142,711 | 134,277 |
| | 138,016 | 143,028 | 150,196 | 153,092 | 156,412 | 163,454 | 179,046 |
| | <u>3,229,368</u> | <u>3,465,044</u> | <u>1,496,555</u> | <u>3,698,266</u> | <u>3,585,732</u> | <u>3,767,330</u> | <u>3,257,490</u> |
| | 556,844 | 581,022 | 526,662 | 605,653 | 596,069 | 631,435 | 585,528 |
| | 123,371 | 117,906 | 110,765 | 115,255 | 96,486 | 89,737 | 75,561 |
| | 924,793 | 942,176 | 850,363 | 991,167 | 1,042,141 | 1,032,629 | 1,052,061 |
| | <u>1,605,008</u> | <u>1,641,104</u> | <u>1,487,790</u> | <u>1,712,075</u> | <u>1,734,696</u> | <u>1,753,801</u> | <u>1,713,150</u> |
| \$ | <u>4,834,376</u> | <u>5,106,148</u> | <u>2,984,345</u> | <u>5,410,341</u> | <u>5,320,428</u> | <u>5,521,131</u> | <u>4,970,640</u> |
| | 70,322 | 68,093 | 74,887 | 63,994 | 58,537 | 64,160 | 57,546 |
| | 171,996 | 181,888 | 142,052 | 120,104 | 152,061 | 153,159 | 120,269 |
| | 215,038 | 222,236 | 215,824 | 212,743 | 232,423 | 232,059 | 231,258 |
| | 17,665 | 18,349 | 17,491 | 19,037 | 20,614 | 21,062 | 21,463 |
| | 8,676 | 8,820 | 8,902 | 9,033 | 7,483 | 6,210 | 9,372 |
| | 1,637 | 1,966 | 2,040 | 1,867 | 2,035 | 1,421 | 295 |
| | 305,363 | 323,686 | 346,243 | 380,094 | 488,757 | 592,484 | 1,138,524 |
| | 67,533 | 53,860 | 99,487 | 83,727 | 217,280 | 208,212 | 245,921 |
| | <u>858,230</u> | <u>878,898</u> | <u>906,926</u> | <u>890,599</u> | <u>1,179,190</u> | <u>1,278,767</u> | <u>1,824,648</u> |
| | 476,282 | 609,544 | 609,780 | 637,259 | 627,058 | 563,650 | 389,865 |
| | 12,390 | 12,431 | 12,283 | 7,883 | 10,655 | 9,486 | 6,100 |
| | 927,424 | 1,002,582 | 1,025,795 | 1,052,549 | 1,042,442 | 1,100,092 | 1,092,740 |
| | 10,768 | 13,348 | 20,187 | 19,346 | 26,731 | 24,810 | 221,928 |
| | 46,415 | 32,906 | 52,773 | 23,408 | 28,929 | 35,675 | 433,101 |
| | <u>1,473,279</u> | <u>1,670,811</u> | <u>1,720,818</u> | <u>1,740,445</u> | <u>1,735,815</u> | <u>1,733,713</u> | <u>2,143,734</u> |
| \$ | <u>2,331,509</u> | <u>2,549,709</u> | <u>2,627,744</u> | <u>2,631,044</u> | <u>2,915,005</u> | <u>3,012,480</u> | <u>3,968,382</u> |
| \$ | (2,371,138) | \$ (2,586,146) | \$ (589,629) | \$ (2,807,667) | \$ (2,406,542) | \$ (2,488,563) | \$ (1,432,842) |
| | (131,729) | 29,707 | 233,028 | 28,370 | 1,119 | (20,088) | 430,584 |
| \$ | <u>(2,502,867)</u> | <u>(2,556,439)</u> | <u>(356,601)</u> | <u>(2,779,297)</u> | <u>(2,405,423)</u> | <u>(2,508,651)</u> | <u>(1,002,258)</u> |

CITY OF HOUSTON, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

| | 2012 | 2013 | 2014 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|
| General Revenues and Other Changes in Net Position | | | | |
| Governmental Activities: | | | | |
| Taxes | | | | |
| Property taxes | \$ 866,143 | \$ 906,761 | \$ 973,902 | \$ 1,074,070 |
| Industrial assessments tax | 37 | 29,845 | 16,534 | 16,736 |
| Sales taxes | 546,543 | 600,256 | 629,441 | 667,061 |
| Franchise taxes | 193,153 | 195,664 | 190,368 | 190,245 |
| Mixed beverage taxes | 9,525 | 9,887 | 13,869 | 15,784 |
| Bingo taxes | 193 | 196 | 187 | 209 |
| Hotel occupancy tax | - | - | - | - |
| Investment earnings | 8,944 | 1,086 | 9,737 | 7,639 |
| Insurance proceeds | - | - | - | - |
| Other | 67,313 | 55,737 | 83,677 | 74,585 |
| Contributions | 12,167 | 26,767 | 17,364 | 30,525 |
| Gain (loss) on disposal of assets | - | - | - | 32,525 |
| Transfers | 75,878 | 72,807 | 41,968 | 49,105 |
| Total governmental activities | <u>1,779,896</u> | <u>1,899,006</u> | <u>1,977,047</u> | <u>2,158,484</u> |
| Business-type activities: | | | | |
| Hotel occupancy taxes | 68,623 | 76,325 | 90,119 | 90,711 |
| Investment earnings | 21,340 | 6,638 | 31,491 | 20,114 |
| Other | 98,017 | 122,755 | 158,577 | 170,555 |
| Special Items - gain (loss) on sale of assets | (89,658) | (61,282) | - | - |
| Transfers | (75,878) | (55,891) | (41,968) | (49,105) |
| Total business-type activities | <u>22,444</u> | <u>88,545</u> | <u>238,219</u> | <u>232,275</u> |
| Total primary government | <u>\$ 1,802,340</u> | <u>\$ 1,987,551</u> | <u>\$ 2,215,266</u> | <u>\$ 2,390,759</u> |
| Change in Net Position | | | | |
| Governmental activities | \$ (85,890) | \$ (14,504) | \$ 46,279 | \$ (192,559) |
| Business-type activities | (97,113) | 3,173 | 106,824 | 80,431 |
| Total primary government | <u>\$ (183,003)</u> | <u>\$ (11,331)</u> | <u>\$ 153,103</u> | <u>\$ (112,128)</u> |

*Beginning in Fiscal Year 2018, the City began reflecting the 19.3% of the hotel occupancy tax that was designated to the General Fund in the General Fund as opposed to the Convention and Entertainment Fund.

The amount here represents the 81% available to cover bond covenants.

| <u>2016</u> | <u>2017</u> | <u>*2018</u> | <u>*2019</u> | <u>*2020</u> | <u>*2021</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,099,411 | \$ 1,152,420 | \$ 1,172,313 | \$ 1,195,949 | \$ 1,222,846 | \$ 1,269,935 |
| 19,238 | 19,291 | 18,278 | 19,755 | 24,797 | 25,435 |
| 640,476 | 631,993 | 674,279 | 692,271 | 684,425 | 706,829 |
| 191,584 | 191,025 | 186,206 | 182,870 | 169,725 | 154,093 |
| 16,064 | 16,662 | 17,296 | 18,026 | 15,379 | 14,561 |
| 207 | 234 | 73 | 222 | - | - |
| - | - | 17,196 | 17,180 | 16,922 | 7,444 |
| 11,925 | 6,181 | 12,004 | 47,825 | 48,795 | 2,463 |
| - | - | 93,778 | 2,061 | - | - |
| 99,567 | 95,848 | 116,814 | 79,349 | 57,019 | 64,537 |
| 73,412 | - | - | (4,165) | - | - |
| - | 1,752 | - | 12,904 | 15,753 | 799 |
| 51,139 | 62,885 | 64,507 | 59,280 | 52,370 | 63,433 |
| <u>2,203,023</u> | <u>2,178,291</u> | <u>2,372,744</u> | <u>2,323,527</u> | <u>2,308,031</u> | <u>2,309,529</u> |
| 88,632 | 82,882 | 72,221 | 68,898 | 67,348 | 47,449 |
| 38,620 | 16,448 | 26,388 | 113,797 | 113,944 | 13,916 |
| 62,682 | 59,183 | 61,474 | 65,043 | 58,128 | 63,371 |
| - | 1,614 | 11,533 | (5,664) | - | - |
| (51,139) | (62,885) | (64,507) | (59,280) | (52,370) | (63,433) |
| <u>138,795</u> | <u>97,242</u> | <u>107,109</u> | <u>182,794</u> | <u>187,050</u> | <u>61,303</u> |
| <u>\$ 2,341,818</u> | <u>\$ 2,275,533</u> | <u>\$ 2,479,853</u> | <u>\$ 2,506,321</u> | <u>\$ 2,495,081</u> | <u>\$ 2,370,832</u> |
| \$ (363,751) | \$ 1,605,345 | \$ (434,923) | \$ (83,015) | \$ (180,532) | \$ 876,687 |
| 149,130 | 313,587 | 135,479 | 183,912 | 166,962 | 491,887 |
| <u>\$ (214,621)</u> | <u>\$ 1,918,932</u> | <u>\$ (299,444)</u> | <u>\$ 100,897</u> | <u>\$ (13,570)</u> | <u>\$ 1,368,574</u> |

CITY OF HOUSTON, TEXAS
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| General fund | | | | |
| Non-spendable | \$ 15,687 | \$ 14,792 | \$ 14,016 | \$ 16,450 |
| Restricted | 35,868 | 63,696 | 44,120 | 27,096 |
| Committed | 8,547 | 6,892 | 3,407 | 6,111 |
| Unassigned | 153,125 | 190,950 | 200,731 | 301,231 |
| Total general fund | <u>\$ 213,227</u> | <u>\$ 276,330</u> | <u>\$ 262,274</u> | <u>\$ 350,888</u> |
| | | | | |
| All other governmental funds | | | | |
| Unreserved , reported in: | | | | |
| Non-spendable | \$ 887 | \$ 1,303 | \$ 5,290 | \$ 2,436 |
| Restricted | 338,997 | 350,827 | 327,576 | 266,501 |
| Committed | 52,351 | 59,693 | 71,969 | 87,040 |
| Assigned | 19,873 | 46,008 | 106,607 | 125,061 |
| Total all other governmental funds | <u>\$ 412,108</u> | <u>\$ 457,831</u> | <u>\$ 511,442</u> | <u>\$ 481,038</u> |

Source: Annual Comprehensive Financial Report

In 2011, the City implemented GASB Statement No. 54, which changed the fund balance classifications.

| <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 15,493 | \$ 20,242 | \$ 18,881 | \$ 20,387 | \$ 22,667 | \$ 23,627 |
| 1,232 | 1,188 | 1,164 | 1,092 | 1,044 | 1,072 |
| 10,922 | 18,701 | 16,901 | 17,942 | 18,792 | 12,615 |
| 235,405 | 311,754 | 375,529 | 349,176 | 316,227 | 312,212 |
| <u>\$ 263,052</u> | <u>\$ 351,885</u> | <u>\$ 412,475</u> | <u>\$ 388,597</u> | <u>\$ 358,730</u> | <u>\$ 349,526</u> |
| | | | | | |
| \$ 2,395 | \$ 2,495 | \$ 3,138 | \$ 15,784 | \$ 3,306 | \$ 3,422 |
| 339,991 | 350,868 | 362,082 | 463,700 | 492,621 | 732,555 |
| 77,709 | 82,599 | 78,705 | 77,580 | 74,219 | 68,760 |
| 109,131 | 78,898 | 80,647 | 71,822 | 111,041 | 92,326 |
| <u>\$ 529,226</u> | <u>\$ 514,860</u> | <u>\$ 524,572</u> | <u>\$ 628,886</u> | <u>\$ 681,187</u> | <u>\$ 897,063</u> |

CITY OF HOUSTON
GENERAL FUND BUDGET FOR FISCAL YEAR 2022
(amounts expressed in thousands)
(unaudited)

| Budgeted Resources | Amount (in thousands) |
|--|----------------------------------|
| Revenues: | |
| Ad Valorem Taxes (current and delinquent) | \$ 1,230,985 |
| Sales and Use Tax | 703,000 |
| Franchise Fees | 149,319 |
| Municipal Courts Fines and Forfeits | 15,090 |
| Miscellaneous | 493,284 |
| Total Current Revenues | 2,591,678 |
| Beginning Fund Balance as of July 1, 2021(a) | 214,175 |
| Sale of Capital Assets | 3,305 |
| Transfers from Other Funds | 6,772 |
| Total Budgeted Resources | \$ 2,815,930 |
| Budgeted Expenditures | |
| Administrative Services and Public Finance | \$ 104,604 |
| Public Safety | 1,530,097 |
| Development and Maintenance Services | 157,135 |
| Human and Cultural Services | 183,989 |
| General Government | 218,501 |
| Debt Service and PAYGO Capital Projects | 415,633 |
| Total Budgeted Expenditures | 2,609,959 |
| Budgeted Ending Fund Balance as of June 30, 2022 | 205,971 |
| Total Budgeted Expenditures and Reserves | \$ 2,815,930 |

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2022 Budget.

CITY OF HOUSTON, TEXAS
June 30, 2021
CONTINUING DEBT DISCLOSURE INFORMATION
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2021-2025 CIP consists of the projects and facilities described in the following chart. (The 2021-2025 CIP also includes proposed improvements for the Combined Utility System, Airport System and Convention and Entertainment Facilities, which are financed primarily with revenues of those enterprise systems and, therefore, are not included in the table below).

| | Amount (in thousands) |
|--------------------------------------|----------------------------------|
| Streets, Bridges and Traffic Control | \$ 1,011,906 |
| Storm Sewers and Drainage | 863,338 |
| Parks and Recreation | 111,739 |
| Police Department | 98,178 |
| Fire Department | 64,841 |
| General Government | 70,049 |
| Public Library | 34,899 |
| Public Health | 44,684 |
| Solid Waste Management | 16,119 |
| Homeless and Housing | 4,400 |
| Technology | 49,266 |
| Fleet | 187,022 |
| Total | <u>\$ 2,556,441</u> (*) |

(*) The tax-supported component of the 2021-2025 CIP addresses a full range of capital facility and infrastructure improvements. The voter authorized improvements are expected to be initially financed with Commercial Paper Notes. The remaining amount is expected to be funded by grants, funds from agencies participating in joint capital improvement projects with the City and various other sources.

General Fund Indirect Charges to Other City Funds

A charge is made by the General Fund to the Water and Sewer System, Airport System, and to certain grant and special revenue funds for indirect charges incurred by the General Fund on behalf of such funds.

| Fiscal Year | Total Indirect Charges (in thousands) |
|------------------------|--|
| 2021 | 24,688 |
| 2020 | 27,789 |
| 2019 | 26,603 |
| 2018 | 28,910 |
| 2017 | 27,399 |
| 2016 | 26,611 |
| 2015 | 25,328 |
| 2014 | 18,558 |
| 2013 | 16,908 |
| 2012 | 18,255 |

CITY OF HOUSTON
CONTINUING DEBT DISCLOSURE INFORMATION
June 30, 2021
Long Term Disability and Compensated Absence Liability
(unaudited)

| | Fiscal Year 2021 (in thousands) |
|--|------------------------------------|
| Long-Term Disability Fund | |
| Assets Available for Future Long-Term Disability Obligations | \$ 8,880 |
| Claims Payable on Long-Term Disability Obligations | (7,139) |
| Unrestricted Net Assets | <u>\$ 1,741</u> |

| | Fiscal Year 2021 (in thousands) |
|--|------------------------------------|
| Compensated Absence Liability | |
| Governmental Short-Term Liability | \$ 167,650 |
| Enterprise Funds Liability | 34,802 |
| Internal Service Funds Liability | 300 |
| Governmental Funds Long-Term Liability | 340,846 |
| Total | <u>\$ 543,598</u> |

General Fund Specific Charges to Other City Funds
(unaudited)

An additional charge made by the General Fund to the Combined Utility System, Airport, the Capital Projects Fund and certain other funds of the City for specific services provided to such funds by the General Fund.

| <u>Fiscal Year</u> | <u>Total Direct Charges for Specific Services (in thousands)</u> |
|------------------------|--|
| 2021 | 59,308 |
| 2020 | 59,174 |
| 2019 | 62,214 |
| 2018 | 54,449 |
| 2017 | 53,523 |
| 2016 | 53,934 |
| 2015 | 47,851 |
| 2014 | 43,257 |
| 2013 | 43,519 |
| 2012 | 41,469 |

CITY OF HOUSTON, TEXAS
TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

| Fiscal Year | Property Tax | Sales Tax | Franchise Tax | Industrial Assessments | Mixed Beverage Tax | Bingo Tax | *Hotel Occupancy Tax | Total Tax Collections |
|--------------------|---------------------|------------------|----------------------|-------------------------------|---------------------------|------------------|-----------------------------|------------------------------|
| 2012 | \$ 866,143 | \$ 546,543 | \$ 193,153 | \$ 37 | \$ 9,525 | \$ 193 | \$ - | \$ 1,615,594 |
| 2013 | \$ 906,761 | \$ 600,256 | \$ 195,664 | \$ 29,845 | \$ 9,887 | \$ 196 | \$ - | \$ 1,742,609 |
| 2014 | \$ 973,902 | \$ 629,441 | \$ 190,368 | \$ 16,534 | \$ 13,869 | \$ 187 | \$ - | \$ 1,824,301 |
| 2015 | \$ 1,074,070 | \$ 667,061 | \$ 190,245 | \$ 16,736 | \$ 15,784 | \$ 209 | \$ - | \$ 1,964,105 |
| 2016 | \$ 1,099,411 | \$ 640,476 | \$ 191,584 | \$ 19,238 | \$ 16,064 | \$ 207 | \$ - | \$ 1,966,980 |
| 2017 | \$ 1,152,420 | \$ 631,993 | \$ 191,025 | \$ 19,291 | \$ 16,662 | \$ 234 | \$ - | \$ 2,011,625 |
| 2018 | \$ 1,172,313 | \$ 674,279 | \$ 186,206 | \$ 18,278 | \$ 17,296 | \$ 73 | \$ 17,196 | \$ 2,085,641 |
| 2019 | \$ 1,195,949 | \$ 692,271 | \$ 182,870 | \$ 19,755 | \$ 18,026 | \$ 222 | \$ 17,180 | \$ 2,126,273 |
| 2020 | \$ 1,222,846 | \$ 684,425 | \$ 168,556 | \$ 24,797 | \$ 15,379 | \$ - | \$ 16,922 | \$ 2,132,925 |
| 2021 | \$ 1,269,935 | \$ 706,829 | \$ 154,093 | \$ 25,435 | \$ 14,561 | \$ - | \$ 7,444 | \$ 2,178,297 |

*Beginning in Fiscal Year 2018, the City began reflecting the 19.3% of the hotel occupancy tax that was designated to the General Fund in the General Fund as opposed to the Convention and Entertainment Fund. The amount here represents the 81% available to cover bond covenants.

Beginning in Fiscal Year 2020, Bingo revenue was no longer considered a Tax. It is now considered a fee and reported in Other Miscellaneous Revenues.

CITY OF HOUSTON
TAXABLE VALUE OF PROPERTY
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

| Fiscal Year | Residential Property | Commercial Property | Industrial Property | Personal Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|--------------------|-----------------------------|----------------------------|----------------------------|--------------------------|-------------------------------------|------------------------------|
| 2012 | \$ 71,304,000 | \$ 48,618,000 | \$ 2,825,000 | \$ 22,279,000 | \$ 145,026,000 | 6.3875 |
| 2013 | \$ 72,490,000 | \$ 52,418,000 | \$ 3,196,000 | \$ 23,690,000 | \$ 151,794,000 | 6.3875 |
| 2014 | \$ 76,750,000 | \$ 60,835,000 | \$ 4,127,000 | \$ 25,749,000 | \$ 167,461,000 | 6.3875 |
| 2015 | \$ 87,461,000 | \$ 68,223,000 | \$ 4,509,000 | \$ 27,003,000 | \$ 187,196,000 | 6.3108 |
| 2016 | \$ 97,070,000 | \$ 73,598,000 | \$ 4,947,000 | \$ 28,362,000 | \$ 203,977,000 | 6.0112 |
| 2017 | \$ 106,995,000 | \$ 80,515,000 | \$ 5,050,000 | \$ 28,133,000 | \$ 220,693,000 | 5.8642 |
| 2018 | \$ 113,401,000 | \$ 81,423,000 | \$ 5,457,000 | \$ 27,238,000 | \$ 227,519,000 | 5.8421 |
| 2019 | \$ 116,204,000 | \$ 81,425,000 | \$ 5,455,000 | \$ 26,546,000 | \$ 229,630,000 | 5.8831 |
| 2020 | \$ 126,456,000 | \$ 84,519,000 | \$ 5,661,000 | \$ 27,655,000 | \$ 244,291,000 | 5.6792 |
| 2021 | \$ 136,018,000 | \$ 88,843,000 | \$ 5,881,000 | \$ 27,438,000 | \$ 258,180,000 | 5.6184 |

The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

The taxable value of property is the appraised value less exemptions and is received from Harris, Fort Bend and Montgomery County.

CITY OF HOUSTON, TEXAS
CHANGES IN FUND BALANCES IN GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|-------------------|-------------------|------------------|------------------|--------------------|
| Revenues | | | | | |
| Taxes | \$ 1,615,592 | \$ 1,745,882 | \$ 1,826,639 | \$ 1,964,470 | \$ 1,966,483 |
| Licenses and permits | 84,786 | 97,100 | 111,577 | 121,636 | 126,020 |
| Intergovernmental | 351,472 | 366,973 | 333,832 | 373,006 | 377,546 |
| Charges for services | 248,083 | 248,097 | 267,635 | 296,694 | 304,438 |
| Fines | 52,250 | 47,955 | 46,647 | 41,350 | 42,472 |
| Investment earnings | 8,944 | 1,086 | 9,737 | 7,639 | 11,925 |
| Contributions | 20 | - | - | - | - |
| Other | 72,180 | 70,001 | 98,189 | 95,129 | 117,442 |
| Total revenues | <u>2,433,327</u> | <u>2,577,094</u> | <u>2,694,256</u> | <u>2,899,924</u> | <u>2,946,326</u> |
| Expenditures | | | | | |
| General Government | 209,318 | 217,376 | 233,216 | 295,439 | 319,160 |
| Public safety | 1,212,975 | 1,267,523 | 1,355,369 | 1,374,859 | 1,418,763 |
| Public Works | 275,260 | 284,863 | 304,346 | 314,313 | 329,572 |
| Health | 102,304 | 111,986 | 122,446 | 139,016 | 145,976 |
| Housing and Community Development | 75,204 | 88,222 | 51,252 | 71,167 | 62,539 |
| Parks and recreation | 73,233 | 75,430 | 77,557 | 101,718 | 85,252 |
| Library | 34,115 | 35,433 | 38,421 | 38,170 | 39,271 |
| Retiree benefits | 10,360 | 11,907 | 10,920 | 11,059 | 11,390 |
| *Capital Outlay | 272,161 | 245,410 | 289,026 | 358,969 | 334,555 |
| Principal | 346,600 | 138,875 | 176,205 | 191,355 | 290,805 |
| Interest | 161,086 | 158,322 | 154,327 | 153,972 | 151,260 |
| Fiscal agent and fees | 10,161 | 6,212 | 4,528 | 5,289 | 6,785 |
| Total expenditures | <u>2,782,777</u> | <u>2,641,559</u> | <u>2,817,613</u> | <u>3,055,326</u> | <u>3,195,328</u> |
| Excess of revenues over (under) expenditures | (349,450) | (64,465) | (123,357) | (155,402) | (249,002) |
| Other financing sources (uses) | | | | | |
| Transfers in | 422,470 | 505,513 | 549,184 | 587,207 | 622,988 |
| Transfers out | (346,592) | (449,222) | (507,217) | (538,102) | (571,849) |
| Proceeds from issuance of debt | 806,685 | 438,276 | 119,000 | 117,740 | 65,000 |
| Proceeds from refunded debt | - | - | - | - | 557,615 |
| Payment to escrow agent | (458,052) | (395,227) | (519) | (1,404) | (550,600) |
| Sale of land | 4,844 | 5,818 | 2,464 | 48,171 | 8,792 |
| Bond premium (discount) | 81,310 | 51,617 | - | - | 102,908 |
| Transfer to component unit | 12,849 | 16,516 | - | - | - |
| Contributions out | - | - | - | - | - |
| Insurance proceeds | - | - | - | - | - |
| Total other financing sources (uses) | <u>523,514</u> | <u>173,291</u> | <u>162,912</u> | <u>213,612</u> | <u>234,854</u> |
| Net change in fund balances | <u>\$ 174,064</u> | <u>\$ 108,826</u> | <u>\$ 39,555</u> | <u>\$ 58,210</u> | <u>\$ (14,148)</u> |
| Debt service as a percentage of noncapital expenditures | 20.2% | 12.4% | 13.1% | 12.8% | 15.5% |

Source: Annual Comprehensive Financial Report

*Capital outlay does not agree to amount of capital additions per the reconciliation because of items below the capitalization threshold and because capital expenditures were found in other functional expenditures.

| <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|------------------|------------------|------------------|------------------|------------------|
| \$ 2,013,196 | \$ 2,068,675 | \$ 2,120,567 | \$ 2,133,402 | \$ 2,162,378 |
| 118,899 | 113,918 | 123,255 | 119,354 | 112,795 |
| 404,276 | 443,441 | 537,402 | 656,699 | 1,183,307 |
| 299,748 | 304,625 | 311,587 | 310,695 | 319,012 |
| 37,407 | 34,734 | 36,407 | 29,664 | 28,341 |
| 6,034 | 11,579 | 45,008 | 45,567 | 2,709 |
| - | - | - | - | - |
| 112,245 | 133,510 | 79,036 | 56,394 | 62,672 |
| <u>2,991,805</u> | <u>3,110,482</u> | <u>3,253,262</u> | <u>3,351,775</u> | <u>3,871,214</u> |
| 297,501 | 357,661 | 353,912 | 446,217 | 430,695 |
| 1,446,775 | 2,248,951 | 1,502,334 | 1,546,820 | 1,580,922 |
| 348,229 | 401,641 | 383,018 | 377,394 | 399,623 |
| 157,968 | 160,519 | 154,884 | 156,884 | 289,724 |
| 60,656 | 53,249 | 90,398 | 135,419 | 369,216 |
| 89,654 | 102,237 | 84,539 | 83,058 | 77,574 |
| 39,932 | 40,065 | 39,839 | 40,435 | 41,062 |
| 11,521 | 167,372 | 11,123 | 14,196 | 13,290 |
| 338,946 | 358,387 | 358,973 | 339,363 | 396,816 |
| 192,656 | 489,510 | 219,764 | 228,668 | 213,148 |
| 144,068 | 148,754 | 177,804 | 164,793 | 151,787 |
| 3,343 | 11,574 | 4,540 | 5,760 | 3,738 |
| <u>3,131,249</u> | <u>4,539,920</u> | <u>3,381,128</u> | <u>3,539,007</u> | <u>3,967,595</u> |
| (139,444) | (1,429,438) | (127,866) | (187,232) | (96,381) |
| 553,680 | 605,254 | 654,394 | 660,650 | 659,617 |
| (490,795) | (540,747) | (595,114) | (608,280) | (596,184) |
| 140,000 | 1,577,352 | 139,065 | 624,690 | 123,724 |
| - | - | - | 61,685 | - |
| - | (336,191) | - | (552,367) | - |
| 11,026 | 5,958 | 30,061 | 22,306 | 3,786 |
| - | 76,336 | - | - | - |
| - | - | - | - | - |
| - | - | (4,165) | - | - |
| - | 93,778 | 2,061 | 982 | - |
| <u>213,911</u> | <u>1,481,740</u> | <u>226,302</u> | <u>209,666</u> | <u>190,943</u> |
| <u>\$ 74,467</u> | <u>\$ 52,302</u> | <u>\$ 98,436</u> | <u>\$ 22,434</u> | <u>\$ 94,562</u> |
| 12.2% | 15.5% | 13.3% | 12.5% | 10.3% |

CITY OF HOUSTON
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(unaudited)

| Purpose | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| City | | | | | | |
| General Purposes | 4.23094 | 4.04129 | 4.19242 | 4.20227 | 4.54458 | 4.42194 |
| Debt Service | <u>1.38746</u> | <u>1.63791</u> | <u>1.69068</u> | <u>1.63983</u> | <u>1.31962</u> | <u>1.58926</u> |
| City of Houston (1) | 5.61840 | 5.67920 | 5.88310 | 5.84210 | 5.86420 | 6.01120 |
| County | | | | | | |
| Fort Bend County | 4.5321 | 4.6000 | 4.6400 | 4.6900 | 4.7400 | 4.8600 |
| Harris County (2) | 4.2258 | 4.3505 | 4.4735 | 4.4485 | 4.4485 | 4.4656 |
| Montgomery County | 4.3120 | 4.4750 | 4.6670 | 4.6670 | 4.6670 | 4.7670 |
| School District | | | | | | |
| Aldine I.S.D. | 12.7440 | 13.4712 | 13.4712 | 13.7339 | 13.2338 | 12.8590 |
| Alief I.S.D. | 12.0480 | 12.4410 | 13.3000 | 13.3000 | 13.0500 | 12.8000 |
| Clear Creek I.S.D. | 12.6590 | 13.1000 | 13.1000 | 14.0000 | 14.0000 | 14.0000 |
| Conroe I.S.D. | 12.1250 | 12.3000 | 12.8000 | 12.8000 | 12.8000 | 12.8000 |
| Crosby I.S.D. | 14.4030 | 15.4835 | 16.5000 | 16.7000 | 16.7000 | 16.7000 |
| Cypress-Fairbanks I.S.D. | 13.5550 | 13.7000 | 14.4000 | 14.4000 | 14.4000 | 14.4000 |
| Deer Park I.S.D. | 13.4960 | 14.1510 | 15.3870 | 15.5670 | 15.5670 | 15.5670 |
| Fort Bend I. S. D. | 12.4000 | 12.7000 | 13.2000 | 13.4000 | 13.4000 | 13.4000 |
| Galena Park I.S.D. | 14.5810 | 14.5810 | 14.7165 | 15.6330 | 15.6330 | 15.1340 |
| Goose Creek I.S.D. | 13.6860 | 13.4110 | 13.5428 | 14.3190 | 14.3190 | 14.3189 |
| Houston I.S.D. | 11.3310 | 11.3700 | 12.0670 | 12.0670 | 12.0670 | 11.9670 |
| Huffman I.S.D. | 13.4210 | 13.4210 | 14.0000 | 14.0000 | 14.0000 | 14.0000 |
| Humble I.S.D. | 14.1835 | 14.1835 | 15.2000 | 15.2000 | 15.2000 | 15.2000 |
| Katy I.S.D. | 14.4310 | 15.1660 | 15.1660 | 15.1660 | 15.1660 | 15.2660 |
| Klein I.S.D. | 13.4000 | 13.6000 | 14.3000 | 14.1000 | 14.3000 | 13.9000 |
| New Caney I.S.D. | 14.6030 | 15.6840 | 15.6840 | 16.7000 | 16.7000 | 16.7000 |
| North Forest I.S.D. (3) | | | | | | |
| Pasadena I.S.D. | 13.8300 | 13.7840 | 14.8000 | 14.8000 | 13.5000 | 13.5000 |
| Sheldon I.S.D. | 15.0160 | 15.2840 | 14.4840 | 14.7000 | 14.1000 | 14.1000 |
| Spring I.S.D. | 13.8430 | 14.3000 | 15.1000 | 15.1000 | 14.6996 | 14.7000 |
| Spring Branch I.S.D. | 13.0730 | 13.2100 | 13.2098 | 13.9450 | 13.9450 | 13.9450 |
| Municipal Utility District | | | | | | |
| Harris County MUD # 355 | 0.0600 | 0.0600 | 0.0600 | 0.0900 | 0.0900 | 1.2000 |
| Harris County MUD # 359 | 1.4500 | 1.4500 | 1.5000 | 1.6000 | 1.9000 | 2.6000 |
| Harris County MUD # 366 | 1.6000 | 1.6000 | 1.6000 | 1.6000 | 1.8000 | 2.0000 |
| Harris County MUD # 372 | 1.6750 | 1.6000 | 1.6000 | 1.6000 | 11.1000 | 1.6500 |
| Harris County MUD # 381 | 5.6000 | 6.0000 | 6.2000 | 6.3000 | 6.3000 | 7.4000 |
| Harris County MUD # 390 | 6.9650 | 7.0000 | 7.0000 | 7.0000 | 7.0000 | 7.0000 |
| Harris County MUD # 393 | 6.4000 | 6.8000 | 7.0000 | 7.3000 | 7.5000 | 9.1000 |
| Harris County MUD # 404 | 8.6125 | 8.6125 | 8.4125 | 8.6125 | 8.6125 | 8.6125 |
| Harris County MUD # 410 | 5.6000 | 5.6000 | 5.6000 | 5.9000 | 5.9000 | 6.9000 |
| Harris County MUD # 411 | 5.8000 | 6.0000 | 6.6000 | 7.0000 | 7.5000 | 9.0000 |
| Harris County MUD # 415 | 8.0000 | 8.0000 | 8.0000 | 8.0000 | 8.0000 | |
| Harris County MUD # 450 | 5.8500 | 6.3000 | 6.3000 | 7.8500 | 8.1358 | 7.9888 |
| Harris County MUD # 451 | 9.0000 | 9.0000 | 9.1000 | 9.1579 | 9.1358 | 8.8000 |
| Harris County MUD # 460 | 7.4000 | 7.4000 | 7.4000 | 7.4000 | 7.4000 | 7.4000 |
| Harris County MUD # 499 | 8.8000 | 9.1000 | 9.1000 | 15.4000 | 9.1300 | |
| Harris County MUD # 529 | 7.0000 | 7.5000 | 7.5000 | 7.5000 | 7.5000 | |
| Harris County MUD # 537 | 5.0000 | 5.0000 | 5.0000 | 5.0000 | 5.0000 | |
| Northwood MUD #1 | 10.0000 | 12.5000 | 12.5000 | 12.5000 | 12.5000 | 12.5000 |
| Other Jurisdictions | | | | | | |
| Clear Lake City Water Authority | 2.7000 | 2.7000 | 2.7000 | 2.7000 | 2.7000 | 2.7000 |
| Fort Bend Parkway Road (4) | | | | | | |
| Harris County Dept. of Education | 0.0499 | 0.0519 | 0.0519 | 0.0520 | 0.0520 | 0.0600 |
| Harris County Hospital District | 1.6671 | 1.7904 | 1.7108 | 1.7110 | | |
| Houston Community College | 0.2106 | 1.0026 | 0.2351 | 1.0264 | 0.0250 | 0.2631 |
| Lee College District | 2.3010 | 2.5010 | 2.5010 | 2.5040 | 2.1320 | 2.1570 |
| Lone Star College System | 1.0780 | 1.0780 | 1.0780 | 1.0780 | 1.0780 | 1.0790 |
| Port of Houston Authority | 0.0991 | 0.1074 | 0.1155 | 0.1256 | 0.1334 | 0.1342 |
| San Jacinto College District | 16.9358 | 17.8169 | 17.9329 | 18.3335 | 18.2379 | 17.5783 |

(1) The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

(2) Harris County includes the Harris County Flood Control District and the Harris County Toll Road. The Toll Road rate is zero.

(3) North Forest I.S.D. was closed and merged with Houston I.S.D.

(4) Debt has been paid off.

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------|----------------|---------------|---------------|
| 4.74635 | 4.77085 | 4.6221 | 4.8071 |
| <u>1.56445</u> | <u>1.61665</u> | <u>1.7654</u> | <u>1.5804</u> |
| 6.31080 | 6.38750 | 6.3875 | 6.3875 |
| 4.9476 | 4.9976 | 4.9976 | 4.9976 |
| 4.4467 | 4.4300 | 4.2830 | 4.1926 |
| 4.7670 | 4.8380 | 4.8380 | 4.8380 |
| 13.0590 | 13.0580 | 13.2839 | 13.2839 |
| 12.8000 | 12.9000 | 13.2000 | 13.3000 |
| 14.0000 | 14.0000 | 13.6000 | 6.3875 |
| 12.8000 | 12.9000 | 12.9500 | 6.3875 |
| 16.7000 | 16.7000 | 14.4000 | 6.3875 |
| 14.4000 | 14.5000 | 14.5000 | 6.3875 |
| 15.5670 | 15.5670 | 15.2670 | 6.3875 |
| 13.4000 | 13.4000 | 13.4000 | 6.3108 |
| 15.1340 | 15.1340 | 15.1340 | 6.0112 |
| 14.3189 | 13.3213 | 13.3213 | 5.8642 |
| 11.9670 | 11.5670 | 11.5670 | 5.8421 |
| 14.0000 | 14.2000 | 14.4500 | 5.8831 |
| 15.2000 | 15.2000 | 15.2000 | 15.2000 |
| 15.2660 | 15.2660 | 15.2660 | 15.2660 |
| 13.9000 | 14.3000 | 14.4000 | 14.3000 |
| 16.7000 | 15.4000 | 15.4000 | 15.4000 |
| | | | 14.6929 |
| 13.5000 | 13.5000 | 13.5000 | 13.5000 |
| 14.1000 | 14.3000 | 14.3000 | 14.3000 |
| 15.1000 | 15.7000 | 15.7000 | 15.7000 |
| 13.9450 | 13.9450 | 13.9450 | 13.9450 |
| 1.2000 | 2.0000 | 2.3500 | 2.3500 |
| 2.7000 | 3.0000 | 3.0500 | 3.0500 |
| 2.0000 | 2.5000 | 2.5000 | 2.5000 |
| 1.7500 | 1.9000 | 1.9000 | 1.9000 |
| 7.4000 | | | |
| 7.0000 | 7.0000 | 7.0000 | 7.0000 |
| 9.1000 | | | |
| 8.6125 | | | |
| 6.9000 | | | |
| 9.0000 | | | |
| 7.6892 | 7.6125 | 7.6125 | 7.7125 |
| 8.8000 | | | |
| 7.4000 | | | |
| 12.5000 | 12.5000 | 12.5000 | 12.5000 |
| 2.8000 | 2.8000 | 2.8000 | 2.8000 |
| | | 0.5443 | 0.5443 |
| 0.0600 | 0.0636 | 0.0658 | 0.0658 |
| 0.2984 | 0.2012 | 0.1750 | 0.1382 |
| 2.2070 | 2.6070 | 2.4100 | 2.5200 |
| 1.0810 | 1.1600 | 1.2100 | 1.2100 |
| 0.1531 | 0.1716 | 0.1952 | 0.1856 |
| 18.5600 | 1.8560 | 1.8560 | 1.8560 |

CITY OF HOUSTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2021
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)

| Taxpayer | 2021 | | | 2012 | | |
|-------------------------------------|-------------------------------|-------------|---|-------------------------------|-------------|---|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Centerpoint Energy, Inc. | \$ 2,426,630 | 1 | 0.95% | \$ 1,441,639 | 1 | 1.00% |
| Chevron Chemical Company | 924,128 | 2 | 0.36% | 691,201 | 3 | 0.48% |
| One Two Three Allen Center | 718,399 | 3 | 0.28% | | | |
| BSREP 1HC-4HC | 717,796 | 4 | 0.28% | | | |
| GWP (Greenway Plaza) | 702,313 | 5 | 0.27% | | | |
| PKY Citywest, POC, San Felipe Plaza | 698,163 | 6 | 0.27% | | | |
| HG Galleria 1 11 111 LP | 690,813 | 7 | 0.27% | 363,275 | 10 | 0.25% |
| Shell Oil Co | 664,945 | 8 | 0.26% | 405,613 | 9 | 0.28% |
| Finger FSC | 557,863 | 9 | 0.22% | | | |
| Conoco Phillips Co | 509,902 | 10 | 0.20% | | | |
| Crescent Real Estate | | | | 629,284 | 4 | 0.44% |
| Houston Refining | | | | 439,307 | 8 | 0.31% |
| Hines Interest Ltd. Partnership | | | | 1,393,328 | 2 | 0.97% |
| Valero Energy | | | | 577,211 | 5 | 0.40% |
| Continental Airlines, Inc. | | | | 523,433 | 6 | 0.36% |
| Exxon Mobil Corp | | | | 506,634 | 7 | 0.35% |
| Total | <u>\$ 8,610,952</u> | | <u>3.36%</u> | <u>\$ 6,970,925</u> | | <u>4.84%</u> |

CITY OF HOUSTON
TAX SUPPORTED DEBT SERVICE FUNDS
(amounts expressed in thousands)
(unaudited)

Tax Bond Debt Service Fund for Fiscal Year 2021

| | Amount (in thousands) |
|--|--|
| Budgeted Resources | |
| Beginning Fund Balance Estimate as of July 1, 2021 | \$ 151,257 |
| Transfers in from: | |
| General Fund | 339,739 |
| Combined Utility System Operating Fund | 20,039 |
| Other sources | 24,687 |
| Third Party Reimbursements | 3,313 |
| Other | 12,600 |
| Total Budgeted Resources | \$ 551,635 |
| Budgeted Expenditures | |
| Debt Service Requirements | |
| Tax Bonds | \$ 398,565 |
| Total Budgeted Expenditures | \$ 398,565 |
| Budgeted Ending Fund Balance as of June 30, 2021 | 153,070 |
| Total Budgeted Expenditures and Reserves | \$ 551,635 |

- (a) This fund includes the debt service for the City's Tax Bonds, Pension Obligations, Commercial Paper Notes and Tax Certificates.

CITY OF HOUSTON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Governmental Activities

| Fiscal Year | Public Improvement Bonds | Pension Obligations | Commercial Paper | Tax and Revenue Certificates | Notes Payable | Other Borrowings |
|--------------------|---------------------------------|----------------------------|-------------------------|-------------------------------------|----------------------|-------------------------|
| 2012 | \$ 2,582,320 | \$ 540,728 | \$ 226,900 | \$ 17,365 | \$ - | \$ 7,103 |
| 2013 | \$ 2,561,515 | \$ 540,728 | \$ 176,900 | \$ 11,870 | \$ 11,135 | \$ 6,458 |
| 2014 | \$ 2,422,445 | \$ 535,353 | \$ 257,350 | \$ 18,660 | \$ 11,629 | \$ 5,813 |
| 2015 | \$ 2,658,664 | \$ 529,603 | \$ 141,900 | \$ 17,671 | \$ - | \$ 5,154 |
| 2016 | \$ 2,603,712 | \$ 523,443 | \$ 99,900 | \$ 17,479 | \$ - | \$ 4,495 |
| 2017 | \$ 2,401,047 | \$ 516,858 | \$ 239,900 | \$ 16,682 | \$ - | \$ 3,836 |
| 2018 | \$ 2,455,354 | \$ 1,444,890 | \$ 70,000 | \$ 15,446 | \$ - | \$ 8,226 |
| 2019 | \$ 2,275,465 | \$ 1,434,480 | \$ 165,000 | \$ 14,156 | \$ - | \$ 5,062 |
| 2020 | \$ 2,165,078 | \$ 1,422,407 | \$ 131,900 | \$ 12,806 | \$ - | \$ 19,355 |
| 2021 | \$ 1,959,806 | \$ 1,400,128 | \$ 244,600 | \$ 11,396 | \$ - | \$ 28,889 |

Business-type Activities

| Fiscal Year | Combined Utility System Revenue Bonds | Houston Airport System Revenue Bonds | Convention & Entertainment Revenue Bonds | Long-Term Contracts | Total Primary Government | Percentage of Personal Income | Per Capita (a) |
|--------------------|--|---|---|----------------------------|---------------------------------|--------------------------------------|-----------------------|
| 2012 | \$ 5,821,210 | \$ 2,348,521 | \$ 537,499 | \$ 149,121 | \$ 12,230,767 | Not available | \$ 5,722 |
| 2013 | \$ 6,023,556 | \$ 2,290,936 | \$ 509,249 | \$ 135,585 | \$ 12,267,932 | Not available | \$ 5,585 |
| 2014 | \$ 6,041,391 | \$ 2,232,051 | \$ 482,974 | \$ 122,048 | \$ 12,129,714 | Not available | \$ 5,777 |
| 2015 | \$ 6,545,540 | \$ 2,393,951 | \$ 681,585 | \$ 198,217 | \$ 13,172,285 | Not available | \$ 5,882 |
| 2016 | \$ 6,703,987 | \$ 2,468,672 | \$ 666,280 | \$ 209,300 | \$ 13,297,268 | Not available | \$ 5,791 |
| 2017 | \$ 6,782,294 | \$ 2,371,252 | \$ 649,112 | \$ 469,253 | \$ 13,450,234 | Not available | \$ 5,839 |
| 2018 | \$ 6,865,875 | \$ 2,334,124 | \$ 703,234 | \$ 750,193 | \$ 14,647,342 | Not available | \$ 6,333 |
| 2019 | \$ 6,891,460 | \$ 2,245,566 | \$ 725,803 | \$ 910,375 | \$ 14,667,367 | Not available | \$ 6,308 |
| 2020 | \$ 6,975,458 | \$ 2,227,419 | \$ 656,266 | \$ 890,120 | \$ 14,500,809 | Not available | \$ 6,250 |
| 2021 | \$ 6,984,887 | \$ 2,422,006 | \$ 634,448 | \$ 850,593 | \$ 14,536,753 | Not available | \$ 6,276 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(a) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF HOUSTON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)
(unaudited)

| Fiscal Year | General Tax Obligation Debt (1) | Less: Amounts Available in Debt Service Fund (4) | Total | Percentage of Estimated Actual Taxable Value (2) of Property | Per Capita (3) |
|--------------------|--|---|--------------|---|-----------------------|
| 2012 | \$ 3,374,416 | \$ 160,259 | \$ 3,214,157 | 2.27% | \$ 1,565 |
| 2013 | \$ 3,308,606 | \$ 117,887 | \$ 3,190,719 | 2.22% | \$ 1,522 |
| 2014 | \$ 3,251,250 | \$ 97,655 | \$ 3,153,595 | 2.09% | \$ 1,566 |
| 2015 | \$ 3,140,357 | \$ 82,422 | \$ 3,057,935 | 1.51% | \$ 1,365 |
| 2016 | \$ 3,244,534 | \$ 8,770 | \$ 3,235,764 | 1.48% | \$ 1,409 |
| 2017 | \$ 3,174,487 | \$ 7,933 | \$ 3,166,554 | 1.40% | \$ 1,375 |
| 2018 | \$ 3,985,690 | \$ 82,868 | \$ 3,902,822 | 1.73% | \$ 1,688 |
| 2019 | \$ 3,889,101 | \$ 85,186 | \$ 3,803,915 | 1.67% | \$ 1,636 |
| 2020 | \$ 3,732,191 | \$ 116,395 | \$ 3,615,796 | 1.13% | \$ 1,555 |
| 2021 | \$ 3,615,930 | \$ 107,530 | \$ 3,508,400 | 1.13% | \$ 1,509 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. General tax obligation debt repaid from property taxes.
2. See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
3. Population data can be found in the Schedule of Demographic and Economic Statistics
4. Amounts available in Debt Service Fund changed beginning in 2009 to agree to restricted for debt service in the Statement of Net Position.

CITY OF HOUSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2021
(amounts expressed in thousands)
(unaudited)

| City | Net Direct Debt | | % of Debt Applicable to Houston | City of Houston Share of Debt |
|---|----------------------|----------|---------------------------------------|-------------------------------------|
| | Amount | As of | | |
| City of Houston - direct | \$ 3,644,819 | 06/30/21 | 100.00% | \$ 3,644,819 |
| County | | | | |
| Fort Bend County | 598,108 | 06/30/21 | 1.67% | 9,988 |
| Harris County (including Toll Road Bonds) | 1,476,169 | 06/30/21 | 51.80% | 764,656 |
| Harris County Flood Control | 743,804 | 06/30/21 | 51.80% | 385,290 |
| Montgomery County | 462,819 | 06/30/21 | 1.16% | 5,369 |
| School District | | | | |
| Aldine I.S.D. | 1,573,663 | 06/30/21 | 43.42% | 683,284 |
| Alief I.S.D. | 319,578 | 08/31/21 | 80.82% | 258,283 |
| Clear Creek I.S.D. | 973,616 | 06/30/21 | 23.13% | 225,197 |
| Conroe I.S.D. | 1,820,907 | 08/31/21 | 0.00% | 0 |
| Crosby I.S.D. | 117,550 | 06/30/21 | 2.44% | 2,868 |
| Cypress-Fairbanks I.S.D. | 3,331,377 | 06/30/21 | 14.61% | 486,714 |
| Deer Park I.S.D. | 266,948 | 06/30/21 | 2.06% | 5,499 |
| Fort Bend I.S.D. | 1,347,095 | 06/30/21 | 1.67% | 22,496 |
| Galena Park I.S.D. | 365,498 | 08/31/20 | 7.68% | 28,070 |
| Goose Creek I.S.D. | 343,365 | 06/30/21 | 0.00% | 0 |
| Houston I.S.D. | 2,449,788 | 06/30/21 | 92.35% | 2,262,379 |
| Huffman I.S.D. | 94,399 | 06/30/21 | 27.72% | 26,167 |
| Humble I.S.D. | 685,349 | 06/30/21 | 33.71% | 231,031 |
| Katy I.S.D. | 2,051,285 | 08/31/20 | 12.94% | 265,436 |
| Klein I.S.D. | 999,439 | 06/30/21 | 2.76% | 27,585 |
| New Caney I.S.D. | 550,299 | 09/01/21 | 18.28% | 100,595 |
| Pasadena I.S.D. | 660,374 | 06/30/21 | 41.31% | 272,800 |
| Sheldon I.S.D. | 367,667 | 06/30/21 | 1.59% | 5,846 |
| Spring I.S.D. | 884,427 | 06/30/21 | 3.29% | 29,098 |
| Spring Branch I.S.D. | 1,228,797 | 06/30/21 | 73.75% | 906,238 |
| Municipal Utility District | | | | |
| Harris County MUD 355 | 4,274 | 09/02/21 | 100.00% | 4,274 |
| Harris County MUD 359 | 1,084 | 06/30/21 | 100.00% | 1,084 |
| Harris County MUD 372 | 2,775 | 06/30/21 | 100.00% | 2,775 |
| Harris County MUD 381 | 12,191 | 06/30/21 | 100.00% | 12,191 |
| Harris County MUD 390 | 34,418 | 06/30/21 | 100.00% | 34,418 |
| Harris County MUD 393 | 8,081 | 06/30/21 | 100.00% | 8,081 |
| Harris County MUD 404 | 7,473 | 06/30/21 | 100.00% | 7,473 |
| Harris County MUD 410 | 15,391 | 06/30/21 | 100.00% | 15,391 |
| Harris County MUD 411 | 6,262 | 06/30/21 | 100.00% | 6,262 |
| Harris County MUD 415 | 3,883 | 06/30/21 | 100.00% | 3,883 |
| Harris County MUD 450 | 15,096 | 06/14/21 | 100.00% | 15,096 |
| Harris County MUD 451 | 5,058 | 06/23/21 | 100.00% | 5,058 |
| Harris County MUD 460 | 15,533 | 06/30/21 | 100.00% | 15,533 |
| Harris County MUD 499 | 12,162 | 06/15/21 | 100.00% | 12,162 |
| Harris County MUD 529 | 10,680 | 06/10/21 | 100.00% | 10,680 |
| Harris County MUD 537 | 13,388 | 06/30/21 | 100.00% | 13,388 |
| Northwood MUD # 1 | 2,290 | 06/30/21 | 100.00% | 2,290 |
| Other Jurisdictions | | | | |
| Clear Lake City Water Authority | 96,285 | 06/30/21 | 64.47% | 62,075 |
| Harris County Hospital District | 66,341 | 06/30/21 | 51.80% | 34,365 |
| Houston Community College | 506,270 | 06/30/21 | 90.86% | 459,997 |
| Lee College District | 58,113 | 08/31/20 | 0.00% | 0 |
| Lone Star College System | 496,685 | 06/30/21 | 13.72% | 68,145 |
| Port of Houston Authority | 456,449 | 06/30/21 | 51.80% | 236,441 |
| San Jacinto College District | 521,105 | 06/30/21 | 15.44% | 80,459 |
| Total overlapping debt | 26,083,608 | | | 8,116,411 |
| Total direct and overlapping debt | <u>\$ 29,728,427</u> | | | <u>\$ 11,761,230</u> |

The net direct debt amounts above, except for that which relates to the City of Houston, were provided by the individual government entities or the Municipal Advisory Council of Texas (MACTx). The percentage of debt applicable to the City was provided by MACTx. Net Direct Debt is equal to the outstanding principal amount less sinking fund balances.

The percentage of overlapping debt applicable is estimated using (market or taxable) assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's (market or taxable) assessed value that is within the overlapping jurisdiction's boundaries and dividing it by the overlapping jurisdiction's total (market or taxable) assessed value.

City of Houston, Texas
AD VALOREM TAX LEVIES AND COLLECTIONS
(amounts expressed in thousands)
(unaudited)

| Fiscal Year | Tax Rate ^(a) | | | Net Current Year Tax Levy ^{(b) (d)} (in thousands) | Current Collections Prior to End of Fiscal Year ^{(c) (d) (e)} (in thousands) | Prior Years' Delinquent Collections ^(e) (in thousands) | Total Collection ^{(c) (d) (e)} (in thousands) | Total Collections Percentage of Net Levy ^(d) |
|-------------|-------------------------|--------------|---------|--|--|--|---|---|
| | General Purposes | Debt Service | Total | | | | | |
| 2013 | 0.46221 | 0.17654 | 0.63875 | 970,157 | 949,784 | 30,555 | 980,339 | 101.0 |
| 2014 | 0.47709 | 0.16166 | 0.63875 | 1,071,503 | 1,053,287 | 25,100 | 1,078,387 | 100.6 |
| 2015 | 0.47464 | 0.15644 | 0.63108 | 1,183,204 | 1,156,298 | 23,578 | 1,179,876 | 99.7 |
| 2016 | 0.44219 | 0.15893 | 0.60112 | 1,228,563 | 1,206,449 | 9,000 | 1,215,449 | 98.9 |
| 2017 | 0.45446 | 0.13196 | 0.58642 | 1,299,973 | 1,276,573 | 16,500 | 1,293,073 | 99.5 |
| 2018 | 0.42023 | 0.16398 | 0.58421 | 1,329,129 | 1,307,863 | 4,941 | 1,312,804 | 98.8 |
| 2019 | 0.41924 | 0.16907 | 0.58831 | 1,347,166 | 1,326,810 | 10,187 | 1,336,997 | 99.2 |
| 2020 | 0.40413 | 0.16379 | 0.56792 | 1,367,460 | 1,345,580 | 16,082 | 1,361,662 | 99.6 |
| 2021 | 0.42309 | 0.13875 | 0.56184 | 1,450,559 | 1,414,585 | 14,399 | 1,428,984 | 98.5 |
| 2022 | 0.40247 | 0.14836 | 0.55083 | 1,455,050 | 1,406,306 | 8,798 | 1,415,104 | 97.3 |

- (a) The Texas Constitution limits the maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation for home-rule cities such as the City; however, for a discussion of the more restrictive City Charter Limitations, see "PROPERTY TAXES – City Charter Tax and Revenue Limitations."
- (b) The figures represent net adjusted levies, including the late certification and correction rolls from the Appraisal District, through June 30 of each Fiscal Year, except for Fiscal Year 2022, which is as of August 06, 2021.
- (c) These amounts do not include revenues from various types of Industrial District Contracts entered into by the City with industrial property owners outside of the City's corporate limits. Such Industrial District Contracts have a term of fifteen years (currently scheduled to terminate in Tax Year 2027) and allow property owners to make payments to the City in lieu of paying ad valorem taxes.
- (d) Includes all ad valorem tax receipts received by the City, including tax increment revenues that are deposited into special funds designated for various tax increment reinvestment zones. By virtue of contracts among the City, the Zones and the local government corporations that manage the zones, the tax increments are transferred to the respective local government corporation and are available to fund authorized projects in the Zone and to be pledged to obligations issued by the local government corporation on behalf of the Zone. Bonds and other obligations issued by the local government are not debt of the City. In Fiscal Year 2022, the City has budgeted approximately \$193.2 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately \$47.4 million will be transferred back to the City for affordable housing projects, an administrative fee and a fee for municipal service costs attributable to development in such Zones. Much of the tax increments transferred to the zones are used to promote economic developments through the acquisition and construction of public improvements to spur development in certain areas of the City. Additionally, the zones provide affordable housing and funds for certain City capital improvement projects.
- (e) The City's Fiscal Year 2022 Budget includes a property tax levy in compliance with Proposition 1. Upon receipt of the Certified Initial Roll a proposed tax rate is calculated to comply with the tax revenue restrictions.

City of Houston, Texas
AD VALOREM TAX OBLIGATION PERCENTAGES
(amounts expressed in thousands)
(unaudited)

| Tax Year | Fiscal Year | Tax-Supported Debt at December 31 (in thousands) ^(f) | Tax Roll^(a) (in thousands) | Tax-Supported Debt as a Percentage of Tax Roll | Tax-Supported Per Capita Debt^(b) | Debt Service Requirement Payable from Taxes^{(c)(d)} (in thousands) | Tax Levy for Debt Service (in thousands)^(e) |
|-----------------|--------------------|--|--|---|--|--|---|
| 2011 | 2012 | 3,471,590 | 145,042,978 | 2.39% | 1,617 | 297,923 | 229,700 |
| 2012 | 2013 | 3,469,360 | 152,801,703 | 2.27% | 1,613 | 300,124 | 241,100 |
| 2013 | 2014 | 3,392,510 | 167,460,662 | 2.03% | 1,545 | 304,267 | 243,813 |
| 2014 | 2015 | 3,329,635 | 187,196,033 | 1.78% | 1,487 | 337,756 | 264,500 |
| 2015 | 2016 | 3,225,240 | 204,300,968 | 1.58% | 1,405 | 340,345 | 295,954 |
| 2016 | 2017 | 3,079,240 | 220,692,709 | 1.40% | 1,337 | 339,639 | 258,415 |
| 2017 | 2018 | 3,978,830 | 227,519,681 | 1.75% | 1,720 | 384,968 | 333,784 |
| 2018 | 2019 | 3,887,020 | 229,630,283 | 1.69% | 1,671 | 427,761 | 342,205 |
| 2019 | 2020 | 3,918,035 | 244,291,904 | 1.60% | 1,689 | 403,043 | 352,100 |
| 2020 | 2021 | 3,603,895 | 258,180,081 | 1.40% | 1,553 | 382,854 | 311,353 |

- (a) With the exception of Tax Year 2020, the tax roll represents the total appraised value of property, after subtracting all exemptions, and reflects all adjustments made by the Appraisal Districts as of June 30 of each Fiscal Year. The Tax Year 2020 amount represents the Appraisal Districts' estimate of certified taxable valuations based on tax rolls available as of July 02, 2021. As of July 02, 2021, the total assessed value for Tax Year 2020 (including exempt property values) was approximately \$338.5 billion, which is the appraised value used to determine the statutory limitation of approximately \$33.8 billion relating to total bond indebtedness.
- (b) Per capita figures are based on population estimates according to the U.S. Census Bureau.
- (c) These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund.
- (d) These amounts include principal and interest payments for Tax Obligations, except it only includes interest for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year.
- (e) Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.
- (f) Information as reported in the City's Monthly Operations and Financial Report dated as of December 31 of each Fiscal Year.

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**CITY OF HOUSTON, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)**

LEGAL DEBT MARGIN CALCULATION AT JUNE 30, 2021

| | |
|--|---------------------|
| Assessed Value (1) | \$ 338,485,344 |
| Debt Limit (10% of assessed value) | \$ 33,848,534 |
| Debt applicable to limit: | |
| Public Improvement Bonds | 1,959,806 |
| Pension Obligations | 1,400,128 |
| Commercial Paper - General Obligation | 244,600 |
| Tax and Revenue Certificates of Obligation | 11,396 |
| Total net debt applicable to limit | <u>\$ 3,615,930</u> |
| Legal debt margin | \$ 30,232,604 |

HISTORICAL LEGAL DEBT LIMITATION

| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|
| Legal debt limitation, 10% of assessed value(2) | \$ 19,108,922 | \$ 20,140,168 | \$ 21,962,278 |
| Total net debt applicable to margin | <u>3,367,313</u> | <u>3,291,013</u> | <u>3,233,808</u> |
| Legal debt margin | <u>\$ 15,741,609</u> | <u>\$ 16,849,155</u> | <u>\$ 18,728,470</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 18% | 16% | 15% |

(1) Assessed Value for the 2018 tax year (fiscal year 2019) is based on the appraised value of property prior to any deductions for exemptions. The Assessed Value is derived from the certified valuations provided by the Harris County Appraisal District as of July 2019.

(2) See Texas Government Code, Chapter 1331.051 (b).

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 24,401,203 | \$ 26,857,750 | \$ 28,781,940 | \$ 29,222,567 | \$ 30,143,366 | \$ 32,030,547 | \$ 33,848,534 |
| 3,135,203 | 3,244,534 | 3,174,499 | 3,985,690 | 3,889,101 | 3,732,189 | 3,615,930 |
| <u>\$ 21,266,000</u> | <u>\$ 23,613,216</u> | <u>\$ 25,607,441</u> | <u>\$ 25,236,877</u> | <u>\$ 26,254,265</u> | <u>\$ 28,298,358</u> | <u>\$ 30,232,604</u> |
| 13% | 12% | 11% | 14% | 13% | 12% | 11% |

CITY OF HOUSTON, TEXAS
PLEDGED - REVENUE COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

| Airport System Bonds ⁽¹⁾ | | | | | | | | |
|--|--|---------------------------------|----------------------------|---------------------|--------------------------------|---|--|--------------------|
| Fiscal Year | Operating & Non-Operating Revenues ⁽²⁾ | Less: Operating Expenses | Net Pledged Revenue | Debt Service | | Less Grants Available for Debt Service | Less PFC revenue Available for Debt Service | Coverage |
| | | | | Principal | Interest ⁽³⁾ | | | |
| 2012 | 429,665 | 255,507 | 174,158 | 59,575 | 91,736 | 7,360 | 36,619 | 1.62 |
| 2013 | 441,245 | 252,745 | 188,500 | 56,800 | 97,138 | - | 34,390 | 1.58 |
| 2014 | 460,768 | 268,745 | 192,023 | 60,419 | 96,005 | 22,942 | 35,614 | 1.96 |
| 2015 | 489,822 | 283,557 | 206,265 | 71,999 | 91,320 | 16,399 | 38,054 | 1.89 |
| 2016 | 495,831 | 314,715 | 181,116 | 79,093 | 84,811 | 13,888 | 42,320 | 1.68 |
| 2017 | 510,524 | 254,506 ⁽⁴⁾ | 256,018 | 82,707 | 92,316 | - | 54,673 | 2.13 |
| 2018 | 522,407 | 326,889 | 195,518 | 81,137 | 93,319 | - | 50,642 | 1.58 |
| 2019 | 518,192 | 315,153 | 203,039 | 80,110 | 96,202 | - | 60,646 | 1.76 |
| 2020 | 491,537 | 314,034 | 177,504 | 89,090 | 91,641 | 14,169 | 55,040 | 1.59 |
| 2021 | 329,108 | 251,830 | 77,280 | 75,580 | 69,769 | 88,984 | 56,365 | (*) not calculated |

1. Including Sr. Lien Commercial Paper, Subordinate Lien Bonds, and Inferior Lien Obligations.
 2. Income and revenue derived from the operation of the Airport System with limited exclusions.
 3. Debt service is net of amounts paid by grant fund, capitalized interest and passenger facility charges revenue.
 4. The decrease in net pension liability recorded as negative expense in FY2017 was \$67.4 million.
- (*) Calculations not performed for the year ended 6/30/21 as HAS paid all debt service in fiscal year 2021 from PFC's and CARES Act proceeds

| Combined Utility System Bonds ⁽⁵⁾ | | | | | | |
|---|--|-----------------------------|----------------------------|---------------------|-----------------|-----------------|
| Fiscal Year | Operating & Non-Operating Revenues ⁽⁶⁾ | Less: Total Expenses | Net Pledged Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2012 | 969,027 | 417,615 | 551,412 | 68,285 | 299,436 | 1.50 |
| 2013 | 979,550 | 399,855 | 579,695 | 80,278 | 308,204 | 1.49 |
| 2014 | 1,029,563 | 406,273 | 623,290 | 134,030 | 273,484 | 1.53 |
| 2015 | 973,289 | 424,683 | 548,606 | 140,685 | 266,636 | 1.35 |
| 2016 | 1,053,648 | 436,845 | 616,803 | 160,450 | 261,489 | 1.46 |
| 2017 | 1,075,788 | 438,330 | 637,458 | 184,570 | 259,941 | 1.43 |
| 2018 | 1,126,569 | 438,551 | 688,018 | 200,505 | 261,978 | 1.49 |
| 2019 | 1,123,606 | 468,244 | 655,362 | 213,810 | 257,760 | 1.39 |
| 2020 | 1,184,353 | 465,791 | 718,562 | 207,110 | 268,749 | 1.51 |
| 2021 | 1,154,660 | 505,931 | 648,729 | 228,641 | 262,231 | 1.32 |

5. Including Water and Sewer System Bonds, Combined Utility System Bonds, and Commercial Paper interest.
6. Income and revenues derived from the operation of the Combined Utility System with limited exclusions.

| Convention and Entertainment Center Bonds ⁽⁷⁾ | | | | | |
|---|---|---------------------|-----------------|-----------------|--|
| Fiscal Year | Pledged Hotel Occupancy Tax & Other Revenue ⁽⁸⁾ | Debt Service | | Coverage | |
| | | Principal | Interest | | |
| 2012 | 71,957 | 21,835 | 6,194 | 2.57 | |
| 2013 | 78,892 | 27,530 | 14,123 | 1.89 | |
| 2014 | 89,145 | 26,215 | 10,743 | 2.41 | |
| 2015 | 83,027 | 25,835 | 11,377 | 2.23 | |
| 2016 | 82,116 | 24,524 | 18,307 | 1.92 | |
| 2017 | 76,491 | 19,790 | 24,333 | 1.73 | |
| 2018 | 77,460 | 21,815 | 24,797 | 1.66 | |
| 2019 | 77,483 | 21,779 | 26,388 | 1.61 | |
| 2020 | 61,196 | 56,842 | 28,561 | 0.72 | |
| 2021 | 41,749 | 23,222 | 33,154 | 0.74 | |

7. Including Revenue Bonds and Commercial Paper.
8. Includes the 5.65%/7% of collected hotel occupancy tax, certain parking revenues, and certain tax rebates.

CITY OF HOUSTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(unaudited)

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income (amount in thousands)</u> | <u>Per Capital Income</u> | <u>Median Age</u> | <u>Education Level in Years of Formal Schooling</u> | <u>School Enrollment</u> | <u>Average Unemployment Rate (percentage)</u> |
|--------------------|-------------------|--|---------------------------|-------------------|---|--------------------------|---|
| 2012 | 2,145,146 | Not available | \$ 26,179 (3) | 33.2 (5) | 13.0 (5) | 576,020 (5) | 7.5 (7) |
| 2013 | 2,160,821 | Not available | \$ 26,849 (3) | 32.1 (5) | 13.0 (1), (5) | 548,061 (1) | 6.5 (2) |
| 2014 | 2,195,914 | Not available | \$ 27,029 (3) | 32.3 (5) | 13.0 (5) | 557,780 (5) | 9.0 (6) |
| 2015 | 2,239,558 | Not available | \$ 27,305 (7) | 32.4 (5) | 13.0 (3), (5) | 564,871 (5) | 4.4 (6) |
| 2016 | 2,296,224 (3) | Not available | \$ 27,938 (5) | 32.6 (5) | 13.0 (3), (5) | 580,250 (5) | 5.8 (6) |
| 2017 | 2,303,482 (3) | Not available | \$ 28,503 (5) | 32.6 (5) | 13.1 (3), (5) | 594,377 (5) | 5.7 (6) |
| 2018 | 2,312,717 (3) | Not available | \$ 29,224 (5) | 32.7 (5) | 13.2 (3) | 597,728 (5) | 5.1 (6) |
| 2019 | 2,325,205 (3) | Not available | \$ 30,547 (5) | 32.9 (5) | 13.2 (3) | 594,916 (5) | 4.4 (6) |
| 2020 | 2,320,268 (3) | Not available | \$ 31,576 (5) | 32.9 (5) | 13.44 (7) | 1,889,245 (7) | 10.0 (2) |
| 2021 | 2,316,120 (5) | Not available | \$ 33,377 (5) | 33.4 (5) | 13.38 (7) | 1,528,493 (7) | 8.1 (2) |

(1) School enrollment includes nursery school through graduate school.

(2) Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

(3) Source: U. S. Census Bureau FactFinder

(4) Source: Bureau of Labor Statistics

(5) Source: U.S Census Data

(6) Source: Texas Labor Market TRACER

(7) Source: Census data school based on MSA (Metro Area Houston-The Woodlands- Sugar Land)

**CITY OF HOUSTON, TEXAS
PRINCIPAL EMPLOYERS
June 30, 2021
Current Year and Nine Years Ago
(unaudited)**

| Employer | 2021 | | | 2012 | | |
|---|-----------|------|-------------------------------------|-----------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Memorial Hermann Health System | 35,360 | 1 | 3.10% | 19,500 | 1 | 2.02% |
| Walmart | 29,797 | 2 | 2.61% | | | |
| HEB | 29,657 | 3 | 2.60% | | | |
| Houston Methodist | 26,098 | 4 | 2.29% | 13,000 | 5 | 1.35% |
| The University of Texas MD Anderson Cancer Center | 21,576 | 5 | 1.89% | | | |
| HCA Houston Healthcare | 15,000 | 6 | 1.32% | | | |
| Kroger | 14,868 | 7 | 1.30% | 12,000 | 6 | 1.24% |
| ExxonMobil | 13,000 | 8 | 1.14% | 15,000 | 3 | 1.55% |
| United Airlines | 11,900 | 9 | 1.04% | | | |
| Schlumberger Limited | 11,700 | 10 | 1.03% | 10,000 | 7 | 1.04% |
| Shell Oil Company | | | | 13,000 | 4 | 1.35% |
| United Continental Holdings | | | | 17,000 | 2 | 1.76% |
| B.P. America, Inc. | | | | 9,537 | 9 | 0.99% |
| National Oilwell Varco | | | | 10,000 | 8 | 1.04% |
| Baylor College of Medicine | | | | 9,232 | 10 | 0.96% |
| | 208,956 | | 18.32% | 128,269 | | 13.30% |
| Total : | | | | | | |

Source: GHP Houston Facts - 2021

Employers excludes school districts and city, county, state and federal governments.
Employee numbers are for the ten-county region, not the city only.
Employee may live outside the City.

Total Houston Residents employed regardless of where they work:

| | | |
|--|------|-----------|
| Source: | 2021 | 1,140,335 |
| June 2020 Local Area Unemployment Statistics, Bureau of Labor Statistics | 2012 | 964,664 |
| U.S. Census Bureau, American Community Survey | | |

CITY OF HOUSTON, TEXAS
June 30, 2021
INCREASES/DECREASES TO NET POSITION OF PENSION PLANS
(amounts expressed in thousands)
(unaudited)

| | <u>Fire</u> | <u>Municipal</u> | <u>Police</u> | <u>Total</u> |
|---------------------------|------------------|------------------|------------------|------------------|
| Additions | 1,445,597 | 1,302,962 | 1,965,770 | 4,714,329 |
| Deductions | <u>291,767</u> | <u>317,662</u> | <u>400,995</u> | <u>1,010,424</u> |
| Net Increase | <u>1,153,830</u> | <u>985,300</u> | <u>1,564,775</u> | <u>3,703,905</u> |
| City's Total Contribution | 77,495 | 184,762 | 151,094 | 413,351 |

The City's funding policies provide for actuarially determined periodic contributions at rates such that overtime will remain level as a percentage of payroll. The contribution rate for normal cost is determined by using the entry age normal cost method. The pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 40 years from January 1, 1993.

CITY OF HOUSTON, TEXAS
June 30, 2021
(unaudited)

SALES AND USE TAX AND FRANCHISE CHARGES AND FEES

| <u>Fiscal Year</u> | <u>Sales and Use Tax</u> (in thousands) | <u>Charges and Fees</u> (in thousands) |
|------------------------|--|---|
| 2013 | \$ 600,256 | \$ 195,304 |
| 2014 | \$ 629,441 | \$ 189,989 |
| 2015 | \$ 667,061 | \$ 189,836 |
| 2016 | \$ 640,476 | \$ 191,584 |
| 2017 | \$ 631,993 | \$ 190,586 |
| 2018 | \$ 674,279 | \$ 185,774 |
| 2019 | \$ 692,271 | \$ 180,609 |
| 2020 | \$ 684,425 | \$ 169,304 |
| 2021 | \$ 706,829 | \$ 153,600 |
| 2022 (budgeted) | \$ 703,000 | \$ 149,319 |

**CITY OF HOUSTON, TEXAS
EMPLOYMENT STATISTICS
June 30, 2021
(unaudited)**

Employment

The following table indicates the Houston PMSA estimated annual average labor force for the years 2011 through 2020 according to the Texas Employment Commission:

**Houston PMSA Labor Force Estimates
(Employees in thousands)**

| | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|-------------|-------------|-------------|
| Civilian Labor Force (A) | 3,075 | 3,110 | 3,180 |
| Employed | 2,843 | 2,901 | 3,009 |
| Unemployed | 232 | 210 | 171 |
| Percent unemployed | 7.50% | 6.70% | 5.40% |
| Nonfarm Payroll Employment (B) | 2,693 | 2,793 | 2,895 |
| Manufacturing | 237 | 252 | 261 |
| Mining | 97 | 106 | 115 |
| Contract construction | 180 | 188 | 197 |
| Transp/Trade/Pub Utils/Communications (C) | 579 | 602 | 616 |
| Finance/Insurance/Real Estate | 140 | 143 | 146 |
| Services & Miscellaneous | 1,097 | 1,135 | 1,800 |
| Government | 364 | 367 | 379 |

(A) Includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers, and workers involved in labor-management disputes.

(B) Includes the non-agricultural wage and salary jobs estimated to exist in Houston PMSA without reference to place of residence of workers.

(C) Trade has been included with Transportation, Public Utilities and Communications.

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 3,244 | 3,287 | 3,323 | 3,412 | 3,444 | 3,381 | 3,418 |
| 3,098 | 3,106 | 3,147 | 3,255 | 3,313 | 3,053 | 3,165 |
| 146 | 180 | 176 | 157 | 131 | 328 | 253 |
| 4.50% | 5.50% | 5.30% | 4.60% | 3.80% | 9.70% | 7.40% |
| 2,991 | 3,002 | 3,061 | 3,132 | 3,185 | 2,980 | 3,047 |
| 250 | 232 | 234 | 228 | 241 | 220 | 207 |
| 109 | 87 | 86 | 80 | 88 | 62 | 69 |
| 205 | 216 | 215 | 237 | 230 | 219 | 204 |
| 645 | 647 | 635 | 661 | 661 | 637 | 666 |
| 146 | 155 | 156 | 164 | 167 | 165 | 163 |
| 1,261 | 1,282 | 1,321 | 1,353 | 1,382 | 1,281 | 1,005 |
| 381 | 388 | 414 | 410 | 418 | 399 | 411 |

CITY OF HOUSTON, TEXAS
Last Ten Years
CITY OF HOUSTON EMPLOYMENT INFORMATION
(unaudited)

Full-time Equivalent Employees as of June 30, 2021

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fund/Department | | | | | | | | | | |
| GENERAL FUND | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Fire/Civilian | 118.9 | 117.4 | 117.1 | 107.2 | 111.9 | 109.6 | 108.3 | 105.2 | 95.3 | 85.3 |
| Fire/Classified | 3,978.6 | 4,011.7 | 3,981.2 | 4,119.9 | 4,235.4 | 4,231.6 | 4,219.3 | 4,100.0 | 4,098.6 | 4,055.6 |
| Fire/Cadets | 14.2 | 26.7 | 123.0 | 139.1 | 107.1 | 94.6 | 41.4 | 80.2 | 49.7 | 98.4 |
| Municipal Courts - (Administration) Department | 271.2 | 268.8 | 291.6 | 299.2 | 290.7 | 280.0 | 268.4 | 257.8 | 252.4 | 241.2 |
| Municipal Courts - (Justice) Department | - | - | - | - | - | - | - | - | - | - |
| Police/Civilian | 1,119.9 | 1,194.9 | 1,157.8 | 1,133.2 | 1,134.7 | 1,141.7 | 1,099.8 | 986.8 | 874.9 | 851.3 |
| Police/Classified | 5,474.9 | 5,456.9 | 5,290.4 | 5,350.7 | 5,353.4 | 5,357.3 | 5,559.8 | 5,351.0 | 5,592.7 | 5,293.0 |
| Police/Cadets | 76.6 | 118.1 | 88.1 | 91.2 | 140.5 | 176.2 | 134.1 | 139.5 | 139.7 | 140.3 |
| Total Public Safety | 11,054.3 | 11,194.5 | 11,049.2 | 11,240.5 | 11,373.7 | 11,391.0 | 11,431.1 | 11,020.5 | 11,103.3 | 10,765.1 |
| Development & Maintenance Services | | | | | | | | | | |
| General Services (Formerly Building Services) | 193.9 | 193.6 | 201.1 | 140.7 | 137.7 | 135.1 | 133.7 | 144.3 | 142.6 | 136.0 |
| Planning & Development | 75.7 | 75.2 | 76.1 | 71.9 | 59.8 | 32.3 | 28.0 | 25.9 | 21.3 | 23.8 |
| Public Works & Engineering (PW&E) | 9.1 | 15.0 | 13.6 | 14.6 | 12.5 | 13.8 | 13.0 | 7.3 | 6.6 | 8.4 |
| Solid Waste Management | 460.5 | 471.0 | 458.9 | 475.9 | 507.7 | 526.0 | 527.7 | 542.1 | 530.2 | 534.3 |
| Total Development & Maintenance | 739.2 | 754.8 | 749.7 | 703.1 | 717.7 | 707.2 | 702.4 | 719.6 | 700.7 | 702.5 |
| Human & Cultural Services | | | | | | | | | | |
| Convention & Entertainment Facilities | - | - | - | - | - | - | - | - | - | - |
| Health & Human Services | 458.4 | 470.7 | 565.0 | 563.5 | 447.7 | 447.6 | 431.7 | 409.4 | 391.4 | 374.9 |
| Housing & Community Development | 2.1 | 2.0 | 2.0 | 1.3 | 0.7 | 0.7 | 2.5 | 0.4 | 0.5 | 0.3 |
| Library | 401.7 | 405.2 | 474.1 | 469.8 | 466.0 | 466.1 | 471.7 | 455.7 | 440.0 | 415.6 |
| Neighborhoods | 96.3 | 104.4 | 103.5 | 107.5 | 107.6 | 103.9 | 102.9 | 95.4 | 87.8 | 86.5 |
| Parks & Recreation | 627.6 | 644.4 | 670.3 | 663.7 | 657.9 | 693.5 | 689.0 | 648.0 | 595.5 | 523.1 |
| Total Human & Cultural Services | 1,586.1 | 1,626.7 | 1,814.9 | 1,805.8 | 1,679.9 | 1,711.8 | 1,697.8 | 1,608.9 | 1,515.2 | 1,400.4 |
| Administrative Services | | | | | | | | | | |
| Administration & Regulatory Affairs | 268.1 | 240.3 | 201.5 | 202.1 | 205.6 | 209.1 | 191.7 | 184.8 | 172.2 | 170.8 |
| City Secretary | 10.9 | 10.7 | 10.7 | 10.3 | 9.2 | 8.9 | 9.9 | 9.8 | 9.4 | 7.6 |
| Controller's Office | 66.2 | 64.9 | 65.3 | 62.1 | 60.3 | 57.8 | 60.3 | 51.1 | 48.3 | 50.0 |
| Council Office | 74.6 | 77.7 | 74.6 | 76.5 | 77.6 | 76.2 | 73.2 | 71.8 | 70.2 | 72.8 |
| Finance & Administration | - | - | - | - | - | - | - | - | - | - |
| Finance Department | 72.6 | 60.4 | 107.8 | 111.4 | 106.8 | 102.2 | 103.1 | 101.1 | 97.9 | 99.4 |
| Human Resources | 35.9 | 34.4 | 31.1 | 32.0 | 33.2 | 29.0 | 26.7 | 23.4 | 19.3 | 16.5 |
| Information Technology | 150.8 | 144.3 | 156.3 | 161.8 | 156.8 | 145.3 | 107.1 | 93.8 | 28.8 | - |
| Legal | 119.1 | 116.4 | 119.7 | 121.6 | 120.0 | 114.0 | 107.2 | 106.6 | 113.5 | 97.6 |
| Mayor's Office | 23.3 | 56.3 | 58.5 | 48.6 | 49.5 | 49.1 | 45.5 | 43.4 | 43.1 | 39.5 |
| Office of Business Opportunity (Formerly Affirm. Action) | 23.3 | 25.1 | 26.4 | 28.1 | 28.2 | 27.7 | 27.7 | 26.7 | 30.0 | 34.0 |
| Total Administrative Services | 844.8 | 830.5 | 851.9 | 854.5 | 847.2 | 819.3 | 752.4 | 712.5 | 632.7 | 588.2 |
| Total General Fund | 14,224.4 | 14,406.5 | 14,465.7 | 14,603.9 | 14,618.5 | 14,629.3 | 14,583.7 | 14,061.5 | 13,951.9 | 13,456.2 |
| ENTERPRISE FUNDS | | | | | | | | | | |
| Aviation | 1,415.0 | 1,339.5 | 1,368.7 | 1,292.0 | 1,245.2 | 1,211.5 | 1,190.0 | 1,156.3 | 1,145.2 | 1,163.2 |
| Convention & Entertainment Facilities | 69.0 | 23.0 | 22.7 | - | - | - | - | - | - | - |
| PW&E - Combined Utility System | 2,280.5 | 2,237.5 | 2,220.8 | 2,166.2 | 2,179.6 | 2,254.8 | 2,266.6 | 2,245.0 | 2,239.5 | 2,289.0 |
| GSD - Parking Management (Formerly PW&E) | - | - | - | - | - | - | - | - | - | - |
| Total Enterprise Funds | 3,764.5 | 3,600.0 | 3,612.2 | 3,458.2 | 3,424.8 | 3,466.3 | 3,456.6 | 3,401.3 | 3,384.7 | 3,452.2 |

Administration & Regulatory Affairs and the Finance Department were Finance and Administration.
Municipal Courts - Administration and Municipal Courts - Justice consolidated as the Department.
Fleet Management was established as a new department in FY 2012. It is no longer part of Public Works & Engineering.

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Fund/Department | | | | | | | | | | |
| SPECIAL REVENUE FUNDS | | | | | | | | | | |
| Administration & Regulatory Affairs | 176.8 | 159.5 | 159.9 | 168.8 | 175.9 | 179.6 | 171.6 | 173.1 | 181.8 | 179.8 |
| Finance | - | - | 15.5 | 42.8 | 39.2 | 41.2 | 49.2 | 49.4 | 50.2 | 59.3 |
| Fleet Management (Formerly PW&E - Fleet Management) | 262.5 | 267.7 | 325.9 | 369.7 | 371.2 | 399.7 | 406.9 | 400.8 | 389.3 | 392.9 |
| General Services (Formerly Building Services) | - | - | 61.3 | 137.5 | 130.1 | 126.1 | 134.6 | 129.6 | 117.6 | 113.9 |
| Health & Human Services | 510.0 | 515.5 | 592.1 | 661.0 | 656.3 | 686.1 | 782.9 | 807.5 | 764.2 | 966.9 |
| Housing & Community Development | 129.3 | 159.0 | 161.8 | 163.4 | 158.3 | 146.1 | 142.9 | 189.1 | 278.1 | 307.0 |
| Houston Emergency Center | 234.3 | 242.5 | 243.8 | 242.5 | 247.5 | 243.2 | 246.1 | 248.0 | 241.9 | 242.9 |
| Legal | 11.0 | 7.6 | 35.2 | - | - | 53.6 | 52.7 | 50.1 | 52.4 | 52.5 |
| Library | 28.0 | 26.0 | 23.4 | 17.1 | 13.6 | 7.9 | 5.7 | 6.0 | 9.8 | 11.4 |
| Mayor's Office | 23.4 | 28.5 | 26.9 | 43.5 | 50.0 | 51.0 | 54.9 | 56.9 | 56.1 | 69.8 |
| Municipal Courts - (Administration) Department | 34.3 | 35.0 | 18.1 | 20.0 | 18.8 | 21.0 | 16.0 | 10.5 | 10.2 | 10.5 |
| Neighborhoods | 1.0 | 51.0 | 48.8 | 46.7 | 43.4 | 40.2 | 37.5 | 33.2 | 29.8 | 30.4 |
| Office of Business Opportunity (Formerly Affirm. Action) | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 1.6 | 1.1 | 1.9 | 2.0 |
| Parks Special Revenue | 97.6 | 92.0 | 93.2 | 103.4 | 108.3 | 116.4 | 115.5 | 100.1 | 93.4 | 95.8 |
| Planning & Development | 10.2 | 11.9 | 11.6 | 8.2 | 21.9 | 49.9 | 51.6 | 51.1 | 52.7 | 61.7 |
| Police - Auto Dealers/Civilian | 7.0 | 8.0 | 8.0 | 39.7 | 7.1 | 7.7 | 8.0 | 8.7 | 8.2 | 8.7 |
| Police - Auto Dealers/Classified | 21.0 | 19.0 | 32.0 | 21.9 | - | - | - | - | - | - |
| Police - Cadet | - | - | - | - | 16.7 | 40.9 | 1.0 | 23.0 | - | - |
| Police - Special Services/Civilian | 124.0 | 26.5 | 35.7 | 24.0 | 2.2 | 2.2 | 1.7 | 2.0 | 1.9 | 2.0 |
| Police - Special Services/Classified | 40.2 | 49.4 | 139.3 | 45.8 | - | - | - | - | - | - |
| Police - Federal Government/Civilian | - | - | - | - | 27.4 | 27.1 | 27.4 | 29.4 | 40.7 | 46.0 |
| Police - Federal Government/Classified | - | - | - | - | 16.6 | 36.4 | 35.5 | 33.5 | 32.4 | 24.1 |
| Police - Forensic Transition Special Service/Civilian | - | - | - | 58.4 | 38.2 | 27.7 | 24.1 | 8.9 | 7.0 | 7.0 |
| Police - Forensic Transition Special Service/Classified | - | - | - | 51.1 | 43.5 | 31.6 | 27.4 | 23.0 | 23.9 | 23.7 |
| PW&E - Building Inspection | 814.0 | 647.6 | 571.5 | 560.6 | 577.1 | 616.1 | 604.2 | 581.4 | 627.4 | 638.7 |
| PW&E - Project Recovery Fund | - | - | - | - | 329.5 | 309.0 | 299.1 | 286.1 | 301.0 | 308.3 |
| PW&E - Stormwater Utility | 384.2 | 354.7 | 377.7 | 337.3 | 329.9 | 347.9 | 373.0 | 304.7 | 342.1 | 322.0 |
| PW&E - Houston TransStar | 7.0 | 6.6 | 8.0 | 7.9 | 7.8 | 8.1 | 7.1 | 7.3 | 8.1 | 8.5 |
| PW&E - Drainage and Street Renewal | 532.4 | 490.4 | 505.2 | 485.0 | 487.4 | 464.5 | 511.6 | 458.9 | 492.2 | 508.9 |
| Solid Waste Management | 4.0 | 2.9 | 2.1 | 2.5 | 2.4 | 4.0 | 3.3 | 4.4 | 2.4 | 2.7 |
| Total Special Revenue Funds | 3,453.2 | 3,203.3 | 3,499.0 | 3,660.8 | 3,922.3 | 4,087.2 | 4,193.1 | 4,077.8 | 4,216.7 | 4,497.4 |
| Total General, Enterprise and Special Funds | 21,442.1 | 21,209.8 | 21,576.9 | 21,722.9 | 21,965.6 | 22,182.8 | 22,233.4 | 21,540.6 | 21,553.3 | 21,405.8 |
| INTERNAL SERVICE/REVOLVING FUND | | | | | | | | | | |
| Human Resources - Health Benefits | 42.3 | 45.8 | 46.7 | 47.6 | 57.0 | 47.7 | 42.5 | 42.7 | 45.1 | 39.8 |
| General Services - Central Svc Revolving | 29.0 | 27.9 | 31.8 | - | - | - | - | - | - | - |
| Human Resources - Central Svc Revolving | 120.8 | 125.6 | 138.7 | 142.6 | 155.6 | 150.4 | 142.6 | 170.9 | 167.4 | 168.8 |
| Information Technology - Central Svc Revolving | 44.2 | 45.6 | 53.7 | 51.8 | 54.9 | 50.0 | 83.5 | 82.6 | 95.3 | 126.8 |
| General Services - In House Reconstruction | 28.7 | 29.0 | 28.5 | - | - | - | - | - | - | - |
| PW&E - CIP Salary Recovery | - | 302.4 | 308.9 | 328.9 | - | - | - | - | - | - |
| Admin. and Regulatory Affairs - Property and Casualty | 5.1 | 5.0 | 5.0 | - | - | - | - | - | - | - |
| Legal - Property and Casualty | 47.6 | 47.9 | 52.2 | 52.7 | 58.5 | 51.6 | 49.9 | 47.5 | 48.4 | 45.8 |
| Human Resources - Workers Compensation | 28.7 | 30.1 | 29.5 | 31.5 | 32.6 | 30.0 | 32.1 | 45.8 | 51.5 | 47.0 |
| Legal - Workers Compensation | 3.1 | 2.7 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 1.8 | 1.6 |
| Total Internal Service/Revolving Funds | 349.5 | 662.0 | 697.0 | 657.1 | 360.6 | 331.7 | 352.6 | 391.5 | 409.5 | 429.8 |
| Total Full-time Equivalent Employees | 21,791.6 | 21,871.8 | 22,273.9 | 22,380.0 | 22,326.2 | 22,514.5 | 22,586.0 | 21,932.1 | 21,962.8 | 21,835.60 |

Administration & Regulatory Affairs and the Finance Department were Finance and Administration.
Municipal Courts - Administration and Municipal Courts - Justice consolidated as the Department.
Fleet Management was established as a new department in FY 2012. It is no longer part of Public Works & Engineering.

CITY OF HOUSTON, TEXAS
PRINCIPAL AND INTEREST PAYABLE FROM AD VALOREM TAXES
(EXCLUDING COMMERCIAL PAPER NOTES)
(unaudited)

The following schedule presents the City's debt service requirements for Fiscal Years 2022 through 2050 for the outstanding Tax Bonds, Pension Obligations, and Tax Certificates. Debt service on commercial paper notes is not reflected in the schedule below.

| Fiscal Year Ended June 30 | Tax Bonds ^(a) | Pension Obligations ^(b) | Tax Certificates ^(c) | Total Debt Service ^(d) |
|------------------------------|-----------------------------|---------------------------------------|------------------------------------|--------------------------------------|
| 2022 | \$ 270,293,229 | \$ 97,419,202 | \$ 2,515,587 | \$ 370,228,018 |
| 2023 | 256,999,168 | 98,652,956 | 2,514,837 | 358,166,961 |
| 2024 | 235,946,417 | 99,934,772 | 885,033 | 336,766,222 |
| 2025 | 194,062,399 | 101,250,714 | - | 295,313,114 |
| 2026 | 172,932,757 | 102,607,216 | - | 275,539,974 |
| 2027 | 177,840,422 | 104,001,132 | - | 281,841,554 |
| 2028 | 169,395,647 | 105,426,207 | - | 274,821,854 |
| 2029 | 137,277,777 | 115,232,047 | - | 252,509,825 |
| 2030 | 100,310,777 | 116,755,090 | - | 217,065,868 |
| 2031 | 78,682,277 | 129,726,814 | - | 208,409,091 |
| 2032 | 64,790,327 | 131,324,920 | - | 196,115,248 |
| 2033 | 56,114,781 | 90,551,979 | - | 146,666,760 |
| 2034 | 53,391,440 | 67,991,967 | - | 121,383,407 |
| 2035 | 41,723,440 | 114,023,057 | - | 155,746,497 |
| 2036 | 40,351,242 | 104,392,373 | - | 144,743,615 |
| 2037 | 36,951,242 | 91,243,023 | - | 128,194,264 |
| 2038 | 17,577,067 | 69,409,249 | - | 86,986,316 |
| 2039 | 14,621,542 | 71,296,510 | - | 85,918,051 |
| 2040 | 11,300,342 | 73,230,382 | - | 84,530,724 |
| 2041 | 11,307,286 | 95,473,340 | - | 106,780,626 |
| 2042 | 9,299,436 | 76,386,596 | - | 85,686,032 |
| 2043 | 7,936,591 | 78,487,772 | - | 86,424,363 |
| 2044 | 4,782,800 | 80,647,485 | - | 85,430,285 |
| 2045 | 4,781,600 | 82,861,427 | - | 87,643,027 |
| 2046 | 4,784,400 | 85,140,092 | - | 89,924,492 |
| 2047 | 4,780,800 | 87,483,182 | - | 92,263,982 |
| 2048 | 4,780,800 | - | - | 4,780,800 |
| 2049 | 4,784,000 | - | - | 4,784,000 |
| 2050 | - | - | - | - |
| | <u>\$ 2,187,800,006</u> | <u>\$ 2,470,949,504</u> | <u>\$ 5,915,457</u> | <u>\$ 4,664,664,967</u> |

Each Fiscal Year the City budgets for Commercial Paper Notes debt service and related reserve funds based on a calculation that assumes a certain amount of Commercial Paper Notes is expected to be issued during that Fiscal Year at an assumed rate of interest.

- (a) Total debt service does not include payments related to various leases for office space and equipment, which are not considered debt under Texas law. The terms and conditions of such leases and agreements vary.
- (b) GO portion only.
- (c) Adjusted to reflect the sinking fund payments for the Tax and Revenue Certificates of Obligation (QECCB - Direct Pay to Issuer), Series 2013Q (the "Series 2013Q Certificates"). Excludes the federal subsidy payment expected to be received by the City in connection with the Series 2013Q Certificates.
- (d) Totals may reflect a variance due to rounding.

CITY OF HOUSTON, TEXAS
OPERATING INDICATORS BY FUNCTION
June 30, 2021
(unaudited)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Function | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical arrests | 109,368 | 96,058 | 138,007 | 54,490 | 61,749 | 51,910 | 51,288 | 58,401 | 51,054 | 41,351 |
| Parking violations | 201,341 | 197,253 | 195,822 | 188,570 | 203,941 | 194,595 | 187,047 | 201,142 | 169,439 | 187,482 |
| Traffic violations filed | 729,490 | 587,835 | 557,609 | 472,553 | 437,138 | 395,461 | 379,266 | 392,454 | 280,399 | 235,349 |
| Fire | | | | | | | | | | |
| Number of calls dispatched | 285,287 | 294,278 | 308,264 | 327,417 | 336,170 | 335,693 | 346,023 | 337,613 | 347,409 | 363,767 |
| Inspections (1) | 84,826 | 82,515 | 85,945 | 88,367 | 74,906 | 11,000 | 25,742 | 30,579 | 34,582 | 36,160 |
| Highways and streets | | | | | | | | | | |
| Streets resurfaced (miles) | 140 | 129 | 104 | 194 | 152 | 186 | 142 | 153 | 158 | 136 |
| Tons of asphalt for pothole repair and skin patches | 16,497 | 16,279 | 15,292 | 15,972 | 13,130 | 13,328 | 13,058 | 11,507 | 15,026 | 11,379 |
| Parks and recreation | | | | | | | | | | |
| Athletic field permits issued | 1,985 | 2,375 | 2,344 | 2,312 | 2,270 | 2,423 | 2,300 | 2,342 | 1,715 | 608 |
| Community center admissions | 5,259,890 | 5,421,607 | 5,702,568 | 5,812,806 | 5,547,431 | 5,837,622 | 5,469,776 | 5,810,167 | 4,521,199 | 1,636,706 |
| Sanitation | | | | | | | | | | |
| Refuse collected (tons) | 703,449 | 712,857 | 686,334 | 681,675 | 695,613 | 725,819 | 732,015 | 718,506 | 753,879 | 773,596 |
| Recyclables collected (tons) (2) | 113,332 | 111,602 | 115,143 | 116,575 | 127,421 | 120,324 | 76,024 | 99,697 | 127,160 | 124,075 |
| Water | | | | | | | | | | |
| New connections (4) | 3,433 | 3,864 | 6,796 | 6,349 | 4,559 | 4,530 | 4,612 | 4,524 | 3,083 | 3,805 |
| Water main breaks (3) | 17,999 | 11,343 | 11,935 | 10,572 | 11,122 | 9,638 | 8,355 | 11,067 | 8,178 | 9,427 |
| Average daily pumpage (millions of gallons) | 483.0 | 446.4 | 455.0 | 428.0 | 445.0 | 458.0 | 461.0 | 454.0 | 455.2 | 447.1 |
| Wastewater | | | | | | | | | | |
| Wastewater line repairs | 2,487 | 2,660 | 2,210 | 2,186 | 2,252 | 2,322 | 2,452 | 2,222 | 1,893 | 2,152 |
| Average daily sewage treatment (millions of gallons) | 217.0 | 209.0 | 225.0 | 256.6 | 256.1 | 252.8 | 251.7 | 270.2 | 245.0 | 263.5 |

- (1) The Fire Department now has a better system to record inspections. For example, a ten-building apartment complex is now counted as ten inspections, not one.
- (2) The Solid Waste Department started the tree recycling program in January 2009, which greatly increased the tons of recyclables collected.
- (3) A dry year caused a higher than usual number of breaks.
- (4) New connections represents all water connection types as meters (physical connections) to the water supply, not the regulatory definition of a connection

CITY OF HOUSTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2021
(unaudited)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------|---------|---------|---------|---------|---------|-----------|---------|---------|---------|
| Function | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 17 | 17 | 17 | 17 | 16 | 17 | 17 | 17 | 17 | 17 |
| Patrol units | 838 | 856 | 903 | 1,282 | 1,338 | 1,416 | 1,448 | 1,470 | 1,326 | 1,427 |
| Fire | | | | | | | | | | |
| Stations | 94 | 92 | 92 | 93 | 93 | 93 | 93 | 93 | 93 | 93 |
| Highways and streets | | | | | | | | | | |
| Streets (lane miles) | 15,397 | 15,397 | 15,397 | 15,404 | 14,656 | 14,656 | 14,764 | 13,852 | 13,852 | 15,991 |
| Streetlights | 175,249 | 175,516 | 174,373 | 174,075 | 175,172 | 176,440 | 177,056 | 177,056 | 177,056 | 177,056 |
| Traffic signals | 2,439 | 2,449 | 2,467 | 2,467 | 2,491 | 2,495 | 2,491 | 2,491 | 2,491 | 2,534 |
| Parks and recreation | | | | | | | | | | |
| Parks acreage | 37,846 | 37,851 | 37,851 | 37,859 | 37,856 | 35,733 | 37,942 | 39,501 | 39,501 | 39,501 |
| Parks | 527 | 527 | 528 | 533 | 537 | 542 | 545 | 546 | 547 | 547 |
| Swimming pools | 59 | 57 | 57 | 56 | 56 | 57 | 58 | 59 | 59 | 59 |
| Tennis Centers | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Community centers | 59 | 60 | 60 | 61 (2) | 61 | 60 | 60 | 60 | 60 | 60 |
| Sanitation | | | | | | | | | | |
| Collection trucks | 321 | 323 | 323 | 343 | 351 | 360 | 350 | 371 | 413 | 323 |
| Water | | | | | | | | | | |
| Water mains (miles) | 7,146 | 7,143 | 7,198 | 7,128 | 7,128 | 7,128 | 7,144 | 7,210 | 7,174 | 7,640 |
| Fire hydrants | 57,000 | 58,162 | 58,984 | N/A | N/A | 60,420 | 60,543 | 61,524 | 61,876 | 61,991 |
| Maximum daily capacity (millions of gallons) | 905.0 | 853.0 | 885.0 | 803.0 | 808.1 | 798.95 | 782.41 | 795.31 | 790.00 | 764 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 6,700 | 6,950 | 6,950 | 6,950 | 6,950 | 6,950 | 6,192 (1) | 6,200 | 6,300 | 6,396 |
| Storm sewers (miles) | 3,700 | 3,789 | 3,838 | 3,838 | 3,894 | 3,946 | 3,987 | 3,987 | 3,987 | 3,987 |
| Maximum daily treatment permitted (millions of gallons) | 563.0 | 563.0 | 565.0 | 563.0 | 563.0 | 563.0 | 564.0 | 563.7 | 563.7 | 563.7 |

(1) The sanitary sewers (miles) for FY2013 to FY2018 were adjusted to reflect updated information received from Wastewater Operations Branch

(2) Includes new Memorial Running Center

CITY OF HOUSTON, TEXAS
June 30, 2021
VOTER-AUTHORIZED OBLIGATIONS
(amounts expressed in thousands)
(unaudited)

The following schedule sets forth the categories of bond authorization approved by the voters in elections held in November of 2001 (the "2001 Election"), November of 2006 (the "2006 Election"), November of 2012 (the "2012 Election"), and November of 2017 (the "2017 Election"), the amount of each such authorization approved by City Council for issuance as Commercial Paper Notes, the amount of commercial paper issued as of year-end, and the amount of commercial paper approved but unissued. The City has issued all bonds authorized at the election held in November of 1997.

| Purposes | November 2001 Election | | | | | |
|--|-------------------------------|---|--|--|-----------------------------------|--|
| | Voter Authorized | Approved by City Council for Issuance as Commercial Paper Notes | Commercial Paper Issued ^(a) | Commercial Paper Notes Approved by City Council but Unissued | All Voter Authorized but Unissued | |
| Streets, Bridges, Traffic Control | \$ 474,000 | \$ 474,000 | \$ 471,300 | \$ 2,700 | \$ 2,700 | |
| Parks and Recreation | 80,000 | 80,000 | 80,000 | - | - | |
| Police and Fire Departments | 82,000 | 82,000 | 82,000 | - | - | |
| Permanent and General Improvements ^(b) | 80,000 | 80,000 | 80,000 | - | - | |
| Public Libraries | 40,000 | 40,000 | 40,000 | - | - | |
| Low Income Housing | 20,000 | 20,000 | 20,000 | - | - | |
| Total | \$ 776,000 | \$ 776,000 | \$ 773,300 | \$ 2,700 | \$ 2,700 | |
| | November 2006 Election | | | | | |
| Streets, Bridges, Traffic Control | \$ 320,000 | \$ 219,950 | \$ 78,565 | \$ 141,385 | \$ 241,435 | |
| Parks and Recreation | 55,000 | 55,000 | 55,000 | - | - | |
| Public Safety | 135,000 | 135,000 | 135,000 | - | - | |
| Permanent and General Improvements ^(b) | 60,000 | 60,000 | 60,000 | - | - | |
| Public Libraries | 37,000 | 37,000 | 37,000 | - | - | |
| Low Income Housing | 18,000 | 18,000 | 7,531 | 10,469 | 10,469 | |
| Total | \$ 625,000 | \$ 524,950 | \$ 373,096 | \$ 151,854 | \$ 251,904 | |
| | November 2012 Election | | | | | |
| Streets, Bridges, Traffic Control | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Parks and Recreation | 166,000 | 166,000 | 127,511 | 38,489 | 38,489 | |
| Public Safety | 144,000 | 144,000 | 129,097 | 14,903 | 14,903 | |
| Permanent and General Improvements ^(b) | 57,000 | 57,000 | 41,974 | 15,026 | 15,026 | |
| Public Libraries | 28,000 | 28,000 | 28,000 | - | - | |
| Low Income Housing | 15,000 | 7,068 | 3,708 | 3,360 | 11,292 | |
| Total | \$ 410,000 | \$ 402,068 | \$ 330,290 | \$ 71,778 | \$ 79,710 | |
| | November 2017 Election | | | | | |
| Streets, Bridges, Traffic Control | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Parks and Recreation | 104,000 | 47,457 | - | 47,457 | 104,000 | |
| Public Safety | 159,000 | 108,299 | - | 108,299 | 159,000 | |
| Permanent and General Improvements ^(b) | 109,000 | 79,021 | 7,206 | 71,815 | 101,794 | |
| Public Libraries | 123,000 | 48,082 | 16,353 | 31,729 | 106,647 | |
| Low Income Housing | - | - | - | - | - | |
| Total | \$ 495,000 | \$ 282,859 | \$ 23,559 | \$ 259,300 | \$ 471,441 | |
| Combined Total (2001, 2006, 2012 & 2017 Elections) | \$ 2,306,000 | \$ 1,985,877 | \$ 1,500,245 | \$ 485,632 | \$ 805,755 | |

(a) As of June 30, 2021

(b) Includes Public Health and Solid Waste Management

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES FUND REVENUES AND EXPENSES
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

| Total Annual Revenues Last Ten Fiscal Years | 2012 | 2013 | 2014 |
|---|------------------|------------------|-------------------|
| Operating Revenues | | | |
| Fees charged to users, net | \$ 8,934 | \$ 10,372 | \$ 11,124 |
| Total Operating Revenues | <u>8,934</u> | <u>10,372</u> | <u>11,124</u> |
| Nonoperating Revenues | | | |
| Interest | 10,010 | 9,080 | 9,637 |
| Hotel occupancy tax (includes penalty and interest) | 68,623 | 76,325 | 90,119 |
| Other income | 525 | 413 | 292 |
| Total Nonoperating Revenues | <u>79,158</u> | <u>85,818</u> | <u>100,048</u> |
| Total Revenues | <u>\$ 88,092</u> | <u>\$ 96,190</u> | <u>\$ 111,172</u> |

| Total Annual Expenses Last Ten Fiscal Years | 2012 | 2013 | 2014 |
|--|-------------------|-------------------|-------------------|
| Operating Expenses | | | |
| Maintenance and operating | \$ 1,885 | \$ 1,780 | \$ 1,199 |
| Depreciation | 14,703 | 14,488 | 14,219 |
| Total Operating Expenses | <u>16,588</u> | <u>16,268</u> | <u>15,418</u> |
| Nonoperating Expenses | | | |
| Interest on long-term debt | 25,799 | 26,150 | 25,791 |
| Gain (loss) on disposal of assets | | | |
| Promotional contracts & other expenses | 100,046 | 62,662 | 73,371 |
| Total Nonoperating Expenses | <u>125,845</u> | <u>88,812</u> | <u>99,162</u> |
| Total Expenses | <u>\$ 142,433</u> | <u>\$ 105,080</u> | <u>\$ 114,580</u> |

*Beginning in Fiscal Year 2018, the City began reflecting the 19.3% of the hotel occupancy tax that was designated to the General Fund in the General Fund as opposed to the Convention and Entertainment Fund. The amount here represents the 81% available to cover bond covenants.

| <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| \$ 12,390 | \$ 12,431 | \$ 12,283 | \$ 7,883 | \$ 10,655 | \$ 9,486 | \$ 6,100 |
| 12,390 | 12,431 | 12,283 | 7,883 | 10,655 | 9,486 | 6,100 |
| 4,933 | 12,708 | 9,091 | 9,723 | 13,560 | 12,000 | 9,083 |
| 90,711 | 88,632 | 82,882 | 89,417 | 86,078 | 67,348 | 47,449 |
| 818 | - | 291 | 989 | 2,083 | 292 | 431 |
| 96,462 | 101,340 | 92,264 | 100,129 | 101,721 | 79,640 | 56,963 |
| <u>\$ 108,852</u> | <u>\$ 113,771</u> | <u>\$ 104,547</u> | <u>\$ 108,012</u> | <u>\$ 112,376</u> | <u>\$ 89,126</u> | <u>\$ 63,063</u> |

| <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| \$ 1,380 | \$ 76,466 | \$ 69,756 | \$ 73,725 | \$ 70,470 | \$ 48,935 | \$ 30,441 |
| 14,375 | 13,720 | 13,654 | 13,599 | 13,508 | 13,480 | 13,418 |
| 15,755 | 90,186 | 83,410 | 87,324 | 83,978 | 62,415 | 43,859 |
| 29,684 | 27,299 | 27,170 | 27,945 | 29,747 | 27,322 | 25,475 |
| 79,312 | 421 | 177 | 251 | - | - | 5,753 |
| 108,996 | 27,720 | 27,347 | 28,196 | 29,747 | 27,322 | 31,228 |
| <u>\$ 124,751</u> | <u>\$ 117,906</u> | <u>\$ 110,757</u> | <u>\$ 115,520</u> | <u>\$ 113,725</u> | <u>\$ 89,737</u> | <u>\$ 75,087</u> |

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Last Ten Fiscal Years
(unaudited)

HISTORICAL PLEDGED REVENUES
(amounts expressed in thousands)

| Fiscal Year | Pledged HOT (a) | % Change | Pledged Parking Revenues (b) | % Change | Tax Rebates (c) | % Change | Total (d) |
|--------------------|------------------------|-----------------|-------------------------------------|-----------------|------------------------|-----------------|------------------|
| 2012 | 55,388 | 11.4% | 6,632 | -9.0% | 9,937 | 21.5% | 71,957 |
| 2013 | 61,605 | 11.2% | 7,892 | 19.0% | 9,395 | -5.0% | 78,892 |
| 2014 | 72,739 | 18.1% | 8,644 | 9.5% | 7,762 | -17.4% | 89,145 |
| 2015 | 73,217 | 4.0% | 9,810 | 5.0% | - | -100.0% | 83,027 |
| 2016 | 72,265 | -1.3% | 9,851 | 0.4% | - | -100.0% | 82,116 |
| 2017 | 66,898 | -7.4% | 9,593 | -2.6% | - | -100.0% | 76,491 |
| 2018 | 72,172 | 8.0% | 5,234 | -45.4% | - | -100.0% | 77,460 |
| 2019 | 69,477 | -3.7% | 8,006 | 53.0% | - | -100.0% | 77,483 |
| 2020 | 54,359 | -21.8% | 6,837 | -14.6% | - | -100.0% | 61,196 |
| 2021 | 38,298 | -29.5% | 3,451 | -49.5% | - | -100.0% | 41,749 |

- (a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) collected due to an occupancy tax of 5.65% applied to the cost of substantially all hotel room rentals in the City other than the Hilton Americas Hotel during the first ten years of its operation. The total HOT imposed by the City is 7%.
- (b) The City's pledge of parking revenues for debt service is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. These annual payments totaled \$1,000,000 for fiscal years 2001-2005, \$1,050,000 for fiscal year 2006, and \$1,100,000 for fiscal years 2007-2011.
- (c) The Tax Rebates consist of rebates of hotel occupancy taxes, sales taxes, and mixed beverage taxes derived from the Hilton Americas Hotel and parking garage during the first ten years of operation. They ended 12-31-13, so there are no rebates to report in FY2021.
- (d) Amounts shown do not include investment earnings on pledged revenues, which are also pledged.

CITY OF HOUSTON, TEXAS

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CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Last Ten Fiscal Years
(unaudited)

Schedule of Hotel Occupancy Tax and Occupancy Rates

| Fiscal Year | Occupancy % Rate (1) | Average Daily Rate (1) | Tax % Rate | Gross Hotel Occupancy Tax Revenues (in thousands) |
|------------------------|---------------------------------|-----------------------------------|-----------------------|--|
| 2012 | 65.4% | 95.35 | 7% | 70,731 |
| 2013 | 68.0% | 101.0 | 7% | 79,736 |
| 2014 | 70.5% | 108.8 | 7% | 90,345 |
| 2015 | 70.3% | 111.17 | 7% | 90,711 |
| 2016 | 64.2% | 105.55 | 7% | 88,632 |
| 2017 | 61.5% | 105.47 | 7% | 82,961 |
| 2018 | 65.0% | 108.18 | 7% | 89,417 |
| 2019 | 64.6% | 104.16 | 7% | 86,078 |
| 2020 | 39.8% | 86.48 | 7% | 67,348 |
| 2021 | 52.4% | 84.93 | 7% | 47,449 |

(1) Source: Greater Houston Partnership.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2021
(unaudited)

Schedule of Hotel Occupancy Tax Collections

| The Twelve Largest Taxpayers | Gross Hotel Occupancy Tax Collections |
|-------------------------------------|--|
| Airbnb, Inc. | \$ 2,948,798 |
| The Post Oak Hotel | 1,043,797 |
| Houston Marriott Marquis | 868,768 |
| Jesse H. Jones Rotary House | 757,769 |
| MARRIOTT HOTEL IAH | 729,451 |
| Westin Oaks Houston | 439,098 |
| Hotel Zaza | 419,931 |
| Hilton Americas-Houston | 402,497 |
| Doubletree Guest Suites | 379,359 |
| JW MARRIOTT GALLERIA | 374,254 |
| JW Marriot Houston Downtown | 341,760 |
| Hotel Derek | 298,829 |
| Total | <u>\$ 9,004,312</u> |

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2021
(unaudited)

Parking Facilities Rates

| Facility | City Employee Monthly Contract (1) | Other Monthly Contract (2) | Daily Transient (2) | Event Rate (2) |
|--------------------------------|---|---|--------------------------------|---------------------------|
| Theater District Garage | \$101.40 | \$185.00 | \$8.00 per hour | \$12.00 |
| | | \$185.00 (3) | \$18.00 Maximum | |
| | | \$140.29 (4) | | |
| Reserved parking | | \$225.00 | | |
| City Hall Annex Parking Garage | \$51.76 | \$106.00 | n/a | \$12.00 |
| Lots C and H | \$65.05 | \$60.00 | n/a | \$12.00 |

(1) Does not include sales and use tax of 8.25%.

(2) Includes sales and use tax of 8.25%.

(3) Rates paid by Convention & Entertainment Facilities departmental contractors.

(4) Bulk contract parking agreement.

Source: www.houstonfirsttheaters.com/parking, COH, Convention & Entertainment Facilities Department.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Convention & Entertainment Revenue Bonds Outstanding assuming scheduled mandatory redemption of any term bonds.

| Fiscal Year Ending June 30 | Series 2001 Bonds | Series 2011A Bonds | Series 2014 Bonds | Series 2015 Bonds | Regions Notes | JP Morgan Chase Note | Series 2017 Bonds | Series 2019 Bonds | Total Debt Service |
|---------------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|----------------------|---------------------------------|------------------------------|------------------------------|-------------------------------|
| 2022 | \$ 22,720,000 | \$ 3,366,625 | \$ 4,396,125 | \$ 7,994,500 | \$ 600,000 | \$ 23,000 | \$ 1,169,061 | \$ 11,486,125 | \$ 51,755,436 |
| 2023 | 23,320,000 | 3,375,625 | 4,395,625 | 11,616,875 | 600,000 | 23,000 | 1,338,753 | 12,383,500 | \$ 57,053,378 |
| 2024 | 24,220,000 | 3,356,225 | 4,392,625 | 11,714,000 | 26,600,000 | 1,023,000 | 1,360,320 | 11,408,500 | \$ 84,074,670 |
| 2025 | 24,930,000 | 3,339,788 | 4,396,875 | 11,892,250 | - | - | 1,395,421 | 10,528,875 | \$ 56,483,209 |
| 2026 | 25,850,000 | 3,334,575 | 4,393,250 | 12,014,750 | - | - | 1,418,993 | 9,517,750 | \$ 56,529,318 |
| 2027 | 26,610,000 | 3,659,550 | 8,252,750 | 9,006,875 | - | - | 853,748 | 8,197,500 | \$ 56,580,423 |
| 2028 | 27,355,000 | 3,624,081 | 7,991,750 | 9,336,125 | - | - | 914,368 | 7,349,375 | \$ 56,570,699 |
| 2029 | 28,305,000 | 3,711,794 | 8,286,500 | 8,499,500 | - | - | 755,752 | 7,004,500 | \$ 56,563,046 |
| 2030 | 29,065,000 | 3,590,738 | 8,040,875 | 8,578,375 | - | - | 773,476 | 6,526,250 | \$ 56,574,714 |
| 2031 | 29,950,000 | 3,071,875 | 8,183,000 | 8,376,750 | - | - | 736,009 | 6,255,000 | \$ 56,572,634 |
| 2032 | 30,530,000 | 2,877,750 | 8,073,750 | 8,376,125 | - | - | 738,541 | 5,965,000 | \$ 56,561,166 |
| 2033 | 30,560,000 | 2,838,000 | 8,149,000 | 8,531,875 | - | - | 765,245 | 5,710,875 | \$ 56,554,995 |
| 2034 | 30,550,000 | 2,706,000 | 9,529,750 | 7,806,625 | - | - | 627,905 | 5,281,000 | \$ 56,501,280 |
| 2035 | - | - | 2,480,875 | 4,416,250 | - | - | - | 5,979,500 | \$ 12,876,625 |
| 2036 | - | - | 2,479,250 | 4,416,750 | - | - | - | 5,991,375 | \$ 12,887,375 |
| 2037 | - | - | 2,482,625 | 4,415,125 | - | - | - | 4,855,000 | \$ 11,752,750 |
| 2038 | - | - | 2,480,750 | 4,416,000 | - | - | - | - | \$ 6,896,750 |
| 2039 | - | - | 2,478,500 | 4,414,000 | - | - | - | - | \$ 6,892,500 |
| 2040 | - | - | 2,480,500 | 4,413,750 | - | - | - | - | \$ 6,894,250 |
| 2041 | - | - | - | 4,414,750 | - | - | - | - | \$ 4,414,750 |
| 2042 | - | - | - | 4,416,200 | - | - | - | - | \$ 4,416,200 |
| 2043 | - | - | - | 4,414,500 | - | - | - | - | \$ 4,414,500 |
| 2044 | - | - | - | 4,416,400 | - | - | - | - | \$ 4,416,400 |
| 2045 | - | - | - | 4,416,600 | - | - | - | - | \$ 4,416,600 |
| 2046 | - | - | - | - | - | - | - | - | \$ - |
| Total | \$353,965,000 | \$ 42,852,626 | \$103,364,375 | \$ 172,314,950 | \$ 27,800,000 | \$ 1,069,000 | \$ 12,847,592 | \$124,440,125 | \$ 838,653,668 |

(1) Assumes an interest rate of 2.3% for the Regions Notes.

CITY OF HOUSTON, TEXAS
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
(amounts expressed in thousands)
(unaudited)

Convention & Entertainment Budget for Fiscal Year 2022

Budgeted Resources

Operating Revenues

| | | |
|---------------------------------|----|--------------|
| Facility Rentals | \$ | 1,521 |
| Parking | | 5,635 |
| Total Operating Revenues | | <u>7,156</u> |

Operating Expenses

| | | |
|---------------------------------|--|------------|
| Personnel | | 250 |
| Services | | 104 |
| Total Operating Expenses | | <u>354</u> |
| Operating Income (Loss) | | 6,802 |

Nonoperating Revenues (Expenses)

| | | |
|--|--|---------------|
| Hotel Occupancy Tax | | |
| Current | | 57,500 |
| Delinquent | | 1,000 |
| Net Hotel Occupancy Tax | | <u>58,500</u> |
| Investment Income (Loss) | | 125 |
| Other Interest | | - |
| Other | | 292 |
| Total nonoperating Rev (Exp) | | <u>58,917</u> |
| Income (Loss) Before Operating Transfers | | 65,719 |

Transfers

| | | |
|-----------------------------|--|---------------|
| Transfers to Interest | | 19,272 |
| Transfers to Principal | | 9,997 |
| Transfer to Debt Service | | 195 |
| Transfers to Component Unit | | 54,572 |
| Transfers to General Fund | | 1,521 |
| Total Transfers | | <u>85,557</u> |

Net Income (Loss) Operating Fund \$ (19,838)

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM FUND REVENUES AND EXPENSES
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

| Total Annual Revenues Last Ten Fiscal Years | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------------|-------------------|---------------------|-------------------|---------------------|
| Operating Revenues | | | | | |
| Water sales | \$ 480,676 | \$ 485,485 | \$ 499,912 | \$ 486,517 | \$ 529,879 |
| Waste water system user charges | 421,370 | 426,888 | 441,300 | 434,305 | 462,786 |
| Penalties and Other services and charges | 15,192 | 12,317 | 12,195 | 6,602 | 9,917 |
| Total Operating Revenues | 917,238 | 924,690 | 953,407 | 927,424 | 1,002,582 |
| Nonoperating Revenues | | | | | |
| Interest | 5,696 | (507) | 10,688 | 7,685 | 12,652 |
| Other income | 45,448 | 52,355 | 80,062 | 49,632 | 55,306 |
| Total Nonoperating Revenues | 51,144 | 51,848 | 90,750 | 57,317 | 67,958 |
| Total Revenues | \$ 968,382 | \$ 976,538 | \$ 1,044,157 | \$ 984,741 | \$ 1,070,540 |
| | | | | | |
| Total Annual Expenses Last Ten Fiscal Years | 2012 | 2013 | 2014 | 2015 | 2016 |
| Operating Expenses | | | | | |
| Maintenance and operating | \$ 410,781 | \$ 395,439 | \$ 399,647 | \$ 428,732 | \$ 451,342 |
| Depreciation and Amortization | 211,170 | 217,622 | 223,381 | 231,048 | 236,841 |
| Total Operating Expenses | 621,951 | 613,061 | 623,028 | 659,780 | 688,183 |
| Nonoperating Expenses | | | | | |
| Interest on long-term debt | 290,882 | 282,466 | 291,122 | 265,013 | 252,116 |
| Other expenses | 670 | 286 | 5,397 | - | 1,877 |
| Total Nonoperating Expenses | 291,552 | 282,752 | 296,519 | 265,013 | 253,993 |
| Total Expenses | \$ 913,503 | \$ 895,813 | \$ 919,547 | \$ 924,793 | \$ 942,176 |

(1) In 2014, GASB No. 65 "Items Previously Reported as Assets and Liabilities" was implemented causing a restatement to beginning net assets of (\$60,080). Certain bond issuance cost were expensed.

(2) In 2015, GASB No. 68 "Accounting and Financial Reporting for Pensions" was implemented causing a restatement to beginning net assets of (\$273,806) from the recognition of additional pension expense.

(3) In 2018, GASB No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" was implemented causing a restatement to beginning net assets of (\$61,602).

(4) In 2019, a prior period adjustment was recorded causing a restatement to beginning net assets of \$79,429.

| 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 547,054 | \$ 559,010 | \$ 554,294 | \$ 591,611 | \$ 584,594 |
| 475,392 | 479,978 | 485,183 | 509,315 | 510,832 |
| 3,349 | 13,561 | 2,965 | (834) | (2,686) |
| <u>1,025,795</u> | <u>1,052,549</u> | <u>1,042,442</u> | <u>1,100,092</u> | <u>1,092,740</u> |
| 3,954 | 8,074 | 55,170 | 58,243 | 3,310 |
| 58,414 | 74,595 | 83,688 | 70,546 | 84,451 |
| <u>62,368</u> | <u>82,669</u> | <u>138,858</u> | <u>128,789</u> | <u>87,761</u> |
| <u>\$ 1,088,163</u> | <u>\$ 1,135,218</u> | <u>\$ 1,181,300</u> | <u>\$ 1,228,881</u> | <u>\$ 1,180,501</u> |

| 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------------------|---------------------|---------------------|---------------------|
| \$ 354,396 | \$ 492,391 | \$ 516,503 | \$ 518,591 | \$ 529,971 |
| 246,218 | 252,093 | 257,430 | 265,306 | 273,747 |
| <u>600,614</u> | <u>744,484</u> | <u>773,933</u> | <u>783,897</u> | <u>803,718</u> |
| 248,920 | 248,284 | 268,708 | 247,440 | 242,569 |
| - | - | - | - | - |
| <u>248,920</u> | <u>248,284</u> | <u>268,708</u> | <u>247,440</u> | <u>242,569</u> |
| <u>\$ 849,534</u> | <u>\$ 992,768</u> | <u>\$ 1,042,641</u> | <u>\$ 1,031,337</u> | <u>\$ 1,046,287</u> |

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM REVENUE BOND COVERAGE
(amounts expressed in thousands)
(unaudited)

| | Fiscal Year 2021 | Fiscal Year 2020 |
|---|-----------------------------|-----------------------------|
| OPERATING REVENUES | | |
| Sales of water | \$ 584,594 | \$ 591,611 |
| Sewer system user charges | 510,832 | 509,315 |
| Penalties, other services and charges | (2,680) | (834) |
| Total Operating Revenues | 1,092,746 | 1,100,092 |
| NON-OPERATING REVENUES | | |
| Investment Earnings under Previous Ordinance | 14,479 | 23,679 |
| Investment Earnings under Master Ordinance | 5,967 | 13,184 |
| Other Non-Operating revenues | 9,070 | 18,438 |
| Total non-operating revenues | 29,516 | 55,301 |
| TOTAL GROSS REVENUES: | 1,122,262 | 1,155,393 |
| EXPENSES | | |
| Contract Revenue Bonds Payments ⁽¹⁾ | | |
| Coastal Water Authority Debt Service | 6,398 | 6,381 |
| Total Contract Revenue Bonds Payments | 6,398 | 6,381 |
| Maintenance and Operating Expenses | 499,533 | 459,410 |
| Total Expenses | 505,931 | 465,791 |
| RESTRICTED RECEIPTS UNDER MASTER ORDINANCE | 32,398 | 28,960 |
| NET REVENUES UNDER MASTER ORDINANCE | \$ 648,729 | \$ 718,562 |
| BOND DEBT SERVICE: | | |
| Previously Issued Bonds | 22,405 | 23,520 |
| First Lien Bonds | 468,467 | 452,339 |
| Total Debt Service | \$ 490,872 | \$ 475,859 |
| BOND DEBT SERVICE COVERAGE: | | |
| Junior Lien Bond Coverage under Previous Ordinance ⁽²⁾ | 27.24 | 28.76 |
| First Lien Bond Coverage under Master Ordinance ⁽³⁾ | 1.34 | 1.54 |
| TOTAL COVERAGE ⁽⁴⁾ | 1.32 | 1.51 |

(1) These are "Required Payments Under Previous Ordinance."

(2) Coverage of debt service on Previous Ordinance Bonds by Net Revenues as calculated under Previous Ordinance, which does not include as revenues Investment Earnings under Master Ordinance and Restricted Revenues.

(3) Coverage of Debt Service on First Lien Bonds by Net Revenues, less debt service on Junior Lien Bonds under Previous Ordinance.

(4) Coverage of total Debt Service on Junior Lien Bonds under Previous Ordinance and First Lien Bonds under Master Ordinance by Net Revenues.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
System Budget for Fiscal Year 2022
(amounts expressed in thousands)
(unaudited)

The following is the summary of the Fiscal Year 2022 Budget for the System as adopted by City Council:

| Revenues | |
|--|-----------------------------------|
| Beginning Fund Balance (July 1, 2022) | \$ 835,488 |
| Current Revenues | <u>1,232,266</u> |
| Total Revenues | <u><u>\$ 2,067,754</u></u> |
| | |
| Expenditures | |
| Maintenance and Operations | \$ 541,311 |
| CWA Debt Service | 11,678 |
| Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper) | <u>578,421</u> |
| Total Expenditures | <u><u>1,131,410</u></u> |
| | |
| Other | |
| General Purpose Fund (including Discretionary Debt Service) | 174,352 |
| Planned Fund Balance (June 30, 2022) | <u>761,992</u> |
| Total Expenditures and Reserves | <u><u>\$ 2,067,754</u></u> |

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2021
(unaudited)

Water Right Permit

As of the date of this Official Statement, the City has received the following water rights permits:

| | <u>Rights in MGD</u> |
|--------------------------------------|-----------------------------|
| Surface Water | |
| Trinity River Basin | 914 |
| Water Reuse | 259 |
| San Jacinto River Basin | 258 |
| Bayous | 116 |
| Brazos River Basin | <u>91</u> |
| Total Surface Water Rights | <u><u>1,638</u></u> |
| | |
| Ground Water Production Capacity (1) | <u>142</u> |
| Total Water Available | <u><u>1,780</u></u> |

(1) Pursuant to rules of the Harris - Galveston Coastal Subsidence District.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

| | FY 2021 |
|---|----------------|
| Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2029) (1) | \$ 44,095,000 |
| Maximum Annual Debt Service Requirements on First Lien Bonds (2030) (1) (2) | \$ 524,607,477 |
| Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2023) | \$ 525,114,266 |
| Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2021 (3) | \$ 616,331,381 |
| Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2021 (4) | \$ 648,729,381 |
| Total Funds available for Debt Service Coverage at July 1, 2021 (5) | \$ 883,271,304 |
| | |
| Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds | 13.98 |
| Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds | 2.92 |
| Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bonds | 2.92 |

- (1) Does not include debt service on CWA Bonds, which are payable from Gross Revenues as a Maintenance and Operating Expense of the System.
- (2) First Lien Debt Service largest payment requirement
- (3) Excludes Restricted Receipts under Master Ordinance.
- (4) Net Revenues as calculated under the Master Ordinance, which includes as revenues restricted receipts and earnings under the Master Ordinance.
- (5) Available cash from Operating and General Purpose Fund net of encumbrances.

The System - Water & Sewer Facilities General

The City of Houston Drinking Water Operations (DWO) System covers over 666 square miles, providing drinking water to four counties: Harris, Fort Bend, Montgomery, and Galveston. There are 488,853 active water service accounts with 969,432 connections. 87% of source water is pulled from the San Jacinto and Trinity rivers while the remaining 13% originates from groundwater wells. In total, DWO has 856 million gallons per day (MGD) combined production capacity of groundwater and surface water. More specifically, the water production and storage system include 3 surface water plants, 49 groundwater plants, 129 groundwater wells, 7 surface water re-pressurization plants, and 137 water storage tanks and towers. Average water purification and production is 447 MGD, which is enough to fill the Astrodome almost twice per day. The water distribution network consists of 7,640 linear miles of piping, 61,991 fire hydrants, and over 163,954 valves that are managed and maintained to the highest standards.

The City of Houston Wastewater Operations System receives and processes wastewater generated by residential, commercial, and industrial customers throughout the service area. The service area covers approximately 637 square miles within the City of Houston and serves a population of about 2.3 million people. The Wastewater System consists of over 6,200 miles of both gravity and force main lines, 582 miles of service lines within public right of way, 39 wastewater treatment plants, and over 385 lift/pumping stations and a centralized laboratory. The general condition of the collection lines varies depending on age, location and type of construction. The average daily wastewater flow through the Wastewater Treatment Facilities for Fiscal Year 2021 was 263 million gallons per day (mgd). The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 564 mgd.

The System - Annexation Program - In - City Districts

The City has created reinvestment zones and public improvement districts in which infrastructure improvements, including water and wastewater facilities, will be financed by the respective district or zone through bonds supported by assessments within the districts and by a tax increment fund into which will be deposited the amount of ad valorem taxes collected in the reinvestment zones in excess of the amount calculated on the basis of the property tax appraisals in effect at the time of creation of the particular reinvestment zone. Under State law, the City can create a public improvement district both within the corporate limits of the City and within its extraterritorial jurisdiction.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

Funding of Proposed System Improvements

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2022-2026 CIP will be financed approximately as follows:

| Proposed Source of Funding | Amount (in millions) |
|--|-------------------------|
| System Revenue Bonds (Net Proceeds and Interest Earnings) ⁽¹⁾ | 2,200,943,000 |
| System Revenue | 500,000,000 |
| Swift Loan (subordinate Lien) | - |
| Contributed Capital | 391,518,000 |
| | \$ 3,092,461,000 |

- (1) The department's fiscal year 2022-2026 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds, but not each issuance of Commercial Paper Notes.

Obligations Payable from System Revenues

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2021:

| Contract Revenue Bonds Payable from System Gross Revenues | Amount |
|--|-------------------------|
| CWA Bonds ⁽²⁾ | \$ 52,995,000 |
| Total - Contract Revenue Bonds | \$ 52,995,000 |
| System Revenue Bonds Payable from System Net Revenues | |
| Previous Ordinance Bonds | 43,292,000 |
| First Lien Bonds | 6,514,400,000 |
| Third Lien Obligations | - |
| Total - System Revenue Bonds | \$ 6,557,692,000 |
| Total - All Bonds Payable from System Revenues | \$ 6,610,687,000 |

- (2) Under a 1968 agreement, as amended and superseded in part, and a 1995 agreement, CWA agreed to construct the CWA conveyance system and certain other projects and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover maintenance and operation expenses of the CWA Conveyance System plus debt service of the CWA Bonds.

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
(unaudited)**

Discretionary Debt Service Paid by the System

The total amount of Discretionary Debt Service paid from Net Revenues of the System for the past nine fiscal years and the amount budgeted for fiscal year 2022 is set forth below:

| <u>Fiscal Year</u> | <u>Discretionary Debt Service (in millions)</u> |
|--------------------|---|
| 2022 (budgeted) | \$ 4.9 |
| 2021 | 5.0 |
| 2020 | 5.6 |
| 2019 | 7.8 |
| 2018 | 9.1 |
| 2017 | 9.2 |
| 2016 | 9.9 |
| 2015 | 12.0 |
| 2014 | 13.1 |
| 2013 | 15.8 |

Combined Utility System General Purpose Fund Transfers for Drainage

The Combined Utility System transfers from its General Purpose Fund to the Storm Water Fund for the past nine fiscal years and the amount budgeted for fiscal year 2022 are reflected below:

| <u>Fiscal Year</u> | <u>General Purpose Fund Transfers (in millions)</u> |
|--------------------|---|
| 2022 (budgeted) | \$ 57.1 |
| 2021 | 66.5 |
| 2020 | 58.8 |
| 2019 | 55.4 |
| 2018 | 54.0 |
| 2017 | 52.8 |
| 2016 | 42.2 |
| 2015 | 35.2 |
| 2014 | 45.5 |
| 2013 | 43.8 |

Indirect Charges Paid by the System

| <u>Fiscal Year</u> | <u>Indirect Charges (in thousands)</u> |
|--------------------|--|
| 2022 (budgeted) | \$ 8,824 |
| 2021 | 9,503 |
| 2020 | 11,069 |
| 2019 | 10,404 |
| 2018 | 10,877 |
| 2017 | 9,988 |
| 2016 | 9,810 |
| 2015 | 9,776 |
| 2014 | 6,173 |
| 2013 | 3,479 |

CITY OF HOUSTON, TEXAS

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**CITY OF HOUSTON, TEXAS
 COMBINED UTILITY SYSTEM STATISTICS
 TREATED WATER & WASTE WATER CONSUMPTION
 (NOT INCLUDING WHOLESALE NOR RAW WATER)
 Last Ten Fiscal Years
 (unaudited)**

| Fiscal Years | 2012 | 2013 | 2014 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|
| Water Consumption (in Thousand Gallons) | | | | |
| Residential | 29,400,266 | 26,239,053 | 25,263,997 | 23,265,022 |
| Multi-Family | 24,811,699 | 25,173,568 | 25,131,767 | 25,370,691 |
| Commercial | 22,079,299 | 21,508,026 | 21,728,794 | 21,591,973 |
| Government | 4,835,549 | 4,686,403 | 4,688,639 | 3,149,624 |
| Other Accts | 7,473,765 | 6,981,799 | 6,339,166 | 5,099,403 |
| Total | 88,600,578 | 84,588,849 | 83,152,363 | 78,476,713 |

| Fiscal Years | 2012 | 2013 | 2014 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|
| Waste Water Consumption (in Thousand Gallons) | | | | |
| Residential | 29,299,770 | 26,147,597 | 25,171,385 | 23,176,519 |
| Multi-Family | 24,753,469 | 25,109,884 | 25,072,775 | 25,290,180 |
| Commercial | 22,387,592 | 22,090,300 | 22,234,061 | 22,165,594 |
| Government | 506,648 | 609,651 | 521,190 | 428,287 |
| Total | 76,947,479 | 73,957,432 | 72,999,411 | 71,060,580 |

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 24,744,815 | 25,911,974 | 26,498,295 | 24,144,424 | 25,495,741 | 26,166,947 |
| 25,676,282 | 26,323,185 | 29,640,195 | 26,521,613 | 27,766,727 | 29,532,580 |
| 21,825,149 | 23,764,306 | 24,188,333 | 25,778,408 | 29,590,893 | 21,200,453 |
| 3,558,515 | 6,174,766 | 8,670,358 | 5,982,549 | 5,566,938 | 5,347,518 |
| 5,903,309 | 3,072,484 | 2,777,547 | 3,092,248 | 3,270,522 | 2,528,725 |
| 81,708,070 | 85,246,715 | 91,774,728 | 85,519,242 | 91,690,821 | 84,776,223 |

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 24,545,897 | 24,729,939 | 25,368,705 | 23,107,362 | 24,305,681 | 25,058,608 |
| 25,520,422 | 25,669,642 | 29,017,348 | 25,860,847 | 27,100,348 | 28,918,302 |
| 22,375,995 | 19,777,267 | 20,008,565 | 22,373,928 | 20,236,691 | 17,472,601 |
| 400,109 | 3,799,206 | 6,865,830 | 4,030,345 | 3,402,662 | 3,251,174 |
| 72,842,423 | 73,976,054 | 81,260,448 | 75,372,482 | 75,045,382 | 74,700,685 |

**CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2021
(unaudited)**

Largest Sewer Customers

The following schedule presents information concerning the ten largest customers of the Sewer Facilities for the twelve month period ended June 30, 2021. The total charges to such customers represent approximately 1.57% of the System Gross Revenue and 3.61% of Sewer Facilities gross charges during such period.

| <u>Customer</u> | <u>Gross Charges</u> |
|--------------------------------|--------------------------|
| 1. City of Houston | \$ 4,410,092 |
| 2. HISD | 3,525,233 |
| 3. Harris County | 3,044,496 |
| 4. University of Houston | 2,520,017 |
| 5. Memorial Hermann | 2,173,096 |
| 6. Rice University | 1,149,482 |
| 7. MD Anderson | 893,481 |
| 8. Methodist Hospital | 294,934 |
| 9. Republic Service | 221,842 |
| 10. Houston Baptist University | 187,255 |
| | <u>\$ 18,419,928</u> |

Water and Sewer Rate Adjustments

In recent years, the water and sewer rates have been adjusted on the average as follows:

| <u>Date of Change</u> | <u>Average Percent Rate Increase (Decrease)</u> | |
|-----------------------|---|--------------|
| | <u>Water</u> | <u>Sewer</u> |
| April 2012 | 3.3% | 3.3% |
| April 2013 | 3.6% | 3.6% |
| April 2014 | 1.2% | 1.2% |
| April 2015 | 4.4% | 4.4% |
| April 2016 | 1.4% | 1.4% |
| April 2017 | 3.4% | 3.4% |
| April 2018 | 2.8% | 2.8% |
| April 2019 | 2.8% | 2.8% |
| April 2020 | 3.5% | 3.5% |
| April 2021 | 1.5% | 1.5% |

Current water rates are based on customer class. The amount of the bill is the sum of the minimum charge based on meter size and an additional charge based on the volume of consumption above a minimum volume. The water rates vary from \$5.89 per thousand gallons for single-family customers to \$60.18 per ten thousand gallons.

Usage of the Sewer Facilities is not metered for rate purposes but also includes a fixed charge based on meter size and an additional charge based on the volume of the water usage. Sewer rates vary from \$6.349 per thousand gallons for wholesale customers to \$71.39 for industrial sewer only customers. Additionally, industrial customers may be subject to a sewer surcharge based on the quality of their wastewater discharge.

The bill for typical single family residential customer using 6,000 gallons per month would be \$83.00 for both water and sewer services. However, total water and sewer charges may range from \$18.55 for 1,000 gallons to \$68.66 for 5,000 gallons per month for single-family residential customers

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2021
Water Supply
(unaudited)

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2021 (million gallons per day):

| | Available Capacity | Production Planned | Actual Production |
|-----------|-----------------------|-----------------------|----------------------|
| Ground | 204 | 82 | 59 |
| Surface | 560 | 422 | 387 |
| Total | 764 | 504 | 446 |
| | | | |
| | Total Sales | | |
| Treated | 410 | | |
| Untreated | 232 | | |
| | 642 | | |

Sources of System Revenues - General

As of June 30, 2021, the Water Facilities and the Sewer Facilities served approximately 494,080 and 468,524 active service connections, respectively. During Fiscal Year 2021 approximately 49.9% of System Gross Revenues were derived from the sale of water, (88.1% from treated water and 11.9% from untreated water), approximately 43.6% from providing wastewater treatment services 1.1% from interest income and the remaining 5.4% from various other sources. Of the treated water sales, 91.8% of revenues were from retail customers and 8.2% from bulk sales to other governmental entities.

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
June 30, 2021
Water Supply
(unaudited)

Largest Treated Water Customers

The following schedule presents information concerning the ten largest treated water customers of the System for the twelve month period ended June 30, 2021. The total charges to such customers during such period represent approximately 5.22% of the System Gross Revenues and 10.45% of total water sales revenues for such period.

| <u>Customers</u> | <u>Charges</u> |
|--|----------------------|
| 1. North Harris Co. Regional Water Aut. | \$ 13,699,075 |
| 2. North Channel Water Auth | 8,679,934 |
| 3. City of Pasadena | 7,534,553 |
| 4. West Harris Co. Regional Water Aut. | 6,868,837 |
| 5. Gulf Coast Water Authority (Galveston)* | 6,352,839 |
| 6. North Fort Bend County WA (New Cus) | 4,929,048 |
| 7. Clear Lake City | 4,172,064 |
| 8. Anheuser Busch | 3,307,753 |
| 9. Memorial Villages Water Authority | 2,827,131 |
| 10. City of Pearland | 2,741,056 |
| | <u>\$ 61,112,290</u> |

Largest Untreated Water Customers

The following schedule presents information concerning the ten largest untreated water customers of the System for a twelve month period ended June 30, 2021. The total of the contract payments by these ten customers during such period represents approximately 3.99% of the System Gross Revenue and 7.98% of total water sales revenues for such period.

| <u>Customers</u> | <u>Gross Charges</u> |
|--|----------------------|
| 1. Equistar Chemicals LP CH11 | \$ 13,884,473 |
| 2. Chevron Phillips Chemical Co, | 5,037,927 |
| 3. Air Liquide America Corp. | 4,727,220 |
| 4. Shell Oil | 4,659,809 |
| 5. Baytown Area | 4,427,730 |
| 6. Battleground Water Company | 4,315,246 |
| 7. Houston Refining, LP (Lyondell -Citgo) CH11 | 3,506,636 |
| 8. Equistar Chemicals LP CH11 | 2,107,441 |
| 9. Hoescht Celanese | 2,044,156 |
| 10. Occidental Chemical | 1,967,643 |
| | <u>\$ 46,678,281</u> |

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM STATISTICS
Debt Service Schedule
(unaudited)

The following schedule sets forth the principal and interest requirements on all outstanding bonds payable from revenues of the System for each of the City's fiscal years ending June 30 as shown below, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper notes issued as Third Lien Obligations under the Master Ordinance.

| Fiscal Year Ending June 30 | Payable From System Net Revenues | | | | Total Debt Service |
|----------------------------------|--|--------------------------------|-------------------------|---|-------------------------|
| | Total Payable From System Gross Revenues(1) | Previous Ordinance Bonds | First Lien Bonds (2) | Total Payable From System Net Revenues | |
| 2022 | \$ 6,376,006 | \$ 15,480,000 | \$ 495,113,314 | \$ 510,593,314 | \$ 516,969,320 |
| 2023 | 6,355,581 | 17,345,000 | 507,769,266 | 525,114,266 | 531,469,847 |
| 2024 | 6,350,206 | 19,005,000 | 505,690,732 | 524,695,732 | 531,045,938 |
| 2025 | 6,338,956 | 17,990,000 | 506,034,617 | 524,024,617 | 530,363,573 |
| 2026 | 10,782,206 | 18,155,000 | 500,677,420 | 518,832,420 | 529,614,626 |
| 2027 | 3,378,081 | 30,815,000 | 492,721,711 | 523,536,711 | 526,914,792 |
| 2028 | 3,378,456 | 30,810,000 | 492,750,425 | 523,560,425 | 526,938,881 |
| 2029 | 3,404,306 | 44,095,000 | 479,285,860 | 523,380,860 | 526,785,166 |
| 2030 | 3,400,828 | - | 524,607,477 | 524,607,477 | 528,008,305 |
| 2031 | 3,396,312 | - | 521,856,963 | 521,856,963 | 525,253,275 |
| 2032 | 3,386,100 | - | 519,737,533 | 519,737,533 | 523,123,633 |
| 2033 | 3,381,000 | - | 508,854,934 | 508,854,934 | 512,235,934 |
| 2034 | 3,376,200 | - | 507,825,720 | 507,825,720 | 511,201,920 |
| 2035 | 3,381,303 | - | 343,244,434 | 343,244,434 | 346,625,737 |
| 2036 | - | - | 340,628,915 | 340,628,915 | 340,628,915 |
| 2037 | - | - | 319,563,419 | 319,563,419 | 319,563,419 |
| 2038 | - | - | 242,672,902 | 242,672,902 | 242,672,902 |
| 2039 | - | - | 237,924,191 | 237,924,191 | 237,924,191 |
| 2040 | - | - | 177,405,053 | 177,405,053 | 177,405,053 |
| 2041 | - | - | 177,027,481 | 177,027,481 | 177,027,481 |
| 2042 | - | - | 141,547,220 | 141,547,220 | 141,547,220 |
| 2043 | - | - | 141,548,970 | 141,548,970 | 141,548,970 |
| 2044 | - | - | 133,731,613 | 133,731,613 | 133,731,613 |
| 2045 | - | - | 121,795,379 | 121,795,379 | 121,795,379 |
| 2046 | - | - | 104,692,782 | 104,692,782 | 104,692,782 |
| 2047 | - | - | 87,342,893 | 87,342,893 | 87,342,893 |
| 2048 | - | - | 84,573,459 | 84,573,459 | 84,573,459 |
| 2049 | - | - | 66,592,080 | 66,592,080 | 66,592,080 |
| 2050 | - | - | 48,927,416 | 48,927,416 | 48,927,416 |
| 2051 | - | - | 14,722,718 | 14,722,718 | 14,722,718 |
| 2052 | - | - | 14,718,716 | 14,718,716 | 14,718,716 |
| Total | <u>\$ 66,685,541</u> | <u>\$ 193,695,000</u> | <u>\$ 9,361,585,613</u> | <u>\$ 9,555,280,613</u> | <u>\$ 9,621,966,154</u> |

(1) Includes CWA Maintenance and Operating lien.

(2) \$249,075,000 of the Series 2012C variable rate bond debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. This was refunded in 2016 & again in 2018 to Series 2016C and Series 2018C respectively. Series 2004B debt service is adjusted to take into account expected payments under the Series 2004B Qualified Hedge Agreements.

CITY OF HOUSTON
COMBINED UTILITY SYSTEM STATISTICS
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Revenues and Expenses of the Water and Sewer System

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization) of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements.

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| OPERATING REVENUES | | | | | |
| Sales of Water | \$ 485,307 | \$ 485,485 | \$ 499,912 | \$ 486,517 | \$ 529,879 |
| Sewer system user charges | 421,370 | 426,888 | 441,300 | 434,305 | 462,786 |
| Penalties and Other services and charges | 15,191 | 17,455 | 12,195 | 6,602 | 9,917 |
| Total Operating Revenues | 921,868 | 929,828 | 953,407 | 927,424 | 1,002,582 |
| NON-OPERATING REVENUES | 47,159 | 49,722 | 76,155 | 45,865 | 51,066 |
| TOTAL GROSS REVENUES (A) | 969,027 | 979,550 | 1,029,562 | 973,289 | 1,053,648 |
| OPERATING EXPENSES | | | | | |
| Maintenance and Operating Expenses | 397,226 | 380,192 | 387,398 | 406,619 | 419,161 |
| Contractual Maintenance and Operating Expenses | | | | | |
| CWA Debt Service | 20,389 | 19,663 | 18,875 | 18,064 | 17,684 |
| Total Contractual | 20,389 | 19,663 | 18,875 | 18,064 | 17,684 |
| TOTAL OPERATING EXPENSES (B) | 417,615 | 399,855 | 406,273 | 424,683 | 436,845 |
| NET REVENUES | \$ 551,412 | \$ 579,695 | \$ 623,289 | \$ 548,606 | \$ 616,803 |
| GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B) | 2.320 | 2.450 | 2.534 | 2.292 | 2.412 |

| <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------|-------------|-------------|-------------|-------------|
| \$ 547,054 | \$ 559,010 | \$ 554,294 | \$ 591,611 | \$ 584,594 |
| 475,392 | 479,978 | 485,183 | 509,315 | 510,832 |
| 3,349 | 13,561 | 2,965 | (834) | (2,680) |
| 1,025,795 | 1,052,549 | 1,042,442 | 1,100,092 | 1,092,746 |
| 49,993 | 74,020 | 81,164 | 84,261 | 61,914 |
| 1,075,788 | 1,126,569 | 1,123,606 | 1,184,353 | 1,154,660 |
| 431,126 | 432,152 | 461,859 | 459,410 | 499,533 |
| 7,204 | 6,399 | 6,385 | 6,381 | 6,398 |
| 7,204 | 6,399 | 6,385 | 6,381 | 6,398 |
| 438,330 | 438,551 | 468,244 | 465,791 | 505,931 |
| \$ 637,458 | \$ 688,018 | \$ 655,362 | \$ 718,562 | \$ 648,729 |
| 2.454 | 2.569 | 2.400 | 2.543 | 2.282 |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM FUND REVENUES AND EXPENSES
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

| Total Annual Revenues Last Ten Fiscal Years | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating Revenues | | | | | |
| Landing area fees | \$ 86,935 | \$ 91,059 | \$ 88,342 | \$ 93,575 | \$ 86,870 |
| Building and ground area fees | 182,320 | 181,701 | 186,505 | 197,039 | 216,018 |
| Parking, concession and other revenues | 148,295 | 160,234 | 177,260 | 185,668 | 186,009 |
| Total Operating Revenues | 417,550 | 432,994 | 452,107 | 476,282 | 488,897 |
| Nonoperating Revenues | | | | | |
| Interest income | 5,636 | (1,934) | 11,170 | 7,496 | 13,260 |
| Passenger facility charges | 63,550 | 61,195 | 62,602 | 85,392 | 104,230 |
| Customer facility charges | 15,904 | 17,104 | 17,152 | 17,535 | 16,417 |
| Other nonoperating revenues | 4,644 | 1,978 | 3,225 | 7,969 | 124 |
| Total Nonoperating Revenues | 89,734 | 78,343 | 94,149 | 118,392 | 134,031 |
| Total Revenues | \$ 507,284 | \$ 511,337 | \$ 546,256 | \$ 594,674 | \$ 622,928 |
| Total Annual Expenses Last Ten Fiscal Years | 2012 | 2013 | 2014 | 2015 | 2016 |
| Operating Expenses | | | | | |
| Maintenance and operating | \$ 264,060 | \$ 272,091 | \$ 285,212 | \$ 286,529 | \$ 315,419 |
| Depreciation | 193,266 | 173,448 | 174,825 | 177,512 | 179,398 |
| Total Operating Expenses | 457,326 | 445,539 | 460,037 | 464,041 | 494,817 |
| Nonoperating Expenses | | | | | |
| Interest expense and others | 95,546 | 94,812 | 112,350 | 92,803 | 86,259 |
| Restatement | (1,534) | (1,063) | - | - | - |
| Total Nonoperating Expenses | 94,012 | 93,749 | 112,350 | 92,803 | 86,259 |
| Total Expenses | \$ 551,338 | \$ 539,288 | \$ 572,387 | \$ 556,844 | \$ 581,076 |
| Contributions | 15,029 | 12,761 | 44,614 | 36,432 | 22,542 |
| Total Change in Net Position | \$ (29,025) | \$ (15,190) | \$ 18,483 | \$ 74,262 | \$ 64,394 |
| Net Position at Year End | 2012 | 2013 | 2014 | 2015 | 2016 |
| Net investment in capital assets | \$ 595,682 | \$ 532,447 | \$ 469,971 | \$ 466,196 | \$ 537,172 |
| Restatement | (15,046) | (13,983) | - | - | - |
| Net investment in capital assets | 580,636 | 518,464 | 469,971 | 466,196 | 537,172 |
| Restricted net assets | | | | | |
| Restricted for debt service | \$ 189,966 | \$ 213,064 | \$ 242,558 | \$ 303,371 | \$ 333,635 |
| Restricted for maintenance and operations | 44,023 | 46,309 | 49,736 | 53,912 | 54,942 |
| Restricted for special facility | 20,025 | 26,026 | 30,986 | 25,732 | 26,944 |
| Restricted for renewal and replacement | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Restricted for capital improvements | 537,165 | 552,762 | 581,857 | 600,159 | 561,071 |
| Unrestricted (deficit) | - | - | - | (178,003) | (178,003) |
| Total Net Position | \$ 1,381,815 | \$ 1,366,625 | \$ 1,385,108 | \$ 1,281,367 | \$ 1,345,761 |

| 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 88,046 | \$ 95,779 | \$ 87,767 | \$ 95,862 | \$ 70,578 |
| 221,181 | 220,214 | 211,323 | 223,301 | 155,598 |
| 184,814 | 194,871 | 199,374 | 152,749 | 92,379 |
| <u>494,041</u> | <u>510,864</u> | <u>498,464</u> | <u>471,912</u> | <u>318,555</u> |
| 3,403 | 8,591 | 45,067 | 43,701 | 1,523 |
| 101,539 | 109,021 | 111,155 | 78,418 | 62,541 |
| 14,200 | 17,374 | 17,439 | 13,320 | 8,769 |
| 5,596 | (1,420) | 340 | 18,877 | 198,447 |
| <u>124,738</u> | <u>133,566</u> | <u>174,001</u> | <u>154,316</u> | <u>271,280</u> |
| <u>\$ 618,779</u> | <u>\$ 644,430</u> | <u>\$ 672,465</u> | <u>\$ 626,228</u> | <u>\$ 589,835</u> |

| 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------|------------------|------------------|-----------------|------------------|
| \$ 254,459 | \$ 335,104 | \$ 337,477 | \$ 370,430 | \$ 318,568 |
| 184,203 | 176,053 | 174,266 | 175,573 | 170,820 |
| <u>438,662</u> | <u>511,157</u> | <u>511,743</u> | <u>546,003</u> | <u>489,388</u> |
| 87,574 | 94,061 | 84,578 | 85,426 | 95,803 |
| - | - | - | - | - |
| <u>87,574</u> | <u>94,061</u> | <u>84,578</u> | <u>85,426</u> | <u>95,803</u> |
| \$ 526,236 | \$ 605,218 | \$ 596,321 | \$ 631,429 | \$ 585,191 |
| 35,513 | 13,784 | 16,599 | 10,927 | 24,757 |
| <u>\$ 128,056</u> | <u>\$ 52,996</u> | <u>\$ 92,743</u> | <u>\$ 5,726</u> | <u>\$ 29,401</u> |

| 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 542,363 | \$ 531,232 | \$ 542,125 | \$ 514,164 | \$ 495,497 |
| - | - | - | - | - |
| <u>542,363</u> | <u>531,232</u> | <u>542,125</u> | <u>514,164</u> | <u>495,497</u> |
| \$ 287,858 | \$ 357,588 | \$ 428,856 | \$ 464,280 | \$ 384,267 |
| 54,805 | 56,891 | 60,525 | 54,807 | 54,232 |
| 29,369 | 36,049 | 43,442 | 55,105 | 52,362 |
| 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| 676,360 | 657,050 | 651,664 | 619,884 | 627,464 |
| (126,938) | (143,297) | (138,356) | (114,258) | 9,561 |
| <u>\$ 1,473,817</u> | <u>\$ 1,505,513</u> | <u>\$ 1,598,256</u> | <u>\$ 1,603,982</u> | <u>\$ 1,633,383</u> |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Passenger Statistics
(unaudited)

Domestic Passengers

| Fiscal Year | Bush Intercontinental | | Hobby | | Ellington Airport | | Total | |
|----------------|------------------------------|----------------------|-----------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------|
| | Enplanements | | Enplanements | | Enplanements | | Enplanements | |
| | & Deplanements | Percentage Change | & Deplanements | Percentage Change | & Deplanements | Percentage Change | & Deplanements | Percentage Change |
| | <u>(in thousands)</u> | | <u>(in thousands)</u> | | <u>(in thousands)</u> | | <u>(in thousands)</u> | |
| 2012 | 31,778 | 0.4% | 10,192 | 8.0% | - | - | 41,970 | 2.2% |
| 2013 | 30,830 | -3.0% | 10,690 | 4.9% | - | - | 41,520 | -1.1% |
| 2014 | 30,832 | 0.0% | 11,609 | 8.6% | - | - | 42,441 | 2.2% |
| 2015 | 31,967 | 3.7% | 11,837 | 2.0% | - | - | 43,804 | 3.2% |
| 2016 | 31,959 | 0.0% | 12,209 | 3.1% | - | - | 44,168 | 0.8% |
| 2017 | 30,809 | -3.6% | 12,423 | 1.8% | - | - | 43,232 | -2.1% |
| 2018 | 31,102 | 1.0% | 12,864 | 3.5% | - | - | 43,966 | 1.7% |
| 2019 | 33,972 | 9.2% | 13,629 | 5.9% | - | - | 47,601 | 8.3% |
| 2020 | 25,068 | -26.2% | 9,998 | -26.6% | - | - | 35,066 | -26.3% |
| 2021 | 17,648 | -29.6% | 7,738 | -22.6% | - | - | 25,386 | -27.6% |

| International Passengers | | | | | | | |
|---|----------------------|---|----------------------|---|----------------------|---|----------------------|
| Bush Intercontinental | | Hobby | | Total | | Total Passengers | |
| Enplanements & Deplanements (in thousands) | Percentage Change | Enplanements & Deplanements (in thousands) | Percentage Change | Enplanements & Deplanements (in thousands) | Percentage Change | Enplanements & Deplanements (in thousands) | Percentage Change |
| 8,686 | -0.5% | - | - | 8,686 | -0.5% | 50,656 | 1.7% |
| 8,795 | 1.3% | - | - | 8,795 | 1.3% | 50,315 | -0.7% |
| 9,470 | 7.7% | - | - | 9,470 | 7.7% | 51,911 | 3.2% |
| 10,018 | 5.8% | 4 | - | 10,022 | 5.8% | 53,826 | 3.7% |
| 10,904 | 8.8% | 519 | 12875.0% | 11,423 | 14.0% | 55,591 | 3.3% |
| 10,662 | -2.2% | 860 | 65.7% | 11,522 | 0.9% | 54,754 | -1.5% |
| 10,404 | -2.4% | 957 | 11.3% | 11,361 | -1.4% | 55,327 | 1.0% |
| 10,939 | 5.1% | 965 | 0.8% | 11,904 | 4.8% | 59,505 | 7.6% |
| 7,969 | -27.2% | 591 | -38.8% | 8,560 | -28.1% | 43,626 | -26.7% |
| 3,885 | -51.2% | 421 | -28.8% | 4,306 | -49.7% | 29,692 | -31.9% |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
AIRLINE MARKET SHARES
(unaudited)

MAJOR AIRLINE MARKET SHARE

| CARRIER | FY2021 | % | FY2020 | % | FY2019 | % | FY2018 | % | FY2017 | % |
|--------------------|------------|--------|------------|--------|------------|--------|------------|--------|------------|--------|
| United Airlines | 14,864,106 | 50.1% | 25,081,324 | 57.5% | 34,793,301 | 58.5% | 32,094,388 | 58.0% | 32,130,930 | 58.7% |
| Southwest Airlines | 7,829,259 | 26.4% | 9,994,165 | 22.9% | 13,674,536 | 23.0% | 12,893,987 | 23.3% | 12,344,834 | 22.5% |
| Spirit Airlines | 1,869,558 | 6.3% | 1,948,341 | 4.5% | 2,426,727 | 4.1% | 2,144,740 | 3.9% | 1,889,818 | 3.5% |
| American Airlines | 1,383,845 | 4.7% | 1,992,113 | 4.6% | 2,764,225 | 4.6% | 2,592,345 | 4.7% | 2,542,485 | 4.6% |
| Delta Air Lines | 1,050,260 | 3.5% | 1,567,170 | 3.6% | 2,024,867 | 3.4% | 1,963,878 | 3.5% | 1,922,778 | 3.5% |
| Frontier Airlines | 314,269 | 1.1% | 297,303 | 0.7% | 192,057 | 0.3% | 285,337 | 0.5% | 421,754 | 0.8% |
| Lufthansa | 52,200 | 0.2% | 186,610 | 0.4% | 290,560 | 0.5% | 279,421 | 0.5% | 291,713 | 0.5% |
| British Airways | 12,858 | 0.0% | 160,264 | 0.4% | 239,024 | 0.4% | 226,636 | 0.4% | 240,874 | 0.4% |
| Emirates | 53,558 | 0.2% | 177,930 | 0.4% | 261,321 | 0.4% | 207,496 | 0.4% | 202,812 | 0.4% |
| Air Canada | 12,833 | 0.0% | 231,407 | 0.5% | 329,540 | 0.6% | 349,571 | 0.6% | 353,721 | 0.6% |
| Other Airlines | 2,252,847 | 7.5% | 1,989,713 | 4.5% | 2,508,936 | 4.2% | 2,289,531 | 4.2% | 2,412,279 | 4.5% |
| | 29,695,593 | 100.0% | 43,626,340 | 100.0% | 59,505,094 | 100.0% | 55,327,330 | 100.0% | 54,753,998 | 100.0% |

| CARRIER | FY2016 | % | FY2015 | % | FY2014 | % | FY2013 | % | FY2012 | % |
|--------------------|------------|--------|------------|--------|------------|--------|------------|--------|------------|--------|
| United Airlines | 33,251,479 | 59.8% | 33,603,263 | 62.4% | 32,963,901 | 64% | 33,275,496 | 66.1% | 35,047,482 | 69.2% |
| Southwest Airlines | 11,791,308 | 21.2% | 10,886,616 | 20.2% | 10,720,872 | 21% | 9,910,216 | 19.7% | 9,203,937 | 18.2% |
| Spirit Airlines | 1,896,577 | 3.4% | 1,192,125 | 2.2% | 675,458 | 1% | 292,159 | 0.6% | 0 | 0.0% |
| American Airlines | 2,951,244 | 5.3% | 3,057,991 | 5.7% | 2,898,507 | 6% | 2,784,328 | 5.5% | 2,496,729 | 4.9% |
| Delta Air Lines | 1,889,715 | 3.4% | 1,897,776 | 3.5% | 1,772,122 | 3% | 1,700,158 | 3.4% | 1,577,466 | 3.1% |
| Frontier Airlines | 494,804 | 0.9% | 307,506 | 0.6% | 236,060 | 1% | 152,663 | 0.3% | 200,467 | 0.4% |
| Lufthansa | 278,409 | 0.5% | 281,261 | 0.5% | 300,824 | 1% | 305,906 | 0.6% | 207,739 | 0.4% |
| British Airways | 243,464 | 0.4% | 264,830 | 0.5% | 281,057 | 1% | 270,814 | 0.5% | 255,237 | 0.5% |
| Emirates | 253,140 | 0.5% | 221,455 | 0.4% | 199,903 | 0% | 186,130 | 0.4% | 234,842 | 0.5% |
| Air Canada | 293,193 | 0.5% | 278,194 | 0.5% | 251,713 | 1% | 238,810 | 0.5% | 247,680 | 0.5% |
| Other Airlines | 2,247,663 | 4.1% | 1,835,436 | 3.5% | 1,610,928 | 3.0% | 1,198,682 | 2.4% | 1,184,245 | 2.3% |
| | 55,590,996 | 100.0% | 53,826,453 | 100.0% | 51,911,345 | 100.0% | 50,315,362 | 100.0% | 50,655,824 | 100.0% |

**CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
AIRLINE MARKET SHARES
(unaudited)**

CARRIERS by AIRPORT

| Mainline Carriers | IAH | | Mainline Carriers | HOU | |
|--------------------------|-----------------------|-------------------------|--------------------|-------------------|----------------|
| | Regional Carriers | Cargo Carriers | | Regional Carriers | Cargo Carriers |
| Aeromexico | Champlain Enterprises | Air France Cargo | Allegiant Air | Envoy Air* | |
| Air Canada | Envoy Air | AirBridgeCargo* | American Airlines | Mesa Airlines | |
| Air France | ExpressJet Airlines* | Atlas Air/ Southern Air | Delta Airlines | Skywest Airlines* | |
| Alaska Airlines | Mesa Airlines | C.A.L Cargo | Southwest Airlines | | |
| All Nippon Airways | PSA Airlines | Cargolux | | | |
| American Airlines | Republic Airlines | Cathay Pacific Cargo | | | |
| AVIANCA S.A. | Sky Regional* | DHL | | | |
| Boutique Air* | Skywest Airlines | Emirates Sky Cargo | | | |
| British Airways | | Federal Express | | | |
| Delta Airlines | | Lufthansa Cargo | | | |
| Emirates | | Qatar Airways Cargo □ | | | |
| EVA Air | | Turkish Cargo | | | |
| Frontier Airlines | | UPS | | | |
| JetBlue Airways | | | | | |
| KLM Royal Dutch Airlines | | | | | |
| Lufthansa | | | | | |
| Qatar Airways | | | | | |
| Southwest Airlines | | | | | |
| Spirit Airlines | | | | | |
| Sun Country | | | | | |
| Turkish Airlines | | | | | |
| United Airlines | | | | | |
| VivaAerobus | | | | | |
| Volaris | | | | | |

*Flights are discontinued or suspended at the end of 6/30/21

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Selected Financial Information
Operating Fund Only
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

| | 2012 | 2013 | 2014 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|
| Operating Revenues | | | | |
| Landing Area Fees: | | | | |
| Landing Fees | \$ 83,895 | \$ 87,660 | \$ 88,392 | \$ 94,748 |
| Carrier Incentive Program | (836) | (749) | (4,294) | (5,322) |
| Aviation Fuel | 1,382 | 1,444 | 1,529 | 1,521 |
| Aircraft Parking | 2,494 | 2,704 | 2,715 | 2,628 |
| Subtotal | <u>86,935</u> | <u>91,059</u> | <u>88,342</u> | <u>93,575</u> |
| Building and Ground Area Revenues: | | | | |
| Building Space | 5,394 | 5,848 | 6,174 | 6,252 |
| Terminal Space | 160,247 | 158,237 | 163,297 | 173,392 |
| Cargo Building | 2,473 | 2,397 | 2,432 | 2,506 |
| Hangar Rental | 6,165 | 6,675 | 6,605 | 6,355 |
| Ground Rental | 8,041 | 8,544 | 7,997 | 8,534 |
| Subtotal | <u>182,320</u> | <u>181,701</u> | <u>186,505</u> | <u>197,039</u> |
| Parking, Concession and other Revenues: | | | | |
| Terminal Concessions | 38,406 | 41,604 | 41,434 | 41,830 |
| Auto Parking | 72,833 | 77,596 | 90,173 | 97,515 |
| Auto Rental | 26,771 | 29,522 | 32,783 | 31,991 |
| Ground Transportation | 6,186 | 6,639 | 8,301 | 9,323 |
| Special Events | 23 | - | 10 | 25 |
| Vending Machine | - | - | - | - |
| Other Operating Income | 4,076 | 4,873 | 4,559 | 4,984 |
| Subtotal | <u>148,295</u> | <u>160,234</u> | <u>177,260</u> | <u>185,668</u> |
| Total Operating Revenues | <u>\$ 417,550</u> | <u>\$ 432,994</u> | <u>\$ 452,107</u> | <u>\$ 476,282</u> |
| Nonoperating Revenues | | | | |
| Interest on Investments | 9,826 | 7,029 | 5,499 | 6,014 |
| Other | 2,289 | 1,222 | 3,162 | 7,526 |
| Subtotal | <u>12,115</u> | <u>8,251</u> | <u>8,661</u> | <u>13,540</u> |
| Total Gross Revenues | <u>\$ 429,665</u> | <u>\$ 441,245</u> | <u>\$ 460,768</u> | <u>\$ 489,822</u> |
| Operation and Maintenance Expenses | | | | |
| Personnel and Other Current Expenses | <u>\$ 255,507</u> | <u>\$ 252,745</u> | <u>\$ 268,745</u> | <u>\$ 283,557</u> |
| Total Operating and Maintenance Expenses | <u>\$ 255,507</u> | <u>\$ 252,745</u> | <u>\$ 268,745</u> | <u>\$ 283,557</u> |
| Net Revenue | <u>\$ 174,158</u> | <u>\$ 188,500</u> | <u>\$ 192,023</u> | <u>\$ 206,265</u> |
| Total Debt Service | \$ 151,311 | \$ 153,938 | \$ 156,424 | \$ 163,319 |
| Less: PFC available for debt service | (36,619) | (34,390) | (35,614) | (38,054) |
| Less: grant revenue available for debt service | (7,360) | - | (22,942) | (16,399) |
| Debt Service Requirement (per Bond Ordinance) | <u>\$ 107,332</u> | <u>\$ 119,548</u> | <u>\$ 97,868</u> | <u>\$ 108,866</u> |
| Coverage of debt Service | <u>1.62</u> | <u>1.58</u> | <u>1.96</u> | <u>1.89</u> |

(1) Calculations not performed for the year ended 6/30/21 as HAS paid all debt service in fiscal year 2021 from PFC's and CARES Act proceeds

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----|----------------|-------------------|-------------------|-------------------|-------------------|---------------------------|
| \$ | 89,505 | \$ 86,966 | \$ 92,586 | \$ 84,357 | \$ 92,045 | \$ 67,169 |
| | (6,802) | (2,930) | (1,328) | (1,039) | (774) | (1,619) |
| | 1,527 | 1,350 | 1,679 | 1,554 | 1,249 | 1,302 |
| | 2,640 | 2,660 | 2,842 | 2,895 | 3,343 | 3,726 |
| | <u>86,870</u> | <u>88,046</u> | <u>95,779</u> | <u>87,767</u> | <u>95,863</u> | <u>70,579</u> |
| | 6,808 | 6,453 | 6,460 | 6,454 | 6,574 | 6,256 |
| | 191,321 | 196,162 | 195,198 | 185,943 | 196,844 | 129,527 |
| | 2,484 | 2,448 | 2,390 | 2,391 | 2,378 | 2,164 |
| | 6,577 | 6,813 | 6,691 | 6,530 | 6,821 | 6,338 |
| | 8,828 | 9,305 | 9,475 | 10,005 | 10,684 | 11,312 |
| | <u>216,018</u> | <u>221,181</u> | <u>220,214</u> | <u>211,323</u> | <u>223,301</u> | <u>155,598</u> |
| | 35,189 | 39,969 | 41,231 | 41,491 | 32,265 | 14,460 |
| | 101,650 | 99,752 | 103,961 | 110,136 | 81,172 | 43,814 |
| | 30,737 | 28,735 | 28,767 | 28,949 | 23,400 | 20,596 |
| | 10,083 | 10,402 | 11,062 | 12,645 | 10,072 | 6,913 |
| | 26 | 20 | 14 | 15 | 10 | 106 |
| | - | 10 | - | 15 | 18 | 18 |
| | 8,324 | 5,926 | 9,836 | 6,123 | 5,811 | 6,471 |
| | <u>186,009</u> | <u>184,814</u> | <u>194,871</u> | <u>199,374</u> | <u>152,748</u> | <u>92,379</u> |
| \$ | <u>488,897</u> | <u>\$ 494,041</u> | <u>\$ 510,864</u> | <u>\$ 498,464</u> | <u>\$ 471,912</u> | <u>\$ 318,555</u> |
| | 6,986 | 9,306 | 13,348 | 19,681 | 19,503 | 10,403 |
| | (52) | 7,177 | (1,805) | 47 | 122 | 152 |
| | 6,934 | 16,483 | 11,543 | 19,728 | 19,625 | 10,555 |
| \$ | <u>495,831</u> | <u>\$ 510,524</u> | <u>\$ 522,407</u> | <u>\$ 518,192</u> | <u>\$ 491,537</u> | <u>\$ 329,108</u> |
| \$ | <u>314,715</u> | <u>\$ 254,506</u> | <u>\$ 326,889</u> | <u>\$ 315,153</u> | <u>\$ 314,034</u> | <u>\$ 251,830</u> |
| \$ | <u>314,715</u> | <u>\$ 254,506</u> | <u>\$ 326,889</u> | <u>\$ 315,153</u> | <u>\$ 314,034</u> | <u>\$ 251,830</u> |
| \$ | <u>181,116</u> | <u>\$ 256,018</u> | <u>\$ 195,518</u> | <u>\$ 203,039</u> | <u>\$ 177,504</u> | <u>\$ 77,280</u> |
| \$ | 163,904 | \$ 175,023 | \$ 174,456 | \$ 176,312 | \$ 180,731 | \$ 145,349 |
| | (42,320) | (54,673) | (50,642) | (60,646) | (55,040) | (56,365) |
| | (13,888) | - | - | - | (14,169) | (88,984) |
| \$ | <u>107,696</u> | <u>\$ 120,350</u> | <u>\$ 123,814</u> | <u>\$ 115,666</u> | <u>\$ 111,522</u> | <u>-</u> |
| | <u>1.68</u> | <u>2.13</u> | <u>1.58</u> | <u>1.76</u> | <u>1.59</u> | <u>(1) not calculated</u> |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Total Aircraft Operations, Landing Weight and Cargo Activity
(unaudited)

| Fiscal Year | Aircraft Operations (in thousands) | | | Aircraft Landed Weight (in million pounds) | | |
|-------------|---------------------------------------|------------------------|----------------------|---|------------------------|----------------------|
| | Total | Increase (Decrease) | Percentage Change | Total | Increase (Decrease) | Percentage Change |
| 2012 | 838 | (23) | -2.67% | 32,841 | 305 | 0.94% |
| 2013 | 799 | (39) | -4.65% | 33,044 | 203 | 0.62% |
| 2014 | 811 | 12 | 1.50% | 33,881 | 837 | 2.53% |
| 2015 | 816 | 5 | 0.62% | 34,969 | 1,088 | 3.21% |
| 2016 | 787 | (29) | -3.55% | 35,519 | 550 | 1.57% |
| 2017 | 760 | (27) | -3.43% | 34,648 | (871) | -2.45% |
| 2018 | 735 | (25) | -3.29% | 34,814 | 166 | 0.48% |
| 2019 | 752 | 17 | 2.31% | 37,210 | 2,396 | 6.88% |
| 2020 | 624 | (128) | -17.02% | 30,345 | (6,865) | -18.45% |
| 2021 | 512 | (112) | -17.95% | 23,438 | (6,907) | -22.76% |

| Fiscal Year | Cargo Activity (in metric tons) | | | | Total Cargo | Year - over Year Change |
|-------------|------------------------------------|-----------------------|--------|---------|-------------|----------------------------|
| | Domestic Freight | International Freight | Mail | | | |
| 2012 | 203,042 | 216,893 | 33,253 | 453,188 | 1.2% | |
| 2013 | 203,082 | 216,693 | 27,142 | 446,917 | -1.4% | |
| 2014 | 193,776 | 225,400 | 27,333 | 446,509 | -0.1% | |
| 2015 | 192,331 | 252,876 | 30,026 | 475,233 | 6.4% | |
| 2016 | 195,644 | 205,361 | 25,713 | 426,718 | -10.2% | |
| 2017 | 209,343 | 224,226 | 24,983 | 458,552 | 7.5% | |
| 2018 | 231,670 | 234,384 | 23,790 | 489,844 | 6.8% | |
| 2019 | 270,965 | 240,260 | 23,413 | 534,638 | 9.1% | |
| 2020 | 303,119 | 181,244 | 19,857 | 504,220 | -5.7% | |
| 2021 | 331,151 | 129,560 | 21,197 | 481,908 | -4.4% | |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
System Debt Service Schedule
(unaudited)

The following table sets forth the Debt Service Requirements on all Airport Revenue Bonds Outstanding, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

| Fiscal Year (ending June 30) | Subordinate Lien Bonds Debt Service | Total Bonds Debt Service |
|---|--|-------------------------------------|
| 2022 | \$ 154,368,348 | \$ 154,368,348 |
| 2023 | 158,937,119 | 158,937,119 |
| 2024 | 197,903,471 | 197,903,471 |
| 2025 | 197,733,979 | 197,733,979 |
| 2026 | 197,568,457 | 197,568,457 |
| 2027 | 198,730,631 | 198,730,631 |
| 2028 | 198,597,232 | 198,597,232 |
| 2029 | 198,398,918 | 198,398,918 |
| 2030 | 203,504,371 | 203,504,371 |
| 2031 | 203,350,489 | 203,350,489 |
| 2032 | 204,346,880 | 204,346,880 |
| 2033 | 203,742,634 | 203,742,634 |
| 2034 | 71,841,075 | 71,841,075 |
| 2035 | 71,786,825 | 71,786,825 |
| 2036 | 71,816,825 | 71,816,825 |
| 2037 | 71,768,250 | 71,768,250 |
| 2038 | 71,704,800 | 71,704,800 |
| 2039 | 71,646,400 | 71,646,400 |
| 2040 | 71,592,225 | 71,592,225 |
| 2041 | 43,212,575 | 43,212,575 |
| 2042 | 43,182,925 | 43,182,925 |
| 2043 | 33,711,125 | 33,711,125 |
| 2044 | 33,686,500 | 33,686,500 |
| 2045 | 33,671,550 | 33,671,550 |
| 2046 | 33,644,425 | 33,644,425 |
| 2047 | 33,623,275 | 33,623,275 |
| 2048 | 33,586,225 | 33,586,225 |
| 2049 | 23,947,400 | 23,947,400 |
| Total | \$ 3,131,604,929 | \$ 3,131,604,929 |

CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Summary of Certain Fees and Charges
(unaudited)

| | Bush Intercontinental | | Hobby | |
|--------------------------------|-----------------------|-------------------|-------------------|-------------------|
| | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year |
| | 2020 | 2021 | 2020 | 2021 |
| Landing Rates (1) (3) | \$3.108 | \$4.560 | \$2.722 | \$5.143 |
| Terminal Space Rentals (2) (3) | \$24.63 - \$68.98 | \$20.71 - \$52.92 | \$55.04 - \$66.46 | \$41.89 - \$45.86 |
| Apron Rentals (2) (3) | \$2.447 - \$2.675 | \$2.749 - \$2.854 | \$2.139 - \$2.149 | \$1.852 - \$1.890 |
| Aircraft Parking (per day) | \$100 - \$400 | \$100 - \$400 | \$100 - \$400 | \$100 - \$400 |
| Cargo (per day) | \$200 - \$600 | \$200 - \$600 | \$200 - \$600 | \$200 - \$600 |
| Parking Rates (4) | | | | |
| Ecopark Uncovered (5) | \$6.00 | \$6.00 | n/a | n/a |
| Ecopark Covered (5) | \$8.00 | \$8.00 | n/a | n/a |
| Ecopark2 Covered (6) | \$7.00 | \$7.00 | n/a | n/a |
| Ecopark (9) | n/a | n/a | n/a | n/a |
| Ecopark 2 (10) | n/a | n/a | \$10.00 | \$10.00 |
| Structured (7) | \$10.00 | \$15.00 | \$10.00 | \$15.00 |
| Sure Park (8) (11) | \$26.00 | \$26.00 | n/a | n/a |
| Valet (8) | \$28.00 | \$28.00 | \$28.00 | \$28.00 |

(1) Per 1,000 pounds of landing weight

(2) Range per square foot

(3) 2012-2020 actual rates provided versus budgeted; 2021 budgeted rates provided

(4) Maximum per day

(5) New rates effective September 1, 2013

(6) New rates effective December 3, 2018

(7) Covid 19 Temporary rates March 20 - May 30, 2020 \$5/Day; June 1 - June 30, 2020 \$10/Day; December 1, 2020 - June 30, 2021 \$15.00/Day

(8) New rates effective February 4, 2019

(9) Ecopark 1 at Hobby closed March 18, 2014

(10) New rates effective May 5, 2014

(11) Sure Park ceased as an offered product in March 2021

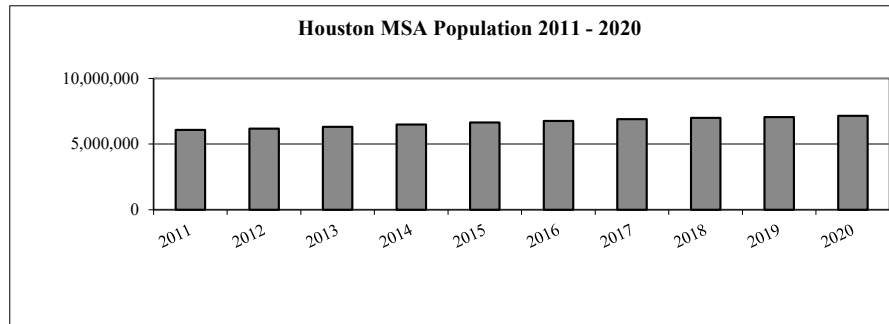
**CITY OF HOUSTON, TEXAS
AIRPORT SYSTEM STATISTICS
Service Area
(unaudited)**

The airport service region for the Houston Airport System consists of (1) the nine county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller counties) -- referred to as the Houston MSA, and (2) a large secondary area surrounding the Houston MSA. The limits of this secondary area are generally defined by the range and quality of airline service at other air carrier airports, including Beaumont Jefferson County Airport to the east, Dallas/Fort Worth International Airport and Dallas Love Field to the north, Corpus Christi International Airport to the southwest and Austin-Bergstrom International Airport and San Antonio International Airport to the west.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston MSA ranks fifth in population among the nation's metropolitan areas.

Service Area Population

| <u>Year</u> | <u>Houston MSA Population</u> |
|-------------|-----------------------------------|
| 2011 | 6,086,538 |
| 2012 | 6,177,035 |
| 2013 | 6,313,158 |
| 2014 | 6,490,180 |
| 2015 | 6,656,947 |
| 2016 | 6,772,470 |
| 2017 | 6,892,427 |
| 2018 | 6,997,384 |
| 2019 | 7,066,141 |
| 2020 | 7,154,478 |



Source: Greater Houston Partnership and U.S. Census Bureau, Population Division

CITY OF HOUSTON, TEXAS
SURETY BOND AND INSURANCE COVERAGE
June 30, 2021
(amounts expressed in thousands)
(unaudited)

| Policy Number | Insurer | Term of Policy |
|-------------------------------|---|--------------------------|
| 929624721 | Western Surety Company | 01-02-2020 to 01-02-2024 |
| 929624722 | Western Surety Company | 01-02-2020 to 01-02-2024 |
| 61BSBHJ1564 | Hartford Casualty Insurance Company | 01-02-2021 to 01-02-2022 |
| 106360496 | Travelers Casualty Insurance Company | 08-04-2021 to 08-04-2022 |
| 16BSBAR6948 | Hartford Casualty Insurance Company | 02-27-2021 to 02-27-2022 |
| 61BSBID9767 | Hartford Casualty Insurance Company | 07-01-2021 to 07-01-2022 |
| 61BSBHO1810 | Hartford Casualty Insurance Company | 09-19-2021 to 09-19-2022 |
| 6610 | Texas Municipal League | 05-15-2021 to 05-15-2022 |
| ESP730205806 | Arch Specialty Insurance Company | 04-01-2021 to 04-01-2022 |
| ESP200393202 | First Specialty Insurance Corporation | 04-01-2021 to 04-01-2022 |
| DF00001691 | National Fire & Marine Insurance Company | 04-01-2021 to 04-01-2022 |
| 42PRP31447701 | National Fire & Marine Insurance Company | 04-01-2021 to 04-01-2022 |
| MKLV1XPR000070 | Evanston Insurance Company | 04-01-2021 to 04-01-2022 |
| NOJY47728021 | Lloyd's of London (Various) | 04-01-2021 to 04-01-2022 |
| NOJY47839021 | Lloyd's (Various) | 04-01-2021 to 04-01-2022 |
| NOJY47731021 | Lloyd's(Various) | 04-01-2021 to 04-01-2022 |
| VRNCN000030505 | Lloyd's (Various) | 04-01-2021 to 04-01-2022 |
| VNBCN000030505 | Lloyd's (Various) | 04-01-2021 to 04-01-2022 |
| XP1407890 | Colony Insurance Company | 04-01-2021 to 04-01-2022 |
| D37362797013 | Westchester Fire Insurance Company | 04-01-2021 to 04-01-2022 |
| 100038902302 | Ironshore Specialty Insurance Company | 04-01-2021 to 04-01-2022 |
| VUXCN000030505 | Independent Speciality Insurance Company | 04-01-2021 to 04-01-2022 |
| EAF65228821 | AXIS Surplus Insurance Company | 04-01-2021 to 04-01-2022 |
| NOJY47736021 | Lloyd's (Various) | 04-01-2021 to 04-01-2022 |
| NOJY47737021 | Lloyd's (Various) | 04-01-2021 to 04-01-2022 |
| 1000389023202 | Ironshore Specialty Insurance Company | 04-01-2021 to 04-01-2022 |
| PX00LCM21 | Aspen Specialty Insurance Company | 04-01-2021 to 04-01-2022 |
| SLSTPTY11433521 | Starr Surplus Insurance Company | 04-01-2021 to 04-01-2022 |
| ESP30000289304 | Endurance American Specialty Insurance Company | 04-01-2021 to 04-01-2022 |
| 658921 | Lexington Insurance Company | 04-01-2021 to 04-01-2022 |
| SLSTPTY11433521 | Starr Surplus Insurance Company | 04-01-2021 to 04-01-2022 |
| VRXCN000030505 | Interstate Fire & Casualty Company | 04-01-2021 to 04-01-2022 |
| NOJY47734021 | Lloyd's (Various) | 04-01-2021 to 04-01-2022 |
| NHD917357 | RSUI Indemnity Company | 04-01-2021 to 04-01-2022 |
| LMPRP21926645 | Lloyd's of London Syndicate 33 | 04-01-2021 to 04-01-2022 |
| SLSTPTY11433521 | Starr Surplus Insurance Company | 04-01-2021 to 04-01-2022 |
| CA3X001313211 | Everest Indemnity Insurance Company | 04-01-2021 to 04-01-2022 |
| PPP911085 | Crum & Forster Specialty Insurance Company | 04-01-2021 to 04-01-2022 |
| MTP90374775 03 | Indian Harbor Insurance Company | 09-01-2021 to 09-01-2022 |
| B0180FN2104316 | Lloyd's of London | 09-01-2021 to 09-01-2022 |
| PRX10013662301 | Endurance American Insurance | 09-01-2020 to 09-01-2021 |
| BCR523000238 | Berkley Assurance | 09-01-2020 to 09-01-2021 |
| CYB100757 | Crum & Forster Specialty Insurance Company | 09-01-2020 to 09-01-2021 |
| NOJY47740021 | Lloyd's of London (Multiple Syndicates) | 04-01-2021 to 04-01-2022 |
| NOJY47742021 | Lloyd's of London (Multiple Syndicates) | 04-01-2021 to 04-01-2022 |
| BM6076028407 | Continental Casualty Company | 03-18-2021 to 03-18-2022 |
| 6610 | Texas Municipal League | 07-01-2021 to 07-01-2022 |
| UMA0012386SP21A | XL Specialty Insurance Company | 06-26-2021 to 06-26-2022 |
| CA00001556811 | Admiral Insurance Company | 02-26-2021 to 02-26-2022 |
| 73652M516ALI | Starstone Specialty Insurance Company | 02-26-2021 to 02/26/2022 |
| UMA0012093SP20A | XL Specialty Insurance Company | 11-03-2020 to 11-03-2021 |
| 105324683 | Travelers Casualty & Surety | 12-30-2020 to 12-30-2021 |
| 6610 | Texas Municipal League | 05-15-2021 to 05-15-2022 |
| 6610 | Texas Municipal League | 05-15-2021 to 05-15-2022 |
| 6610 | Texas Municipal League | 05-15-2021 to 05-15-2022 |
| 46BDDHQ9279 | Hartford Insurance | 07-01-2021 to 07-01-2022 |
| Various (approximately 2,000) | Western Surety Company | Four Year Term per Bond |
| Various (approximately 10) | CAN | Various |
| SM937691 | Evanston Insurance Company | 10-03-2020 to 10-03-2021 |
| 6610 | Texas Municipal League | 07-01-2021 to 07-01-2022 |
| 13012685 | National Union Fire Insurance Company of Pittsburgh, PA | 05-29-2021 to 05-29-2022 |
| 61BDDHT0320 | Hartford Casualty Insurance Company | 10-29-2020 to 10-29-2021 |
| 61BDDHO5613 | Hartford Casualty Insurance Company | 02-11-2021 to 02-11-2022 |
| PR00275602 | Old Republic insurance Company through Old Republic Aerospace | 03-15-2021 to 03-15-2022 |

| Property at Risk | Type of Coverage | Coverage (in thousands) |
|---|---|------------------------------------|
| Mayor | Public Official Bond | \$ 50 |
| City Controller | Public Official Bond | \$ 50 |
| Deputy Controller | Public Official Bond | \$ 25 |
| Municipal Courts | Public Official Bond | \$ 25 |
| Tax Collector | Public Official Bond | \$ 25 |
| Treasurer | Public Official Bond | \$ 25 |
| HMEPS Treasurer | Public Official Bond | \$ 250 |
| City of Houston | Automobile Catastrophe | \$ 885 |
| City of Houston | Property Insurance * | \$ 5,000 |
| City of Houston | Property Insurance * | \$ 8,781 |
| City of Houston | Property Insurance * | \$ 5,000 |
| City of Houston | Property Insurance * | \$ 10,000 |
| City of Houston | Property Insurance * | \$ 5,000 |
| City of Houston | Property Insurance * | \$ 1,428 |
| City of Houston | Property Insurance * | \$ 10,023 |
| City of Houston | Property Insurance * | \$ 15,000 |
| City of Houston | Property Insurance * | \$ 3,857 |
| City of Houston | Property Insurance * | \$ 3,428 |
| City of Houston | Property Insurance * | \$ 2,500 |
| City of Houston | Property Insurance * | \$ 7,500 |
| City of Houston | Property Insurance * | \$ 2,500 |
| City of Houston | Property Insurance * | \$ 5,228 |
| City of Houston | Property Insurance * | \$ 2,500 |
| City of Houston | Property Insurance * | \$ 6,000 |
| City of Houston | Property Insurance * | \$ 14,000 |
| City of Houston | Property Insurance * | \$ 2,500 |
| City of Houston | Property Insurance * | \$ 2,500 |
| City of Houston | Property Insurance * | \$ 2,500 |
| City of Houston | Property Insurance * | \$ 15,000 |
| City of Houston | Property Insurance * | \$ 12,000 |
| City of Houston | Property Insurance * | \$ 4,628 |
| City of Houston | Property Insurance * | \$ 6,095 |
| City of Houston | Property Insurance * | \$ 19,833 |
| City of Houston | Property Insurance * | \$ 5,000 |
| City of Houston | Property Insurance * | \$ 10,000 |
| City of Houston | Property Insurance * | \$ 5,000 |
| City of Houston | Property Insurance * | \$ 2,195 |
| City of Houston | Cyber Liability Insurance Primary Layer | \$ 10,000 |
| City of Houston | Cyber Liability Insurance 1st Excess Layer | \$ 5,000 |
| City of Houston | Cyber Liability Insurance 2nd Excess Layer | \$ 10,000 |
| City of Houston | Cyber Liability Insurance 3rd Excess Layer | \$ 10,000 |
| City of Houston | Cyber Liability Insurance 4th Excess Layer | \$ 10,000 |
| City of Houston | Terrorism | \$ 100,000 |
| City of Houston | Terrorism | \$ 150,000 |
| City of Houston | Boiler & Machinery | \$ 100,000 |
| City of Houston | HITS Property, Radio Equipment and Towers | \$ 96,180 |
| City of Houston Library | Business Electronic Eq., Valuable Papers, Fine Arts | \$ 13,192 |
| Holcombe Health Lab | Commercial General Liability | \$ 1,000 |
| Holcombe Health Lab | Excess Liability | \$ 5,000 |
| HoustonFirst Corporation | Fine Arts | \$ 31,186 |
| City of Houston | Pole Attachment Bond, Centerpoint | \$ 250 |
| City of Houston | Automobile Liability | \$ 500 |
| City of Houston | Automobile Physical Damage | \$ 450 |
| City of Houston | Automobile Catastrophe | \$ 885 |
| Houston Center for Literacy | Employee Dishonesty | \$ 375 |
| Various City of Houston Notaries | Notary Public Bonds | \$ 3 |
| Various City of Houston | Dentist Professional Liability | \$ 1,000 |
| City of Houston | Medical Professional Liability | \$ 1,000 |
| City of Houston | Special Event Mobile Equipment | \$ 300 |
| City of Houston | Public Employee Dishonesty/Crime Insurance | \$ 2,000 |
| City of Houston | Public Employee Dishonesty, Parks Board | \$ 10,000 |
| City of Houston | Public Employee Dishonesty, Library Board | \$ 10,000 |
| City of Houston HAS Ellington Field Fuel Resale | Airport Liability | \$ 500 |

* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

CITY OF HOUSTON, TEXAS
SALARIES OF ELECTED OFFICIALS
June 30, 2021
(unaudited)

| <u>Name and Title of Official</u> | <u>Authorized Annual Base Salary</u> |
|---|---|
| Sylvester Turner, Mayor | \$ 236,189 |
| Chris Brown, City Controller | \$ 157,459 |
| Amy Peck, Council Member - District A | \$ 62,983 |
| Tarsha Jackson, Council Member - District B | \$ 62,983 |
| Abbie Kamin, Council Member - District C | \$ 62,983 |
| Carolyn Evans-Shabazz, Council Member - District D | \$ 62,983 |
| David P. Martin, Council Member - District E | \$ 62,983 |
| Tiffany D Thomas, Council Member - District F | \$ 62,983 |
| Gregory R. Travis, Council Member - District G | \$ 62,983 |
| Karla G. Cisneros, Council Member - District H | \$ 62,983 |
| Robert Gallegos, Council Member - District I | \$ 62,983 |
| Edward Pollard, Council Member - District J | \$ 62,983 |
| Martha Castex Tatum, Council Member - District K | \$ 62,983 |
| William M. Knox, Council Member - At Large Position 1 | \$ 62,983 |
| David W. Robinson, Council Member - At Large Position 2 | \$ 62,983 |
| Michael Kubosh, Council Member - At Large Position 3 | \$ 62,983 |
| Letitia Plummer, Council Member - At Large Position 4 | \$ 62,983 |
| Sallie Alcorn, Council Member - At Large Position 5 | \$ 62,983 |

CITY OF HOUSTON, TEXAS
Schedule of Credits
(unaudited)

Annual Comprehensive Financial Report:

Controller's Office

Executive/Administrative Divisions

Chris B. Brown, City Controller
Shannan Nobles, Chief Deputy City Controller
Max Moll, Deputy Director

Design Oversight and Writing

Financial Reporting Division

Beverly Riggans, Deputy City Controller
Olatundun Akinsanya, Assistant City Controller
Alicia Cai, Assistant City Controller
Karel Irving, Assistant City Controller
Sharon Liu, Assistant City Controller
Chris Okeagu, Assistant City Controller
Maria G. Perez, Administrative Specialist
Courtney Satterwhite, Assistant City Controller
Suong "Su" Vu, Assistant City Controller
Bonita Wright, Assistant City Controller

Preparation and Coordination

Operations and Technical Services Division

Alexander Obregon, Chief Operating Officer & Deputy City Controller
Monika De Los Santos, Assistant City Controller
Brenda Jackson, System Support Analyst
Ray Korey, Accountant
Martina Lee, Assistant City Controller
Paul Lord, Administrative Assistant
Daniel Schein, System Support Analyst
Lillie Stewart, Administration Manager

Consulting and General Support

Treasury Division

Charisse Page Mosely, Deputy City Controller
Han Au, Treasury Manager
Ashlee Brown, Senior Treasury Analyst
Vernon Lewis, Senior Treasury Analyst
Lillie Nobles, Management Analyst
Linjie Zhu, Senior Treasury Analyst

Debt and Investment Management Disclosures

Finance Department

Tantri Emo, Director
Veda Aaron, Division Manager
Kiran Chandu, Deputy Assistant Director
Clint Jones, Division Manager
Robert Martinez, Deputy Assistant Director
Beverly McFarlin, Division Manager
Sherry Mose, Division Manager
Vivien Nguyen, Staff Analyst
Bobby Qasim, Division Manager
Arif Rasheed, Deputy Director
Mohsin Raza, Division Manager
Adela Rice, Division Manager
Alma Tamborello, Division Manager

Preparation, Coordination, Analysis and Documentation

CITY OF HOUSTON, TEXAS
Schedule of Credits - Continued
(unaudited)

Administration & Regulatory Affairs Department

Tina Paez, Director
Valerie Berry, Assistant Director
Chia-Hsuan Chiou, Administration Manager
Vijay Govind, Financial Analyst
Hannah Hoang, Senior Accountant
Maria Irshad, Assistant Director
Bethany Li, Administration Manager
Chris Lutz Senior Staff Analyst
Tina Paquet, Assistant Director
Rosalinda Salazar, Senior Staff Analyst
Sreng Ung, Division Manager
Karen Davidson, Assistant Director

Analysis and Supporting Documentation

Houston Information Technology Services Department

Lisa Kent, Director
Susan Stone, Assistant Director

SAP/ ERP Consulting, Support & Development

Professional Consultants

Bayside Printing
Sherri Tyndall, Outside Sales Representative

Project Management and Design

McConnell & Jones LLP/Banks, Finley, White & Co.

Independent Auditors

This schedule by no means gives credit to all of the individuals who have some part in the development and production of this Annual Comprehensive Financial Report. However, we have included the major participants who made the issuance of this document possible.

The Photographs

The Houston Airport System (HAS) services more than 60 million travelers per year and is a gateway to the world. Together, Houston Airports form one of North America's largest public airport systems and position Houston as the international passenger and cargo gateway to the south-central United States and a primary gateway to Latin America. The Greater Houston region's three airports - George Bush Intercontinental Airport (IAH), William P. Hobby Airport (HOU), and Ellington Airport (EFD) - service more than 30 passenger airlines and nearly 300 domestic and international destinations. Looking into the future (and into the stars) Ellington Airport is also home to the Houston Spaceport, a focal point for aerospace innovations and the 10th commercially licensed spaceport in the nation.

The Houston Fire Department was established in 1838 with one station, Protection Company No. 1. It grew to a volunteer fire department status with three stations by 1859. After having provided volunteer firefighting services for 57 years, the City of Houston Fire Department began paying its firefighters in 1895. HFD is the third largest fire department in the United States and is responsible for preserving life and property to a population of more than 2 million in an area totaling 654 square miles.

The mission of the Houston Health Department is to work in partnership with the community to promote and protect the health and social well-being of Houstonians and the environment in which they live. Since the onset of the COVID-19 pandemic, the Houston Health Department's work has been indispensable to the region. Over the course of the past year, the department has been responsible for getting people vaccinated, pushing out important COVID-19 information, and managing the city's many testing sites.

Created by city ordinance on March 15, 1916, the Department of Public Parks, as it was called at the time, began with two facilities, Sam Houston Park and Hermann Park. Today, the Houston Parks and Recreation Department (H.P.A.R.D.) system includes 380 developed parks and more than 167 greenspaces totaling over 39,501 acres, aligning with our mission to enhance the quality of life by providing safe, well-maintained parks and offering affordable programming for our community. The Houston Parks and Recreation Department also seeks the pursuit of a park system that is equitable and balanced and provides engaging recreation programming for people of all abilities, ages, and socio-economic levels.

The mission of the Houston Police Department is to enhance the quality of life in the City of Houston by working cooperatively with the public and within the framework of the U.S. Constitution to enforce the laws, preserve the peace, reduce fear and provide for a safe environment. The men and women of HPD dedicate themselves to protecting Houstonians and keeping our communities safe, cohesive, and thriving.

Houston Public Works is the largest and most diverse public works organization in the country. Houston Public Works is responsible for streets, drainage, producing and distributing water, collecting and treating wastewater, and permitting and regulation of construction. Accredited by the American Public Works Association, its over 4,000 dedicated public servants work together to create a strong foundation for Houston to thrive.

The Houston Public Library system is a dynamic organization that serves one of the largest service areas – both population and area – in the country. 2.3 million residents in the City of Houston are the primary beneficiaries of a comprehensive customer-focused service delivery strategy. The system is comprised of 44 public service units including 31 Neighborhood Libraries, four Regional Libraries, three Special Collection Libraries and four Express Libraries, the HPL Mobile Express and a satellite library located at the Children's Museum of Houston. Our flagship facility, Central Library, located in downtown Houston, anchors this constellation of service points.

The Mission of the Municipal Courts Department is to provide an accessible legal forum for individuals to have their court matters heard in a fair and efficient manner, while providing a high level of integrity, professionalism and customer service.

The Solid Waste Management Department (SWMD) provides solid waste services to the citizens of Houston through the collection, disposal and recycling of discarded material in a manner that is safe, efficient, environmentally sound and cost-effective. Through this, the department looks to make Houston a cleaner, greener place to live.

Photos provided by:

Houston Airport System
Houston Chronicle
Houston Fire Department
Houston Health Department

Houston Parks and Recreation
Houston Police Department
Houston Public Works

Houston Public Library
Municipal Courts
Solid Waste Management Division

