This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2026

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Moody's: Aa2
S&P: AA+
See "RATINGS" herein

In the opinion of Greenberg Traurig, LLP, Tax Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds (defined herein) is excludable from gross income for federal income tax purposes, and, further, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.

$1,338,045,000*
CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
FIRST LIEN REVENUE REFUNDING BONDS, SERIES 2026B

Interest Accrual Date: Date of Delivery **CUSIP Prefix:** [_____] **Due:** November 15, see inside cover page

This Official Statement is provided to furnish information in connection with the offering by the City of Houston, Texas (the "City"), of its Combined Utility System First Lien Revenue Refunding Bonds, Series 2026B (the "Bonds"). The Bonds are special obligations of the City, payable as to principal, premium, if any, and interest solely from and secured by a lien on and pledge of Net Revenues (defined herein), as collected and received, to be derived from the operation of the City's Combined Utility System ("CUS," the "System" or the "Combined Utility System"). The Combined Utility System currently consists of the City's water, sewer, and solid waste systems and shall include such other utility systems that the City may from time to time elect to combine with the System, as permitted by the Master Ordinance (as defined below), so long as the revenues of such other utility systems are included in Gross Revenues under the Master Ordinance (each as defined herein). Capitalized terms used herein but not otherwise defined herein have the meanings given to such terms in APPENDIX C.

The Bonds will be issued for the purposes described below, pursuant to an amended and restated Master Ordinance and an ordinance supplemental thereto, each adopted by the City on November 4, 2026 (the "Master Ordinance" and the "Supplemental Ordinance," respectively).

The proceeds of the Bonds will be used, together with other legally available funds, if any, for the following purposes: (i) refunding a portion of the City's Outstanding Combined Utility System First Lien Revenue Bonds (more specifically described in SCHEDULE I), (ii) refunding the Purchased Bonds (defined herein) that have been validly tendered to the City for purchase and cancellation, (iii) refunding all or a portion of the City's Outstanding Combined Utility System Commercial Paper Notes, Series B (the "Refunded Notes") and (iv) paying the costs of issuance of the Bonds. See "PURPOSE AND PLAN OF FINANCE."

The City has determined that the Bonds will not be Reserve Fund Participants which share in the First Lien Bond Reserve Fund.

THE MASTER ORDINANCE CONTAINS CERTAIN AMENDMENTS (THE "ORDINANCE AMENDMENTS"), AS FURTHER DESCRIBED HEREIN, THAT BECAME EFFECTIVE ON NOVEMBER 4, 2026. THE SUPPLEMENTAL ORDINANCE CONTAINS CERTAIN AMENDMENTS TO THE MASTER ORDINANCE WHICH WILL NOT BECOME EFFECTIVE UNTIL THE CITY HAS OBTAINED CONSENT OF OWNERS HOLDING A MAJORITY IN AGGREGATE PRINCIPAL AMOUNT OF THEN OUTSTANDING SYSTEM OBLIGATIONS (THE "SPRINGING AMENDMENTS"). PURCHASERS OF THE BONDS WILL BE DEEMED TO HAVE CONSENTED TO THE SPRINGING AMENDMENTS DESCRIBED HEREIN UPON THE DELIVERY OF THE BONDS. AFTER ISSUANCE OF THE BONDS AND AFTER THE CITY'S RECEIPT OF ALL NECESSARY ADDITIONAL CONSENTS TO THE SPRINGING AMENDMENTS, THE SPRINGING AMENDMENTS SHALL BECOME EFFECTIVE AND APPLICABLE TO THE SYSTEM OBLIGATIONS, INCLUDING THE BONDS, ALL AS FURTHER DESCRIBED HEREIN.

THE LIEN ON NET REVENUES OF THE SYSTEM SECURING THE BONDS IS SUBORDINATE TO THE LIEN SECURING PREVIOUS ORDINANCE BONDS (AS DEFINED HEREIN), WHICH THE CITY INTENDS TO REFUND WITH A PORTION OF THE PROCEEDS OF THE SERIES 2026D BONDS (DEFINED BELOW). THE CITY WILL NOT ISSUE ANY ADDITIONAL BONDS OR OTHER OBLIGATIONS UNDER THE PREVIOUS ORDINANCE (AS DEFINED HEREIN). UPON THE DELIVERY OF THE SERIES 2026D BONDS AND THE REFUNDING OF THE PREVIOUS ORDINANCE BONDS WITH A PORTION OF THE PROCEEDS THEREOF, NO PREVIOUS ORDINANCE BONDS WILL REMAIN OUTSTANDING AND THE PREVIOUS ORDINANCE WILL BE TERMINATED. SEE "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS" FOR FURTHER INFORMATION. THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM FUNDS RAISED OR TO BE RAISED BY TAXATION.

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository with respect to the Bonds. U.S. Bank Trust Company, National Association, Houston, Texas, will act as the initial paying agent/registrar for the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity, as provided herein.

The Bonds will be issued in authorized denominations of $5,000 principal amount and any integral multiple thereof. Interest on the Bonds will accrue from their Date of Delivery (defined herein) until maturity and is payable semiannually on each May 15 and November 15, commencing May 15, 2027.

On or about December 8, 2026*, the City intends to issue its Combined Utility System First Lien Revenue Refunding Bonds, Series 2026C (the "Series 2026C Bonds") and Combined Utility System First Lien Revenue Refunding Bonds, Taxable Series 2026D ("Series 2026D Bonds"). Purchasers of the Series 2026C Bonds and Series 2026D Bonds will also be deemed to have consented to the Springing Amendments upon the delivery of the Series 2026C Bonds and Series 2026D Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Prospective investors must read the entire Official Statement, including certain information incorporated by reference herein and all appendices hereto, to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS."

SEE INSIDE COVER PAGE FOR MATURITIES, PRICING SCHEDULE AND CUSIP NUMBERS

The Bonds are offered, when, as and if issued by the City, subject to the approving opinion of the Attorney General of Texas and the opinion of Greenberg Traurig LLP, Houston, Texas, and Bratton & Associates, PLLC, Houston, Texas, Co-Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. Certain matters will be passed upon for the City by its Tax Counsel, Greenberg Traurig, LLP, Houston, Texas. Certain legal matters will be passed upon for the City by McCall, Parkhurst & Horton L.L.P., Houston, Texas, and The Bates Law Firm PLLC, Houston, Texas, the City's Co-Special Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters (defined herein) of the Bonds by their co-counsel, Norton Rose Fulbright US LLP, Houston, Texas, and Ronald Green & Associates PLLC, Houston, Texas. The Bonds are expected to be available for delivery through DTC on or about December 17, 2026* (the "Date of Delivery").

RAYMOND JAMES **RBC CAPITAL MARKETS**

BLAYLOCK VAN, LLC **PIPER SANDLER & CO.**

LOOP CAPITAL MARKETS **RICE FINANCIAL PRODUCTS COMPANY** **STIFEL**

* *Preliminary, subject to change.*

$1,338,045,000*

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
FIRST LIEN REVENUE REFUNDING BONDS,
SERIES 2026B

MATURITIES, PRICING SCHEDULE AND CUSIP NUMBERS

CUSIP Prefix [_____][3]

$_____ Serial Bonds*

Year (Nov. 15)[1]	Maturity Amount	Interest Rate	Yield[2]	CUSIP Suffix[3]
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
2054				
2055				
2056				

* *Preliminary, subject to change.*

$ _____ Term Bonds*

$_____ Term Bond due November 15, _____[(1) (4)], _____%, Yield _____%[(2)], CUSIP Suffix[(3)] ____

$_____ Term Bonds *

$_____ Term Bond due November 15, _____[(1) (4)], _____%, Yield _____%[(2)], CUSIP Suffix[(3)] ____

(Interest accrues from Date of Delivery)

---

* Preliminary, subject to change.

(1) The Bonds maturing on or after November 15, 20[_] are subject to redemption prior to maturity, at the option of the City, on November 15, 20[__], or any date thereafter. See "THE BONDS — Optional Redemption of Bonds."

(2) The initial yield is calculated to the earlier of the first optional redemption date or maturity.

(3) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. Neither the City, the Co-Municipal Advisors (defined herein) nor the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.

(4) Subject to mandatory redemption as described in "THE BONDS — Mandatory Redemption."

For purposes of compliance with Rule 15c2-12, as amended, of the U.S. Securities and Exchange Commission (the "Rule") and in effect on the date of this Preliminary Official Statement, this document constitutes an Official Statement of the City with respect to the Bonds that has been deemed "final" by the City as of its date, except for the omission of no more than the information permitted by the Rule.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS MAY HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT APPROVED OR DISAPPROVED OF THE BONDS OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described herein since the date hereof.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the City or from the Co-Municipal Advisors to the City. Any statements made in this Official Statement or the Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

This Official Statement, which includes the cover page and the Schedules and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No broker, dealer, salesperson, or any other person has been authorized by the City to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or any other person.

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "project," "expect," "estimate," "budget" or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectation or performance that involves known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. Although the City currently publishes certain monthly financial reports that are available upon written request from the City to the extent permitted by applicable law, the City reserves the right to discontinue or modify this practice at any time, and the City does not plan to issue any other updates or revisions to any forward-looking statements if or when its expectations, or events, conditions or circumstances

on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to Underwriters who may sell the Bonds into investment accounts.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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City of Houston, Texas

ELECTED OFFICIALS

John Whitmire, Mayor

Chris Hollins, City Controller

CITY COUNCIL

Council Member, District A	Amy Peck
Council Member, District B	Tarsha Jackson
Council Member, District C	Joe Panzarella
Council Member, District D	Carolyn Evans-Shabazz
Council Member, District E	Fred Flickinger
Council Member, District F	Tiffany D. Thomas
Council Member, District G	Mary Nan Huffman
Council Member, District H	Mario Castillo
Council Member, District I	Joaquin Martinez
Council Member, District J	Edward Pollard
Council Member, District K	Martha Castex-Tatum
Council Member, At-Large Position 1	Julian Ramirez
Council Member, At-Large Position 2	Willie Davis
Council Member, At-Large Position 3	Twila Carter
Council Member, At-Large Position 4	Alejandra Salinas
Council Member, At-Large Position 5	Sallie Alcorn

APPOINTED OFFICIALS

City Attorney	Arturo G. Michel
Deputy City Controller and Director, Department of Treasury	Vernon Middleton Lewis
Director, Department of Finance	Melissa Dubowski
Director, Department of Houston Public Works	Randy Macchi
City Secretary	Troy D. Lemon

CONSULTANTS AND ADVISORS

Co-Municipal Advisors	Masterson Advisors LLC Knight & Day Group LLC
Co-Bond Counsel	Greenberg Traurig LLP Bratton & Associates, PLLC, Houston, Texas
Co-Special Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. The Bates Law Firm PLLC

FINANCING WORKING GROUP MEMBERS

Legal Department	Eric Nguyen
Department of Finance	Alma Tamborello Chris Gonzales Sana Ali Lauren Yaxon Lisa Dargie
Office of the City Controller	Han Au Sharon Liu Linjie Zhu
Department of Houston Public Works	Sabrina Jackson Betsy Varghese Jennifer Nguyen Jatin Roopani

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PRELIMINARY OFFICIAL STATEMENT

$1,338,045,000*
CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM
FIRST LIEN REVENUE REFUNDING BONDS, SERIES 2026B

INTRODUCTION

General

This Official Statement provides certain information in connection with the issuance by the City of Houston, Texas (the "City"), of its Combined Utility System First Lien Revenue Refunding Bonds, Series 2026B (the "Bonds"). **Capitalized terms used herein but not otherwise defined herein have the meanings given to such terms in APPENDIX C**.

The Bonds are authorized to be issued pursuant to (i) Chapters 1207, 1371 and 1502, Texas Government Code, as amended, (ii) the Master Ordinance adopted by the City Council of the City, as amended and restated on November 4, 2026, (iii) a supplemental ordinance adopted by the City Council of the City on November 4, 2026 (the "Supplemental Ordinance"), and (iv) an officers' pricing certificate authorized by the Supplemental Ordinance (the "2026B Officers' Pricing Certificate,"), dated as of the date of this Official Statement.

The Bonds are special obligations of the City payable as to principal, premium, if any, and interest solely from and secured by a lien on and pledge of Net Revenues (as defined herein), as collected and received, to be derived from the operation of the City's Combined Utility System ("CUS," the "System" or the "Combined Utility System"). The Combined Utility System currently consists of the City's water, sewer and solid waste systems and shall include such other utility systems that the City may from time to time elect to combine with the System, as permitted by the Master Ordinance, so long as the revenues of such other utility systems are included in Gross Revenues under the Master Ordinance.

The lien on Net Revenues of the System securing the Bonds is subordinate to the lien securing Previous Ordinance Bonds, which the City intends to refund with a portion of the proceeds of the Series 2026D Bonds (defined herein). The City will not issue any additional bonds or issue any other obligations under the Previous Ordinance. Upon the refunding of the Previous Ordinance Bonds, no Previous Ordinance Bonds will remain outstanding and the Previous Ordinance will be terminated. See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS" for further information.

Brief descriptions and summaries of, among other things, the Bonds, the Combined Utility System, the Master Ordinance and the Supplemental Ordinance are included in this Official Statement. References to the Bonds, the Master Ordinance and the Supplemental Ordinance are qualified in their entirety by reference to such documents and the form of the Bonds included in the Supplemental Ordinance. Copies may be obtained from the office of the City Controller or the City Secretary. See "GENERAL INFORMATION." The City's Basic Financial Statements for the Fiscal Year ended June 30, 2025, which include the supplementary schedules for the Combined Utility System Fund, are included in APPENDIX A to this Official Statement. A brief description of certain selected economic and demographic data of the City is set forth in APPENDIX B. Excerpts from the Master Ordinance are set forth in APPENDIX D. The proposed form of Co-Bond Counsel Opinion and Tax Counsel Opinion is set forth as APPENDIX E. A listing of continuing disclosure schedules is included in APPENDIX F. Disclosure information pertaining to The Depository Trust Company, New York, New York ("DTC") is included in APPENDIX G. A description of the distribution agreements entered into by certain of the Underwriters is included in APPENDIX H.

UPCOMING FINANCINGS

The Coastal Water Authority ("CWA") expects to issue $100 million of contract revenue bonds secured by payments from the City under an amended and restated treated water supply contract, which are considered Required

Payments. Required Payments are payable prior to payments on System Obligations, including First Lien Bonds, such as the Bonds. The CWA expects to issue such contract revenue bonds on November 20, 2026. See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS" and "THE CITY AND THE SYSTEM — Water Facilities — Water Supply Contracts."

On July 24, 2025, the Texas Water Development Board ("TWDB") approved the City's application for a multiyear loan totaling approximately $966 million from TWDB's State Water Implementation Fund for Texas ("SWIFT") and Water Financial Assistance programs to finance a portion of the East Water Purification Plant ("EWPP") Enhancement Project. The City issued its first tranche of $350 million from such loan on December 9, 2025, and issued $300 million in the second tranche from such loan on November 6, 2026. Also related to financing the EWPP, the City intends to apply for financing via the Water Infrastructure Finance and Innovation Act ("WIFIA"), a federal credit program administered by the United States Environmental Protection Agency ("EPA"). The City has also applied for two loans, each totaling $44 million, via the TWDB's Clean Water State Revolving Fund program to finance lift station renewal and rehabilitation and force main renewal and rehabilitation. Such financings or expected financings are or would be considered First Lien obligations under the Master Ordinance.

The City intends to issue its Combined Utility System First Lien Revenue Refunding Bonds, Series 2026C (the "Series 2026C Bonds") and Combined Utility System First Lien Revenue Refunding Bonds, Taxable Series 2026D (the "Series 2026D Bonds"), on December 8, 2026, to refund a portion of the City's outstanding Combined Utility System First Lien Revenue Bonds, refund the City's Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 1998A (the "Previous Ordinance Bonds"), and finance the termination payments owed under the Qualified Hedge Agreements associated with certain of the bonds to be refunded, all as further described in the offering document for the Series 2026C Bonds and the Series 2026D Bonds, a copy of which is available on EMMA.

PURPOSE AND PLAN OF FINANCE

General

The proceeds of the Bonds will be used, together with other legally available funds, if any, for the following purposes: (i) refunding a portion of the City's Outstanding Combined Utility System First Lien Revenue Bonds (more specifically described in SCHEDULE I), (ii) refunding the Purchased Bonds (defined herein) that have been validly tendered to the City for purchase and cancellation (see " — The Purchased Bonds"), (iii) refunding all or a portion of the City's Outstanding Combined Utility System Commercial Paper Notes, Series B (the "Refunded Notes") and (iv) paying the costs of issuance of the Bonds.

The City has determined that the Bonds will not be Reserve Fund Participants which share in the First Lien Bond Reserve Fund.

The Refunded Bonds

A portion of the proceeds of the Bonds, together with other legally available funds, if any, will be used to purchase a portfolio of obligations authorized under State law and the supplemental ordinances authorizing the Refunded Bonds (the "Refunded Bonds Escrowed Securities") to be deposited in one or more escrow funds (collectively, the "Refunded Bonds Escrow Fund") with U.S. Bank Trust Company, National Association (the "Refunded Bonds Escrow Agent"), the maturing principal of and interest on which will be sufficient, together with other available funds held in the Refunded bonds Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds.

The accuracy of the computations of the adequacy of the maturing principal of and interest on the Refunded Bonds Escrowed Securities, together with other available funds held in the Refunded Bonds Escrow Fund, to provide for the payment of the Refunded Bonds will be verified by Public Finance Partners LLC (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

In the opinion of Co-Bond Counsel for the City, by making the escrow deposits required by the Supplemental Ordinance and the applicable escrow agreement to be entered into with the Refunded Bonds Escrow Agent in connection with the Refunded Bonds (each, a "Refunded Bonds Escrow Agreement"), the City will have made firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds pursuant to the provisions of Chapter 1207, Texas Government Code, as amended ("Chapter 1207"). Thereafter, the Refunded Bonds

will be deemed to be fully paid and no longer Outstanding, and the lien on and pledge of Net Revenues of the Combined Utility System securing the Refunded Bonds will be deemed to have been defeased pursuant to the terms of the supplemental ordinances authorizing the issuance of the Refunded Bonds.

The City will give irrevocable instructions to the Refunded Bonds Escrow Agent to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed on the redemption dates set forth in SCHEDULE I hereto. On each such redemption date, funds held in the Refunded Bonds Escrow Fund will be applied to redeem the appropriate Refunded Bonds.

The Refunded Notes

A portion of the proceeds of the Bonds, together with other available funds of the City, if any, will be deposited with U.S. Bank Trust Company, National Association (the "Refunded Notes Paying Agent"). By making such deposits with the Refunded Notes Paying Agent, the City will have made firm banking and financial arrangements for the discharge and final payment of the Refunded Notes pursuant to the provisions of Chapter 1207. The City's deposits will be sufficient, without investment, to pay the principal of and interest on the Refunded Notes on the Date of Delivery of the Bonds, and the Refunded Notes will then be discharged and no longer outstanding under the ordinance authorizing their issuance. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

The Purchased Bonds

Concurrently with the marketing of the Bonds, the City, with the assistance of RBC Capital Markets, LLC, and Raymond James & Associates, Inc., as co-dealer managers (the "Co-Dealer Managers"), is releasing an Invitation to Tender for Purchase (the "Invitation") to the beneficial owners of the outstanding System Obligations listed therein (such System Obligations, the "Target Bonds") on the terms set forth in the Invitation (the "Tender Offer"). Subject to the terms and conditions of the Invitation, on the Date of Delivery of the Bonds, the City expects to purchase Target Bonds validly tendered for purchase, not withdrawn, and accepted by the City in the principal amounts as set forth in "SCHEDULE II — SCHEDULE OF TARGET AND PURCHASED BONDS" (the "Purchased Bonds") as set forth in the final Official Statement. The City expects to pay the aggregate purchase price (including accrued interest) for such Purchased Bonds, together with the costs related thereto, from a portion of the proceeds of the Bonds and other legally available funds of the City in its sole discretion and determination. The Purchased Bonds will be cancelled on the Date of Delivery and will no longer be deemed Outstanding. The purpose of the Invitation is to give the City the opportunity to purchase all or a portion of the Target Bonds on the Settlement Date (as defined in the Invitation). See "SOURCES AND USES OF FUNDS."

As set forth in the Invitation, the owners of the Target Bonds may tender such Target Bonds for cash and, subject to the conditions set forth therein, the City expects to purchase the Target Bonds that are accepted for purchase per the terms and at the purchase prices set forth in the Invitation and related notices. The Purchased Bonds are expected to be cancelled on the Date of Delivery and shall thereafter no longer be deemed "Outstanding" within the meaning of the applicable ordinances authorizing the Target Bonds. This section is not intended to summarize all of the terms of the Tender Offer, and reference is made to the Invitation for a discussion of the terms of the Tender Offer and the conditions for settlement of the Purchased Bonds.

The Purchased Bonds, as more particularly described in the Invitation, will be listed in the final Official Statement in SCHEDULE II. On or before the Date of Delivery, the Verification Agent will provide the City its report verifying the sufficiency of cash deposited with the paying agent/registrar for the Purchased Bonds (the "Purchased Bonds Paying Agent") to pay the purchase price of the Purchased Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

This description is not intended to summarize the terms of the Invitation, or to solicit offers to tender Target Bonds. Reference is made to the Invitation for a discussion of the terms of the Invitation and the conditions for settlement of the Target Bonds validly tendered and accepted for purchase. The City has filed the Invitation with the MSRB through its EMMA system.

ORDINANCE AMENDMENTS

Master Ordinance Amendments. The City issues System Obligations pursuant to an amended and restated Master Ordinance, adopted by the City on November 4, 2026, which amended certain provisions of the master

ordinance, as previously amended, pursuant to which outstanding System Obligations have been previously issued (as amended and restated, the "2004 Master Ordinance"). On June 10, 2026, the 2004 Master Ordinance was amended as part of the City's budget approval process to (i) expand the System to include the City's solid waste disposal system and the operations of the Solid Waste Management Division, effective July 1, 2026, and (ii) provide that payments by the System to the City for use of right-of-way, if any, are not Maintenance and Operation Expenses of the System.

Among additional amendments made to the Master Ordinance on November 4, 2026, are monthly deposits into the First Lien Bond Interest and Sinking Fund and Second Lien Bond Interest and Sinking Fund. See "SECURITY FOR THE BONDS — First Lien Bond Interest and Sinking Fund" and "APPENDIX D – Excerpts from the Master Ordinance."

Springing Amendments. Additionally, the Supplemental Ordinance authorizing the Bonds contains certain amendments to the Master Ordinance which will not become effective until the City has obtained consent of Owners holding a majority in aggregate principal amount of System Obligations then outstanding (the "Springing Amendments.") As set forth in detail below (underlined text is new and text shown in strikethrough is deleted), the Springing Amendments: (i) revise the rating requirements for reserve fund surety policies and (ii) address matters related to the flow of funds to provide for the transfer of certain amounts required to pay the costs of using public streets for utility operations (the "Right of Way Fee" or "ROW Fee.")

The definition of the Reserve Fund Surety Policy is revised as follows: "Reserve Fund Surety Policy" shall mean any surety bond or any insurance policy which has liquidity features equivalent to an irrevocable and unconditional letter of credit, or any irrevocable and unconditional letter of credit, deposited in a reserve fund created pursuant to Section 5.3 of this Ordinance in lieu of or in partial substitution for monies on deposit therein, which is rated at the time of deposit of such Reserve Fund Surety Policy in no less than the ~~highest~~ single-A ~~each~~ at least one Rating Agency rating the Outstanding Obligations to which the Reserve Fund Surety Policy relates at the time of deposit of such Reserve Fund Surety Policy.

The amendments to the provisions governing the General Purpose Fund are as follows:

Section 5.9 of the Master Ordinance shall be amended to provide, and set conditions precedent, for the monthly transfer of the Right of Way Fee from the General Purpose Fund by:

(i) striking and inserting the following language in the first paragraph of Section 5.9:

> "Section 5.9. General Purpose Fund. Subject to the payment to the provider of a Reserve Fund Surety Policy of any interest on amounts advanced and any expenses incurred under the Reserve Fund Surety Policy required to be paid pursuant to an agreement between the City and the provider of such Reserve Fund Surety Policy, and subject to the provisions of Sections 5.5, 5.6, 5.7, and 5.8 of this Article, from any moneys remaining in the Revenue Fund, at least annually within 90 days following the end of each Fiscal Year, there shall be set aside and credited to the General Purpose Fund, the remaining revenues in the Revenue Fund. Moneys accounted for in the General Purpose Fund, subject to payment of Subordinate Lien Obligations, and any additional limitations herein or in any other contract pertaining to such account, shall ~~may~~ be withdrawn monthly in any priority for any one, all, or any combination of the following, provided that amounts for (h) may be withdrawn only after amounts for any one, all, or any combination of the following for (a) through (g), to the extent applicable, have been withdrawn first:"

and;

(ii) inserting as subsection (h), the following paragraph:

> "(h) Right-of-Way Fee. To pay the costs of using public streets for utility operations in an amount which cannot exceed the lesser of the following: (1) 9.5% of the Gross Revenues of the System for the immediately preceding Fiscal Year and (2) the dollar amount which would produce Net Revenues equal to 100% of the combined Debt Service Requirements scheduled to occur in such Fiscal Year after calculating the sum of the Maintenance and Operation Expenses and the Right of Way Fee for such Fiscal Year."

The Springing Amendments will become effective pursuant to Section 7.15 of the Master Ordinance upon the receipt by the City of the consent of Owners holding a majority in aggregate principal amount of System Obligations then outstanding under the Master Ordinance. As described in "PURPOSE AND PLAN OF FINANCE," a portion of the proceeds of the Bonds will be used to refund the Refunded Bonds, which constitute a portion of the System Obligations outstanding. Following the issuance of the Bonds and the refunding of the Refunded Bonds, and following the City's receipt of necessary Owner consent in connection with System Obligations then outstanding after the issuance of the Bonds, the Springing Amendments shall be deemed effective and shall apply to the Bonds.

THE PURCHASERS OF THE BONDS WILL BE DEEMED TO HAVE CONSENTED TO THE SPRINGING AMENDMENTS. The Springing Amendments are intended to become effective upon the receipt by the City of the consent of Owners holding a majority in aggregate principal amount of System Obligations outstanding. After the issuance of the Bonds, the issuance of the Series 2026C Bonds and the Series 2026D Bonds, and the refunding of the Refunded Bonds and purchase and cancellation of the Purchased Bonds, the Owners of ___%[*] aggregate principal amount of System Obligations will have consented to the Springing Amendments.

SOURCES AND USES OF FUNDS

The following table summarizes the estimated sources and uses of proceeds of the Bonds, together with other legally available funds of the City, if any:

Sources of Funds:	
Principal Amount	$
[Net] Original Issue Premium	
Other Available Funds	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Refunded Bonds Escrow Fund for Payment of the Refunded Bonds[(1)]	
Deposit to Refunded Notes Paying Agent for Payment of the Refunded Notes[(2)]	
Purchase of Purchased Bonds[(3)]	
Costs of Issuance[(4)]	
Underwriters' Discount	
Total Uses of Funds	$

(1) The interest due on the Refunded Bonds will be deposited to the Refunded Bonds Escrow Fund by the City from other available funds on or before the Date of Delivery.

(2) The interest due on the Refunded Notes will be deposited with the Refunded Notes Paying Agent by the City from other available funds on or before the Date of Delivery.

(3) The interest due on the Purchased Bonds will be paid by the City from other available funds of the City on or before the Date of Delivery.

(4) Includes legal fees, rating agency fees, verification agent fees, Co-Dealer Manager fees, fees of the Paying Agent/Registrar, Refunded Bonds Escrow Agent, and other costs of issuance.

REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS

The Master Ordinance provides that before any payments may be made on System Obligations, including First Lien Bonds such as the Bonds, all "Required Payments" must be made. The term "Required Payments" is defined in the Master Ordinance to mean any payments required to be made under the Previous Ordinance, including without limitation (i) all payments required to be made by the City as Maintenance and Operation Expenses under the Previous Ordinance, including without limitation under existing contracts on the effective date of the Master Ordinance for the impoundment, conveyance, or treatment of water or otherwise which are treated as operating expenses under the laws of the State, and (ii) all payments required to be made by the City to pay debt service requirements on Previous Ordinance Bonds in accordance with the terms of the Previous Ordinance and to comply with the reserve fund requirements of the Previous Ordinance.

[*] To be completed in the Final Official Statement.

Existing contracts include the treated water supply contracts and a project contract with the CWA. CWA has issued bonds (the "Contract Revenue Bonds") secured by payments from the City under an amended and restated treated water supply contract, which are considered Required Payments under the Master Ordinance. Contract Revenue Bonds are payable from System Gross Revenues prior to the payment of Previous Ordinance Bonds and payments on System Obligations. For further information, see "UPCOMING FINANCINGS," "SYSTEM DEBT AND CHARGES — Schedule 11 – Obligations Payable from System Revenues," and "— Schedule 14 – System Debt Service Schedule." See also "THE CITY AND THE SYSTEM — Water Facilities — Water Supply Contracts."

Other than debt currently Outstanding under the Previous Ordinance, the City has covenanted and agreed in the Master Ordinance not to issue any additional bonds or incur any other obligations under the Previous Ordinance. Upon delivery of the Series 2026D Bonds and the refunding of the Previous Ordinance Bonds with a portion of the proceeds thereof, no Previous Ordinance Bonds will remain outstanding, and the Previous Ordinance will be terminated. See "CERTAIN COVENANTS AND TERMS OF THE MASTER ORDINANCE."

THE BONDS

Source of Payment

The Bonds are special obligations of the City that are equally and ratably payable from and secured by a lien on Net Revenues collected and received by the City after Required Payments with respect to Previous Ordinance Bonds issued by the City and payment of all Maintenance and Operation Expenses of the Combined Utility System. Net Revenues are required to be set aside for and pledged to the payment of the City's System Obligations, including the Bonds, all Outstanding First Lien Bonds, Additional First Lien Bonds, Additional Second Lien Bonds and Qualified Hedge Agreements and Credit Agreements, including the Interest and Sinking Funds and the Bond Reserve Funds (for System Bonds that are Reserve Fund Participants) required to be maintained for the payment of all such System Bonds and agreements, all as more fully described and provided for in the Master Ordinance. THE BONDS, TOGETHER WITH THE INTEREST THEREON, ARE PAYABLE SOLELY FROM SUCH NET REVENUES AND DO NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM FUNDS RAISED OR TO BE RAISED BY TAXATION. OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF FROM THE LEVY OF AD VALOREM TAXES OR FROM ANY SOURCE NOT SPECIFICALLY PLEDGED TO PAYMENT OF THE BONDS. See "SECURITY FOR THE BONDS."

The lien on Net Revenues securing the System Obligations, including the Bonds, is subordinate to the lien securing the Previous Ordinance Bonds, which the City intends to refund with Series 2026D Bonds and will no longer be outstanding after such refunding. Therefore, the lien on Net Revenues will not be subordinate to any System Bonds after issuance of the Series 2026D Bonds.

Upon the delivery of the Bonds, the Purchasers of the Bonds will be deemed to have consented to the Springing Amendments. The Springing Amendments are intended to become effective upon the receipt by the City of the consent of Owners holding a majority in aggregate principal amount of System Obligations then outstanding.

Description of the Bonds

The Bonds mature in the aggregate principal amounts and on the dates indicated on the inside cover page of this Official Statement. Interest on the Bonds accrues from December 17, 2026 (the "Date of Delivery"). Interest is payable semiannually on May 15 and November 15 of each year, commencing May 15, 2027 (each, an "Interest Payment Date"). The Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. U.S. Bank Trust Company, National Association, Houston, Texas, is the initial paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds is payable by check or, in the case of payment to DTC, by wire transfer of immediately available funds, to be mailed by the Paying Agent/Registrar on or before the Interest Payment Date to the registered owners of record as of the first day of the month of the Interest Payment Date. If the Bonds are no longer in book-entry-only form, then principal of the Bonds is payable upon presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar. See "APPENDIX G — Securities Depository — The Depository Trust Company."

Optional Redemption of Bonds

The Bonds maturing on or after November 15, 20[__] are subject to optional redemption by the City on November 15, 20[__] or any date thereafter, in whole or in part (but if less than all the Bonds of a single maturity are called for redemption, those Bonds called shall be selected by lot or other customary random method by the Paying Agent/Registrar), at a redemption price equal to the principal amount thereof, plus accrued interest thereon to (but not including) the date fixed for redemption.

Mandatory Redemption

The Bonds maturing on November 15 in the years [_____] (the "Term Bonds") are subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to 100% of their principal amount plus accrued interest to (but not including) the date fixed for redemption, if any, and subject to the following conditions:

[$_____] TERM BONDS MATURING IN [___]

Mandatory Redemption Dates (November 15)	**Principal Requirements**
	$
*	

*Final Maturity

On or before October 1 of every year in which there are mandatory redemption requirements as set forth above for the Term Bonds, the Paying Agent/Registrar (i) shall determine the principal amount of Term Bonds of the particular coupon rate and maturity that must be mandatorily redeemed on November 15 of such year after taking into account deliveries for cancellation and optional redemptions of Term Bonds of such coupon rate and maturity as more fully provided below, (ii) shall select pro-rata (if permitted) or otherwise by lot or other customary random method the Term Bonds of such coupon rate and maturity (or portions thereof) to be mandatorily redeemed on November 15 of such year, and (iii) shall give notice thereof in the manner herein below provided. The mandatory redemption requirements stated above for the Term Bonds shall be reduced by the principal amount of any Term Bonds of such coupon rate and maturity purchased and delivered or tendered to the Paying Agent/Registrar for cancellation by September 25 of such year. In addition, in the exercise of its right of optional redemption contained herein the City may elect to redeem less than all of the Term Bonds of a particular coupon rate and maturity then Outstanding, and thereby reduce the mandatory redemption requirements in any year or years for the Term Bonds of such coupon rate and maturity by the principal amount of such Term Bonds optionally redeemed and that have not previously been made the basis for a credit against the mandatory redemption requirements for the Term Bonds.

Notice of Redemption

In the event any of the Bonds are called for mandatory or optional redemption, the Paying Agent/Registrar shall give notice, in the name of the City, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the designated principal corporate trust office of the Paying Agent/Registrar) and, if less than all of the Bonds of any maturity are to be redeemed, the portions of the Bonds to be so redeemed, (ii) state any condition to such redemption, which may include the issuance of a series of refunding bonds, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds to be redeemed shall cease to bear interest. CUSIP number identification shall accompany all redemption notices. Such notice may set forth any additional information relating to such redemption. Such notice shall be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each Registered Owner of the Bonds to be redeemed at its address shown on the registration books kept by the Paying Agent/Registrar and to any securities depository institution registered under the Securities Exchange Act of 1934, as amended, acting as a securities depository under the Ordinance; provided, however, that failure to give such notice to any Registered Owner or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the

other Bonds. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the Registered Owner or Beneficial Owner receives such notice. When the Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as provided herein and in the Ordinance, the Bonds or portions thereof to be so redeemed shall no longer be regarded as Outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Ownership

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered (the "Registered Owner") as the absolute owner of such Bond for the purpose of making and receiving payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notice to the Registered Owners thereof, and for all other purposes, whether or not such Bond is overdue. Neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Registered Owner of any Bond in accordance with the Supplemental Ordinance shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Record Date

Interest on the Bonds is payable by check mailed by the Paying Agent/Registrar to the Registered Owner of record as of the first (1st) day of the month of the applicable Interest Payment Date as shown on the books of registration kept by the Paying Agent/Registrar.

Transfers and Exchanges

Beneficial ownership of Bonds registered in the name of DTC will be transferred initially as described under "APPENDIX G — Securities Depository — The Depository Trust Company."

So long as any Bonds remain Outstanding, the Paying Agent/Registrar shall keep the Register at its principal corporate trust office in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Bonds in accordance with the terms of the Master Ordinance and the Supplemental Ordinance.

Each Bond shall be transferable only upon the presentation and surrender thereof by Cede & Co., as DTC's nominee, or any subsequent Registered Owner, at the principal corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by Cede & Co., as DTC's nominee, or any subsequent Registered Owner or the authorized representative thereof in a form satisfactory to the Paying Agent/Registrar. Upon due presentation and surrender of a Bond for transfer, the Paying Agent/Registrar is required to authenticate and deliver in exchange therefor, within 72 hours after such presentation and surrender, a new Bond or Bonds, registered in the name of Cede & Co., as DTC's nominee, or such other transferee, in authorized denominations, of the same type, maturity and interest rate, and in the same aggregate principal amount, as the Bond or Bonds so presented and surrendered.

In the event the Bonds are not held in a book-entry registration system, all Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar for a Bond or Bonds of the same type, maturity and interest rate, in any authorized denomination and in an aggregate principal amount, equal to the Bond or Bonds presented for exchange. Bonds issued in exchange for other Bonds shall be entitled to the benefits and security of the Master Ordinance and the Supplemental Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The City or the Paying Agent/Registrar may require DTC or any subsequent Registered Owner of any Bond to pay a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

SECURITY FOR THE BONDS

Set forth below is a description of the revenues pledged for the payment of the Bonds and parity System Obligations, the flow of funds mandated by and rate covenant contained in the Master Ordinance and a summary of certain security provisions of the Master Ordinance applicable to the Bonds. Capitalized terms used in this section but not otherwise defined in this section have the meanings assigned to such terms in "APPENDIX C — Definitions." For further information, see "APPENDIX D — Excerpts From The Master Ordinance."

Pledge of Net Revenues

The Bonds are special obligations of the City payable from and secured by a lien on Net Revenues as collected and received by the City from the operation and ownership of the Combined Utility System. ***The lien on Net Revenues securing the Bonds is subordinate to the lien securing the Previous Ordinance Bonds, which the City intends to refund with Series 2026D Bonds and which will no longer be outstanding after such refunding. Therefore, the lien on Net Revenues will not be subordinate to any System Bonds after issuance of the Series 2026D Bonds.***

In the Master Ordinance, the City covenants and agrees that Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds established by the Master Ordinance after satisfying any requirements of the Previous Ordinance, including the payment of all Required Payments. For so long as any Previous Ordinance Bonds remain Outstanding, the City covenants and agrees that Gross Revenues (as defined under the Previous Ordinance) shall be applied in the manner set forth in the Previous Ordinance to provide for the payment of all Required Payments, and then Gross Revenues shall be applied in the manner set forth in the Master Ordinance to provide for the payment of all remaining Maintenance and Operation Expenses that have not been paid as Required Payments. See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS." The Master Ordinance provides that resulting Net Revenues are to be applied to the payment of principal of, interest on and any redemption premiums on the First Lien Bonds, any parity System Obligations under Qualified Hedge Agreements and Credit Agreements and all expenses of paying same and then provides for the disposition of the remaining Net Revenues in accordance with the Master Ordinance.

First Lien Bonds, including the Bonds, are special obligations of the City that are payable solely from and are equally and ratably secured by a first lien on the Net Revenues as collected and received by the City from the operation and ownership of the Combined Utility System. The Master Ordinance provides that Net Revenues are required to be set aside in the First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund for and pledged to the payment of First Lien Bonds and parity System Obligations, and the First Lien Bonds are, in all respects, on a parity with and of equal dignity with one another, except that the City may elect that one or more series of Additional First Lien Bonds will not share in the benefits of the First Lien Bond Reserve Fund.

The City has determined that the Bonds will <u>not</u> be Reserve Fund Participants which share in the First Lien Bond Reserve Fund and, accordingly, amounts in the First Lien Bond Reserve Fund will not be available to pay principal of, and interest on, the Bonds.

THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM ANY FUNDS RAISED OR TO BE RAISED BY TAXATION. OWNERS OF THE FIRST LIEN BONDS, INCLUDING THE BONDS, SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF FROM THE LEVY OF AD VALOREM TAXES OR FROM ANY OTHER SOURCE NOT PLEDGED TO THE PAYMENT OF THE FIRST LIEN BONDS.

The Master Ordinance provides that Chapter 1208, Texas Government Code, as amended, applies to the issuance and delivery of First Lien Bonds, including the Bonds and the pledge of the Net Revenues granted under the Master Ordinance, and such pledge is therefore valid, effective and perfected.

The Master Ordinance defines "Net Revenues" to mean (i) all Gross Revenues remaining after deducting Maintenance and Operation Expenses, <u>plus</u> (ii) any Restricted Receipts deposited to the Revenue Fund that may be used to pay Debt Service Requirements on System Obligations.

The Master Ordinance defines "Restricted Receipts" to mean (i) revenues related to the Combined Utility System received by the City that pursuant to law or contractual agreements may not be used to pay Maintenance and Operation Expenses and (ii) any interest earnings on the revenues described in clause (i) above.

The Master Ordinance defines "Gross Revenues" to mean all revenues and income of every nature now and hereafter derived or received by the City from the operation and ownership of the components of the Combined Utility System; the interest income from the investment or deposit of money in the funds created pursuant to the Master Ordinance; and any other revenues pledged to the payment of System Obligations issued pursuant to the Master Ordinance. The term "Gross Revenues" also includes all payments received by the City, except for termination payments and receipts of collateral, pursuant to Qualified Hedge Agreements. "Gross Revenues" does not include Restricted Receipts.

For the definition of "Maintenance and Operation Expenses," see "APPENDIX C — Definitions".

The Master Ordinance permits the City to issue certain subordinate lien obligations (secured by liens on Net Revenues subordinate and inferior to the First Lien Bonds); and to provide Reserve Fund Surety Policies (as defined below) in lieu of making cash deposits to the applicable reserve fund, all as more fully described below.

Special Funds

The Master Ordinance provides that the following special funds (the "Funds") are to be established, maintained and accounted for by the City while the Bonds and any other System Bonds or other System Obligations remain Outstanding:

(i) Revenue Fund;

(ii) First Lien Bond Interest and Sinking Fund;

(iii) First Lien Bond Reserve Fund;

(iv) Second Lien Bond Interest and Sinking Fund;

(v) Second Lien Bond Reserve Fund;

(vi) Third Lien Obligation Interest and Sinking Fund;

(vii) Third Lien Obligation Reserve Fund (if and when required);

(viii) Fourth Lien Obligation Interest and Sinking Fund (if and when required);

(ix) Fourth Lien Obligation Reserve Fund (if and when required);

(x) Interest and Sinking Funds and Reserve Funds for any additional System Obligations that will be junior and subordinate to Fourth Lien Obligations (if and when required); and

(xi) General Purpose Fund.

The Master Ordinance provides that the Funds listed above are to be maintained as separate accounts on the books of the City. The First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund (with respect to Reserve Fund Participants) are required to be held in trust under the Master Ordinance for the Owners of the First Lien Bonds and the proceeds of such funds (except for interest income, which shall be transferred to the Revenue Fund) are pledged to the payment of the First Lien Bonds. In the Master Ordinance, the City reserves the right to establish additional funds and accounts necessary or desirable for the efficient administration of the System.

Flow of Funds

After making any Required Payments in accordance with the terms of the Previous Ordinance, the Master Ordinance provides that Gross Revenues of the Combined Utility System are to be deposited as collected into the Revenue Fund and applied as follows: to (i) pay Maintenance and Operation Expenses, and (ii) establish and maintain an operating reserve with a minimum balance of two months' budgeted Maintenance and Operation Expenses for the then current Fiscal Year. The remaining balance, together with Restricted Receipts, will be applied in the following manner and in the following order of priority on or before the last Business Day of each month:

(i) First, to make all deposits into the First Lien Bond Interest and Sinking Fund on the dates and in the amounts required by the Master Ordinance or any Supplemental Ordinance authorizing the issuance of First Lien Bonds and described under "First Lien Bond Interest and Sinking Fund" below (in order to provide for the full and timely payment of all principal of, interest on and any redemption premiums on all First Lien Bonds and parity System Obligations, if any, under Qualified Hedge Agreements and Credit Agreements);

(ii) Second, to make all deposits into the First Lien Bond Reserve Fund on the dates and in the amounts required by the Master Ordinance or any Supplemental Ordinance authorizing the issuance of First Lien Bonds and described under "First Lien Bond Reserve Fund" below (in order to establish and maintain a debt service reserve for the timely payment of First Lien Bonds and parity System Obligations, if any, under Qualified Hedge Agreements and Credit Agreements that the City elects to be secured by the First Lien Bond Reserve Fund (collectively, the "Reserve Fund Participants"), and to make any required payments on repayment obligations incurred pursuant to a Reserve Fund Surety Policy (as defined below));

(iii) Third, to make all deposits into the Second Lien Bond Interest and Sinking Fund on the dates and in the amounts required by the Master Ordinance or any Supplemental Ordinance authorizing the issuance of Second Lien Bonds (in order to provide for the full and timely payment of the principal of, interest on and any redemption premiums on all Second Lien Bonds and parity System Obligations, if any, under Qualified Hedge Agreements and Credit Agreements);

(iv) Fourth, to make all deposits into the Second Lien Bond Reserve Fund on the dates and in the amounts required by the Master Ordinance or any Supplemental Ordinance authorizing the issuance of Second Lien Bonds (in order to establish and maintain a debt service reserve for the timely payment of all Second Lien Bonds and parity System Obligations, if any, under Qualified Hedge Agreements and Credit Agreements and to make any required payments on repayment obligations incurred pursuant to a Reserve Fund Surety Policy);

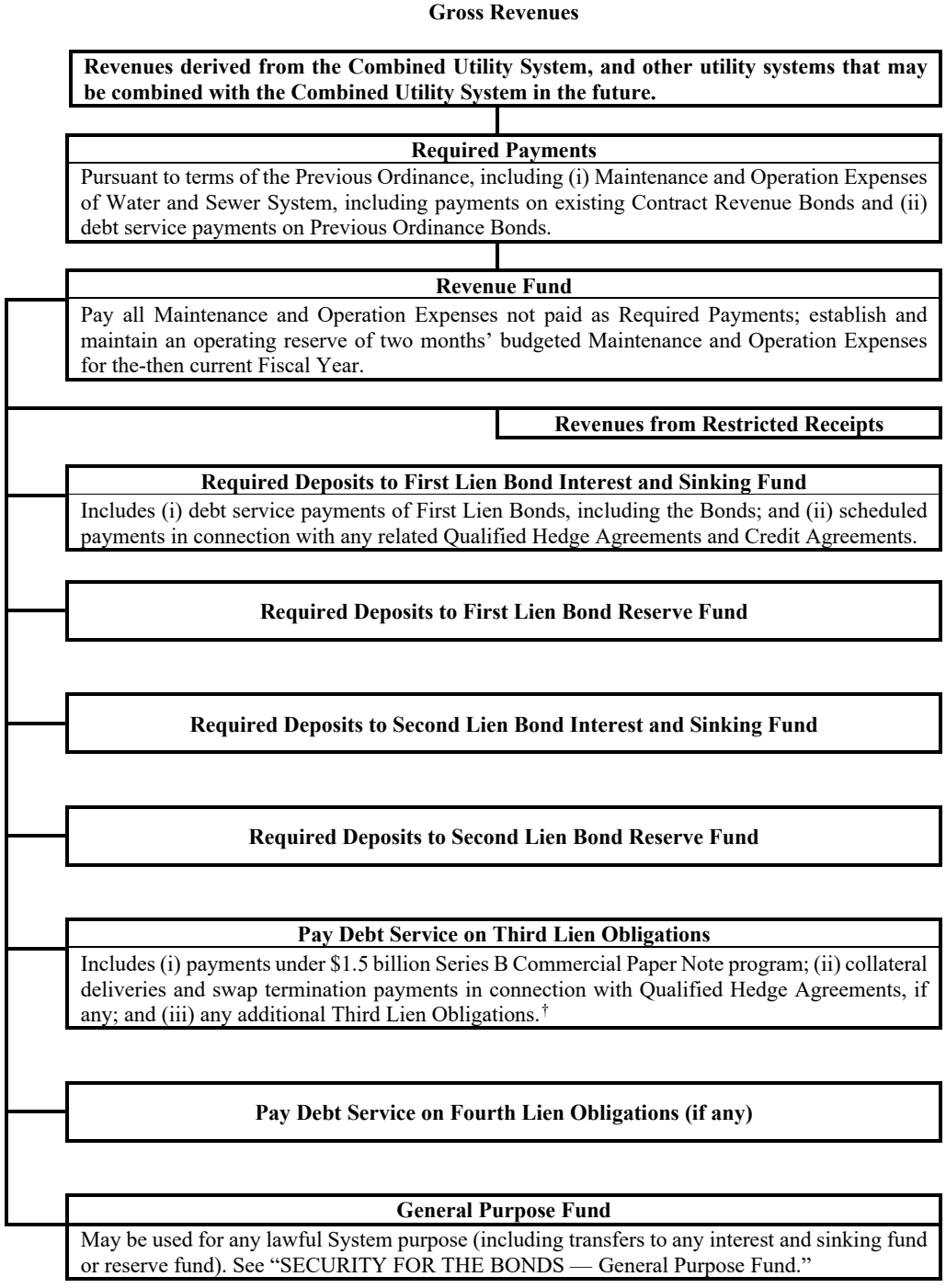
(v) Fifth, to make all payments and deliveries required by the Master Ordinance or any Supplemental Ordinance authorizing the issuance of certain obligations secured by liens on and pledges of Net Revenues subordinate and inferior to the First Lien Bonds and Second Lien Bonds (the "Third Lien Obligations"), including the City's obligations to deliver collateral and make termination payments under Qualified Hedge Agreements that are not payable in installments over the remaining term of the relevant transaction (in order to provide for the payment of and security for such Third Lien Obligations);

(vi) Sixth, to make all payments and deliveries required by the Master Ordinance or any Supplemental Ordinance authorizing the issuance of certain obligations secured by liens on and pledges of Net Revenues subordinate and inferior to the First Lien Bonds, Second Lien Bonds and Third Lien Obligations (the "Fourth Lien Obligations") (in order to provide for the payment of and security for such Fourth Lien Obligations); and

(vii) Seventh, to make all deposits of any remaining Net Revenues into the General Purpose Fund as required by the Master Ordinance. See "SECURITY FOR THE BONDS — General Purpose Fund."

Further, such monthly deposits may be adjusted by the City, as appropriate, to reflect the amount or frequency of any Interest Payment Date and/or Principal Payment Date applicable to each series of System Obligations and frequency of payments under any Qualified Hedge Agreement or Credit Agreement. On or before each transfer date, the City shall make up any deficiencies in deposits on prior transfer dates from and to the extent monies remain on deposit in the Revenue Fund.

FLOW OF FUNDS
(APPLICATION OF REVENUES)
UNDER PROVISIONS OF THE MASTER ORDINANCE
HOUSTON COMBINED UTILITY SYSTEM



† The City has authorized the Series B Commercial Paper Program in an aggregate amount not to exceed $1.5 billion. See "SYSTEM DEBT AND CHARGES — Commercial Paper Program" for a discussion of the Series B Commercial Paper Note program.

First Lien Bond Interest and Sinking Fund

The Master Ordinance is amended to establish monthly deposits in the First Lien Bond Interest and Sinking Fund. See "ORDINANCE AMENDMENTS" and "APPENDIX D – Excerpts from Master Ordinance."

The Master Ordinance provides that so long as any First Lien Bonds remain Outstanding, after making all required payments and provisions for the payment of Maintenance and Operation Expenses and required deposits to an operating reserve, if any, there shall be transferred into the First Lien Bond Interest and Sinking Fund from the Revenue Fund the following amounts, for each series of First Lien Bonds:

(a) The amount of interest (excluding any compound interest) accruing through the end of the next succeeding calendar month less any amounts on deposit therein and available for the payment of interest due on such First Lien Bonds; plus

(b) (i) for each series of First Lien Bonds with annual principal payment dates amounts equal to one-twelfth (1/12) of principal, including any compound interest, due and payable over the twelve month period starting on the first day of the next succeeding month; (ii) for each series of First Lien Bonds with principal payment dates occurring at a frequency other than annual, equal monthly installments of principal, including any compound interest, due and payable at the next Principal Payment Date starting on the first day of the next succeeding month; less, in each case, any amounts on deposit therein and available for the payment of principal due on such First Lien Bonds; plus

(c) Such amount, if any, in approximately equal monthly installments as shall be necessary to enable the City to pay when due all expenses of providing for the full and timely payment of the principal of, premium, if any, and interest on the First Lien Bonds in accordance with their terms, including without limitation, all fees charged or costs incurred with any Credit Agreements, Qualified Hedge Agreements and other related agreements in connection with the First Lien Bonds.

Provided, however, that interest income, if any, derived from amounts on deposit in the First Lien Bond Interest and Sinking Fund and available for the timely payment of interest or principal on First Lien Bonds may be used by the City at any time to offset any required deposit described in (a) or (b) above.

Moneys credited to the First Lien Bond Interest and Sinking Fund shall be used solely for the purpose of paying interest on, principal (at maturity or mandatory redemption or to purchase First Lien Bonds issued as term bonds in the open market to be credited against the next succeeding mandatory redemption requirements) of and redemption premiums on the First Lien Bonds, plus all fees, charges, and other amounts payable, including those described in clause (c) above. On or before each Principal Payment Date and/or Interest Payment Date on First Lien Bonds, the City shall transfer from the First Lien Bond Interest and Sinking Fund to the Paying Agent/Registrar in immediately available funds an amount equal to the principal of, redemption premium (if any) on, and interest payable on the First Lien Bonds on such date, plus all fees, charges, and other amounts payable, including those described in clause (c) above.

Further, such monthly deposits may be adjusted by the City, as appropriate, to reflect the amount or frequency of any Interest Payment Date and/or Principal Payment Date applicable to each series of First Lien Bonds and frequency of payments under any Qualified Hedge Agreement or Credit Agreement on parity with First Lien Bonds. On or before each transfer date, the City shall make up any deficiencies in deposits on prior transfer dates from and to the extent monies remain on deposit in the Revenue Fund.

First Lien Bond Reserve Fund

The City has determined that the Bonds will <u>not</u> be Reserve Fund Participants which share in the First Lien Bond Reserve Fund; accordingly, amounts in the First Lien Bond Reserve Fund will not be available to pay principal of and interest on the Bonds.

The Master Ordinance provides that, on or before the last Business Day of each month so long as any First Lien Bonds that are Reserve Fund Participants remain Outstanding, there shall be transferred into the First Lien Bond Reserve Fund from the Revenue Fund amounts equal to one-sixtieth ($1/60^{th}$) of the Reserve Fund Requirements for the First Lien Bonds unless or until there has been accumulated in the First Lien Bond Reserve Fund money and

investments in an aggregate amount at least equal to the Reserve Fund Requirements for the First Lien Bonds; provided that additional deposits into the First Lien Bond Reserve Fund sufficient to provide for the increased Reserve Fund Requirement resulting from the issuance of any Additional First Lien Bonds that are Reserve Fund Participants shall be made by not later than 60 months from the date of issuance of such Additional First Lien Bonds. After such amount has accumulated in the First Lien Bond Reserve Fund and so long thereafter as such Fund contains such amount, no further deposits shall be required to be made into the First Lien Bond Reserve Fund, and any excess amounts in such Fund may be transferred to the Revenue Fund. But if and whenever the balance in the First Lien Bond Reserve Fund is reduced below such amount, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to one-sixtieth (l/60th) of the Reserve Fund Requirements on the First Lien Bonds until the First Lien Bond Reserve Fund has been restored to such amount. The First Lien Bond Reserve Fund shall be used to pay the principal of and interest on the First Lien Bonds that are Reserve Fund Participants (and parity Obligations, if any, under Qualified Hedge Agreements and Credit Agreements) at any time when there is not sufficient money available in the First Lien Bond Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last First Lien Bonds that are Reserve Fund Participants to mature or be redeemed.

The Master Ordinance provides that the requirements of the immediately preceding paragraph notwithstanding, the City may provide a Reserve Fund Surety Policy issued in amounts equal to all or part of the Reserve Fund Requirements on the First Lien Bonds that are Reserve Fund Participants in lieu of depositing cash into the First Lien Bond Reserve Fund. In the event a Reserve Fund Surety Policy issued to satisfy all or a part of the City's obligation with respect to the First Lien Bond Reserve Fund causes the amount then on deposit in the First Lien Bond Reserve Fund to exceed the Reserve Fund Requirements on all First Lien Bonds, the City may transfer such excess amount to any fund or funds established for the payment of or security for First Lien Bonds, the Second Lien Bonds, or any Third Lien Obligations or Fourth Lien Obligations (including any escrow established for the final payment of any such System Obligations preceding an Interest Payment Date pursuant to Chapter 1207, Texas Government Code), or to the General Purpose Fund.

General Purpose Fund

The Supplemental Ordinance authorizing the Bonds contains a provision which allows for the payment of a Right-of-Way Fee from the General Purpose Fund. See "ORDINANCE AMENDMENTS — Springing Amendments." Such provision is a Springing Amendment and purchasers of the Bonds will be deemed to have consented to such Springing Amendment, which will become effective after the City has obtained consent of Owners holding a majority in aggregate principal amount of System Obligations then outstanding.

The Master Ordinance provides that, subject to the payment to the provider of a Reserve Fund Surety Policy of any interest on amounts advanced and any expenses incurred under the Reserve Fund Surety Policy required to be paid pursuant to an agreement between the City and the provider of such Reserve Fund Surety Policy, and subject to the provisions of the Master Ordinance, from any moneys remaining in the Revenue Fund, at least annually within ninety (90) days following the end of each Fiscal Year, there shall be set aside and credited to the General Purpose Fund, the remaining revenues in the Revenue Fund. Moneys accounted for in the General Purpose Fund, subject to any limitations in the Master Ordinance or in any other contract pertaining to such account, may be withdrawn in any priority for any one, all, or any combination of the following:

(i) Capital Costs. To pay the costs of constructing or otherwise acquiring any betterments of, enlargement of, extensions of, or any other improvements to the System, or any part thereof, and any equipment therefor, authorized by law;

(ii) Major Maintenance Costs. To pay the costs of extraordinary and major repairs, renewals, replacements or maintenance items pertaining to any properties of the System of a type not recurring annually or at shorter intervals and not paid as Maintenance and Operation Expenses;

(iii) Debt Service Requirements. To pay any System Bonds or other System Obligations or securities pertaining to the System and payable from Net Revenues (regardless of whether such securities are secured by a lien thereon), as to Debt Service Requirements and any other appurtenant charge pertaining to such Debt Service Requirements on any Interest Payment Date, or any redemption date or redemption dates, or by purchase in the open market, or by creating an escrow to provide for the payment of or to defease such System Bonds, other System Obligations or securities or otherwise;

(iv) Legal Obligations. To pay any obligations pertaining to the System and arising from a judgment against the City or any officer, employee or other agent of the City acting within the scope of his official duties, rights or privileges, or the scope of his employment, as the case may be, in any suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, or a settlement by the City of any claim to avoid or to settle such a suit, action or special proceeding, except to the extent revenues are otherwise available to defray such an obligation, including, without limitation, insurance proceeds, or to pay any penalties, fines, settlements or other amounts required to be paid by the City as a result of federal or state administrative proceedings relating to the System;

(v) Assumed and Other Obligations. To pay any bonds or other obligations assumed by the City that were issued or incurred by water districts annexed and dissolved by the City, which bonds or other obligations are by their own terms secured in whole or in part by a pledge of water or sewer revenues that did not terminate upon the annexation and dissolution of such water districts, and other bonds or obligations issued or assumed by the City for Combined Utility System purposes that are payable from ad valorem taxes or sources other than the First Lien Bond Interest and Sinking Fund, the First Lien Bond Reserve Fund, the Second Lien Bond Interest and Sinking Fund or the Second Lien Bond Reserve Fund;

(vi) Lawful System Purposes. For any other lawful purpose of the System as the City may determine; and

(vii) Drainage Purposes. For planning, design, construction, regulation, improvement, repair, maintenance and operation of facilities and programs relating to the storm sewer system or network of storm water management facilities including, but not limited to, inlets, conduits, manholes, channels, ditches, drainage easements, retention and detention basin, infiltration facilities, and other components, including, without limitation, the costs of developing, implementing and enforcing a storm water management program to reduce the discharge of pollutants from the City's storm sewer system and protect water quality, and the costs related to obtaining, renewing or maintaining any required permits related to the operation of the storm sewer system, and also including payment of debt service on bonds, notes or other obligations issued for the purposes listed in this paragraph (vii); provided that the aggregate amount withdrawn from the General Purpose Fund for such purposes in this paragraph (vii) during any Fiscal Year will not exceed 8% of the Gross Revenues of the System for the immediately preceding Fiscal Year.

The Master Ordinance provides that moneys will be withdrawn from the General Purpose Fund for any one, all or other combination of such purposes designated above in the same manner that other claims against the System are presented and paid. See "THE CITY AND THE SYSTEM — Water Facilities" for a description of the contract payments made by the City from the General Purpose Fund for the construction of the Luce Bayou Project. See also "SYSTEM NET REVENUES AVAILABLE FOR DEBT SERVICE — Schedule 2 – Coverage of Maximum Annual Debt Service by Net Revenues" and "SYSTEM DEBT AND CHARGES — Schedule 13 – Indirect Charges Paid by the System and General Purpose Fund Transfers." Amounts in the General Purpose Fund at the beginning of a Fiscal Year that are deposited into the Revenue Fund in that Fiscal Year are Gross Revenues for the Fiscal Year in which such amounts are deposited into the Revenue Fund.

Rate Covenant

The Master Ordinance provides that while any First Lien Bonds, including the Bonds, or any other System Bonds remain Outstanding, the City is required to fix, charge and collect rates and charges for the use and services of the System that are calculated to be fully sufficient to produce Net Revenues in each Fiscal Year at least equal to the greater of:

(i) 120% of the combined Debt Service Requirements scheduled to occur in such Fiscal Year on all Previous Ordinance Bonds and First Lien Bonds then Outstanding, or

(ii) 110% of the combined Debt Service Requirements scheduled to occur in such Fiscal Year on all Previous Ordinance Bonds, First Lien Bonds and Second Lien Bonds then Outstanding,

plus an amount equal to the sum of (i) all deposits required to be made to the First Lien Bond Reserve Fund and to the Second Lien Bond Reserve Fund in such Fiscal Year and (ii) all other financial obligations of the System reasonably anticipated to be paid from Net Revenues of the System; provided that, in calculating the Net Revenues required by

paragraphs (i) and (ii) above, all or any portion of such Net Revenues that exceed 100% of the combined Debt Service Requirements may be attributed to amounts on deposit in the General Purpose Fund that are available to pay Debt Service Requirements (see "— General Purpose Fund, (iii) Debt Service Requirements"), and provided further that in no event will Net Revenues ever be less than the amount required to establish and maintain the First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund as provided in the Master Ordinance, to establish and maintain the Second Lien Bond Interest and Sinking Fund and the Second Lien Bond Reserve Fund as provided in the Master Ordinance and, to the extent that funds for such purpose are not otherwise available, to pay all other Outstanding System Obligations payable from the Net Revenues of the System, including all amounts owed as a repayment obligation by the City pursuant to a Reserve Fund Surety Policy or a Credit Agreement, as and when the same become due. The foregoing provision of the Master Ordinance is referred to as the "Rate Covenant." The Master Ordinance provides that the calculation required by this section will be made annually at the time the City's annual budget for the System is adopted and will be included in the annual budget for the System.

Automatic Water and Sewer Annual Rate Adjustments

On April 21, 2010, the City Council approved a one-time increase of 20.1% in water and sewer rates. At the same time, the City also approved automatic annual adjustments to the City's water and sewer rates in place of those adopted in 2005. The ordinance approving the one-time rate increase and the revised automatic annual rate adjustments, adopted on April 21, 2010, is referred to herein as the "Rate Ordinance." See "RATES."

The Rate Ordinance, which remains in place currently, provides for automatic annual rate adjustments based upon the annual percentage increase in the Producer Price Index ("PPI"), but subject to the Proposition 1 (2004) limit (which is the sum of the percentage increase in the Consumer Price Index for all Urban Consumers ("CPI-U") plus the annual Houston population percentage increase). Alternatively, if the City demonstrates that a customer segment's cost of service exceeds the PPI, the City may increase that segment's rate using the greater of (i) the annual percentage increase in the PPI or (ii) the sum of the percentage increase to CPI-U and the annual Houston population increase.

See "RATES — Water and Sewer Rate Study" for a discussion of the City engaging a utility rate consultant to review the System's water and sewer rates. See also "THE CITY AND THE SYSTEM — City Charter Tax and Revenue Propositions" for a discussion of Proposition 1 (2004), including the City's authority to raise rates as required by bond covenants and by contract, other propositions and status of related litigation.

RESERVE FUND

First Lien Bonds

The City has determined that the Bonds will not be Reserve Fund Participants which share in the First Lien Bond Reserve Fund; accordingly, amounts in the First Lien Bond Reserve Fund will not be available to pay principal of and interest on the Bonds.

The Master Ordinance provides that the First Lien Bond Reserve Fund is a shared bond reserve fund used to pay all First Lien Bonds that are Reserve Fund Participants; however, the City can elect not to include any series of First Lien Bonds as a Reserve Fund Participant at the time of issuance. To date, the City has elected to include the following Outstanding First Lien Bonds as Reserve Fund Participants in the shared First Lien Bond Reserve Fund: Combined Utility System First Lien Revenue Refunding Bonds, Series 2004B2-6, Combined Utility System First Lien Revenue Refunding Bonds, Series 2012A, Combined Utility System First Lien Revenue Refunding Bonds, Series 2012B, Combined Utility System First Lien Revenue Refunding Bonds, Series 2018C, Combined Utility System First Lien Revenue Bonds, Series 2011B, Combined Utility System First Lien Revenue Bonds, Series 2012E, Combined Utility System First Lien Revenue Bonds, Series 2013A, Combined Utility System First Lien Revenue Bonds, Series 2014A, Combined Utility System First Lien Revenue Bonds, Series 2015B, Combined Utility System First Lien Revenue Bonds, Series 2015A, Combined Utility System First Lien Revenue Bonds, Series 2016A, Combined Utility System First Lien Revenue Bonds, Series 2017A, Combined Utility System First Lien Revenue Bonds, Series 2018A, Combined Utility System First Lien Revenue Bond, Series 2019A, Combined Utility System First Lien Revenue Bonds, Series 2020B, Combined Utility System First Lien Revenue Bonds, Series 2021C and Combined Utility System Revenue Bonds, Series 2025.

The Reserve Fund Requirement for First Lien Bonds shall mean (i) an amount equal to 50% of the Maximum Annual Debt Service Requirements on all First Lien Bonds which the City has designated as Reserve Fund Participants

issued through the date of such authorizing Supplemental Ordinance, unless otherwise specified in a Supplemental Ordinance, or (ii) the amount required by a Supplemental Ordinance to be deposited, accumulated and maintained in the Second Lien Bond Reserve Fund and any reserve funds created for Third Lien Obligations, Fourth Lien Obligations, or Subordinate Lien Obligations ("Reserve Fund Requirement" or "Reserve Fund Requirements"). To satisfy its Reserve Fund Requirement for certain previously issued First Lien Bonds, the City previously acquired a Reserve Fund Surety Policy (the "Series 2004 Policy") from MBIA Insurance Corporation ("MBIA" or the "Reserve Fund Surety Provider"). The Series 2004 Policy currently remains outstanding, but is expected to terminate upon the issuance of the Series 2026C and Series 2026D Bonds.

The City has previously satisfied the Reserve Fund Requirement as follows:

Policy	Amount	Year of Termination
Cash and Investments[(1)]	$95,316,583.73	n/a
Reserve Fund Policy-National[(2)] (2004)	143,396,950.25	2034[(3)]
TOTAL	$238,713,533.98	

(1) Balance as of August 31, 2026.
(2) The Reserve Fund Policy issued by MBIA is now re-insured by National Public Guarantee Corporation.
(3) Policy will terminate upon issuance and delivery of the Series 2026C Bonds and Series 2026D Bonds.

The policy limit for the Series 2004 Policy is the lesser of $143,396,950.25 or the debt service reserve fund requirement for the System Obligations. The Series 2004 Policy does not define the debt service reserve fund requirement for the System Obligations, but City Ordinance No. 2004-300 authorizing issuance of the Series 2004 Bonds defines the Series 2004 Bond Reserve Fund Requirement as 50% of the Maximum Annual Debt Service Requirements on (i) the Series 2004 Bonds, and (ii) all subsequent issues of First Lien Bonds for which the City elects to fund a shared First Lien Bond Reserve Fund on a parity with the First Lien Bond Reserve Fund funded by the Ordinance, which amount currently is greater than $143,396,950.25. The term of the Series 2004 Policy expires on the earlier of the scheduled maturity of the currently Outstanding Series 2004 Bonds, or the date on which the City has made all payments so required to be made on the System Obligations under the authorizing documents. The Outstanding Series 2004 Bonds will be refunded with a portion of the proceeds of the Series 2026C Bonds, and the Series 2004 Policy will terminate upon issuance of the Bonds. Upon the issuance of the Bonds, the Series 2026C and Series 2026D Bonds and termination of the existing surety policy, the Reserve Fund is expected to be fully funded with cash on hand.

If amounts in the First Lien Bond Reserve Fund must be transferred to pay amounts coming due on any Outstanding First Lien Bonds, any cash and/or investments must be drawn first and applied pro-rata before drawing on the Reserve Fund Surety Policy. Draws on the Reserve Fund Surety Policy must also be applied pro-rata after applying cash and/or investments. If amounts then on deposit in the First Lien Bond Reserve Fund (including the amount of any Reserve Fund Surety Policy) exceed the Reserve Fund Requirements on the First Lien Bonds, the City may transfer such excess amount to any fund or funds established for the payment of or security for First Lien Bonds, the Second Lien Bonds, or any Third Lien Obligations or Fourth Lien Obligations including any escrow established for the final payment of any such System Obligations preceding an Interest Payment Date (pursuant to Chapter 1207, Texas Government Code, as amended), or to the General Purpose Fund. See "APPENDIX D — Excerpts from the Master Ordinance." Money deposited in the First Lien Bond Reserve Fund may, at the option of the City, be deposited in investments permitted by State law and consistent with the City's Investment Policy.

Pursuant to the Master Ordinance, any provider of a Reserve Fund Surety Policy must be rated, at the time of deposit of such Reserve Fund Surety Policy, in the highest rating category by each rating agency rating the related Outstanding System Bonds. Any subsequent downgrade of any such provider will not affect the sufficiency of the Reserve Fund. The Supplemental Ordinance revises the definition of "Reserve Fund Surety Policy". Such revised provision is a Springing Amendment, which will become effective upon receipt by the City of the consent of Owners holding a majority in aggregate principal amount of System Obligations then outstanding. See "ORDINANCE AMENDMENTS – Springing Amendments."

ADDITIONAL BONDS

Set forth below is a description of the Additional Bonds Test contained in the Master Ordinance and certain provisions relating to the issuance of other System Obligations under the Master Ordinance. Capitalized terms used in this section but not otherwise defined in this section have the meanings assigned to such terms in "APPENDIX C — Definitions." For more complete information, see "APPENDIX D — Excerpts from the Master Ordinance."

Additional First Lien and Second Lien Obligations

Bonds. In the Master Ordinance, the City reserves the right to issue, for any lawful System purpose, including the refunding of any previously issued First Lien Bonds, Second Lien Bonds, Previous Ordinance Bonds or any other bonds or obligations of the City issued in connection with the System or payable from Net Revenues, or to pay obligations incurred under or pursuant to any Credit Agreement or Qualified Hedge Agreement, one or more series of (i) Additional First Lien Bonds on a parity with the Outstanding First Lien Bonds payable from, and secured by a first lien on, the Net Revenues of the System senior and superior to the lien securing the Second Lien Bonds; and (ii) Additional Second Lien Bonds on a parity with the Outstanding Second Lien Bonds; provided, however, that no Additional First Lien Bonds or Additional Second Lien Bonds may be issued unless:

(a) The First Lien Bond Reserve Fund (and, for the issuance of Additional Second Lien Bonds, the Second Lien Bond Reserve Fund) contains the amount of money then required to be on deposit therein;

(b) For either the preceding Fiscal Year or any consecutive 12-month period out of the 18-month period immediately preceding the month in which the Supplemental Ordinance authorizing such Additional First Lien Bonds or Additional Second Lien Bonds, as the case may be, is adopted (the "Base Period") either:

(i) Net Revenues are certified by the City Controller to have been equal to not less than the greater of (A) 120% of the combined Maximum Annual Debt Service Requirements on all First Lien Bonds and any Previous Ordinance Bonds or (B) 110% of the combined Maximum Annual Debt Service Requirements on all First Lien Bonds and Second Lien Bonds and any Previous Ordinance Bonds, after giving effect to the issuance of the Additional First Lien Bonds or Additional Second Lien Bonds to be issued; or

(ii) Net Revenues, adjusted to give effect to any rate increase, new customers or annexation of territory placed into effect or consummated prior to the adoption of the ordinance authorizing the Additional First Lien Bonds or Additional Second Lien Bonds, as the case may be, to the same extent as if such rate increase, new customers, or annexation had been placed into effect or consummated prior to the commencement of the Base Period, would have been equal to at least the greater of (A) or (B) in paragraph (i) above, as certified by an independent consulting engineer or independent firm of consulting engineers;

provided that (1) all or any portion of the Net Revenues required by clauses (i) and (ii) of paragraph (b) above that exceed 100% of the Maximum Annual Debt Service Requirements may be attributed to amounts on deposit in the General Purpose Fund that are available to pay Debt Service Requirements pursuant to the Master Ordinance; (2) the provisions of this paragraph (b) will not apply to the issuance of any series of Additional Second Lien Bonds for the purpose of refunding Outstanding First Lien Bonds, or to the issuance of any series of Additional First Lien Bonds or Additional Second Lien Bonds for refunding purposes, that will not have the result of increasing the Average Annual Debt Service Requirements on the First Lien Bonds or the Second Lien Bonds; and (3) the provisions of this paragraph (b) will not apply to the issuance of Additional First Lien Bonds for the purpose of refunding Short Term Obligations issued as First Lien Bonds or the issuance of Additional Second Lien Bonds for the purpose of refunding Short Term Obligations issued as First Lien Bonds or Second Lien Bonds; and

(c) Provision is made in the Supplemental Ordinance authorizing the Additional First Lien Bonds or Additional Second Lien Bonds then proposed to be issued for (i) additional payments into the First Lien Bond Interest and Sinking Fund or Second Lien Bond Interest and Sinking Fund, as the case may be, sufficient to provide for the payment of the increased principal of and interest on the First Lien Bonds or Second Lien Bonds resulting from the issuance of such Additional First Lien Bonds or Additional Second Lien Bonds, and (ii) additional payments into the First Lien Bond Reserve Fund (if such Additional First Lien Bonds are Reserve Fund Participants) or Second Lien Bond Reserve Fund, as the case may be, sufficient to provide for the accumulation therein of the increased Reserve Fund Requirements, if any, resulting from the issuance of such Additional First Lien Bonds or Additional Second Lien

Bonds, by not later than sixty (60) months from the date of issuance of such Additional First Lien Bonds or Additional Second Lien Bonds.

Credit Agreements. The Master Ordinance provides that the City may enter into Credit Agreements with respect to any System Bonds or Qualified Hedge Agreements if:

(i) prior to entering into such Credit Agreement, the City, to the extent required by law, will cause the proceedings authorizing the Credit Agreement and any contracts or reimbursement agreements relating thereto to be submitted to and approved by the Attorney General of Texas; and

(ii) for any Credit Agreement that obligates the City to make any future payments for the availability of such Credit Agreement, the City's municipal advisor must certify in a written certificate delivered to the City that the inclusion of such payments within the Debt Service Requirements on the System Bonds or Qualified Hedge Agreement to which the Credit Agreement relates will not cause such System Bonds or Qualified Hedge Agreement to fail to comply with the applicable coverage requirements for their issuance or incurrence.

The issuer of any Credit Agreement is entitled to be subrogated to the rights of the Owners of the System Bonds or the counterparty to the Qualified Hedge Agreement secured by such Credit Agreement, and the City's reimbursement and repayment obligations to the issuer of the Credit Agreement will be secured by Net Revenues as provided in the Master Ordinance.

Qualified Hedge Agreements. The Master Ordinance provides that the City may enter into Qualified Hedge Agreements in connection with any System Bonds for any purpose authorized by law if the following requirements are satisfied:

(i) the proceedings authorizing the Qualified Hedge Agreement and any contracts or reimbursement agreements relating thereto will, to the extent required by law, be submitted to and approved by the Attorney General of Texas; and

(ii) the City's municipal advisor will certify in a written certificate delivered to the City that the System Bonds to which the Qualified Hedge Agreement relates could have been issued in satisfaction of all of the coverage requirements of Article Six of the Master Ordinance if the Debt Service Requirements with respect to such System Bonds are recalculated (as provided in the definition of Debt Service Requirements) to take into account the Qualified Hedge Agreement.

The Master Ordinance defines the term "Maximum Annual Debt Service Requirements" to mean the greatest combined Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any particular future Fiscal Year or in the then current Fiscal Year for the particular System Obligations (First Lien Bonds, Second Lien Bonds, Previous Ordinance Bonds or any combination of the foregoing) for which such calculation is made. See "QUALIFIED HEDGE AGREEMENTS" for a description of the Master Ordinance requirements and existing Qualified Hedge Agreements.

Short Term Obligations

In the Master Ordinance, the City reserves the right to issue, from time to time, one or more series of Additional First Lien Bonds and/or Additional Second Lien Bonds as Short Term Obligations in accordance with the provisions described in "ADDITIONAL BONDS — Additional First Lien and Second Lien Obligations."

Third Lien Obligations and Fourth Lien Obligations

In the Master Ordinance, the City also reserves the right to issue, for any lawful purpose, Third Lien Obligations secured in whole or in part by liens on Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the First Lien Bonds and the Second Lien Bonds. The City also reserves the right to issue Fourth Lien Obligations secured in whole or in part by liens on Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of First Lien Bonds, Second Lien Bonds, and Third Lien Obligations.

The City previously authorized a $1 billion Series B Commercial Paper Note program (the "Series B Commercial Paper Program"), and on July 8, 2026, increased the size of the Series B Commercial Paper Program to $1.5 billion. The Series B Commercial Paper Program provides for the issuance of Commercial Paper Notes as Third Lien Obligations. A portion of the Series B Commercial Paper Program, in the amount of $475 million is secured by credit facilities. In addition, the City has established a $275 million Series B-2 Extendable Commercial Paper Note program, a $250 million Series B-5 Extendable Commercial Paper Note program, and a $500 million Series B-8 Extendable Commercial Paper Note program that provides for the issuance of extendable commercial paper notes as Third Lien Obligations under the Series B Commercial Paper Program. See "SYSTEM DEBT AND CHARGES — Commercial Paper Program."

Supplemental Ordinance

The Master Ordinance provides that System Bonds will be issued pursuant to a Supplemental Ordinance stating the purpose of the issuance, directing the application of proceeds and containing the terms of the issuance, including the date, principal amount, maturities, designation, interest rates, redemption privileges and other provisions. The Master Ordinance provides that Third Lien Obligations, Fourth Lien Obligations, Qualified Hedge Agreements and Credit Agreements will be issued pursuant to Supplemental Ordinances or pursuant to separate ordinances that provide for the timing of transfers of funds from the Revenue Fund to the debt service funds and reserve funds, if any, established for such System Obligations consistent with the order of priority set forth in the Master Ordinance.

Special Project Obligations

The City also reserves the right in the Master Ordinance to issue other obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects. The Master Ordinance defines "Special Projects" to mean, to the extent permitted by law, any utility system property, improvement or facility declared by the City not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes or revenues of the System and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes or revenues of the System, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

CERTAIN COVENANTS AND TERMS OF THE MASTER ORDINANCE

The following section describes certain covenants and other terms of the Master Ordinance. Capitalized terms used in this section but not otherwise defined have the meanings given to such terms in "APPENDIX C — Definitions." For additional information, see "APPENDIX D — Excerpts from the Master Ordinance." See also the sections captioned "SECURITY FOR THE BONDS" and "ADDITIONAL BONDS."

Restrictions on Free Service

The City has covenanted in the Master Ordinance not to grant or permit any free service from the System, except for public buildings and institutions operated by the City and properties permitted to be exempt by state law. Additionally, the City will not grant or permit any free service from the System that would violate any condition or covenant to which the City is bound in connection with any federal grant agreement or otherwise.

Bondholder Rights and Remedies

The Master Ordinance is a contract between the City and the Owners of the System Bonds from time to time Outstanding, including the Bonds. The Master Ordinance remains irrepealable until the System Bonds and the interest thereon are fully paid, discharged or provision therefor is made as provided in the Master Ordinance. In the event of a default in the payment of the principal of or interest on any System Bonds or a default in the performance of any duty or covenant provided by law or in the Master Ordinance, the Owners of System Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas (the "State") to compel the City to remedy such default and to prevent further defaults. Any Owner of System Bonds may at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Master Ordinance, including the making and collection of reasonable and sufficient rates and charges for the use of the System and the deposit and application of revenues in the manner required in the Master Ordinance. A

Supplemental Ordinance may provide that, so long as an issuer of a municipal bond insurance policy has not defaulted in its payment obligations under such policy with the City insuring a portion of the System Bonds, that issuer, under the terms of the Master Ordinance, will at all times be deemed to be the exclusive owner of such System Bonds for the purpose of all approvals, consents, waivers or institution of any action and the direction of all remedies.

Defeasance

The City may defease the provisions of the Master Ordinance and discharge its obligation to the Owners of System Bonds or other System Obligations to pay principal, interest and redemption premium, if any, thereof, in any manner permitted by law, including by depositing with the Paying Agent/Registrar, or if authorized by State law ("State law") with any national or state bank having trust powers and having combined capital and surplus of at least $50 million or with the Comptroller of Public Accounts of the State (or any successor office) either: (a) cash in an amount equal to the principal amount and redemption premium, if any, of such System Bonds or other System Obligations plus interest thereon to the date of maturity or redemption, or (b) pursuant to an escrow or trust agreement (or, if payment or redemption shall occur on or before the next interest payment date, by deposit to the debt service fund), any of the following: (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City adopts or approves the proceedings authorizing the issuance of refunding bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City adopts or approves the proceedings authorizing the issuance of refunding bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (4) any other securities or obligations which, at the time of such defeasance, are authorized by State law to be used to effectuate a defeasance of the System Bonds.

Such deposits may be invested only in obligations described above that are in principal amounts and maturities and bear interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such System Bonds or other System Obligations plus interest thereon to the date of maturity or redemption. Upon such deposit and upon receipt of an opinion of nationally recognized bond counsel to the effect that such System Bonds or other System Obligations are deemed to be fully paid and are no longer outstanding, such System Bonds or other System Obligations shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the System after the System Obligations are retired. Payments of principal of and interest on any System Bonds or other System Obligations made by a provider of a Credit Agreement insuring a portion of the System Bonds or other System Obligations shall not be deemed to have been paid hereunder and such System Bonds or other System Obligations shall continue to be Outstanding until paid by the City.

Amendments to Ordinance

The Master Ordinance provides that the City may, with the consent of Owners holding a majority in aggregate principal amount of the System Bonds then Outstanding and affected thereby, amend, add to or rescind any of the provisions of the Master Ordinance; provided that, without the consent of all Owners of Outstanding System Bonds, no such amendment, addition or rescission will (1) extend the time or times of payment of the principal of, premium, if any, and interest on the System Bonds, or reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, (2) give any preference to any System Bond over any other System Bond, or (3) reduce the aggregate principal amount of System Bonds required to be held by Owners for consent to any such amendment, addition, or rescission. The Master Ordinance provides that for the purposes of this amendment provision, the Owners of the System Bonds will include the initial Owners, regardless of whether such System Bonds are being held for subsequent resale. See APPENDIX D — "Excerpts From The Master Ordinance — Section 7.14" for a discussion of amendments to the Master Ordinance without the consent of Owners.

QUALIFIED HEDGE AGREEMENTS

Master Ordinance Requirements

The Master Ordinance permits the City to enter into Qualified Hedge Agreements such as interest rate swap agreements, currency swap agreements, forward payment conversion agreements and futures contracts, among others.

A Qualified Hedge Agreement may only be entered into with an institution that has a long-term credit rating, or the obligations of which are unconditionally guaranteed by a financial institution with a long-term credit rating, in one of the two highest generic rating categories by at least one rating agency then rating the System Bonds. Each Qualified Hedge Agreement will be either (i) payable from and secured by a pledge of Net Revenues of the System on the same priority as the System Bonds of the series to which it relates, except that any obligation of the City to deliver collateral or make termination payments that are not payable in installments over the remaining life of the relevant transaction will be payable from and secured by a pledge of Net Revenues on a parity with Third Lien Obligations or (ii) an obligation inferior and subordinate to Third Lien Obligations. However, the Master Ordinance provides that issuers of and counterparties to Qualified Hedge Agreements will not be treated as Owners of System Bonds for purposes of any voting rights to approve amendments under the Master Ordinance. See "THE CITY AND THE SYSTEM — Interest Rate Swap Policy." Upon the issuance of the Series 2026C Bonds and Series 2026D Bonds, the City will not have any Qualified Hedge Agreements Outstanding related to the System.

Qualified Hedge Agreements for Series 2004B Bonds, Series 2012A & 2012B Bonds and Series 2018C Bonds

In an effort to mitigate and hedge interest rate exposure, the City has previously entered into separate Qualified Hedge Agreements (the "Series 2004B/2012A&B Qualified Hedge Agreements") with different counterparties (each a "Series 2004B/2012A&B Counterparty"): Goldman Sachs Bank USA (with a guaranty by The Goldman Sachs Group, Inc.), JPMorgan Chase Bank, National Association and Wells Fargo Bank, N.A. The City has also previously entered into a Qualified Hedge Agreement with Wells Fargo Bank, N.A. (the "Series 2018C Counterparty") (the "Series 2018C Qualified Hedge Agreement"). The City intends to terminate the Series 2004B/2012A&B Qualified Hedge Agreements and the Series 2018C Qualified Hedge Agreement and fund the termination payments owed thereunder with a portion of the proceeds of the Series 2026D Bonds.

SYSTEM NET REVENUES AVAILABLE FOR DEBT SERVICE

Net Revenues of the Water and Sewer System and Debt Service Coverage

The following schedule sets forth the Net Revenues of the Water and Sewer (does not include Solid Waste) System for Fiscal Years ended June 30, 2024 and 2025, and unaudited Fiscal Year 2026 and the extent to which such Net Revenues previously covered debt service on Previous Ordinance Bonds (which will be refunded with a portion of the proceeds of the Series 2026D Bonds and which will no longer be outstanding after issuance of the Series 2026D Bonds), First Lien Bonds under the Master Ordinance and other System debt then Outstanding. After the issuance of the Series 2026D Bonds, the System will have no System Obligations outstanding under the Previous Ordinance. The debt service amounts and coverage ratios set out in this schedule do not include Subordinate Lien Obligations or Third Lien Obligations issued as Commercial Paper Notes under the Master Ordinance (see "SYSTEM DEBT AND CHARGES — Commercial Paper Program"). The amounts shown for Fiscal Year 2024 and Fiscal Year 2025 are taken from the Annual Comprehensive Financial Report (the "Financial Statements") of the City of Houston, Texas, for each respective Fiscal Year. As provided in the Master Ordinance, in addition to Net Revenues, funds available in the General Purpose Fund may be used for any lawful System purpose, including transfers to any interest and sinking fund or reserve fund. See "SYSTEM NET REVENUES AVAILABLE FOR DEBT SERVICE — Schedule 2 – Coverage of Maximum Annual Debt Service by Net Revenues."

For a discussion of the effects of certain conditions or events on Net Revenues of the System, see "INVESTMENT CONSIDERATIONS."

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Schedule 1 – Net Revenues of the Water and Sewer System and Debt Service Coverage

	Fiscal Year (June 30)*		
	2026[5] (in thousands)	2025[5] (in thousands)	2024 (in thousands)
OPERATING REVENUES			
Sales of water, net	$975,617	$894,302	$901,357
Sewer system user charges, net	892,093	827,817	767,457
Penalties, other services and charges	(49,598)	(37,067)	(38,239)
Total Operating Revenues	$1,818,112	$1,685,052	$1,630,575
NON-OPERATING REVENUES			
Investment Earnings under Previous Ordinance	$70,391	$60,512	$54,534
Investment Earnings under Master Ordinance	11,798	10,770	9,916
Contributions from Water Authorities	-	-	-
Other non-operating revenues	9,437	2,019	30,550
Total non-operating revenues	$91,626	$73,301	$95,000
TOTAL GROSS REVENUES:	$1,909,738	$1,758,353	$1,725,575
EXPENSES			
Total Contract Revenue Bond Payments[1]	$7,106	$6,340	$6,351
Maintenance and Operating Expenses	683,171	624,933	589,890
Total Expenses	$690,277	$631,273	$596,241
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	$44,752	$35,548	$36,443
NET REVENUES UNDER MASTER ORDINANCE	$1,264,213	$1,162,628	$1,165,777
BOND DEBT SERVICE:			
Previously Issued Bonds	$18,155	$17,990	$19,005
First Lien Bonds	519,848	522,276	516,616
Total Debt Service	$538,003	$540,266	$535,621
BOND DEBT SERVICE COVERAGE:			
Junior Lien Bond Coverage under Previous Ordinance[2]	66.52 x	62.05x	58.90x
First Lien Bond Coverage under Master Ordinance[3]	2.40x	2.19x	2.22x
TOTAL COVERAGE [4]	2.35x	2.15x	2.18x

* Source: Annual Financial Statement for Fiscal Years 2023-2025, Unaudited Fiscal Year 2026. Historical Net Revenues and debt service coverage for the System through Fiscal Year 2025 include water and sewer system revenue. Beginning with Fiscal Year 2027, SWMD (as defined herein) moved from the City's general fund to the System, and the Net Revenues of the System will include SWMD revenues and expenses. See "THE CITY AND THE SYSTEM — Solid Waste Management Division" herein.

(1) See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS."

(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 the Master Ordinance and Restricted Receipts. The City intends to refund the Previous Ordinance Bonds with a portion of the proceeds of the Series 2026D Bonds. Upon delivery of the Series 2026D Bonds and the refunding of the Previous Ordinance Bonds with a portion of the proceeds thereof, no Previous Ordinance Bonds will remain outstanding.

(3) Coverage of Debt Service on First Lien Bonds by Net Revenues (as defined in the Master Ordinance), less debt service on Junior Lien Bonds under Previous Ordinance. The City intends to refund such Previous Ordinance Bonds with a portion of the proceeds of the Series 2026D Bonds.

(4) Coverage of Total Debt Service on Previous Ordinance Bonds and First Lien Bonds under Master Ordinance by Net Revenues.

(5) GASB 103 was implemented in fiscal year 2026 for the years ended June 30, 2026, and 2025. Prior fiscal years are not restated.

Schedule 2 – Coverage of Maximum Annual Debt Service by Net Revenues

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.* The City intends to refund the Previous Ordinance Bonds with a portion of the Series 2026D Bonds.

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)	559,158,856
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2026)	562,773,756
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2026(3)	1,219,461,620
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2026(4)	1,264,212,954
Total Funds available for Debt Service Coverage at June 30, 2026(5)	1,465,142,338
Combined Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2026 and Total Funds available for Debt Service Coverage at July 1, 2026	$2,729,355,292
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	27.66x
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	4.88x
Coverage of Combined Maximum Annual Debt Service Requirements(6)	4.85x

* Source: Unaudited Fiscal Year 2026. Historical coverage of Maximum Annual Debt Service by Net Revenues for the System through Fiscal Year 2026 include only water and sewer system revenue and debt service. SWMD will be moved from the City's general fund to the System, and the Net Revenues of the System will include the SWMD (as defined herein) revenues, operating expenses, and debt service beginning with Fiscal Year 2027. See "THE CITY AND THE SYSTEM — Solid Waste Management Division" herein.

(1) Does not include debt service on Contract Revenue 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 Investment Earnings under Master Ordinance and 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.

(6) Coverage under the Master Ordinance for combined debt service on Previous Ordinance Bonds and First Lien Bonds.

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Combined Utility System Projections

	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
Projected Revenues					
Water Sales and Wastewater Charge Revenues[1]	$1,987,098,296	$2,137,124,217	$2,298,477,096	$2,460,519,731	$2,633,986,372
Solid Waste Revenues[1]	33,336,909	33,336,909	55,502,710	77,673,611	99,844,512
Other Revenues[1]	152,818,000	146,367,495	150,595,464	152,396,230	152,390,767
Total Projected Revenues	$2,173,253,205	$2,316,828,621	$2,504,575,270	$2,690,589,572	$2,886,221,650
Projected Operating Expenditures					
M&O Expenditures[1]	$999,068,828	$1,049,022,269	$1,103,046,916	$1,160,956,879	$1,219,004,723
Solid Waste M&O Expenditures[1]	117,005,647	122,855,929	128,998,726	135,448,662	142,221,095
Other Expenditures[1][2]	17,870,883	21,482,642	26,296,809	28,164,609	28,227,915
Total Projected Operating Expenditures	$1,133,945,358	$1,193,360,841	$1,258,342,451	$1,324,570,151	$1,389,453,733
Projected Net Revenues Available for Debt Service	**$1,039,307,847**	**$1,123,467,780**	**$1,246,232,819**	**$1,366,019,422**	**$1,496,767,917**
Projected First Lien Bond Debt Service[3]	$545,062,133	$570,917,731	$636,859,109	$683,187,063	$729,689,629
Projected First Lien Bond Coverage	1.91	1.97	1.96	2.00	2.05
Projected Non-Operating Expenditures					
Debt Service and Fees [4]	$545,062,133	$585,987,324	$649,218,142	$695,544,680	$744,668,557
Solid Waste Debt Service Transfer	17,022,807	16,839,552	16,491,097	15,420,075	14,848,576
Capital Transfer (Equipment Acquisition)	124,554,600	105,415,200	110,565,200	116,085,575	121,619,094
Consent Decree Spending	61,766,582	61,766,582	61,766,582	61,766,582	61,766,582
Other Non Operating Expenditures	1,609,000	1,600,000	1,600,000	1,600,000	1,600,000
Total Projected Non-Operating Expenditures	$750,015,122	$771,608,658	$839,641,022	$890,416,912	$944,502,809
Projected Excess Net Revenues	**$289,292,725**	**$351,859,122**	**$406,591,798**	**$475,602,510**	**$552,265,108**
Projected Beginning General Purpose Fund Balance[5]	**$1,571,974,103**	**$1,274,855,280**	**$1,179,261,210**	**$1,107,437,694**	**$1,104,581,384**
General Purpose Fund Transfers					
Incoming					
Excess Net Revenues to General Purpose Fund [6]	$245,826,174	$341,956,541	$395,761,529	$464,564,560	$541,451,178
Outgoing					
Debt Service [7]	$60,201,746	$52,093,053	$53,644,095	$54,328,093	$51,893,654
Right of Way Fee [1]	103,612,960	140,943,314	175,198,454	188,524,015	202,656,365
Drainage Operations & Maintenance	104,181,164	71,363,606	71,288,781	71,299,342	74,747,361
CIP (Pay-Go)	205,350,000	100,000,000	90,000,000	74,000,000	74,000,000
GPF Transfer Budgeted as Revenues	67,818,000	71,367,495	75,595,464	77,396,230	77,390,767
Total Outgoing	$542,944,996	$437,550,612	$467,585,045	$467,413,613	$482,740,675
Projected Ending General Purpose Fund Balance	**$1,274,855,280**	**$1,179,261,210**	**$1,107,437,694**	**$1,104,581,384**	**$1,163,241,959**

[1] Budgeted, applies to Fiscal Year 2027 only.

[2] Includes debt service payable from System Gross Revenues and allocable portion of the City's outstanding pension obligation bonds. See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS," "SYSTEM DEBT AND CHARGES — Schedule 11 – Obligations Payable from System Revenues," and "— Schedule 14 – System Debt Service Schedule.".

[3] Includes existing First Lien Bond debt service and projected future issuances, based upon the approved capital improvement plan.

[4] Includes existing First Lien Bond debt service and projected future issuances, based upon the approved capital improvement plan, plus interest and expenses associated with the System's commercial paper program..

[5] Fiscal Year 2027 General Purpose Fund Balance provided by the System as of November 4, 2026.

[6] Projected Excess Net Revenues less estimated Operating Reserve Funding Requirement due.

[7] Includes subordinate lien payments to the Coastal Water Authority and TWDB and funds transferred to the City for drainage debt service. See "THE CITY AND THE SYSTEM — Water Facilities — Water Supply Contracts."

THE CITY AND THE SYSTEM

General

Through the end of Fiscal Year 2026, the System established under the Master Ordinance consisted of the City's groundwater and surface water sources, conveyance, treatment, distribution facilities (the "Water Facilities") and wastewater collection and treatment facilities (the "Sewer Facilities"). The Water Facilities and Sewer Facilities are sometimes collectively referred to as the "Water and Sewer Facilities." Beginning with Fiscal Year 2027, the System includes the facilities and equipment owned and used by the Solid Waste Management Division ("SWMD"). See "— Solid Waste Management Division" below.

The System may include other utility systems provided for in Chapter 1502, Texas Government Code, as amended, which the City may, from time to time, elect to combine with the System so long as the revenues of such other utility systems are included in Gross Revenues under the Master Ordinance.

Governmental Structure

The City has a mayor-council form of government in which the Mayor and the sixteen-member City Council serve as the legislative body. Eleven council members are elected by district and five council members are elected at-large.

The Mayor, all members of the City Council and the City Controller are elected for four-year terms. The present term of office for all elected officials expires at various times. The City Charter limits the terms of office for all elected City officials to two, four-year terms.

The Mayor is the City's chief executive officer. The Mayor exercises administrative control over the City's government, presides over City Council meetings, primarily establishes the City Council agenda and appoints the heads of the various departments of the City, subject to confirmation by the City Council. On November 7, 2023, voters approved Proposition A to amend the City Charter to allow three or more council members to, by written request, have an item placed on the weekly City Council agenda for the full City Council to consider. The Mayor is also responsible for preparing and submitting the City's annual budget proposals to the City Council for adoption.

The City Controller is the City's chief financial officer. The Office of the City Controller superintends, supervises, manages and conducts the fiscal affairs of the City; maintains the books of accounts; prepares financial statements; conducts the sales of City obligations; certifies the availability of funds before the City incurs any financial obligation; and, along with the Mayor, countersigns all warrants, contracts or orders for payment of any money by the City.

Cybersecurity Initiatives of the City

In 2013 and 2014, the City implemented Executive Order (EO) 1-44 and Executive Order I-48 (the "Executive Orders") respectively, authorizing the Chief Information Officer (CIO) to manage citywide IT risk and develop a city-wide information security program. The CIO designated a Chief Information Security Officer (CISO) responsible for carrying out the CIO's information security responsibilities. Specific objectives of the Executive Orders include: (i) protecting all City information and information systems in a manner that is commensurate with the security classification level, sensitivity, value, and critical nature of information; (ii) protecting information from unauthorized access, disclosure, destruction, disruption, or modification while the information is being collected, processed, transmitted, stored, or disseminated; (iii) managing all information technology that is acquired, developed, or used in support of City programs, projects, and department requirements by use of a process that covers the complete system lifecycle; (iv) managing all information systems in a cost-effective manner, guided by the application of sound risk management processes that ensure an appropriate level of integrity, confidentiality, and availability of information in each phase of the system lifecycle; (v) conducting periodic audits of all City information systems that process, store, or transmit City data; (vi) investigating information security incidents for incident management, forensic investigations, and reports; and (vii) ensuring all basic information security policy requirements, audits, and forensic investigations are implemented across all City departments.

Among other initiatives, the CISO is in the process of implementing the second iteration of a comprehensive, multi-year cybersecurity master plan. The second iteration of the plan is designed to enhance the ability to identify, protect, detect, respond and recover from cyber events and incidents from nation state actors, organized criminals, hacktivist groups and insider threats.

City Charter Tax and Revenue Propositions

General. The City may limit, increase or change the revenue resources available during a given Fiscal Year, either by voter authorization as provided by the City Charter or by amending the City Charter itself. The City Charter may not be amended more frequently than once every two years. Since 2006, voters of the City have imposed limits on increases in ad valorem tax revenues and other revenues in Proposition 1 (codified in Article III, Sec. 1 and Article IX, Sec. 20 of the City Charter) and Proposition 2 (codified in Article VI-a, Sec. 7 of the City Charter but not effective). Voters also have increased available revenue sources in Proposition G (codified in Article IX, Sec. 21 of the City Charter) and Proposition H, which did not amend the City Charter. Notwithstanding any limitations on revenue described below, the City Charter provides that, in preparing the City's budget, provision shall first be made for the payment of debt service on the City's outstanding tax obligations, with the remaining revenues to be apportioned among the City's respective departments. In future Fiscal Years, the amount of the tax levy allocated to debt service may need to be increased, reducing the amount allocable for the delivery of essential governmental services if there is no corresponding increase in the overall tax levy or other revenues.

Proposition 1 and Proposition 2 (2004). In 2004, voters approved Proposition 1 (now codified as Article III, Sec. 1 and Article IX, Sec. 20, City Charter) in order to limit increases in (i) the City's ad valorem tax revenues by requiring voter approval for increases in ad valorem taxes in future years above a limit equal to the lesser of the actual revenues in the preceding Fiscal Year, plus 4.5%, or a formula that is based upon the actual revenues received in Fiscal Year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth; and (ii) water and sewer rates (i.e., the System) by limiting rate increases to the combined increases in the rates of inflation and population growth, excluding rate increases required by certain bond covenants and rates established by contract, unless approved by the voters. At the same election, the voters also approved Proposition 2 (City Charter Article VI-a, Sec. 7), which proposed to limit increases in the City's "combined revenues," including revenues of the General Fund, Special Funds and Enterprise Funds. Based on the specific language of Proposition 1 and Proposition 2, the number of votes for each proposition, and the language of the City Charter, the City declared that Proposition 2 was not effective. However, see "Proposition 2 Litigation," below, for information on the Texas Supreme Court ruling remanding the matter to the trial court and the current status of the pending case.

Proposition 2 Litigation. 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 defendants' 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 on October 12, 2021, the court of appeals issued a 2-1 decision affirming the trial court's ruling. The remaining plaintiff filed a petition for review in the Texas Supreme Court. On April 21, 2023, the Texas Supreme Court reversed the judgment of the court of appeals, in part, and affirmed the trial court's judgment ruling that the City has complied with Proposition 1. On September 1, 2023, the Texas Supreme Court denied the City's motion for rehearing and thus, the case was ordered to return to the trial court on remand. The case was set for trial on April 22, 2024 and subsequently moved to the trial docket for April 29, 2024. Upon recusal of the presiding judge, the case has been transferred to the 133rd Civil District Court for further proceedings. On July 15, 2024, the judge in the 133rd Civil District Court denied both the Plaintiffs' and City's competing motions for summary judgment and stated that she would leave the matter to her successor in January, as she was retiring. The new judge of the 133rd Civil District Court held a summary judgment hearing on the City's amended motion on March 24, 2025. On November 13, 2025, the district court granted summary judgment in favor of the City and found that the propositions are irreconcilably inconsistent. This ruling supports the City's long-held position that Proposition 2 is ineffective. Had Proposition 2 been found to be effective, the City would have been limited by an annual cap on the total combined revenues from the General Fund, Enterprise Funds, and Special Revenue Funds. The plaintiffs have filed an appeal of the November 13, 2025 ruling but the trial court ruling reinforces that Proposition 1 contains the sole operative revenue limit. This matter is currently on appeal.

Proposition G and H. In response to Proposition 1 and Proposition 2, the City held an election on November 7, 2006, at which the voters approved Proposition G and Proposition H, which are currently effective. Proposition G amended the City Charter to exclude revenues of the City's enterprise systems (i.e., the System, Houston Airport System and the Convention and Entertainment Facilities Department) from the types of revenues limited under the City Charter. Voter approval of Proposition G removed the enterprise systems from the revenue limitations of Proposition 2, although the limitation on water and sewer rate increases included in Proposition 1 remains in effect. Proposition H allows the City to collect and spend up to $90 million of revenue, over and above any Proposition 2 limitations, for increased police, fire and emergency medical services and related matters. The amount collected and spent in each year becomes part of the base revenue calculations for the following year. Propositions G and H are incorporated into the City's Financial Policies (defined below), and the City has collected revenues and made expenditures for public safety purposes in compliance with Proposition H.

Impact of Proposition 1 and Proposition H on Future Fiscal Years. From Fiscal Year 2015 to Fiscal Year 2024, the City annually reduced its tax rate to comply with Proposition 1 and Proposition H limitations; however, the City did not budget above this cap and, therefore, did not have to reduce its revenues from budget. The City is expecting Proposition 1 and Proposition H to impact future budgets and, as a result, all five-year forecasts are now relying on conservative projections of CPI plus population growth to project ad valorem revenue growth.

Impact of Proposition 1 and Proposition H on Ad Valorem Tax Collections. 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 the actual ad valorem tax revenues collected in the preceding Fiscal Year, plus 4.5%, or actual ad valorem tax revenues received in Fiscal Year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth (as determined by the US Census). Additionally, to augment the impact of Proposition 1, Proposition H authorizes the City to annually budget up to $90 million of ad valorem tax revenue for increased police, fire and emergency medical services and related matters. The amount collected and spent in each year becomes part of the base ad valorem revenue calculations for the following year. The City intends to continue collecting revenues for public safety purposes in compliance with Proposition H.

The Fiscal Year 2027 Budget contemplates the ad valorem tax revenues as allowed under Proposition 1 and Proposition H. Because the final Tax Year 2024 taxable assessed valuations provided by the Appraisal Districts exceeded the growth factor allowed by Proposition 1, the City adopted a tax rate of $0.519190 (per $100 assessed valuation) for Fiscal Year 2026, which is the same as the City's Fiscal Year 2025 tax rate of $0.519190.

The City estimates that Proposition 1 reduced ad valorem tax collections by approximately $364.2 million in Fiscal Year 2026 below the collections that would have been budgeted without the Proposition 1 limitations. If ad valorem tax values continue to increase in an amount greater than the growth factor allowed under Proposition 1, it is expected that the City's revenues from ad valorem taxes would continue to be limited and may negatively impact City budgets in subsequent Fiscal Years due to increasing demands on the City's budget, unless other revenue sources are identified. Due to the revenue limitations imposed by Proposition 1, all five-year forecasts prepared by the City rely on conservative projections of CPI plus population growth to project ad valorem revenue growth as prescribed by Proposition 1.

Drainage Utility Fee and Pay-As-You-Go Fund Assessments and Litigation

In 2011, City Council passed an ordinance that imposed an assessment upon benefitted property that receives 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 existing churches at the time of passage. Exempted properties comprise approximately 1.3% 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 the 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. On April 23, 2024, the Fourteenth Court of Appeals reversed the trial court's grant of the City's motion for

summary judgment, rendered declaratory judgment against the City and issued an injunction requiring it to calculate its Dedicated Drainage and Street Renewal Fund ("DDSRF") allocation according to the formula advanced by the Plaintiff. It was determined that because the taxpayers obtained adequate remedy by appeal, their request for mandamus relief was denied. The City filed a motion for rehearing which was denied. The City also filed a petition for review with the Texas Supreme Court which was denied on January 31, 2025. On May 14, 2025, City Council approved a settlement agreement between the parties. The settlement agreement, among other things, provides for the City to allocate ad valorem tax revenue to the DDSRF in the following increments of $0.118 of the ad valorem tax levy: 67% in FY 2026 ($183.8 million), 77% in FY 2027 (projected $215.0 million). Beginning in FY 2028, and for each Fiscal Year thereafter, the settlement agreement provides for the City to allocate the full $0.118 of the ad valorem tax levy to DDSRF, representing projected allocations of $267.5 million in FY 2028 and $298.5 million in FY 2029. The 281st Civil District Court of Harris County granted the parties' motion to modify the injunction in order to effectuate the settlement.

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 declaratory judgment claims and constitutional challenges to the ordinance and any associated ultra vires claims were resolved by interlocutory summary judgment in the City's favor. The remaining claims were settled and the Parties' Agreed Order of Dismissal was signed on July 30, 2025. The case is now closed.

A small business filed a lawsuit in 2017 contending that the City, 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 then 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 referenced in the following paragraph.

An additional lawsuit was filed in 2015 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 court dismissed the case; the plaintiff has appealed and the dismissal of the case was affirmed on appeal. The Texas Supreme Court granted review, received briefing and heard oral argument. On June 10, 2022, the Texas Supreme Court confirmed the City's ability to charge a drainage fee and remanded the case to the trial court to allow repleading on any remaining claims. No additional claims have been asserted.

The revenues the City derives from the Drainage Utility Fee are considered neither Gross Revenues nor Net Revenues, and are not pledged to repay the Bonds. However, the City cannot reasonably predict the impact of the Texas Supreme Court's decisions or other pending litigation on the future of the System's funding of the City's drainage programs' annual operating and maintenance expenses.

Right of Way Fee

In the City's Fiscal Year 2027 budget, the City established a right-of-way rental fee to be assessed to the System for the privilege of owning, operating, and maintaining water and sewer transmission and distribution facilities within the public rights-of-way of the City (the "ROW Fee"). For Fiscal Year 2027, the ROW Fee equates to approximately five percent of the Fiscal Year 2027 System Gross Revenues, which is budgeted to be $103.6 million. See "SYSTEM DEBT AND CHARGES — Indirect Charges Paid by the System and General Purpose Fund Transfers" herein.

On June 22, 2026, the City filed a voluntary disclosure notice describing the adopted Fiscal Year 2027 budget and the impacts of budget reforms on the System, including the imposition of the ROW Fee and the transfer of SWMD out of the City's General Fund into the System. See "— Solid Waste Management Division" below. The referenced voluntary disclosure is available by accessing the following link to EMMA: https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/P21542933. The content of the voluntary disclosure notice is incorporated herein by reference.

The provisions governing the transfer of certain amounts required to pay the ROW Fee are part of the Springing Amendments. See "ORDINANCE AMENDMENTS — Springing Amendments" herein.

Administration of the System

The System is operated by Houston Public Works (the "Department"). The management of the Department is under the supervision of the following persons:

Randy Macchi – Director – Houston Public Works, joined the Department in April 2023. In his previous role of Chief Operating Officer, Randy worked to enhance City services through strategic planning, efficient operation and maintenance, effective construction management, and advanced technical engineering of the City's public infrastructure. His responsibilities encompass the operation and maintenance of the City's streets and drainage systems, the production and distribution of water, the collection and treatment of wastewater, and the regulation of both public and private construction projects. Under Mr. Macchi's leadership, the Department, which employs approximately 4,000 full-time staff and operates with an annual budget of $3.4 billion, has achieved new heights in delivering essential services. Mr. Macchi's experience in law, management, coaching, and executive leadership has enabled the City to implement strategies that drive productivity and ensure departmental goals are met. Mr. Macchi is a licensed attorney and certified mediator in the State of Texas, graduated with a Bachelor of Arts degree from Brigham Young University, and earned his Doctor of Jurisprudence degree from the University of Houston.

Drew Molly – Chief Water Officer – Houston Public Works, oversees the City's drinking water and wastewater systems serving over two million residents. A licensed Professional Engineer in Texas, he holds a B.S. in Civil Engineering from Texas A&M University and Class A Water and Class D Wastewater Licenses. He previously served as Chief Operating Officer for Corpus Christi Water. A past Chair of the Texas Section of the American Water Works Association ("AWWA"), Mr. Molly currently serves on the boards of AWWA and Texas Desalination and is a recipient of AWWA's George Warren Fuller Award. Known for his collaborative and forward-thinking leadership, he is dedicated to advancing innovation and sustainability in public water systems.

Sabrina Jackson – Interim Chief Financial Officer – Houston Public Works, joined Houston Public Works in March 2019 and currently serves as Interim Chief Financial Officer, where she is responsible for the management, monitoring, and oversight of the Department's financial and accounting functions. Ms. Jackson has more than 20 years of public- and private-sector experience in accounting, finance, and management. Prior to joining the City of Houston, Ms. Jackson started her career working in Oil and Gas and public accounting before relocating to Denver, CO. There she spent approximately 10 years as a manager for a startup oil and gas company. During her tenure, she was responsible for establishing policies and procedures; preparing financial statements; SEC reporting and disclosures; implementing new accounting standards and GAAP requirements; coordinating external audits; supporting acquisitions and divestitures; reserve valuations; and coordinating treasury functions with the company's parent corporation. She joined the City of Houston in April 2009 with the Finance Department at the Houston Airport System. In 2017, she was promoted to the Houston City Controller's Office, where she worked in the Financial Reporting Division before joining Houston Public Works in March 2019 as an Assistant Director. At Houston Public Works, Ms. Jackson established the Financial Reporting group for the City of Houston Combined Utility System and streamlined numerous financial reporting and accounting practices across the organization. Ms. Jackson holds a bachelor's degree in accounting from Stephen F. Austin State University.

Larius Hassen – Chief Solid Waste Officer – Houston Public Works, has served the City of Houston for over 13 years and currently as Chief Solid Waste Officer in Houston Public Works. He oversees and is responsible for the City's day-to-day operations for the collection, transportation and disposal of solid waste. Mr. Hassen has over 18 years of experience in operational management and is dedicated to ensuring the safety and efficiency of the City's solid waste program. Prior to the City, he served as Director of Public Works for the City of Commerce City in Commerce City, Colorado, where he had oversight of solid waste, fleet, maintenance, roads, utilities, contracts and public space. Mr. Hassen holds a Bachelor of Science in Computer Information Systems and a master's degree from Grambling State University.

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Schedule 3 – Employees

The number of System full time-equivalent employees at the end of each of the last five Fiscal Years (2022-2026) is as follows:

Fiscal Year	Employees[1]
2022	2,245.2
2023	2,257
2024	2,248.6
2025	2,321.5
2026	1,982.1[2]

(1) As reported in the Statistical Section of the Houston Public Works Annual Comprehensive Financial Report, the Combined Utility System Fund, for the respective year. Does not include the 642.3 full-time equivalent employees of SWMD, which will be included as System employees beginning with the 2027 Fiscal Year.

(2) Unaudited.

Chapter 146 of the Texas Local Government Code ("Chapter 146"), extends to municipal employees of the City, other than department heads, firefighters and police officers, the right to appoint bargaining agents to "meet and confer" with representatives of the City on issues related to wages, hours of employment, and other terms and conditions of employment. Chapter 146 prohibits municipal employees from engaging in strikes and specifically prohibits the bargaining agent and the City from entering into agreements regarding pension-related matters governed by Article 6243g, Vernon's Texas Civil Statutes, or a successor statute (now Article 6243h, Vernon's Texas Civil Statutes). See "EMPLOYEE PENSION FUNDS." However, any agreement affecting the salaries of municipal employees will likely have a negative effect on the City's pension liabilities. See also "— Employee Health Benefits — Health Benefits for Retired Employees," below.

Pursuant to the provisions of Chapter 146, the City recognized the Houston Organization of Public Employees ("HOPE") as the exclusive bargaining agent for all covered employees, which generally consist of municipal employees, but not elected officials, directors, or classified firefighters and police officers. On October 23, 2024, City Council enacted an ordinance approving a new "meet and confer" agreement between HOPE and the City (the "2024 HOPE Agreement"). The 2024 HOPE Agreement provides as follows: in November 2024, bargaining unit members received $116.00 bi-weekly across the board increases, and in July 2025, received a 3.5% across the board increase, and in July 2026, received a 3.5% across the board increase. In addition, the minimum base pay rate increased to $16.75/hour in November 2024, increased to $17.25/hour in July 2025 and increased to $18.00/hour in July 2026. The 2024 HOPE Agreement will expire June 30, 2027, if no other successor agreement is reached.

Employee Health Benefits

The Health Benefits Fund (the "Health Benefits Fund") is an Internal Service Fund administered by the Human Resources department of the City. The Health Benefits Fund was established to centralize the financial transactions for the City's employee benefit plans, which include medical, dental, vision and life insurance programs.

Health Insurance Plans. Effective May 1, 2019, the City awarded CIGNA a five-year contract, with two (2) one-year renewal options for three (3) health plans. The health benefits model is composed of three (3) plans, all of which have heavy emphasis on a wellness component, and includes: (i) a limited network HMO-type plan, (ii) an open access PPO-type plan with no out-of-network coverage, and (iii) a consumer driven high deductible Health Plan (CDHP), partnered with a health reimbursement account.

The City self-insured effective May 1, 2011, and therefore, the City assumes the financial risk of catastrophic and overall claim liability. Pursuant to the City's Financial Policies adopted in December 2014, the Health Benefits contingency reserve fund maintains a minimum of 10% of annual claims up to a maximum of 60 days of average claims expense paid over the prior Fiscal Year for each self-insured program. The Fiscal Year 2025 ending fund balance for the Health Benefits Fund was approximately $34 million, with an additional $15 million in reserve for catastrophic claims.

Other Health Benefits for Active Employees. The Health Benefits Fund also includes two dental plans, funded entirely by participants: a dental health maintenance organization (DHMO) and a dental DPPO (formerly indemnity) plan. Basic life insurance coverage is paid by the City and Voluntary Life Insurance coverage is paid by the subscribers. Basic life insurance coverage is one times the annual base salary of the employee, which is 100%

employer funded. Basic life insurance coverage premiums for retirees are paid by retiree contributions. Active employee participants may purchase additional life insurance coverage at their own expense. A Healthcare Flexible Spending Account, in addition to the Dependent Care Reimbursement Account, is also in the Health Benefits Fund. Effective May 1, 2025, the City awarded MetLife, under the Superior Vision network, a three-year contract with two (2) one-year renewal options to provide vision services. The vision plan is provided to City employees, certain retirees and their dependents and is funded exclusively by participants.

Health Benefits for Retired Employees. The City provides certain health care benefits for its retired employees, their spouses and survivors. Employees on long-term disability and their spouses can also qualify for retiree health care benefits. Currently, substantially all of the City's employees who qualify for pension benefits while working for the City will become eligible for such benefits.

Effective January 1, 2021, the City provides three (3) Medicare plans with two (2) different vendors and has made these plans mandatory for all retirees over age 65 who are eligible for Medicare. The medical plans are supported by contributions from the City and subscribers. In addition to the medical plan and in an effort to mitigate costs and maximize benefits to the City and Medicare eligible retirees, the City offers Medicare Advantage plans from two insurance providers. Effective January 1, 2021, the City awarded a three-year contract with two (2) one-year renewal options to Aetna (Premier ESA PPO and Basic PPO Plans) and Kelsey (HMO Plan). These Medicare Advantage Plans provide retirees with alternative managed healthcare plans. The Medicare Advantage Plans are to be fully insured products and offer retirees the choice of several different plans. Effective May 1, 2011, the City requires all Medicare-eligible retirees to enroll in a Medicare Advantage Plan.

Funding of Other Postemployment Benefits. The City currently pays Other Postemployment Benefits ("OPEB") on an annual pay-as-you-go basis, which are accounted for as a current operating expense in the City's financial statements in the Fiscal Year in which the benefit is paid. See the table captioned "Statement of Revenues, Expenditures and Changes in Fund Balances in Governmental Funds" in the City's Basic Financial Statements for Fiscal Year 2025 presented in APPENDIX A. The City has taken steps to assess the current and future financial impact of its unfunded OPEB liabilities and continues to review the appropriate policies to address and manage any such liabilities. The City established an OPEB Trust and has made an initial contribution of $10 million to fund it during Fiscal Year 2026. The City included in the Fiscal Year 2027 budget a City contribution of $12.5 million to further fund the OPEB trust.

To comply with the Government Accounting Standards Board Statement No. 45 ("GASB 45"), *Accounting by Employers for Other Postemployment Benefits*, the City reports an actuarially determined cost of OPEBs, other than pensions, such as health and life insurance for current and future retirees. Under GASB 45, the City recognizes such cost over the working lifetime of employees to the extent they were not pre-funded, and reported such cost as a financial statement liability. In June 2015, the Government Accounting Standards Board issued Statement 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans," and Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Under these statements, state and local government entities that provide OPEBs are required to report the cost of these benefits on their financial statements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017 (Fiscal Year end 2018 for the City). Beginning with Fiscal Year 2018, the City is required by GASB 75 to recognize its full OPEB liability on its balance sheet. The financial impact of implementing GASB 75 in Fiscal Year 2018 was an increase in OPEB liability and a decrease in total net position. The decrease in net position is primarily due to the increase in unfunded OPEB liability from previous year. Together with other changes, the City's total net position decreased from $1.86 billion to $792 million in the Fiscal Year ended June 30, 2019. The City's total net position was $8.88 billion and $10.34 billion as reported in the City's Financial Statements for Fiscal Year ended June 30, 2024, and Fiscal Year ended June 30, 2025, respectively.

The City's most recent actuarial study indicated that, as of June 30, 2026, the City's net OPEB liability is $1.83 billion, and the reported Actuarial Determined Contribution (ADC) is $167.3 million, calculated using a discount rate of 5.20%. The City expects the actuarial report for June 30, 2027, to be completed and received in Fiscal Year 2028. Including non-system fund sources, payments were approximately $68.4 million at Fiscal Year-end 2026 and approximately $16.8 million as of September 30, 2026, for Fiscal Year 2027.

The City's costs for retiree claim payments and health insurance premiums from the System were approximately $4.7 million for Fiscal Year 2024 and approximately $4.4 million for Fiscal Year 2025. Including non-

system fund sources, payments were approximately $63.6 million for Fiscal Year 2024, and approximately $60.9 million for Fiscal Year 2025.

Options available to an issuer such as the City to offset or reduce the future OPEB liability that will be reported under GASB 75 include the following:

- Reduction of benefits for new hires, active employees and/or retirees;
- Increase of required contributions from new hires, active employees and/or retirees; and
- Contributing assets or pre-funding with real property, a dedicated revenue stream or other taxes or City assets not yet identified.

See also Note 11 – Other Employee Benefits, of the City's Basic Financial Statements for Fiscal Year 2025 presented in APPENDIX A, which includes information relating to retiree health care premiums paid by the City in Fiscal Year 2025, as well as information relating to health and long-term disability benefits.

Budget for the System

Each year, under the provisions of State law and the City Charter, the Mayor prepares and submits to City Council a City Budget, which includes a budget for the System. City Council may amend the proposed budget prior to its approval and adoption. If a budget is not adopted prior to the beginning of a Fiscal Year, City Council is authorized by the City Charter to adopt a continuing appropriations ordinance in order to fund the operations of City government until City Council has approved and adopted a budget for the Fiscal Year. City Council approved the proposed budget for Fiscal Year 2027 on June 10, 2026. See "SECURITY FOR THE BONDS — Automatic Water and Sewer Annual Rate Adjustments" and "RATES."

Schedule 4 – System Budget

The following is a summary of the adopted System budgets for Fiscal Year 2027 and Fiscal Year 2026.[1]

RESOURCES	Fiscal Year 2027 (in thousands)	Fiscal Year 2026 (in thousands)
Beginning Fund Balance, July 1[2]	$1,499,841	$1,351,382
Current Revenues	2,107,259	2,078,406
TOTAL RESOURCES	$3,607,100	$3,429,788
EXPENDITURES		
Maintenance and Operation	$1,225,160	$877,359
CWA, TRA and Luce Debt Service[3]	26,814	30,547
Debt Service – Bonds	628,791	608,343
General Purpose Fund[4]	447,321	550,804
TOTAL EXPENDITURES	$2,328,085	$2,067,052
Planned Ending Fund Balance	1,279,015	1,362,736
TOTAL EXPENDITURES & RESERVES	$3,607,100	$3,429,788

(1) The Fiscal Year 2026 System budget included only the water and sewer system resources and expenditures. Beginning with Fiscal Year 2027, the adopted System budget includes the resources and expenditures for the SWMD.
(2) As reported in the City's Fiscal Year 2026 Adopted Operating Budget and Fiscal Year 2027 Adopted Operating Budget, respectively.
(3) See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS."
(4) Includes a portion of certain expenses including equipment replacement, transfer to capital projects, transfers for stormwater, and the ROW Fee in Fiscal Year 2027. Due to the format of the budget, other expenses paid by the General Purpose Fund may also be reflected in other line items.

Projected Fiscal Year 2026 Results

In Fiscal Year 2026, CUS has estimated current revenues of $1.95 billion or approximately 6% lower than the final FY2026 budget. Expenses are estimated to end the year at $1.767 billion or approximately 15% lower than the final FY2026 budget. Major variances were driven by savings in personnel, supplies, services and operating transfers. CUS projects net cash flows of $184 million for FY2026.

City Financial Policies

The City operates under financial policies (the "Financial Policies") that have been adopted by City Council. Under the Financial Policies, the Mayor is required to review the Financial Policies at least once every two years. The Financial Policies were initially approved in 2003 and have been amended and updated from time to time to include, among other things, provisions regarding pay-as-you-go funding, the issuance of debt and the disclosure of financial information pursuant to state and federal securities laws. The City implemented the policies related to disclosure of financial information in 2016 and amended such policies on April 22, 2026.

Under the heading of Operating Budget Policies – Revenues and Expenditures, the Financial Policies state that the City will adopt a budget annually in which current revenues and other sources will be sufficient to support current expenditures. All retirement and employee benefit systems will be financed in a manner to fully and systematically fund liabilities (with the City making all necessary payments in compliance with contractual obligations and statutory requirements and in a manner that results in full amortization of liabilities over a closed 30-year period). *See the sections captioned "THE CITY AND THE SYSTEM — Employee Health Benefits" through and including "EMPLOYEE PENSION FUNDS — Firefighter Fund" and Schedules 15, 15A, 15B and 15C for more detailed information relating to the funding of the City's OPEB and pension benefit systems.*

Each Enterprise Fund maintains revenues that support the full (direct and indirect) cost of the service provided. A review of all fees and rates will be conducted every five years at a minimum, except for impact fees, which shall be reviewed at least every ten years, to determine the extent to which the full cost of associated services are being recovered by revenues. Fees may be adjusted in the interim period by ordinance, however, based on analysis whenever there have been significant changes in the method, level or cost of service delivery. The General Fund unassigned fund balance shall be maintained to provide for temporary financing of unforeseen needs of an emergency, disaster, and economic instability. The Financial Policies also provide that the level of the General Fund unassigned fund balance will be a minimum of 7.5% of General Fund expenditures less debt service and transfers for pay-as-you-go capital expenditures. To the extent that the General Fund unassigned fund balance exceeds 7.5% of total expenditures less debt service and transfers for pay-as-you-go capital expenditures, the excess funds are available for appropriation by City Council for non-recurring expenditures.

Under the heading "Special Revenue Fund Reserve Policy," the Financial Policies state that the proposed and adopted operating budget each year must include the budgets of all special revenue funds that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Each special revenue fund is required to have an appropriate methodology for determining minimum and maximum cash reserves. The Financial Policies also state that any Fiscal Year-end fund balance that exceeds the established maximum cash reserve of the special revenue fund may be transferred to the General Fund, subject to City Council approval.

Under the heading of Debt Management Policies, the Financial Policies provide that any capital project financed through the issuance of bonds shall be financed for a period not to exceed the average expected life of the assets. Average (weighted) general obligation bond maturities shall be kept at or below 12 years. The Financial Policies also provide that annual contributions to the Debt Service Fund from the General Fund will be reduced by 0.5% annually until it reaches 12% of General Fund revenues (excluding state and federal grants), at which point the maximum is to be held constant at 12%.

The City's Financial Policies require that an annual audit be performed by an independent public accounting firm in accordance with generally accepted accounting principles. The June 30, 2025, City Controller's audited Financial Statements and additional financial information are available for public inspection, or copies may be obtained by written request, to the extent permitted by law, addressed to the Office of the City Controller.

Additionally, the Financial Policies require the Finance Department to annually prepare a five-year General Fund forecast that includes identification of requirements for achieving a "structural balanced budget" in the upcoming

Fiscal Year and the subsequent Fiscal Year, including a list of options for eliminating any funding shortfalls preventing achievement of a structural balanced budget. If a structural balanced budget were adopted by the City Council, it is anticipated that the level of expenditure reductions would be materially and significantly higher than currently anticipated.

City Investment Policy

The City maintains an investment strategy that emphasizes, in order of priority, safety, liquidity and return on investment "yield", as embodied in its investment policy (the "Investment Policy"). The Investment Policy provides, among other things, that (1) the Investment Managers (as defined in the Investment Policy) shall submit quarterly investment reports to City Council and (2) the Investment Policy shall be reviewed annually by City Council. On December 3, 2025, the City Council approved and readopted the Investment Policy. The Investment Policy aims to further protect City assets by identifying investment objectives, addressing the issues of investment risks versus rewards, and providing the framework for the establishment of controls, limitations and responsibilities of City employees in the performance of their fiduciary responsibilities.

Fitch Ratings, Inc. has assigned a "AAA" credit quality rating and a S1 volatility to the City's General Investment Portfolio. The rating reflects the view of Fitch Ratings, Inc., from whom an explanation of the significance of such ratings may be obtained.

Interest Rate Swap Policy

The City currently has no outstanding Swaps (as defined below) with respect to any outstanding general obligation bonds or tax-supported debt obligations. After issuance of the Series 2026D Bonds, the City will have no outstanding Swaps with respect to the System Obligations.

The City follows a master swap policy, as amended from time to time (the "Swap Policy") to provide guidance for the City in its use of swaps, caps, floors, collars, options and other derivative financial products (collectively, "Swaps") in conjunction with the City's management of its assets and liabilities. The Swap Policy describes the circumstances and methods by which Swaps will be used, the guidelines to be employed when Swaps are used, and who is responsible for carrying out these policies. The City may enter into Swaps as authorized by the City Council and approved by the Attorney General of the State in connection with the issuance or payment of certain debt obligations, before, concurrently with, or after the actual issuance of the debt.

As a general rule, the City will enter into transactions only with counterparties whose obligations are rated in the "double-A" category or better from at least one nationally recognized rating agency. In addition, if a counterparty's credit rating is downgraded below the "double-A" rating category, the City may require that its exposure to the counterparty be collateralized or may exercise its right to terminate the transaction prior to its scheduled termination date. In order to limit the City's counterparty risk, the City will seek to avoid excessive concentration of exposure to a single counterparty or guarantor.

The Swap Policy provides that the City may choose counterparties for entering into Swap contracts on either a negotiated or competitive basis. To provide safeguards on negotiated transactions, the Swap Policy provides that the City should generally secure outside professional advice to assist in the process of structuring, documenting and pricing the transaction, and to verify that a fair price was obtained. In any negotiated transactions, the counterparty will be required to disclose all payments to third parties (including lobbyists, consultants and attorneys) who had any involvement in assisting the counterparty in doing business with the City.

The City tracks and regularly reports on the financial implications of its Swaps. A quarterly report will be prepared for the City Council, which includes: (i) a summary of key terms of the agreements, including notional amounts, interest rates, maturity and method of procurement, including any changes to Swap agreements since the last reporting period; (ii) the mark-to-market value (termination value) of its Swaps, as measured by the economic cost or benefit of terminating outstanding contracts at specified intervals; (iii) the amount of exposure that the City has to each specific counterparty, as measured by aggregate mark-to-market value, netted for offsetting transactions; (iv) the credit ratings of each counterparty (or guarantor, if applicable) and any changes in the credit rating since the last reporting period; and (v) any collateral posting as a result of Swap agreement requirements. In addition, the City performs such monitoring and reporting as is required by the rating agencies or for compliance with GASB requirements.

Water Facilities

General. The Water Facilities provide treated and untreated water to approximately 4 million people in a service area that includes the City and certain municipalities and unincorporated communities in the Houston metropolitan area. The Water Facilities consist of treated and untreated water distribution and transmission lines, surface water treatment plants and pump stations, groundwater wells and pump facilities and ground and elevated storage tanks, including specifically three surface water plants, 54 groundwater plants, 130 groundwater wells, seven surface water re-pressurization plants, and 136 water storage tanks and towers. The combined design production capacity for groundwater and surface water is 941 MGD (million gallons per day). Average water purification and production is 502 MGD. The Water Facilities are operated in compliance with requirements of State law related to public water supply systems.

Some of the City's largest wholesale customers are other cities and water authorities that supply water to their own customers. See "SOURCES OF SYSTEM REVENUES — Schedule 6 – Ten Largest Treated Water Customers" and "— Schedule 7 – Ten Largest Untreated Water Customers." The System has acquired sources of surface water at Lake Houston and Lake Conroe in the San Jacinto River System and Lake Livingston, Wallisville Saltwater barrier and senior water rights in the Trinity River System which, when aggregated with present and anticipated supplies, are expected to be sufficient to meet the anticipated demands of the Water Facilities' customers through the year 2040. The System has acquired significant surface water rights in the Trinity River, San Jacinto River, and Brazos River basins. Developed surface water rights, when aggregated with present and anticipated supplies, should be sufficient to meet anticipated customer demands through 2040. If the System were to develop all remaining surface water rights, it could meet anticipated customer demands well beyond that date. System surface water is transported into the Houston metropolitan area by the West Canal (San Jacinto System) and the CWA Conveyance System (Trinity River System) and is either treated and introduced into the System's treated water distribution system or sold as raw water. Except for amounts consumed by the City, all groundwater (after chlorination) and a portion of surface water (after treatment and disinfection) is distributed throughout the Houston metropolitan area for sale to domestic, commercial, industrial and agricultural customers.

Water Supply Contracts. Under a 1968 agreement (as amended and superseded in part) and a 1995 agreement (as supplemented from time to time), 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 on the bonds issued by CWA. CWA has reserved the right to issue an unlimited amount of additional bonds on a parity with those currently outstanding; however, such issuances are subject to the approval of the City. See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS."

The CWA Transmission Expansion B-2 pipeline project is underway to ensure a constant supply of raw water to the City's East Water Purification Plant (EWPP) and Industrial customers. To securely maintain the raw water supply to the City's EWPP, and Industrial customers, a B-2 line is in progress which consists of 4-miles of 48-inch and 12-miles of 60 to 96-inch steel pipe parallel to the original B-1 line. Since 100% of beneficiaries from CWA's raw water conveyance projects are customers of the City, with revenue collection managed by the City, the City is sponsoring the new B-2 Water line project. The estimated project cost is approximately $345 million. In 2024, CWA applied to the TWDB for and received a multi-year commitment of $320 million in SWIFT financing. In November 2024, the CWA issued the first tranche of bonds in the amount of $25 million, with a maturity date of December 2054, and issued the second tranche of such bonds in the amount of $50 million on November 13, 2025. The CWA expects to issue an additional $100 million of such bonds on November 20, 2026. Such bonds are issued under an amended and restated treated water supply contract, and the City's payments under such must be made before any payments may be made on System Obligations, including First Lien Bonds such as the Bonds. See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS."

In addition, CWA and the City have entered into a contract for an inter-basin surface water transfer project near Luce Bayou, and CWA has issued approximately $61.869 million in contract revenue bonds (of which $39.9 million remain outstanding) from TWDB and has received $300 million from TWDB through board participations, mostly funded through the State Water Implementation Revenue Fund of Texas (SWIRFT), of which, $295.3 million is currently outstanding. The City and regional water authorities contributed capital to fund the project's design and right of way acquisition. The outstanding debt for the right-of-way acquisition is $12.517 million. Approximately 55% of project costs were paid by the Central Harris County Regional Water Authority, North Harris County Regional Water Authority, West Harris County Regional Water Authority, and North Fort Bend Regional Water Authority. The

remaining costs were paid by the City and the City's contribution to such project came from the General Purpose Fund. Construction for the Luce Bayou Interbasin Transfer Project was completed in 2020, and it is currently operational and supplying water to Lake Houston. Such contract revenue bonds are payable from the General Purpose Fund. See "SYSTEM CAPITAL IMPROVEMENT PLAN — General Purpose Fund."

For information relating to certain surface water conversion measures being undertaken by the City and other local entities to comply with subsidence district requirements, see "RESPONSE TO SUBSIDENCE DISTRICT REGULATION."

Schedule 5 – Water Supply – Permits, Capacity, Production and Sales

Schedule 5A – Water Rights Permits

As of June 30, 2026[2], the City has received the following water rights permits:

	Rights in MGD
Surface Water	
Trinity River Basin	914
Water Reuse	259
San Jacinto River Basin	258
Bayous	116
Brazos River Basin	30
TOTAL SURFACE WATER RIGHTS	1,577
Ground Water	139[1]
TOTAL WATER AVAILABLE	1,716

(1) Pursuant to rules of the Harris-Galveston Coastal Subsidence District. See "RESPONSE TO SUBSIDENCE DISTRICT REGULATION."
(2) Unaudited.

Schedule 5B – Water Capacity, Production and Sales

The following schedule sets forth information concerning the Water Facilities' capacity, production and sales for Fiscal Year 2026 (million gallons per day):

Million Gallons Per Day (mgd)

	Available Capacity	Production Planned	Actual Production	Sales
Ground	159	65	58	NA
Surface	640	558	444	N/A
TOTAL	799	623	502	N/A
Treated				420
Untreated				250
TOTAL				670

Source: City of Houston; unaudited.

Condition of the Water Facilities. Many of the Water Facilities have been constructed or reconstructed during the last 30 years. The cost of repairs and expenditures for renewal, refurbishing and replacement of such Water Facilities increases as they wear out or become obsolete. Total System production capacity is currently adequate to meet projected near-term peak demands. See "SYSTEM CAPITAL IMPROVEMENT PLAN — Capital Improvement Plan."

Water Quality

Treated water provided by the Water Facilities is subject to extensive federal and State laws and regulations. The City currently meets or surpasses all federal and State established water quality standards, and its water system has been designated as a "Superior Water System" by the State. The 1996 amendments to the federal Safe Drinking Water Act redirected the approach of the EPA to regulation, and have resulted in the EPA's adoption of a series of rules relating to disinfectants/disinfection byproducts in drinking water and certain specific contaminants posing health risks, such as arsenic, with which the City must now comply. Further, the EPA has established National Primary Drinking Water Regulations for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which require public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities. Additionally, EPA's Lead & Copper Rule Revisions (LCRR) strengthen protections against lead in drinking water by requiring public water systems to create a lead service line inventory, conduct lead testing in schools and childcare facilities, and implement more reliable testing protocols. The LCRR also strengthens requirements for corrosion control, public education, and lead service line replacement, which is the primary method for reducing lead exposure in drinking water. The City is working through a large number of service lines with "unknown" material type but has not yet identified any existing lead pipe in its water service lines.

In addition, pursuant to the 1996 amendments of the federal Safe Drinking Water Act, all community water systems are required to prepare and mail to each system customer a report, known as a "Consumer Confidence Report," that provides information about the system's source water and the level of contaminants in the drinking water supplied to the customer. The City is required to develop and mail these Consumer Confidence Reports to customers on an annual basis and has been doing so for several years. To date, the costs incurred by the City in connection with obtaining drinking water data and preparing and distributing the reports have not been significant.

Sewer Facilities

General. The Sewer Facilities receive and process wastewater generated in a service area covering approximately 650 miles and serving a population of approximately 2.3 million people that includes the City and certain municipalities and unincorporated communities in the Houston metropolitan area. The Sewer Facilities include sanitary sewer lines, permitted wastewater treatment plants, sludge treatment facilities, lift stations and a centralized laboratory and specifically consist of over 6,099 miles of both gravity and force main lines, 554 miles of service lines within public right of way, 38 wastewater treatment plants, and over 364 lift/pumping stations and a centralized laboratory. The general condition of the collection lines of the Sewer Facilities varies depending on age, location and type of construction. The average daily wastewater flow through the Sewer Facilities for Fiscal Year 2026 was 249 mgd. The effective treatment capacity of the Sewer Facilities, as reflected by State permits, was 560 mgd as of June 30, 2026.

In general, the City addresses growth in demand for sewer services by evaluating the Sewer Facilities' ability to transport and treat the additional wastewater expected upon completion of any proposed new construction before granting a building permit for construction. Through this program, prospective users are granted or denied building permits on the basis of the Sewer Facilities' capacity to handle such additional demands.

In addition to addressing growth in demand for sewer services in the City, the Sewer Facilities' Capital Improvement Plan now includes the regional coordination of sewer facilities to be provided by utility districts in those unincorporated areas that are within the extraterritorial jurisdiction of the City and potentially subject to future annexations. See "ANNEXATION PROGRAM AND "IN-CITY" DISTRICTS." To implement this policy of regionalization, the City conditions its consent to the formation of utility districts upon such district's conformance with the City's overall System development plans. In those instances where an existing or proposed utility district is in close proximity to an existing or proposed Sewer Facilities treatment plant, the City encourages the utility district to contract with the City for wholesale treatment services under an arrangement where the utility district contributes to the capital cost of the treatment facility, as determined on a System-wide basis. See "RATES — Ratemaking" and "— Schedule 9 – Rate Adjustments." Through this approach, the City intends to (i) discourage further development of incompatible or inadequate facilities that must be modified or abandoned when the utility district is annexed and (ii) gain participation by certain districts in Sewer Facilities costs.

Federal and State Regulation of the Sewer Facilities. The operations of the Sewer Facilities are subject to regulation under the federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's

navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed in permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System ("NPDES") program, a national program established by the Clean Water Act for issuing, monitoring and enforcing wastewater discharge permits. In 1998, the EPA delegated the NPDES program to the State, resulting in the establishment of the Texas Pollutant Discharge Permit Elimination System ("TPDES") program in lieu of the NPDES program.

TPDES permits set limits on the type and quantity of discharge, in accordance with State and federal laws and regulations. The Clean Water Act requires municipal wastewater treatment plants to meet secondary treatment effluent limitations (as defined in EPA regulations). The Clean Water Act also requires that municipal wastewater treatment plants meet any effluent limitations established by State or federal laws or regulations which are more stringent than secondary treatment. Under the Clean Water Act, states must identify any body of water for which more stringent effluent standards are needed to achieve national water quality standards. For each body of water, the State is required to establish the maximum allowable daily load of certain pollutants identified by the EPA. The Texas Commission on Environmental Quality ("TCEQ") has been conducting evaluations of water quality of the streams and other waterbodies into which the City discharges wastewater, and TCEQ has established maximum allowable daily loads for certain pollutants in streams and waterbodies that do not meet applicable water quality standards. In certain instances, the City is required to perform additional treatment of wastewater in order to comply with the load limit established by TCEQ. The Clean Water Act allows municipalities to apply for extensions of applicable deadlines for additional treatment in certain circumstances.

Potential Penalties for the System's Violations. The failure by the City to achieve compliance with the Clean Water Act could result in either a private plaintiff or the EPA instituting a civil action for injunctive relief and civil penalties of up to $59,947 per day per violation. In addition, the EPA has the power to issue administrative orders, and impose administrative penalties (of up to $25,000 per day per violation), to compel compliance with its regulations and the applicable permits. The EPA can also bring criminal actions seeking to impose fines of up to $25,000 per day per violation for negligent violations and up to $50,000 per day per violation for knowing violations of permit conditions or discharge without a permit. Violations of permits or administrative orders may result in the inability of a municipality to obtain federal assistance pursuant to the Clean Water Act in financing its capital improvements.

Under State law, civil penalties for violation of State wastewater discharge permits or orders are a maximum of $25,000 per day per violation. The Executive Director of the TCEQ also has authority to levy administrative penalties of up to $10,000 per day per violation for noncompliance with the rules, orders or permits issued by the TCEQ. Such administrative penalties are subject to judicial review. An injunctive order resulting from a civil action could require the imposition of additional user or service charges or the issuance of additional bonds to finance the improvements required to ameliorate a condition that may have caused the violation of a TCEQ permit. The City has been the subject of such administrative penalties in the past. In addition to administrative and civil penalties, TCEQ may also impose criminal penalties for violations of State wastewater discharge permits or orders. Any of the enforcement options listed in this paragraph could result in the imposition of additional user or service charges or the issuance of additional bonds to finance the corrective action necessary to resolve the condition leading to the violation.

Consent Decree Status.

Clean Water Act. The City entered into a Consent Decree executed with the EPA and the State to settle claims arising under the Clean Water Act relating to the City's Wastewater Collection and Treatment System. The Consent Decree became effective on April 1, 2021, when it was entered by the United States District Court for the Southern District of Texas, Houston Division, in the matter entitled United States of America, et al. v. City of Houston, Texas; Civil Action No. 4:18-cv-03368.

The Consent Decree contains specific remedial measures to address sanitary sewer overflows ("SSOs") and wastewater treatment plant permit exceedances that are being implemented over the 15-year term of the Consent Decree. A copy of the Consent Decree is available on the City's website at https:www.publicworks.houstontx.gov/ that sets forth details regarding the City's obligations and as well as progress reports to date.

Per the provisions of the Consent Decree, the City paid $4.4 million in penalties to the State and EPA, and $200,000 in attorneys' 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 Consent Decree also provides for the imposition of stipulated

penalties to be paid to the United States and State over the term of the Consent Decree for SSOs, effluent exceedances, and failure to timely complete/submit deliverables and/or implement compliance requirements. As of August 31, 2026, the City has been assessed and has paid $5,367,900 in stipulated penalties to the United States and State for SSOs and effluent exceedances; the City has not been assessed any stipulated penalties to-date for failing to timely complete/submit deliverables and/or implement compliance requirements.

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 at least $9 billion over the 15-year term of the Consent Decree to upgrade the wastewater system pursuant to the Consent Decree. The City is currently in the process of conducting a water and wastewater rate study to take into account this additional investment in wastewater infrastructure in evaluating impacts on future System utility rates. Other than the costs identified above paid for resolution of all civil claims of the federal government and the State against the City for alleged wastewater violations since 2005 and the stipulated penalties paid to date, the City cannot definitively predict the total financial impact on current and future long-term operations, annual maintenance and/or capital improvements costs that may be required, which could be substantial. Until the City completes its rate study and implements any resultant change to rates, the City will manage the System through capital investments, maintenance and assessment activities. See "RATES — Water and Sewer Rate Study." These activities include enhanced sewer cleaning, restaurant inspections, system inspections and investigations, SSO response, and public outreach and education.

Solid Waste Management Division

General. The City has a State mandated obligation to provide for the proper collection and management of municipal solid waste ("MSW"). The SWMD operates nine depositories and recycling centers, two environmental service centers, four regional operations centers, and two transfer stations. By law, MSW has to be collected at least once per week. The City provides direct collection service to approximately 385,608 households. The City performs over 53,528,104 annual service visits for garbage, yard waste, recycling, tree waste and junk waste. The City has ordinances in place that require owners of multi-family buildings and businesses to arrange for collection of MSW at least once per week.

The mission of SWMD is to provide the city with integrated municipal waste management services designed to support environmental sustainability and economic development in all communities throughout the City. Annually, City residents and small businesses generate approximately 667,458 tons of MSW that is collected, transported, and disposed of by SWMD, not including recycling. In order to efficiently transport waste and materials to the appropriate facilities, the City's two transfer stations are used to transfer MSW from collection vehicles to more efficient transfer trailers. MSW is disposed at one of the region's 12 MSW landfills or 15 construction and demolition ("C&D") landfills. Landfills in the region, which region includes the 13-county Houston-Galveston Area Council region, are privately owned and operated.

The City estimates that approximately 2 million tons of materials, organics and C&D material are recycled each year – the majority of which is C&D material. Once collected, recyclable materials are either taken directly to market or a materials recovery facility ("MRF"). In the case of recyclable material picked up by the City, these materials are taken to the FCC MRF located in northeast Houston, which is operated by FCC Environmental, the U.S. division of global company FCC Group pursuant to a 20-year contract entered into between the City and Fomento de Construcciones y Contratas, Inc. ("FCC") in 2018. Organic materials are processed into either mulch or compost at privately owned facilities. The agreement with FCC allowed the City to reduce its maximum risk exposure on the cost of recycling from $92.04/ton to $21.65/ton, which represents an approximate 80% reduction, and is less than the current cost of landfilling trash.

Managing MSW also means providing services that reduce the overall environmental impact of its generation. The City's solid waste program focuses on ways to encourage residents and businesses to reduce MSW, increase recycling, and manage yard waste and tree waste properly. Some of the key services provided by the City are public education, weekly MSW collection, biweekly recyclables collection, weekly collection of yard waste, storm debris collection, collection of junk waste and tree waste, operation of depositories and recycling centers, illegal dump site clean-up, assuring disposal capacity, and tire recovery program.

Funding of SWMD. SWMD operations were previously funded by the City's General Fund, which is largely funded by ad valorem taxes. The Fiscal Year 2026 operating budget for SWMD was approximately $134 million, including operating expenses and debt service. On June 10, 2026, City Council approved the Fiscal Year 2027 budget, which consolidated the operations of SWMD with the Combined Utility System. As a consolidated entity, SWMD services will be funded with a combination of System revenues including a Solid Waste Fee (defined below).

The Fiscal Year 2027 budget also established a $5 monthly administrative fee (the "Solid Waste Fee") for residential garbage collection and disposal services provided by the City with the expectation that the Solid Waste Fee will create a stable funding source, improve service delivery and align the City with other major cities, while minimizing the impact on households. City residents who need assistance with paying the new fee will be eligible to receive funds through the City's Water Aid to Elderly Residents Fund. The Solid Waste Fee will remain at $5 through Fiscal Year 2028, and then it is expected to incrementally increase by $5 annually, subject to the approval of City Council. Prior to the Fiscal Year 2029 budget, and potential increase of the Solid Waste Fee, the City shall determine whether there is sufficient available fund balance within the System related to SWMD to reduce, offset, or eliminate the Solid Waste Fee for the upcoming Fiscal Year for those who are disabled, qualified veterans, or senior citizens. The City expects the System to realize revenue in the amount of $22 million in Fiscal Year 2027 from the Solid Waste Fee, which is considered to be Gross Revenue of the System. The remainder of SWMD's operating budget will be funded through System revenues.

RESPONSE TO SUBSIDENCE DISTRICT REGULATION

Subsidence Districts — Overview

Harris-Galveston Subsidence District. The Harris-Galveston Subsidence District ("HGSD") is a special purpose district created by the Texas Legislature in 1975. HGSD was created to provide for the regulation of groundwater withdrawal throughout Harris and Galveston counties for the purpose of preventing land subsidence, which leads to increased flooding.

HGSD's Regulatory Plan was last updated on January 9, 2013, and amended on May 8, 2013, and again on April 14, 2021 (the "Regulatory Plan"). The purpose of the Regulatory Plan is to establish policy in the areas of groundwater regulation, permits and enforcement and to establish Regulatory Areas 1, 2, and 3 and groundwater withdrawal limits for each. The Regulatory Plan was developed with an overall goal to reduce groundwater withdrawal to a level that no longer contributes to further subsidence within HGSD. Under the Regulatory Plan, the groundwater withdraw limit for Area 1 comprise no more than 10% of the permittee's annual water needs; for Area 2 no more than 20% of the permittee's annual water needs; and for Area 3 no more than 40% of the permittee's annual water needs, and no more than 20% of the permittee's annual water needs by 2035. The Regulatory Plan is reviewed and may be amended as needed. The City's Groundwater Reduction Plan ("GRP") allows well permit holders to enter into contractual agreements ("GRP Participants") to facilitate groundwater permitting and surface water conversion compliance as a group. As the program manager, the City permits GRP Participants wells and pumpage under the City's permit. Compliance is calculated by using the total amount of groundwater under the permit and the total City treated surface water produced. When these amounts are added together, current regulations require that 60% be from surface water in Area 3. Additionally, the City plans for the expansion of available surface water facilities for itself and its GRP Participants identified for conversion to surface water. The City is in compliance with the HGSD Regulatory Plan.

Fort Bend Subsidence District. The Fort Bend Subsidence District ("FBSD") was created by the Texas Legislature in 1989 as a conservation and reclamation district. FBSD's purpose is to provide for the regulation of the withdrawal of groundwater within the FBSD to prevent subsidence that contributes to flooding, inundation or overflow of areas within the FBSD, including rising waters resulting from storms or hurricanes. The FBSD's boundaries are defined as all the territory within Fort Bend County. The City has 2 groundwater wells permitted by FBSD. The City, FBSD and HGSD have a reciprocal agreement that allows these wells that are within the boundaries of the City to be exempt from FBSD's Regulatory Plan groundwater reduction requirements and from the FBSD disincentive fee as long as compliance is maintained within the City's HGSD certified GRP.

Lone Star Groundwater Conservation District. The Lone Star Groundwater Conservation District ("LSGCD") was created by the Texas Legislature in 2001 for the purpose of preserving, conserving, and protecting Montgomery County's groundwater supplies. LSGCD adopted a reduction plan limiting groundwater usage in Montgomery County by all permit holders pumping more than 10 million gallons of groundwater per year ("Large

Volume Groundwater Users"). The LSGCD Board approved the City to pump a maximum of 501 million gallons per year. The City is in compliance with LSGCD's groundwater reduction plan requirements.

City Response to Subsidence District Regulation

The long-term objective of the City is to change the Houston area's water supply sources from predominantly groundwater to predominantly surface water. In addition to the cost of constructing additional surface water facilities, the City anticipates that the cost of operating such facilities will be greater than that of groundwater facilities. Accordingly, as the System utilizes more surface water, the operating costs of the System will increase. The increased costs reflect the additional costs of electrical power for the System's water treatment plants and chemicals used for treatment. In addition to these costs, the operating costs of the System may also increase as the result of more stringent treatment requirements for drinking water and water supply systems imposed by federal and State regulatory authorities. For further information related to federal standards for drinking water, see https://www.houstonpublicworks.org/drinking-water-quality-report.

Subsidence district regulations that require conversion to surface water can be costly to industries, municipalities and other groundwater well operators because the process of converting from a groundwater supply to a surface water supply can result in substantial capital expenditures. Additionally, the per unit cost of supplying surface water is substantially higher due to the cost of treatment. As the major holder of surface water rights in the area, the City has been cooperating with industries, municipalities and others to provide surface water through several different financial arrangements. In this regard, the City has entered into capital cost sharing agreements with certain other cities, water authorities, water districts and a federal government joint venture. The City has also entered into or is in the process of negotiating various water supply contracts to provide treated surface water to municipalities, water authorities and water districts in the region. As part of this effort, the City has made various improvements to its water purification plants in order to add additional surface water capacity to the region.

The City undertook two large projects to increase its production and distribution of surface water and comply with HGSD requirements. The Luce Bayou Interbasin Transfer Project ("LBITP") transfers water from the Trinity River Basin to the San Jacinto River Basin to facilitate the conversion to surface water. In connection with the LBITP, the City is expanding the City's Northeast Water Purification Plant ("NEWPP") from an 80 mgd facility to a 400 mgd facility, with completion expected in Fiscal Year 2027. Both projects are funded by the City and its regional water partners, who will benefit from this increased capacity.

ANNEXATION PROGRAM AND "IN-CITY" DISTRICTS

Annexation Program

General. Chapter 42, Texas Local Government Code, as amended, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city constitutes that city's extraterritorial jurisdiction. For the City, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city, within five (5) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. Under Chapter 43, Texas Local Government Code, as amended ("Chapter 43"), when a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation. Since 1999, the City has completed nine full purpose annexations.

However, due to amendments to Chapter 43 passed by the Texas Legislature, there are significant additional procedures and requirements governing annexation. Generally, in order to annex property for full purposes the City is required to (i) obtain a petition signed by more than 50% of the registered voters in an area with a population under 200, and if the registered voters do not own more than 50% of the land in those areas, also signed by more than 50% of the owners of land in the area, or (ii) hold an election in an area with a population of at least 200, and if the registered voters do not own more than 50% of the land in the area, obtain a petition signed by more than 50% of the owners of land in the area. But see "— Annexation Program — Limited Purpose Annexations and Strategic Partnership Agreements" below.

Limited Purpose Annexations and Strategic Partnership Agreements. Strategic partnership agreements may provide for limited-purpose annexations for a period of time, during which the City may impose a sales and use tax within the boundaries of the part of the district that is annexed for limited purposes. Strategic partnership agreements may provide that at the completion of the agreed duration of the limited-purpose annexation, full-purpose

annexation may occur either on an agreed full-purpose annexation date without the need for further action by the City, or by City action at that time. The qualified voters of an area annexed for limited purposes are entitled to vote in City elections for members of the governing body or for amendments to the City Charter. Such voters may not vote in a bond election.

The City has completed limited-purpose annexations by mutual consent with approximately one-third of the water districts in the City's extraterritorial jurisdiction. The City expects to enter into similar agreements with other districts in the future. Generally, the limited-purpose annexations have applied only to non-residential property, and the City is authorized to, and does impose, its sales tax in each of the areas annexed for limited purposes. In most cases, the City and a district each receive an amount equal to one-half the sales tax received in that area. The City is not authorized to levy an ad valorem tax on property annexed for limited purposes, and the district continues to levy and collect ad valorem taxes. The strategic partnership agreements ("SPAs") entered into so far by the City defer the time for full-purpose annexation by City action for periods of up to 30 years or, in some cases, until the district utility system is fully developed or some other event occurs. Since January 2001, the City has approved 387 SPAs with 243 municipal utility districts totaling approximately $1.08 billion in revenue to the City (as of June 2026), $74.24 million of which was from Fiscal Year 2026. The revenue from SPAs now represents 7.87% of sales tax collections for the City.

The City does not assume the bonds and other obligations of a district until such time as the district is annexed for full purposes, at which time all of the sales taxes collected within the district will be retained by the City, the annexed area will become subject to the City's ad valorem tax levy and collection, the district will be dissolved and the district's obligations will be assumed by the City. In some cases, the City agrees to provide police or fire services to the district, if the cost of providing such services is marginal to the City.

Regional Participation Agreements. Under State law, the City and certain large, unincorporated areas within the City's extraterritorial jurisdiction are authorized to enter into regional participation agreements. On September 1, 2026, City Council approved a Third Amendment to the Regional Participation Agreement ("RPA") between the City and The Woodlands Township (located approximately 30 miles northeast of the City), pursuant to which the City agreed not to annex the land in The Woodlands Township. In exchange for such provisions, The Woodlands Township agreed to remove (1) any restriction upon the use by the City of amounts in the Regional Participation Fund, which The Woodlands Township had been funding with $1/16^{th}$ of 1% of sales and use taxes for mutually beneficial projects within the City, and (2) any obligation on the City to manage such mutually beneficial projects. Further, the Third Amendment to the RPA provided for the disbursements from the Fund to the City in the amounts of $22,626,797 by December 31, 2026; $9 million by December 31, 2027; $9 million by December 31, 2028; and $9,373,203 by December 31, 2029. The Third Amendment was fully executed on September 22, 2026.

In-City Districts

State law authorizes the creation of certain types of "in-city" districts with independent taxing authority. The City has authorized by ordinance the creation of 38 water districts within its corporate limits, all of which have been created. Of the 38 water districts authorized by the City, 29 are active in-city municipal utility districts, 5 are inactive in-city municipal utility districts, 3 have been disannexed and then re-annexed for limited purposes pursuant to a strategic partnership agreement, and 1 has been dissolved.

In order to encourage development within the City, the City has entered into agreements with "in-city" districts whereby the district will provide the water, wastewater and stormwater drainage infrastructure in the district and convey such facilities to the City, although in some instances, the district has retained ownership and operation of its facilities. In exchange, the City agrees to maintain the facilities and rebate to the district the portion of City ad valorem taxes collected within the district and attributable to drainage. In some agreements, the City agrees to collect water and wastewater charges at standard City retail rates and remit to the district for deposit in the debt service fund of the district the difference between City retail rates and wholesale rates. The City's obligations under these agreements are payable only from revenues from within the district, can never exceed annually the annual debt service of the district and expire upon maturity of the district's bonds.

There are numerous municipal management districts within the corporate limits of the City. Such districts have independent authority to impose assessments on certain property owners to support and enhance specific residential or business corridors within the City. Municipal management districts may issue bonds secured by assessments or taxes levied on property within the district pursuant to a vote in such district approving the bonds.

The City has also created certain entities to enhance and encourage redevelopment activities within the City and to provide a mechanism to fund certain public improvements and related redevelopment costs, in addition to providing administrative support for these projects. In many cases, in order to more effectively and efficiently manage its tax increment reinvestment zones, the City has created local government corporations, which are not-for-profit local government corporations created under Chapter 431 of the Texas Transportation Code, as amended. Such redevelopment authorities are created to aid, assist and act on behalf of the City in the performance of certain of the City's governmental and proprietary functions, including acting as a financing vehicle for the reinvestment zones. Tax increment revenues for each such reinvestment zone are initially deposited in separate tax increment funds maintained by the City and then a local government corporation if a local government corporation has been created to manage such reinvestment zone. Projects financed on behalf of tax increment reinvestment zones are typically accomplished through the issuance of bonds by local government corporations that pledge tax increment revenues received from the City by virtue of a contract between the respective local government corporation, the tax increment reinvestment zone, and the City. The City has also created certain public improvement districts but their existence does not materially impact the operations of the City.

SOURCES OF SYSTEM REVENUES

General – Fiscal Year 2026

As of June 30, 2026, the Water Facilities and the Sewer Facilities served approximately 516,229 and 487,958 active service account connections, respectively. During Fiscal Year 2026 approximately 47.25% of System Gross Revenues were derived from the sale of water (90.71% from treated water and 9.29% from untreated water), approximately 43.43% from providing wastewater treatment services, 2.74% from interest income and the remaining 6.58% from various other sources. Of the treated water sales, 85.30% of revenues were from retail customers and 14.70% from bulk sales to other governmental entities.

Water and Sewer Facilities

Schedule 6 – Ten 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, 2026[(1)]. The total charges to such customers during such period represent approximately 3.68% of the System Gross Revenues and 7.56% of total water sales revenues for such period.

	Customers	Gross Charges
1	North Harris Co. Regional Water Authority	$20,902,811
2	North Channel Water Authority	11,872,247
3	West Harris Co. Regional Water Authority	9,093,956
4	City of Pasadena	6,654,319
5	North Fort Bend County Water Authority	6,486,651
6	Gulf Coast Water Authority (Galveston)	5,124,890
7	Anheuser-Busch, Inc	3,608,937
8	Clear Lake City	3,530,683
9	Memorial Villages Water Authority	3,283,625
10	City of Bellaire	3,167,221
	TOTAL	$73,725,340

(1) Unaudited.

Schedule 7 – Ten 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, 2026[(1)]. The total of the contract payments by these ten customers during such period represents approximately 2.90% of the System Gross Revenues and 5.96% of total water sales revenues for such period.

	Customers	Gross Charges
1.	Equistar Chemicals LP CH11	$15,694,597
2.	Deer Park Refining Partnership LP	7,264,526
3.	Battleground Water Company	6,307,206
4.	Baytown Area	6,116,171
5.	Lone Star NGL Mont Belvieu Pipelines LLC	5,048,371
6.	Air Liquide America Corp.	4,968,776
7.	Chevron Phillips Chemical Co.	4,088,208
8.	Hoechst Celanese	3,535,070
9.	Deer Park Energy Center	2,606,691
10.	Occidental Chemical (Oxy Vinyls, L.P.)	2,527,523
	TOTAL	$58,157,139

[(1)] Unaudited.

Schedule 8 – Ten 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, 2026[(1)]. The total charges to such customers represent approximately 2.20% of the System Gross Revenues and 4.95% of Sewer Facilities' gross charges during such period.

	Customers	Gross Charges
1.	Houston Independent School District	$8,499,024
2.	Anheuser-Busch, Inc.	7,914,777
3.	University of Houston	6,250,318
4.	City of Houston	5,419,424
5.	Harris County	5,316,956
6.	Memorial Hermann Hospital	4,511,916
7.	Rice University	2,635,942
8.	MD Anderson Hospital	1,732,930
9.	Clearbrook MUD	1,104,214
10.	Montgomery County MUD #98	784,991
	TOTAL	$44,170,492

[(1)] Unaudited.

Schedule 8a – Solid Waste Management Customer Counts

The following schedule presents information concerning the residential and commercial Solid Waste Management customer counts.

Fiscal Year	Residential	Commercial
2023	377,211	1,390
2024	381,629	1,590
2025	383,020	1,549
2026	385,608	1,606

Source: City of Houston.

RATES

Ratemaking

City Council has the authority to establish and increase rates for services provided by the System, subject to certain contractual limitations and subject to the limited regulatory jurisdiction discussed below. In setting water and sewer rates, the City is bound by the legal requirements that such rates must be reasonable, equal and uniform and that no free service may be allowed, except at the discretion of City Council for certain public buildings and facilities. In the event that any such free service would violate the terms of a governmental grant, then the City may not permit any free service. By law, the City must charge and collect rates sufficient to pay all operating, maintenance, depreciation, replacement, betterment and interest charges of the System and to maintain a debt service interest and sinking fund sufficient to pay any bonds or notes issued to purchase, construct or improve the System or any outstanding indebtedness of the System. See "SECURITY FOR THE BONDS — Rate Covenant." In setting rates, City Council considers, among other things, the current federal guidelines regarding user charges and certain charges imposed on federal construction grant recipients under the Clean Water Act.

The Master Ordinance provides for automatic annual water and sewer rate adjustments for the Combined Utility System. See "SECURITY FOR THE BONDS — Automatic Water and Sewer Annual Rate Adjustments." See "THE CITY AND THE SYSTEM — City Charter Tax and Revenue Propositions" for a discussion of the limitations on increases in water and sewer rates as well as the City's authority to raise rates required by certain bond covenants and by contract, included in the Proposition 1 amendment to the City Charter approved by voters in November 2004.

In addition to the Master Ordinance and Previous Ordinance authorizing the issuance of the Previous Ordinance Bonds, which requires an annual review of System rates and annual adjustment of rates to assure that revenues are sufficient to provide for debt service on such bonds, City Council has adopted a resolution requiring a similar annual review and adjustment of rates in connection with the payment of Maintenance and Operation expenses of the System, payment of debt service on the System, annexed utility district bonds and payment of certain contract tax obligations related to the construction of water supply and distribution and wastewater collection and treatment facilities. The resolution is a declaration of City policy but specifically states that it may be amended by City Council at any time and will not be deemed to be an enforceable obligation of the City. See "SYSTEM DEBT AND CHARGES — Discretionary Debt Service."

The magnitude and frequency of water and sewer rate increases will depend upon factors such as the rate at which operating expenses increase in the future, the interest rate on System Obligations and other revenue bonds sold to meet the System's future capital requirements, the extent to which System Obligations are used to meet those capital requirements, and the volume of water sold and future changes in environmental requirements. See "SECURITY FOR THE BONDS — Automatic Water and Sewer Annual Rate Adjustments." See also "THE CITY AND THE SYSTEM — City Charter Tax and Revenue Propositions" and "SOURCES OF SYSTEM REVENUES."

Water and Sewer Rate Study

Approximately every five years, the City commissions water and sewer rate studies to assess the adequacy and equitability of its rates. In Fiscal Year 2019, the City engaged Carollo Engineers, Inc. as the City's utility rate 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. Based on the study's recommendations, on September 1, 2021, City Council approved an ordinance authorizing the implementation of the new rates. A copy of the final report, incorporating an executive summary, prepared by the consultant, is available on the City Secretary's website and by accessing the following link to EMMA: https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/P21120828. On October 4, 2021, a Travis County district judge entered a judgment that the City had legally and validly imposed the increases and adjustments in the relevant rates and that the City may legally and validly implement such rates. The Court's judgment constitutes a permanent injunction against any new or existing action contesting the legality and validity of the rates. For a discussion of the current status of the Consent Decree, including the current costs that have been identified and an estimate of the amount the City may be required to invest, see "THE CITY AND THE SYSTEM — Sewer Facilities — Potential Penalties for the System's Violations" and "— Consent Decree Status."

On May 6, 2025, the City engaged Raftelis Financial, Inc. for professional consulting services to conduct the System's water and wastewater cost of service and rate design, and impact fee update. The study is expected to be completed by the end of 2027.

Current Rates

Effective April 1, 2026, water and sewer rates increased by approximately 6.5% based on the City's 2021 ordinance implementing new rates. See "— Water and Sewer Rate Study" above. Also, effective April 1, 2024, the City temporarily calculated single-family residential users' monthly water and sewer bills based on set usage while the Department made improvements, including replacing or upgrading remote reading devices, to verify the accuracy of monthly water usage readings. The majority of these customers have been reverted back to the original billing methodology. Although the temporary change in the calculation of rates did affect revenues earned, it did not have a material impact. The City structures rates to encourage water conservation. See "SECURITY FOR THE BONDS — Automatic Water and Sewer Annual Rate Adjustments;" see also "THE CITY AND THE SYSTEM — City Charter Tax and Revenue Propositions" and "— Sewer Facilities" for a discussion of certain initiatives that could impact System rates.

Schedule 9 – Rate Adjustments

For the last ten (10) years, the water and sewer rates have been adjusted on the average as follows:

	Average Percent Rate Increase	
Date of Change	**Water**	**Sewer**
April 2017[2]	3.4	3.4
April 2018[2]	2.8	2.8
April 2019[2]	2.8	2.8
April 2020[2]	3.5	3.5
April 2021[2]	1.5	1.5
September 2021[1]	9.0	20.0
April 2022[1]	7.5	11.0
April 2022[2]	5.6	5.6
April 2023[1]	6.0	6.0
April 2023[2]	9.2	9.2
April 2024[1]	7.0	11.0
April 2025[1]	6.0	6.0
April 2026[1]	6.0	7.0
April 2026[2]	1.4	1.4

(1) Determined from Water and Wastewater Cost of Service Rate Study formally approved by City Council in 2021 – Refer to City of Houston, TX Ordinance No. 2021-15 for further information.

(2) The rate increases resulted from the automatic annual rate adjustment provisions of the Master Ordinance. Simultaneous rate increases are calculated against the prior year's rate.

See "RATES — Water and Sewer Rate Study" for a discussion of a study of the water and sewer rates. See "SECURITY FOR THE BONDS — Automatic Water and Sewer Annual Rate Adjustments" for a description of the automatic rate adjustment. Together with the automatic annual rate adjustments, additional rate increases may be required in order to implement the System's Capital Improvement Plan as currently contemplated.

Solid Waste Fee

Beginning in Fiscal Year 2027, the SWMD is consolidated with the System, and the City expects to realize revenue in the amount of $22 million in Fiscal Year 2027 from the Solid Waste Fee, which is considered to be Gross Revenue of the System. See "THE CITY AND THE SYSTEM — Solid Waste Management Division."

Billing and Collection

The Department performs billing and collection services for the System, which beginning in Fiscal Year 2027 includes the SWMD. Customers are billed monthly based on metered water consumption, except for certain sewer customers who are billed based on their metered discharge. Effective April 1, 2024, the City temporarily

changed the billing calculations for certain customers. The majority of those customers have been reverted back to the original billing methodology, and the remaining few are projected to be resolved in the coming months. See "— Current Rates" above. A bill is due twenty-one (21) days after the date on which the statement of account was mailed, and late payments incur a ten percent penalty if unpaid twenty-one (21) days after the bill. If a customer fails to make payment on or before the 23rd day from the date the bill was mailed, the next bill to the customer will be printed on yellow paper, restating the amount owed and setting forth the procedure by which the customer can discuss any dispute over the propriety of the charge with a customer service representative and set up payment agreements.

The Department's collection rate is currently 94%. Currently, delinquent retail ratepayers are assessed a one-time fee of 10% when their current monthly charge becomes delinquent. Outreach efforts are made by in-house staff to encourage payers to provide a down payment and enroll into a payment plan if they are unable to pay the entire outstanding amount. Initial down payments of 25% are requested along with payment plans of up to 12 months, but additional options are available with management approval.

SYSTEM CAPITAL IMPROVEMENT PLAN

Capital Improvement Plan

In order to meet the future water, wastewater, and solid waste needs of the Houston metropolitan area and to comply with applicable governmental and environmental regulations, the City continually evaluates System capabilities and makes plans and forecasts to accommodate future requirements in a timely manner. Each year City Council approves a rolling five-year capital improvement plan ("CIP"), which is revised annually to include new projects to reflect changes in priorities established through input from City Council, administration, other departments and citizens through public hearings.

The System's Fiscal Year 2027-2031 proposed CIP reflects appropriations or capital improvements to the System totaling approximately $8.6 billion. The major goals of the System's Fiscal Year 2027-2031 proposed CIP are as follows:

Water Facilities Capital Improvements — enhancement of the level of water service, including maintenance of Water Facilities pressures at adequate levels under varying demand conditions; replacement of inadequate Water Facilities components and other improvements to increase the efficiency and reliability of the Water Facilities; development of surface water supplies to permit increased reliance on surface water and to mitigate against subsidence; and surface water treatment facility modifications and Water Facilities expansions.

Sewer Facilities Capital Improvements — enhancing and replacing wastewater collection lines to eliminate infiltration; increasing the wastewater transportation capacity; increasing the wet weather treatment capacity of the Sewer Facilities; improvements to increase the efficiency and reliability of the Sewer Facilities; and upgrading the Sewer Facilities to comply with governmental and environmental regulations.

Solid Waste Capital Improvements — maintaining, preserving, and extending the physical assets of SWMD for the efficient provision of solid waste services to the residents of the City. The services include collection, disposal and recycling of discarded materials in a manner that is safe, efficient, environmentally sound, and cost effective. Improvements include locker and restroom updates; repair and replace existing roofs and various facilities buildings; upgrades to neighborhood depositories; and upgrades to the Northwest Transfer Station.

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Schedule 10 – Funding of Planned System Improvements

The anticipated System improvements contemplated in the System's Fiscal Year 2027-2031 adopted CIP will be financed approximately as follows:

Proposed Source of Funding	2027-2031 (in thousands)
System Revenue Bonds (Net Proceeds and Interest Earnings)[1]	$4,754,614
State and Federal Loans[2]	3,195,090
Contributed Capital	80,373
System Revenues[3]	575,000
Total	$8,605,077

(1) The City's Fiscal Year 2027-2031 CIP anticipates the periodic issuance of additional First Lien Bonds and Third Lien Commercial Paper Notes. City Council must approve each issuance of bonds, but not each issuance of Commercial Paper Notes. See "SYSTEM DEBT AND CHARGES — Commercial Paper Program" and "ADDITIONAL BONDS — Third Lien Obligations and Fourth Lien Obligations." The amounts above include net bond proceeds and interest earnings.

(2) See "SYSTEM CAPITAL IMPROVEMENT PLAN — Federal and State Funds — State Water Implementation Fund for Texas and State Water Implementation Revenue Fund for Texas." Includes WIFIA loan for improvements to existing water facilities and SWIFT and WIFIA loans for the EWPP Enhancement Project. See "UPCOMING FINANCINGS."

(3) The City anticipates using a portion of System revenues to pay a portion of the System's Fiscal Year 2027-2031 CIP.

For a discussion of the current status of the City's Consent Decree, including the current costs that have been identified and an estimate of the amount the City may be required to invest, see "THE CITY AND THE SYSTEM — Sewer Facilities — Potential Penalties for the System's Violations."

Federal and State Funds

General. The TWDB administers loan programs to eligible municipalities and agencies. Under the programs, described in more detail below, each state is to receive from the EPA a series of grants to establish Clean Water and Safe Drinking Water State Revolving Funds (each an "SRF") from which such state will make loans to eligible recipients. TWDB has adopted a policy to implement the SRF loan programs through the purchase of bonds issued by the loan recipients. Since 1988, the SRF loan programs have provided the City with a means to finance EPA-eligible projects at interest costs below those available in the market through the sale of bonds placed with TWDB. The City participates in these financial assistance programs to fund certain water projects. The City intends to continue to utilize such loan programs in future years.

State Clean Water Revolving Fund. One of the loan programs administered by TWDB is the Clean Water SRF. The State Revolving Fund Act, Title VI of the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987, as amended (the "Federal Act"), established the Water Pollution Control SRF program (described below) as a joint federal and State program. Under the Water Pollution Control SRF program, the EPA is authorized to make grants (the "SRF Capitalization Grants") to states to aid in providing financial assistance to municipalities; intermunicipal, interstate or state agencies; or other public entities eligible for assistance under the Federal Act (the "Eligible Cities") for publicly-owned wastewater treatment works, including storm water and non-point source pollution control projects and other authorized purposes pursuant to the Federal Act. As a condition to receipt of an SRF Capitalization Grant, a state is required to establish a perpetual state revolving fund into which the SRF Capitalization Grant must be deposited, and to provide state matching funds at least equal to 20% of the SRF Capitalization Grant. Funds in a state revolving fund are permitted to be applied to provide financial assistance to Eligible Cities for publicly-owned wastewater treatment works in a number of ways, including making direct loans, retiring existing debt through refinancing and loan guarantees.

Pursuant to Chapter 15, Subchapter J of the Texas Water Code, which became effective June 17, 1987, the State created a Water Pollution Control SRF under the federal program for the purpose of providing loans to political subdivisions for wastewater treatment works including storm water and non-point source pollution control projects and other authorized purposes. TWDB currently provides financial assistance by purchasing political subdivision bonds from Eligible Cities, including the City.

State Safe Drinking Water Revolving Fund. Another loan program administered by TWDB is the Safe Drinking Water SRF. The Safe Drinking Water Act, 42 U.S.C. § 300 et seq., as reauthorized in 1986 and amended in

1996 (the "SDWA"), established national primary drinking water regulations to protect the safety of the public's drinking water. Under the SDWA, the EPA is authorized to make grants ("DWSRF Capitalization Grants") to states to assist communities in meeting established drinking water standards. As a condition to receipt of a DWSRF Capitalization Grant, a state is required to establish a Safe Drinking Water SRF into which the DWSRF Capitalization Grant must be deposited, provide state matching funds at least equal to 20% of the DWSRF Capitalization Grant for deposit in the DWSRF and comply with certain other requirements of the SDWA. DWSRF funds are permitted to be applied to provide financial assistance to community water systems and non-profit community water systems in a number of ways, including making direct loans, retiring existing debt through refinancing, and providing loan guarantees for expenditures that facilitate compliance with the primary national drinking water regulations.

Pursuant to Chapter 15, Subchapter J of the Texas Water Code, the State created a Safe Drinking Water SRF under the federal program for the purpose of providing loans to political subdivisions and water supply corporations. TWDB currently provides financial assistance by purchasing political subdivision bonds from Eligible Cities, including the City. The Texas Legislature expanded the program, effective September 1, 1997, to allow funding for privately owned corporations for loan subsidies, provided that only appropriated funds and federal grants are utilized for such purpose.

State Water Implementation Fund for Texas and State Water Implementation Revenue Fund for Texas. On November 5, 2013, Texas voters approved legislation enabling the State to create two funds — SWIFT and the State Water Implementation Revenue Fund for Texas — that will help finance projects in the State Water Plan. TWDB developed a point system to prioritize projects and developed rules on how the funds will operate. The funds can be used to fund rural water projects, projects related to conservation and reuse, and projects in communities and cities of all sizes. The City participates in these financial assistance programs to fund certain water projects.

Regional Planning. Legislation enacted by the Texas Legislature in 1997 (the "1997 Act") requires regional water planning for the State. The TWDB has designated 16 regional water planning areas. The regional plans for all 16 areas, including the Houston Area referred to as Region H, have been submitted to the TWDB as required by the legislation. The TWDB has combined all of the regional plans into a State Water Plan.

The 1997 Act, as amended in 1999, not only required regional planning, but also revised the law related to interbasin water transfers, water marketing, water-related data collection and dissemination and TWDB loan assistance funds. TWDB has adopted State and regional water planning rules. The rules provide broad guidance on how the regional water planning groups will develop a regional water plan for their area, how approved regional water plans will be incorporated into the State Water Plan and how to apply for funding for regional water plan development. Each area's regional water planning group was required to submit a regional water plan to the TWDB by January 2001. TWDB adopted the 2002 State Water Plan in December 2001. The 2027 State Water Plan adopted on July 23, 2026 was the twelfth state water plan and the sixth plan based on the regional water planning process. Financial assistance may be provided only to projects that meet needs in a manner consistent with the approved regional water plans and are included in the State Water Plan. Further, it is expected that additional costs, which may be significant, will be necessary to meet the changes in surface water rights permitting and regional water planning. The Drinking Water State Revolving Fund, which is directed at systems that are not in compliance with Safe Drinking Water Standards, may eventually provide some assistance for City projects but, because of limited funds, projects are currently being funded on a priority basis.

General Purpose Fund

The City from time to time may use amounts on deposit in the General Purpose Fund to finance capital improvements to the System. Amounts in the General Purpose Fund are generated primarily from Net Revenues of the System after payment of all System Obligations in each Fiscal Year. The availability of such amounts for capital improvement purposes will be dependent upon the System's ability to generate sufficient Net Revenues. The City's contribution to certain water supply projects has been paid from the General Purpose Fund. See "THE CITY AND THE SYSTEM — Water Facilities" for a discussion of such payments.

SYSTEM DEBT AND CHARGES

Schedule 11 – Obligations Payable from System Revenues

The following schedule, determined as of September 30, 2026, sets forth the total outstanding principal amount of System Obligations payable from revenues of the System and excludes the impact of issuance of the Bonds and includes the Refunded Bonds.

	Determined as of September 30, 2026 (in thousands)
Contract Revenue Bonds Payable from System Gross Revenues	
CWA Bonds[1]	$100,305
TOTAL	$100,305
System Bonds Payable from System Net Revenues[1]	
Previous Ordinance Bonds[2]	$98,636
First Lien Bonds	5,668,505
Third Lien Obligations[3]	250,000
Subordinate Lien Obligations[4]	393,540
Pension Obligation Bonds[5]	72,708
TOTAL	$6,483,389
TOTAL – All Obligations Payable from System Revenues	$6,583,694

(1) Excludes the principal amount of bonds payable from Discretionary Debt Service transfers of the System. See "SYSTEM DEBT AND CHARGES — Discretionary Debt Service."

(2) Previous Ordinance Bonds include Outstanding Junior Lien Bonds. Includes approximately $77 million in accrued interest on Previous Ordinance Bonds issued as capital appreciation bonds. See "SYSTEM NET REVENUES AVAILABLE FOR DEBT SERVICE — Schedule 1 – Net Revenues of the System and Debt Service Coverage." The Previous Ordinance Bonds will be refunded with a portion of the proceeds of the Series 2026D Bonds. Upon delivery of the Series 2026D Bonds and the refunding of the Previous Ordinance Bonds with a portion of the proceeds thereof, no Previous Ordinance Bonds will remain outstanding.

(3) Represents the aggregate amount of Commercial Paper Notes, Series B issued as Third Lien Obligations under the Master Ordinance. A portion of the proceeds of the Bonds will be used to refund certain Commercial Paper Notes, Series B. See "SCHEDULE I."

(4) Subordinate Lien Obligations represent obligations payable from the General Purpose Fund. Excludes $346.746 million of bonds issued by CWA, a significant portion of which is payable by others pursuant to contract.

(5) Represents the System's allocation of the City's pension obligation bonds issued in 2005, 2008 and 2017, although not direct obligations of the System.

Commercial Paper Program

Under the $1.5 billion Series B Commercial Paper Program, the City currently issues Combined Utility System Commercial Paper Notes, Series B (the "Series B Notes" or the "Commercial Paper Notes") periodically pursuant to the Master Ordinance and the Supplemental Ordinance authorizing the issuance of the Series B Notes. The program is structured as a revolving Commercial Paper Note program. A portion of the Series B Notes, in the amount of $475 million, is secured by credit facilities from Bank of America, N.A. (Series B-1) 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 December 31, 2029; PNC Bank, N.A. (Series B-4) with an expiration date of July 12, 2028; Bank of America, N.A. (Series B-6) with an expiration date of August 19, 2027; and JPMorgan Chase Bank, N.A. (Series B-7) with an expiration date of June 1, 2027.

Series B Notes may be issued for a period not to exceed 270 days and bear interest at an annual rate not to exceed 10%. Series B Notes are offered and remarketed by Commercial Paper Note dealers. Series B 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. Proceeds of Series B Notes are used to finance various capital projects of the System.

Effective March 13, 2015, the City established a $75 million Series B-2 Extendable Commercial Paper Note program (the "Series B-2 Notes") that provides for the issuance of Series B-2 Notes as Third Lien Obligations through January 1, 2029. On May 17, 2023, the City amended and restated the Supplemental Ordinance authorizing the B-2 Notes to increase the size of the Series B-2 Extendable Commercial Paper Note program from $75 million to $275

million and provide for the issuance of Series B-2 Notes through December 15, 2039. In January 2019, the City established a $250 million Series B-5 Extendable Commercial Paper Note program (the "Series B-5 Notes") that provides for the issuance of Series B-5 Notes as Third Lien Obligations through February 1, 2030. On September 1, 2026, the City established a $500 million Series B-8 Extendable Commercial Paper Note program (the "Series B-8 Notes") that provides for the issuance of Series B-8 Notes as Third Lien Obligations through December 15, 2041.

The Series B-2 Notes, the Series B-5 Notes, and the Series B-8 Notes may each be issued for a period not to exceed 90 days (which may be extended, but in no event may be later than 270 days following the date of issuance) and bear interest at an annual rate not to exceed 9%. The Series B-2 Notes, the Series B-5 Notes, and the Series B-8 Notes are (1) separately offered and remarketed by Morgan Stanley & Co. LLC as dealer, (2) issued as Third Lien Obligations and (3) 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 and Second Lien Bonds. Proceeds of Series B-2 Notes, Series B-5 Notes and the Series B-8 Notes may each be used to finance various capital projects of the System.

Discretionary Debt Service

Under the budgeting policy of the City debt service on contract tax obligations relating to the construction of water treatment and sanitary sewer facilities and debt service on assumed water district bonds attributable to water treatment and sanitary sewer facilities ("Discretionary Debt Service") was paid from the Net Revenues of the System, although there was no legal requirement to do so and although such Discretionary Debt Service is secured by a pledge of ad valorem taxes. The City has also paid Discretionary Debt Service out of the General Purpose Fund. See "SECURITY FOR THE BONDS — Flow of Funds" and "SYSTEM CAPITAL IMPROVEMENT PLAN — General Purpose Fund."

Schedule 12 – Discretionary Debt Service Paid by the System

The following schedule shows the total amount of Discretionary Debt Service paid from Net Revenues of the System for the Fiscal Years shown below:

Fiscal Year	Discretionary Debt Service (in millions)
2023	$4.9[1]
2024	2.8[1]
2025	2.9[1]
2026	0.0[2]
2027 (budgeted)	0.0[3]

(1) As reported in the Statistical Section of the City's Fiscal Year 2025 Financial Statements.
(2) Unaudited.
(3) As reported in the City's Fiscal Year 2027 adopted budget.

Contract Tax Obligations

State law authorizes the City to incur or, through annexation, to assume, "Contract Tax Obligations," which are substantially equivalent to ad valorem tax bonds, through the pledge of ad valorem tax receipts for the payment of contracts for water and sewer services with other political subdivisions or non-profit corporations. The City currently has no outstanding Contract Tax Obligations, but may incur such obligations in the future.

Indirect Charges Paid by the System and General Purpose Fund Transfers

Indirect Charges Paid by the System. Charges have been made on a cost allocation basis by the City's General Fund to the System's revenue fund and will continue to be made to the Revenue Fund for the System for certain indirect charges incurred by the General Fund on behalf of the System. These indirect charges are payable out of the Revenue Fund as Maintenance and Operation Expenses of the System.

Schedule 13 – Indirect Charges Paid by the System and General Purpose Fund Transfers

Schedule 13A – Indirect Charges Paid by the System

The following schedule shows the total amount of such indirect charges for the Fiscal Years shown below:

Fiscal Year	Indirect Charges (in millions)
2023	$7.333[1]
2024	8.418[1]
2025	9.219[1]
2026	11.414[2]
2027 (budgeted)	10.164[3]

(1) As reported in the Statistical Section of the City's Fiscal Year 2025 Financial Statements.
(2) Unaudited.
(3) As reported in the City's Fiscal Year 2027 adopted budget.

General Purpose Fund Transfers to Storm Water Fund. Under the Master Ordinance, the City funds costs associated with its storm water management system from permitted transfers from the General Purpose Fund (as described in the section captioned "SECURITY FOR THE BONDS — General Purpose Fund") to the Storm Water Fund, described below.

In April 2004, the City adopted an ordinance further amending the ordinance that established the Drainage Utility Fund. The April 2004 amending ordinance renamed the Drainage Utility Fund as the Storm Water Fund and provided that all funds transferred from time to time from the General Purpose Fund of the Master Ordinance are required to be deposited to the Storm Water Fund. The amending ordinance also provided that monies deposited in the Storm Water Fund may be used only for the planning, design, construction, regulation, improvement, repair, maintenance, and operation of facilities and programs relating to the system or network of storm water management facilities including, but not limited to, inlets, conduits, manholes, channels, ditches, drainage easements, retention and detention basins, infiltration facilities, and other components. The amending ordinance provides that this includes (i) the costs of developing, implementing, and enforcing a storm water management program to reduce the discharge of pollutants from the City's storm sewer system and protect water quality, and the costs related to obtaining, renewing, or maintaining any required permits related to the operation of the storm sewer system, and (ii) payment of debt service on bonds, notes, or other obligations issued for the purposes listed in this paragraph. The following schedule shows the total amount of transfers from the General Purpose Fund to the Storm Water Fund for the Fiscal Years shown below.

General Purpose Fund Transfer to General Fund for ROW Fee. Beginning in Fiscal Year 2027, the City will assess the System with a ROW Fee for the privilege of owning, operating, and maintaining water and sewer transmission and distribution facilities within the public rights-of-way of the City. The System will allocate funds available in the General Purpose Fund to pay the ROW Fee. See "ORDINANCE AMENDMENTS — Springing Amendments."

Schedule 13B – General Purpose Fund Transfers – Storm Water Fund and ROW Fee

Fiscal Year	Storm Water Fund (in millions)	ROW Fee (in millions)
2023	$49.2[1]	N/A
2024	37.8[1]	N/A
2025	88.4[1]	N/A
2026	48.2[2]	N/A
2027 (budgeted)	122.8[3]	103.6[3][4]

(1) As reported in the Statistical Section of the City's Fiscal Year 2025 Financial Statements.
(2) Unaudited.
(3) As reported in the City's Fiscal Year 2027 adopted budget.
(4) The City will assess the System a ROW fee beginning in Fiscal Year 2027.

In 2010, voters approved Proposition 1 (2010) to amend the City Charter to provide for the improvement of the City's drainage and street system by imposing an assessment upon property owners that receive drainage services. For a discussion of litigation relating to Proposition 1 (2010), see "THE CITY AND THE SYSTEM — City Charter Tax and Revenue Propositions."

The System will continue to fund in part the City's drainage program's annual operating and maintenance expenses for several years until the Proposition 1 (2010) program generates sufficient funds. The System is obligated to pay annual drainage debt service payments on issued bonds that expire in 2042.

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Schedule 14 – System Debt Service Schedule

The following schedule sets forth the principal and interest requirements, based upon the assumptions set forth in the footnotes, on all Outstanding Bonds, including the Refunded Bonds, payable from revenues of the System for each of the City's Fiscal Years ending June 30 as shown below. The table below does not include Discretionary Debt Service payments or Commercial Paper Notes issued as Third Lien Obligations or Fourth Lien Obligations or other subordinate obligations under the Master Ordinance. The total columns may not add due to rounding.

		Bonds Payable From System Net Revenues						
Fiscal Year Ending June 30	Total Bonds Payable From System Gross Revenues	Previous Ordinance Bonds	Less: Refunded Previous Ordinance Bonds[2]	First Lien Bonds[1]	Less: Refunded First Lien Bonds	Plus: The Bonds	Total Bonds	Total Debt Service[1]
2027	$ 7,329,499	$ 30,815,000	$-	$ 516,247,133			$ 547,062,133	$ 554,391,632
2028	7,504,369	30,810,000	30,810,000	516,238,964			547,048,964	554,553,332
2029	7,527,633	44,095,000	44,095,000	504,685,638			548,780,638	556,308,270
2030	7,530,476	--		546,840,557			546,840,557	554,371,033
2031	7,520,497	--		547,577,580			547,577,580	555,098,077
2032	7,512,296	--		548,548,547			548,548,547	556,060,843
2033	7,511,120	--		537,588,473			537,588,473	545,099,592
2034	7,507,210	--		539,019,833			539,019,833	546,527,042
2035	7,520,280	--		374,554,926			374,554,926	382,075,206
2036	4,138,541	--		372,497,709			372,497,709	376,636,250
2037	4,143,175	--		351,589,298			351,589,298	355,732,473
2038	4,142,071	--		279,399,022			279,399,022	283,541,093
2039	4,145,658	--		270,503,160			270,503,160	274,648,817
2040	4,149,022	--		214,898,290			214,898,290	219,047,312
2041	4,152,247	--		214,551,908			214,551,908	218,704,155
2042	4,155,292	--		180,031,565			180,031,565	184,186,856
2043	4,158,190	--		172,876,727			172,876,727	177,034,917
2044	4,160,889	--		165,160,821			165,160,821	169,321,710
2045	4,163,128	--		153,455,483			153,455,483	157,618,611
2046	4,170,118	--		136,402,178			136,402,178	140,572,296
2047	4,175,849	--		119,103,951			119,103,951	123,279,800
2048	4,180,261	--		116,369,066			116,369,066	120,549,327
2049	4,183,668	--		98,428,086			98,428,086	102,611,755
2050	4,190,823	--		80,802,813			80,802,813	84,993,636
2051	4,192,704	--		46,634,059			46,634,059	50,826,764
2052	4,194,214	--		46,674,754			46,674,754	50,868,968
2053	4,199,032	--		32,012,179			32,012,179	36,211,211
2054	4,206,840	--		32,067,527			32,067,527	36,274,367
2055	4,213,567	--		32,129,081			32,129,081	36,342,648
2056	2,551,500	--		17,860,500			17,860,500	20,412,000
TOTAL	$ 153,430,169	$ 105,720,000	$74,905,000	$ 7,764,749,828			$ 7,870,469,828	$ 8,023,899,993

[1] Debt service for the hedged Series 2004B Bonds, Series 2012A Bonds and Series 2012B Bonds is calculated at the fixed rate of the associated swap, which is 3.7784%; and debt service for the hedged Series 2018C Bonds is calculated at the fixed rate of the associated swap at 3.761%.

[2] To be refunded by the Series 2026D Bonds.

EMPLOYEE PENSION FUNDS

Prospective investors are advised that any projections or forecasts in the section below, including projections of the amount of the Unfunded Actuarial Accrued Liability ("UAAL") and other calculations of unfunded pension liability and the amounts of actuarially calculated contributions by the City, constitute forward-looking information that reflects the judgment of the City, the boards of the Pension Systems (as defined below) and their respective actuaries as to the funding required to pay future benefits to retirees. Such forward looking information is based upon a variety of assumptions concerning future events and circumstances. Future actuarial studies may differ significantly from current estimates due to factors such as: retirements, terminations, deaths, disabilities, salary growth and investment returns, changes in contributions or investment portfolios, changes in actuarial or accounting standards, and changes in plan provisions, the Pension Statutes (as defined below) or applicable laws. See "—Statutory Authority, Governance and Management" below. The assumptions underlying the projections are material to the development of the projections, and changes in one or more of the assumptions may produce substantially different results. In addition to these projections, the City's Financial Statements also report Net Pension Liability as required by GASB 68. The Net Pension Liability, as reported in the Financial Statements, is materially higher than the UAAL reported in the various actuarial reports of the Pension Systems and has materially changed the City's Financial Statements relating to the Pension Systems beginning in Fiscal Year 2015. Such differences reflect, in part, the different methods of valuation employed by accountants and actuaries. Prospective investors are strongly encouraged to review the entirety of Note 10 to the Financial Statements for additional information.

Statutory Authority, Governance and Management

Texas statutes authorize three separate pension systems (collectively, the "Pension Systems") for full-time firefighters ("HFRRF" or the "Firefighter Fund"), police ("HPOPS" or the "Police System"), and municipal employees ("HMEPS" or the "Municipal System"). Detailed information regarding the funding of each Pension System is discussed under "Municipal System," "Police System," and "Firefighter Fund" below and in Note 10 to the City's Basic Financial Statements. Each Pension System is a defined benefits plan, which guarantees retiree benefits based on years of service and salary. The City bears the primary financial risk of such plans. Therefore, the City must fund the Pension Systems to pay a retiree's defined benefit regardless of why the Pension System is underfunded.

Statutory Authority. The statutes governing the Pension Systems are as follows:

(i) HMEPS: Article 6243h, Vernon's Texas Civil Statutes, as amended (the "HMEPS Statute");

(ii) HPOPS: Article 6243g-4, Vernon's Texas Civil Statutes, as amended (the "HPOPS Statute"); and

(iii) HFRRF: Article 6243e.2(1), Vernon's Texas Civil Statutes, as amended (the "HFRRF Statute" and, collectively with the HMEPS Statute and the HPOPS Statute, the "Pension Statutes").

In 2017, the Texas Legislature amended the Pension Statutes (the "Pension Reform Legislation") by establishing risk-sharing corridors that determine minimum and maximum annual City contribution rates, reducing the existing unfunded pension liabilities with lower pension benefits and increased employee contributions, mandating the management and pay off of existing unfunded liabilities (the "Legacy Liability") over a 30-year amortization period ending in 2047, reducing both anticipated earnings and the discount rate used to calculate the City's future payments to 7.00%, and by generally increasing the governance of additional aspects of future Pension System funding and City contributions through the Pension Statutes rather than by negotiated agreements. To further reduce the Legacy Liability attributable to HMEPS and HPOPs, the City also issued pension obligation bonds in the aggregate principal amount of $1,005,145,000 in 2017.

Prior to the Pension Reform Legislation, negotiated "meet and confer" agreements had a more significant role in determining benefits and City contributions for HMEPS and HPOPS (but not for HFRRF). The Pension Statutes currently allow negotiated "meet and confer" agreements between HMEPS, HPOPS, and HFRRF under limited circumstances, but to the extent there is any conflict between the Pension Statutes and any separate "meet and confer" agreements between HMEPS and the City, or HPOPS and the City, the Pension Statutes control. Thus, any such agreements may not affect the calculation or payment of City obligations or benefit structures unless they conform to the limitations and scope set forth in the Pension Statutes.

During the 2025 Regular Legislative Session, the Texas Legislature approved House Bill 2688 ("HB 2688"), which was signed by the Governor. HB 2688 amends the HFRRF Statute and the HPOPS Statute. With respect to HFRRF, HB 2688 expands retirement eligibility to all members who attain 20 years of service and allow all members to participate in the HFRRF deferred retirement option program. With respect to HPOPS, HB 2688 expands retirement eligibility to all members who attain 20 years of service or the age at which a member first attains at least 60 years of age and at least 10 years of service and allow all members to participate in the HPOPS deferred retirement option program. The City expects these legislative changes will not increase the City's contributions to the HFRRF or HPOPS.

Below is a description of Pension System governance, the funding of the Pension Systems prior to pension reform, the Pension Reform Legislation and status of funding requirements.

System Contributions. The System contributes only to the HMEPS based upon its share of the budgeted payroll for municipal employees of the System, and virtually all System employees are members of HMEPS. Although this Section describes the City's overall liability to all three pension programs, the System does not contribute to HPOPS or HFRRF. As a result, for specific details about the System's historical and Fiscal Year 2024 and Fiscal Year 2025 budgeted contributions to the Municipal System, see "EMPLOYEE PENSION FUNDS —Municipal System" herein.

Governance. Each Pension System is separately governed by a board of trustees that acts independently of the City. The Mayor appoints a designee to serve on the board of each Pension System, and the Director of Finance of the City appoints a member to the HFRRF Board and the HPOPS Board, while the City Controller appoints a member to the HMEPS Board. However, a majority of the trustees serving on each Pension System board are either full-time employees or retirees elected by participants in the respective Pension System and are themselves participants. These trustees have a personal interest in the plan administered by the board of the Pension System on which they serve. All trustees of a Pension System board take an oath to "diligently and honestly administer" such Pension System, and each trustee is counseled and trained on their fiduciary responsibilities. Trustees appointed by the City are counseled that their fiduciary duties to the Pension System take precedence over the interests of the City and the official that appointed them. No legal challenges have arisen as a result of potential conflicts of interest.

The Pension Systems' boards are generally imbued with broad powers to interpret, construe and supplement omissions in their governing statutes and to determine questions related to eligibility for membership, services and benefits. The grant of such powers to the Pension System boards affects the City's ability to unilaterally manage its Pension Obligations through mechanisms such as reducing the number of City full-time employees by outsourcing certain City functions. The Pension Systems are funded from City contributions, employee contributions, and investment earnings, and the amount of funding required is related to the benefits projected to be paid to retirees.

Risk Sharing and Future Costs

Risk Sharing. Under the Pension Statutes, the City and each Pension System are required to share information and cooperate to evaluate the performance of the Pension System. The City and each Pension System are required to conduct an annual risk sharing valuation study (the "RSVS"), which is subject to review by the Texas Pension Review Board. The RSVS process sets the City's projected future contribution rates and the corridor midpoints, as a percentage of projected pensionable payroll for each Pension System. The corridor midpoint system was made part of the Pension Statutes under the Pension Reform Legislation in an effort to share the risk of large unexpected future contribution costs.

The initial RSVS process following the passage of the Pension Reform Legislation set the City's corridor midpoints for each of the Pension Systems, as a percentage of projected pensionable payroll for the following 31 years. For years one through 30, the corridor midpoint for HMEPS ranges from 8.17% in Fiscal Year 2018 to 8.81% in Fiscal Year 2047. Similarly, for HPOPS the corridor midpoint ranges between 31.77% in Fiscal Year 2018 to 32.13% in Fiscal Year 2047, while the corridor midpoint for HFRRF is constant at 31.89% for the 30-year period. The City bears the risk of pension contribution costs increasing up to 5% of pensionable payroll above the corridor midpoint. If the increase in the pension contribution cost is greater than 5% of the pensionable payroll, then steps must be taken, including the reduction of benefits or increase of Pension System member contributions, to reduce the City's cost. Conversely, if costs are 5% of pensionable payroll less than projected for any plan, steps must be taken to maintain the City's contribution at the minimum level. If on or after July 1, 2023, the funded ratio of HPOPS or HFRRF is less than 65% as determined in an RSVS, then the City and the Pension System are required to establish a

cash balance retirement plan for any new participants in HPOPS or HFRRF, as applicable. If on or after July 1, 2027, the funded ratio of HMEPS is less than 60% as determined in an RSVS, then the City and the Pension System are required to establish a cash balance retirement plan for any new participants in HMEPS.

The projected contribution rates and the annual contribution rates for HPOPS and HFRRF include the amortization of the Legacy Liability. The annual cost of amortization of the Legacy Liability for HMEPS is excluded from the calculation of projected and annual contribution rates; however, the HMEPS Legacy Liability is paid on a fixed-dollar schedule rather than based on a percentage of pensionable payroll. Because pensionable payroll for each Pension System is projected to increase, the actual dollar amounts required to be paid based on the projected corridor midpoints and contribution rates are also projected to increase. The City's contribution rates for future Fiscal Years will be calculated by each subsequent year's RSVS.

Future Costs. Costs of the Pension Systems are required to be calculated each Fiscal Year by actuarial valuations separately carried out by the respective Pension Systems and the City. The annual actuarial valuations establish the City's required payments to meet Pension System costs, based on pension system normal costs and unfunded accrued liabilities. New liability losses, excluding the Legacy Liability being amortized through 2047, will be amortized over a new 30-year period.

Investment Considerations Relating to the Risk Sharing Valuation Studies

The City has identified the following investment considerations, but any potential investor should consult his or her own advisor.

Conduct of the RSVS. The RSVS requires the sharing of information and comparison of results by the City and each Pension System. Although the Pension Statutes require the City and each Pension System to conduct the RSVS and to share information, failure to do so by the City or a Pension System could result in litigation or other enforcement efforts which could delay the RSVS in any year. If a Pension System fails to provide information, the City may conduct its RSVS based on estimates, but the estimated payments could carry a greater risk of under- or over-payments by the City.

Status of Funding of the Pension Systems

The following information is based on reports prepared reflecting the current system of funding and benefits under the Pension Statutes. The System is only directly responsible for the costs of funding the portion of the Municipal System associated with employees of the System.

The City funds the Pension Systems as established by the Pension Statutes. As stated in the City's financial statements for Fiscal Year 2026, the total amount of the City's contribution to the three Pension Systems for Fiscal Year 2025 was approximately $472 million, which represents an approximate $20 million increase from the Fiscal Year 2024 actual payments. The total amount of the City's contribution to the three Pension Systems for Fiscal Year 2026 was approximately $474.6 million, which represents an approximate $2.6 million increase from the Fiscal Year 2025 actual payments. The total amount of the City's contribution to the three Pension Systems for Fiscal Year 2027 is budgeted to be approximately $515 million, which represents an approximate $40.4 million increase from the Fiscal Year 2026 estimated payments.

Net Pension Liability Under GASB 67 and 68. As reflected in the schedule below, the financial statements now reflect a calculation of the City's Net Pension Liability to describe the City's funding obligation to the Pension Systems. The "Net Pension Liability" is the difference between the City's "Total Pension Liability" and the "Fiduciary Net Position" of each respective Pension System's plan. The Total Pension Liability is the present value of pension benefits that are allocated to current members due to past service by the entry age normal actuarial cost method. It includes benefits related to projected salary and service, and automatic cost of living adjustments. In addition, ad hoc cost of living adjustments are also included in the Total Pension Liability to the extent they are substantially automatic. Fiduciary Net Position is determined on the same basis used by the respective Pension System. The City's Net Pension Liability was measured as of June 30, 2026. For a more detailed break-out of Net Pension Liability for each Pension System, see "Note 10" to the Financial Statements.

NET PENSION LIABILITY AS OF JUNE 30, 2026
(IN THOUSANDS)

	HFRRF	HMEPS	HPOPS
Total Pension Liability	$6,100,270	$5,891,454	$9,006,555
Fiduciary Net Position	(6,111,131)	(5,452,384)	(9,288,924)
Net Pension Liability	($10,861)	$439,070	$(282,369)

The calculation of Net Pension Liability under GASB 67 and 68 as reported in the City's financial statements for Fiscal Year 2025 factors in the reforms enacted by the Pension Reform Legislation. See "Note 10 – B. Net Pension Liability" to the Financial Statements.

Schedule 15: Actuarially Determined Contribution Amounts and Changes in Pension Plan Assets

Each part of the following tables should be read in context with the sections that follow describing in more detail the Pension Systems individually. Part 1 sets forth for each of the Fiscal Years 2022 through 2026 the amount of the annual pension cost to the City and the percentage contribution made by the City to each of the Pension Systems. Contribution amounts are established by the Pension Statutes.

Part 2 sets forth for each of the Fiscal Years 2022 through 2027 actuarially determined amounts and actual City pension contribution amounts as a percentage of payroll. Part 3 sets forth certain information for Fiscal Year 2026. The schedules reflect annual pension costs and contributions after the Reform Effective Date. See "— Statutory Authority, Governance, and Management."

Part 1: Annual Pension Costs and Contributions Made
(in millions)

	Municipal System			Police System			Firefighter Fund		
Fiscal Year	Annual Pension Cost	City Contrib.[c]	Percent Contrib.	Annual Pension Cost	City Contrib.[c]	Percent Contrib.	Annual Pension Cost	City Contrib.[c]	Percent Contrib.
2022[a]	38.8	197.3	509	86.5	152.4	176	(72.5)	81.4	N/A
2023[a]	69.2	204.9	296	25.2	159.9	635	(4.6)	72.5	N/A
2024[a]	53.8	213.0	396	(40.5)	163.0	N/A	(6.3)	76.4	N/A
2025[a]	(54.9)	215.4	N/A	200.1	169.7	85	(77.9)	87.1	N/A
2026[b]	(42.8)	216.8	N/A	21.4	161.6	755	99.7	96.2	96

[a] For further details, see the City's Financial Statements for Fiscal Year 2025 presented in APPENDIX A, particularly Note 10 and the section captioned "Required Supplementary Information."
[b] Unaudited.
[c] Contribution amounts are determined by the applicable Pension Statute.

Part 2: Actuarially Determined Contribution Amount and Actual City Contribution as a Percentage of Payroll

	Municipal System		Police System		Firefighter Fund	
Fiscal Year	Actuarial	Actual	Actuarial	Actual	Actuarial	Actual
2022[a][b]	29.5	29.0	31.9	32.0	31.9	31.9
2023[a][b]	29.8	28.8	31.9	32.0	26.9	26.9
2024[a][b]	29.4	28.5	32.0	32.0	26.9	26.9
2025[a][b]	27.6	27.4	32.1	32.1	26.9	26.8
2026[c]	28.4	28.5	27.1	27.1	27.0	27.0
2027[c]	29.3	TBD	27.1	TBD	0	TBD

[a] For further details, see the City's Financial Statements for Fiscal Year 2025 presented in APPENDIX A, particularly Note 10 and the section captioned "Required Pension System Supplementary Information." Actuarial numbers from the funding valuations prepared by the Pension Systems may be different from the GASB 68 accounting valuations used to prepare the City's financial statements.
[b] Sources: Actuarial contributions are per the applicable adopted HMEPS Risk Sharing Valuation Studies, HPOPS Risk Sharing Valuation Studies, and HFRRF Joint Addendum to Final Risk Sharing Valuation Studies. Actual Contributions are per the City's annual financial statements. See "—Municipal System," "—Police System" and "—Firefighter Fund."
[c] Unaudited.

Part 3: Changes in Pension Plan Assets[a]
(in millions)

Fiscal Year 2026	Municipal	Police	Fire	**Total**
Additions[b]	$1,198.6	$1,495.0	$643.5	$3,337.1
(Deductions)[c]	(469.2)	(475.6)	(331.5)	(1,276.3)
Net Increase	$729.4	$1,019.4	$312.0	$2,060.8
City's Total Contribution	$216.8	$161.6	$96.2	$474.6

[a] Source: Pension Systems Financial Statements for Fiscal Year 2025 and unaudited Fiscal Year 2026.
[b] Includes contributions by the employees and the City, net increase (decrease) in the fair value of investments, income from investments, and other income.
[c] Includes benefits paid to members, refunds to members, and other costs, including professional services and administrative expenses.

Municipal System

The Municipal System is a contributory defined benefits pension program that provides benefits to most municipal employees (other than classified police officers and firefighters) pursuant to three different programs. Employees hired prior to January 1, 1999, had a choice to enroll in either a contributory defined benefit program ("Group A") under which, prior to the Reform Effective Date, the employees contributed 5% of their salary to the plan, or a non-contributory plan ("Group B"). Employees hired between January 1, 1999, and January 1, 2008, are provided benefits pursuant to the Group A program. Employees hired after January 1, 2008, are covered by a defined benefit plan ("Group D") which, prior to the Reform Effective Date, was non-contributory. The HMEPS Risk Sharing Valuation Studies after July 1, 2019, do not provide classification of active employees by their Groups. Prior year's Study reports that 40.89% of active employees of the City were enrolled in Group A, 10.23% were enrolled in Group B and 48.88% were enrolled in Group D. After the Reform Effective Date, Group A employees contribute 8% of their salary, Group B employees contribute 4% of their salary, and Group D employees contribute 2% of salary, plus 1% of salary placed in a notional cash balance plan account.

The City's annual contributions for Fiscal Year 2025 to the Municipal System was 8.51% of payroll plus $150.0 million, equating to roughly 27.4% of payroll. The City's annual contributions for Fiscal Year 2026 to the Municipal System was 8.54% of payroll plus $154.1 million, equating to roughly 28.54% of payroll. The Fiscal Year 2027 Adopted Budget includes annual contributions to the Municipal System of 8.57% of payroll plus $158.3 million, equating to roughly 29.8% of payroll.

Municipal System Fiscal Year Funding. The City budgets its contributions by allocating the cost between its General Fund and Enterprise Funds based upon the nature of the employment of the covered employees. Fiscal Year 2025 provides that the General Fund was responsible for approximately $64.2 million of the City's approximately $215.4 million contribution to the Municipal System (approximately 8.51% of payroll plus $150.0 million). Fiscal Year 2026 provides that the General Fund was responsible for approximately $59.6 million of the City's approximately $216.8 million contribution to the Municipal System (approximately 8.54% of payroll plus $154.1 million). The Fiscal Year 2027 Adopted Budget provides that the General Fund is responsible for approximately $57.7 million of the City's estimated $238.3 million contribution to the Municipal System (approximately 8.57% of payroll plus $158.3 million).

The schedule below reflects actuarial accrued liability, actuarial value of plan assets, unfunded actuarial accrued liability or surplus and funded ratio for each of the years 2022-2025. For 2022 through 2025, the values are based on the HMEPS Risk Sharing Valuation Study as of July 1, 2022 through July 1, 2025.

Schedule 15A: Municipal System Pension Plan Assets, Liabilities and Unfunded Actuarial Accrued Liability[a] (in millions)

	2022	2023	2024	2025*
Actuarial Accrued Liability	$5,428.6	$5,557.8	$5,684.8	$5,822.3
Actuarial Value of Plan Assets	3,573.4	3,836.1	4,130.1	4,478.4
Unfunded Actuarial Accrued Liability[b]	1,855.2	1,721.7	1,554.7	$1,343.9
Funded Ratio	65.8%	69.0%	72.7%	76.9%

[a] Source: Municipal System Actuarial Valuation Reports. This information is not presented in the City's financial statements.
[b] The actuarial value of plan assets is determined by the actuary for HMEPS. Such value was calculated using a generally accepted method of recognizing market gains and losses (relative to the assumed discount rate) over a five-year period.
* Information regarding the 2026 year is not available as of the date hereof.

System's Contribution to the Municipal System. The System is directly responsible for only the costs of funding the portion of the Municipal System associated with the employees of the System. The Fiscal Year 2026 budget provides that the System is responsible for approximately $38.0 million of the City's estimated $216.8 million contribution to the Municipal System. In Fiscal Year 2027 the System will be responsible for approximately $51.7 million of the City's $238.3 million contribution to the Municipal System, including an increase of approximately $6.7 million due to SWMD employees moving into the System.

The System also is responsible for reimbursements to the City's General Fund for security and fire protection services, but anticipated increases in City Contributions to the Police System and Firefighter Fund will not have a material effect on System's contribution.

Police System

The Police System is a contributory defined benefits pension program that provides benefits to the City's classified police officers.

Police System Fiscal Year Funding. The General Fund covers substantially all of the City's contributions to the Police System. The Fiscal Year 2025 contribution to HPOPS was approximately $169.7 million. The Fiscal Year 2026 contribution to HPOPS was an estimated $161.6 million. The Fiscal Year 2027 Adopted Budget sets the contribution to HPOPS at approximately $174.1 million as determined by the applicable Pension Statute.

The table below reflects actuarial accrued liability, actuarial value of plan assets, unfunded actuarial accrued liability or surplus and funded ratio for each of the years 2022-2025. The information contained therein is derived from the HPOPS actuarial valuation reports from July 1 in each of the respective years.

Schedule 15B: Police System Pension Plan Assets, Liabilities and Unfunded Actuarial Accrued Liability[a] (in millions)

	2022	2023	2024	2025*
Actuarial Accrued Liability	$7,381	$7,699	$7,991	$8,375
Actuarial Value of Plan Assets	6,459	6,877	7,355	7,885
Unfunded Actuarial Accrued Liability.	922	822	636	490
Funded Ratio	87.5%	89.3%	92.0%	94.2%

[a] Source: Police System Actuarial Valuation Reports. This information is not presented in the City's financial statements.
* Information regarding the 2026 year is not available as of the date hereof.

Firefighter Fund

The Firefighter Fund provides benefits to the City's classified firefighters and is structured as a contributory defined benefits pension program. Firefighters must contribute 10.5% of the member's pensionable pay. The City contribution is now determined by the RSVS process.

Firefighter Fund Fiscal Year Funding. The General Fund covers substantially all of the City's contributions to HFRRF. The Fiscal Year 2025 contribution to HFRRF was approximately $87.1 million. The Fiscal Year 2026 contribution to HFRRF was an estimated $96.2 million. The Fiscal Year 2027 Adopted Budget sets the contribution at approximately $97.6 million as determined by the applicable Pension Statute.

The schedule below reflects actuarial accrued liability, actuarial value of plan assets, unfunded actuarial accrued liability or surplus and funded ratio for 2022 to 2025. The information contained therein is derived from the HFRRF Actuarial Valuations from July 1 in each of the respective years.

Schedule 15C: Firefighter Fund Pension Plan Assets, Liabilities and Unfunded Actuarial Accrued Liability[(a)] (in millions)

	2022	2023	2024	2025*
Actuarial Accrued Liability	$5,076	$5,278	$5,686	$5,935
Actuarial Value of Plan Assets	4,844	5,065	5,306	5,660
Unfunded Actuarial Accrued Liability[(b)]	232	213	380	275
Funded Ratio	95.4%	96.0%	93.3%	95.4%

[(a)] Source Firefighter Fund Actuarial Valuation Reports. This information is no longer presented in the City's financial statements.
[(b)] The actuarial value of the plan assets is determined by the actuary for the HFRRF. Such value was calculated using a generally accepted method of recognizing market gains and losses (relative to the assumed discount rate) over a five-year period.
* Information regarding the 2026 year is not available as of the date hereof.

BONDHOLDERS' REMEDIES

The Master Ordinance makes no provision for the appointment of a trustee to protect the rights of owners of any such obligations, and no provision for acceleration of maturity of any such bonds or foreclosure on revenues or possession of revenues by a trustee or agent for owners of any such obligations, or operation of the System by an independent third party in the event of default.

No lien has been created on the physical properties comprising the System to secure payment of principal of or interest on any revenue bonds of the System. Moreover, in the event of default, the owners of such obligations have no right or claim under the laws of the State against the System or any property of the City other than their right to payment from revenues collected and certain funds maintained pursuant to the Master Ordinance. Texas courts have held that unless expressly waived by the Texas Legislature, a municipality is immune from suit for monetary damages, and that the statutory authorization for municipalities to plead or be impleaded is insufficient to constitute a waiver of sovereign immunity. Accordingly, the only practical remedy in the event of default may be a mandamus or other equitable remedy proceeding to compel the City to increase rates and charges or to perform its other obligations under the Master Ordinance and any Supplemental Ordinance authorizing the issuance of System Obligations. Such remedy may need to be enforced on a periodic basis because maturity of such bonds is not subject to acceleration. In addition, even if rates and charges are increased, the amount of revenues generated would depend upon usage of the System by third parties, which is beyond the control of the City.

The enforcement of a claim for payment of principal of or interest on any revenue bonds of the System and the City's other obligations with respect to such bonds is subject to the applicable provisions of the federal bankruptcy laws and to any other similar laws affecting the rights of creditors of political subdivisions generally. See also "CERTAIN COVENANTS AND TERMS OF THE MASTER ORDINANCE — Bondholder Rights and Remedies."

INVESTMENT CONSIDERATIONS

Limited Obligations of the City

The Bonds are limited obligations of the City payable solely from and secured by a pledge of, and first lien upon, Net Revenues derived by the City from the operation of the System. Neither the faith and credit nor the taxing power of the City, the State nor any other political subdivision is pledged to the payment of the Bonds. Payment of the principal, redemption price of or the interest on the Bonds does not constitute a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.

System Revenues and Expenditures

Actual operation and maintenance expenses of the System may be greater or less than currently projected. Factors such as changes in technology, regulatory standards, increased costs of material, energy, labor and administration can substantially affect System expenses. Although the City has covenanted to prescribe, revise and collect rates and charges in amounts sufficient to pay debt service on the Bonds, there can be no assurance that such amounts will be collected. Furthermore, increases in System rates could result in a decrease in demand for System usage and result in a decrease in revenues.

As described above under "THE CITY AND THE SYSTEM — Sewer Facilities — Consent Decree Status", resolution of the issues identified in the Consent Decree related to the Sewer Facilities could entail expenditures or payment of costs by the City that could be substantial over a multi-year period and substantially reduce funds available for debt service or increase debt service requirements.

Statutory and Regulatory Requirements

State Legislative and Administrative Changes. The Texas Legislature convenes in regular session every two years. The Governor may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature may consider bills that could have a direct impact on the City, the System, their operations or the administrative agencies that oversee the City and the System. The City can make no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how any such legislation could affect the System. Changes in the scope and standards for public agencies, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by State regulators. Future compliance with such requirements and orders may impose substantial additional costs on the System. In addition, claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the System or from other legally available sources. No assurance can be given that the cost of compliance with such existing or future laws, regulations and orders would not adversely affect the ability of the System to generate revenues sufficient to pay debt service on the Bonds.

During the 2025 Regular Legislative Session, the Texas Legislature approved HB 2688, effective September 1, 2025. HB 2688 amends the statutes governing the HFRRF and HPOPS. With respect to HFRRF, HB 2688 expands retirement eligibility to all members who attain 20 years of service and allow all members to participate in the HFRRF Deferred Retirement Option Program. With respect to HPOPS, HB 2688 expands retirement eligibility to all members who attain 20 years of service or the age at which a member first attains at least 60 years of age and at least 10 years of service and allow all members to participate in the HPOPS Deferred Retirement Option Program. The City expects these legislative changes will not increase the City's contributions to the HFRRF or HPOPS.

Environmental Regulation. The City is subject to State and federal environmental laws and regulations applicable to the System. These laws and regulations are subject to change, and the City may be required to expend substantial funds to meet the requirements of such laws and regulations in the future. Failure to comply with these laws and regulations may result in the imposition of administrative, civil and criminal penalties, or the imposition of an injunction requiring the City to take or refrain from taking certain actions. In addition, the City may be required to remediate contamination as a result of City operations on properties owned or operated by the City or on properties owned by others. See "THE CITY AND THE SYSTEM — Water Facilities — Water Quality," "THE CITY AND THE SYSTEM — Sewer Facilities — Federal and State Regulation of the Sewer Facilities" and "— Potential Penalties for the System's Violations." See also "RESPONSE TO SUBSIDENCE DISTRICT REGULATION."

Other Environmental Measures.

Air quality control measures required by the EPA and the TCEQ may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act ("CAA") Amendments of 1990, the eight county Houston Galveston-Brazoria Area (the "HGB Area") has been designated by the EPA as a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the more rigorous, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State has been able to

demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remained subject to CAA nonattainment requirements.

In a final rule that became effective on March 16, 2020, the EPA determined that the HGB Area had met the CAA criteria for redesignation to attainment status under the 1997 Ozone Standards and EPA terminated the obligations that had applied in the HGB Area under the 1997 Ozone Standards. However, the HGB Area remains designated as a nonattainment area under the 2008 and 2015 Ozone Standards, and the TCEQ remains obligated to demonstrate attainment with the more-stringent 2008 and 2015 Ozone Standards under the CAA.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. EPA issued a final rule determining that the HGB Area failed to meet the attainment deadline under its prior "serious" classification, effective November 7, 2022. The State will be required to submit State Implementation Plan ("SIP") revisions to the EPA no later than 18 months after the November 7, 2022, effective date of the final rule reclassifying the HGB Area as a "severe" nonattainment area, and any new emissions controls that the TCEQ determines are needed for attainment must be implemented within 36 months of November 7, 2022. The HGB Area could be subject to more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels. For purposes of the 2008 Ozone Standard, the HGB Area consists of eight counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Walker Counties.

On June 20, 2024, EPA reclassified the HGB Area from "moderate" to "serious" nonattainment under the 2015 Ozone Standard, effective July 22, 2024, with an attainment deadline of August 3, 2027. EPA issued a final rule determining that the HGB Area failed to meet the attainment deadline under its prior "marginal" classification, effective November 7, 2022. For purposes of the 2015 Ozone Standard, the HGB Area consists of six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a SIP for the HGB Area that sets emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can impact new and expanded industrial activity due to the additional permitting/regulatory constraints that accompany this designation. It is possible that additional controls will be necessary to allow the HGB Area to attain the ozone standards by the EPA's attainment deadlines. These additional controls could create impediments and costs for new industrial development in the HGB Area.

Other constraints on economic growth and development include lawsuits filed under the Clean Air Act by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the early adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in new restrictions on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the HGB Area.

Weather, Storm Activity and Periodic Flooding

Revenues and expenses of the System can be impacted by weather. Dry weather generally results in an increase of usage of the System, which can increase both revenues and expenses. Higher than average rainfall amounts generally result in less demand for the usage of the System.

The City adopted a Drought Contingency Plan in July 2019 to establish policies and procedures for the City to follow in case of a water shortage emergency. The plan was effective through June 2024. On November 14, 2024, City Council approved an updated Drought Contingency Plan which will remain in effect through April 30, 2029. A water shortage emergency caused by drought or other uncontrollable circumstances that hinder the City's ability to meet water demand can range from mild to critical and can disrupt the normal availability of water supplies. Due to record-setting high temperatures and a significant decrease in rainfall, Houston's service area experienced moderate to severe drought conditions requiring conservation measures to be implemented: from June 21, 2022 to August 26,

2023 the City enacted Stage One of the Drought Contingency Plan; from August 27, 2023 to December 13, 2023, the City enacted Stage Two of the Drought Contingency Plan; and on December 14, 2023, the City returned to Stage One. The City's Luce Bayou canal has expanded the accessibility of water in the Trinity River system and further helps ensure available water supply during drought conditions.

Downtown Houston is located approximately 50 miles north of the beaches of Galveston. The Gulf region, which includes Galveston and the City, is prone to seasonal hurricane activity; major hurricanes or related storms may develop. Owing in part to its relatively flat topography and moist coastal climate, certain areas in the City are subject to periodic flooding and associated severe property damage as a result of storm events and hurricanes. In addition to the damage observed due to Hurricane Beryl, the City has experienced multiple declared disasters for flooding and tropical systems in the past ten years (including the 2015 Memorial Day Flood, 2016 Tax Day Flood, 2017 Hurricane Harvey, 2019 Tropical Storm Imelda, and 2024 Hurricane Beryl). The region experienced severe winter weather with a declared disaster in February 2021 and in 2023. Additionally, the Houston region experienced severe storms, straight-line winds, tornadoes and flooding from April 26, 2024, to June 5, 2024, which was informally known as the Derecho, and had a disaster declaration date on May 17, 2024.

The City and Harris County, Texas each participate in the National Flood Insurance Program's Community Rating System (CRS), which is administered by FEMA. Communities participating in the CRS receive discounted flood insurance premium rates reflecting the reduced flood risk resulting from the jurisdiction's adopted policies and regulations, such as restrictions on development in designated flood prone areas.

In connection with its administration of the National Flood Insurance Program, FEMA will from time to time revise its Flood Insurance Rate Maps, which serve to classify the relative flooding potential of geographic areas. FEMA is in the process of updating its Flood Insurance Rate Maps for Harris County and adjacent areas using latest available rainfall and topographic data and new modeling methodologies to better understand flood risks throughout the Greater Houston area. FEMA currently expects to release preliminary maps from this effort in 2026. As a result of this revision, some homes and businesses within the City and the surrounding area that were outside of the 100-year flood plain (those areas that are determined to have a greater than 1% chance of flooding in any given year) under the previous Flood Insurance Rate Maps may be included in the 100-year flood plain under the new maps. Residential, commercial, and industrial properties in the City that are reclassified as being within the 100-year flood plain could experience a diminution in value, the extent of which has not yet been determined.

The City has received hazard and flood mitigation grants from FEMA to fund flood mitigation and flood damage reduction projects. Projects include assistance to mitigate individual properties through home elevations and buyouts as well as damage reduction projects consisting of channel widening, regional detention and expanded urban stormwater infrastructure. These projects will be coordinated with the other local agencies responsible for watershed management.

Hurricane Beryl

On July 8, 2024, the Houston area experienced sustained winds, rain and flooding caused by Hurricane Beryl. Nearly 3 million homes and businesses were without power for significant periods of time during the week. The federal government issued a Major Disaster Declaration for the State and included federal funding for emergency protective measures, which allowed all eligible emergency repairs in the City. The current estimate of the damages to the facilities agreed upon by the City and FEMA is less than $1 million, which includes emergency repairs and disaster-related expenses for emergency protective measures. This includes damage to 14 wastewater treatment plants, 5 wastewater lift stations, and 2 surface water purification plants. A significant portion of the damage to the facilities and infrastructure are expected to be reimbursed by the Federal Emergency Management Agency ("FEMA") Public Assistance Program. The Department is working closely with FEMA and the State to address repair and mitigation efforts. As a condition of federal reimbursements, the City is required to match 25% of the approved grant funds related to Hurricane Beryl recovery. The City continues working with a disaster recovery consultant to coordinate with FEMA and to assist in preparing appropriate documentation for eligible projects. Upon completion of damage repairs and finalizing claims with FEMA, the Department will work with FEMA to receive funding for flood mitigation, including improved projects such as asset replacement. The City estimates the amount of grant funds to be received from the FEMA Public Assistance Program for Hurricane Beryl to be approximately $1,878,000.

Security of the System

Damage to the System resulting from vandalism, sabotage, or terrorist activities may adversely impact the operations and finances of the System. There can be no assurance that the City's security, emergency preparedness and response plans will be adequate to prevent or mitigate such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated.

Cyber Security

Information technology systems are vulnerable to a range of cybersecurity related risks, including possible damage to or interference with operations of System facilities and the possible extraction of ransom. No assurance can be given that the System will not be exposed to cyber threats or attacks or that such incidents will not have a material adverse effect on the future operations and financial condition of the System. For information related to cybersecurity initiatives, see, "THE CITY AND THE SYSTEM — Cybersecurity Initiatives of the City".

Reserve Fund Surety Provider

The City may choose to satisfy a portion of the Reserve Fund Requirement for the First Lien Bond Reserve Fund through a surety policy issued by a Reserve Fund surety provider. The City is not obligated to replace a Reserve Fund surety provider or deposit cash in the First Lien Bond Reserve Fund in the event of a ratings downgrade of a Reserve Fund surety provider.

Limited Recourse on Default

The rights of Bondholders are limited in the event the City defaults on its obligation to pay debt service on the Bonds. In particular, the Bonds are not subject to acceleration. See "BONDHOLDERS' REMEDIES."

Bankruptcy

The rights of the owners of the Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights or the modification of City covenants affecting the System or System revenues.

If the Net Revenues are determined to be "special revenues" under the federal Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should continue to be subject to the lien of the Ordinance. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition, no assurance can be given that a court would hold that the Net Revenues are special revenues and subject to the lien of the Ordinance. If the Net Revenues are determined to not be "special revenues," then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Ordinance, and there may be no amounts from which the holders of the Bonds are entitled to be paid.

LITIGATION

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 claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotion practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; claims involving property tax assessments; suits over the validity of City ordinances and over their enforcement; suits alleging non-compliance with certain federal and state environmental statutes; and various other liability claims. 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; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the final outcome of such suits.

The City is also aware that various claims for inverse condemnation have been and may be asserted against the City in connection with the City's operations, the aggregate amounts of which are unknown. The City intends to defend itself vigorously against all such inverse condemnation claims; however, the City's liability with respect to these claims cannot be predicted.

For a discussion of potential penalties for the System's violation of the Clean Water Act, see "THE CITY AND THE SYSTEM — Sewer Facilities — Potential Penalties for the System's Violations."

FOR A DISCUSSION OF CONSENT DECREE NEGOTIATIONS WITH RESPECT TO THE WASTEWATER SYSTEM, SEE "THE CITY AND THE SYSTEM — SEWER FACILITIES — CONSENT DECREE STATUS."

RATINGS

Moody's Investor Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned ratings of "Aa2" and "AA+", respectively. The ratings reflect only the views of the rating agencies, from whom an explanation of the significance of such ratings may be obtained. The City is not obligated to maintain the current ratings on the Bonds or other Outstanding First Lien Bonds, and there is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Bonds or other Outstanding First Lien Bonds. The City and the Co-Municipal Advisors will undertake no responsibility to oppose any revision or withdrawal of such ratings. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time.

Due to the ongoing uncertainty regarding the economy of the United States of America, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default, other financial crisis or budgetary reductions should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity and market value of outstanding debt obligations, including the Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under State law, the Bonds are legal and authorized investments for insurance companies, fiduciaries or trustees, and for the sinking fund of cities, towns, villages, school districts and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The City has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") includes requirements which the City must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the federal tax requirements applicable to the Bonds, as well as, in the Supplemental Ordinance, with respect to the Bonds. The City's failure to

meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

In the opinion of Tax Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes, and, further, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. Tax Counsel will express no opinion as to any other tax consequences regarding the Bonds.

Except as described above, Special Tax Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Bonds, (iii) the inclusion of the interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, (v) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits (vi) net gain realized upon the sale or other disposition of property such as the Bonds generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates, and (vii) receipt of certain investment income, including interest on the Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. ***Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.***

Tax Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Tax Counsel as of the date thereof. Tax Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Tax Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Tax Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Tax Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion. A complete copy of the proposed form of opinion of Co-Bond Counsel and Tax Counsel is set forth in Appendix F hereto.

Original Issue Premium and Discount

Certain of the Bonds ("Premium 2026B Bonds") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (or earlier for certain Premium 2026B Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium 2026B Bond, based on the yield to maturity of that Premium 2026B Bond (or, in the case of a Premium 2026B Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium 2026B Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium 2026B Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity), or other disposition of a Premium 2026B Bond, the owner's tax basis in the Premium 2026B Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium 2026B Bond for an amount equal to or less than the amount paid by the owner for that Premium 2026B Bond.

Certain of the Bonds ("Discount 2026B Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity over the "issue price" of a Discount

2026B Bond determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount 2026B Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount 2026B Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount 2026B Bond.

Owners of Discount and Premium 2026B Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount or Premium 2026B Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on Bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

LEGAL MATTERS

The delivery of the Bonds is subject to the approving opinions of the Attorney General of the State of Texas and of Greenberg Traurig LLP, Houston, Texas and Bratton & Associates, PLLC, Houston, Texas, Co-Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. The opinions will be based upon an examination of the transcripts of certain proceedings taken by the City incident to the issuance and authorization of the Bonds.

In their capacity as Co-Bond Counsel, Greenberg Traurig LLP, Houston, Texas and Bratton & Associates, PLLC, Houston, Texas, have reviewed the statements and information contained in this Official Statement under the captions and sub-captions "PURPOSE AND PLAN OF FINANCE," "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE AND EXISTING CONTRACTS" (except for the last sentence of the first paragraph), "THE BONDS," "SECURITY FOR THE BONDS," "ADDITIONAL BONDS," "CERTAIN COVENANTS AND TERMS OF THE MASTER ORDINANCE," "QUALIFIED HEDGE AGREEMENTS — Master Ordinance Requirements," "BONDHOLDERS' REMEDIES," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance With Prior Undertakings," as to which no opinion is expressed), and APPENDIX C and APPENDIX D and Co-Bond Counsel are each of the opinion that the statements

and information contained therein fairly and accurately reflect the provisions of the Master Ordinance and the Supplemental Ordinance; further, Co-Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "TAX MATTERS," and "REGISTRATION, SALE AND DISTRIBUTION," and Co-Bond Counsel are each of the opinion that the statements and information contained therein are correct as to matters of law.

Such firms may not have, however, independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City or the Combined Utility System for the purpose of passing upon the fairness, accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the fairness, accuracy or completeness of any of the information contained herein. The fees of Co-Bond Counsel for their services with respect to the Bonds are contingent upon the sale and delivery of the Bonds.

In connection with the issuance of the Bonds, certain legal matters will be passed upon for the City by its Co-Disclosure Counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas, and The Bates Law Firm PLLC, Houston, Texas. Certain legal matters will be passed upon for the Underwriters of the Bonds by their co-counsel, Norton Rose Fulbright US LLP, Houston, Texas and Ronald Green & Associates PLLC, Houston, Texas.

Greenberg Traurig LLP, Bratton & Associates, PLLC, McCall, Parkhurst & Horton L.L.P. and The Bates Law Firm PLLC represent the Underwriters from time to time in matters unrelated to the issuance of the Bonds. Norton Rose Fulbright US LLP and Ronald Green & Associates PLLC represent the City from time to time in matters unrelated to the issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

INDEPENDENT AUDITORS

The Financial Statements of the City of Houston, Texas, as of and for the Fiscal Year ended June 30, 2025, included in this Official Statement as APPENDIX A, have been audited by Weaver Associates & Tidwell LLP, independent auditors, as stated in their report, which includes a reference to other auditors appearing therein.

Weaver Associates & Tidwell LLP has not performed any procedures on any such financial statements since the date of such audit report, and has not performed any procedures on any other financial information of the City, including without limitation, any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its audit report, or otherwise be associated with this Official Statement.

As used herein and therein, the term "Fiscal Year," unless otherwise indicated, means the City's Fiscal Year, which currently is the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the next succeeding calendar year, and each such period may be designated with the number of the calendar year in which such period ends.

CO-MUNICIPAL ADVISORS

Masterson Advisors LLC and Knight & Day Group LLC (the "Co-Municipal Advisors") have been retained by the City as its independent municipal advisors in connection with the issuance of the Bonds and, in such capacity, have assisted the City in the preparation of documents. The Co-Municipal Advisors' fees for services rendered with respect to the Bonds are not contingent upon the sale and delivery of the Bonds.

Although the Co-Municipal Advisors have read and participated in the preparation of this Official Statement, such firms have not independently verified any of the information set forth in this Official Statement. The information contained in this Official Statement has been obtained primarily from the City's records and from other sources that are believed to be reliable, including financial records of the City and other entities, and which may be subject to

interpretation. No guarantee is made by the Co-Municipal Advisors as to the accuracy or completeness of any information herein. No person, therefore, is permitted to rely upon the participation of the Co-Municipal Advisors as an implicit or explicit expression of opinion as to such completeness and accuracy.

REGISTRATION, SALE AND DISTRIBUTION

The Bonds have not been registered under the federal Securities Act of 1933, as amended (in reliance upon an exemption therefrom), or the blue-sky laws of any jurisdiction. The Master Ordinance and the Supplemental Ordinance have not been qualified under the federal Trust Indenture Act of 1939, as amended (in reliance upon an exemption therefrom).

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

UNDERWRITING

Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities, and asset management. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses. In the ordinary course of business, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City. The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the City. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities, including System Obligations, in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments, including System Obligations

Raymond James & Associates, Inc. and RBC Capital Markets, LLC ("RBCCM"), as representatives and on behalf of the Underwriters of the Bonds (including themselves), have agreed to purchase the Bonds, subject to certain conditions, at a price of $_____ for the Bonds (representing the principal amount of the Bonds, plus net original issue premium of $_____ and less an underwriting discount of $_____). The Underwriters of the Bonds will be obligated to purchase all of the Bonds, if any of the Bonds are purchased.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the City as Underwriters) for the distribution of the Bonds to retail investors at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers. Please see APPENDIX H — "Underwriter Distribution Agreements."

In addition, RBCCM, an underwriter of the Bonds, has two outstanding appropriation lines with the City, consisting of $700 million for the General Obligation credit and $450 million for the Houston Airport System Inferior Lien. RBCCM has been separately compensated for serving in this capacity. Separately, Royal Bank of Canada, the parent company of RBCCM, has provided a $100 million letter of credit facility in connection with certain of the City's System Obligations. As the letter of credit provider, Royal Bank of Canada has certain rights related to the City, including rights as an Owner in the event Royal Bank of Canada owns System Obligations after a draw on the letter of credit. Royal Bank of Canada has been separately compensated for serving in that capacity. RBCCM has received a payment, value, or credit from Royal Bank of Canada in connection with this letter of credit arrangement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver to the City, on or before the settlement date of the Bonds, its report indicating that it has verified the mathematical accuracy of (a) the computations of the adequacy of the cash and the maturing principal of and interest on the Refunded Bonds Escrowed Securities to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, (b) the computations of yield used by Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes, (c) the sufficiency of cash deposited with the Purchased Bonds Paying Agent to pay the purchase price of the Purchased Bonds and (d) the sufficiency of the deposit with the Refunded Notes Paying Agent to pay the Refunded Notes on the Date of Delivery.

The Verification Agent has relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, the Verification Agent has relied on any information provided to it by the City's retained advisors, consultants or legal counsel.

CONTINUING DISCLOSURE OF INFORMATION

In the Supplemental Ordinance, the City has made the following agreement regarding the continuing disclosure of information for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe such agreement for so long as it remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the information repository described below.

Annual Reports

The Municipal Securities Rulemaking Board (the "MSRB") is the sole information repository, and all continuing disclosure documents are required to be provided solely to the MSRB. Access to such information will be made available to the public without charge by the MSRB on its Electronic Municipal Market Access ("EMMA") website.

The City agrees to provide annually to the MSRB, within six months after the end of each Fiscal Year beginning with the Fiscal Year ending June 30, 2027, financial information and operating data with respect to the City of the general type included in this Official Statement as follows: (1) the average daily wastewater flow through and the effective treatment capacity of the Sewer Facilities presented under "THE CITY AND THE SYSTEM — Sewer Facilities — General," (2) the number of "in-City" districts that the City has permitted to be created and the number of "in-City" districts that have been created as presented under "ANNEXATION PROGRAM AND "IN-CITY" DISTRICTS — In-City Districts," (3) the number of active service connections of the System and the sources of System revenues presented under "SOURCES OF SYSTEM REVENUES — General – Fiscal Year 2026," (4) the rates charged to various types of customers of the System presented under "RATES — Current Rates," (5) the financial statements presented in APPENDIX A, and (6) the schedules listed in APPENDIX F. Any financial statements so to be provided will be (1) prepared in accordance with generally accepted accounting principles currently in effect for governmental units as prescribed by the Government Accounting Standards Board, which principles are subject to change from time to time to comply with state law or regulation and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City shall provide audited financial statements for the applicable Fiscal Year to the MSRB, when and if audited financial statements become available but if such audited financial statements are unavailable the City will provide such financial statements on an unaudited basis within the above-described six-month period.

The City's current Fiscal Year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the City changes its Fiscal Year. If the City changes its Fiscal Year, it will notify the MSRB of the change.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available from the MSRB or filed with the SEC, or may be provided in any other manner consistent with the Rule.

Notices of Certain Events

The City also will provide, to the MSRB, timely notice, not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes, (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee or the change in the name of the trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For the purposes of the event numbered (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City intends the words used in events numbered (15) and (16) and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

In addition, the City will notify the MSRB, in a timely manner, of any failure by the City to provide financial statements, financial information or operating data in accordance with the Supplemental Ordinance by the time required by the Supplemental Ordinance.

Availability of Information

The City has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through EMMA at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule taking into account any amendments or interpretations of the Rule

to the date of such amendment, as well as such changed circumstances and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent or nationally recognized bond counsel determines that the amendment will not materially impair the interests of the Beneficial Owners of the Bonds. The City may also amend or repeal the agreement if the Securities and Exchange Commission amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, and the City may amend the agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent an underwriter from purchasing the Bonds in the offering made hereby in compliance with the Rule. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "— Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

On June 12, 2023, the City filed disclosures (the "Summarized Update") describing its compliance with its continuing disclosure undertakings during the previous five years, which disclosures are available by accessing the EMMA. The City modified the Summarized Update on September 5, 2023 to link certain omitted CUSIPs for outstanding obligations of the City. The content of the Summarized Update is incorporated by reference. On February 12, 2026, the City made an additional filing on EMMA to provide an update regarding its compliance with continuing disclosure undertakings during the previous five years. This additional filing is available by accessing the following link which is available as the filing dated February 12, 2026 under the "Event-Based Disclosures" tab: https://emma.msrb.org/P22005712-P21528088-P21983902.pdf. On November 13, 2026, the City made an additional filing on EMMA to provide an update regarding its compliance with continuing disclosure undertakings during the previous five years. This additional filing, dated November 13, 2026, is available by accessing the following link under the "Event-Based Disclosures" tab: https://emma.msrb.org/P22057803.pdf.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, budget or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date thereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the actual results of the City and the System could differ materially from those in such forward-looking statements.

The forward-looking statements in this Official Statement are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

GENERAL INFORMATION

The descriptions in this Official Statement do not purport to be complete and all such descriptions or references are qualified in their entirety by reference to the complete form of the Master Ordinance, the Supplemental Ordinance or other documents or sources they summarize. Statements made in this Official Statement involving estimates or projections, whether or not expressly identified as such, should not be construed to be statements of fact or as representations that such estimates or projections will ever be attained or will approximate actual results. Any summaries or excerpts of constitutional provisions, statutes, ordinances or other documents do not purport to be complete statements of the same and are made subject to all of the provisions thereof. Reference should be made to such original sources in all respects. The Bonds are payable solely from the Net Revenues as described herein, and such information is not intended to imply that any other revenues or monies of the City are pledged to pay the principal of and interest on the Bonds. References to web site addresses presented herein are for informational purposes only

and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

For additional information with respect to the financial condition of the City, see the City's Basic Financial Statements for the Fiscal Year ended June 30, 2025, and supplementary schedules for the Combined Utility System Fund attached hereto as APPENDIX A. A copy of the most recent Quarterly Investment Report is available upon request from the City Controller, P.O. Box 1562, Houston, Texas 77251-1562. Copies of the Master Ordinance and the Supplemental Ordinance may be obtained from Troy D. Lemon, City Secretary, City Hall Annex, 900 Bagby, Level P, Room P-101, Houston, Texas, or by mail at P.O. Box 1562, Houston, Texas 77251-1562.

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SCHEDULE I

REFUNDED BONDS AND REFUNDED NOTES*

Refunded Bonds

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Series 2007A
(Exchanged)

Maturity Date	Par Amount	Interest Rate	Call Date	CUSIP
11/15/2036**	$56,135,000	5.000%	01/16/2027	44244CCR6

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue and Refunding Bonds, Series 2014D

Maturity Date	Par Amount	Interest Rate	Call Date	CUSIP
11/15/2027	$20,970,000	5.000%	01/16/2027	4424355Q2
11/15/2028	22,050,000	5.000	01/16/2027	4424355R0
11/15/2029	23,065,000	4.000	01/16/2027	4424355S8
11/15/2030	24,005,000	4.000	01/16/2027	4424355T6
11/15/2031	19,635,000	4.000	01/16/2027	4424355U3
11/15/2032	20,680,000	4.000	01/16/2027	4424355V1
11/15/2033	21,775,000	4.000	01/16/2027	4424355W9
11/15/2034	23,030,000	5.000	01/16/2027	4424355X7
11/15/2039**	66,485,000	5.000	01/16/2027	4424355Z2
11/15/2044**	65,840,000	5.000	01/16/2027	4424355Y5

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Series 2015D

Maturity Date	Par Amount	Interest Rate	Call Date	CUSIP
11/15/2027	$11,615,000	5.000%	01/16/2027	44244CCH8
11/15/2028	12,210,000	5.000	01/16/2027	44244CCJ4
11/15/2029	4,620,000	5.000	01/16/2027	44244CCK1
11/15/2031	1,560,000	5.000	01/16/2027	44244CCL9
11/15/2032	2,345,000	5.000	01/16/2027	44244CCM7
11/15/2033	2,075,000	5.000	01/16/2027	44244CCN5
11/15/2034	2,395,000	5.000	01/16/2027	44244CCP0
11/15/2035	1,255,000	5.000	01/16/2027	44244CCQ8

* *Preliminary, subject to change.*

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Series 2016B

Maturity Date	Par Amount	Interest Rate	Call Date	CUSIP
11/15/2027	$22,435,000	5.000%	01/16/2027	44244CGK7
11/15/2028	15,940,000	5.000	01/16/2027	44244CGL5
11/15/2029	23,730,000	5.000	01/16/2027	44244CGM3
11/15/2030	4,145,000	5.000	01/16/2027	44244CGN1
11/15/2031	36,660,000	4.000	01/16/2027	44244CGP6
11/15/2032	8,235,000	5.000	01/16/2027	44244CGQ4
11/15/2033	9,215,000	5.000	01/16/2027	44244CGR2
11/15/2033	5,285,000	5.250	01/16/2027	44244CHC4
11/15/2034	37,660,000	5.000	01/16/2027	44244CGS0
11/15/2035	24,270,000	5.000	01/16/2027	44244CGT8
11/15/2036	49,685,000	5.000	01/16/2027	44244CGU5
11/15/2037	61,940,000	4.000	01/16/2027	44244CGY7
11/15/2038	24,730,000	4.500	01/16/2027	44244CGZ4

Refunded Notes

Any of the City's Combined Utility System Commercial Paper Program, Series B.

SCHEDULE II

SCHEDULE OF TARGET AND PURCHASED BONDS*

Tax-Exempt Target Bonds

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Series 2017B

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2029	$7,760,000	5.000%	12/17/2026	44244CMY0
11/15/2034	5,080,000	5.000	12/17/2026	44244CMZ7
11/15/2035	1,730,000	5.000	12/17/2026	44244CNA1
11/15/2036	8,230,000	5.000	12/17/2026	44244CNB9
11/15/2037	805,000	5.000	12/17/2026	44244CNC7
11/15/2038	9,800,000	5.000	12/17/2026	44244CND5
11/15/2042**	45,245,000	5.000	12/17/2026	44244CNE3
11/15/2047**	69,065,000	4.000	12/17/2026	44244CNF0

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Series 2018D

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2031	$15,190,000	5.000%	12/17/2026	44244CSR9
11/15/2032	14,825,000	5.000	12/17/2026	44244CSS7
11/15/2033	14,990,000	5.000	12/17/2026	44244CST5
11/15/2034	4,715,000	5.000	12/17/2026	44244CSU2
11/15/2035	1,225,000	5.000	12/17/2026	44244CSV0
11/15/2036	235,000	5.000	12/17/2026	44244CSW8
11/15/2037	14,555,000	5.000	12/17/2026	44244CSX6
11/15/2038	12,670,000	5.000	12/17/2026	44244CSY4
11/15/2039	9,850,000	5.000	12/17/2026	44244CSZ1
11/15/2043**	44,725,000	5.000	12/17/2026	44244CTA5
11/15/2048**	68,280,000	4.000	12/17/2026	44244CTB3

** Term Bond

* *Preliminary, subject to change.*

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Series 2019B

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2032	$4,180,000	5.000%	12/17/2026	44244CWY9
11/15/2033	4,390,000	5.000	12/17/2026	44244CWZ6
11/15/2034	4,615,000	5.000	12/17/2026	44244CXA0
11/15/2035	4,855,000	5.000	12/17/2026	44244CXB8
11/15/2036	5,105,000	5.000	12/17/2026	44244CXC6
11/15/2037	5,365,000	5.000	12/17/2026	44244CXD4
11/15/2038	5,610,000	4.000	12/17/2026	44244CXE2
11/15/2039	5,840,000	4.000	12/17/2026	44244CXF9
11/15/2044**	32,980,000	4.000	12/17/2026	44244CXG7

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue and Refunding Bonds, Series 2020C

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2033	$14,865,000	5.000%	12/17/2026	44244CZX8
11/15/2034	15,630,000	5.000	12/17/2026	44244CZY6
11/15/2035	16,350,000	4.000	12/17/2026	44244CZZ3
11/15/2036	17,015,000	4.000	12/17/2026	44244CA23
11/15/2038	15,350,000	3.000	12/17/2026	44244CA49
11/15/2039	15,900,000	4.000	12/17/2026	44244CA56
11/15/2040	16,040,000	2.500	12/17/2026	44244CA64
11/15/2043**	51,770,000	4.000	12/17/2026	44244CA72
11/15/2047**	41,715,000	3.000	12/17/2026	44244CA98
11/15/2049**	44,755,000	4.000	12/17/2026	44244CB22

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Series 2021A

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2034	$7,860,000	4.000%	12/17/2026	44244CK22
11/15/2037	8,815,000	3.000	12/17/2026	44244CK55
11/15/2038	9,085,000	3.000	12/17/2026	44244CK63
11/15/2039	9,360,000	3.000	12/17/2026	44244CK71
11/15/2046**	56,420,000	4.000	12/17/2026	44244CL21
11/15/2051**	37,860,000	4.000	12/17/2026	44244CL39
11/15/2051**	7,950,000	3.000	12/17/2026	44244CL54
11/15/2051**	21,950,000	2.375	12/17/2026	44244CL47

** Term Bond

Taxable Target Bonds

City of Houston, Texas Combined Utility System
First Lien Revenue Bonds, Taxable Series 2018E

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2028	$34,030,000	3.723%	12/17/2026	44244CTM9
11/15/2029	23,260,000	3.823	12/17/2026	44244CTN7
11/15/2030	27,490,000	3.923	12/17/2026	44244CTP2
11/15/2031	31,765,000	3.973	12/17/2026	44244CTQ0
11/15/2032	1,240,000	4.073	12/17/2026	44244CTR8
11/15/2033	1,340,000	4.123	12/17/2026	44244CTS6
11/15/2038**	13,275,000	4.172	12/17/2026	44244CTT4

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Taxable Series 2019C

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2028	$27,065,000	2.205%	12/17/2026	44244CXS1
11/15/2029	35,845,000	2.255	12/17/2026	44244CXT9
11/15/2030	51,725,000	2.355	12/17/2026	44244CXU6
11/15/2031	48,550,000	2.455	12/17/2026	44244CXV4
11/15/2032	38,800,000	2.505	12/17/2026	44244CXW2
11/15/2033	51,250,000	2.555	12/17/2026	44244CXX0
11/15/2034	17,555,000	2.605	12/17/2026	44244CXY8
11/15/2035	21,940,000	2.655	12/17/2026	44244CXZ5
11/15/2042**	148,800,000	2.984	12/17/2026	44244CYA9

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Taxable Series 2020D

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2028	$4,065,000	1.522%	12/17/2026	44244CC21
11/15/2029	8,640,000	1.572	12/17/2026	44244CC39
11/15/2030	6,685,000	1.622	12/17/2026	44244CC47
11/15/2031	6,445,000	1.722	12/17/2026	44244CC54
11/15/2032	8,355,000	1.822	12/17/2026	44244CC62
11/15/2033	10,085,000	1.872	12/17/2026	44244CC70
11/15/2034	11,975,000	1.972	12/17/2026	44244CC88
11/15/2035	8,030,000	2.022	12/17/2026	44244CC96
11/15/2040**	30,645,000	2.542	12/17/2026	44244CD20
11/15/2043**	25,250,000	2.642	12/17/2026	44244CD38

** Term Bond

City of Houston, Texas Combined Utility System
First Lien Revenue Refunding Bonds, Taxable Series 2021B

Maturity Date	Outstanding Principal Amount	Interest Rate	Purchase Date	CUSIP No.
11/15/2028	$9,515,000	1.516%	12/17/2026	44244CM53
11/15/2029	3,230,000	1.709	12/17/2026	44244CM61
11/15/2030	730,000	1.909	12/17/2026	44244CM79
11/15/2031	5,540,000	1.929	12/17/2026	44244CM87
11/15/2032	5,550,000	2.009	12/17/2026	44244CM95
11/15/2033	630,000	2.209	12/17/2026	44244CN29
11/15/2035	15,000	2.409	12/17/2026	44244CN45
11/15/2036	8,940,000	2.459	12/17/2026	44244CN52
11/15/2037	10,430,000	2.509	12/17/2026	44244CN60
11/15/2038	4,220,000	2.599	12/17/2026	44244CN78

APPENDIX A

CITY OF HOUSTON BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025, INCLUDING SUPPLEMENTARY SCHEDULES FOR THE CITY'S COMBINED UTILITY SYSTEM FUND

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CHRIS HOLLINS
CITY CONTROLLER

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF HOUSTON, TEXAS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

CITY OF HOUSTON, TEXAS

Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025

Prepared by:

Chris Hollins, City Controller

William Jones, Deputy City Controller

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CITY OF HOUSTON, TEXAS



PART ONE
INTRODUCTORY SECTION



EZEKIEL W. CULLEN BUILDING AT
THE UNIVERSITY OF HOUSTON
PHOTO BY: JHVEPHOTO

Introductory Section:

A cornerstone of academic excellence, the Ezekiel W. Cullen Building stands as a symbol of the University of Houston's enduring commitment to education, innovation, and public service. Named after a prominent Texas statesman, the building houses key administrative offices and serves as a hub for university leadership. Its neoclassical architecture and central location reflect the institution's proud history and its role in shaping future generations of Houstonians.

OFFICE OF THE CITY CONTROLLER

Houston City Controller Chris Hollins is the second-highest elected official in the City of Houston Government (the "City") and its Chief Financial Officer. The Office of the 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 Hollins thus serves as an independently elected "financial watchdog" over the City's fiscal affairs.

The Treasury Division is responsible for managing the City's investment portfolio of approximately $5.7 billion in accordance with state law and the City's investment policy. Fitch has awarded the City's general investment portfolio/pool its highest rating, AAA/S1 Volatility. The Treasury Division is also responsible for overseeing a debt program of approximately $14.1 billion and the City's depository banking service. The City has multiple general obligation, combined utility system, and airport system commercial paper programs with total authorization of $2.8 billion (GO program of $1 billion; CUS program of $1 billion; Airport of $800 million). The City's general obligation debt is rated Aa3 by Moody's; AA by Standard and Poor's; and AA by Fitch Ratings. All other credit ratings associated with the City's different organizations are listed here: https://www.houstontx.gov/controller/treasury/credit-ratings.html

The Audit Division adheres to recognized professional auditing standards (Generally Accepted Government Auditing Standards and Global Internal Audit Standards as promulgated by the Institute of Internal Auditors). The Division conducts audits and special projects that result in formal audit reports, which are posted on the Office of the City Controller's website. These engagements focus on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, consideration of fraud, waste, and 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, and abuse reports, and quality assurance results. In the most recent peer review, the Association of Local Government Auditors 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, vendor payments and cash disbursement, travel advances, monthly bank account reconciliation, review and approval of city-wide personnel action requests, payroll payments processing, city-wide contract review, financial and accounting records retention and imaging retrieval, city-wide vendor liaison, and the City Controller's Office's information technology operations. In the coming year, the division's goals are to continue to move to a paperless approval system for invoices and agreements, as well as reduce the number of paper checks issued.

The Financial Reporting Division is tasked with preparing the Monthly Financial and Operations Report, the Annual Comprehensive Financial Report (ACFR), and the annual Trends Report. Additionally, the division handles financial modeling and forecasting. The ACFR and Trends Report can be accessed on the City Controller's website at www.houstontx.gov/controller.

CITY CONTROLLER
CHRISTOPHER G. HOLLINS



Chris Hollins is a native Houstonian who has served as Houston City Controller since January 2024.

As the independently elected Chief Financial Officer of the nation's fourth-largest city, Controller Hollins provides oversight of a $7 billion operating budget and manages the City's $5.7 billion investment and $14.1 billion debt portfolios. Hollins is deeply committed to transparency, fiscal responsibility, and results-driven operations, using his office's auditing authority to bring new ideas and best practices to City departments that result in cost savings and a higher standard of service to Houston residents.

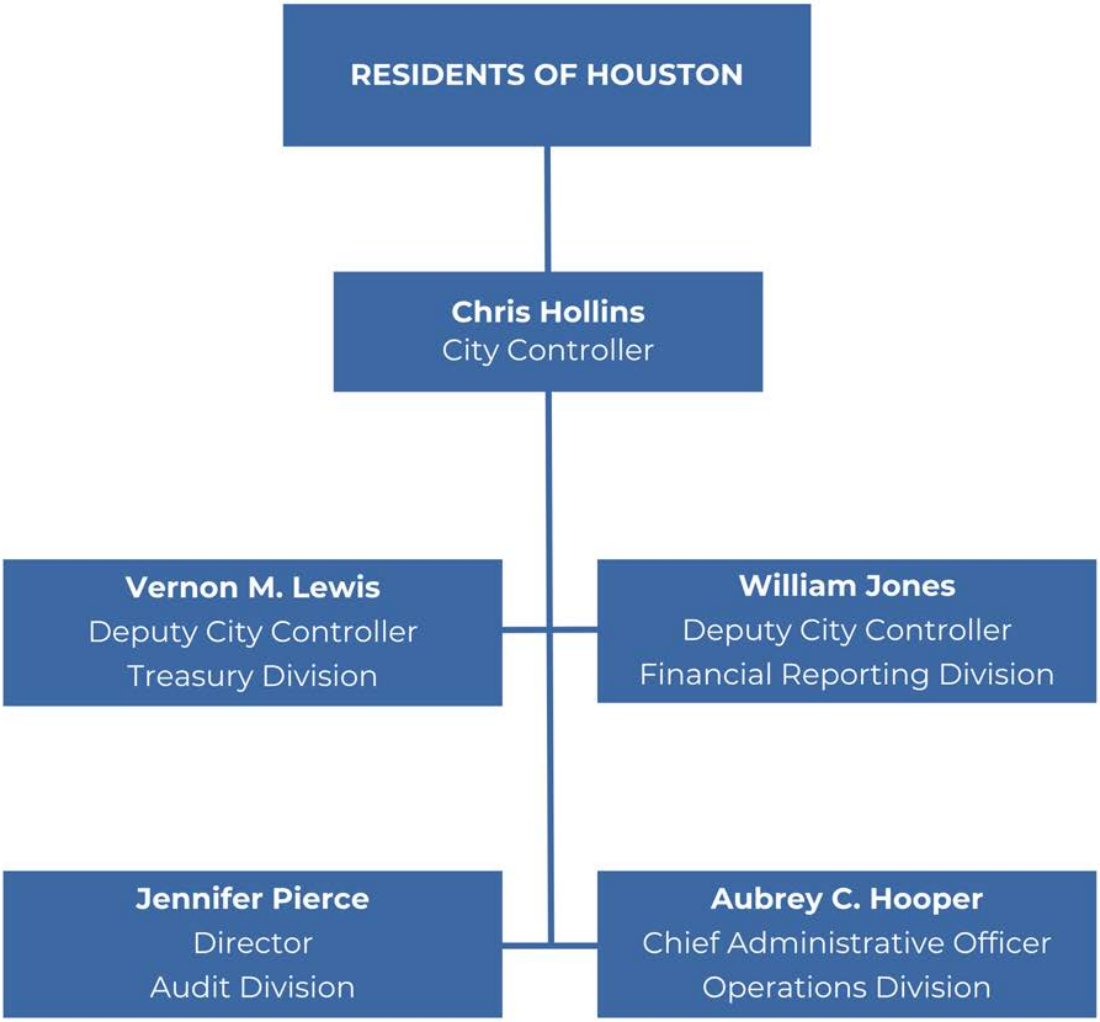
Prior to his service as City Controller, Hollins led the 2020 elections effort in Harris County as County Clerk, gaining national acclaim for protecting and expanding voting rights for 2.5 million Houston-area voters during the most important election of our lifetime. Hollins's innovations – which included drive-thru voting, 24-hour voting, online mail ballot tracking, and tripling the number of early voting centers – led to eye-popping record voter turnout despite the ongoing global pandemic.

Hollins holds a Bachelor of Arts with *Phi Beta Kappa* honors from Morehouse College and completed a joint program with Yale Law School and Harvard Business School, earning both his Juris Doctor and Master of Business Administration degrees.

Hollins was previously the Principal Attorney at Hollins Law Group PLLC. Hollins spent the bulk of his career as a management consultant with McKinsey & Company, where he was dedicated to helping large government agencies transform their operations to better achieve their missions and meet the needs of those they were entrusted to serve.

Hollins and his wife, Morgan, live in Houston's Third Ward with their daughter, Vivian, and their son, George.

ORGANIZATION CHART
OFFICE OF THE CITY CONTROLLER
AS OF JUNE 30, 2025



ELECTED OFFICIALS
AS OF JUNE 30, 2025



JOHN WHITMIRE
MAYOR



CHRIS HOLLINS
CONTROLLER



AMY PECK
DISTRICT A



TARSHA JACKSON
DISTRICT B



ABBIE KAMIN
DISTRICT C



CAROLYN EVANS-SHABAZZ
DISTRICT D



FRED FLICKINGER
DISTRICT E



TIFFANY D. THOMAS
DISTRICT F



MARY NAN HUFFMAN
DISTRICT G



MARIO CASTILLO
DISTRICT H



JOAQUIN MARTINEZ
DISTRICT I



EDWARD POLLARD
DISTRICT J



MARTHA CASTEX-TATUM
DISTRICT K



JULIAN RAMIREZ
AT-LARGE
POSITION 1



WILLIE DAVIS
AT-LARGE
POSITION 2



TWILA CARTER
AT-LARGE
POSITION 3

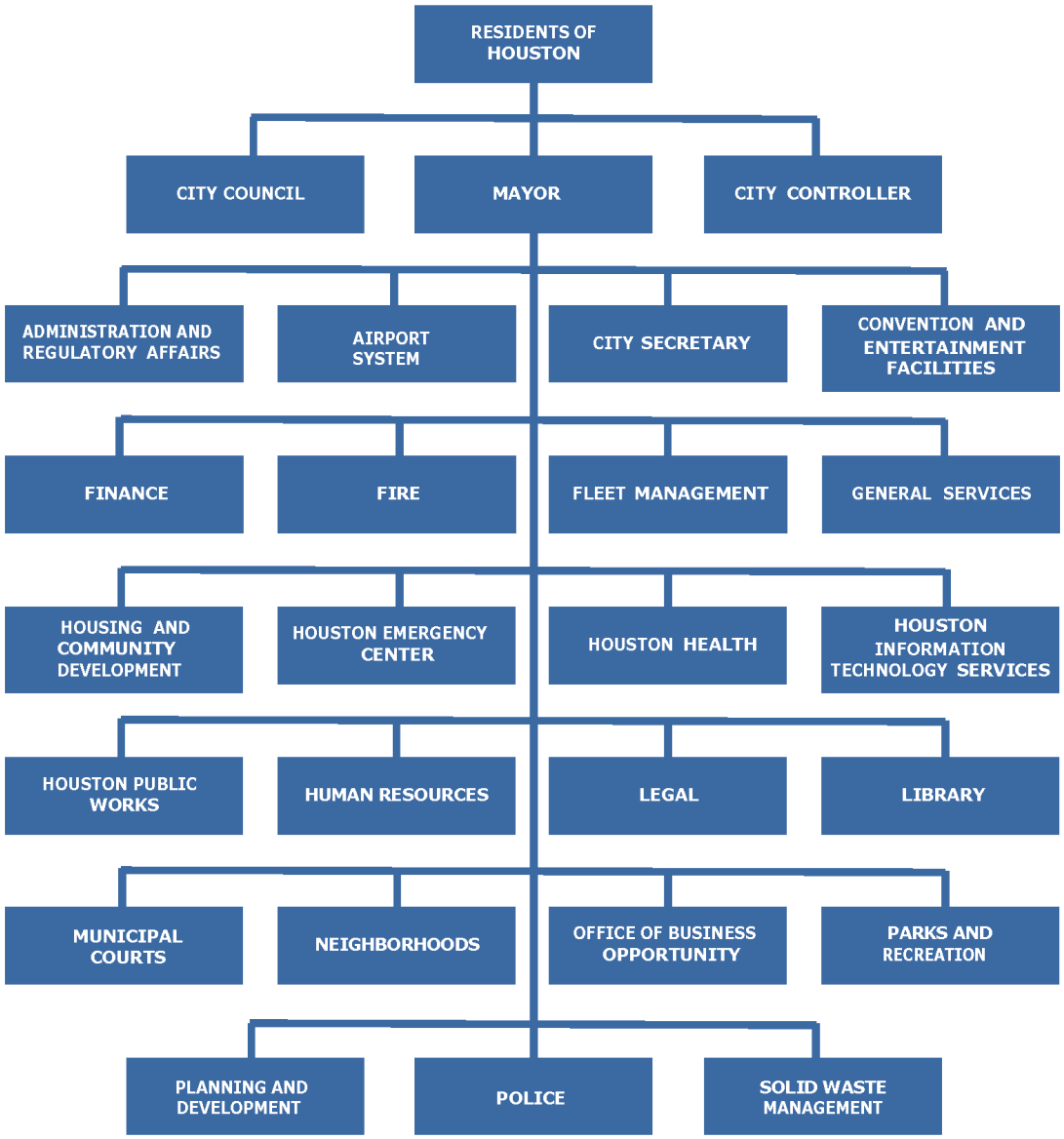


LETITIA PLUMMER
AT-LARGE
POSITION 4



SALLIE ALCORN
AT-LARGE
POSITION 5

ORGANIZATION CHART
CITY GOVERNMENT



CHRIS HOLLINS

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON

TEXAS

TRANSMITTAL LETTER

December 12, 2025

Citizens of Houston, Honorable Mayor, and City Council Members:

I am pleased to provide you with the Annual Comprehensive Financial Report ("ACFR") for the City of Houston, Texas, (the "City") for the fiscal year ended June 30, 2025, including the independent auditor's report, on pages 1 through 3, prepared by Weaver and Tidwell, L.L.P. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on the City's basic financial statements as of and for the year ended June 30, 2025.

The ACFR, prepared by the City Controller's Office, complies with the City Charter and state law. We are responsible for the accuracy, completeness, and fairness of financial information and disclosures. The data presented accurately reflects the City's financial position and results of operations.

The City's management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable 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 resulting benefits.

The ACFR is presented in three sections:

- **Introductory Section**: Includes a transmittal letter, elected officials list, and organizational charts.
- **Financial Section**: Includes Management's Discussion and Analysis ("MD&A"), basic financial statements, combined and individual fund statements and schedules, and the independent auditor's report on the basic financial statements. MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.
- **Statistical Section**: Presents multi-year financial, demographic, and other data.

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.

Government Profile: Founded in 1836, Houston has grown from a small settlement on the Buffalo Bayou to become the fourth-largest city in the United States. The city's economy has been fueled by various industries, including energy, healthcare, aerospace, and technology. Houston's rich history is intertwined with the discovery of oil in Beaumont in 1901, which sparked significant economic growth. Today, while energy remains a major contributor, the city's economy is increasingly diversified, thanks to Port Houston, the Texas Medical Center, NASA's Johnson Space Center, and a thriving tech scene.

901 BAGBY, 6TH FLOOR • P.O. BOX 1562 • HOUSTON, TEXAS 77251-1562

Houston's vibrant cultural scene is a testament to its status as a melting pot. People from all walks of life have flocked to Houston, drawn by its diverse population and endless opportunities. With over 2.4 million residents spread across 641 square miles, the city continues to expand and evolve at a rapid pace. The Houston metropolitan area, encompassing 10 counties, boasts a total population of over 7.8 million, further highlighting its regional significance and global appeal.

City Leadership and Governance Structure

City of Houston officials are limited to two four-year terms.

- **Mayor**: The Mayor functions as the City's Chief Executive Officer, responsible for overall city management and policy implementation.
- **City Controller**: The second-highest elected official, the City Controller acts as the Chief Financial Officer, overseeing the City's financial operations.
- **City Council**: The legislative body is made up of the Mayor, eleven district members, and five at-large members.

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 - as well as operation of the Houston Spaceport.

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

Budgetary Process and Controls

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 permitted for 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 does not budget capital projects and other capital expenditures from 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.

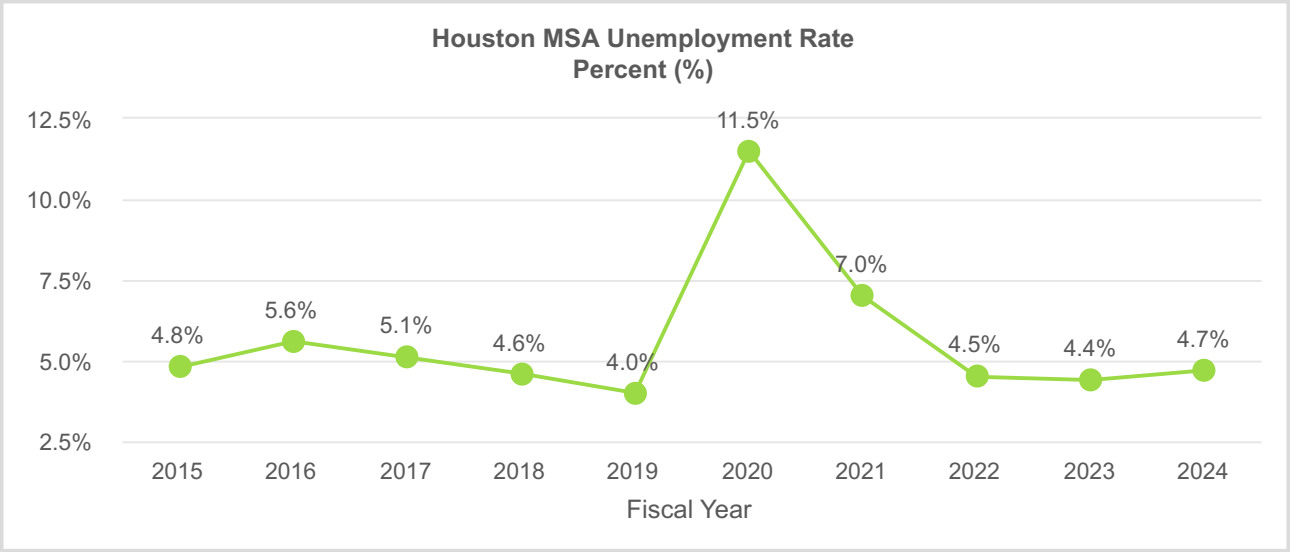
No City expenditures may be made without an appropriation. City Council can legally appropriate only those amounts of money that the City Controller has previously certified are, or will be, in the City treasury. Although the legal level of budgetary control is at the departmental level within a fund, the City maintains internal budgetary control at the expenditure category (e.g., Personnel Services, Supplies, Other Services and Capital Outlay). Budget control is primarily managed using an automated encumbrance and accounts payable system.

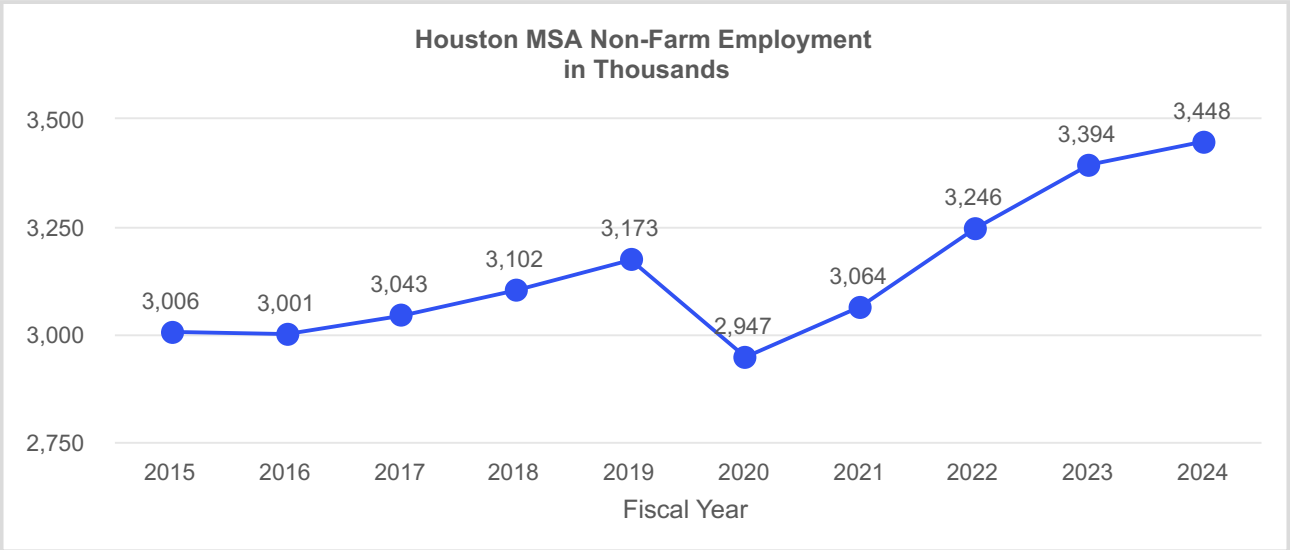
The City is required to undergo an annual Single Audit in conformity with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements of the State 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 expenditures of federal and state awards, findings and recommendations, and auditors’ reports on the internal control structure and compliance with applicable laws and regulations is included in the separately issued Single Audit Report.

The Area's Economy

The Houston Metropolitan Statistical Area (MSA) economy is diverse and robust, driven by key sectors such as energy, healthcare, aerospace, and international trade. Known as the Energy Capital of the World, Houston is home to many leading oil and gas companies, as well as a growing renewable energy industry. The Texas Medical Center, the world's largest, makes healthcare a significant economic contributor. Houston's port, the fifth busiest container port in the U.S., plays a vital role in supporting international trade and logistics. With its strategic location, diverse industries, and growing population, Houston remains a vital economic hub in the Gulf Coast region.

Key Economic Indicators

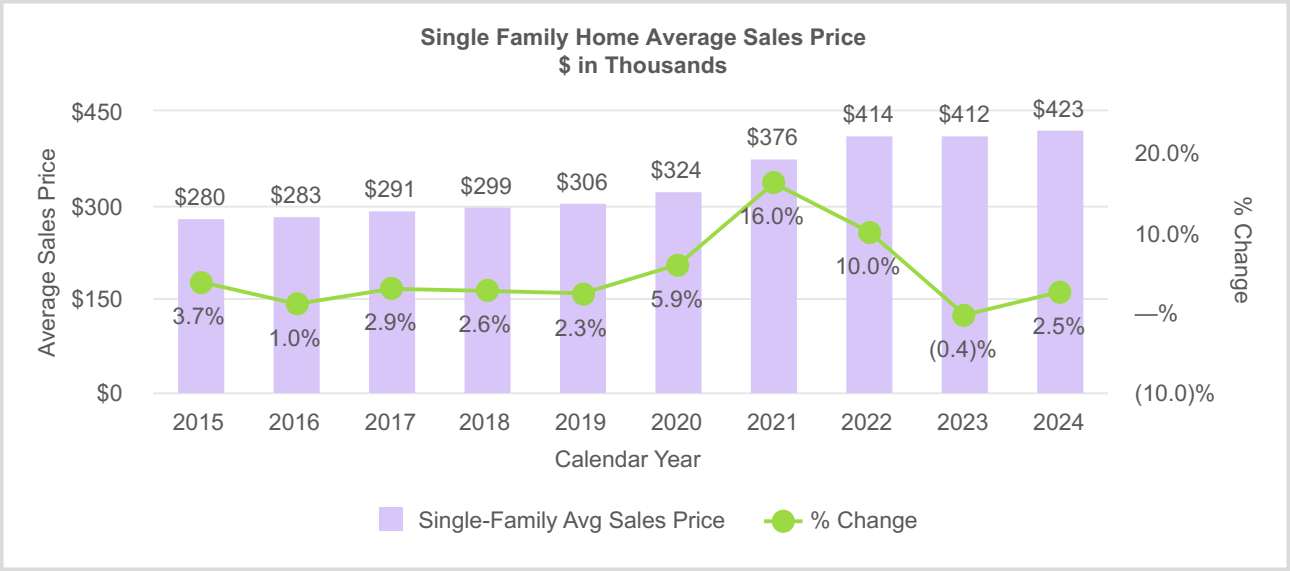


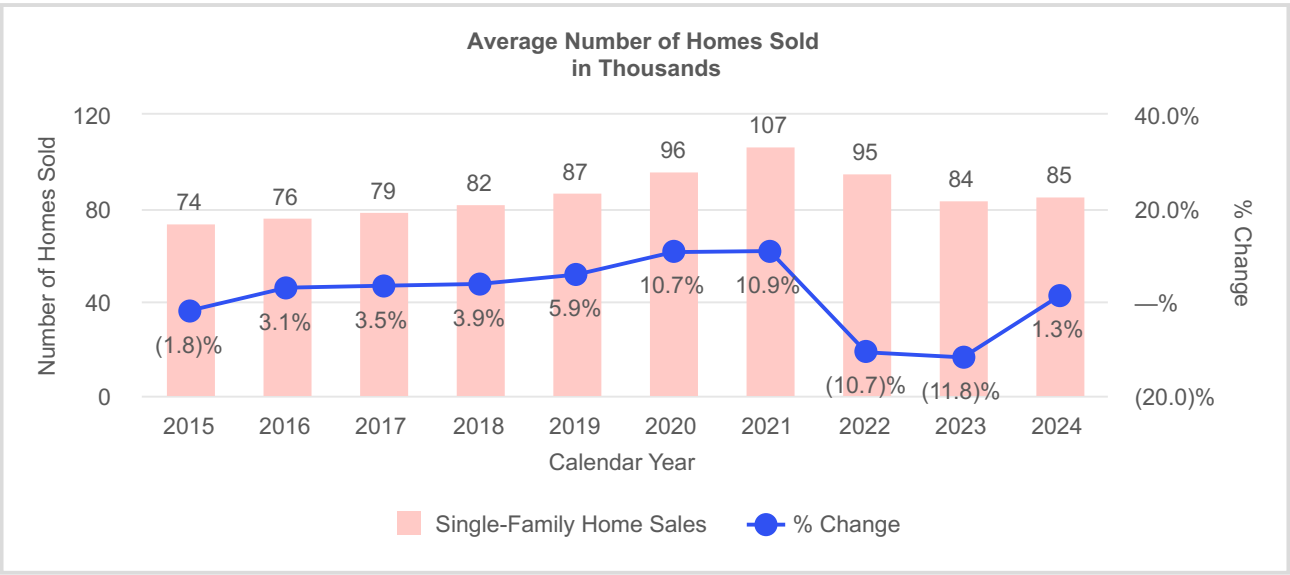


Source: Bureau of Labor Statistics

The Houston MSA continued its post-pandemic recovery in 2024, demonstrating resilience across key labor indicators. The unemployment rate, which peaked at 11.5% in 2020 due to the COVID-19 pandemic, declined steadily over the following years. After reaching a low of 4.4% in 2023, the rate edged up slightly to 4.7% in 2024, reflecting modest labor market tightening amid broader economic adjustments.

Nonfarm employment in the Houston MSA showed consistent growth, surpassing pre-pandemic levels by 2022 and continuing upward through 2024. Total nonfarm employment reached 3,448,400 jobs, an increase of 54,000 jobs from the prior year and a gain of over 501,200 jobs since the pandemic low in 2020. This trajectory underscores the region's economic resilience and its capacity to adapt to shifting industry demands.



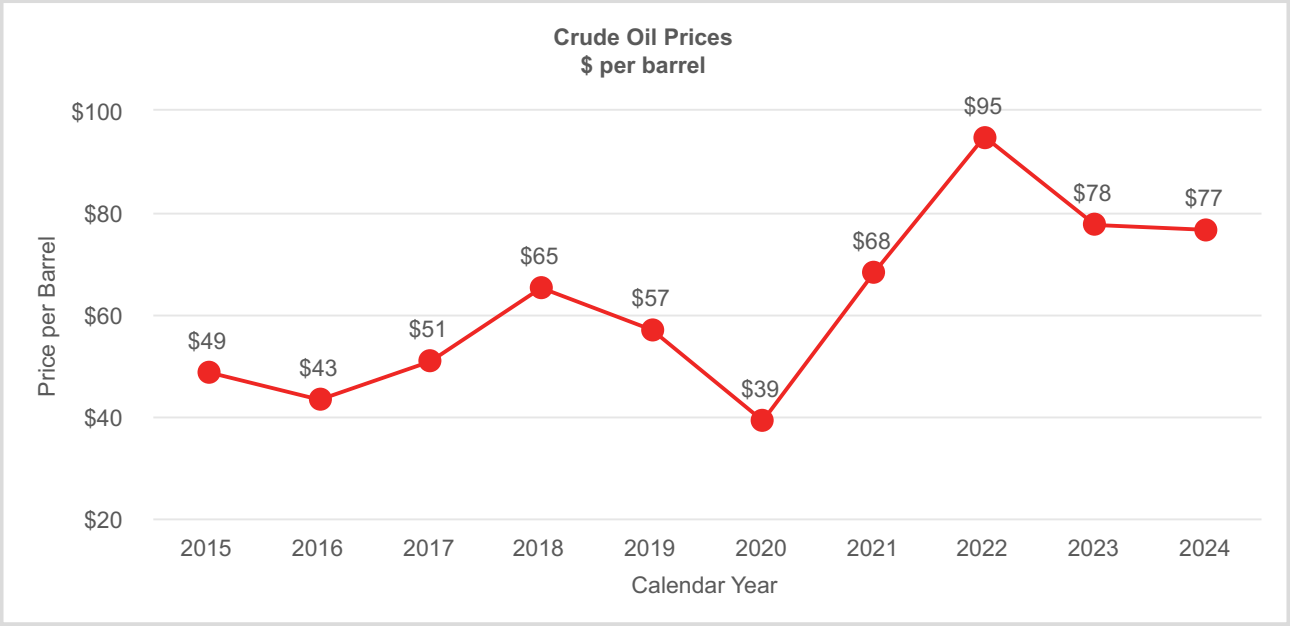


Source: Houston Association of Realtors

The Houston housing market showed signs of stabilization in 2024, following two years of declining sales and price volatility. Mortgage rates remained elevated, averaging approximately 6.8% for a 30-year fixed loan, which continued to temper buyer enthusiasm, particularly in the first half of the year.

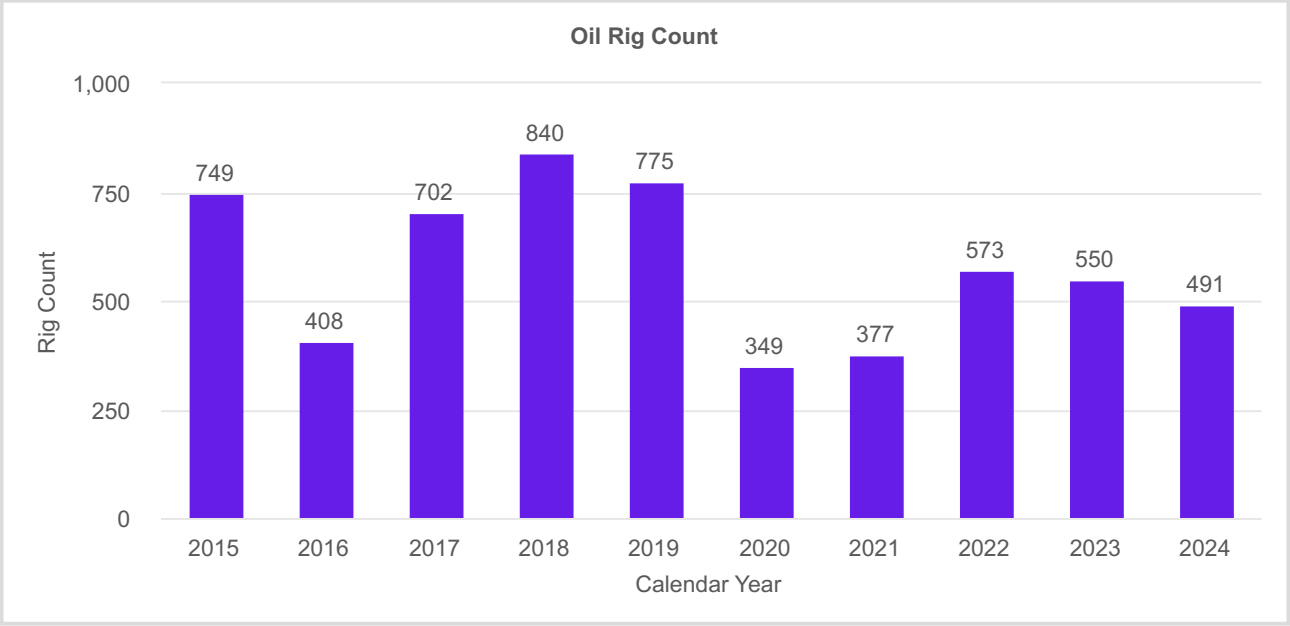
Despite these affordability constraints, single-family home sales rebounded modestly, increasing 1.3% year-over-year to 85,163 units sold. This marked the first annual increase since 2021, signaling renewed buyer confidence and improved inventory conditions.

The average sales price of single-family homes rose 2.5% to $422,590, recovering from a slight dip in 2023. While price growth was more moderate than in prior years, the market remained resilient.



Source: U.S. Energy Information Administration

Crude oil prices have varied widely over the past decade, falling from $49 per barrel in 2015 to a low of $39 in 2020 due to the COVID-19 pandemic. Prices rebounded to $95 in 2022 before easing to $77 in 2024, reflecting increased global production and softer demand. This volatility highlights the oil market's sensitivity to economic and geopolitical factors, with crude prices remaining a key indicator of Houston's energy-driven economy.



Source: Baker Hughes

Rig count is a measure of the number of active drilling rigs used to explore for or develop oil and natural gas in a specific region. Like oil prices, rig counts are inherently volatile and reflect broader market conditions. After peaking in 2018 at 840 rigs, the U.S. oil rig count declined sharply in 2020 to 349 rigs due to pandemic-related disruptions. Although activity rebounded in subsequent years—rising to 573 rigs in 2022 and 550 in 2023— rig count eased again in 2024, to 491 rigs. The recent moderation reflects a cautious approach by operators, who prioritize efficiency and sustainability over expansion. Rig counts remain well below prior highs, signaling a shift toward leaner operations.

Population growth

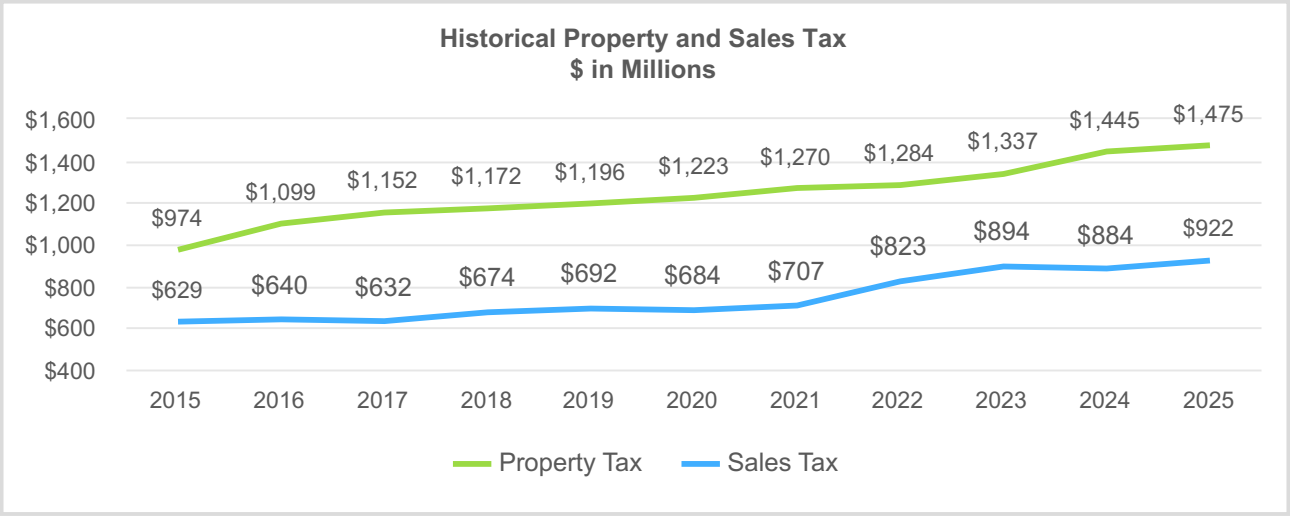
Houston, a thriving metropolis with a population exceeding 2.4 million as of July 1, 2024, reaffirming its status as the largest city in Texas and the fourth most populous city in the United States. Over the prior year, Houston added 75,968 residents, reflecting a 3.3% growth rate - the highest among the nation's five largest cities. This trend underscores Houston's role as a national hub for energy, healthcare, and trade, strengthening its position as a leading economic engine.

The Houston MSA population surged by over 198 thousand residents in 2024, ranking second among all U.S. metropolitan areas in terms of population growth.

Rank	City	Population as of 7/1/2023	Population as of 7/1/2024	# Change	% Change
1	New York, New York	8,258,035	8,478,072	220,037	2.7%
2	Los Angeles, California	3,820,914	3,878,704	57,790	1.5%
3	Chicago, Illinois	2,664,452	2,721,308	56,856	2.1%
4	**Houston, Texas**	**2,314,157**	**2,390,125**	**75,968**	**3.3%**
5	Phoenix, Arizona	1,650,070	1,673,164	23,094	1.4%
6	Philadelphia, Pennsylvania	1,550,542	1,573,916	23,374	1.5%
7	San Antonio, Texas	1,495,295	1,526,656	31,361	2.1%
8	San Diego, California	1,388,320	1,404,452	16,132	1.2%
9	Dallas, Texas	1,302,868	1,326,087	23,219	1.8%
10	Jacksonville, Florida	985,843	1,009,833	23,990	2.4%

Source: Bureau of Labor Statistics

Property and Sales Tax



Property tax, the City's primary revenue source, is subject to strict local and state regulations. Due to the property tax revenue cap, the tax rate has decreased in nine of the past 11 years since FY2015, while overall property tax revenue has continued to grow—from $973.9 million in FY2015 to a projected $1,474.7 million in FY2025.

Sales tax revenue, by contrast, is more sensitive to economic fluctuations. Following a sharp rebound after the COVID-19 pandemic, sales tax collections surged to $893.9 million in FY2023. Growth has since moderated, with FY2025 projections reaching $922.4 million, signaling a return to more stable, pre-pandemic trends.

Property Tax Abatement: The City has entered into several property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Chapter 312. The agreements have investment and employment requirements that must be met to have a portion of property taxes abated. The total amount abated for the year ended June 30, 2025, was approximately $1.6 million for eight businesses. Additional details on the agreements and projects are disclosed in the accompanying Notes to the Basic Financial Statements (Note 5 – Property Tax).

Financial Policies and Planning

The City of Houston first formalized its fundamental financial and budgetary policies on November 10, 1987. These policies have been expanded and refined over the years through the adoption of various ordinances, including the Integrated Budgeting and Planning Resolution (88-87), Ordinance No. 2003-474, Ordinance No. 2014-1078, Ordinance No. 2018-390, and most recently, Ordinance No. 2023-726.

The primary objective of these policies is to safeguard public assets and ensure that decision-making at all levels, both internally and externally, is based on reliable public information. The policies establish a framework for the Mayor, City Controller, City Council, Finance Director, and all department directors to uphold principles of integrity, ethics, competence, and a positive control environment. Managers and supervisory personnel are accountable for implementing and maintaining these financial policies and procedures within their specific business units.

The City's financial policies provide guidelines for a variety of activities, including budgeting, reserves, long-term planning, debt management, accounting, auditing, financial reporting, internal controls, and economic development. Annually, the Administration reviews the City's adherence to these policies. As required by ordinance, the policies are updated every two years to ensure they remain relevant and effective.

The City has investments totaling approximately $5.7 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.

Retiree & Other Post-Employment Benefits (“OPEB”)

The City provides certain health care benefits for its retired employees, their spouses, and survivors. Beginning with Fiscal Year 2018, the City is required by GASB Statement No. 75 to recognize the full OPEB liability on the City’s balance sheet. The OPEB plan includes benefits such as health and life insurance for current and future retirees. Nearly all City employees become eligible for these benefits after they reach normal retirement age.

As of June 30, 2025, the City’s total OPEB liability is approximately $1.75 billion. It has been the City’s practice to fund the cost of OPEB on an annual pay-as-you-go (PAYGO) basis and account for OPEB costs as current expenditures on the governmental fund financial statements in the fiscal year in which the OPEB cost is paid. This practice satisfies debt obligations but fails to structurally reduce the accruing liability.

For the fiscal year ended June 30, 2025, total OPEB liability decreased from approximately $1.95 billion as of June 30, 2024, to approximately $1.75 billion as of June 30, 2025. On July 30, 2025, City Council approved the establishment of a qualifying OPEB trust, with contributions from all departments anticipated to begin in Fiscal Year 2026. By establishing the trust, the City expects to reduce its total OPEB liability over time.

Long-term Financial Forecast and Major Initiatives

The Finance Department’s most recent five-year forecast projects ongoing pressure on the City’s fiscal health as costs continue to rise. Escalating salary obligations from recent labor agreements are a primary factor driving the projected deficit and intensifying long-term fiscal challenges. Without greater efficiency or new revenue sources, the City may face the need for significant cost reductions to close the widening deficit. My office remains committed to working closely with the Mayor and City Council to ensure the City’s financial sustainability.

Structural Budget Deficit

A structurally balanced budget—where recurring revenues equal recurring expenditures—remains one of the City's most critical financial goals. The City continues to face a structural imbalance, with recurring costs outpacing recurring revenues, and has historically relied on non-recurring resources such as fund balance drawdowns and federal disaster aid to close gaps. While these one-time measures provide temporary relief, they are unsustainable in the long term, underscoring the need to achieve true structural balance to ensure lasting fiscal stability.

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 for its ACFR for the fiscal year ended June 30, 2024. This was the 28th 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 ACFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

Acknowledgments

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 significant support from the other divisions of the Office: Executive, Operations, 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, Airport System, 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 Technology Services Department all played key roles in producing this report. Weaver and Tidwell, L.L.P. 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 who are interested. 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, 6th Floor, Houston, Texas 77002. The Annual Comprehensive Financial Report is accessible on the City's web site and is also available in USB drive format.

Respectfully submitted,



Chris Hollins
City Controller


CITY OF HOUSTON
CITY CONTROLLER

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Houston
Texas

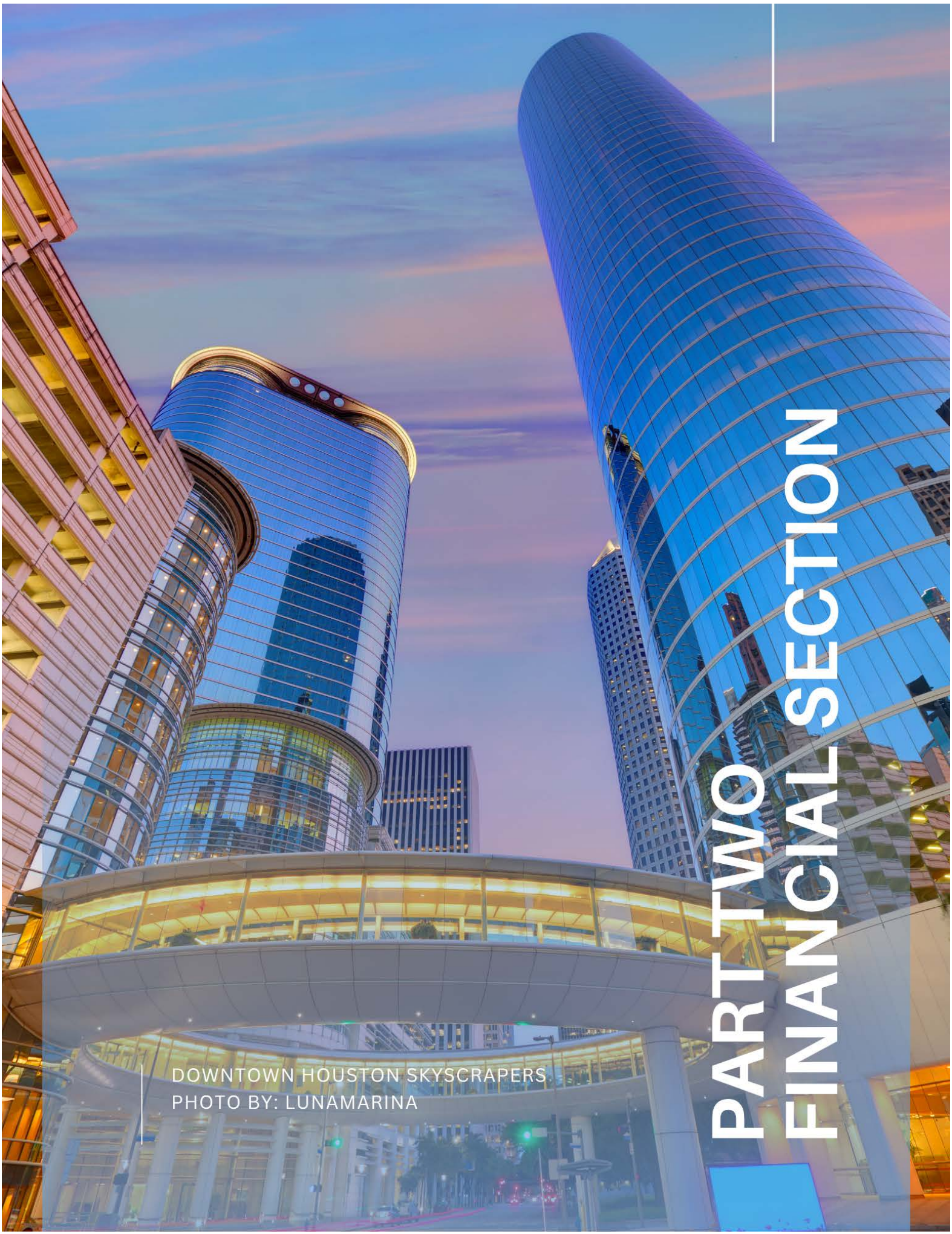
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO


CITY OF HOUSTON
CITY CONTROLLER



PART TWO
FINANCIAL SECTION

DOWNTOWN HOUSTON SKYSCRAPERS
PHOTO BY: LUNAMARINA

Financial Section:

Houston’s dynamic skyline reflects the city’s strength as a global economic hub, driven by innovation, industry, and resilience. These towering structures symbolize the financial infrastructure that supports municipal services, public investment, and long-term fiscal stewardship.

2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

Independent Auditor's Report

The Honorable Mayor, Members of City Council and
City Controller of City of Houston, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, 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.

We did not audit the financial statements of the Houston Municipal Employees' Pension Trust Fund and Houston Police Officers' Pension Trust Fund, fiduciary component units of the City of Houston, which represent 59%, 12%, 62%, 25% and 13% of the assets and deferred outflows, liabilities and deferred inflows, net position/fund balances, revenues/additions and expenses/expenditures/deductions, respectively, of the aggregate remaining fund information. We also did not audit the financial statements of the governmental and business-type discretely presented component units, which represent 100% of the assets and deferred inflows, liabilities and deferred inflows, net position, revenues and expenses of the aggregate discretely presented component units. Those financial statements, except for the Houston Area Library Automated Network and Lamar Terrace Public Improvement District which were unaudited and represent less than 0.1% of the assets and deferred outflows, liabilities and deferred inflows, net position, revenues and expenses of the governmental and business-type discretely presented component units, were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for such governmental and business-type discretely presented component units, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

Except for the Houston Forensic Science Center, Houston Land Bank, Houston Recovery Center LGC, Memorial City Redevelopment Authority, Memorial-Heights Redevelopment Authority, South Post Oak Redevelopment Authority and ETHAN Health LGC, the governmental and business-type discretely presented component units were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinions are not modified with respect to this matter.

Weaver and Tidwell, L.L.P.

CPAs AND ADVISORS | WEAVER.COM

The Honorable Mayor, Members of City Council and City Controller
City of Houston, Texas

As discussed in Note 15 to the basic financial statements, restatements to beginning net position were identified for discretely presented component units resulting from error corrections and changes in accounting principle. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Budgeted and Actual Revenues and Expenditures of the General Fund, Reconciliation for the General Fund Budget vs. GAAP Presentation, the Schedules of Changes in the Net Pension Liability and Related Ratios, Schedules of City Contributions for Pension Plans, Schedules of Changes in the Total OPEB Liability and Related Ratios, Schedule of OPEB Contributions and related Notes to the Required Supplementary Information, as listed in the table of contents, 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 have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

The Honorable Mayor, Members of City Council and City Controller
City of Houston, Texas

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying individual fund statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 by us and other auditors. In our opinion, the accompanying individual fund statements and schedules, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of the City'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's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 12, 2025


CITY OF HOUSTON
CITY CONTROLLER

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025
(Unaudited)

As management of the City of Houston, Texas (the "City"), we offer readers of this narrative an overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025 ("FY2025"). Please read this information in conjunction with the transmittal letter that precedes this section and the basic financial statements that follow this section. The discussion and analysis include comparative data for the fiscal year ended June 30, 2024 ("FY2024").

Financial Highlights

Some of the City's financial highlights for the fiscal year ended June 30, 2025, include:

- Total assets and deferred outflows of resources of the City exceeded its total liabilities and deferred inflows of resources by $10.3 billion. This is a net increase from the prior year of $1.5 billion and is mainly attributable to an increase of approximately $552.2 million in total assets and a decrease in total liabilities of $792.9 million. Of the $552.2 million increase in total assets, approximately $692.0 million is due to increases in capital assets in both governmental and business-type activities which is offset by a decrease of $139.8 million in current and other assets. Total liabilities decreased by $792.9 million in FY2025 mainly due to decreases in claims and judgments of $655.7 million, net pension liability of $113.1 million, and total other post-employment benefit ("OPEB") liability of $214.1 million. These decreases were offset by increases in notes payable of $67.4 million, commercial paper of $79.0 million, and due to other governments of $81.1 million.
- The City's unrestricted net position is a deficit of $3.7 billion. This is an improvement of approximately $0.4 billion compared to FY2024. The deficit is mainly attributable to pension and OPEB liabilities.
- The City's expenses totaled $5.6 billion compared to $6.0 billion in FY2024. The decrease was primarily driven by a $421.4 million decrease in public safety expenses offset by an increase of $107.4 million related to business-type activities.

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's basic financial statements are comprised of three components: (1) government-wide financial statements ("GWFS"), (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. GWFS 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 of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. 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 City'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).

The GWFS 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 (the "Combined Utility"), and Convention & Entertainment Facilities (the "Convention and Entertainment").

The GWFS include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable. Except for 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, or fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, 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 GWFS, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. 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 capital projects fund, and the grants fund, all of which are considered as 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).

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget in the Required Supplementary Information section of this report.

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 GWFS. The City uses enterprise funds to account for its Airport System, Combined Utility, and Convention and Entertainment. The City uses internal service funds to account for health benefits and long-term disability activities. Because both health benefits and long-term disability activities predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the GWFS.

Proprietary funds provide the same type of information as the GWFS, only in more detail. The proprietary fund financial statements provide separate information for the Airport System, Combined Utility, and Convention and Entertainment, all of which are 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 GWFS 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 GWFS 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 three defined benefit pension plans, and the two other post-employment benefits plans.

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 $10.3 billion at June 30, 2025.

The largest portion of the City's net position is net investment in capital assets of approximately $11.8 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 approximately $2.2 billion of the City's net position.

Net Position
June 30, 2025 and 2024
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 3,137,855	$ 3,029,987	$ 5,189,751	$ 5,437,447	$ 8,327,606	$ 8,467,434
Capital assets	9,367,409	9,179,307	13,936,098	13,432,222	23,303,507	22,611,529
Total assets	12,505,264	12,209,294	19,125,849	18,869,669	31,631,113	31,078,963
Deferred outflows of resources	801,303	692,370	197,896	182,522	999,199	874,892
Long-term liabilities	7,152,997	6,846,154	10,611,221	11,298,472	17,764,218	18,144,626
Other liabilities	1,279,878	1,887,501	1,348,778	1,153,680	2,628,656	3,041,181
Total liabilities	8,432,875	8,733,655	11,959,999	12,452,152	20,392,874	21,185,807
Deferred inflows of resources	1,395,954	1,407,395	506,252	479,916	1,902,206	1,887,311
Net position						
Net investment in capital assets	7,442,613	7,181,929	4,355,649	3,634,135	11,798,262	10,816,064
Restricted	552,755	516,717	1,685,247	1,669,875	2,238,002	2,186,592
Unrestricted (deficit)	(4,517,630)	(4,938,032)	816,598	816,113	(3,701,032)	(4,121,919)
Total net position	$ 3,477,738	$ 2,760,614	$ 6,857,494	$ 6,120,123	$ 10,335,232	$ 8,880,737

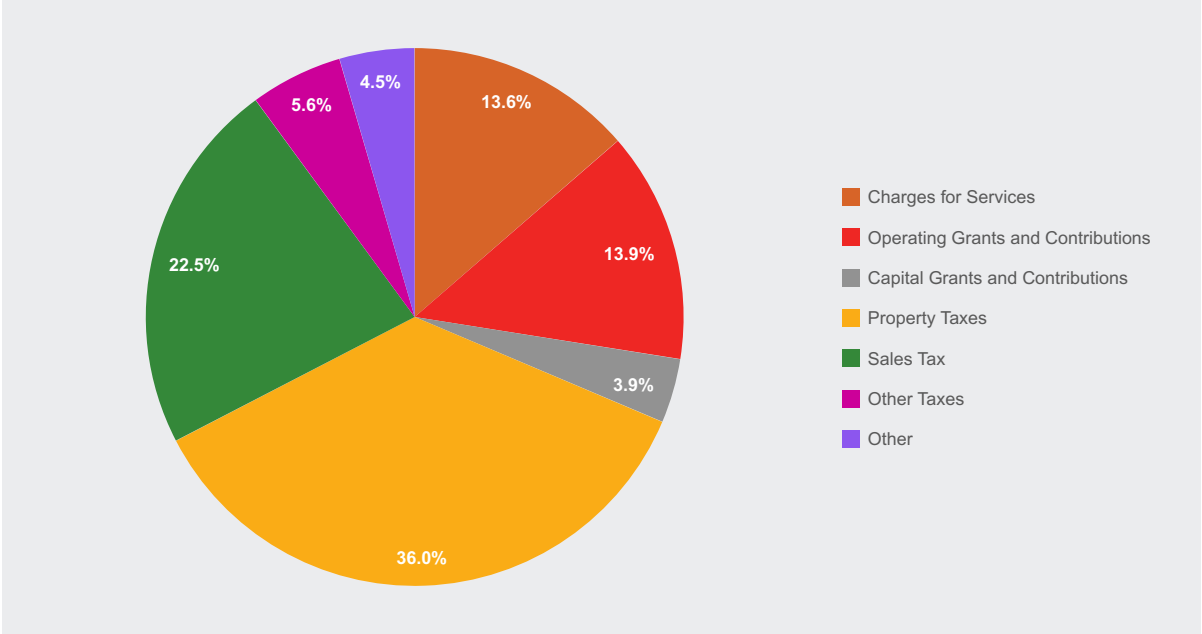
Change in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for services	$ 557,920	$ 531,275	$ 2,439,618	$ 2,371,827	$ 2,997,538	$ 2,903,102
Operating grants and contributions	568,334	784,657	16,143	60,890	584,477	845,547
Capital grants and contributions	158,073	180,043	138,082	202,425	296,155	382,468
General revenues:						
Property taxes	1,474,700	1,444,942	—	—	1,474,700	1,444,942
Sales taxes	922,372	884,144	—	—	922,372	884,144
Other taxes	227,664	223,179	111,192	106,344	338,856	329,523
Other	184,377	202,023	279,907	274,706	464,284	476,729
Total revenues	4,093,440	4,250,263	2,984,942	3,016,192	7,078,382	7,266,455
Expenses:						
General government	440,880	413,225	—	—	440,880	413,225
Public safety	1,674,270	2,095,652	—	—	1,674,270	2,095,652
Public works	548,201	475,511	—	—	548,201	475,511
Health	231,153	238,491	—	—	231,153	238,491
Housing and community development	78,230	187,931	—	—	78,230	187,931
Parks and recreation	137,184	103,538	—	—	137,184	103,538
Library	55,883	100,014	—	—	55,883	100,014
Interest on long-term debt	125,503	139,920	—	—	125,503	139,920
Depreciation and amortization	182,379	181,190	—	—	182,379	181,190
Airport System	—	—	810,166	708,221	810,166	708,221
Convention & Entertainment Facilities	—	—	121,127	116,276	121,127	116,276
Combined Utility System	—	—	1,218,911	1,218,355	1,218,911	1,218,355
Total expenses	3,473,683	3,935,472	2,150,204	2,042,852	5,623,887	5,978,324
Change in net position before contributions, special items and transfers	619,757	314,791	834,738	973,340	1,454,495	1,288,131
Transfers	97,367	42,543	(97,367)	(42,543)	—	—
Change in net position	717,124	357,334	737,371	930,797	1,454,495	1,288,131
Beginning net position, July 1	2,760,614	2,403,280	6,120,123	5,189,326	8,880,737	7,592,606
Net position, June 30	$ 3,477,738	$ 2,760,614	$ 6,857,494	$ 6,120,123	$ 10,335,232	$ 8,880,737

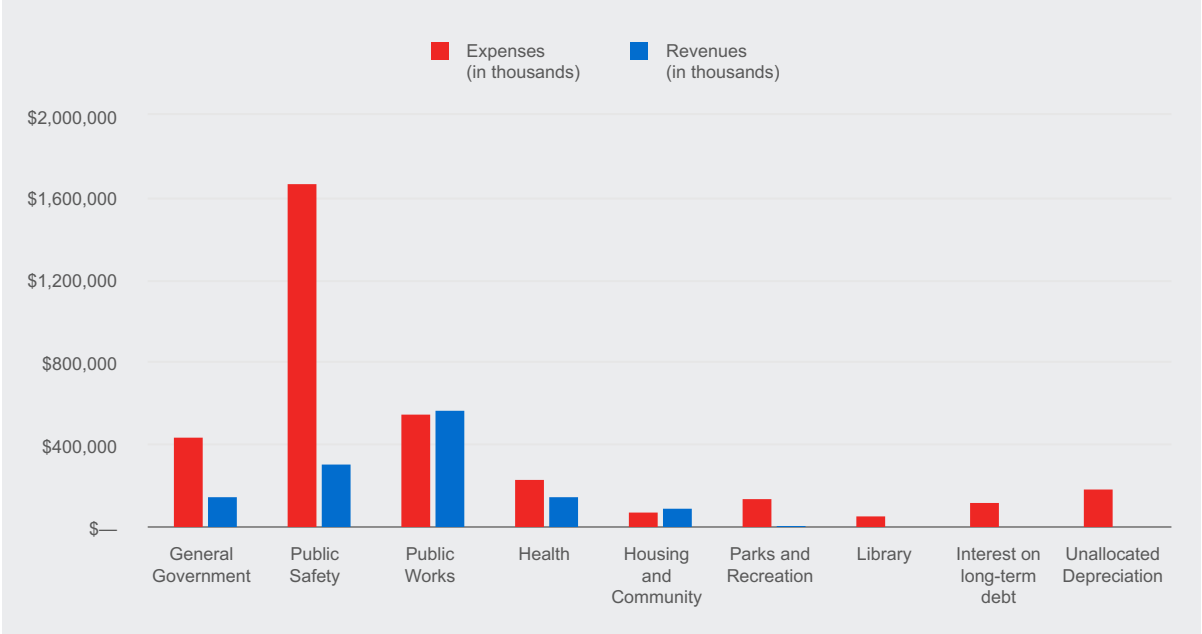
Governmental activities. Governmental activities increased the City's net position from FY2024 by approximately $717.1 million. The key elements of this change are as follows:

- Charges for services increased by approximately $26.6 million primarily due to an increase in ambulance fees.
- Operating grants and contributions decreased by approximately $216.3 million, or 27.6%, from $784.7 million in FY2024 to $568.3 million in FY2025. The decrease is primarily attributable to a lower level of revenue-loss reimbursements under the American Rescue Plan Act ("ARPA").
- Sales tax revenue for FY2025 increased by approximately $38.2 million, supported by steady economic activity throughout the year.
- Total expenses decreased by approximately $461.8 million mainly driven by lower claims and judgments related to a settlement agreement reached with Houston Professional Fire Fighters' Association in FY2024. For more details on the settlement, refer to Note 13.A of the financial statements.

FY2025 Governmental Activities – Revenue by Source

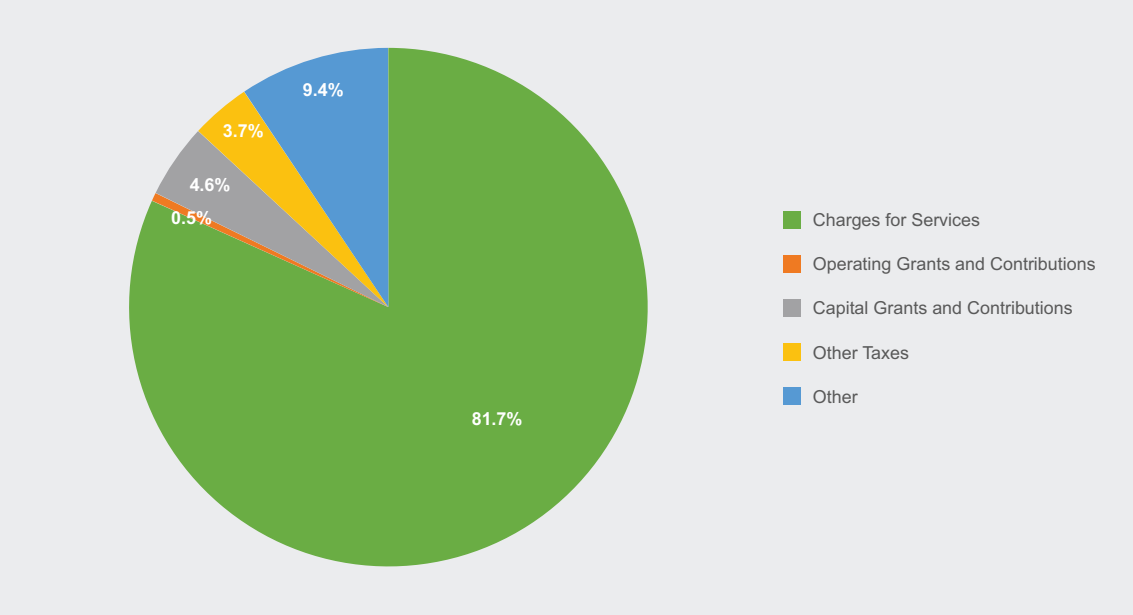


FY2025 Governmental Activities – Program Revenues and Expenses

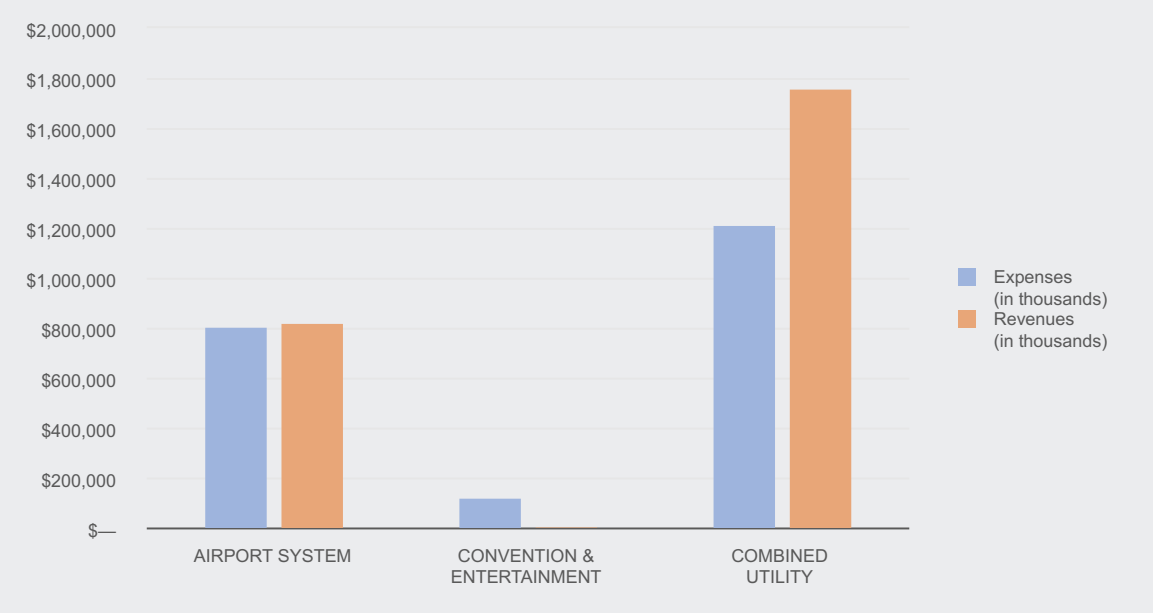


Business-type activities. Change in net position totaled $737.4 million for the City's business-type activities in FY2025. Total net position increased from $6.1 billion at the end of FY2024 to $6.9 billion at the end of FY2025. Of the $6.9 billion total net position, the Airport System accounted for approximately 32.9%, or $2.3 billion, while the Combined Utility accounted for approximately 65.2%, or $4.5 billion, of the total, the remaining 1.9% of total net position is for the Convention & Entertainment.

FY2025 Business-Type Activities – Revenue by Source



FY2025 Business-Type Activities – Program Revenues & Expenses



Key elements of this change are as follows:

- The Airport System's operating revenues increased by approximately $42.6 million, or 7.2%, to $638.2 million in FY2025 mainly due to increases in revenue from terminal space and other rentals and airport parking of $21.4 million and $10.7 million, respectively. The increases were mainly attributable to rate increases that became effective during FY2025. In addition, total number of passengers increased from 62.0 million in FY2024 to 62.3 million in FY2025. Nonoperating revenue, grants received under ARPA, decreased by $46.7 million due to the expiration of ARPA grants in FY2024 as the Airport System received the final reimbursement from the Federal Aviation Administration ("FAA"). Capital contributions increased by $41.1 million mainly due to fundings received from the FAA for eligible expenditures under the Airport Terminals Program and the Airport Infrastructure Grants authorized under the Infrastructure Investment and Jobs Act. Operating expenses totaled approximately $691.2 million in FY2025, an increase of $83.3 million from $607.9 million in FY2024. The increase in operating expenses was primarily due to an increase of $73.0 million in professional services and other operating costs for ongoing redevelopment and maintenance programs at both Intercontinental Airport and Hobby Airport and an increase of $12.1 million in depreciation expense due to an increase of $591.0 million in depreciable and amortizable capital assets from $5.99 billion in FY2024 to $6.58 billion in FY2025.
- The Convention & Entertainment's maintenance and operating expenses increased by $4.1 million from $96.6 million in FY 2024 to $100.7 million in FY 2025. Hotel occupancy tax revenue for the Convention & Entertainment increased from $106.3 million in FY2024 to $111.2 million in FY2025, a $4.8 million or 4.6% increase, due to a 2.0% increase in average daily rate in FY2025 from $120.39/night to $122.83/night offsetting a 7.9% decrease in occupancy rates from 70.8% to 62.9%.
- The Combined Utility's operating revenues increased by approximately $25.0 million, or 1.5%, in FY2025 compared to FY2024. This increase was mainly due to the rate increases implemented in April 2024 and April 2025 per rate study completed in fiscal year 2021. Operating expenses increased by approximately $14.5 million, or 1.5%, primarily attributable to an increase of $38.1 million in depreciation and amortization for fixed assets placed in service offset by a decrease of $23.6 million in maintenance and operating expenses in FY2025.
- Investment income for business-type activities increased by $10.7 million from $189.1 million in FY2024 to $199.8 million in FY2025. This is mainly due to higher interest income as a result of higher interest rates.

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 FY2025, the City's governmental funds reported combined ending fund balances of approximately $2.0 billion. Approximately 26.8% of this total, or $527.1 million, constitutes unassigned fund balance, which is available for spending at the government's discretion. Additionally, $200.7 million, or 10.2%, is set aside to indicate that it is not available for new spending because it has already been assigned for capital expenditures; $238.8 million, or 12.1%, is restricted to pay debt service; and the remainder of $1.0 billion is restricted for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of FY2025, unassigned fund balance of the general fund was $527.1 million, while the total fund balance reached $576.5 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 approximately 16.0% of total general fund expenditures, while total fund balance represents 17.5% of that same amount. Revenues decreased by approximately $58.2 million, or 2.2%, while expenditures and other financing sources (uses) increased by approximately $798.9 million or 32.0% and $722.6 million or 1116.1%, respectively.

Key differences in the general fund activity between FY2025 and FY2024 are as follows:

- Property tax revenue increased by approximately $26.6 million, or 2.6%, to $1,040.0 million in FY2025 from $1,013.5 million in FY2024 due to increases in total market and appraised values compared to FY2024. In addition, the Proposition 1 cap on property tax, as described in Note 13 to the financial statements, increased primarily due to increases in Consumer Price Index in 2023 and 2024.
- Intergovernmental grants decreased by $143.7 million, or 65.4%, mainly due to a lower level of ARPA revenue-loss reimbursements.
- Sales tax revenue increased by $36.2 million, or 4.1%, due to steady economic activity throughout the year.
- Charges for services increased by $20.6 million, or 10.6%, primarily due to an increase in ambulance fee collections.

- Investment income increased by $2.2 million, or 6.6%, due to higher interest income earned on deposits and investments as well as lower fair value adjustments/loss on investments.
- Expenditures for Public Safety increased by approximately $754.4 million, or 45.6%, primarily driven by $658.4 million in costs associated with the firefighter settlement, as well as contractual base-salary increases of $27.2 million for Fire and $22.2 million for Police.
- Expenditures for Public Works increased by approximately $7.4 million, or 3.2%, driven by higher infrastructure maintenance costs of $6.0 million and increased refuse disposal costs of $6.2 million. These increases were partially offset by lower utility and building maintenance costs of $5.1 million.
- Park and Recreation Department's expenditures increased by approximately $5.5 million, or 6.1%, mainly due to more construction projects being completed and added as capital assets during the year.
- Capital Outlays increased by approximately $16.7 million or 25.6% mainly due to higher spending on construction-in-progress, increased vehicle acquisitions, greater low-value asset replacements, and higher computer equipment costs.
- Debt service principal increased by approximately $3.7 million or 13.6% mainly due to principal payments related to equipment purchased for Public Safety.

Debt service expenditures (principal and interest) for the debt service fund increased by $94.7 million, or 25.8%. In addition, proceeds from issuance of debt totaled $135.2 million in FY2025, all of which were from the general obligation bonds.

The capital projects fund, which is used for the acquisition and/or construction of capital facilities by the City (except those financed by the three enterprise funds), has a fund balance of $224.0 million as compared to $184.1 million a year ago. Intergovernmental grants decreased by $4.3 million, or 6.9%, primarily due to decreases in grants received from the Metropolitan Transit Authority. Investment income increased by $1.4 million, or 8.7%, compared to FY2024 due to an increase in interest rates on a higher cash and investments balance from $498.5 million in FY2024 to $514.4 million in FY2025. Capital outlay increased by $29.8 million, or 11.0%, primarily due to a $57.1 million increase in construction activities across Police, Fire, Parks, Health, and General Government. This growth was partially offset by a $30 million decline in equipment purchases and construction activities within Houston Public Works and the Library.

The grants fund, which is used to account for grant resources received from various local, state, and federal agencies and organizations, has a fund balance of $112.5 million at June 30, 2025, a 37.9%, decrease from $169.6 million at the June 30, 2024. Grant revenues decreased by $101.0 million, or 22.7%, to approximately $343.7 million in FY2025. The decrease was largely driven by reduced ARPA and COVID-19-related operational activity within the Health and Housing departments. Expenditures totaled approximately $425.3 million, a decrease of $50.1 million, or 10.5%, compared to FY2024. Housing and Community Development and the Houston Health Department recorded the largest expenditure decreases compared to FY2024, with reductions of totaling approximately $129.5 million. The decrease was offset by an increase of $77.4 million in Public Works' disaster recovery grant expenditures compared to FY2024.

Tax revenues reported in Nonmajor Governmental Funds. In FY2025, two sub-funds of the Other Special Revenue Fund, reported collections of incremental property taxes, sales tax, and mixed beverage tax totaling approximately $45.8 million. These collections are considered as special revenues and are restricted for two of the Tax Increment Reinvestment Zones ("TIRZs"), which are to be set up as separate legal entities in the future similar to other TIRZs, which are discretely presented component units of the City. See Note 1 for a list of discretely presented component units and Note 5 regarding TIRZs.

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

At June 30, 2025, the Airport System, Convention and Entertainment, and Combined Utility had an unrestricted net position (deficit) of $(64.9) million, $27.7 million, and $853.8 million, respectively. Major factors concerning the finances and change in net position of these funds are addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Total revenues were above the final budget by approximately $87.2 million. This difference was primarily driven by $25.9 million in Sales Tax receipts due to continued economic improvement, $25.7 million in Intergovernmental grants due to reimbursement from Metro for traffic enforcement services, $25.5 million in charges for services mainly driven by higher ambulance fees. Additionally, interest income from deposits and investments increased by $9.5 million. These gains are partially offset by an $6.6 million decline in property tax revenue, attributed to slower assessed property value growth in FY2025 or tax year 2024. The details of the more significant variances are summarized below:

- $6.6 million below budget in property tax
- $3.2 million above budget in Industrial Assessments
- $25.9 million above budget in sales taxes
- $22.6 million above budget in ambulance services
- $25.7 million above budget in intergovernmental grants
- $9.5 million above budget in interest income
- $1.9 million above budget in other income

Total expenditures for the General Fund were $47.1 million below the final expenditure budget, primarily driven by savings in personnel, supplies, and services. Personnel costs were approximately $11.7 million under the budgeted amount, and other departmental expenditures were approximately $15.1 million under the budgeted amount. Lower personnel costs were mainly due to many open positions still to be filled at the end of FY2025. The details of the more significant variances are highlighted below:

- $9.8 million under budget in general government
- $19.9 million under budget in public safety
- $2.6 million under budget in parks and recreation
- $0.9 million under budget in library
- $11.7 million under budget in other expenses
- $2.7 million over budget in public works

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets, net of accumulated depreciation and amortization, for its governmental and business-type activities as of June 30, 2025, totaled approximately $23.3 billion. This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges. The City's capital assets, net, increased by more than $692.0 million in FY2025.

Capital Assets
June 30, 2025
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land and right of way	$ 2,468,676	$ 2,459,900	$ 545,178	$ 507,008	$ 3,013,854	$ 2,966,908
Buildings, improvements and equipment	3,401,174	3,255,115	6,971,483	6,396,840	10,372,657	9,651,955
Construction in progress	1,195,640	992,680	2,595,597	3,715,644	3,791,237	4,708,324
Water rights	—	—	873,563	847,142	873,563	847,142
Garage rights	—	—	13,144	13,144	13,144	13,144
Intangibles	34,205	29,959	21,750	21,750	55,955	51,709
Infrastructure assets	8,825,569	8,696,849	14,773,821	13,295,927	23,599,390	21,992,776
Lease right-of-use assets	70,712	69,293	103	295	70,815	69,588
Subscription right-of-use assets	75,808	77,543	5,362	5,362	81,170	82,905
Less accumulated depreciation and amortization	(6,704,375)	(6,402,032)	(11,863,903)	(11,370,890)	(18,568,278)	(17,772,922)
Total	$ 9,367,409	$ 9,179,307	$ 13,936,098	$ 13,432,222	$ 23,303,507	$ 22,611,529

Major capital asset events during FY2025 included the following:

- Governmental fund activities recorded a total of $565.0 million additions to capital assets. Of the $565.0 million, more than $374.5 million was added to construction in progress for drainage, roads, and other projects. In addition, the City continued to work on various projects related to disaster recoveries during FY2025. Construction in progress, after placing a total of $171.5 million of assets in service, totaled approximately $1.2 billion as of June 30, 2025.
- Business-type activities had approximately $1.0 billion of additions to capital assets during FY2025.
  - The Airport System added approximately $383.2 million of capital assets during FY2025, with $374.4 million to construction in progress. Majority of the additions to construction in progress is related to the Airport System's IAH Terminal Redevelopment Program at Intercontinental Airport and gate expansion at Hobby Airport. At June 30, 2025, the Airport System had approximately $907.9 million in construction in progress.
  - The Combined Utility added approximately $650.6 million of capital assets during FY2025. Construction in progress decreased from $2.6 billion at the end of FY2024 to $1.7 billion at the end of FY2025. Of the $574.0 million additions in construction in progress, approximately $107.2 million was related to the North East Water Purification Plant project, $112.2 million was related to the Lift Station Renewal and Replacement project, $130.0 million was related to the Wastewater Collection System Rehabilitation, as well as $26.3 million in Wastewater Purification Plant Improvements. In addition, various water and sewer projects were placed in service during the year, resulting in transfers totaling $1.5 billion from construction in progress to infrastructure and other capital assets.

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

Long-term debt: The City's total debt remained stable in FY2025. At the end of FY2025, the City had a total of $14.2 billion bonded debt and other long-term debt outstanding. The two largest portions of this total consisted of approximately $9.6 billion of revenue bonds payable from the three enterprise funds' revenues and $2.5 billion debt backed by the full faith and credit of the government. The remainder of the City's debt represents various long-term contracts, leases, SBITA, and $1.4 billion in pension bonds.

New debt issued during FY2025 included $904.2 million borrowings from public improvement bonds, general obligation bonds, and commercial paper, $144.5 million from Convention and Entertainment debt, and $25.0 million from the Combined Utility System long-term contracts. The proceeds from the issuance of public improvement bonds, commercial paper, and Convention and Entertainment debt were used for construction and various capital projects/purchases. The proceeds from the issuance of general obligation bonds were used to refund the Houston Professional Fire Fighters' Association settlement as discussed in Note 8 and 13 to the financial statements.

Subsequent to June 30, 2025, the City issued $284.5 million of Public Improvement Refunding Bonds, Series 2025, and $699.8 million Airport System Subordinate Lien Bonds, Series 2025A and Series 2025B. See Note 16 - Subsequent Events - to the financial statements for additional details.

Outstanding Debt
June 30, 2025
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
General obligation bonds and commercial paper	$ 2,471,177	$ 1,899,368	$ 26,417	$ —	$ 2,497,594	$ 1,899,368
Pension bonds	1,285,819	1,318,489	81,551	85,982	1,367,370	1,404,471
Special facility bonds	—	—	34,015	43,645	34,015	43,645
Revenue bonds	—	—	9,620,298	10,150,078	9,620,298	10,150,078
Notes and long-term contracts payable	59,343	68,191	511,201	419,956	570,544	488,147
Lease and subscription liabilities	80,914	105,551	1,341	2,482	82,255	108,033
Total	$ 3,897,253	$ 3,391,599	$ 10,274,823	$ 10,702,143	$ 14,172,076	$ 14,093,742

Standard & Poor's, Moody's, Fitch and Kroll underlying ratings of the City's obligations as of June 30, 2025, are as follows:

	Standard & Poor's	Moody's	Fitch	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 - Senior Lien	AA-	Aa3	N/R	N/R
Houston Airport System-Subordinate Lien	A+	A1	A+	AA-
Houston Airport System-CRCF Special Facility	A	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. At June 30, 2025, total assessed valuation is approximately $431.4 billion, and therefore, the City's debt limit is $43.1 billion. The City's outstanding general obligation debt of $3.5 billion as of June 30, 2025, is well below the current debt limitation.

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

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the Houston-The Woodlands-Sugarland Metropolitan Statistical Area decreased to 4.3% as of June 2025 compared to 4.7% as of June 2024 according to the U.S. Bureau of Labor Statistics. As of July 2025, the unemployment rate rose to 4.5% compared to June 2025.

Highlights of the fiscal year 2026 General Fund budget are as follows:

- The property tax rate remained flat at 51.9190 cents per $100 of valuation in fiscal year 2026 ("FY2026"), unchanged from the 51.9190 cents for FY2025. While assessed property values increased for FY2026, due to the Proposition 1 restriction discussed in Note 13.A, property tax revenues cannot exceed the limit of $1,451,766 thousand.
- Budgeted sales tax revenue increased to $902.3 million in FY2026. The budgeted amount for FY2026 is mainly based on estimated amounts earned in FY2025 and assumes a 1.0% increase from FY2025. Sales tax receipts continue to show steady growth, reflecting ongoing economic activity and consumer spending strength.
- Total expenditures and other uses decreased by approximately $59.9 million to $3.0 billion in FY2026, primarily due to department budget reductions and savings from the voluntary employee retirement option. These savings were partially offset by contractual pay increases including 10.0% for police officers, 3.0% for firefighters, and 3.5% for municipal employees.
- Public safety remains a top priority of the City, representing $1.8 billion or 71.0% of the total general fund expenditures, excluding debt service and other pay-as-you-go expenditures.

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.

STATEMENT OF NET POSITION
June 30, 2025
(amounts expressed in thousands)

	Primary Government			Discrete Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental	Business-type
Assets					
Cash and cash equivalents (Note 3A)	$ 695,209	$ 582,919	$ 1,278,128	$ 324,635	$ 50,657
Investments (Note 3A)	1,420,634	1,802,944	3,223,578	394,462	56,790
Receivables, net of allowances					
Accounts receivable	187,427	352,714	540,141	45,275	14,089
Hotel occupancy tax receivable	—	27,438	27,438	803	—
Property taxes receivable	84,223	—	84,223	15,581	—
Sales taxes receivable	158,358	—	158,358	—	—
Mixed beverage taxes receivable	4,091	—	4,091	—	—
Franchise taxes receivable	7,688	—	7,688	—	—
Special assessments receivable	8,278	—	8,278	26	—
Accrued interest and other	—	—	—	1,317	1,088
Due from component units	—	105,241	105,241	—	—
Internal balances	45,312	(45,312)	—	—	—
Due from other governments	362,216	291,888	654,104	6,305	—
Inventory	26,221	28,445	54,666	—	—
Prepaid items	3,672	28,496	32,168	5,198	6,477
Notes receivable	99,557	—	99,557	—	—
Restricted:					
Cash and cash equivalents (Note 3A)	—	274,851	274,851	—	18,205
Investments (Note 3A)	—	1,176,397	1,176,397	101,175	99,054
Receivables and deposits	—	21,070	21,070	1,758	109,890
Due from component units, noncurrent	—	200,318	200,318	—	—
Property held for sale	—	—	—	24,285	—
Amounts held by other governments	—	16,873	16,873	—	—
Lease receivable	34,969	325,469	360,438	—	52,541
Due from primary government	—	—	—	24,291	—
Capital assets:					
Land and right-of-way	2,468,676	545,178	3,013,854	166,206	46,677
Buildings	1,537,981	4,473,364	6,011,345	281,552	1,142,189
Improvements and equipment	1,863,193	2,498,119	4,361,312	—	—
Construction in progress	1,195,640	2,595,597	3,791,237	39,486	34,860
Water rights	—	873,563	873,563	—	—
Garage rights	—	13,144	13,144	—	—
Rights and intangibles	34,205	21,750	55,955	—	—
Infrastructure assets	8,825,569	14,773,821	23,599,390	—	—
Lease right-of-use assets	70,712	103	70,815	836	17,100
Subscription right-of-use assets	75,808	5,362	81,170	—	—
Less accumulated depreciation and amortization	(6,704,375)	(11,863,903)	(18,568,278)	(73,392)	(418,421)
Total assets	12,505,264	19,125,849	31,631,113	1,359,799	1,231,196
Deferred outflows of resources					
Deferred outflows of resources	801,303	197,896	999,199	1,184	23,636
Total deferred outflows of resources	$ 801,303	$ 197,896	$ 999,199	$ 1,184	$ 23,636

(Continued)

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

STATEMENT OF NET POSITION

June 30, 2025

(amounts expressed in thousands)

	Primary Government			Discrete Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental	Business-type
Liabilities					
Accounts payable and accrued liabilities	$ 312,166	$ 271,630	$ 583,796	$ 65,669	$ 37,422
Accrued payroll liabilities	65,220	8,867	74,087	126	2,862
Cost of issuance	—	515	515	—	—
Accrued interest payable	52,819	94,270	147,089	10,019	18,941
Due to other governments	33,333	72,648	105,981	32,324	—
Other liabilities	—	—	—	—	2,902
Advances and deposits	4,995	77,237	82,232	33	—
Unearned revenue	332,948	26,643	359,591	21,301	5,009
Due to component units	—	36,855	36,855	—	—
Due to primary government	—	—	—	—	13,612
Contracts and retainages payable	—	161,193	161,193	2,397	6,000
Non-current liabilities					
Due within one year					
Notes payable	7,235	78,766	86,001	13,780	50,915
Bonds payable	157,871	467,281	625,152	58,537	—
Claims and judgments	70,084	2,097	72,181	—	—
Commercial paper	45,000	—	45,000	—	—
Compensated absences	100,389	12,696	113,085	33	—
Contracts payable - debt current maturities	—	14,958	14,958	—	—
Lease liability	6,756	4	6,760	1,740	2,848
Subscription liability	6,856	109	6,965	—	—
Special facility bonds payable	—	10,445	10,445	—	—
Arbitrage rebate liability	3	1,743	1,746	—	—
Other post employment benefits liability	48,506	6,068	54,574	—	—
Pension bonds payable	35,697	4,753	40,450	—	—
Due in more than one year					
Notes payable	52,108	11,075	63,183	77,956	408,634
Bonds payable	2,143,306	9,179,434	11,322,740	775,271	—
Claims and judgments	148,973	9,069	158,042	—	—
Compensated absences	525,276	22,411	547,687	3,019	—
Contracts payable	—	406,402	406,402	—	—
Special facility bonds payable	—	23,570	23,570	—	—
Commercial paper	125,000	—	125,000	—	—
Due to other governments	—	22,884	22,884	—	—
Unearned revenue	—	179,352	179,352	—	5,833
Lease liability	55,003	4	55,007	47,551	3,252
Subscription liability	12,299	1,224	13,523	566	—
Arbitrage rebate liability	1,840	10,718	12,558	—	—
Accrued interest payable	—	67,075	67,075	—	—
Other liabilities	—	—	—	36,823	24,440
SWAP liability	—	59,725	59,725	—	—
Pension obligation bonds payable	1,250,122	76,798	1,326,920	—	—
Other post employment benefits liability	1,513,275	183,845	1,697,120	—	—
Municipal net pension liability	823,611	357,635	1,181,246	—	31,266
Firefighter's net pension liability	1,272	—	1,272	—	—
Police officers' net pension liability	500,912	—	500,912	—	—
Total liabilities	8,432,875	11,959,999	20,392,874	1,147,145	613,936
Deferred inflows of resources					
Deferred inflows of resources	1,395,954	506,252	1,902,206	2,973	70,246
Total deferred inflows of resources	1,395,954	506,252	1,902,206	2,973	70,246
Net position					
Net investment in capital assets	7,442,613	4,355,649	11,798,262	276,610	452,703
Restricted net position					
Restricted for debt service	158,334	646,446	804,780	94,512	8,290
Restricted for renewal and replacement	—	10,000	10,000	—	—
Restricted for maintenance and operations	—	226,817	226,817	1,444	—
Restricted for special facility	—	70,128	70,128	—	—
Restricted for capital improvement	200,686	731,856	932,542	29,573	—
Restricted for federal and state grant and other programs	193,735	—	193,735	138,960	25,180
Unrestricted (deficit)	(4,517,630)	816,598	(3,701,032)	(330,234)	84,477
Total net position (deficit)	$ 3,477,738	$ 6,857,494	$ 10,335,232	$ 210,865	$ 570,650

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 440,880	$ 73,070	$ 79,648	$ —
Public safety	1,674,270	208,241	96,651	—
Public works	548,201	238,407	169,643	158,073
Health	231,153	24,796	122,540	—
Housing and community development	78,230	20	95,506	—
Parks and recreation	137,184	11,629	1,767	—
Library	55,883	1,757	2,579	—
Interest on long-term debt	125,503	—	—	—
Unallocated depreciation expense	182,379	—	—	—
Total governmental activities	3,473,683	557,920	568,334	158,073
Business-type activities				
Airport System	810,166	772,908	—	47,581
Convention & Entertainment Facilities	121,127	11,141	—	—
Combined Utility System	1,218,911	1,655,569	16,143	90,501
Total business-type activities	2,150,204	2,439,618	16,143	138,082
Total primary government	$ 5,623,887	$ 2,997,538	$ 584,477	$ 296,155
Component Units				
Governmental	$ 347,880	$ 17,980	$ 55,559	$ 4,639
Business-type	361,408	247,488	103,054	—
Total component units activities	$ 709,288	$ 265,468	$ 158,613	$ 4,639

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 income
Other
Transfers
Total general revenues and transfers
Change in net position
Net position beginning, as previously reported
Change to or within the financial reporting entity
Change in accounting principle
Error correction
Net position, beginning, as restated
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
$ (288,162)	$ —	$ (288,162)	$ —	$ —
(1,369,378)	—	(1,369,378)	—	—
17,922	—	17,922	—	—
(83,817)	—	(83,817)	—	—
17,296	—	17,296	—	—
(123,788)	—	(123,788)	—	—
(51,547)	—	(51,547)	—	—
(125,503)	—	(125,503)	—	—
(182,379)	—	(182,379)	—	—
(2,189,356)	—	(2,189,356)	—	—
—	10,323	10,323	—	—
—	(109,986)	(109,986)	—	—
—	543,302	543,302	—	—
—	443,639	443,639	—	—
(2,189,356)	443,639	(1,745,717)	—	—
—	—	—	(269,702)	—
—	—	—	—	(10,866)
—	—	—	(269,702)	(10,866)
1,093,840	—	1,093,840	257,122	—
380,860	—	380,860	—	—
30,456	—	30,456	—	—
922,372	—	922,372	—	—
151,630	—	151,630	—	—
23,800	—	23,800	—	—
21,778	111,192	132,970	22,734	—
116,784	199,845	316,629	27,337	15,159
67,593	80,062	147,655	7,241	14,218
97,367	(97,367)	—	—	—
2,906,480	293,732	3,200,212	314,434	29,377
717,124	737,371	1,454,495	44,732	18,511
2,760,614	6,120,123	8,880,737	168,049	552,139
—	—	—	(588)	—
—	—	—	(1,115)	—
—	—	—	(213)	—
2,760,614	6,120,123	8,880,737	166,133	552,139
$ 3,477,738	$ 6,857,494	$ 10,335,232	$ 210,865	$ 570,650

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

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025
(amounts expressed in thousands)

	General	Debt Service	Capital Projects
Assets			
Cash and cash equivalents	$ 248,522	$ 62,692	$ 101,467
Investments	175,174	174,926	412,936
Receivables, net of allowances			
Accounts receivable	152,145	—	1
Property taxes receivable	84,223	—	—
Sales taxes receivable	158,358	—	—
Mixed beverage taxes receivable	4,091	—	—
Franchise taxes receivable	7,688	—	—
Special assessments receivable	8,278	—	—
Lease receivable	34,969	—	—
Due from other funds	120,442	1,248	12,151
Due from other governments	60,461	—	8,846
Inventory	22,275	—	—
Prepaid items	3,350	—	322
Notes receivable	—	—	—
Total assets	$ 1,079,976	$ 238,866	$ 535,723
Liabilities and fund balance			
Liabilities			
Accounts payable	$ 173,068	$ 62	$ 60,088
Accrued payroll liabilities	59,112	—	—
Due to other funds	25,965	—	31,101
Due to other governments	7,762	—	10,827
Advances and deposits	1,485	—	—
Claims and judgments	2,384	—	—
Unearned revenue	—	—	209,661
Total liabilities	269,776	62	311,677
Deferred inflows of resources			
Deferred inflows of resources	233,750	—	—
Total deferred inflows of resources	233,750	—	—
Fund balances			
Non-spendable			
Prepaids	3,350	—	322
Inventory	22,275	—	—
Restricted	2,311	238,804	23,038
Committed	21,369	—	—
Assigned	—	—	200,686
Unassigned	527,145	—	—
Total fund balances	576,450	238,804	224,046
Total liabilities, deferred inflows of resources, and fund balances	$ 1,079,976	$ 238,866	$ 535,723

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

Grants	Nonmajor Governmental Funds	Total
$ 96,456	$ 163,534	$ 672,671
—	569,264	1,332,300
7,617	27,662	187,425
—	—	84,223
—	—	158,358
—	—	4,091
—	—	7,688
—	—	8,278
—	—	34,969
11,962	8,823	154,626
176,989	115,906	362,202
794	3,152	26,221
—	—	3,672
95,685	3,872	99,557
$ 389,503	$ 892,213	$ 3,136,281
$ 48,394	$ 23,928	$ 305,540
2,035	3,982	65,129
33,333	15,902	106,301
5,973	8,771	33,333
272	3,238	4,995
—	—	2,384
120,773	—	330,434
210,780	55,821	848,116
66,181	18,025	317,956
66,181	18,025	317,956
—	—	3,672
794	3,152	26,221
111,748	704,839	1,080,740
—	110,376	131,745
—	—	200,686
—	—	527,145
112,542	818,367	1,970,209
$ 389,503	$ 892,213	

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.	9,367,409
2. Revenues earned but not available are not recognized as revenues on the fund financial statements.	215,285
3. Deferred inflows and outflows related to debt and pension and OPEB plans are not recognized on the fund financial statements.	(491,979)
4. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Capital assets are included in number 1 above.	50,416
5. Liabilities, including bonds payable, not due and payable in the current period are not reported in the funds.	(7,633,602)
Net position of governmental activities	$ 3,477,738

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025
(amounts expressed in thousands)

	General	Debt Service	Capital Projects
Revenues			
Taxes and assessments	$ 2,186,376	$ 380,860	$ —
Licenses and permits	36,705	—	—
Charges for services	213,762	—	—
Intergovernmental - grants	75,968	—	57,792
Fines and forfeitures	20,456	—	—
Investment income	34,969	10,030	18,112
Other	17,082	1,791	7,415
Total revenues	2,585,318	392,681	83,319
Expenditures			
Current			
General government	332,108	—	—
Public safety	2,407,397	—	8,583
Public works	238,083	—	2,709
Health	53,899	—	457
Housing and community development	613	—	3,011
Parks and recreation	95,452	—	1,933
Library	52,396	—	467
Capital outlay	82,046	—	300,445
Debt Service			
Debt service principal	30,904	309,621	—
Debt service interest	4,394	151,843	—
Debt service fiscal agent & fees	—	6,454	—
Total expenditures	3,297,292	467,918	317,605
Excess (deficiency) of revenues over (under) expenditures	(711,974)	(75,237)	(234,286)
Other financing sources (uses)			
Issuance of debt	642,253	125,423	111,600
Issuance of debt for leases and SBITA	4,038	—	—
Premium on the sale of refunding bonds	48,005	9,804	—
Sale of capital assets	43,965	—	—
Transfers in	117,751	24,579	162,636
Transfers out	(198,201)	—	—
Payment to escrow agent for refunded bonds	—	(40,300)	—
Total other financing sources (uses)	657,811	119,506	274,236
Changes in fund balance	(54,163)	44,269	39,950
Fund balances, July 1	630,613	194,535	184,096
Change to or within the financial reporting entity	—	—	—
Fund balances, July 1, as restated	630,613	194,535	184,096
Fund balances, June 30	$ 576,450	$ 238,804	$ 224,046

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

ARPA Fiscal Recovery Fund	Grants	Nonmajor Governmental Funds	Total
$ —	$ —	$ 46,267	$ 2,613,503
—	—	87,825	124,530
—	—	179,245	393,007
—	343,680	148,995	626,435
—	—	11,784	32,240
—	12,899	35,226	111,236
—	49	53,671	80,008
—	356,628	563,013	3,980,959
—	21,222	96,961	450,291
—	54,361	55,618	2,525,959
—	124,180	198,604	563,576
—	118,084	57,893	230,333
—	71,359	578	75,561
—	1,834	12,290	111,509
—	2,575	—	55,438
—	26,063	51,671	460,225
—	5,007	—	345,532
—	638	—	156,875
—	—	520	6,974
—	425,323	474,135	4,982,273
—	(68,695)	88,878	(1,001,314)
—	—	—	879,276
—	—	—	4,038
—	—	—	57,809
—	—	—	43,965
—	—	161,911	466,877
—	—	(171,309)	(369,510)
—	—	—	(40,300)
—	—	(9,398)	1,042,155
—	(68,695)	79,480	40,841
11,662	169,575	738,887	1,929,368
(11,662)	11,662	—	—
—	181,237	738,887	1,929,368
$ —	$ 112,542	$ 818,367	$ 1,970,209

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

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, 2025
(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$ 40,841
Amounts reported for governmental activities in the statement of activities are different because:		
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 capital outlay exceeds depreciation in the current year.		
Expenditures for capital assets	$ 464,755	
Donated capital assets	100,281	
Less: current year depreciation	(363,095)	
Less: current year deletions	(13,603)	
		188,338
Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.		215,285
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.		(208,630)
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, where as 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.		(511,560)
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.		986,108
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.		6,742
Change in net position of governmental activities		$ 717,124

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

CITY OF HOUSTON, TEXAS

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PROPRIETARY FUNDS
Statement of Net Position
June 30, 2025
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Airport System	Convention & Entertainment	Combined Utility	Total	Internal Service Funds
Assets					
Current Assets					
Cash and cash equivalents	$ 142,135	$ 18,993	$ 421,791	$ 582,919	$ 22,538
Investments	53,076	55,012	1,577,997	1,686,085	88,334
Receivables, net of allowances					
Accounts receivable	28,641	67	324,006	352,714	2
Hotel occupancy tax receivable	—	27,438	—	27,438	—
Due from component units	—	105,241	—	105,241	—
Due from other funds	38	—	59	97	1
Due from other governments	50,712	—	3,500	54,212	14
Inventory	2,182	—	26,263	28,445	—
Prepaid items	9,844	—	16,915	26,759	—
Lease receivable	14,480	1,508	—	15,988	—
Restricted assets					
Cash and cash equivalents	274,789	—	62	274,851	—
Restricted accounts receivable	21,070	—	—	21,070	—
Investments	76,979	—	—	76,979	—
Total current assets	673,946	208,259	2,370,593	3,252,798	110,889
Noncurrent Assets					
Investments	9,737	36,062	71,060	116,859	—
Due from component units	—	200,318	—	200,318	—
Prepaid items	1,737	—	—	1,737	—
Lease receivable	308,683	798	—	309,481	—
Due from other governments	—	—	237,676	237,676	—
Amounts held by other governments	—	—	16,873	16,873	—
Restricted assets					
Investments	1,099,418	—	—	1,099,418	—
Capital assets					
Land	216,315	93,860	235,003	545,178	—
Buildings	3,683,457	566,148	223,759	4,473,364	2,379
Improvements and equipment	2,267,046	8,286	222,787	2,498,119	—
Infrastructure	623,267	334	14,150,220	14,773,821	—
Construction in progress	907,880	—	1,687,717	2,595,597	230
Intangibles	21,750	—	—	21,750	—
Water rights	—	—	873,563	873,563	—
Garage rights	—	13,144	—	13,144	—
Lease right-of-use assets	103	—	—	103	—
Subscription right-of-use assets	5,362	—	—	5,362	—
Less accumulated depreciation and amortization	(4,092,221)	(381,155)	(7,390,527)	(11,863,903)	(1,587)
Net capital assets	3,632,959	300,617	10,002,522	13,936,098	1,022
Total noncurrent assets	5,052,534	537,795	10,328,131	15,918,460	1,022
Total assets	5,726,480	746,054	12,698,724	19,171,258	111,911
Deferred outflows of resources					
Deferred outflows of resources	30,254	1,016	166,626	197,896	—
Total deferred outflows of resources	$ 30,254	$ 1,016	$ 166,626	$ 197,896	$ —

(Continued)

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

PROPRIETARY FUNDS
Statement of Net Position
June 30, 2025
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Airport System	Convention & Entertainment	Combined Utility	Total	Internal Service Funds
Liabilities					
Current Liabilities					
Accounts payable	$ 35,743	$ 65	$ 235,822	$ 271,630	$ 6,627
Accrued payroll liabilities	3,454	—	5,413	8,867	91
Accrued interest payable	54,477	4,265	35,528	94,270	—
Notes payable	1,266	77,500	—	78,766	—
Contracts and retainages payable	161,193	—	—	161,193	—
Due to other funds	3,190	431	44,790	48,411	12
Due to component units	—	36,855	—	36,855	—
Due to other governments	1,843	—	70,805	72,648	—
General obligation bonds	69	—	—	69	—
Special facility bonds payable	10,445	—	—	10,445	—
Advances and deposits	2,890	—	74,347	77,237	—
Contracts payable - debt current maturities	—	—	14,958	14,958	—
Cost of issuance payable	—	515	—	515	—
Claims and judgments	1,002	—	1,095	2,097	32,883
Compensated absences	4,961	—	7,735	12,696	344
Arbitrage rebate	338	730	675	1,743	—
Pension obligation bonds payable	—	250	4,503	4,753	—
Other post employment benefits	1,837	178	4,053	6,068	—
Lease liabilities	4	—	—	4	—
Subscription liability	109	—	—	109	—
Bonds payable	126,350	26,177	314,685	467,212	—
Unearned revenue	26,643	—	—	26,643	2,514
Total current liabilities	435,814	146,966	814,409	1,397,189	42,471
Noncurrent liabilities					
Accrued interest payable	—	—	67,075	67,075	—
Bonds payable	2,441,597	449,991	6,261,498	9,153,086	—
Special facility bonds payable	23,570	—	—	23,570	—
Claims and judgments	4,335	—	4,734	9,069	15,000
Compensated absences	10,449	—	11,962	22,411	—
Contracts payable	—	—	406,402	406,402	—
Arbitrage rebate liability	—	28	10,690	10,718	—
Due to other governments	—	—	22,884	22,884	—
Lease liabilities	4	—	—	4	—
Subscription liabilities	1,224	—	—	1,224	—
Municipal net pension liability	141,449	3,630	212,556	357,635	—
Other post employment benefits	54,438	5,944	123,463	183,845	—
Notes payable	11,075	—	—	11,075	—
SWAP liability	—	—	59,725	59,725	—
Unearned revenue	—	4,567	174,785	179,352	—
Pension obligation bonds payable	2,006	2,084	72,708	76,798	—
General obligation bonds, net of current portion	26,348	—	—	26,348	—
Total noncurrent liabilities	2,716,495	466,244	7,428,482	10,611,221	15,000
Total liabilities	3,152,309	613,210	8,242,891	12,008,410	57,471
Deferred inflows of resources					
Deferred inflows of resources	346,644	11,651	147,957	506,252	—
Total deferred inflows of resources	346,644	11,651	147,957	506,252	—
Net position					
Net investment in capital assets	935,102	34,755	3,385,792	4,355,649	1,022
Restricted net position					
Restricted for debt service	528,582	36,062	81,802	646,446	—
Restricted for renewal and replacement	10,000	—	—	10,000	—
Restricted for maintenance and operations	63,914	23,734	136,167	223,815	—
Restricted for special facility	70,128	—	—	70,128	—
Restricted for capital improvements	714,921	—	16,935	731,856	—
Unrestricted (deficit)	(64,866)	27,658	853,806	816,598	53,418
Total net position	$ 2,257,781	$ 122,209	$ 4,474,502	$ 6,854,492	$ 54,440
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				3,002	
Net position of business-type activities				$ 6,857,494	

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

PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2025
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Airport System	Convention & Entertainment	Combined Utility	Total	Internal Service Funds
Operating Revenues					
Landing area fees	$ 101,145	$ —	$ —	$ 101,145	$ —
Terminal space rentals	271,795	—	—	271,795	—
Parking	133,301	9,620	—	142,921	—
Concession	121,498	—	—	121,498	—
Other	10,413	—	—	10,413	747
Rental	—	1,521	—	1,521	—
Water/Sewer billing	—	—	1,655,569	1,655,569	—
Health benefit premiums	—	—	—	—	415,590
Total operating revenue	638,152	11,141	1,655,569	2,304,862	416,337
Operating Expenses					
Administrative costs	—	—	—	—	7,539
Claims costs	—	—	—	—	406,922
Maintenance and operating	508,370	87,904	617,219	1,213,493	—
Depreciation and amortization	182,854	12,761	332,309	527,924	529
Total operating expenses	691,224	100,665	949,528	1,741,417	414,990
Operating income (loss)	(53,072)	(89,524)	706,041	563,445	1,347
Nonoperating revenues (expenses)					
Investment income	87,606	10,284	101,955	199,845	5,548
Hotel occupancy tax	—	111,192	—	111,192	—
Other revenue	12,377	253	67,432	80,062	—
Gain (loss) on disposal of assets	(30)	—	1,292	1,262	—
Interest expense	(90,365)	(20,457)	(270,676)	(381,498)	—
Cost of issuance	(1,568)	—	(89)	(1,657)	—
Passenger facility charges	116,533	—	—	116,533	—
Contributions	—	—	16,143	16,143	—
Customer facility charges	18,223	—	—	18,223	—
Special facility cost	(30)	—	—	(30)	—
Total nonoperating revenues (expenses)	142,746	101,272	(83,943)	160,075	5,548
Income (loss) before capital contributions and transfers	89,674	11,748	622,098	723,520	6,895
Contributions to governmental activities	(27,017)	—	—	(27,017)	—
Capital contributions	47,581	—	90,501	138,082	—
Transfers out	—	(1,521)	(95,846)	(97,367)	—
Total transfers	—	(1,521)	(95,846)	(97,367)	—
Change in net position	110,238	10,227	616,753	737,218	6,895
Total net position, July 1,	2,147,543	111,982	3,857,749	6,117,274	47,545
Total net position, June 30,	$ 2,257,781	$ 122,209	$ 4,474,502	$ 6,854,492	$ 54,440

Change in net position	737,218
Internal service fund activity is reported with governmental activities.	
The amount shown represents the net expense allocated to business-type activities.	153
Total change in net position business-type activities	$ 737,371

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Airport System	Convention & Entertainment	Combined Utility	Total	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	$ 628,220	$ 11,087	$ 1,622,050	$ 2,261,357	$ 415,507
Payments to employees	(151,767)	(178)	(242,681)	(394,626)	(4,814)
Payments to suppliers	(277,965)	(67)	(341,009)	(619,041)	(1,660)
Internal activity-payments (to) from other funds	(90,124)	431	(77,852)	(167,545)	(940)
Payments to Houston First Corporation	—	(184,655)	—	(184,655)	—
Claims paid	—	—	(2,058)	(2,058)	(405,840)
Due to(from) other governments	—	—	—	—	(5)
Other receipts	10,413	—	65,398	75,811	747
Receipts from component units	—	61,977	—	61,977	—
Net cash provided by (used in) operating activities	118,777	(111,405)	1,023,848	1,031,220	2,995
Cash flows from investing activities					
Interest income on investments	61,805	8,910	71,282	141,997	3,972
Purchases of investments	(2,173,978)	(71,673)	(2,394,476)	(4,640,127)	(90,152)
Sales of investments	2,386,265	59,683	2,496,519	4,942,467	83,892
Net cash provided by (used in) investing activities	274,092	(3,080)	173,325	444,337	(2,288)
Cash flows from capital and related financing activities					
Retirement of revenue bonds	(122,925)	(26,323)	(285,975)	(435,223)	—
Lease liabilities	(10)	—	—	(10)	—
Subscription liabilities	(1,131)	—	—	(1,131)	—
Retirement of special facility bonds	(9,630)	—	—	(9,630)	—
Proceeds from issuance of notes payable	—	144,500	—	144,500	—
Retirement of notes payable	(1,241)	(85,000)	—	(86,241)	—
Retirement of subordinate lien bonds	—	—	(12,975)	(12,975)	—
Passenger facilities charges	115,102	—	—	115,102	—
Customer facilities charges	18,316	—	—	18,316	—
Retirement of Junior Lien bonds	—	—	(4,274)	(4,274)	—
Interest expense on debt	(111,114)	(30,587)	(279,203)	(420,904)	—
Proceeds from disposition of assets	—	—	2,402	2,402	—
Grant receipts	14,051	—	—	14,051	—
Retirement of contracts payable	—	—	(9,537)	(9,537)	—
Acquisition of property, plant and equipment	(350,889)	—	(603,908)	(954,797)	(290)
Capital contributions from other local governments	—	—	69,215	69,215	—
Special facility cost	(30)	—	—	(30)	—
Net cash (used in) provided by capital and related financing activities	$ (449,501)	$ 2,590	$ (1,124,255)	$ (1,571,166)	$ (290)

(Continued)

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Airport System	Convention & Entertainment	Combined Utility	Total	Internal Service Funds
Cash flows from noncapital financing activities					
Interest expense on pension obligation bonds	$ —	$ —	$ (4,120)	$ (4,120)	$ —
CRRSAA/ARPA grants	23,458	—	—	23,458	—
Retirement of general obligation bonds	(481)	—	—	(481)	—
Interest expense on general obligation bonds	(766)	—	—	(766)	—
Retirement of pension bonds	—	(235)	(4,195)	(4,430)	—
Hotel occupancy tax revenue	—	113,298	—	113,298	—
Transfers to debt service fund	—	—	(2,869)	(2,869)	—
Transfers to other funds	—	(1,521)	(92,469)	(93,990)	—
Net cash provided by (used in) noncapital financing activities	22,211	111,542	(103,653)	30,100	—
Net (decrease) increase in cash and cash equivalents	(34,421)	(353)	(30,735)	(65,509)	417
Cash and cash equivalents, July 01,	451,345	19,346	452,588	923,279	22,121
Cash and cash equivalents, June 30,	$ 416,924	$ 18,993	$ 421,853	$ 857,770	$ 22,538
Cash and cash equivalents					
Pooled cash and cash equivalents (Note 3A)	$ 142,135	$ 18,993	$ 421,791	$ 582,919	$ 22,538
Current restricted cash and cash equivalents (Note 3A)	274,789	—	62	274,851	—
Total cash and cash equivalents, June 30,	$ 416,924	$ 18,993	$ 421,853	$ 857,770	$ 22,538
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (53,072)	$ (89,524)	$ 706,041	$ 563,445	$ 1,347
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	182,854	12,761	332,309	527,924	529
Changes in assets and liabilities					
Accounts receivable	5,597	(54)	(50,287)	(44,744)	—
Other assets and liabilities	—	—	65,398	65,398	—
Due from other funds	996	—	2,012	3,008	47
Due from/to component unit	—	(33,182)	—	(33,182)	—
Inventory and prepaid items	(341)	—	(11,411)	(11,752)	—
Lease receivable	14,747	1,735	—	16,482	—
Accounts payable	10,950	45	(18,400)	(7,405)	2,573
Accrued payroll liabilities	377	—	400	777	19
Due to (from) other funds	2,034	431	16,835	19,300	(38)
Advances and deposits	105	—	3,654	3,759	—
Due from other governments	—	—	25,043	25,043	(5)
Claims and judgments	(403)	—	236	(167)	(1,491)
Compensated absences	(325)	—	(1,479)	(1,804)	106
Other current liabilities	3,357	—	—	3,357	—
Other post employment benefits	(504)	(1,072)	(7,439)	(9,015)	—
Pension obligation payable	(24,270)	(810)	(49,243)	(74,323)	—
Unearned revenue	—	(290)	—	(290)	(92)
Deferred inflows - leases	(23,325)	(1,445)	—	(24,770)	—
Other long-term liabilities	—	—	10,179	10,179	—
Net cash provided by (used in) operating activities	$ 118,777	$ (111,405)	$ 1,023,848	$ 1,031,220	$ 2,995

(Continued)

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Airport System	Convention & Entertainment	Combined Utility	Total	Internal Service Funds
Non cash transactions					
Change in capital additions included in liabilities	$ (31,956)	$ —	$ (15,401)	$ (47,357)	$ —
Amortization of premium and discount	20,441	9,745	22,215	52,401	—
Unrealized gain on investments	25,801	1,374	30,673	57,848	1,576
Water rights acquired	—	—	(25,000)	(25,000)	—
Donated capital	—	—	(6,411)	(6,411)	—
CAB accretion interest	—	—	6,214	6,214	—
Loss on disposal of assets	(382)	—	(1,984)	(2,366)	—
Change in arbitrage liability	(338)	(758)	(5,665)	(6,761)	—
Change in SWAP Liability	—	—	26,217	26,217	—
Change in deferred outflows and inflows on long-term debt	(737)	—	(35,805)	(36,542)	—
Change in accrued interest payable	2,148	—	(1,988)	160	—
General obligation refunding bonds issued by the City of Houston	27,017	—	—	27,017	—
Contributions to governmental activities	(27,017)	—	—	(27,017)	—

(Concluded)

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025
(amounts expressed in thousands)

	Pension Trust Funds	Private-Purpose Trust Fund
Assets		
Cash and cash equivalents	$ 45,095	$ 521
Investments		
Investments held by trust	—	8,112
Other fixed income securities	3,080,378	—
Commingled equity funds	2,635,269	—
Common and preferred stock	4,232,595	—
Real estate, partnerships and alternatives	7,538,982	—
Short-term investment funds	1,220,588	—
Invested securities lending collateral	142,916	—
Receivables, net of allowances		
Accounts receivable	8,892	—
Contributions	20,337	—
Accrued interest and dividends	31,581	—
Other receivable	1,447	—
Other Assets	8,828	—
Land	5,805	—
Building, net of accumulated depreciation	3,479	—
Lease right-of-use assets, net of accumulated amortization	2,303	—
Total assets	18,978,495	8,633
Liabilities		
Accounts payable	18,335	—
Security lending collateral	142,915	—
Foreign funds contracts payable	5,264	—
Lease liabilities	2,099	—
Other liabilities	7,306	—
Total liabilities	175,919	—
Net position		
Restricted net position for		
Pensions	18,802,576	—
Individuals and organizations	—	8,633
Total net position	$ 18,802,576	$ 8,633

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2025
(amounts expressed in thousands)

	Pension Trust Funds	Private-Purpose Trust Fund
Additions		
Contributions		
City of Houston	$ 472,201	$ —
Plan members	129,671	—
Total contributions	601,872	—
Investment earnings		
Interest and dividends	243,553	763
Net increase in the fair value of investments	1,607,847	137
Total investment income	1,851,400	900
Less investment expense	(25,702)	—
Net investment income	1,825,698	900
Total additions	2,427,570	900
Deductions		
Benefits paid to members	1,132,469	—
Refund of contributions	3,710	—
Administrative expense	17,285	—
Total deductions	1,153,464	—
Change in net position	1,274,106	900
Total net position restricted, July 1	17,528,470	7,733
Total net position restricted, June 30	$ 18,802,576	$ 8,633

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

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Net Position
June 30, 2025
(amounts expressed in thousands)

	Houston Forensic Science LGC, Inc.	Houston Park Board LGC, Inc.	Lake Houston Redevelopment Authority	Memorial Heights Redevelopment Authority	Midtown Redevelopment Authority
Assets					
Current Assets					
Cash	$ 2,058	$ 19,126	$ 29,890	$ 69,592	$ 19,825
Investments					
Equity in pooled cash and investments	—	—	13,207	—	23,221
Receivables, net of allowances					
Accounts receivable	—	—	—	—	—
Hotel occupancy receivable	—	—	—	—	—
Property taxes receivable, net	—	—	—	—	2,004
Special assessments receivable	—	—	—	—	—
Accrued interest and other	—	—	3	—	—
Due from primary government	549	65	—	—	—
Due from other governments	—	—	—	1,850	—
Property held for resale	—	—	—	—	24,285
Prepaid items	1,192	—	—	—	—
Restricted assets					
Investments	—	—	—	—	3,102
Other receivables	—	—	—	—	352
Total current assets	3,799	19,191	43,100	71,442	72,789
Noncurrent Assets					
Restricted assets					
Investments	—	—	—	—	17,804
Total noncurrent assets	—	—	—	—	17,804
Capital assets					
Land	—	15,661	—	—	13,948
Buildings, improvements and equipment	50,895	—	—	—	143,035
Construction in progress	318	18,426	—	—	83
Lease right-of-use assets	—	—	—	—	—
Less accumulated depreciation and amortization	(12,936)	—	—	—	(22,151)
Total capital assets	38,277	34,087	—	—	134,915
Total assets	42,076	53,278	43,100	71,442	225,508
Deferred outflows of resources					
Deferred outflows of resources	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—
Liabilities					
Current Liabilities					
Accounts payable	1,385	3,120	1,948	6,358	2,241
Accrued payroll liabilities	—	—	—	—	—
Accrued interest payable	—	—	255	195	1,320
Contracts and retainages payable	—	—	—	—	3
Notes payable	—	—	—	—	309
Lease payable	875	—	—	—	—
Due to other governments	—	—	—	—	—
Advances and deposits	—	—	—	—	—
Compensated absences	—	—	—	—	—
Unearned revenue	—	16,040	—	—	3,257
Current liabilities payable from restricted assets					
Bonds payable	—	—	1,145	970	4,505
Account held for others	—	—	—	—	—
Total current liabilities	2,260	19,160	3,348	7,523	11,635
Noncurrent liabilities					
Notes payable	—	—	29,818	19,970	—
Bonds payable	—	—	46,063	37,841	62,486
Lease payable	37,123	—	—	—	—
Other liabilities	—	—	—	—	34,330
Compensated absences	3,019	—	—	—	—
Subscription liabilities	566	—	—	—	—
Total Noncurrent liabilities	40,708	—	75,881	57,811	96,816
Total liabilities	42,968	19,160	79,229	65,334	108,451
Deferred inflows of resources					
Deferred inflows of resources	—	—	—	—	2,973
Total deferred inflows of resources	—	—	—	—	2,973
Net position					
Net investment in capital assets	(288)	33,954	—	—	92,756
Restricted net position					
Restricted for debt service	—	—	2,588	2,016	12,982
Restricted for maintenance and operations	—	—	—	—	—
Restricted for capital improvements	—	133	—	—	5
Other restricted	—	—	—	—	41,100
Unrestricted (deficit)	(604)	31	(38,717)	4,092	(32,759)
Total net position (deficit)	$ (892)	$ 34,118	$ (36,129)	$ 6,108	$ 114,084

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

Uptown Development Authority	Nonmajor Component Units	Total
$ 39,621	$ 144,523	$ 324,635
—	358,034	394,462
—	45,275	45,275
—	803	803
—	13,577	15,581
—	26	26
—	1,314	1,317
—	23,677	24,291
—	4,455	6,305
—	—	24,285
1,131	2,875	5,198
—	42,176	45,278
3	1,403	1,758
40,755	638,138	889,214
24,801	13,292	55,897
24,801	13,292	55,897
17,101	119,496	166,206
30,568	57,054	281,552
—	20,659	39,486
—	836	836
(11,358)	(26,947)	(73,392)
36,311	171,098	414,688
101,867	822,528	1,359,799
1,027	157	1,184
1,027	157	1,184
26,211	24,406	65,669
—	126	126
3,042	5,207	10,019
—	2,394	2,397
—	13,471	13,780
—	865	1,740
10,829	21,495	32,324
—	33	33
—	33	33
188	1,816	21,301
30,372	21,545	58,537
—	—	—
70,642	91,391	205,959
—	28,168	77,956
262,598	366,283	775,271
—	10,428	47,551
—	2,493	36,823
—	—	3,019
—	—	566
262,598	407,372	941,186
333,240	498,763	1,147,145
—	—	2,973
—	—	2,973
20,259	129,929	276,610
44,063	32,863	94,512
—	1,444	1,444
—	29,435	29,573
—	97,860	138,960
(294,668)	32,391	(330,234)
$ (230,346)	$ 323,922	$ 210,865

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

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL
Combining Statement of Activities
For the Year Ended June 30, 2025
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Houston Forensic Science LGC, Inc.
Component Units					
Houston Forensic Science LGC, Inc.	$ 37,916	$ —	$ 35,166	$ —	$ (2,750)
Houston Park Board LGC, Inc.	33,376	12,584	—	2,863	—
Lake Houston Redevelopment Authority	43,550	—	—	—	—
Memorial Heights Redevelopment Authority	16,815	—	6,070	—	—
Midtown Redevelopment Authority	16,262	—	—	—	—
Uptown Development Authority	37,697	—	10	—	—
Nonmajor component units	162,264	5,396	14,313	1,776	—
Total component units	$ 347,880	$ 17,980	$ 55,559	$ 4,639	(2,750)
General Revenues:					
Taxes					
Property Taxes - general purposes / tax increments					—
Hotel occupancy tax					—
Unrestricted investment earnings					476
Other					49
Total general revenues and transfers					525
Change in net position					(2,225)
Net position (deficit), beginning					2,448
Change in reporting entity					—
Change in accounting principle					(1,115)
Error correction					—
Net position, beginning - as restated					1,333
Net position (deficit), ending					$ (892)

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

Net (Expense) Revenue and Change in Net Position						
Houston Park Board LGC, Inc.	Lake Houston Redevelopment Authority	Memorial Heights Redevelopment Authority	Midtown Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	Total
$ —	$ —	$ —	$ —	$ —	$ —	$ (2,750)
(17,929)	—	—	—	—	—	(17,929)
—	(43,550)	—	—	—	—	(43,550)
—	—	(10,745)	—	—	—	(10,745)
—	—	—	(16,262)	—	—	(16,262)
—	—	—	—	(37,687)	—	(37,687)
—	—	—	—	—	(140,779)	(140,779)
(17,929)	(43,550)	(10,745)	(16,262)	(37,687)	(140,779)	(269,702)
—	22,592	14,600	19,264	43,787	156,879	257,122
—	—	—	—	—	22,734	22,734
—	2,071	2,905	1,748	1,744	18,393	27,337
429	1	—	(4,304)	—	11,066	7,241
429	24,664	17,505	16,708	45,531	209,072	314,434
(17,500)	(18,886)	6,760	446	7,844	68,293	44,732
51,618	(17,243)	(652)	113,638	(238,190)	256,430	168,049
—	—	—	—	—	(588)	(588)
—	—	—	—	—	—	(1,115)
—	—	—	—	—	(213)	(213)
51,618	(17,243)	(652)	113,638	(238,190)	255,629	166,133
$ 34,118	$ (36,129)	$ 6,108	$ 114,084	$ (230,346)	$ 323,922	$ 210,865

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

CITY OF HOUSTON, TEXAS

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DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Net Position
June 30, 2025
(amounts expressed in thousands)

	Houston First Corporation	Houston Housing Finance Corp	Houston Zoo, Inc.	Total Component Units
ASSETS				
Cash	$ 18,448	$ 28,811	$ 3,398	$ 50,657
Investments	—	—	56,790	56,790
Receivables, net of allowances				
Accounts receivable	6,189	6,955	945	14,089
Accrued interest and other	—	1,088	—	1,088
Prepaid items	4,578	106	1,793	6,477
Lease receivable	2,395	—	—	2,395
Restricted assets				
Investments	67,574	—	—	67,574
Other receivables	1,493	189	45,003	46,685
Total current assets	100,677	37,149	107,929	245,755
Noncurrent assets				
Restricted cash and cash equivalents	—	4,135	14,070	18,205
Investments	27,454	—	4,026	31,480
Receivable and deposits	59,143	4,062	—	63,205
Lease receivable	50,146	—	—	50,146
Total noncurrent assets	136,743	8,197	18,096	163,036
Capital assets				
Land	14,824	31,853	—	46,677
Buildings, improvements and equipment	710,426	79,162	352,601	1,142,189
Construction in progress	15,094	528	19,238	34,860
Lease right-of-use assets	16,253	438	409	17,100
Less accumulated depreciation and amortization	(282,907)	(18,053)	(117,461)	(418,421)
Capital assets, net	473,690	93,928	254,787	822,405
Total assets	711,110	139,274	380,812	1,231,196
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	23,636	—	—	23,636
Total deferred outflows of resources	23,636	—	—	23,636
LIABILITIES				
Current liabilities				
Accounts payable	31,584	1,529	4,309	37,422
Accrued payroll liabilities	—	—	2,862	2,862
Accrued interest payable	18,941	—	—	18,941
Contracts and retainages payable	—	—	6,000	6,000
Due to primary government	13,612	—	—	13,612
Notes payable	40,069	1,303	9,543	50,915
Lease payable	2,480	35	333	2,848
Other liabilities - current	699	2,041	162	2,902
Unearned revenue	357	—	4,652	5,009
Total current liabilities	107,742	4,908	27,861	140,511
Long-term liabilities				
Notes payable	328,402	59,775	20,457	408,634
Lease payable	2,679	461	112	3,252
Unearned revenue	5,702	131	—	5,833
Net pension liability	31,266	—	—	31,266
Other liabilities - noncurrent	23,264	1,176	—	24,440
Total noncurrent liabilities	391,313	61,543	20,569	473,425
Total liabilities	499,055	66,451	48,430	613,936
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	51,043	19,203	—	70,246
Total deferred inflows of resources	51,043	19,203	—	70,246
NET POSITION				
Net investment in capital assets	196,006	32,355	224,342	452,703
Restricted net position				
Restricted for debt service	8,290	—	—	8,290
Other restricted	1,195	—	23,985	25,180
Unrestricted (deficit)	(20,843)	21,265	84,055	84,477
Total net position	184,648	53,620	332,382	570,650
Total liabilities, deferred inflows of resources, and net position	$ 734,746	$ 139,274	$ 380,812	$ 1,254,832

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

DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE
Combining Statement of Activities
For the Year Ended June 30, 2025
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Component Units			
Houston First Corporation	$ 280,532	$ 184,547	$ 89,366
Houston Housing Finance Corp.	10,611	2,357	—
Houston Zoo, Inc.	70,265	60,584	13,688
Totals	$ 361,408	$ 247,488	$ 103,054

General Revenues:
Unrestricted investment earnings
Other
Total general revenues and transfers
Change in net position
Net position, beginning of year
Net position, end of year

* 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
$ (6,619)	$ —	$ —	$ (6,619)
—	(8,254)	—	(8,254)
—	—	4,007	4,007
(6,619)	(8,254)	4,007	(10,866)
7,324	543	7,292	15,159
3,249	7,971	2,998	14,218
10,573	8,514	10,290	29,377
3,954	260	14,297	18,511
180,694	53,360	318,085	552,139
$ 184,648	$ 53,620	$ 332,382	$ 570,650

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

CITY OF HOUSTON, TEXAS

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NOTES TO FINANCIAL STATEMENTS



SATURN V ROCKET EXHAUST
AT SPACE CENTER HOUSTON
PHOTO BY: PICTURIFIC

Notes to Financial Statements:

The Saturn V is a retired American super heavy-lift launch vehicle developed by NASA under the Apollo program for human exploration of the Moon. It is housed at Space Center Houston in Houston, Texas.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

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CITY OF HOUSTON
CITY CONTROLLER

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Houston, Texas (the "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 in the United States of America ("GAAP").

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 the City and all of its component units, collectively referred to as "the financial reporting entity". In accordance with GASB Statement No. 14 and GASB Statement No. 61, the component units have been included in the City's reporting entity because of the significance of their operational and financial relationships with the City. 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 City's Annual Comprehensive Financial Report ("ACFR"). 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 this ACFR. Additional information is available by contacting the entities at the addresses shown herein.

All component units of the City have the same fiscal year end as the City, June 30, except the following component units, which have December 31 year end: Houston First Corporation, Houston Housing Finance Corporation, Houston Zoo Inc., Miller Theatre Advisory Board Inc., and Houston Arts Alliance.

The City has two blended component units, and they are incorporated into the financial statements of the City.

Blended Component Units	Brief Description of Activities, Relationship to the City and Key Inclusion Criteria
Houston Spaceport Development Corporation ***16930 JFK Boulevard*** ***Houston, TX 77032***	Created on September 15, 2021, Houston Spaceport Development Corporation (“HSDC”) has a seven-member board of directors, including the Director of Aviation of Houston Airport System, which is appointed by the Mayor. This corporation is responsible for managing and promoting the development of Houston Spaceport as well as applying for funds under the Texas Spaceport Trust Fund. During the year ended June 30, 2025, HSDC did not have any financial activities and had no impact to the operating results of the Airport System Fund. **Reporting Fund**: Airport System Fund
TechConnect Houston ***900 Bagby St.*** ***4th Floor*** ***Houston, TX 77002***	Created on June 13, 2022, TechConnect Houston (“TechConnect”) has a four-member board of directors, appointed by the Mayor. This public, 501(c)(3) non-profit corporation, is organized and operated exclusively for charitable and education purposes, for the use and benefit of the City in its efforts to provide digital equity and technological opportunities for the underserved youth in the City. The programs are offered at various Houston Parks and Recreation centers. TechConnect received $35 private contributions for the fiscal year ended June 30, 2025, and the contributions received are reported in the Park Special Revenue Fund. **Reporting Fund**: Park Special Revenue Fund

Following are the City's fiduciary component units:

Fiduciary Component Units	Brief Description of Activities, Relationship to the City and Key Inclusion Criteria
Houston Firefighters' Relief and Retirement Fund ("HFRRF") ***4225 Interwood North Parkway*** ***Houston, TX 77032***	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. Separately issued financial statements can be obtained via https://www.hfrrf.org/about-us/governance/. **Reporting Fund**: Houston Firefighters' Relief and Retirement Pension Trust Fund.
Houston Municipal Employees Pension System ("HMEPS") ***1201 Louisiana, Suite 900*** ***Houston, TX 77002***	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. Separately issued financial statements can be obtained via https://hmeps.org/publication-type/annual-reports/. **Reporting Fund**: Houston Municipal Employees' Pension Trust Fund.
Houston Police Officers' Pension System ("HPOPS") ***602 Sawyer, Suite 300*** ***Houston, TX 77007***	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. Separately issued financial statements can be obtained via https://www.hpops.org/publications/acfr/. **Reporting Fund**: Houston Police Officers' Pension Trust Fund.

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 non-major 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.

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

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
Houston First Corporation ***701 Avenida de las Americas*** ***Houston, TX 77010***	On June 1, 2011, City of Houston City Council approved the consolidation of the City's Convention & Entertainment Facilities Department's 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 ("HFC"), which 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.
Houston Housing Finance Corporation ***9545 Katy Freeway, Suite 105*** ***Houston, TX 77024***	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 appointed 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.
Houston Zoo, Inc ***1513 Cambridge Street*** ***Houston, TX 77030***	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.

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

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
City Park Redevelopment Authority ***c/o Hawes Hill and Assoc, 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 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 appointed 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.
East Downtown Redevelopment Authority ***711 Louisiana Street, Suite 2300*** ***Houston, TX 77002***	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 appointed 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.
ETHAN Health, LGC ***1200 Pressler Street, Suite E-1009*** ***Houston, TX 77030***	Local government corporation created by the City of Houston in accordance with Chapter 431 of the Texas Transportation Corporation Act to enhance emergency medical response through telemedicine services. Ethan Health originated as a Houston Fire Department initiative and now operates independently, providing field-based telehealth consultations that support ambulance diversion and more efficient care routing. Board members are appointed by the City, and a financial benefit/burden relationship exists, allowing the City to impose its will.
Fifth Ward Redevelopment Authority ***c/o Fifth Ward Community Redevelopment Corporation*** ***4300 Lyons Avenue, Suite 300*** ***Houston, TX 77020***	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 appointed 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.
Fourth Ward 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 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 appointed 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.

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
Greater Greenspoint Redevelopment Authority 12257 Kuykendahl Houston, TX 77067	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 appointed by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.
Gulfgate Redevelopment Authority c/o Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, TX 77002	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 appointed 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 appointed 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 appointed 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 (HALAN), 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. As of July 1, 2024, all contracts with the member libraries have expired or terminated. As a result the City no longer has any financial accountability over HALAN and report a change to the financial entity by adjusting the current reporting period's beginning net position in the accompanying financial statements.
Houston Arts Alliance 5280 Caroline Street Houston, TX 77004	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 a financial benefit/burden relationship exists. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
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 ***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.
Houston Downtown Park Corporation ***1500 McKinney Street*** ***Houston, TX 77010***	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.
****Houston Forensic Science Center, Inc.*** ***500 Jefferson Street, 13th Floor*** ***Houston, TX 77002***	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.
Houston Land Bank ***c/o City of Houston, Housing and Community Department*** ***1919 Decatur*** ***Houston, TX 77007***	The Houston Land Bank ("HLB") formerly known as Land Assemblage Redevelopment Authority 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 appointed by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
Houston Media Source ***410 Roberts Street*** ***Houston, TX 77003***	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.
****Houston Parks Board LGC, Inc*** ***300 N. Post Oak Lane*** ***Houston, TX 77024***	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 appointed 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.
Houston Public Library Foundation ***Houston Central Library*** ***550 McKinney Street*** ***Houston, TX 77002***	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.
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 appointed 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 appointed 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 appointed by City Council and the operations provide financial benefits to the City, allowing the City to impose its will.

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
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 appointed 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 appointed 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, Suite1650*** ***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 appointed 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 appointed by City Council and the operations provide financial benefits to the City.
****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 appointed 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 appointed by City Council and the operations provide financial benefits to the City.

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
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 Theatre. 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 ***c/o Knudson, LP*** ***Zone Administrator*** ***8588 Katy Freeway, Suite 441*** ***Houston, TX 77024***	Montrose Redevelopment Authority (“Montrose RA”) 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. Montrose RA 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 and neighboring areas and to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. Montrose RA may issue bonds with consent of City Council. Montrose RA is managed by a board of directors consisting of seven members who are appointed by the Mayor with the approval of City Council.
Near Northside Redevelopment Authority ***c/o Bracewell LLP*** ***711 Louisiana Street, Suite 2300*** ***Houston, TX 77002-2770***	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 appointed by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.
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 appointed 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 ***3131 Emancipation Avenue*** ***Suite 225*** ***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 appointed by City Council and the operations provide financial benefits to the City.

Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
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 appointed by City Council. The operations provide financial benefits to the City and the City has investment authority for the Authority's assets.
South Post Oak 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 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 appointed by City Council, and the operations provide financial benefits to the City.
Southwest Houston 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 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 appointed by City Council and the operations provide financial benefits to the City.
Sunnyside Redevelopment Authority ***3200 Southwest Freeway*** ***Suite 2600*** ***Houston, TX 77027***	Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Sunnyside Tax Increment Reinvestment Zone Board in the redevelopment of the neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are appointed by City Council and the operations provide financial benefits to the City.
Upper Kirby Redevelopment Authority ***3120 Southwest Freeway, Suite 102*** ***Houston, TX 77098***	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 appointed by City Council and the operations provide financial benefits to the City.
****Uptown Development Authority*** ***1980 Post Oak Boulevard, Suite 1700 Houston, TX 77056***	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 appointed by City Council and the operations provide financial benefits to the City.

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 Theatre 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 include a financial burden/benefit.

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 are 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. ARPA Fiscal Recovery Fund - Previously reported as a major fund due to its significance to financial statement users, the ARPA Fiscal Recovery Fund was used to receive funds from the U.S. Department of the Treasury for COVID-19 recovery efforts pursuant to the American Rescue Plan Act of 2021. This fund is no longer reported separately and is fully incorporated into the Grants Fund for the fiscal year ended June 30, 2025.

e. ***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 (the "Airport System") - 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.

b. Convention and Entertainment Facilities Fund (the "Convention and Entertainment") - 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, Talento Bilingue de Houston, Jones Plaza, and Theater District parking garages.

c. Combined Utility System Fund (the "Combined Utility") – 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 for individuals, private organizations, and other governmental units. These include the following:

(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) ***Private-Purpose Trust Fund*** – is used to account for assets held in a trust of the Houston Foundation which is dedicated to providing benefits to recipients in accordance with the benefit terms. The Houston Foundation was created by City ordinance on March 22, 1915, as a general-purpose charity trust and is administered by an outside board of directors. The City's Finance Director serves as the treasurer of the board in accordance with the ordinance. Additions to the trust consist of individual donor contributions and investment income. Distributions from the fund, primarily to external/eligible 501(c)(3) organizations, may be made for humanitarian needs of the people of Houston.

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 GASB Statement 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 forfeitures; ambulance receipts; and investment earnings. Intergovernmental revenue from reimbursable grants and capital projects is recognized when the related expenditure is incurred. See Note 5 for dates and additional disclosures related to property tax.

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 are reported as deferred inflows of resources.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to 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, fiduciary 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 GASB Statement 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 fiduciary 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.

In accordance with GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, paragraphs 114-123, 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 No. 72, "Fair Value Measurement and Application". Consistent with GASB Statement No. 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.15 to the financial statements. The fiduciary 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.

"Cash and cash equivalents" and "Investments" are further split into current and non-current in accordance with GASB Statement No. 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.

2. Prepaid Items and Inventories of Materials and Supplies

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaids are charged to expenditures when consumed and are offset at year-end by non-spendable fund balance in the governmental fund financial statements.

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 the lower of market or 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 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. 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:

Assets	Useful Life
Airport System Facilities	Range from 3 to 50 years
Convention & Entertainment Facilities	Range from 5 to 45 years
Combined Utility Facilities	Range from 5 to 50 years

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

c. Leases

Leases are defined by the general government as the right to use an underlying asset. As a lessee, the City recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease that have a term exceeding one year and the cumulative future payments on the contract exceeding $100,000, 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 incremental borrowing rate or 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 a 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 inflows of resources 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 inflows of resources will be reduced and will include a gain or loss for the difference.

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 contracts. 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 GASB Statement No. 87, paragraph 43, the Airport System recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies described above do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note 9.

d. Subscription Based Information Technology Arrangements

SBITA assets are defined by the general government as the right to use vendor-provided information technology ("IT") with access to vendors' IT assets. The City recognizes a subscription liability and an intangible subscription right-of-use asset at the beginning of the subscription term that have a term exceeding one year and the cumulative future payments on the contract exceed $100,000 unless the contract is considered a short-term SBITA. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Re-measurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

4. Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and prepaid bond insurance costs are amortized over the term of the bonds using the effective interest or straight-line amortization method. Gains or losses on refundings are reported as deferred inflows or outflows, respectively, 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.

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F. Deferred Outflows and Inflows of Resources

In accordance with GASB 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):

		Business-Type Activities			
	Governmental Activities	Houston Airport System	Convention & Entertainment	Combined Utility System	Total
Deferred Outflows of Resources:					
Municipal pension activities	$ 721	$ 10,036	$ 3	$ 7,730	$ 18,490
Police pension activities	187,041	—	—	—	187,041
Firefighter's pension activities	369,606	—	—	—	369,606
Deferred outflows of resources for pensions	557,368	10,036	3	7,730	575,137
OPEB activities - long-term disability	1,499	173	—	274	1,946
OPEB activities - health benefits	229,101	8,160	895	18,563	256,719
Unamortized refunding costs	13,335	11,885	118	140,059	165,397
Total Deferred Outflows of Resources	$ 801,303	$ 30,254	$ 1,016	$ 166,626	$ 999,199
Deferred Inflows of Resources:					
Municipal pension activities	$ (151,239)	$ (22,096)	$ (567)	$ (37,979)	$ (211,881)
Police pension activities	(220,552)	—	—	—	(220,552)
Firefighters' pension activities	(255,568)	—	—	—	(255,568)
Deferred inflows of resources for pensions	(627,359)	(22,096)	(567)	(37,979)	(688,001)
OPEB activities - health benefits	(660,355)	(23,443)	(2,606)	(53,470)	(739,874)
OPEB activities - long term disability	(4,768)	(552)	—	(873)	(6,193)
Notes receivable and other unavailable revenues / SWAP liability	(71,689)	—	—	(13,708)	(85,397)
Unamortized gains on refunded debt	—	(13,778)	(6,308)	(41,927)	(62,013)
Leases (as lessor)	(31,783)	(286,775)	(2,170)	—	(320,728)
Total Deferred Inflows of Resources	$ (1,395,954)	$ (346,644)	$ (11,651)	$ (147,957)	$ (1,902,206)

In the fund financial statements, 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 financial statements, the unamortized loss on refunding has been reclassified from long-term debt to deferred outflows of resources.

Governmental Funds	General	Grants	Nonmajor Governmental Funds	Total
Deferred Inflows of Resources				
Property taxes	$ 80,737	$ —	$ —	$ 80,737
Other	121,230	—	14,155	135,385
Lease related	31,783	—	—	31,783
Notes and loans	—	66,181	3,870	70,051
Total	$ 233,750	$ 66,181	$ 18,025	$ 317,956

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.

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2. Fund Balance Summary

A summary of the nature and purpose of governmental fund balances at June 30, 2025, is as follows (in thousands):

					Non-Major Special Revenue Funds						
	General	Debt Service	Capital Projects	Grants	Public Safety	Public Works	Health & Housing	Parks	Other	Total Nonmajor	Total
Fund balances:											
Non-spendable:											
Inventory	$ 22,275	$ –	$ –	$ 794	$ –	$ 3,152	$ –	$ –	$ –	$ 3,152	$ 26,221
Prepaid items	3,350	–	322	–	–	–	–	–	–	–	3,672
Total non-spendable	25,625	–	322	794	–	3,152	–	–	–	3,152	29,893
Restricted for:											
Grants and other purposes	–	–	–	–	–	–	–	–	3,564	3,564	3,564
Police special purpose	1,602	–	–	–	10,319	–	–	–	–	10,319	11,921
Public transit operations	–	–	–	–	–	–	–	–	4,657	4,657	4,657
Affordable housing programs	–	–	–	–	–	–	86,095	–	–	86,095	86,095
Health services	709	–	–	111,748	–	–	–	–	49,579	49,579	162,036
Community development	–	–	–	–	–	–	–	179	79,017	79,196	79,196
Capital construction	–	–	23,038	–	–	448,193	–	–	23,236	471,429	494,467
Debt service	–	238,804	–	–	–	–	–	–	–	–	238,804
Total restricted	2,311	238,804	23,038	111,748	10,319	448,193	86,095	179	160,053	704,839	1,080,740
Committed to:											
Community development	1,649	–	–	–	4,440	–	–	1,494	576	6,510	8,159
Economic development	–	–	–	–	–	–	–	–	2,342	2,342	2,342
Court operations	–	–	–	–	1,996	–	–	–	–	1,996	1,996
Police special purpose	–	–	–	–	25,746	–	–	–	–	25,746	25,746
Emergency services	–	–	–	–	3,053	–	–	–	–	3,053	3,053
Capital construction	12,805	–	–	–	–	–	–	–	–	–	12,805
Public parks and preserves	6,915	–	–	–	–	2,535	–	5,708	–	8,243	15,158
Recycling programs	–	–	–	–	–	4,849	–	–	–	4,849	4,849
Development services	–	–	–	–	–	30,948	–	–	–	30,948	30,948
Health services	–	–	–	–	–	–	24,277	–	–	24,277	24,277
Affordable housing programs	–	–	–	–	–	–	–	–	108	108	108
Public transit operations	–	–	–	–	–	–	–	–	2,304	2,304	2,304
Total committed	21,369	–	–	–	35,235	38,332	24,277	7,202	5,330	110,376	131,745
Assigned:											
Capital construction	–	–	200,686	–	–	–	–	–	–	–	200,686
Total assigned	–	–	200,686	–	–	–	–	–	–	–	200,686
Unassigned:	527,145	–	–	–	–	–	–	–	–	–	527,145
Total	$ 576,450	$ 238,804	$ 224,046	$ 112,542	$ 45,554	$ 489,677	$ 110,372	$ 7,381	$ 165,383	$ 818,367	$1,970,209

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 when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications are available.

3. Budget Stabilization Arrangements

In accordance with the City's Financial Policies (as amended by Ordinance 2018-390) (the "Financial Policies"), 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 pay-as-you-go ("PAYGO") capital expenditures) or (b) $20 million, which may be used in accordance with the definition of the fund. Transfers necessary to meet this requirement shall occur by July 31 of each fiscal year. Any proposed use of the Budget Stabilization Fund shall be accompanied by a justification to City Council and shall require approval from two-thirds of the City Council present and voting. When an event causing use of the Budget Stabilization Fund has concluded, the City shall allocate sufficient funds by the end of the second subsequent full fiscal year to restore the Budget Stabilization Fund to at least minimum levels. 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 PAYGO capital expenditures. These amounts are included in the General Fund's unassigned fund balance.

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 financial 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 hired before January 1, 2000 may accumulate up to 700 hours of vacation; those hired on or after that date may accumulate up to 340 hours. Upon termination or retirement, accrued vacation is paid out up to the applicable cap, based on the employee's average rate of pay during their 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 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 employees in 1985. That plan accumulates a cash value for every sick day not used, which is payable upon resignation or retirement.

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.

The City recognizes a liability (on a government-wide basis) for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. A liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees as time off is included in the liability for compensated absences. The liability for compensated absences includes salary-related benefits, where applicable. 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 GAAP 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 potion.

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 2022, the GASB issued Statement No. 101, "Compensated Absences". This Statement clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City has implemented GASB Statement No. 101 in this annual report without material impact.

In December 2023, the GASB issued Statement No. 102, "Certain Risk Disclosure". The objective of the Statement is to provide users of government financial statements with essential information about risks related to a government's current vulnerabilities due to (1) certain concentrations and (2) certain constraints common in the governmental environment. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The City has implemented GASB Statement No. 102 in this annual report.

In April 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements". This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

In September 2024, the GASB issued Statement No. 104, "Disclosure of Certain Capital Assets". This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

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 had proceeds from its general obligation commercial paper. The amount borrowed is received in the governmental funds and increases fund balance.

Balances at June 30, 2025, were (in thousands):

Deferred outflows of resources	$ 801,303
Deferred inflows of resources	(1,293,282)
	$ (491,979)

Internal Service Fund total assets	$ 111,911
Less: Internal Service Fund capital assets	(1,022)
Internal Service Fund liabilities	(57,471)
Allocation to Proprietary Funds	(3,002)
	$ 50,416

Bonds and notes payable	$ (3,816,339)
Arbitrage liability	(1,843)
Accrued interest	(52,819)
Compensated absences not reported at the fund level	(625,321)
Claims and judgments not reported at the fund level	(168,790)
Net pension liability (asset)	(1,325,795)
Lease liability	(61,759)
Subscription liability	(19,155)
Other post employment benefits obligation	(1,561,781)
	$ (7,633,602)

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

Proceeds from issuance of debt 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, 2025, were (in thousands):

Debt issued:		
Public Improvement Bonds	$	122,125
General Obligation Bonds		587,150
Commercial paper		170,000
Leases and subscriptions		4,038
Premiums on bonds		57,809
		941,122
Repayments:		
Retirement of principal		(386,766)
		(386,766)
Amortization of:		
Premium		(42,796)
Net adjustment		(42,796)
Total	$	511,560

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	$	80,737
Ambulance fees earned but not available		103,102
Fines and forfeits earned but not available		1,607
Other (primarily storm water drainage fees) earned but not available		29,839
Total revenue not reported at fund level	$	215,285
Property taxes for prior periods	$	(69,504)
Ambulance fees for prior periods		(95,950)
Fines and forfeits for prior periods		(2,179)
Other (primarily storm water drainage fees) earned but not available		(40,997)
Total revenue for prior period transactions	$	(208,630)
Accrued interest	$	(9,722)
Municipal Employees pension		201,306
Police Officers' pension		(30,379)
Firefighters' pension		165,001
Claims and judgments		654,277
Compensated absences		(21,534)
Other post employment benefits		28,861
Arbitrage liability		(1,702)
Total differences in accrued expenses	$	986,108

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

The City's Investment Policy (the "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, 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 as of June 30, 2025, is as follows (in thousands):

	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	$ 248,433	$ 175,174	$ 423,607	$ 89	$ —	$ 423,696
Debt Service	62,604	174,926	237,530	88	—	237,618
Capital Projects	101,467	412,936	514,403	—	—	514,403
Grants	96,455	—	96,455	1	—	96,456
Non-major:						
Health and Housing	23,971	89,686	113,657	—	—	113,657
Parks and Recreation	2,039	6,521	8,560	46	—	8,606
Public Safety	11,481	35,914	47,395	—	—	47,395
Public Works	87,185	305,261	392,446	2	—	392,448
Other Special Revenue	38,810	131,882	170,692	—	—	170,692
Enterprise Funds:						
Airport System	348,265	1,239,210	1,587,475	68,659	—	1,656,134
Convention & Entertainment	18,993	91,074	110,067	—	—	110,067
Combined Utility	421,791	1,649,057	2,070,848	62	—	2,070,910
Internal Service:						
Health Benefits	20,490	80,857	101,347	—	—	101,347
Long-term Disability	2,048	7,477	9,525	—	—	9,525
Fiduciary:						
Private-purpose Trust	—	—	—	521	8,112	8,633
Total	$ 1,484,032	$ 4,399,975	$ 5,884,007	$ 69,468	$ 8,112	$ 5,961,587

B. Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2025. The City held $5.7 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 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 in this section do not include the City's three pension funds, which are described separately in Note 3.C.

Fair Value Measurements

To the extent available, the City's investments are recorded at fair value. GASB Statement No. 72, “Fair Value Measurement and Application,” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model- based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

1. General Investment Pool

The General Investment Pool consists of all working capital, construction, and debt service funds not subject to yield restriction under Internal Revenue Service ("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 97.8% of the City's total pooled investable funds are held in this portfolio.

Investments As Of June 30, 2025	Credit Quality Ratings [1][2]	Fair Value (in thousands)	WAM* (years)
U.S. Treasury Securities	AAA	$ 3,234,575	1.9
Govt. Agency Securities [3]	AAA	628,975	0.9
Govt. Agency Securities [3] [4]	Not Rated	111,714	1.2
Govt. Mortgaged Backed Securities [3] [4]	Not Rated	173,820	4.0
MMF - TexSTAR Cash Reserves	AAA Short Term	306,912	—
Certificates of Deposit	AAA	15,112	0.8
Commercial Paper	A-1/P-1 Short Term	990,501	0.2
Municipal Securities	AAA Long Term	110,880	1.3
Municipal Securities	AA Long Term	151,670	0.9
Total Investments		$ 5,724,159	

*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 AAAf credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAAf 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 ("Farmer Mac").

[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 AA+.

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 Investment Policy limits this investment portfolio's WAM to 2.5 years maximum. As of June 30, 2025, this investment portfolio's WAM was 1.381 years. Modified duration was 1.319 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 1.319 years would experience approximately a 1.319% 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 25%.

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, 2025, 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 counterparty's trust department or agent but not in the City's name. As of June 30, 2025, none of the City's investments in the General Investment Pool 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 Investment Pool investments are limited by policy to U.S. dollar denominated investments and not subject to this risk.

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

	Fair Value Measurements Using (in thousands)			
	June 30, 2025	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
U.S. Treasury Securities	$ 3,234,575	$ 3,234,575	$ —	$ —
Govt. Agency Securities	740,689	—	740,689	—
Govt. Mortgage Backed Securities	173,820	—	173,820	—
Municipal Securities	262,550	—	262,550	—
Commercial Paper	990,501	—	990,501	—
Total Investment by Fair Value Level	5,402,135	$ 3,234,575	$ 2,167,560	$ —
Investments measured at net asset value (NAV)				
Certificates of Deposit	15,112			
MMF - TexSTAR Cash Reserves	306,912			
Total investments measured at the net asset value (NAV)	322,024			
Total investments measured at fair value and NAV	$ 5,724,159			

TexSTAR uses the fair value method to determine the Net Asset Value ("NAV") per unit of the Cash Reserve Fund. 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.

TexSTAR Cash Reserve Fund has not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Net Position. For additional information regarding TexSTAR, visit: https://www.texstar.org/GetDocument.aspx?FileName=TexSTAR_InformationStatement.pdf.

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.

Investments as of June 30, 2025	Credit Quality Ratings	Fair Value (in thousands)	WAM (Days)
Municipal Securities	AAA Long Term	$ 8,383	271

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 Investment Policy limits this pool's WAM to 1.5 years. As of June 30, 2025, the pool's dollar- weighted average maturity was 271 days or 0.742 years. Modified duration was 0.696 years.

Credit Risk. The 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, 2025, 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 U.S. dollar denominated and not subject to foreign currency risk.

A summary of the Tax Exempt Pool’s investment under the requirements of the fair value hierarchy follows:

	Fair Value Measurements Using (in thousands)			
	June 30, 2025	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Municipal Securities	$ 8,383	$ —	$ 8,383	$ —
Total Investment by Fair Value Level	$ 8,383	$ —	$ 8,383	$ —

3. Housing Department Section 108 Pool

The Housing Department Pool was created to comply with rules of the U.S. 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.

Investments as of June 30, 2025	Credit Quality Ratings	Fair Value (in thousands)	WAM (Days)
U.S. Treasury Bills	F1+	$ 7,980	22

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 Investment Policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2025, this investment portfolio's dollar-weighted average stated maturity was 22 days. Modified duration was 0.059 years.

Credit Risk. HUD requires that investment of these funds must be in direct obligations of the U.S. Government.

Custodial Credit Risk. As of June 30, 2025, 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 U.S. dollar denominated and not subject to foreign currency risk.

A summary of the Housing Department Section 108 Pool's investment under the requirements of the fair value hierarchy follows:

		Fair Value Measurements Using (in thousands)		
	June 30, 2025	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Debt Securities				
U.S. Treasury Bills	$ 7,980	$ 7,980	$ —	$ —
Total Investment by Fair Value Level	$ 7,980	$ 7,980	$ —	$ —

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:

Investments as of June 30, 2025	Credit Quality Ratings	Fair Value (in thousands)	WAM (Days)
TexStar MMF - Rental Relief	AAA	$ 5,954	45
TexStar MMF - ARPA Recovery	AAA	24,908	45
TexStar MMF - CAP-INT HAS	AAA	6,335	45
TexStar MMF - Local 341 Judgment Fund	AAA	371	45
BlackRock Institutional Temporary Liquidity Fund:	AAA	68,632	46
First American U.S. Treasury Money Market Fund:	AAA	171	47
Total Miscellaneous Money Market Funds		$ 106,371	

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 U.S. dollar denominated securities that present minimal credit risk. They have the highest credit ratings.

Custodial Credit Risk. As of June 30, 2025, 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 U.S. dollar denominated and not subject to foreign currency risk.

A summary of the investment under the fair value hierarchy follows (in thousands):

	June 30, 2025
Investments measured at net asset value (NAV)	
TexStar MMF - Rental Relief	$ 5,954
TexStar MMF - ARPA Recovery	24,908
TexStar MMF - CAP-INT HAS	6,335
TexStar MMF - Local 341 Judgment Fund	371
BlackRock FedFund-Institutional	68,632
First American U.S. Treasury MMF	171
Total investment measured at net asset value (NAV)	$ 106,371

5. Houston Foundation

The Houston Foundation (the “Foundation”) consists of the Hill Trust. It is reported as a private-purpose trust fund (a fiduciary 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.

Investments as of June 30, 2025	Credit Quality Ratings	Fair Value (in thousands)	WAM (years)
Cash and Equivalents	Not Rated	$ 80	N/A
Fixed Income	Not Rated	1,244	8.2
Equities	N/A	6,738	N/A
Tangible Assets	N/A	50	N/A
Total Assets		$ 8,112	

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 WAM equal to or less than 8.4 years. The WAM for the fixed income portfolio is 8.2 years, and the weighted average duration is 5.6 years.

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

Custodial Credit Risk. As of June 30, 2025, 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 Foundation are subject to this risk to the extent that the Foundation held have not fully hedged their foreign currency dealings.

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

	Fair Value Measurements Using (in thousands)			
	June 30, 2025	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Cash and Equivalents	$ 80	$ 80	$ —	$ —
Fixed Income	1,244	76	1,168	—
Equities	6,738	3,257	3,481	—
Tangible Assets	50	—	—	50
Total Investment by Fair Value Level	$ 8,112	$ 3,413	$ 4,649	$ 50

C. Pension Systems Investments and Risk Disclosures

1. Houston Municipal Employees Pension System ("HMEPS")

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

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

HMEPS' Board shall manage the investment program of HMEPS in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. HMEPS' Board has adopted an investment policy statement to set forth the factors involved in the management of investment assets for HMEPS and which is made part of every investment management agreement. Representative guidelines by type of investment are disclosed in HMEPS' separately issued financial statements.

Fair Value Disclosures:

A summary of the fair value hierarchy is as follows (in thousands):

	Fair Value Measurements Using			
June 30, 2025	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
Global equity and inflation linked	$ 1,276,965	$ 1,276,965	$ —	$ —
Fixed income	224,888	18	220,739	4,131
Short-term investment funds	108,647	—	108,647	—
Securities lending collateral arrangements	43,350	43,350	—	—
Total investment by fair value level	1,653,849	$ 1,320,333	$ 329,386	$ 4,131
Investments measured at NAV				
Collective trusts	1,095,886			
Hedge funds	2,086			
Limited partnerships	2,004,830			
Total investments measured at NAV	3,102,803			
Total investments	$ 4,756,652			

Details of investments measured at NAV at June 30, 2025, are as follows (in thousands):

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity collective trusts	$ 806,627	$ —	Daily	< 1 month
Inflation linked collective trusts	116,343	—	Daily	< 1 month
Fixed income collective trusts	17,300	—	Daily	< 1 month
Real estate collective trust	155,617	—	Daily	< 1 month
Absolute return hedge funds	2,086	—	In liquidation	N/A
Inflation linked limited partnerships	242,669	184,198	N/A	N/A
Private equity limited partnerships	1,177,088	338,097	N/A	N/A
Private credit limited partnerships	320,875	348,074	N/A	N/A
Real estate limited partnerships	264,198	182,391	N/A	N/A
	$ 3,102,803	$ 1,052,760		

Risk Disclosures:

Custodial Credit Risk. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of HMEPS and are held by either the counterparty or the counterparty's trust department or agent but not in HMEPS' name.

Concentration Risk. The allocation of assets among various asset classes is set by HMEPS' Board. For major asset classes (e.g., global equity, fixed income, real estate, private equity, inflation-linked, absolute return and private credit), HMEPS 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 portfolio as of June 30, 2025, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio, excluding passive index funds.

Interest Rate Risk. Duration is the measure of a bond prices sensitivity to a 100-basis point change in interest rates. The duration of HMEPS' debt securities is managed by the active managers.

At June 30, 2025, the following table shows HMEPS' investments by type, fair value and the effective duration rate (in thousands):

	Effective Duration	Domestic	International	Total
Collateralized mortgage obligations	1.5	$ 2,017	$ —	$ 2,017
Corporate bonds	5.7	97,957	13,249	111,206
GNMA/FNMA/FHLMC	5.7	24,638	—	24,638
Municipal	10.1	354	—	354
Government issues	7.8	29,334	514	29,848
Misc. receivable (auto/credit card)	1.4	3,281	—	3,281
Other ABS	2.3	2,370	—	2,370
Bank loan	N/A	41,568	301	41,869
Commingled funds	N/A	26,606	—	26,606
Total		$ 228,124	$ 14,064	$ 242,188

Credit Risk. The quality ratings of investments in fixed income securities are set forth in HMEPS' Investment Policy Statement. All issues purchased by investment grade fixed income managers must be of investment grade quality, unless expressly authorized by HMEPS' Board. Fixed income investments should emphasize high-quality and reasonable diversification.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2025, are as follows (in thousands):

Quality Rating	Fair Value	Percentage
AAA	$ 256	0.11 %
AA	1,350	0.56 %
A	7,720	3.19 %
BBB	20,860	8.61 %
BB	11,930	4.93 %
B	36,482	15.06 %
CCC	34,495	14.24 %
Commingled funds	26,606	10.99 %
Not available	102,489	42.32 %
Total	$ 242,188	100.00 %

Securities Lending. HMEPS is authorized under its Investment Policy Statement to participate in a securities lending program through its agent and Custodian. Under this program, for an agreed-upon fee, HMEPS-owned investment are loaned to a borrowing financial institution. During the year ended June 30, 2025, the Custodian lent HMEPS securities and received cash and securities issued or guaranteed by the U.S. government as collateral. The following table show the fair value measurement of the securities lent, cash collateral received, and the reinvested cash collateral at June 30, 2025 (in thousands):

	Fair Value of Underlying Securities Lent	Cash Collateral Received	Collateral Reinvestment Value
Domestic bond and equities	$ 42,494	$ 43,350	$ 43,350
Total	$ 42,494	$ 43,350	$ 43,350

HMEPS also held securities collateral that cannot be pledged or sold absent a borrower's default totaling $14.0 million at June 30, 2025. The securities collateral consists of U.S. Treasury Bills and US Agency Bonds. The custodian does not have the ability to pledge or sell securities delivered for collateral, absent a borrower's default. The securities collateral received are not shown on the Statement of Fiduciary Net Position.

Foreign Currency Risk. International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using HMEPS' 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.

HMEPS has an indirect exposure to foreign currency fluctuation as of June 30, 2025, as follows (in thousands):

	Fair Value
Australian Dollar	$ 3,414
Brazilian Real	4,463
Canadian Dollar	61,464
Danish Krone	1,810
Egyptian pound	250
Euro Currency	140,095
Hong Kong Dollar	17,318
Hungarian Forint	565
Indonesian Rupiah	2,723
Japanese Yen	39,798
Malaysia Ringgit	186
Mexican Peso	2,200
New Taiwan Dollar	12,431
Norwegian Krone	627
Philippine Peso	1,085
Polish Zloty	128
Pound Sterling	46,408
Singapore Dollar	3,420
South African Rand	174
South Korean Won	3,471
Swedish Krona	14,470
Swiss Franc	16,862
Thailand Baht	312
Turkish Lira	157
Total	$ 373,831

2. Houston Firefighters' Relief and Retirement Fund ("HFRRF")

Statutes of the State of Texas authorize HFRRF 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. HFRRF's Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of HFRRF given prevailing economic and capital market conditions. While HFRRF's 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.

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

Fair Value Disclosures:

A summary of the fair value hierarchy is as follows (in thousands):

		Fair Value Measurements Using		
June 30, 2025	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
Short-term investment funds	$ 125,068	$ 125,068	$ —	$ —
Corporate bonds	444,980	—	423,062	21,918
Convertible debt securities	1,301	—	1,301	—
Equity securities	151,495	151,495	—	—
Digital Assets	43,214	43,214	—	—
Inflation hedge securities	51,629	51,629	—	—
Private debt	25,536	25,536	—	—
Private equity - energy	1,075	—	—	1,075
Real estate	1,900	—	—	1,900
Total investment by fair value level	846,199	$ 396,943	$ 424,363	$ 24,893
Investments measured at NAV				
Commingled investment funds	1,646,795			
Hedge funds	339			
Private debt funds	694,633			
Private equity funds	2,041,860			
Real estate funds	529,633			
Total investments measured at the NAV	4,913,260			
Total investments	$ 5,759,458			

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following tables as of June 30, 2025 (in thousands):

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled investment funds	$1,646,795	$ —	NR - Quarterly NR	0-90 days NR
Hedge funds	339	—		
Private debt funds	694,633	374,095		
Private equity funds	2,041,860	1,131,691		
Real estate funds	529,633	257,174		
Total investments measured at the NAV	$4,913,260	$ 1,762,960		

*NR is used to denote no contractual restriction

Alternative Investments – As of June 30, 2025, HFRRF was invested in various private equity funds as detailed in the table below (in thousands).

Investment Type	Fair Value
Private Equity	
Buyout partnerships/funds	$ 1,024,151
Co-investments	315,361
Distressed debt partnerships/funds	61,787
Direct investments	1,075
Infrastructure partnerships/funds	101,959
Mixed strategies	97,989
Secondary partnerships/funds	203,925
Special situations investments	12,246
Venture capital partnerships/funds	224,442
Total	$ 2,042,935

Risk Disclosures:

Custodial Credit Risk. Portions of HFRRF'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. At June 30, 2025, HFRRF'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 HFRRF's investment in a single issue. The allocation of assets among various asset classes is set by HFRRF's Board with the objective of optimizing the investment return of HFRRF 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), HFRRF 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 and actual allocations are disclosed in HFRRF's separately issued financial statements.

Interest Rate Risk. HFRRF 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 HFRRF's Investment Policy.

HFRRF 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, 2025, the following table shows HFRRF's investments by type, with weighted average maturity and fair value (amounts in thousands):

	Weighted Average Maturity	Fair Value
Commingled Funds	5.5	$ 306,875
Non-U.S. Corporate	3.2	75,087
U.S. Convertibles	2.8	1,301
U.S. Corporate	2.9	369,893
Total Fixed Income Securities		$ 753,156

Credit Risk. HFRRF 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.

HFRRF's exposure to investment credit risk in fixed income securities (which includes government securities, corporate bonds, convertibles) as of June 30, 2025, is as follows (in thousands):

Quality Rating	Fair Value	Percentage of Holdings
BAA3	$ 19,768	0.34%
BA1	38,065	0.66%
BA2	81,421	1.41%
BA3	103,572	1.80%
B1	69,129	1.20%
B2	57,004	0.99%
B3	359,247	6.24%
CAA1	7,869	0.14%
CAA2	9,381	0.16%
Not rated	7,700	0.13%
Total credit risk debt securities*	$ 753,156	13.07%

*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.

Foreign Currency Risk. HFRRF'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.

HFRRF's exposure to foreign currency fluctuation as of June 30, 2025, is as follows (in thousands):

	Fair Value	Percentage of Holdings
Euro Currency Unit	$ 455,421	8.04 %
Total securities subject to foreign currency risk	$ 455,421	8.04 %

3. Houston Police Officers' Pension System ("HPOPS")

Statutes of the State of Texas authorize HPOPS 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 HPOPS is responsible for the management and administration of the funds of HPOPS and shall determine the procedure it finds most efficient and beneficial for the management of the reserve fund of HPOPS. The governing body may directly manage the investments of HPOPS or may choose and contract for professional investment management services.

Fair Value Disclosures:

A summary of the fair value hierarchy is as follows (in thousands):

		Fair Value Measurements Using		
June 30, 2025	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
Short-term investment funds	$ 986,874	$ —	$ 986,874	$ —
Fixed income	543,243	—	543,243	—
Domestic equities	12	12	—	—
Private equity	1,653,606	—	—	1,653,606
Real estate	771,009	—	—	771,009
Private credit	609,965	—	—	609,965
Foreign currency contracts	—	—	—	—
Total investment by fair value level	4,564,709	$ 12	$ 1,530,117	$ 3,034,580
Investments measured at NAV				
Domestic equities commingled funds	1,205,546			
International equities commingled funds	1,492,408			
Fixed income commingled funds	555,282			
Hedge funds	417,107			
Total investments measured at the NAV	3,670,343			
Total investments measured at fair value	$ 8,235,052			

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following tables as of June 30, 2025 (in thousands):

	NAV	Unfunded Commit-ments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities commingled funds	$ 1,205,546	$ —	Daily	1 day
International equities commingled funds	1,492,408	—	Daily	4 days
Fixed income commingled funds	555,282	—	Daily	2 days
Hedge funds	417,107	6,259	Various up to three years	60-90 days
Total investments measured at the NAV	$ 3,670,343	$ 6,259		

Alternative Investments – As of June 30, 2025, HPOPS was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the table below (in thousands).

Investment Type	Fair Value
Private Equity	
Leveraged Buyouts	$ 1,211,805
Energy	149,858
Special Situations	180,668
Private Equity Secondaries	94,137
Venture Capital	17,138
Other Alternatives	
Real Estate	771,009
Private Credit	609,965
Hedge Funds	
Multi-strategy hedge funds	240,179
Long/short credit hedge funds	2,348
Long/short equity hedge funds	174,580
Total	$ 3,451,687

Risk Disclosures:

Custodial Credit Risk for Deposits and Investments. As of June 30, 2025, HPOPS had a balance of $552 thousand on deposit at a financial institution. The Federal Deposit Insurance Corporation ("FDIC") covered cash on deposit up to $250 thousand at this financial institution. Therefore, as of June 30, 2025, $302 thousand of the $552 thousand of HPOPS' bank balance was exposed to custodial credit risk. At June 30, 2025, HPOPS did not have any other investments with other financial institutions subject to custodial credit risk.

Credit Risk. As of June 30, 2025, HPOPS' fixed income assets that are not U.S. government guaranteed represented 100.0% of HPOPS' fixed income plus short term investments portfolio. The tables below and on the following page summarize the HPOPS' fixed income portfolio and short term investment exposure levels and credit qualities as of June 30, 2025 (in thousands).

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

Fixed Income Security Type	Fair Value	Percent of Total	Weighted Average Credit Quality
Corporate Bonds	$ 535,892	25.7 %	BB
Corporate Convertible Bonds	7,351	0.4	B
Collective Investment Trusts	555,282	26.6	Not Rated
Short Term Investment Funds	986,874	47.3	Not Rated
Total	$ 2,085,399	100.0 %	

Ratings Dispersion Detail

Credit Rating Level	Corporate Bonds	Corporate Convertible Bonds	Collective Investment Trusts	Short Term Investment Funds
AAA	$ 205	$ —	$ —	$ —
AA	21	—	—	—
A	512	—	—	—
BBB	47,260	544	—	—
BB	252,883	—	—	—
B	187,143	663	—	—
CCC	24,317	50	—	—
D	840	—	—	—
Not Rated	22,711	6,094	555,282	986,874
Total	$ 535,892	$ 7,351	$ 555,282	$ 986,874

HPOPS' 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 HPOPS' staff.

Concentration of Credit Risk. HPOPS' 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 June 30, 2025, HPOPS did not have any single investment in any one organization which represented greater than 5% of plan net position.

Interest Rate Risk. HPOPS' 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 HPOPS' 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, 2025, found in the tables below quantify the interest rate risk of HPOPS' fixed income and short-term investments.

Modified Duration by Security Type

Security Type	Fair Value	Percent of Total	Weighted Average Modified Duration (years)
Corporate Bonds	$ 535,892	25.7 %	3.1
Corporate Convertible Bonds	7,351	0.4	2.8
Collective Investment Trusts	555,282	26.6	4.2
Short Term Investment Funds	986,874	47.3	0.1
Total	$ 2,085,399	100.0 %	

Modified Duration Analysis by Security Type

Corporate Bonds	Fair Value	Average Modified Duration	Contribution to Modified Duration
Less than 1 year	$ 29,268	0.6	0.0
1 to 5 years maturities	419,397	2.8	2.2
5 to 10 years maturities	80,874	5.1	0.8
Greater than 10 years maturities	6,353	10.4	0.1
Total	$ 535,892		3.1
Corporate Convertible Bonds			
Less than 1 year	$ 1,251	0.8	0.1
1 to 5 years maturities	4,680	2.7	1.7
5 to 10 years maturities	1,420	5.0	1.0
Greater than 10 years maturities	—	0.0	0.0
Total	$ 7,351		2.8
Collective Investment Trusts			
Less than 1 year	$ 13,775	4.2	0.1
1 to 5 years maturities	305,988	4.2	2.3
5 to 10 years maturities	209,964	4.2	1.6
Greater than 10 years maturities	25,555	4.2	0.2
Total	$ 555,282		4.2
Short Term Investment Funds			
Less than 1 year	$ 893,867	0.1	0.1
1 to 5 years maturities	93,007	0.1	0.0
Total	$ 986,874		0.1

Securities Lending Program. HPOPS' Board of Trustees' policies permit HPOPS to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. HPOPS 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. HPOPS' bank pools all collateral received from securities lending transactions and invests any cash collateral. HPOPS holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2025, the weighted-average maturity of the collateral pool was 15 days. The relationship between the maturities of the collateral pool and HPOPS' loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2025, was $98.8 million. HPOPS also had non-cash collateral at June 30, 2025, of $35.0 million consisting of U.S. Treasury securities and letters of credit. HPOPS cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed.

The fair value of securities on loan at June 30, 2025, was $131.1 million. At June 30, 2025, HPOPS had no credit risk exposure to borrowers because the amounts HPOPS owes the borrowers, $133.8 million, exceeds the amounts the borrowers owe HPOPS, $131.1 million.

Foreign Currency Risk. The books and records of HPOPS are maintained in U.S. dollars. Foreign currencies and non-U.S. dollar denominated investments are translated into U.S. dollars at the bid prices of such currencies against U.S. 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 HPOPS 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, and 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.

Derivatives. HPOPS' investment managers may invest in derivatives if permitted by the guidelines established by HPOPS' Board of Trustees. HPOPS' staff monitors guidelines and compliance. From time to time HPOPS' 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, 2025, classified by type, and the changes in fair value of such derivative instruments for the year then ended is shown in the table below (in thousands).

	Fair Value				
	Changes in Fair Value	Posted Margin	Collateral Held at Custodian Bank	Fair Value	Notional Value
Equity Futures	$ 50,094	$ 79,988	$ 708,049	$ 831,999	$ 1,501,213
Currency Futures	(31,317)	(1,569)	22,427	86,078	(207,195)
Currency Forwards	205	—	—	(65,443)	(65,443)

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* – Consistent with HPOPS' investment policy, HPOPS' derivative instruments were held by the counterparty that was acting as HPOPS' agent.
- *Credit Risk* – HPOPS' investment policy allows investment managers full discretion in adopting investment strategies to deal with this risk. HPOPS' 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 HPOPS' derivative instruments.
- *Foreign Currency Risk* – HPOPS' 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. HPOPS 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.

HPOPS' derivative instruments exposure to foreign currency risk in U.S. dollars as of June 30, 2025, is shown in the table below (in thousands).

Foreign Currency Exposure for Derivatives

Currency	Equity Derivatives	Currency Derivatives	Total
Euro	$ —	$ (174,137)	$ (174,137)
Japanese yen	—	(102,120)	(102,120)
British pound sterling	—	(71,799)	(71,799)
HK offshore Chinese Yuan Renminbi	—	(48,938)	(48,938)
Total	$ —	$ (396,994)	$ (396,994)

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HPOPS' exposure to foreign currency risk in U.S. dollars as of June 30, 2025, is shown in the table below (in thousands).

Foreign Currency Exposure by Asset Class

Currency	Short Term Investments	Fixed Income	Equities	Alternative Investments	Foreign Currency Contracts	Total
Euro	$ (174,128)	$ —	$ 336,112	$ 466	$ —	$ 162,450
Japanese yen	(102,120)	—	203,912	—	—	101,792
Canadian dollar	—	—	120,189	—	—	120,189
Chinese Yuan Renminbi	—	—	123,098	—	—	123,098
Swiss franc	—	—	89,529	—	—	89,529
Australian dollar	—	—	64,673	2,070	—	66,743
New Taiwan dollar	—	—	82,452	—	—	82,452
Indian rupee	—	—	78,817	—	—	78,817
British pound sterling	(71,799)	—	136,917	—	—	65,118
South korean won	—	—	46,649	—	—	46,649
Danish krone	—	—	21,443	—	—	21,443
HK offshore Chinese Yuan Renminbi	—	—	—	—	(48,938)	(48,938)
Swedish krona	—	—	34,213	—	—	34,213
Hong Kong dollar	—	—	18,671	—	—	18,671
Brazilian real	—	—	19,309	—	—	19,309
Singapore dollar	—	—	16,204	—	—	16,204
South African rand	—	—	14,102	—	—	14,102
Mexican peso	—	—	8,601	—	—	8,601
New Israeli shekel	—	—	9,193	—	—	9,193
Indonesian rupiah	—	—	5,131	—	—	5,131
Norwegian krone	—	—	5,929	—	—	5,929
Malaysian ringgit	—	—	5,574	—	—	5,574
Thai baht	—	—	4,320	—	—	4,320
United Arab Emirates dirham	—	—	6,860	—	—	6,860
Polish zloty	—	—	5,006	—	—	5,006
Qatari riyal	—	—	3,246	—	—	3,246
Turkish lira	—	—	2,293	—	—	2,293
Kuwaiti dinar	—	—	3,342	—	—	3,342
Philippine peso	—	—	2,021	—	—	2,021
Chilean peso	—	—	2,003	—	—	2,003
New Zealand dollar	—	—	1,784	—	—	1,784
Peruvian nuevo sol	—	—	1,330	—	—	1,330
Hungarian forint	—	—	1,270	—	—	1,270
Czech koruna	—	—	741	—	—	741
Colombian peso	—	—	521	—	—	521
Egyptian pound	—	—	274	—	—	274
	$ (348,047)	$ —	$ 1,475,729	$ 2,536	$ (48,938)	$ 1,081,280

NOTE 4: ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts and Other Receivables

Accounts and other receivables by fund as of June 30, 2025, are as follows (in thousands):

Governmental Activities

	General	Capital Projects	Nonmajor	Grants	Internal Service Fund	Total Governmental Activities
Receivables:						
Accounts	$ 1,113,328	$ 923	$ 264,274	$ 7,619	$ 79	$ 1,386,223
Property tax	109,115	—	—	—	—	109,115
Sales tax	158,358	—	—	—	—	158,358
Mixed beverage	4,091	—	—	—	—	4,091
Franchise	7,688	—	—	—	—	7,688
Special assessment	8,278	—	—	—	—	8,278
Due from other governments	60,461	8,846	115,906	176,989	14	362,216
Gross receivables	1,461,319	9,769	380,180	184,608	93	2,035,969
Less: allowance for doubtful accounts	(986,075)	(922)	(236,612)	(2)	(77)	(1,223,688)
Receivables, net	$ 475,244	$ 8,847	$ 143,568	$ 184,606	$ 16	$ 812,281

Business-type Activities

	Airport System	Convention and Entertainment	Combined Utility	Total Business-type Activities
Receivables:				
Accounts	$ 53,538	$ 585	$ 773,227	$ 827,350
Hotel occupancy tax	—	27,438	—	27,438
Due from other governments (current)	50,712	—	3,500	54,212
Due from other governments (non-current)	—	—	237,676	237,676
Gross receivables	104,250	28,023	1,014,403	1,146,676
Less allowance for doubtful accounts	(3,827)	(518)	(449,221)	(453,566)
Receivables, net	$ 100,423	$ 27,505	$ 565,182	$ 693,110

Notes Receivable

The City entered into various loan agreements with various third parties related to Hurricane Harvey projects and its affordable housing and community development programs. Of the $99.6 million recorded in notes receivable, approximately $93.5 million is not expected to be collected within one year. Included in the $99.6 million is a loans receivable totaling $29.5 million for loans to Houston First Corporation, a component unit of the City, associated with Hurricane Harvey project costs. These loans have maturity date from 2027 to 2030, with interest rates ranging from 1.99% to 3.87%. The remaining $70.1 million note and loans receivables are related to Grants Fund and Special Revenue Funds totaling $158.6 million, net of allowance for doubtful accounts of $88.5 million. Those loans have maturity date from 2025 to 2062, with interest rates ranging from 0% to 7%. The $70.1 million of notes and loans have corresponding deferred inflows of resources balance recorded within the governmental funds.

In addition, the City entered into loan agreements with various third parties and organizations for the purpose of financing housing and redevelopment projects. These projects include a mix of affordable housing and market rate units. Principal and interest of these loans may be forgiven by the City upon meeting certain requirements, such as affordability period of the housing project. Payments on these loans may be required to be made from the project's surplus cash flows. Due to the uncertainty of payment, the City is not recognizing a receivable in the financial statements and will record all payments as revenue at the time of receipt. The total amount of these notes outstanding is $618.0 million as of June 30, 2025.

Airport System Fund - Concentration of Financial Resource Provider

The Airport System accounts for the City's airport operations and reports $2,370.4 million of revenue bonds outstanding on June 30, 2025. The bond indentures state that the revenue generated by airport operations is pledged as the sole source of repayment for the bonds. A loss of revenue from major customers could adversely affect the Airport System.

For the year ended June 30, 2025, the Airport System earned approximately 36.6% of its operating revenues from two major customers, United Airlines and Southwest Airlines. No other companies or customers individually represent more than 5% of total operating revenues of the Airport System. The two major companies and their respective percentage of outstanding receivable (billed receivable) and revenue as of and for the year ended June 30, 2025, are as follows:

	Percentage of Accounts Receivable
United	0.9%
Southwest	0.3%

	Percentage of Operating Revenue
United	27.8%
Southwest	8.8%

See Note 7 to the financial statements for conduit debt obligations.

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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 2024 tax year was $0.51919 per $100 of assessed value with $0.378605 for operations and $0.140585 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 (the "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

The City has 27 active Tax Increment Reinvestment Zones ("TIRZs") as of June 30, 2025.

TIRZ #	TIRZ Name	TIRZ #	TIRZ Name	TIRZ #	TIRZ Name
1	St. George Place	11	Greenspoint	20	Southwest
2	Midtown	12	City Park	21	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	28	**Medical Center Area

The TIRZs were created pursuant to Chapter 311 of the Code to aid in financing the development or redevelopment of unproductive, underdeveloped or blighted areas.

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

During the year ended June 30, 2025, the City contributed $201 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 $29 million to the TIRZs.

City of Houston TIRZ Interlocal Participation Agreements	
Taxing Jurisdiction	**TIRZ Number**
Harris County[1,2]	1, 3, 16, 18, 20, 23, 24
Harris County Flood Control District[1]	3
Harris County Hospital District[1,3]	3
Harris County Port of Houston Authority[1]	3
Houston Community College District	2
Houston Independent School District[4]	1, 2, 3, 4, 7, 8, 12, 13, 14, 15, 16, 18
Humble Independent School District	10
Aldine and Spring Independent School Districts, Lone Star College District	11

[1] Included in the Harris County Interlocal Agreement

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

[3] Harris County Hospital District and Harris County Flood Control no longer participates in TIRZ No. 2 and 3

[4] Houston Independent School District no longer participates in TIRZ No. 5, 9, and 19

[**] These TIRZs are not a legally separated entity from the City or a component unit of the City. Activities of this TIRZ are accounted for in the City's special revenue funds.

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. The total amount abated was $1,621,101, to eight businesses.

Company Name	Abatement Project Information	Investment Requirement	City's Abatement Commitments	Amount Eligible for Abatement (HCAD Value)	Tax abatement for Tax Year 2024 (COH tax rate - 0.51919%)
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.	$ 22,842,062	$ 118,594
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.	$ 84,033,405	$ 436,293
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.	$ 52,953,545	$ 274,930

(continued)

Company Name	Abatement Project Information	Investment Requirement	City's Abatement Commitments	Amount Eligible for Abatement (HCAD Value)	Tax abatement for Tax Year 2024 (COH tax rate - 0.51919%)
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.	$ 47,628,011	$ 247,280
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.	$ 38,536,808	$ 200,079
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.	$ 44,349,505	$ 230,258
Skanska	The Company represents and warrants that it will invest a minimum of $117M in LEED capital improvements to the Facility by the Effective Date of Abatement.	$ 117,000,000	City agrees to grant the Company a 15% abatement of the ad valorem taxes on the increase of the value of the improvements in the Zone during the Abatement Period.	$ 21,893,177	$ 113,667
MetroNational (BLEX Exchange GP VII, LLC)	The Company represents and warrants that it will invest a minimum of $3M in LEED capital improvements to the Facility by the Effective Date of Abatement, and has provided a pro forma of projected annual Net Operating Income.	$ 117,000,000	City agrees to grant a 5% abatement of the ad valorem taxes on the Improvements in the Zone during the Abatement Period	$ —	$ —

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NOTE 6: CAPITAL ASSETS

A. Governmental Activities

A summary of changes in capital assets for the year ended June 30, 2025, is as follows (in thousands):

	Balance July 01, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Governmental Activities					
Capital assets not being depreciated:					
Land	$ 589,969	$ 5,614	$ —	$ 96	$ 595,679
Right of way	1,869,931	2,393	(2,062)	2,735	1,872,997
Construction in progress	992,680	374,477	—	(171,517)	1,195,640
Total capital assets not being depreciated	3,452,580	382,484	(2,062)	(168,686)	3,664,316
Depreciable capital assets:					
Buildings	1,528,495	2,089	(7,271)	14,668	1,537,981
Rights & intangibles - amortizable	29,959	—	(16)	4,262	34,205
Improvements and equipment	1,726,620	162,213	(40,171)	14,531	1,863,193
Infrastructure	8,696,849	14,212	(20,717)	135,225	8,825,569
Lease right-of-use assets:					
Land	119	—	—	—	119
Buildings	58,374	334	—	—	58,708
Equipment	10,800	1,394	(309)	—	11,885
Subscription right-of-use assets	77,543	2,310	(4,045)	—	75,808
Total other capital assets	12,128,759	182,552	(72,529)	168,686	12,407,468
Less accumulated depreciation and amortization for:					
Buildings	(701,668)	(40,623)	3,418	—	(738,873)
Rights and intangibles	(21,089)	(6,511)	9	—	(27,591)
Improvements and equipment	(1,192,810)	(105,506)	33,979	—	(1,264,337)
Infrastructure	(4,441,043)	(184,867)	20,345	—	(4,605,565)
Lease right-of-use assets:					
Land	(19)	(16)	—	—	(35)
Buildings	(5,681)	(5,258)	—	—	(10,939)
Equipment	(2,005)	(1,931)	309	—	(3,627)
Subscription right-of-use assets	(37,717)	(18,383)	2,692	—	(53,408)
Total accumulated depreciation and amortization	(6,402,032)	(363,095)	60,752	—	(6,704,375)
Depreciable capital assets, net	5,726,727	(180,543)	(11,777)	168,686	5,703,093
Governmental Activities capital assets, net	$ 9,179,307	$ 201,941	$ (13,839)	$ —	$ 9,367,409

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B. Business-type Activities

A summary of changes in capital assets for the year ended June 30, 2025, is as follows (in thousands):

	Balance July 01, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Business-type Activities					
Capital assets not being depreciated:					
Land	$ 505,741	$ 1,177	$ (477)	$ 37,347	$ 543,788
Right of way	1,267	—	—	123	1,390
Rights and intangible - non-amortizable	866,513	25,000	—	—	891,513
Construction in progress	3,715,644	948,353	—	(2,068,400)	2,595,597
Total capital assets not being depreciated	5,089,165	974,530	(477)	(2,030,930)	4,032,288
Depreciable capital assets:					
Buildings	4,031,906	1,369	(529)	440,618	4,473,364
Rights & intangibles - amortizable	15,523	1,421	—	—	16,944
Improvements and equipment	2,364,934	35,824	(8,929)	106,290	2,498,119
Infrastructure	13,295,927	20,653	(26,781)	1,484,022	14,773,821
Lease right-of-use assets:					
Land	—	—	—	—	—
Buildings	192	—	(192)	—	—
Equipment	103	—	—	—	103
Subscription right-of-use assets	5,362	—	—	—	5,362
Total other capital assets	19,713,947	59,267	(36,431)	2,030,930	21,767,713
Less accumulated depreciation and amortization for:					
Buildings	(2,394,834)	(110,960)	529	—	(2,505,265)
Rights and intangibles	(8,731)	(890)	—	—	(9,621)
Improvements and equipment	(1,739,695)	(87,286)	8,410	129	(1,818,442)
Infrastructure	(7,224,610)	(327,733)	25,780	(129)	(7,526,692)
Lease right-of-use assets:					
Land	—	—	—	—	—
Buildings	(192)	—	192	—	—
Equipment	(86)	(10)	—	—	(96)
Subscription right-of-use assets	(2,742)	(1,045)	—	—	(3,787)
Total accumulated depreciation and amortization	(11,370,890)	(527,924)	34,911	—	(11,863,903)
Depreciable capital assets, net	8,343,057	(468,657)	(1,520)	2,030,930	9,903,810
Business-type Activities capital assets, net	$ 13,432,222	$ 505,873	$ (1,997)	$ —	$ 13,936,098

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C. Depreciation and Amortization Expense

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

Governmental activities		
General government	$	57,313
Public safety		45,298
Public works		19,594
Health		8,360
Housing		3,014
Parks and recreation		39,637
Library		7,500
Infrastructure		182,379
Total depreciation expense - governmental activities	$	363,095
Business-type activities		
Airport System	$	182,854
Convention & Entertainment Facilities		12,761
Combined Utility System		332,309
Total depreciation expense - business-type activities	$	527,924

See Note 9 for further details and disclosures on leases, including regulated leases, and subscription-based information technology arrangements, as well as lease and subscription liabilities.

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NOTE 7: 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. In addition, no commitments beyond the payments from United and maintenance of the tax-exempt status of the conduit debt obligation were extended by the City. At June 30, 2025, the bonds have an aggregate outstanding principal amount payable of approximately $2.1 billion.

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 City and the Airport System will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the City 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.

	(in thousands) June 30, 2025
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	169,965
Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT), $176,650,000 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 principal, matures in 2027	66,890
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2021A (AMT), $70,175,000 original principal, matures in 2041	70,175
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2021B-1 (AMT), $219,320,000 original principal, matures in 2041	219,320
Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2024B (AMT), $1,100,000 original principal, matures in 2039	1,100,000
Total Conduit Debt Outstanding	$ 2,135,015

On December 2, 2024, the City issued $1.1 billion in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2024B (the “United 2024B Series Bonds”), on behalf of United, for the purpose of 1) financing the costs of design, construction, improvement and installation of certain facilities in terminal B at IAH and 2) paying related costs of issuance. Interest rates range from 5.250% to 5.500%, with yields range from 4.480% to 4.660%. The final maturity date for the United 2024B Series Bonds is July 15, 2039.

On August 25, 2021, the City issued $70.2 million and $219.3 million 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.

On June 29, 2020, the City issued $34.2 million 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 $47.5 million 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%.

On June 29, 2020, the City issued $66.9 million 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 $90.7 million 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 $46.4 million 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 $176.7 million 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 $308.7 million 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 $113.3 million 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.


CITY OF HOUSTON
CITY CONTROLLER

NOTE 8: LONG-TERM LIABILITIES

A. General Long-Term Liabilities

Changes in general long-term liabilities for the year ended June 30, 2025, are summarized as follows (in thousands):

	Balance July 01, 2024	Additions	Retirements/ Transfers	Balance June 30, 2025	Amounts Due within One Year
Governmental Activities					
Bonds and notes payable:					
General tax obligation debt	$ 2,972,104	$ 879,275	$ (349,244)	$ 3,502,135	$ 238,568
Direct borrowing loans	40,367	—	(8,848)	31,519	6,945
HUD Section 108 loans	27,824	—	—	27,824	290
Plus premium (discount) on bonds	245,753	57,810	(48,702)	254,861	—
Total bonds and notes payable	3,286,048	937,085	(406,794)	3,816,339	245,803
Other liabilities:					
Claims and judgments	874,619	377,919	(1,033,481)	219,057	70,084
Compensated absences [1]	607,634	18,031	—	625,665	100,389
Arbitrage rebate	140	1,703	—	1,843	3
Lease liability	66,557	1,728	(6,526)	61,759	6,756
Subscription liability	38,994	2,310	(22,149)	19,155	6,856
Total OPEB liability	1,748,576	153,365	(340,160)	1,561,781	48,506
Net pension liability	1,382,032	1,497,050	(1,553,287)	1,325,795	—
Total other liabilities	4,718,552	2,052,106	(2,955,603)	3,815,055	232,594
Governmental Activities Long-Term Liabilities	$ 8,004,600	$ 2,989,191	$ (3,362,397)	$ 7,631,394	$ 478,397
Discretely Presented Component Units:					
Notes payable	$ 590,279	$ 14,774	$ (53,768)	$ 551,285	$ 64,696
Bonds payable	809,597	82,327	(58,116)	833,808	58,537
Net pension liability (Note 10.C)	26,255	9,692	(4,682)	31,265	—
Discretely Presented Component Units Long-Term Liabilities	$ 1,426,131	$ 106,793	$ (116,566)	$ 1,416,358	$ 123,233

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 July 01, 2024	Additions	Retirements/ Transfers	Balance June 30, 2025	Amounts Due within One Year
Business-type activities					
Bonds and notes payable:					
Airport System debt	$ 2,552,553	$ 24,974	$ (134,277)	$ 2,443,250	$ 138,130
Convention and Entertainment debt	350,884	144,500	(111,558)	383,826	103,927
Combined Utility System debt	6,432,579	—	(307,421)	6,125,158	319,188
Long-term contracts - Combined Utility	403,961	25,000	(9,536)	419,425	14,957
Premiums, discounts and accretion	959,684	2,042	(59,903)	901,823	—
Total bonds and notes payable	10,699,661	196,516	(622,695)	10,273,482	576,202
Other liabilities:					
Claims and judgments	11,334	1,911	(2,079)	11,166	2,097
Compensated absences [1]	36,911	—	(1,804)	35,107	12,696
Arbitrage rebate liability	5,699	8,361	(1,599)	12,461	1,743
Lease liability	18	—	(10)	8	4
Subscription liability	2,464	—	(1,131)	1,333	109
Total OPEB liability	217,184	18,774	(46,045)	189,913	6,068
Net pension liability	413,644	152,968	(208,977)	357,635	—
Total other liabilities	687,254	182,014	(261,645)	607,623	22,717
Business-type activities Long-Term Liabilities	$ 11,386,915	$ 378,530	$ (884,340)	$ 10,881,105	$ 598,919
Total Reporting Entity Long-Term Liabilities	$ 20,817,646	$ 3,474,514	$ (4,363,303)	$ 19,928,857	$ 1,200,549

[1] The change in the compensated absences liability is presented as a net change.

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

	Stated Interest Rate Range, %	Face Value Outstanding 07/01/2024	FY25 Issued/ Increased
General Tax Obligation Debt			
Public improvement bonds	0.25 to 6.32	$ 1,560,020	$ 122,125
Pension obligations bonds	5.31 to 6.29	1,318,489	—
General obligations bonds	4.125 to 5.25	—	587,150
Commercial paper	0.12 to 10.00	91,000	170,000
Tax and revenue certificates of obligation	4.00 to 5.00	2,595	—
Total General Tax Obligation Debt		$ 2,972,104	$ 879,275
State Energy Conservation (SECO) loan	2.00	$ 2,302	$ —
Motorola Solutions, Inc. loan	6.48	$ 38,065	$ —
HUD Section 108 loans		$ 27,824	$ —
Revenue Bonded Debt			
Airport System			
Subordinate lien revenue and refunding bonds	0.883 to 5.70	$ 2,493,320	$ —
General obligations bonds	4.125 to 5.25	–	24,974
Special facility bonds	0.40 to 6.88	43,645	—
Pension obligations bonds	5.31	2,006	—
State Energy Conservation (SECO) Loans	2.00	13,582	—
		2,552,553	24,974
Convention and Entertainment Facilities			
Hotel occupancy tax special revenue bonds	2.55 to 5.00	330,315	—
Subordinate lien flexible rate notes	4.06 to 4.07	18,000	144,500
Pension obligations bonds	5.31 to 6.29	2,569	—
		350,884	144,500
Combined Utility System			
Combined Utility System first lien bonds	0.34 to 5.50	5,333,005	—
Combined Utility System first lien bonds- direct placement	0.04 to 3.15	568,895	—
Water and Sewer System junior lien revenue bonds	5.46 to 5.50	29,576	—
Combined Utility System subordinate lien bonds-direct placement	0.12 to 3.22	419,696	—
Pension obligations bonds	5.31 to 6.29	81,407	—
		6,432,579	—
Long-Term Contracts-Water and Sewer System			
Coastal Water Authority	2.00 to 5.00	40,055	25,000
Other long-term contracts	0.12 to 4.69	363,906	—
		403,961	25,000
Total Revenue Bonded Debt and Long-Term Contracts, Primary Government		$ 9,739,977	$ 194,474
Total Bonds and Long-Term Contracts Payable,Primary Government		$ 12,780,272	$ 1,073,749

(Continued)

(1) 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 outflows of resources.

(2) Adjustments consist of unamortized bond premiums, discounts, and capital appreciation bond accretions.

FY25 Redeemed/ Refunded (1)	Face Value Outstanding 06/30/2025	Adjustments (2)	Net Outstanding 06/30/2025
$ 211,660	$ 1,470,485	$ 208,574	$ 1,679,059
32,670	1,285,819	—	1,285,819
11,319	575,831	46,287	622,118
91,000	170,000	—	170,000
2,595	—	—	—
$ 349,244	$ 3,502,135	$ 254,861	$ 3,756,996
$ 251	$ 2,051	$ —	$ 2,051
$ 8,597	$ 29,468	$ —	$ 29,468
$ —	$ 27,824	$ —	$ 27,824
$ 122,925	$ 2,370,395	$ 197,552	$ 2,567,947
481	24,493	1,924	26,417
9,630	34,015	—	34,015
—	2,006	—	2,006
1,241	12,341	—	12,341
134,277	2,443,250	199,476	2,642,726
26,323	303,992	172,176	476,168
85,000	77,500	—	77,500
235	2,334	—	2,334
111,558	383,826	172,176	556,002
260,560	5,072,445	443,640	5,516,085
25,415	543,480	—	543,480
4,274	25,302	84,596	109,898
12,976	406,720	—	406,720
4,196	77,211	—	77,211
307,421	6,125,158	528,236	6,653,394
4,735	60,320	1,935	62,255
4,801	359,105	—	359,105
9,536	419,425	1,935	421,360
$ 562,792	$ 9,371,659	$ 901,823	$ 10,273,482
$ 920,884	$ 12,933,137	$ 1,156,684	$ 14,089,821

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 (March and September); principal is payable in various amounts annually through March 1, 2051. At June 30, 2025, the public improvement bonds have an outstanding balance totaling $1,470.5 million.

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. At June 30, 2025, the pension obligation bonds have an outstanding balance totaling $1,367.4 million.

3. General Obligation Bonds

The City has issued General Obligation Bonds in July 2024. The proceeds were issued to refund, discharge and extinguish a certain special obligation of the City. Interest is payable semi-annually, and principal is payable in varying amounts through 2051. Although these bonds have an ad valorem tax pledge, a portion of the liabilities is recorded in the Airport System because the liabilities are directly related to and expected to be paid from the Airport System based on percentages of payroll. At June 30, 2025, the general obligation bonds have an outstanding balance totaling $600.3 million, of which $575.8 million and $24.5 million is reported in the governmental activities and business-type activities, respectively, in the accompanying financial statements.

4. General Obligation Commercial Paper

The City currently has multiple General Obligation Commercial Paper Programs (“GO Commercial Paper”) with total authorization of $1,025 million. The programs’ current issuance capacity is $1,025 million, of which $625 million is supported by credit facilities: GO Commercial Paper, $200 million Series E Program, $200 million Series G Program, $100 million Series H-2 Program, $125 million Series J. The GO Commercial Paper may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the GO Commercial Paper, but not to exceed 10%. Principal on the GO Commercial Paper 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 GO Commercial Paper are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the GO Commercial Paper will be remarketed by the commercial paper dealers or extinguished with long-term debt. At June 30, 2025, $170.0 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 $200 million Series K-2 that are Forward Bond Purchase Agreements.

During fiscal year 2025, the average interest rate for the outstanding GO Commercial Paper was 3.315%. 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 2025. 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 2024. The Credit Agreements expire on the following dates: Series E-1 on July 10, 2026, Series E-2 on April 22, 2027 Series G-1 on April 9, 2027, Series G-2 on November 19, 2025, Series H-2 on September 27, 2028, Series J on May 21, 2026, Series K-1 on December 31, 2030, and Series K-2 on December 31, 2030.

5. 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. At June 30, 2025, there are no certificates of obligation bonds outstanding.

6. Direct Borrowing Loans

SECO Loan

During the year ended June 30, 2022, the City began to borrow and incur interest on a loan 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 City entered into a reimbursement loan agreement in the amount of $2.3 million with SECO, with a SECO-approved list of projects, which have been completed during fiscal year 2024, and the initial repayment to commenced shortly thereafter. At June 30, 2025, the outstanding loan balance was $2.1 million.

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, 2025, the City is in compliance with terms and conditions of these loan agreements.

Motorola Solutions, Inc. Loan

During the year ended June 30, 2023, the City entered into an installment payment agreement (the "Motorola Note") with Motorola Solutions, Inc. ("Motorola") to finance the purchase for certain communication equipment totaling approximately $48.1 million. The payment term of the Motorola Note includes a $10.0 million down payment due January 1, 2023 and five $8.6 million annual payments starting on August 1, 2024. After the first install payment, an interest rate of 6.478% per annum is applied to the outstanding balance. At June 30, 2025, the outstanding loan balance was $29.5 million.

There are no unique default provisions or collateral pledged. In the event of default, such as failing to make timely payments in accordance with the agreement, the outstanding balance, including accrued interest, may become due immediately, and the City would be required to transfer the title to the equipment and deliver the equipment to Motorola. In addition, the City has the option to early terminate the Motorola Note with a 30-day notice. Upon exercising the early termination option, the remaining balance on the Motorola Note becomes due immediately.

7. 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.

8. Airport System Revenue Bonds

At June 30, 2025, 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 for the Airport System, 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, 2025, the subordinate lien revenue bonds have an outstanding balance totaling $2,370.4 million with a final maturity in 2053.

9. Airport System Inferior Lien Contract

On October 21, 2015, the City authorized up to $450.0 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 February 5, 2027, for the issuance of $450.0 million in Inferior Lien Revenue Bonds. City Council must reauthorize this liquidity arrangement annually. For the year ended June 30, 2025, no Inferior Lien Revenue Bonds have been issued and outstanding.

10. Airport System Special Facility Bonds

The Airport System Special Facilities Taxable Revenue Bonds, (CRCF Project), Series 2001, original par value $130.3 million, 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, 2025, 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 any general revenue of the City.

At June 30, 2025, special facilities revenue and refunding bonds (CRCF) outstanding totaled $34.0 million.

11. 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 (“Airport Commercial Paper”). On November 20, 2013, the City re-authorized and amended the Series A and B Airport 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 Airport 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, 2025. 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, and extended the expiration of the letter of credit to March 25, 2030. At June 30, 2025, there was no outstanding balance for the Airport Commercial Paper.

12. Airport System Direct Borrowing Loans

During the year ended June 30, 2020, the Airport System began to borrow and incur interest on two loans obtained from 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, which have been completed during fiscal year 2022, and the initial repayment to commenced shortly thereafter.

Loan No. 1 has a maximum amount of $8.0 million is to be repaid over approximately ten years. Loan No. 2 has a maximum amount of $7.5 million, and similar terms to Loan No. 1. The replacement projects were completed during the fiscal year ended June 30, 2022. At June 30, 2025, the Airport System has a total of $12.3 million loan balance outstanding.

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, 2025, the Airport System is in compliance with terms and conditions of these loan agreements.

13. Convention and Entertainment Facilities Bonds and Flexible Rate Notes

The facilities 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 HOT at a rate not less than 7%. The City currently levies HOT at the rate of 7%. Final maturity of the bonds is September 1, 2044. At June 30, 2025, the facilities revenue bonds have an outstanding balance totaling $304.0 million.

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.

Direct Borrowing Flexible Rate Notes

During the year ended June 30, 2025, the City entered into a Note Purchase Agreement (the "Note Purchase Agreement") with a national bank, with an aggregate commitment amount of $200.0 million under the Note Purchase Agreement. The commitment by the bank expires on April 10, 2028. Each note issued under the Note Purchase Agreement matures not later than the earlier of 364 days following the issuance date of each note and April 10, 2028. The notes are payable from a lien on defined pledged revenues.

The Convention and Entertainment issued five notes totaling $92.5 million under the Note Purchase Agreement during the year ended June 30, 2025, to fund expenses related to the George R. Brown Convention Center expansion project. At June 30, 2025, the aggregate principal balance of the notes was $77.5 million, and the remaining commitment by the bank was $122.5 million.

There are no unique default provisions and payment provisions of these notes. In the event of default, such as failing to make timely payments in accordance with the Note Purchase Agreement, the outstanding balances, including accrued interest, may become due immediately. As of June 30, 2025, the Convention and Entertainment is in compliance with loan agreement terms and conditions.

14. 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, prior to the Master Ordinance for the Combined Utility (the "Utility Master Ordinance"). The Utility Master Ordinance defines "Previous Ordinance" as, collectively, the City's ordinances that authorized the issuance of outstanding "Previous Ordinance Bonds." "Previous Ordinance Bonds" are defined as, on any date, all of the City's Water and Sewer System Junior Lien Revenue Bonds that are outstanding under the Previous Ordinance.

On September 3, 2003, City Council authorized creation of the Combined Utility, which currently consist of the City's Water and Sewer System. On June 10, 2004, as part of the restructuring to the new Combined Utility, the City refunded a substantial portion of its outstanding junior lien bonds and reissued bonds as Combined Utility System bonds. The only Previous Ordinance Bonds that are currently outstanding are the Series 1998A Bonds. Debt service payments on remaining Water and Sewer Junior Lien Revenue Bonds ("WS Junior Lien Bonds") will be made after payment of operating expenses and prior to any "other" debt service payments on the Combined Utility System bonds. The final maturity date for the remaining WS Junior Lien Bonds is December 1, 2028. No additional WS Junior Lien Bonds may be issued. As of June 30, 2025, the current principal balance outstanding is $25.3 million.

15. Combined Utility System First Lien Revenue Bonds

On April 21, 2024, the City council approved the Utility Master Ordinance for issuance of City of Houston, Combined Utility System Revenue obligations. The Utility Master Ordinance includes covenants and agreements relating to the operation and management of the Combined Utility. The Combined Utility's First Lien Revenue Bonds are special obligations of the City, payable from and secured by a lien on Net Revenues of the Combined Utility, 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 WS Junior Lien Bonds. Therefore, the lien on Net Revenues securing these bonds is subordinate to the lien securing WS Junior Lien Bonds. So long as any Bonds remain outstanding, the Utility Master Ordinance requires the Combined Utility to generate Net Revenues in each fiscal year 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. At June 30, 2025, the Combined Utility System First Lien Revenue Bonds have an outstanding balance totaling $5,072.4 million.

In June 2004, the Combined Utility issued First Lien Revenue Refunding Bonds, Series 2004B and 2004C (Taxable) bonds as auction rate securities, each consisting of various sub-series, i.e., Series 2004B-1 through 2004B-6 and Series 2004C-1 through 2004C-5. In 2008, as a result of the credit/liquidity crisis, the series 2004B bonds were converted to variable rate demand bonds. In 2012, the Series 2004B-1 bonds were refunded by SIFMA Index Floating Rate Bonds, consisting of $125 million and $100 million of First Lien Revenue Refunding Bonds, Series 2012A and 2012B, respectively. In June 2018, the Series 2012B bonds were remarketed as variable rate demand bonds ("VRDB") and continue to remain outstanding as VRDBs. In 2020, the Series 2012A were remarketed as VRDBs and continue to remain outstanding as such. The remaining Series 2004B-2, B-3, B-4, B-5, and B-6 remain outstanding as VRDBs.

With respect to the Series 2004C bonds, in May 2008, these bonds were refunded by $249.08 million of First Lien Revenue Refunding Bonds, Series 2008A and $205.3 million first Lien Revenue Refunding Bonds, Series 2008D Bonds (Taxable), both of which were issued as adjustable rate bonds in multiple subseries. The Series 2008D-1, D-2, and D-3 sub-series have since been refunded with fixed rate bonds. In 2010, the Series 2008A-1 and A-2 bonds were refunded by the Series 2010B bonds, which were direct purchase adjustable rate bonds issued in the Indexed Floating Rate mode, with a mandatory date of tender ("MDT") of March 22, 2013. In 2012, the Series 2010B bonds were refunded by the Series 2012C bonds, which were publicly offered Securities Industry and Financial Markets Association ("SIFMA") Index Floating Rate Bonds with a MDT of August 1, 2016. In 2016, the Series 2012C bonds were refunded by the Series 2016C bonds, which were a direct purchase by Bank of America Merrill Lynch. The 2016C bonds were issued as adjustable rate bonds with a MDT of August 1, 2019. In 2018, as a direct result of tax reform and the decrease in the corporate tax rate, the 2016C were refunded by the Series 2018C bonds, which as of June 30, 2025 are VRDBs.

Combined Utility System Direct Placement First Lien Revenue Bonds

In prior years, the City issued direct placement first lien revenue bonds facilitated by the Texas Water Development Board ("TWDB") through their Clean Water State Revolving Fund ("CWSRF") and Drinking Water State Revolving Fund ("DWSRF"). Direct placement debt with TWDB is offered at subsidized interest rates for qualified water and wastewater projects. As of June 30, 2025, the current principal balance outstanding totaled $543.5 million.

Proceeds are used to pay for projects, a debt service reserve fund and to pay costs of issuance of the Bonds. The bonds were issued beginning in 2011 and mature in varying amounts through 2050.

The direct placement first lien revenue bonds contain no unique default provisions, payment provisions, or collateral pledged. 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, 2025, the City is in compliance with terms and conditions of these loan agreements.

16. Combined Utility System SWAP Agreements

In accordance with the GASB Statement No. 72, "Fair Value Measurement and Application", the City has determined the swap liability to be a level 2 measurement. The fair 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:

Notional Amount	Change in Fair Value	Fair Value at June 30, 2025
$ 902,400,000	$ 13,708,279	$ 59,724,577
	Deferred Inflow	(SWAP Liability)

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 derivative instruments 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 position.

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, 2025, the City was not exposed to credit risk because the Swaps had a negative fair value. However, should interest rates change and the fair value of the Swaps become positive, then the City will be exposed to credit risk in the amount of the fair 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 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 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.

As of July 1, 2023, the ICE Benchmark Administration ceased publishing any LIBOR setting using the methodology in place as of December 31, 2021. As a result, as of July 1, 2023, LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt for purposes of GASB Statement No. 53. The agreements have been amended in July 2023 to reflect this change.

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, 2025, 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 8.D.

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 $653.3 million, 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 U.S. 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.

At June 30, 2025, 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	10YR SOFR x 58.55%	2.4053
Swap Receipt		2.4053
Fixed rate paid to counterparties		(3.7784)
Net rate (paid)/received for swap		(1.3731)
Year-end variable rate on 2004B bonds, year-end		(3.0779)
Plus: dealer and credit fees on 2004B bonds		(0.5182)
Effective rate of the 2004B bonds		(4.9692)

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 $43.0 million on June 30, 2025. 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 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	$ (23,234,398)	A1/A+/A+
JP Morgan Chase	150,000,000	(9,863,892)	Aa2/A+/AA
Wells Fargo	150,000,000	(9,858,009)	Aa2/A+/AA-
Total	$ 653,325,000	$ (42,956,299)	

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 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 $249.1 million, and it will receive variable payments based on 70% of One-Month U.S. 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.

At June 30, 2025, 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		10YR SOFR x 58.55%	2.4053
Swap Receipt			2.4053
Fixed rate paid to counterparties	Fixed		(3.7610)
Net rate (paid)/received for swap			(1.3557)
Year-end variable rate on 2018C bonds			(3.0406)
Plus: dealer and credit fees on 2018C bonds			(0.3800)
Effective rate of 2018C bonds			(4.7763)

Fair value. The swap had a reported negative fair value of $16.8 million on June 30, 2025. The fair value is recorded on the balance sheet of the Combined Utility 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	GAAP Fair Value	Counterparty Rating (Moody's /S&P/Fitch)
Wells Fargo	$ 249,075,000	$ (16,768,279)	Aa2/A+/AA-

17. Combined Utility System Commercial Paper

Effective December 17, 2009, the City established a $700 million Series B Commercial Paper Note program (the "Utility Commercial Paper") that provides for the issuance of Utility Commercial Paper notes to finance costs of eligible projects, including acquisition, construction, improvements and additions or extension for the Combined Utility, and pay costs of issuance. Effective May 17, 2023, the City amended and restated the Series B Ordinance authorizing for issuance $1 billion of Utility Commercial Paper notes. The program is structured as a revolving commercial paper note program, whereby the Utility Commercial Paper may be issued for a period that does not exceed 270 days and the maximum interest rate may not exceed 10%. The Utility Commercial Paper are issued as third lien obligations and are payable from and secured by a lien on Net Revenues of the Combined Utility which is subordinate to the lien securing payment of First Lien Bonds. The Combined Utility's outstanding notes from credit agreements contain a two – four-year repayment provision in the event of default or material adverse change.

A portion of the Utility Commercial Paper, in the amount of $475 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, SMBC, acting through its New York Branch (Series B-3) with an expiration date of December 31, 2029, PNC Bank, N.A. (Series B-4) with an expiration date of July 12, 2028, and JPMorgan (Series B-7) with an expiration date of June 1, 2027. The Series B-7 ($100 million of principal) was established within the amended and restated ordinance of May 2023. As of June 30, 2025, the Combined Utility has no outstanding in Series B commercial paper notes.

The remaining $525.0 million exists as an Extendable Commercial Paper ("ECP") Note program in the amounts of $275 million and $250 million, that provide for the issuance of Series B-2 and Series B-5 ECP Notes as third lien obligations. During FY23, the City amended and restated the Supplemental Ordinance authorizing the issuance of Series B-2 ECP notes in the aggregate principal amount not to exceed $275 million outstanding at any time and provide for the issuance of Series B-2 notes through December 15, 2039. 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 Combined Utility, 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 Combined Utility.

18. Combined Utility Subordinate Liens- Direct Placement

In December 2015 (2015E) and December 2016 (2016D), the City closed on a Texas Water Development Board "TWDB" direct placement 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, General Purpose Fund. The annual debt service payments began in May 2016 and May 2017, respectively. As of June 30, 2025, $5,955,000 and $13,620,000 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 both bonds mature in fiscal year 2048, respectively. As of June 30, 2025, $15,230,000 of principal has been paid for 2017C and $16,490,000 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, 2025, $24,775,000 of principal was paid for this bond. This bond matures in fiscal year 2049. A new SWIFT loan was issued in November 2020 (2020E) for $38,000,000. As of June 30, 2025, $4,490,000 of principal was paid for this bond. This bond matures in fiscal year 2050. The outstanding debt for Subordinate Lien as of June 30, 2025 is $406.7 million.

The direct placement subordinate lien bonds contain no unique default provisions, payment provisions, or collateral pledged. 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, 2025, the City is in compliance with terms and conditions of these loan agreements.

19. Coastal Water Authority (“CWA”)

The contract payable relating to CWA represents the outstanding balance of $60.3 million at June 30, 2025, for Revenue Refunding Bonds, Series 2010 and 2014, and Revenue Bonds, Series 2024 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 Combined Utility 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, December 15, 2034, and December 15, 2054 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 TWDB financing program. The Water Infrastructure Fund (“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, 2025, 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 $12,080,000 as of June 30, 2025) and $5,115,000 of Series 2010 WIF Loan (maturing in 2030, outstanding principal balance of $2,500,000 as of June 30, 2025). The annual debt service payments for the State Participation Loan started in fiscal year 2015, Series 2009 started in fiscal year 2019 and Series 2010 WIF Loan started in fiscal year 2020.

In fiscal year 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 fiscal year 2019 and their maturity is in 2050 and 2051, respectively. Additionally in fiscal year 2018, two new 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 fiscal year 2019. This bond matures in 2052. The annual debt service payments for the $24.1 million bond started in fiscal year 2018, with a current outstanding principal balance of $19,120,000 as of June 30, 2025. 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 interest during 2009-2020 rolled into principal to be amortized over the next 20 years. As of June 30, 2025, the current principal balance is $13.2 million.

20. Other Contracts

U.S. Army Corps of Engineers

Payments on the following contracts will be made only after the Combined Utility has funded all maintenance and operation costs and debt service payments for the Combined Utility, 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, 2025, is $7.6 million.

D. Schedule for Debt Service Requirements to Maturity:

Aggregate future debt service payments to maturity as of June 30, 2025, are as follows (in thousands):

1. General Long-Term Tax Obligation Debt:

	Public Improvement Bonds		Pension Obligation Bonds	
Year Ending June 30	Principal	Interest	Principal	Interest
2026	$ 156,245	$ 65,271	$ 35,697	$ 58,034
2027	162,005	57,918	38,903	56,151
2028	167,730	50,668	42,311	54,109
2029	129,580	42,912	53,454	51,888
2030	98,590	36,925	57,717	49,077
2031-2035	352,630	129,851	307,121	196,072
2036-2040	247,730	65,624	267,950	126,729
2041-2045	134,885	18,534	326,898	69,903
2046-2050	20,460	1,770	155,768	9,358
2051-2053	630	—	—	—
Total	$ 1,470,485	$ 469,472	$ 1,285,819	$ 671,321

	General Obligation Bonds		Commercial Paper	
Year Ending June 30	Principal	Interest	Principal	Interest
2026	$ 1,626	$ 28,515	$ 45,000	$ 7,490
2027	2,537	28,434	65,000	3,806
2028	3,515	28,307	—	2,700
2029	4,566	28,131	60,000	658
2030	5,693	27,903	—	—
2031-2035	48,392	133,970	—	—
2036-2040	90,966	117,892	—	—
2041-2045	149,534	89,659	—	—
2046-2050	230,754	43,193	—	—
2051-2053	38,248	1,578	—	—
Total	$ 575,831	$ 527,583	$ 170,000	$ 14,654

	Total Future Requirements		
Year Ending June 30	Principal	Interest	Total Future Requirements
2026	$ 238,568	$ 159,310	$ 397,878
2027	268,445	146,309	414,754
2028	213,556	135,783	349,339
2029	247,600	123,589	371,189
2030	162,000	113,904	275,904
2031-2035	708,143	459,893	1,168,036
2036-2040	606,646	310,245	916,891
2041-2045	611,317	178,097	789,414
2046-2050	406,982	54,321	461,303
2051-2053	38,878	1,578	40,456
Total	$ 3,502,135	$ 1,683,030	$ 5,185,165

2. Direct Borrowing Loans:

	SECO Loan		
Year Ending June 30	Principal	Interest	Total Future Requirements
2026	$ 256	$ 39	$ 295
2027	261	34	295
2028	267	29	296
2029	272	23	295
2030	277	18	295
2031-2035	718	20	738
Total	$ 2,051	$ 163	$ 2,214

	Motorola Solutions, Inc. Loan		
Year Ending June 30	Principal	Interest	Total Future Requirements
2026	$ 6,689	$ 1,909	$ 8,598
2027	7,122	1,476	8,598
2028	7,583	1,014	8,597
2029	8,074	523	8,597
Total	$ 29,468	$ 4,922	$ 34,390

3. HUD Section 108 Loans:

	HUD Section 108 Loans		
Year Ending June 30	Principal	Interest	Total Future Requirements
2026	$ 290	$ 218	$ 508
2027	300	214	514
2028	23,011	204	23,215
2029	322	106	428
2030	333	98	431
2031-2035	3,137	277	3,414
2036-2040	431	4	435
Total	$ 27,824	$ 1,121	$ 28,945

4. Enterprise Funds:

	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Pension Obligations	
Year Ending June 30	Principal	Interest	Principal	Interest
2026	$ 26,177	$ 30,572	$ 250	$ 145
2027	26,165	30,596	270	129
2028	26,135	30,598	285	112
2029	25,959	30,756	333	94
2030	25,959	30,765	354	74
2031-2035	116,065	123,875	842	86
2036-2040	37,536	8,178	—	—
2041-2045	19,996	2,083	—	—
Total	$ 303,992	$ 287,423	$ 2,334	$ 640

	Convention and Entertainment Flexible Rate Note		Convention and Entertainment Total Future Requirements	
Year Ending June 30	Principal	Interest	Principal	Interest
2026	$ 77,500	$ 310	$ 103,927	$ 31,027
2027	—	—	26,435	30,725
2028	—	—	26,420	30,710
2029	—	—	26,292	30,850
2030	—	—	26,313	30,839
2031-2035	—	—	116,907	123,961
2036-2040	—	—	37,536	8,178
2041-2045	—	—	19,996	2,083
Total	$ 77,500	$ 310	$ 383,826	$ 288,373

Year Ending June 30	Airport System Subordinate Lien Revenue Bonds		Airport System General Obligation Bonds	
	Principal	Interest	Principal	Interest
2026	$ 126,350	$ 103,952	$ 69	$ 1,213
2027	141,675	99,578	108	1,209
2028	146,800	94,305	150	1,204
2029	144,940	88,376	194	1,197
2030	157,320	81,287	242	1,187
2031 - 2035	636,410	301,039	2,058	5,698
2036 - 2040	356,845	202,054	3,869	5,015
2041 - 2045	259,510	127,618	6,361	3,814
2046 - 2050	258,195	65,445	9,815	1,837
2051 - 2054	142,350	15,244	1,627	67
Total	$ 2,370,395	$ 1,178,898	$ 24,493	$ 22,441

Year Ending June 30	Airport System Pension Obligations		Airport System Special Facility Bonds-Rental Car Facility	
	Principal	Interest	Principal	Interest
2026	$ —	$ 107	$ 10,445	$ 2,340
2027	—	107	11,315	1,622
2028	—	107	12,255	843
2029	293	107	—	—
2030	307	90	—	—
2031 - 2035	1,406	210	—	—
2036 - 2040	—	—	—	—
2041 - 2045	—	—	—	—
2046 - 2050	—	—	—	—
2051 - 2054	—	—	—	—
Total	$ 2,006	$ 728	$ 34,015	$ 4,805

Year Ending June 30	SECO Direct Borrowing		Airport System Total Future Requirements		
	Principal	Interest	Principal	Interest	Total
2026	$ 1,266	$ 237	$ 138,130	$ 107,849	$ 245,979
2027	1,292	212	154,390	102,728	257,118
2028	1,318	186	160,523	96,645	257,168
2029	1,345	159	146,772	89,839	236,611
2030	1,372	132	159,241	82,696	241,937
2031 - 2035	4,639	307	644,513	307,254	951,768
2036 - 2040	1,109	22	361,823	207,091	568,914
2041 - 2045	—	—	265,871	131,432	397,302
2046 - 2050	—	—	268,010	67,282	335,292
2051 - 2054	—	—	143,977	15,311	159,288
Total	$ 12,341	$ 1,255	$ 2,443,250	$ 1,208,127	$ 3,651,377

Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Revenue Bonds		Combined Utility System Revenue Bonds - Direct Placement		Combined Utility System Swap Agreement
	Principal	Interest	Principal	Interest	Principal	Interest	Net Swap Payment
2026	$ 4,085	$ 14,070	$ 271,805	$ 212,217	$ 25,615	$ 7,055	$ 16,005
2027	6,567	24,248	270,615	200,134	25,855	6,836	16,005
2028	6,219	24,591	282,825	187,945	26,100	6,596	16,018
2029	8,431	35,664	282,515	176,773	26,385	6,060	15,782
2030	—	—	336,190	164,488	26,660	6,337	13,808
2031-2035	—	—	1,702,315	596,844	138,235	25,520	28,461
2036-2040	—	—	953,540	287,098	134,190	16,219	—
2041-2045	—	—	527,590	147,675	106,485	5,786	—
2046-2050	—	—	364,285	52,667	33,955	663	—
2051-2055	—	—	80,765	8,117	—	—	—
Total	$ 25,302	$ 98,573	$ 5,072,445	$ 2,033,958	$ 543,480	$ 81,072	$ 106,079

Year Ending June 30	Combined Utility System Subordinate Lien - Direct Placement		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2026	$ 13,180	$ 11,001	$ 4,503	$ 3,872
2027	13,395	10,775	4,837	3,605
2028	13,630	10,532	5,184	3,319
2029	13,885	10,269	6,051	3,013
2030	14,170	9,981	6,475	2,659
2031-2035	76,090	44,589	19,627	8,255
2036-2040	87,090	33,570	9,540	5,352
2041-2045	100,855	19,662	13,922	3,134
2046-2050	74,425	4,208	7,072	425
Total	$ 406,720	$ 154,587	$ 77,211	$ 33,634

Year Ending June 30	Combined Utility System Total Future Requirements			
	Principal	Interest	Net Swap Payment	Total Future Requirements
2026	$ 319,188	$ 248,215	$ 16,005	$ 583,408
2027	321,269	245,598	16,005	582,872
2028	333,958	232,983	16,018	582,959
2029	337,267	231,779	15,782	584,828
2030	383,495	183,465	13,808	580,768
2031-2035	1,936,267	675,208	28,461	2,639,936
2036-2040	1,184,360	342,239	—	1,526,599
2041-2045	748,852	176,257	—	925,109
2046-2050	479,737	57,963	—	537,700
2051-2055	80,765	8,117	—	88,882
Total	$ 6,125,158	$ 2,401,824	$ 106,079	$ 8,633,061

4. Long-Term Contracts-Water and Sewer System:

Year Ending June 30	Maintenance and Operation Lien		U.S. Army Corps of Engineers		CWA Luce Bayou	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 10,015	$ 2,040	$ 172	$ 245	$ 3,375	$ 2,768
2027	2,980	1,729	176	239	3,460	2,675
2028	3,120	1,593	182	233	3,560	2,577
2029	3,260	1,477	188	227	3,660	2,475
2030	3,355	1,381	194	221	525	2,415
2031-2035	18,505	5,092	1,068	1,009	4,310	7,988
2036-2040	3,605	3,077	1,252	825	8,595	4,746
2041-2045	4,250	2,457	1,467	610	10,790	2,498
2046-2050	5,090	1,637	1,719	358	5,059	240
2051-2055	6,140	597	1,170	76	—	—
Total	$ 60,320	$ 21,080	$ 7,588	$ 4,043	$ 43,334	$ 28,382

Year Ending June 30	CWA Luce Bayou ROW		CWA Luce Bayou SWIRFT		Other Contracts Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 725	$ 515	$ 670	$ 9,918	$ 14,957	$ 15,486
2027	753	484	680	10,694	8,049	15,821
2028	783	454	695	10,889	8,340	15,746
2029	815	421	705	13,300	8,628	17,900
2030	847	389	720	17,465	5,641	21,871
2031-2035	4,771	1,398	3,880	98,627	32,534	114,114
2036-2040	4,549	372	63,160	59,063	81,161	68,083
2041-2045	—	—	92,510	35,628	109,017	41,193
2046-2050	—	—	108,070	16,671	119,938	18,906
2051-2055	—	—	23,850	1,114	31,160	1,787
Total	$ 13,243	$ 4,033	$ 294,940	$ 273,369	$ 419,425	$ 330,907

E. Debt Issuances and Refunding

Refunding Debt and Defeased Debt

General Obligation and Public Improvement Refunding Bonds

On July 18, 2024, the City has issued General Obligation Refunding Bonds Series 2024A of $612.1 million and Public Improvement Refunding Bonds Series 2024B of $122.1 million. Pursuant to the Series 2024A Ordinance and a Memorandum of Agreement regarding the settlement agreement between the Houston Professional Fire Fighters' Association, Local 341, and the City, the Series 2024A Bonds were issued to refund, discharge and extinguish a certain special obligation of the City. A portion of the proceeds of the Series 2024B Bonds, together with other available funds was used to purchase a portfolio of obligation authorized under State law. The Series 2024B refunded $40.3 million of the Series 2014A notes. The Series 2024A bonds mature in varying amounts in 2025 through 2051. The Series 2024B bonds mature in varying amounts in 2025 through 2044 and yielded a reduction in debt service and economic gain (present value of the debt service savings) of $0.8 million.

Tax Revenue Anticipation Notes

On October 24, 2024, the City has issued $99.0 million of competitive sale on the Tax Revenue Anticipation Notes ("TRANS"). For the year ended June 30, 2025, the City is authorized to issue parity tax and revenue anticipation notes in an aggregate amount not to exceed $232.0 million. TRANS are payable solely from pledged revenue collected in the year ended June 30, 2025, and to be paid on or before June 30, 2025. TRANS are issued to finance the City's general operating expenditure for the year ended June 30, 2025, in anticipation of the collection of taxes and revenue a significant portion of which will be collected in the latter half of the fiscal year. The TRANS were paid on June 30, 2025, and are no longer outstanding.

Coastal Water Authority Contract Revenue Bonds

In July 2024, TWDB approved financial assistance in the amount of $320.0 million in multi-year financing from the SWIFT program to the Coastal Water Authority to facilitate the planning, design, construction, and installation of a second B System raw water pipeline to mitigate the risk of failure of the CWA's existing B System raw water pipeline and loss of water to industrial facilities and the City's East Water Purification Plant (the "CWA Transmission Expansion Project"). Related thereto, on August 14, 2024, the City entered into the Sixth Supplement to the Projects Contract to include the CWA Transmission Expansion Project as an Other City Project under the Operating Contract thereby obligating the City to debt service. On November 20, 2024, CWA issued $25.0 million of Coastal Water Authority (CWA) Contract Revenue Bonds, Series 2024, (City of Houston Projects) with coupons ranging from 2.06% to 3.82%. The proceeds were to facilitate the planning, design, construction and installation of the CWA Transmission Expansion Project and to pay costs of issuance of the Bonds. The true interest cost of the 2024 Bonds is 3.425%. The Bonds mature in varying amounts from 2025 to 2054.

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%. As of and for the year ended June 30, 2025, the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

G. Voter Authorized Obligations

In November 2006, voters of the City authorized the issuance of $625.0 million of Public Improvement Bonds. The City Council has authorized issuance of $525.0 million as General Obligation Commercial Paper Series G, H-1, H-2 and J.

In November 2012, voters authorized an additional $410.0 million of Public Improvement Bonds. The City Council has authorized issuance of $410.0 million as General Obligation Commercial Paper Series G1, G2, H-2 and J.

In November 2017, voters authorized an additional $495.0 million of Public Improvement Bonds. The City Council has authorized issuance of $495.0 million as General Obligation Commercial Paper Series G, H-2 and J.

In November 2022, voters authorized an additional $478.0 million of Public Improvement Bonds. The City Council has authorized issuance of $473.0 million as General Obligation Commercial Paper Series G, H-2 and J.

H. Legal Debt Margin

At June 30, 2025, the City's legal debt limit was 10% of assessed property valuation totaling $431,355.4 million. The City's legal debt margin less applicable outstanding debt was $39,633.4 million.

I. Arbitrage Rebate

Arbitrage rebate rules, under the Internal Revenue Code Section 148 and related Treasury Regulations, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield, when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. At June 30, 2025, a yield restriction/arbitrage rebate of $1.8 million and $12.5 million was accrued for governmental and business-type activities, respectively.

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NOTE 9: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A. LEASES

1. City as a Lessee

The City has obtained office space, data processing, machinery, and other equipment through long-term 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. See Note 6 for changes in lease right-of-use assets for the year ended June 30, 2025.

Principal and interest requirements to maturity for the lease liability as of June 30, 2025, are as follows (in thousands):

	General Government			Airport System		
Year ending June 30	Principal	Interest	Total	Principal	Interest	Total
2026	$ 6,756	$ 1,035	$ 7,791	$ 4	$ —	$ 4
2027	6,922	931	7,853	4	—	4
2028	6,916	827	7,743	—	—	—
2029	5,707	727	6,434	—	—	—
2030	3,489	654	4,143	—	—	—
2031-2035	7,255	2,772	10,027	—	—	—
2036-2040	7,189	2,130	9,319	—	—	—
2041-2045	9,739	1,263	11,002	—	—	—
2046-2050	7,786	282	8,068	—	—	—
Total	$ 61,759	$ 10,621	$ 72,380	$ 8	$ —	$ 8

	Total Primary Government		
Year ending June 30	Principal	Interest	Total
2026	$ 6,760	$ 1,035	$ 7,795
2027	6,926	931	7,857
2028	6,916	827	7,743
2029	5,707	727	6,434
2030	3,489	654	4,143
2031-2035	7,255	2,772	10,027
2036-2040	7,189	2,130	9,319
2041-2045	9,739	1,263	11,002
2046-2050	7,786	282	8,068
Total	$ 61,767	$ 10,621	$ 72,388

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2. City as a Lessor

The Convention and Entertainment leases all of its capital assets to Houston First Corporation, a discretely presented component unit. The agreement is a cancellable lease that is subject to termination 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 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.

For the year ended June 30, 2025, the total amount of inflows of resources recognized are as follows (in thousands):

Governmental

	Fixed Payments
Rentals, buildings	$ 1,421
	$ 1,421

Enterprise

	Airport System		Convention & Entertainment	
	Fixed Payments	Variable Payments	Fixed Payments	Total
Rentals, buildings	$ 21,717	$ —	$ 1,445	$ 23,162
Concessions	1,608	31,516	—	33,124
Interest revenue	11,682	—	—	11,682
	$ 35,007	$ 31,516	$ 1,445	$ 67,968

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Principal and interest to maturity for the lease receivable as of June 30, 2025, are as follows (in thousands):

	General Government			Airport System		
Year ending June 30	Principal	Interest	Total	Principal	Interest	Total
2026	$ 753	$ 690	$ 1,443	$ 14,480	$ 11,171	$ 25,651
2027	764	721	1,439	14,378	10,655	25,033
2028	779	660	1,439	11,417	10,175	21,592
2029	896	643	1,539	9,846	9,826	19,672
2030	1,119	622	1,741	10,867	9,452	20,319
2031-2035	5,944	2,764	8,708	54,000	41,626	95,626
2036-2040	7,189	2,131	9,320	72,166	30,757	102,923
2041-2045	9,739	1,263	11,002	67,254	17,416	84,670
2046-2050	7,786	282	8,068	40,302	8,965	49,267
2051-2055	—	—	—	25,495	2,288	27,783
2056-2060	—	—	—	2,958	125	3,083
Total	$ 34,969	$ 9,730	$ 44,699	$ 323,163	$ 152,456	$ 475,619

	Convention & Entertainment			Total Primary Government		
Year ending June 30	Principal	Interest	Total	Principal	Interest	Total
2026	$ 1,508	$ 14	$ 1,522	$ 16,741	$ 11,875	$ 28,616
2027	798	—	798	15,940	11,376	27,270
2028	—	—	—	12,196	10,835	23,031
2029	—	—	—	10,742	10,469	21,211
2030	—	—	—	11,986	10,074	22,060
2031-2035	—	—	—	59,944	44,390	104,334
2036-2040	—	—	—	79,355	32,888	112,243
2041-2045	—	—	—	76,993	18,679	95,672
2046-2050	—	—	—	48,088	9,247	57,335
2051-2055	—	—	—	25,495	2,288	27,783
2056-2060	—	—	—	2,958	125	3,083
Total	$ 2,306	$ 14	$ 2,320	$ 360,438	$ 162,200	$ 522,638

3. 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 2053, 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, 2025.

Exclusive and preferential use of space, as of June 30, 2025, are summarized as follows:

George Bush Intercontinental Airport (IAH)

	United	Southwest	Total IAH
Terminal areas - leasable airline space (in thousands)	1,927 sq. ft.	— sq. ft.	3,479 sq. ft.
Apron - leasable airline space (in thousands)	2,345 sq. ft.	— sq. ft.	3,641 sq. ft.
Number of gates and remote stands	90	—	126

William P. Hobby Airport (HOU)

	Southwest	Total HOU
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	19	30

	(in thousands)	
	Fixed Payments	Variable Payments
United	$ 122,871	$ 45,715
Southwest	$ 35,685	$ 23,446
Other Signatory Airlines	$ 19,541	$ 10,153

Expected future minimum lease payments from Regulated Leases at June 30, 2025, are as follows, projected by management of the Airport System using the following assumptions: 1) revenues earned from the Signatory Airlines during the year ended June 30, 2025, 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, and 4) without considering future expansion and changes in operations by the Airport System or the Signatory Airlines (in thousands):

Year ending June 30	Total
2026	$ 264,961
2027	272,910
2028	281,097
2029	289,530
2030	298,216
2031 - 2035	1,455,037
2036 - 2040	1,686,787
2041 - 2045	1,436,284
2046 - 2050	1,665,046
2051 - 2054	1,272,741
Total	$ 8,922,609

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

B. Subscription-Based Information Technology Arrangements

The City has entered into SBITA involving data center, various desktop and server software, electronic workflows and document management software, public safety radio communication system, public safety detection software, public safety case and records management, solid waste fleet management system, airport operations management systems, airport passenger information and public Wi-Fi systems, and airport parking management system. As of June 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 15 years and expire no later than fiscal year 2038. In addition, certain of these agreements are cancellable with a 30 or 60-day notice. There are no commitments or outflows of resources related to SBITA that are not yet effective. See Note 6 for changes in subscription right-of-use assets for the year ended June 30, 2025.

Future subscription payments as of June 30, 2025, are as follows (in thousands):

	General Government			Airport System		
Year ending June 30	Principal	Interest	Total	Principal	Interest	Total
2026	$ 6,856	$ 503	$ 7,359	$ 109	$ 40	$ 149
2027	5,141	301	5,442	112	36	148
2028	3,643	151	3,794	116	33	149
2029	3,515	18	3,533	97	29	126
2030	—	—	—	100	26	126
2031-2035	—	—	—	552	78	630
2036-2040	—	—	—	247	5	252
Total	$ 19,155	$ 973	$ 20,128	$ 1,333	$ 247	$ 1,580

	Total Primary Government		
Year ending June 30	Principal	Interest	Total
2026	$ 6,965	$ 543	$ 7,508
2027	5,253	337	5,590
2028	3,759	184	3,943
2029	3,612	47	3,659
2030	100	26	126
2031-2035	552	78	630
2036-2040	247	5	252
Total	$ 20,488	$ 1,220	$ 21,708

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NOTE 10: PENSION PLANS

A. General Information

Plan Descriptions

The City has three single-employer defined benefit pension plans, which provide 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, and 6243g-4), 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, 2025. 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 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 DROP is available to eligible members with 20 or more years of service that were hired prior to July 1, 2017.

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.

In March 2022, employees of Houston First Corporation ("HFC"), a component unit of the City, were determined to be eligible to participate in HMEPS based on a settlement agreement between the City and HMEPS. Per the settlement agreement, HFC made a lump-sum contribution of $16.0 million to HMEPS and started making employer contributions in accordance with the plan provisions effective January 1, 2022.

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 more than 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 DROP is available, generally, to members hired before October 9, 2004, for eligible members with at least 20 years of service. Pursuant to House Bill 2688 which became effective September 1, 2025, members hired or rehired subsequent to October 9, 2004 will become eligible to participate in DROP under the same rules, except for the benefit accrual rate, as apply to members who were hired prior to October 9, 2004.

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:

	HFRRF	HMEPS	HPOPS
Inactive members or beneficiaries currently receiving benefits	3,580	12,204	5,299
Inactive members entitled to but not yet receiving benefits	147	9,398	89
Active members	3,014	11,883	5,305
DROP members	655	—	—
Total plan members	7,396	33,485	10,693

B. Net Pension Liability (Asset)

The Net Pension Liability ("NPL") or Net Pension Asset ("NPA") 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 ("COLAs"). In addition, ad hoc COLAs 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 TPL, NPL, and certain sensitivity information are based on an actuarial valuation performed as of July 1, 2024, or 2025. See actuarial assumptions in Note 10.H. The total pension liability was rolled forward from the valuation date to the measurement date of June 30, 2025, as applicable, using generally accepted actuarial principles.

Net pension liability (in thousands)	HFRRF	HMEPS	HPOPS
Measurement date	June 30, 2025	June 30, 2025	June 30, 2025
Total pension liability	$ 5,800,379	$ 5,932,875	$ 8,770,454
Less: Fiduciary net position	(5,799,107)	(4,723,001)	(8,269,542)
Net pension liability (asset)	$ 1,272	$ 1,209,874	$ 500,912

A schedule of Net Pension Liability (Asset), in addition to the information above and multi-year trend information, is presented in the Required Supplementary Information section on pages 160 through 169.

C. HMEPS - Allocation between the Primary Government and Component Unit and Explanation on the Amounts Reported on the Government-Wide Financial Statements

Effective January 1, 2022, employees of HFC became members of HMEPS. As of June 30, 2025, net pension liability, related amounts of deferred outflows and inflows of resources, and pension expense, allocated based on each's proportional share of employer contributions, for the primary government and its component unit are as follows (in thousands):

	HMEPS as of June 30, 2025 Measurement Date			
	Primary Government		Component Unit [1]	
	Governmental Activities	Business-Type Activities	Business-Type Activities	Total
Net pension liability	$ 823,611	$ 357,635	$ 28,628	$ 1,209,874
Deferred outflows of resources	721	17,770	9,927	28,418
Deferred inflows of resources	151,239	60,642	4,472	216,353
Pension expense (benefit)	(54,706)	(10,667)	10,511	(54,862)

[1] Amounts for HFC, which has a calendar year-end, will be reported in the separately issued financial statements of HFC as of and for the year ending December 31, 2025.

	HMEPS as of June 30, 2025 Reporting Date			
	Primary Government		Component Unit [2]	
	Governmental Activities	Business-Type Activities	Business-Type Activities	Total
Net pension liability	$ 823,611	$ 357,635	$ 31,266	$ 1,212,512
Deferred outflows of resources	721	17,770	18,320	36,811
Deferred inflows of resources	151,239	60,642	4,812	216,693
Pension expense (benefit)	(54,706)	(10,667)	12,844	(52,529)

[2] Due to the difference in the year-end dates, amounts for HFC, included in the City's government-wide financial statements as of and for the year ended June 30, 2025, are as of and for the year ended December 31, 2024. Amounts reported by HFC as of and for the year ended December 31, 2024, were measured as of June 30, 2024.

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

Changes in the City's NPL/NPA presented below are calculated on the same basis as each of the plans. The Changes in NPL/NPA for HFRRF, HMEPS, and HPOPS for the ended June 30, 2025, are as follows:

HFRRF

Changes in Net Pension Liability (Asset) (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Service Cost	$ 67,699	$ —	$ 67,699
Interest on the Total Pension Liability	370,240	—	370,240
Difference between Expected and Actual Experience	153,546	—	153,546
Change of Assumptions	149,723	—	149,723
Employer Contributions	—	87,112	(87,112)
Employee Contributions	—	39,415	(39,415)
Net Investment Income	—	619,187	(619,187)
Benefit Payments	(319,135)	(319,135)	—
Administrative Expense	—	(4,999)	4,999
Other	—	(1,202)	1,202
Net Change	422,073	420,378	1,695
Net Pension Liability (Asset) Beginning	5,378,306	5,378,729	(423)
Net Pension Liability (Asset) Ending	$ 5,800,379	$ 5,799,107	$ 1,272

HMEPS

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	$ 91,783	$ —	$ 91,783
Interest on the Total Pension Liability	397,122	—	397,122
Difference between Expected and Actual Experience	(2,239)	—	(2,239)
Employer Contributions	—	215,355	(215,355)
Employee Contributions	—	34,787	(34,787)
Net Investment Income	—	485,168	(485,168)
Assumptions Changes	—	—	—
Benefit Payments	(365,914)	(365,914)	—
Refunds	(705)	(705)	—
Administrative Expense	—	(6,276)	6,276
Other	—	414	(414)
Net Change	120,047	362,829	(242,782)
Net Pension Liability Beginning	5,812,828	4,360,172	1,452,656
Net Pension Liability Ending	$ 5,932,875	$ 4,723,001	$ 1,209,874

HPOPS

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	$ 89,369	$ —	$ 89,369
Interest on the Total Pension Liability	558,138	—	558,138
Benefit Changes	349,382	—	349,382
Difference between Expected and Actual Experience	69,938	—	69,938
Employer Contributions	—	169,734	(169,734)
Employee Contributions	—	55,469	(55,469)
Net Investment Income	—	719,748	(719,748)
Assumptions Changes	—	—	—
Benefit Payments	(447,726)	(447,726)	—
Refunds	(2,458)	(2,458)	—
Administrative Expense	—	(4,750)	4,750
Net Change	616,643	490,017	126,626
Net Pension Liability Beginning	8,153,811	7,779,525	374,286
Net Pension Liability Ending	$ 8,770,454	$ 8,269,542	$ 500,912

E. Pension Expense (Benefit)

For the year ended June 30, 2025, the City recognized pension expense (benefit) totaling $67.4 million. Pension expense (benefit) recognized by each plan is as follows (in thousands):

Amounts Recognized in Pension Expense (Benefit)	HFRRF	HMEPS	HPOPS
Service Cost	$ 67,699	$ 91,783	$ 89,369
Interest	370,240	397,122	558,138
Benefit Changes	—	—	349,382
Difference between Expected and Actual Experience	36,821	4,884	52,464
Changes of Assumptions	23,539	(6,032)	(1,140)
Differences between Projected and Actual Earnings	(173,306)	(212,763)	(260,855)
Member Contributions	(39,415)	(34,787)	(55,469)
Projected Earnings on Plan Investments	(369,670)	(300,931)	(536,526)
Administrative Expense	4,999	6,276	4,750
Other	1,202	(414)	—
Total Pension Expense (Benefit)	$ (77,891)	$ (54,862)	$ 200,113

F. 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, 2025, for each plan are as follows (in thousands):

	HFRRF		HMEPS		HPOPS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 239,196	$ (84,570)	$ 1,059	$ (4,118)	$ 187,041	$ (1,045)	$ 427,296	$ (89,733)
Changes in Assumptions	130,410	(47,057)	—	—	—	(2,822)	130,410	(49,879)
Net Difference between Projected and Actual Earnings	—	(123,941)	—	(184,875)	—	(216,685)	—	(525,501)
Change in Proportion	—	—	27,359	(27,359)	—	—	27,359	(27,359)
Total	$ 369,606	$ (255,568)	$ 28,418	$ (216,352)	$ 187,041	$ (220,552)	$ 585,065	$ (692,472)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2025, will be recognized in pension expense as follows (in thousands):

Year Ending June 30:	HFRRF	HMEPS	HPOPS	Total
2026	$ 70,504	$ (36,745)	$ 69,792	$ 103,551
2027	(9,811)	(52,583)	(55,945)	(118,339)
2028	(7,079)	(61,759)	(55,947)	(124,785)
2029	27,136	(36,848)	(12,257)	(21,969)
2030	33,288	—	14,406	47,694
Thereafter	—	—	6,440	6,440
Total	$ 114,038	$ (187,935)	$ (33,511)	$ (107,408)

A single discount rate of 7.00% was used to measure the TPL 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 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, 2025, measurement date, the single discount rate used was 7.00% for each of the plans.

The discount rate used to measure HFRRF's TPL was 7.00%. 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 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2025, measurement date, the single discount rate of 7.00% was used.

G. Sensitivity of the net pension liability to changes in the discount rate

The following presents the NPL/NPA for each of the City's plans as of June 30, 2025, calculated using the discount rate, as well as what the City's NPL 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):

	Net Pension Liability (Asset)		
	1% Decrease	Current Discount Rate	1% Increase
	6.00 %	**7.00 %**	**8.00 %**
HFRRF - Net Pension Liability (Asset)	$ 589,894	$ 1,272	$ (483,831)
	6.00 %	**7.00 %**	**8.00 %**
HMEPS - Net Pension Liability	$ 1,793,747	$ 1,209,874	$ 750,937
	6.00 %	**7.00 %**	**8.00 %**
HPOPS - Net Pension Liability (Asset)	$ 1,425,451	$ 500,912	$ (255,910)

H. Actuarial Assumptions

Schedule of Assumptions	HFRRF	HMEPS	HPOPS
Inflation	2.25%	2.25%	2.30%
Salary Changes	3.00%	3.25% to 5.50%	0% to 30%, plus a 3.25% inflation and productivity component
Investment Rate of Return	7.00%	7.00%	7.00%
Valuation Date	7/1/2024	7/1/2024	7/1/2025
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, Open	Level Percent of Payroll, 30 year closed laddered bases
Amortization Period	30 Years	23 years	22 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.
Cost-of-Living Adjustments	2.25%	0% - 2.00%	2.00%
Mortality Assumption	Mortality Improvement Scale MP-2021	PUB-2010 table, amount weighted, below-median income, with a 2-year set forward. The rates are then projected on a fully generational basis by the long-term rates of improvement of scale MP-2020.	Mortality Improvement Scale MP-2020
Experience Study	6/30/2023	6/30/2020	6/30/2022

The long-term expected rate of return on the investments was supported using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025, are summarized in the following table:

	HFRRF		HMEPS		HPOPS	
Asset Class	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Cash & Short-term	2.00 %	3.11 %	— %	3.55 %	(9.75)%	1.00 %
Domestic Equity	19.00	8.25	—	—	28.80	4.60
International Equity	19.00	8.88	28.00	6.20	19.20	5.40
Fixed Income	—	—	10.00	5.95	10.20	1.70
Aggregate Bonds	5.00	4.81	—	—	—	—
Inflation Linked	—	—	20.00	7.60	—	—
Intermediate Credit	3.00	5.20	—	—	5.80	3.60
Intermediate High Yield	5.00	8.65	—	—	—	—
Hedge Funds	2.00	5.68	—	—	7.75	3.90
Private Equity	25.00	11.79	17.00	9.95	21.50	7.80
Private Debt	10.00	8.38	12.50	8.45	6.50	5.50
Real Estate	10.00	6.56	12.50	7.35	10.00	4.80
	100.00 %		100.00 %		100.00 %	

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NOTE 11: OTHER EMPLOYEE BENEFITS

The City's Other Post-Employment Benefit ("OPEB") plans consist of a health benefit plan and a long-term disability plan. As of and for the year June 30, 2025, total balances of OPEB related assets, deferred outflows of resources, liabilities, deferred inflows of resources, and expenses are as follows (in thousands):

Plan	Total OPEB Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Expenses
Health Benefit (Note 11.A)	$ 1,738,259	$ 256,719	$ 739,874	$ 14,309
Long-term Disability (Note 11.C)	13,435	1,946	6,193	1,803
Total	$ 1,751,694	$ 258,665	$ 746,067	$ 16,112

A. Post-Employment Health Insurance Benefits Plan

The City's OPEB Health Benefit 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 the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. The City is not required by law or contractual agreement to provide funding for OPEB other than pay-as-you-go amounts necessary to provide current benefits to retirees, eligible dependent, and beneficiaries. The plan is not accounted for as a trust, and an irrevocable trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits has not been established for this OPEB plan. The cost of retiree health care premiums incurred by the City (employer and subscriber) amounted to approximately $60.9 million for the year ended June 30, 2025.

1. Membership

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

Retirees and beneficiaries currently receiving	9,893
Active members	21,395
Total participants	31,288

2. Total and Net OPEB Liability

   The total OPEB liability was measured as of June 30, 2024. The total OPEB liability was determined from an actuarial valuation as of June 30, 2024. 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 (in thousands).

Measurement Date:	June 30, 2024
Reporting Date:	June 30, 2025
Total OPEB Liability	$ 1,738,259
Less: Fiduciary Net Position	—
Net OPEB Liability	$ 1,738,259

   A schedule of Total OPEB Liability, in addition to the information above, includes multi-year trend information, is presented in the Required Supplementary Information section on page 170 through 172.

3. Schedule of Changes in Total OPEB Liability

Changes of assumption reflects a change in discount rate from 3.65% in 2023 to 3.93% in 2024. In addition, per capita health costs and future trend on such costs, as well as actuarial spread factors used to estimate individual retiree and spouse costs by age and by gender, have been updated. Changes in total OPEB liability for the year ended June 30, 2025, are as follows (in thousands):

Change in Total OPEB Liability	
Service cost	$ 96,247
Interest	73,664
Difference between expected and actual experience	(142,841)
Changes of assumptions	(180,051)
Benefit payments	(60,872)
Net change in total OPEB liability	(213,853)
Beginning total OPEB liability	1,952,112
Ending total OPEB liability	$ 1,738,259

4. OPEB Expense

For the year ended June 30, 2025, the City recognized OPEB expense of $14.3 million. OPEB expense recognized is as follows (in thousands):

Components of OPEB Expense (Benefit)	
Service cost	$ 96,247
Interest	73,664
Difference between expected and actual experience	(17,855)
Changes of assumptions	(22,506)
Amortization of beginning of year deferred amounts	(115,241)
OPEB expense (benefit)	$ 14,309

5. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources related to OPEB reported by the City at June 30, 2025, are as follows (in thousands):

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of assumptions	$ 182,238	$ (592,781)
Difference between expected and actual experience in the total OPEB liability	21,343	(147,093)
Contributions subsequent to the measurement date	53,138	—
Total	$ 256,719	$ (739,874)

$53.1 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2026.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to total OPEB liability at June 30, 2025, will be recognized in OPEB expense (benefit) as follows (in thousands):

Year Ending June 30	
2026	$ (109,413)
2027	(83,363)
2028	(120,812)
2029	(127,187)
2030	(27,578)
Thereafter	(67,940)
Total	$ (536,293)

6. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

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

1% Decrease 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
$ 1,986,505	$ 1,738,259	$ 1,534,818

1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
$ 1,492,842	$ 1,738,259	$ 2,049,998

7. Schedule of Assumptions

The total OPEB liability is based on an actuarial valuation as of June 30, 2024, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Experience study	June 30, 2022
Inflation	2.25%
Salary increases	3.25% to 33.25%, varies by job classification, service and age
Discount rate	3.93% and 3.65% for June 30, 2025 and 2024 reporting, respectively
Measurement date	June 30, 2024
Healthcare costs trends rates	
Medical	7.00% grading down to 4.50% by 0.25% per annum
Prescription drug	10.00% grading down to 4.50% by 0.50% per annum
Medicare Advantage	-2.64% in the first year, 6.00% in the second year, then 0.25% down 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

On May 1, 2019, the City awarded CIGNA a five-year contract with two (2) one-year renewal options for 3 new health plans. All have an emphasis on a wellness component and include: 1) a limited network HMO-type plan, 2) an open access PPO-type plan with out-of-network coverage, and 3) a consumer driven high deductible health plan, partnered with a health reimbursement account.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaled $333.8 milion for the year ended June 30, 2025.

	CIGNA Schedule of Changes in Liability (in thousands)	
	June 30, 2025	June 30, 2024
Beginning actuarial estimate of claims liability reserve, July 1	$ 34,370	$ 27,634
Catastrophic claims reserve, July 1	15,000	15,000
Incurred claims for fiscal year	342,457	339,088
Payments on claims - net of RX rebates and refunds	(343,947)	(332,351)
Ending actuarial estimate of claims liability including catastrophic claims liability, June 30	$ 47,880	$ 49,371

C. Long-Term Disability Plan

The long-term disability (“LTD”) plan, with related contributions and benefit payments accounted for as an internal service fund, is a part of the City’s Compensable Sick Leave Plan (“CSL”) and is provided at no cost to City employees who are members of CSL. The LTD plan is a single-employer plan. 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, which is reimbursed from the internal service fund for claims as they are paid along with a fee for administrative services. For the year ended June 30, 2025, claims paid totaled approximately $0.9 million. Effective September 1, 2001, the Meet and Confer Agreement establishes Paid Time Off for classified police officers. This replaces those police officers’ participation in the LTD plan. No assets are accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for this OPEB plan.

1. Changes in Total OPEB Liability (in thousands)

	Total OPEB Liability
Balance at June 30, 2024	$ 13,648
Changes for the year	
Service cost	1,589
Interest	638
Experience	(1,328)
Assumption changes	(262)
Benefit payments	(850)
Net change	(213)
Balance at June 30, 2025	$ 13,435

Total OPEB liability at June 30, 2025, was measured as of June 30, 2025. And total OPEB liability of $13.4 million includes $8.9 million for active employees and $4.5 million for disabled employees. Changes of assumption reflects a change in discount rate from 4.31% in 2024 to 4.81% in 2025.

2. OPEB expense for the year ended June 30, 2025, is $1.8 million. Components of OPEB expense for the year ended June 30, 2025, are as follows (in thousands):

Service cost	$	1,590
Interest		638
Differences between expected and actual experience		(636)
Changes in assumptions		211
Total OPEB expense	$	1,803

3. Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the City reports deferred outflows of resources and deferred inflows of resources related to the LTD plan from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 420	$ (5,171)
Changes in assumptions	1,526	(1,022)
	$ 1,946	$ (6,193)

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

Year Ending June 30		
2026	$	(425)
2027		(425)
2028		(414)
2029		(553)
2030		(758)
Thereafter		(1,672)
	$	(4,247)

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 4.81%, 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 3.81%	Current Discount Rate of 4.81%	1% Increase 5.81%
Total OPEB Liability	$ 13,957	$ 13,435	$ 12,907

The last experience study for the LTD plan was performed as of April 30, 2025.

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “DCP”), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The DCP, available to all City employees, permits employees to defer a portion of their salary until future years. The City does not make any matching or discretionary contributions to the DCP. The DCP is considered as an other employee benefit plan in accordance with paragraph 6 of GASBS No. 97. And the DCP is not considered as a fiduciary activity of the City under the provisions of GASBS No. 84. 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. The DCP’s assets are not subject to the City’s general creditors and are not included in the accompanying financial statements.

E. Workers' Compensation Self-Insurance Plan

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

As of June 30, 2025, the City has an accumulated liability in the amount of approximately $152.1 million, covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis), recorded in the accompanying Statement of Net Position.

Schedule of Changes in Liability (in thousands)

	June 30, 2025	June 30, 2024
Beginning actuarial estimate of claims liability, July 1	$ 143,238	$ 146,202
Incurred claims for fiscal year	27,007	20,726
Payments on claims	(26,265)	(25,889)
Actuarial adjustment	8,169	2,199
Ending actuarial estimate of claims liability, June 30	$ 152,149	$ 143,238

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NOTE 12: INTERFUND TRANSACTIONS

A. Transfers

Transfers during the year ended June 30, 2025, were as follows (in thousands):

	Transferred to:				
Transferred from:	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Transfers Out
General Fund	$ —	$ 19,779	$ 18,261	$ 160,161	$ 198,201
Nonmajor Funds	24,372	1,932	144,375	630	171,309
Convention and Entertainment	1,521	—	—	—	1,521
Combined Utility System	91,858	2,868	—	1,120	95,846
Total transfers in	$ 117,751	$ 24,579	$ 162,636	$ 161,911	$ 466,877

Of the $198.2 million transfers from the General Fund, $160.2 million and $18.3 million was to Public Works Special Revenue Fund and to Capital Projects Fund, respectively, for capital improvements. Of the $171.3 million transfers from nonmajor funds, $144.4 million was transferred from Public Works Special Revenue Fund to Capital Projects Fund for capital improvements related to drainage. In addition, $15.0 million was transferred from Public Works Special Revenue Fund to the General Fund for Stormwater project. Of the $91.9 million transferred from the Combined Utility System to the General Fund, $88.4 million was for drainage related expenditures. All other transfers are routine in nature, such as cash match of grants, debt service payments, and internal service costs.

B. 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, 2025, is as follows (in thousands):

	Payable fund:								
Receivable fund:	General Fund	Capital Projects	Grants	Nonmajor	Airport System	Combined Utility	Convention & Entertain -ment	Internal Service	Total
General	$ —	$ 30,421	$ 33,278	$ 10,865	$ 1,942	$ 43,924	$ —	$ 12	$ 120,442
Capital Projects	11,471	—	—	680	—	—	—	—	12,151
Debt Service	—	—	—	—	1,248	—	—	—	1,248
Grants	6,614	—	—	4,261	—	656	431	—	11,962
Nonmajor	7,808	680	55	70	—	210	—	—	8,823
Airport System	38	—	—	—	—	—	—	—	38
Combined Utility	33	—	—	26	—	—	—	—	59
Internal Service	1	—	—	—	—	—	—	—	1
Total	$ 25,965	$ 31,101	$ 33,333	$ 15,902	$ 3,190	$ 44,790	$ 431	$ 12	$ 154,724

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

Claims and judgments at June 30, 2025, consist of the following (in thousands):

	Governmental Activities	Business-Type Activities	Total
Health benefits (Note 11.B)	$ 47,880	$ —	$ 47,880
Workers' compensation (Note 11.E)	140,982	11,166	152,148
Other workers' compensation	2,384	—	2,384
Litigation and claims	8,355	—	8,355
Environmental liabilities	19,456	—	19,456
Total claims and judgments	$ 219,057	$ 11,166	$ 230,223

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its governmental and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits and claims alleging that the City caused personal injuries and/or 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. 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.

Propositions

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 collected in the preceding fiscal year, plus 4.5 percent, or the allowable property tax revenues 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. On October 12, 2021, the court of appeals affirmed. On April 23, 2023, the Texas Supreme Court reversed in part and remanded the case to determine whether the two propositions may be harmonized. On November 13, 2025, the trial court granted final summary judgment in favor of the City Defendants finding the propositions are irreconcilably inconsistent. The City Defendants are waiting to see if Plaintiff will appeal.

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.

Surface Water System

A general contractor has sued the City in connection with a $1.7 billion design-build project for the construction of a 320 million gallons per day water treatment plant expansion for the Greater Houston area. The contractor's claims include claims for settlement with a subcontractor, raw material price escalation, cost overruns, and delays. The City denies Plaintiff's claims. The City counterclaimed related to a separate dispute with Plaintiff resulting from Plaintiff's demand that the City pay over the amount of the contract for site civil claims. The City claims the general contractor failed to deliver Phase 1 of the expansion construction timely. Discovery is complete and the case is currently set for trial in 2026.

Wastewater Treatment and Collection System

The City entered into a Consent Decree executed with the United States of America on behalf of the Environmental Protection Agency ("EPA") and the State of Texas ("State") to settle claims arising under the Clean Water Act relating to the City's Wastewater Collection and Treatment System. The Consent Decree became effective on April 1, 2021, when it was entered by the United States District Court for the Southern District of Texas, Houston Division, in the matter entitled United States of America, et al. v. City of Houston, Texas; Civil Action No. 4:18-cv-03368.

The Consent Decree contains specific remedial measures to address sanitary sewer overflows ("SSOs") and wastewater treatment plant permit exceedances that are being implemented over the 15-year term of the Consent Decree. A copy of the Consent Decree is available on the City's website at https:www.publicworks.houstontx.gov/ that sets forth details regarding the City's obligations and as well as progress reports to date.

Per the provisions of the Consent Decree, the City paid $4.4 million in penalties to the State and EPA, and $200,000 in attorneys 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 Consent Decree also provides for the imposition of stipulated penalties to be paid to the United States and State over the term of the Consent Decree for SSOs, effluent exceedances, and failure to timely complete/submit deliverables and/or implement compliance requirements. The City has been assessed and has paid $4.1 million in stipulated penalties to the United States and State for SSOs and effluent exceedances incurred during the first 3.75 years of the Consent Decree; the City has not been assessed any stipulated penalties to-date for failing to timely complete/submit deliverables and/or implement compliance requirements.

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 at least $9 billion over the 15-year term of the Consent Decree to upgrade the wastewater system pursuant to the Consent Decree. The City is currently in the process of conducting a water and wastewater rate study to take into account this additional investment in wastewater infrastructure in evaluating impacts on future water/ wastewater utility rates. Other than the costs identified above paid for resolution of all civil claims of the federal government and the State against the City for alleged wastewater violations since 2005 and the stipulated penalties paid to date, the City cannot definitively predict the total financial impact on current and future long-term operations, annual maintenance and/or capital improvements costs that may be required, which could be substantial. Until the City completes its rate study and implements any resultant change to rates, the City will manage the System 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.

Drainage Utility Fee

In 2011, City Council passed an ordinance that imposed an assessment upon benefited 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. Exempt 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' claim. The Texas Supreme Court reversed the Court of Appeals decision and remanded the case to the trial court for further proceedings. The trial court sustained the City's plea to the jurisdiction on July 6, 2023. Jones appealed and on April 23, 2024, the Fourteenth Court of Appeals reversed and ruled against the City.

In May 2025, the Harris County District Court approved the settlement agreement between the City of Houston and the plaintiffs. Under the agreement, the City will phase in the required ad valorem tax allocations to the Dedicated Drainage and Street Renewal Fund in alignment with the City Charter as interpreted by the Fourteenth Court of Appeals. The City will allocate no less than 57% of the required amount in fiscal year 2025, 67% in fiscal year 2026, and 77% in fiscal year 2027. Beginning in fiscal year 2028 and thereafter, the City will allocate the full amount required under Article IX, Section 22(b)(iii) of the Houston City Charter.

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 Defendants denied Plaintiffs' claims. The declaratory judgment claims and constitutional challenges to the ordinance and any associated ultra vires claims were resolved by interlocutory summary judgment in the City's favor. The remaining claims were settled and the Parties' Agreed Order of Dismissal with Prejudice was signed on July 30, 2025. This 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 and remains abated.

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 court dismissed the case; the plaintiff has appealed and the dismissal of the case was affirmed on appeal. The Texas Supreme Court. granted review, received briefing and heard oral argument. On June 10, 2022, the Texas Supreme Court confirmed the City's ability to charge a drainage fee and remanded the case to the trial court to allow repleading on any remaining claims. The plaintiff moved for a re-hearing before the Texas Supreme Court. No additional claims have been asserted.

Houston Professional Fire Fighters' Association Settlement

The Houston Professional Fire Fighters' Association (the "Association") brought a lawsuit styled as Houston Professional Fire Fighters' Association, Local 341 v. City of Houston, Texas, Cause No. 2017-42885 ("the Lawsuit") relating to compensation of classified fire fighters of the City from July 1, 2017 to June 30, 2024. The Association (which includes the Medical Trust) and the City executed a Settlement Agreement (the "Settlement Agreement") on March 13, 2024, which provides for payment of overtime by the City to classified members of the City of Houston Fire Department employed between July 1, 2017 and June 30, 2024, and to the Medical Trust. The Settlement Agreement of $650.0 million releases the City from all claims and causes of action asserted by the Association in the Lawsuit, other than claims for enforcement of the Settlement Agreement.

The Association and the City executed the Amendment to March 13, 2024, Settlement Agreement on May 16, 2024. The Settlement Agreement specifically exempts any fire fighter during the aforementioned time period convicted of a felony or placed on felony probation, the Fire Chief, and Executive Management Staff of the City of Houston Fire Department (Assistant Chiefs) from receiving any settlement funds (except for any period an Assistant Chief was not Executive Management Staff). Separate and apart from the settlement proceeds, the City will pay $6.5 million in attorney's fees from the City's Property & Casualty Fund. The Settlement Agreement incorporates a Collective Bargaining Agreement related to employment terms and conditions, compensation, and benefits of classified fire fighters of the City for fiscal years 2025 to 2029.

A group of Houston Fire Department Assistant Fire Chiefs has filed suit alleging they were improperly excluded from the firefighter pay settlement approved in 2024. They claim they are "fire fighters" under state law and entitled to the same protections and compensation. In 2025, the Texas Fourteenth Court of Appeals allowed portions of their claims to proceed. The case remains pending, and no financial impact has been determined.

B. Environmental Liabilities

The City is aware of various sites contaminated by asbestos or other hazardous materials. As of June 30, 2025, the City has recorded accrued liabilities of $19.5 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, 2025, the City had appropriated but not yet spent from the Capital Projects and Enterprise Funds approximately $3.0 billion 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 $125.0 million and commercial property insurance with a per occurrence loss limit of $200.0 million. The commercial property insurance sub-limit for flood is $200.0 million. The commercial property insurance provides deductibles as follows: $2.0 million per occurrence for all perils, except (1) 3% of the damaged insured value for windstorm or hail from a named storm, subject to a $2.5 million minimum and a $20.0 million maximum deductible and (2) 3% of the damaged insured value for flood, subject to a $2.5 million minimum and a $20.0 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is $20.0 million. The City's property insurance retention is 10% of the $50.0 million primary limits, not to exceed the $5.0 million retention limit.

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 accompanying 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.

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 renewal options. The total committed price is approximately $640.1 million for the expected duration of the 7-year contract term. As of June 30, 2025, the remaining commitment is approximately $232 million.

On November 14, 2015, the City entered into a 20-year power purchase agreement with ENGIE. The 50MW solar power plant is in Alpine, Texas and provides solar power to City of Houston operations. The solar power purchase agreement started in April 2017 with a total contract value of approximately $124.7 million. As of June 30, 2025, the remaining commitment is approximately $80.5 million.

F. Federal and State

Amounts 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. The amount of liability, if any, cannot be determined at this time. City management believes any such claims would be immaterial to the City's financial position at June 30, 2025.

G. Chapter 380 Program and Commitment

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. In 1999, the City created the Chapter 380 Program (the "380 Program") by City Ordinance 1999-74, to incentivize job creation and stimulate business and commercial activity in Houston. Under the 380 Program, private businesses and developers fund public improvements in advance and assume the risks related to those public improvements during the construction period. If the improvements are completed as planned, these businesses or developers are reimbursed over time by the City from incremental property tax, sales tax, or beverage tax. At June 30, 2025, the City has a number of 380 Program agreements as follows:

		(in thousands)		
Type of Agreement	Number of Active Agreements	Gross Commitment	Reimbursed to-Date	Remaining Commitment
Agreed-up on maximum commitment	9	$ 55,571	$ 36,618	$ 18,953
Actual cost reimbursement	7	$ —	$ 198,298	Costs subject to the City's review and approval

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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, 2025, the City recognized $190.1 million from METRO under this contract. The breakout was $51.8 million to Capital Projects, $110.9 million to Special Revenue Funds and $27.4 million to the General Fund. None of the 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 METRO and the entity is separate from the operating activities of the City.

B. Trinity River Authority ("TRA")

As described in Note 8.C, 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 year ended June 30, 2008, all outstanding long-term debt had been paid off. During the year ended June 30, 2025, the City paid $5.6 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, 2025, is $54.0 million. The current portion of this receivable is $3.5 million with the remaining $50.5 million reflected as non-current.

During FY2025, TRA undertook emergency repairs and rehabilitation to address damage to Lake Livingston Dam as a result of historic flows of floodwater through the reservoir. Under Interlocal Agreement (ILA) with TRA, the City shall provide up to $45.0 million in temporary financial assistance herein for project costs. Any temporary financial assistance shall be repaid by June 30, 2026. As of June 30, 2025, the balance included $30.8 million in current receivables related to temporary financial assistance and $7.9 million in prepaid assets reflecting its responsibility for 70% of the local match required for FEMA grant funding.

C. Coastal Water Authority ("CWA")

The City has a long-term contract with CWA for water conveyance. During the year ended June 30, 2025, the City paid CWA $6.3 million for debt services and $38.6 million for maintenance and operating expenses.

D. Jointly Governed Organizations

The City is a participant in jointly governed organizations. Six of thirteen board members of the Harris County Houston Sports Authority with the chairman appointed jointly by the City and Harris County. Three of fourteen board members of the Gulf Coast Rail District with the chairman appointed jointly by the City and Harris County.

NOTE 15: ACCOUNTING CHANGES AND ERROR CORRECTIONS

Error Corrections:

Discretely Presented Component Units

1. The following discretely presented component units reported corrections to the beginning net position for the year ended June 30, 2025:

	(amounts in thousands)
Governmental Component Units	**Error Corrections**
East Downtown Redevelopment Authority	$ (105)
OST/Almeda Corridors Redevelopment Authority	(108)
Total	$ (213)

Change in Accounting Principle:

Discretely Presented Component Units

1. Houston Forensic Science Center, Inc.: Implementation of GASB Statement No. 101, *Compensated Absences*, decreased previously reported net position at June 30, 2024, by $1,115.0 thousand.

Changes to or within the Financial Reporting Entity:

Governmental Funds

1. American Rescue Plan Act (“ARPA”) Fund: The ARPA Fund was presented as a major fund in prior years due to its significance and to provide additional details of the fund. Effective July 1, 2024, the City collapsed the ARPA Fund, a sub-fund of the Grants Fund, into the Grants Fund. As a result, the beginning fund balance of the Grants Fund was increased by $11,662.0 thousand, representing the ARPA Fund’s ending fund balance as of June 30, 2024.

Discretely Presented Component Units

1. Houston Area Library Automated Network (“HALAN”): As of July 1, 2024, all contracts with the member libraries have expired or terminated. As a result, the City no longer has any financial accountability over HALAN and report a change to the financial entity by adjusting the current reporting period’s beginning net position by $588.0 thousand in the accompanying financial statements.

Adjustments to and Restatements of Beginning Balances

During the year ended June 30, 2025, error corrections, change in accounting principle, and changes to or within the financial reporting entity resulted in adjustments to and restatements of beginning net position and fund net position as follows:

	(amounts in thousands)				
	(Previously Reported)	(Restatements)			(Restated)
	June 30, 2024	Error Correction	Change in Accounting Principle	Change to or within the Financial Reporting Entity	June 30, 2024
Government-Wide					
Governmental Activities	$ 2,760,614	$ —	$ —	$ —	$ 2,760,614
Business-type Activities	6,120,123	—	—	—	6,120,123
Total Primary Government	$ 8,880,737	$ —	$ —	$ —	$ 8,880,737
Governmental Funds					
Major Funds:					
General Fund	$ 630,613	$ —	$ —	$ —	$ 630,613
Debt Service Fund	194,535	—	—	—	194,535
Capital Projects Fund	184,096	—	—	—	184,096
ARPA Fiscal Recovery Fund	11,662	—	—	(11,662)	—
Grants Fund	169,575	—	—	11,662	181,237
Nonmajor Funds	738,887	—	—	—	738,887
Total Governmental Funds	$ 1,929,368	$ —	$ —	$ —	$ 1,929,368
Proprietary Funds					
Airport System	$ 2,147,543	$ —	$ —	$ —	$ 2,147,543
Convention & Entertainment	111,982	—	—	—	111,982
Combined Utility	3,857,749	—	—	—	3,857,749
Internal Service Funds	47,545	—	—	—	47,545
Total Proprietary Funds	$ 6,164,819	$ —	$ —	$ —	$ 6,164,819
Fiduciary Funds					
Pension Trust Funds	$ 17,528,470	$ —	$ —	$ —	$ 17,528,470
Private-Purpose Trust Fund	7,733	—	—	—	7,733
Total Fiduciary Funds	$ 17,536,203	$ —	$ —	$ —	$ 17,536,203
Discretely Presented Component Units					
Governmental	$ 168,049	$ (213)	$ (1,115)	$ (588)	$ 166,133
Business-type	552,139	—	—	—	552,139
Total Discretely Presented Component Units	$ 720,188	$ (213)	$ (1,115)	$ (588)	$ 718,272

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent event through the date that the financial statements were available to be issued, December 12, 2025, and determined that the following items require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

Convention and Entertainment Facilities

On July 24, 2025, the Convention and Entertainment issued a $122.5 million note under the Note Purchase Agreement, as discussed in Note 8 to the financial statements, to fund expenses related to the George R. Brown Convention Center expansion project. The note matures on July 23, 2026, with a variable interest rate of 4.1% as of August 1, 2025.

Fiduciary Fund (OPEB Trust Fund)

On August 6, 2025, City Council approved the establishment of a qualifying Other Postemployment Benefits (OPEB) trust. Contributions from all departments are anticipated to begin in fiscal year 2026. The trust is intended to reduce the City's total OPEB liability over time and improve long-term financial sustainability.

Houston Airport System

On August 13, 2025, the Airport System issued $699.8 million in Airport System Subordinate Lien Bonds in two series: 2025A (AMT) in the amount of $677.8 million and 2025B (Non-AMT) in the amount of $22.0 million (the "Series 2025 Airport Bonds") with interest rates on bonds ranging from 5.00% to 5.50%. The Series 2025A Bonds mature on July 1, 2055, and the Series 2025B Bonds mature on July 1, 2055. The Series 2025 Airport Bonds were issued for the purpose of providing funds to among others: (a) refunding $34.2 million of Commercial Paper Notes and (b) pay certain costs of issuance with respect to the Series 2025 Airport Bonds and (c) provide financing for the Terminal B project at the George Bush Intercontinental Airport as well as terminal expansion at the William P. Hobby Airport. No deferred gain or loss was recognized for this transaction.

On December 2, 2025, the City issued $277.4 million in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects) Series 2025B (the "Series 2025 United Bonds"), with interest rates ranging from 5.25% to 5.50%. These bonds are limited special obligations of the City. The Series 2025B United Bonds mature in varying amounts from 2026 to 2038. The Series 2025B United Bonds were issued for the purpose of: (a) defeasing and refunding the Airport System Special Facilities Revenue Bonds, Series 2011 (AMT) and Series 2015B-1 (AMT) and (b) paying costs of issuance of the Series 2025B United Bonds.

Between July 1, 2025 and December 12, 2025, the Airport System issued a total of $112.0 million in Airport Commercial Paper with interest rates ranging from 2.43% to 3.05%. The outstanding balance of Airport Commercial Paper was $77.8 million as of December 12, 2025.

Public Improvement Bonds

On September 30, 2025, the City issued $284.5 million of Public Improvement Refunding Bonds, Series 2025 (the "Series 2025 PI Bonds") with an interset rate of 5.00%. The Series 2025 PI Bonds mature on March 1, 2045. The Series 2025 PI Bonds were issued for purpose to refund and defease certain of the City's outstanding general obligation commercial paper notes and pay cost of issuance.

Tax and Revenue Anticipation Notes

On October 23, 2025, the City issued $121.0 million of Tax and Revenue Anticipation Notes, Series 2025 (the "Series 2025 Notes) with interest rates ranging from 4.00% to 5.00%. Proceeds of the Series 2025 Notes were used to finance the City's general operating expenditures for fiscal year 2026 in anticipation of the collection of taxes and revenue for fiscal year 2026. Principal of and interest on the Series 2025 Notes are payable on June 30, 2026.

Combined Utility System

On November 20, 2025, CWA issued $50.0 million of Coastal Water Authority (CWA) Contract Revenue Bonds, Series 2025, (City of Houston Projects) with coupons ranging from 1.94% to 4.12%. The proceeds will be used to facilitate the planning, design, construction and installation of the CWA Transmission Expansion Project and to pay costs of issuance of the bonds. The bonds mature in varying amounts from 2026 to 2055.

On December 9, 2025, the City closed on a Texas Water Development Board “TWDB” Direct Placement First Lien Revenue Bond loan of $350.0 million in Combined Utility System Revenue Bonds Series 2025 with coupons ranging from 1.99% to 4.12%. The proceeds will be used to provide funding for the East Water Purification Plant Enhancement. The bonds mature in varying amounts from 2026 to 2055.

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CITY OF HOUSTON
CITY CONTROLLER

Required Supplementary Information - (unaudited)

GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2025
(amounts expressed in thousands)
(unaudited)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Budget Basis	
Revenues				
Taxes and assessments				
Property Taxes	$ 1,046,615	$ 1,046,615	$ 1,040,020	$ (6,595)
Industrial Assessments	27,277	27,277	30,456	3,179
Sales Tax	893,382	893,382	919,289	25,907
Franchise Tax	150,545	150,545	151,138	593
Mixed Beverage Tax	24,896	24,896	23,695	(1,201)
Total taxes and assessments	2,142,715	2,142,715	2,164,598	21,883
Licenses and permits				
General	25,372	25,372	27,352	1,980
Health Permits	8,364	8,364	8,760	396
Total licenses and permits	33,736	33,736	36,112	2,376
Charges for services				
Ambulance service	61,812	61,812	84,407	22,595
Library fees	4	4	200	196
Parking	205	205	209	4
Services performed for other funds				
Direct	75,061	75,061	76,971	1,910
Indirect	24,871	24,871	25,848	977
Rents and royalties	1,576	1,576	1,464	(112)
Others	17,712	17,712	17,599	(113)
Total charges for services	181,241	181,241	206,698	25,457
Intergovernmental - grants	50,248	50,248	75,940	25,692
Fines and forfeits				
Municipal Courts	17,063	17,063	17,016	(47)
Others	3,044	3,044	3,440	396
Total fines and forfeits	20,107	20,107	20,456	349
Interest	20,993	20,993	30,479	9,486
Other				
Sale of Property	205	205	214	9
Other	13,504	13,504	15,437	1,933
Total Other	13,709	13,709	15,651	1,942
Total revenues	2,462,749	2,462,749	2,549,934	87,185
Other financing sources (uses)				
Transfers in	7,781	7,781	12,389	4,608
Sale of capital assets	2,752	2,752	41,368	38,616
Total other financing sources (uses)	10,533	10,533	53,757	43,224
Total revenues and other financing sources	$ 2,473,282	$ 2,473,282	$ 2,603,691	$ 130,409

* See Notes to Required Supplementary Information *

GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2025
(amounts expressed in thousands)
(unaudited)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Budget Basis	
Expenditures				
General government				
Legislative and executive				
Legislative - Council				
Personnel services	$ 8,847	$ 9,061	$ 9,485	$ (424)
Other current expenditures	6,401	7,828	3,261	4,567
Equipment acquisition	2	967	945	22
Total legislative - council	15,250	17,856	13,691	4,165
Legislative - Mayor's Office				
Personnel services	5,543	5,759	5,705	54
Other current expenditures	1,031	1,080	824	256
Total executive - mayor's office	6,574	6,839	6,529	310
Total legislative and executive	21,824	24,695	20,220	4,475
Office of Business Opportunity				
Personnel services	4,212	3,455	3,477	(22)
Other current expenditures	1,374	1,356	1,282	74
Equipment acquisition	2	4	–	4
Total office of business opportunity	5,588	4,815	4,759	56
Municipal Courts Administration				
Municipal Courts				
Personnel services	23,748	24,691	24,512	179
Other current expenditures	6,230	6,186	5,658	528
Equipment acquisition	14	15	15	—
Total municipal courts	29,992	30,892	30,185	707
Elections	4,000	1,000	55	945
Finance administration				
Controller				
Personnel services	9,018	8,632	8,500	132
Other current expenditures	1,535	1,534	1,206	328
Equipment acquisition	—	39	32	7
Total controller	10,553	10,205	9,738	467
Finance				
Personnel services	18,819	17,820	16,954	866
Other current expenditures	5,202	5,286	4,785	501
Equipment acquisition	–	26	26	—
Total finance	24,021	23,132	21,765	1,367
Administrative and Regulatory Affairs				
Personnel services	17,341	17,978	17,556	422
Other current expenditures	4,747	4,986	4,303	683
Equipment acquisition	6	40	34	6
Total administrative and regulatory affairs	22,094	23,004	21,893	1,111
Bond and Legal	1,485	1,485	1,375	110
Total finance administration	58,153	57,826	54,771	3,055

(Continued)

* See Notes to Required Supplementary Information *

GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2025
(amounts expressed in thousands)
(unaudited)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Budget Basis	
Legal				
Personnel services	$ 17,235	$ 17,265	$ 16,603	$ 662
Other current expenditures	1,878	1,916	2,413	(497)
Equipment acquisition	—	—	—	—
Total legal	19,113	19,181	19,016	165
City Secretary				
Personnel services	806	940	930	10
Other current expenditures	138	139	122	17
Total city secretary	944	1,079	1,052	27
Planning and Development				
Personnel services	3,138	2,696	2,634	62
Other current expenditures	348	349	311	38
Total planning and development	3,486	3,045	2,945	100
Human Resources				
Personnel services	1,398	1,398	1,166	232
Other current expenditures	27	27	21	6
Equipment acquisition	—	—	—	—
Total human resources	1,425	1,425	1,187	238
Total general government	144,525	143,958	134,190	9,768
Public safety				
Police				
Personnel services	949,090	973,562	965,895	7,667
Other current expenditures	94,178	99,543	97,920	1,623
Equipment acquisition	340	1,225	834	391
Total police	1,043,608	1,074,330	1,064,649	9,681
Fire				
Personnel services	561,144	611,186	604,960	6,226
Other current expenditures	75,047	76,847	72,914	3,933
Equipment acquisition	—	89	24	65
Total fire	636,191	688,122	677,898	10,224
Total public safety	1,679,799	1,762,452	1,742,547	19,905
Public Works				
Administration				
Personnel services	972	1,086	1,056	30
Other current expenditures	21,999	162	139	23
Total administration	22,971	1,248	1,195	53
General Services				
Personnel services	14,497	14,139	13,911	228
Other current expenditures	29,963	32,570	31,700	870
Equipment acquisition	—	—	—	—
Total general services	44,460	46,709	45,611	1,098

(Continued)

* See Notes to Required Supplementary Information *

GENERAL OPERATING FUND
Schedule of Budgeted and Actual Revenues and Expenditures
For the Year Ended June 30, 2025
(amounts expressed in thousands)
(unaudited)

	Budgeted Amounts			Variance with Final
	Original	Final	Actual Budget Basis	Budget
Solid Waste				
Personnel services	$ 38,943	$ 42,032	$ 45,781	$ (3,749)
Other current expenditures	55,947	62,257	63,046	(789)
Equipment acquisition	809	842	200	642
Total solid waste	95,699	105,131	109,027	(3,896)
Total public works	163,130	153,088	155,833	(2,745)
Department of Neighborhoods				
Personnel services	8,663	8,642	8,617	25
Other current expenditures	5,755	5,965	4,393	1,572
Equipment acquisition	—	14	14	—
Total department of neighborhoods	14,418	14,621	13,024	1,597
Health				
Personnel services	37,515	38,705	40,487	(1,782)
Other current expenditures	14,118	15,166	13,726	1,440
Equipment acquisition	402	439	58	381
Total health	52,035	54,310	54,271	39
Housing				
Personnel services	203	847	929	(82)
Other current expenditures	1,451	1,453	1,383	70
Total housing	1,654	2,300	2,312	(12)
Parks and Recreation				
Personnel services	46,638	49,116	48,883	233
Other current expenditures	41,265	42,832	43,089	(257)
Equipment acquisition	152	44	20	24
Total parks and recreation	88,055	91,992	91,992	—
Library				
Personnel services	37,322	39,231	38,505	726
Other current expenditures	7,006	6,737	6,593	144
Equipment acquisition	6,680	7,230	7,208	22
Total library	51,008	53,198	52,306	892
Retiree Benefits				
Hospital and life insurance	37,741	13,297	—	13,297
Total retiree benefits	37,741	13,297	10,671	2,626
Other current expenditures				
Tax appraisal fees	14,557	14,557	12,754	1,803
Limited-purpose Annexation Districts	83,710	72,239	73,671	(1,432)
Capital outlay	—	—	—	—
Membership dues	453	453	356	97
Advertising and promotion	550	550	192	358
Consultants	1,828	1,828	1,984	(156)
Miscellaneous support services	104,183	101,531	90,527	11,004
Total other current expenditures	205,281	191,158	179,484	11,674
Debt service				
Debt service interest	1,978	1,978	2,447	(469)
Total debt service	1,978	1,978	2,447	(469)
Total expenditures	2,439,624	2,482,352	2,439,077	43,275
Other financing sources (uses)				
Transfers out	225,944	244,411	240,548	3,863
Total other financing sources (uses)	225,944	244,411	240,548	3,863
Total expenditures and other financing uses	$ 2,665,568	$ 2,726,763	$ 2,679,625	$ 47,138

(Concluded)

* See Notes to Required Supplementary Information *

REQUIRED RECONCILIATION FOR GENERAL FUND
BUDGET vs. GAAP PRESENTATION
For the Year Ended June 30, 2025
(amounts expressed in thousands)
(unaudited)

Revenues		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	$	2,549,934
Revenues of non-budgeted funds		
Equipment Acquisition		4,259
Revolving Funds		2,441
Building Security		641
Grant Matching Fund		28
Storm Water		6
Bureau of Animal Regulation and Care		1,449
Forensic Transition		348
Civic Events		21,825
Total revenues of non-budgeted funds		30,997
Interest on pooled investments from non-budgeted revenues		4,387
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	$	2,585,318
Expenditures		
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	$	2,439,077
Expenditures of non-budgeted funds		
Equipment Acquisition		69,468
Revolving Funds		2,441
Building Security		465
Grant Matching Fund		693
Refund Judgment		632,170
Storm Water		71,032
Bureau of Animal Regulation and Care		15,564
Fleet Maintenance		2,350
Forensic Transition		347
Civic Events		24,241
Renewal and Replacement		39,389
Health and Environmental		55
Total expenditures of non-budgeted funds		858,215
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	$	3,297,292
Other financing sources (uses)		
Actual amounts (budgetary basis) “other financing sources and uses” from the budgetary comparison schedules	$	(186,791)
Proceeds from issuance of debt		690,257
Lease financing principal		4,038
Sale of assets		2,598
Transfers of non-budgeted funds		147,709
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances-government funds	$	657,811

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(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 expenditure account group within each department for the general fund. An expenditure account group means a group of accounts within a department which have similar purposes such as personnel services. 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. Appropriations related to funds with annual budgets lapse at year-end except for Capital Outlay appropriations, which cover multiple years.

On April 30, 2025, City Council approved the fiscal year 2025 general appropriation ordinance in the amount of $2.7 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 2025 results for both budgeted and non-budgeted Special Revenue Funds (in thousands):

	Revenues	Expenditures	Other Sources (Uses)
Budgeted Special Revenue Funds	$ 473,940	$ 368,015	$ (11,564)
Non-budgeted Grants Revenue Fund	356,628	425,323	—
Non-budgeted Health and Housing	15,113	2,732	2,491
Non-budgeted Other Funds	73,960	103,388	(325)
Total Special Revenue Funds - Actual	$ 919,641	$ 899,458	$ (9,398)

2. General Fund Budgetary Highlights

Revenues were $130.4 million above budget. This decrease was in taxes and assessments of $21.9 million. Additionally, increases in licenses and permits of $2.4 million, charges for services of $25.5 million, intergovernmental-grants of $25.7 million, interest of $9.5 million, other income of $1.9 million, and other financing sources (uses) of $43.2 million.

Significant differences between budgeted and actual taxes and assessments include:

- $6.6 million decrease in property taxes due to lower than anticipated collections during the year. In addition, a portion of the property taxes dedicated for debt service was reported in the debt service fund.

Reporting Fund	Property Taxes Final Budget	Property Taxes Actual	Variance
General Fund	$ 1,046,615	$ 1,040,020	$ (6,595)
Debt Service Fund	380,860	380,860	—
Total	$ 1,427,475	$ 1,420,880	$ (6,595)

- $3.2 million increase in industrial assessments.
- $25.9 million increase in sales tax.
- $1.2 million decrease in mixed beverage tax.

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years
(in thousands)

	Houston Firefighters' Relief and Retirement Fund				
	2025	**2024**	**2023**	**2022**	**2021**
Total Pension Liability					
Service cost	$ 67,699	$ 57,942	$ 55,961	$ 54,129	$ 55,596
Interest	370,240	367,958	353,824	354,304	362,472
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	153,546	79,006	77,461	(140,156)	(94,948)
Changes of assumptions	149,723	11,665	—	—	(155,659)
Benefit payments including refunds of employee contributions	(319,135)	(305,854)	(283,095)	(270,599)	(286,414)
Refunds	—	—	—	—	—
Net change in total pension liability	422,073	210,717	204,151	(2,322)	(118,953)
Total pension liability - beginning	5,378,306	5,167,589	4,963,438	4,965,760	5,084,713
Total pension liability - ending (a)	5,800,379	5,378,306	5,167,589	4,963,438	4,965,760
Plan fiduciary net position					
Contributions-employer	87,112	76,351	72,475	81,351	77,495
Contributions-employee	39,415	33,754	31,973	30,942	29,873
Net investment income	619,187	470,760	199,670	523	1,338,230
Benefit payments	(319,135)	(305,854)	(283,095)	(270,599)	(286,414)
Administrative expense	(4,999)	(4,594)	(4,482)	(4,161)	(4,213)
Refunds	—	—	—	—	—
Other	(1,202)	(866)	(1,099)	(1,083)	(1,140)
Net change in plan fiduciary net position	420,378	269,551	15,442	(163,027)	1,153,831
Plan fiduciary net position-beginning	5,378,729	5,109,178	5,093,736	5,256,763	4,102,932
Plan fiduciary net position-ending (b)	5,799,107	5,378,729	5,109,178	5,093,736	5,256,763
Net pension liability (asset) - ending (a)-(b)	$ 1,272	$ (423)	$ 58,411	$ (130,298)	$ (291,003)
Plan fiduciary net position as percentage of total pension liability	99.98 %	100.01 %	98.87 %	102.63 %	105.86 %
Covered payroll	$ 325,277	$ 284,065	$ 269,091	$ 255,100	$ 243,045
Net pension liability (asset) as a percentage of covered payroll	0.39 %	(0.15)%	21.71 %	(51.08)%	(119.73)%

(continued)

See notes to the schedules on page 168.

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years
(in thousands)

	Houston Firefighters' Relief and Retirement Fund				
	2020	**2019**	**2018**	**2017**	**2016**
Total Pension Liability					
Service cost	$ 57,743	$ 55,532	$ 52,579	$ 80,002	$ 76,407
Interest	349,760	343,416	332,357	389,938	369,708
Changes of benefit terms	—	—	—	(645,971)	—
Differences between expected and actual experience	78,724	34,668	62,117	(65,194)	(63,047)
Changes of assumptions	—	(47,463)	(16,572)	534,646	2,918
Benefit payments including refunds of employee contributions	(330,323)	(272,398)	(289,108)	(249,394)	(211,673)
Refunds	—	—	—	—	—
Net change in total pension liability	155,904	113,755	141,373	44,027	174,313
Total pension liability - beginning	4,928,809	4,815,054	4,673,681	4,629,654	4,455,341
Total pension liability - ending (a)	5,084,713	4,928,809	4,815,054	4,673,681	4,629,654
Plan fiduciary net position					
Contributions-employer	83,837	89,897	83,010	93,658	94,279
Contributions-employee	33,441	34,281	35,622	25,404	25,511
Net investment income	84,115	221,775	322,306	432,948	(47,437)
Benefit payments	(330,323)	(272,398)	(289,108)	(249,394)	(211,673)
Administrative expense	(4,516)	(4,952)	(4,890)	(4,898)	(6,771)
Refunds	—	—	—	—	—
Other	(1,314)	(1,265)	(1,676)	(2,298)	(1,890)
Net change in plan fiduciary net position	(134,760)	67,338	145,264	295,420	(147,981)
Plan fiduciary net position-beginning	4,237,692	4,170,354	4,025,090	3,729,670	3,877,651
Plan fiduciary net position-ending (b)	4,102,932	4,237,692	4,170,354	4,025,090	3,729,670
Net pension liability (asset) - ending (a)-(b)	$ 981,781	$ 691,117	$ 644,700	$ 648,591	$ 899,984
Plan fiduciary net position as percentage of total pension liability	80.69 %	85.98 %	86.61 %	86.12 %	80.56 %
Covered payroll	$ 259,235	$ 272,498	$ 260,345	$ 289,947	$ 280,436
Net pension liability (asset) as a percentage of covered payroll	378.72 %	253.62 %	247.63 %	223.69 %	320.92 %

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years
(in thousands)

	Houston Municipal Employees Pension System				
	2025	**2024**	**2023**	**2022**	**2021**
Total Pension Liability					
Service cost	$ 91,783	$ 88,999	$ 85,184	$ 82,080	$ 78,564
Interest	397,122	389,086	381,016	371,952	363,611
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(2,239)	(5,779)	6,279	26,473	(20,427)
Changes of assumptions	—	—	—	(29,515)	—
Benefit payments including refunds of employee contributions	(365,914)	(356,914)	(334,859)	(327,772)	(314,150)
Refunds	(705)	(1,341)	(989)	(1,133)	(402)
Net change in total pension liability	120,047	114,051	136,631	122,085	107,196
Total pension liability - beginning	5,812,828	5,698,777	5,562,146	5,440,061	5,332,865
Total pension liability - ending (a)	5,932,875	5,812,828	5,698,777	5,562,146	5,440,061
Plan fiduciary net position					
Contributions-employer	215,355	212,959	204,895	197,341	184,762
Contributions-employee	34,787	34,645	34,600	32,655	33,325
Net investment income	485,168	403,867	221,364	189,390	1,084,388
Benefit payments	(365,914)	(356,914)	(334,859)	(327,772)	(314,150)
Administrative expense	(6,276)	(6,046)	(5,636)	(5,681)	(3,111)
Refunds	(705)	(1,341)	(989)	(1,133)	(402)
Other	414	657	619	466	485
Net change in plan fiduciary net position	362,829	287,827	119,994	85,266	985,297
Plan fiduciary net position-beginning	4,360,172	4,072,345	3,952,351	3,867,085	2,881,788
Plan fiduciary net position-ending (b)	4,723,001	4,360,172	4,072,345	3,952,351	3,867,085
Net pension liability - ending (a)-(b)	$ 1,209,874	$ 1,452,656	$ 1,626,432	$ 1,609,795	$ 1,572,976
Plan fiduciary net position as percentage of total pension liability	79.61 %	75.01 %	71.46 %	71.06 %	71.09 %
Covered payroll	$ 785,813	$ 748,521	$ 710,462	$ 678,350	$ 642,917
Net pension liability as a percentage of covered payroll	153.96 %	194.07 %	228.93 %	237.31 %	244.66 %

(continued)

See notes to the schedules on page 168.

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years
(in thousands)

	Houston Municipal Employees Pension System				
	2020	**2019**	**2018**	**2017**	**2016**
Total Pension Liability					
Service cost	$ 77,819	$ 77,175	$ 78,149	$ 75,961	$ 68,968
Interest	356,430	349,592	341,276	331,166	379,781
Changes of benefit terms	—	—	—	(724,683)	—
Differences between expected and actual experience	(28,865)	(11,538)	19,158	(38,387)	(16,194)
Changes of assumptions	—	—	—	562,237	91,248
Benefit payments including refunds of employee contributions	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)
Refunds	(650)	(1,394)	(807)	(718)	(1,105)
Net change in total pension liability	96,732	122,775	153,848	(74,880)	269,520
Total pension liability - beginning	5,236,133	5,113,358	4,959,510	5,034,390	4,764,870
Total pension liability - ending (a)	5,332,865	5,236,133	5,113,358	4,959,510	5,034,390
Plan fiduciary net position					
Contributions-employer	176,430	176,261	421,562	182,558	159,958
Contributions-employee	32,582	32,536	27,905	15,902	15,874
Net investment income	(115,165)	200,445	231,815	290,911	27,639
Benefit payments	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)
Administrative expense	(4,891)	(5,363)	(6,442)	(6,827)	(7,360)
Refunds	(650)	(1,394)	(807)	(718)	(1,105)
Other	484	710	(3,905)	1,272	1,651
Net change in plan fiduciary net position	(219,212)	112,135	386,200	202,642	(56,521)
Plan fiduciary net position-beginning	3,101,000	2,988,865	2,602,665	2,400,023	2,456,544
Plan fiduciary net position-ending (b)	2,881,788	3,101,000	2,988,865	2,602,665	2,400,023
Net pension liability - ending (a)-(b)	$ 2,451,077	$ 2,135,133	$ 2,124,493	$ 2,356,845	$ 2,634,367
Plan fiduciary net position as percentage of total pension liability	54.04 %	59.22 %	58.45 %	52.48 %	47.67 %
Covered payroll	$ 625,056	$ 614,451	$ 611,493	$ 604,895	$ 640,529
Net pension liability as a percentage of covered payroll	392.14 %	347.49 %	347.43 %	389.63 %	411.28 %

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years
(in thousands)

	Houston Police Officers' Pension System				
	2025	**2024**	**2023**	**2022**	**2021**
Total Pension Liability					
Service cost	$ 89,369	$ 85,014	$ 78,356	$ 74,350	$ 73,040
Interest	558,138	540,777	520,211	503,548	484,527
Changes of benefit terms	349,382	—	—	—	—
Differences between expected and actual experience	69,938	54,425	94,532	46,309	99,635
Changes of assumptions	—	—	—	(7,383)	—
Benefit payments including refunds of employee contributions	(447,726)	(415,577)	(384,367)	(372,282)	(394,893)
Refunds	(2,458)	(2,999)	(2,295)	(2,645)	(2,433)
Net change in total pension liability	616,643	261,640	306,437	241,897	259,876
Total pension liability - beginning	8,153,811	7,892,171	7,585,734	7,343,837	7,083,961
Total pension liability - ending (a)	8,770,454	8,153,811	7,892,171	7,585,734	7,343,837
Plan fiduciary net position					
Contributions-employer	169,734	162,992	159,915	152,375	151,094
Contributions-employee	55,469	53,400	52,399	50,028	49,749
Net investment income	719,748	777,554	525,053	(98,537)	1,764,927
Benefit payments	(447,726)	(415,577)	(384,367)	(372,282)	(394,893)
Administrative expense	(4,750)	(4,300)	(4,238)	(4,202)	(3,669)
Refunds	(2,458)	(2,999)	(2,295)	(2,645)	(2,433)
Other	—	—	—	—	—
Net change in plan fiduciary net position	490,017	571,070	346,467	(275,263)	1,564,775
Plan fiduciary net position-beginning	7,779,525	7,208,455	6,861,988	7,137,251	5,572,476
Plan fiduciary net position-ending (b)	8,269,542	7,779,525	7,208,455	6,861,988	7,137,251
Net pension liability-ending (a)-(b)	$ 500,912	$ 374,286	$ 683,716	$ 723,746	$ 206,586
Plan fiduciary net position as percentage of total pension liability	94.29 %	95.41 %	91.34 %	90.46 %	97.19 %
Covered payroll	$ 528,275	$ 508,569	$ 499,041	$ 476,453	$ 473,801
Net pension liability as a percentage of covered payroll	94.82 %	73.60 %	137.01 %	151.90 %	43.60 %

(continued)

See notes to the schedules on page 168.

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years
(in thousands)

	Houston Police Officers' Pension System				
	2020	**2019**	**2018**	**2017**	**2016**
Total Pension Liability					
Service cost	$ 70,081	$ 66,750	$ 63,633	$ 60,930	$ 66,098
Interest	474,376	462,691	445,113	433,598	488,223
Changes of benefit terms	—	—	—	(1,006,000)	—
Differences between expected and actual experience	(23,461)	(16,454)	69,534	80,023	10,390
Changes of assumptions	—	—	21,399	778,710	(676,151)
Benefit payments including refunds of employee contributions	(355,373)	(335,600)	(361,033)	(458,733)	(259,076)
Refunds	(2,209)	(2,278)	(1,329)	(1,696)	(978)
Net change in total pension liability	163,414	175,109	237,317	(113,168)	(371,494)
Total pension liability - beginning	6,920,547	6,745,438	6,508,121	6,621,289	6,992,783
Total pension liability - ending (a)	7,083,961	6,920,547	6,745,438	6,508,121	6,621,289
Plan fiduciary net position					
Contributions-employer	149,078	142,429	887,143	133,805	137,392
Contributions-employee	49,062	46,896	45,254	40,104	39,017
Net investment income	61,193	340,167	463,079	667,476	(135,833)
Benefit payments	(355,373)	(335,600)	(361,033)	(458,733)	(259,076)
Administrative expense	(3,922)	(3,580)	(3,679)	(4,238)	(4,585)
Refunds	(2,209)	(2,278)	(1,329)	(1,696)	(978)
Other	—	—	—	—	—
Net change in plan fiduciary net position	(102,171)	188,034	1,029,435	376,718	(224,063)
Plan fiduciary net position-beginning	5,674,647	5,486,613	4,457,178	4,080,460	4,304,523
Plan fiduciary net position-ending (b)	5,572,476	5,674,647	5,486,613	4,457,178	4,080,460
Net pension liability-ending (a)-(b)	$ 1,511,485	$ 1,245,900	$ 1,258,825	$ 2,050,943	$ 2,540,829
Plan fiduciary net position as percentage of total pension liability	78.66 %	82.00 %	81.34 %	68.49 %	61.63 %
Covered payroll	$ 464,301	$ 444,871	$ 412,786	$ 424,300	$ 407,058
Net pension liability as a percentage of covered payroll	325.54 %	280.06 %	304.96 %	483.37 %	624.19 %

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CITY CONTRIBUTIONS FOR PENSION PLANS
Last 10 Fiscal Years
(in thousands)

	Houston Firefighters' Relief and Retirement Fund				
	2025	2024	2023	2022	2021
Actuarially determined contribution	$ 87,467	$ 76,385	$ 72,358	$ 78,571	$ 88,104
Contributions in relation to the actuarially determined contribution	87,112	76,351	72,475	81,351	77,495
Contribution deficiency (excess)	$ 355	$ 34	$ (117)	$ (2,780)	$ 10,609
Covered payroll	$ 325,277	$ 284,065	$ 269,091	$ 255,100	$ 243,045
Contributions as a percentage of covered payroll	26.8 %	26.9 %	26.9 %	31.9 %	31.9 %

	Houston Municipal Employees Pension System				
	2025	2024	2023	2022	2021
Actuarially determined contribution	$ 216,841	$ 209,430	$ 202,012	$ 195,296	$ 188,294
Contributions in relation to the actuarially determined contribution	215,355	212,959	204,895	197,341	184,762
Contribution deficiency (excess)	$ 1,486	$ (3,529)	$ (2,883)	$ (2,045)	$ 3,532
Covered payroll	$ 785,813	$ 748,521	$ 710,462	$ 678,350	$ 642,917
Contributions as a percentage of covered payroll	27.4 %	28.5 %	28.8 %	29.1 %	28.7 %

	Houston Police Officers' Pension System				
	2025	2024	2023	2022	2021
Actuarially determined contribution	$ 131,276	$ 136,144	$ 134,841	$ 139,220	$ 140,292
Contributions in relation to the actuarially determined contribution	169,734	162,992	159,915	152,375	151,094
Contribution deficiency (excess)	$ (38,458)	$ (26,848)	$ (25,074)	$ (13,155)	$ (10,802)
Covered payroll	$ 528,275	$ 508,569	$ 499,041	$ 476,453	$ 473,801
Contributions as a percentage of covered payroll	32.1 %	32.0 %	32.0 %	32.0 %	31.9 %

(continued)

See notes to the schedules on page 168.

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CITY CONTRIBUTIONS FOR PENSION PLANS
Last 10 Fiscal Years
(in thousands)

	Houston Firefighters' Relief and Retirement Fund				
	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 96,332	$ 99,676	$ 96,530	$ 88,745	$ 87,464
Contributions in relation to the actuarially determined contribution	83,837	89,897	83,010	93,658	94,279
Contribution deficiency (excess)	$ 12,495	$ 9,779	$ 83,010	$ 93,658	$ 94,279
Covered payroll	$ 259,235	$ 272,498	$ 260,345	$ 289,947	$ 280,436
Contributions as a percentage of covered payroll	32.3 %	33.0 %	31.9 %	32.3 %	33.6 %

	Houston Municipal Employees Pension System				
	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 182,950	$ 178,256	$ 423,989	$ 184,733	$ 162,230
Contributions in relation to the actuarially determined contribution	176,430	176,261	421,562	182,558	159,958
Contribution deficiency (excess)	$ 6,520	$ 1,995	$ 2,427	$ 2,175	$ 2,272
Covered payroll	$ 625,056	$ 614,451	$ 611,493	$ 604,895	$ 640,529
Contributions as a percentage of covered payroll	28.2 %	28.7 %	68.9 %	30.2 %	25.0 %

	Houston Police Officers' Pension System				
	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 146,626	$ 141,202	$ 131,142	$ 167,980	$ 161,154
Contributions in relation to the actuarially determined contribution	149,078	142,429	887,143	133,805	137,392
Contribution deficiency (excess)	$ (2,452)	$ (1,227)	$ (756,001)	$ 34,175	$ 23,762
Covered payroll	$ 464,301	$ 444,871	$ 412,786	$ 424,300	$ 407,058
Contributions as a percentage of covered payroll	32.1 %	32.0 %	214.9 %	31.5 %	33.8 %

Notes to the Required Supplementary Information:

A. Houston Firefighters' Relief and Retirement Fund

1. Benefit changes in fiscal year ended June 30, 2017:

a. Standard service pension benefit changed for retirements on or after November 1, 1997, to the following: for retirement on or after November 1, 1997, and applicable for service accrued prior to July 1, 2017, 50% of monthly salary; plus 3% of average monthly salary per year of service in excess of 20 years. For service accrued after July 1, 2017, 2.75% of average monthly salary per year of service for the member's first 20 years of service; plus 2% of average monthly salary per year of service in excess of 20 years

2. Changes of assumptions:

a. The discount rate was changed from 8.50% to 7.25% for the year ended June 30, 2017. The discount rate was changed from 7.25% to 7.00% for the year ended June 30, 2024.

b. For the year ended June 30, 2018, mortality rates for active participants and non-disabled pensioners were based on the RP-2014 Mortality Tables with Blue Collar Adjustment and generational improvement using Scale MP-2017. Projected longevity improvements were applied by adjusting the RP-2014 tables back to 2006 using Scale MP-2014, and then applying generational projection from 2006 forward using Scale MP-2017. For the year ended June 30, 2021, Scale MP-2017 was replaced with Scale MP-2019. For the year ended June 30, 2024, Scale MP-2019 was replaced with Scale MP-2021.

c. For the year ended June 30, 2021, the assumptions used in the actuary report are based on recommendations made and approved by the HFRRF Board as part of an experience study covering fiscal year ended June 30, 2015 through fiscal year ended June 30, 2019. For the year ended June 30, 2024, the assumptions used in the actuary report are based on recommendations made and approved by the HFRRF Board as part of an experience study covering fiscal year ended June 30, 2020 through fiscal year ended June 30, 2023.

B. Houston Municipal Employee Pension System

1. Changes of assumptions:

a. Discount rate was changed from 8.50% to 8.00% as of July 1, 2015, and subsequently lowered to 7.00% as of July 1, 2017.

b. The actuarially determined contribution includes the Legacy Liability payment as specified by the July 1, 2016 Risk Sharing Valuation and a calculated employer rate equal to the normal cost and the amortization of any new unfunded liabilities over a closed 30-year period from the valuation date the liability base was created.

c. Salary increases were changed as of July 1, 2016, from 3.25%-6.00%, including inflation, to 3.25%-5.50%, including inflation.

2. Covered payroll for 2022 is reported fiscal year pay, except for Houston First Corporation ("HFC") employees. For HFC, annualized pay was used.

C. Houston Police Officers' Pension System

1. Benefit changes:

a. The benefit changes in fiscal year 2017 are detailed in the "Final Risk Sharing Valuation Study as of June 30, 2016" dated September 25, 2017, as a result of the amendment of the Governing Statute on July 1, 2017, which included changes to normal retirement eligibility, normal retirement benefit, and post-retirement Cost of Living Adjustments (COLA).

b. The benefit changes in fiscal year 2025 are due to Texas HB 2688 which became law on September 1, 2025. The law adjusted certain pension benefits for members hired or rehired subsequent to October 9, 2004. These members will subsequently be eligible to retire upon attaining twenty years of service or alternatively attaining ten years of service and age 60. In addition, these Members will be eligible to participate in the (Deferred Retirement Option Plan (DROP) and Post Retirement Option Plan (PROP) programs.

2. Changes of assumptions:

a. Discount rate was changed from 8.00% to 7.00% for the year ended June 30, 2017.

b. A new set of assumptions were adopted in the July 1, 2018, actuarial valuation and are first reflected in the contribution rate determined for the fiscal year ending 2020.

D. Schedule of City Contributions for Pension Plans

1. Separately issued / audited financial statements for each of the pension plans can be obtained by contacting the pension boards or via the links below:

a. Houston Firefighters' Relief and Retirement Fund: 4225 Interwood North Parkway, Houston, TX 77032. (https://www.hfrrf.org/about-us/governance/)

b. Houston Municipal Employees Pension System: 1201 Louisiana, Suite 900, Houston, TX 77002. (https://hmeps.org/publication-type/annual-reports/)

c. Houston Police Officers' Pension System: 602 Sawyer, Suite 300, Houston, TX 77007. (https://www.hpops.org/publications/acfr/)

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REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
(in thousands)

	Health Benefits							
Report Date: June 30,	2025	2024	2023	2022	2021	2020	2019	2018
Measurement Date: June 30,	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service Cost	$ 96,247	$ 89,215	$ 124,690	$ 140,185	$ 115,672	$ 118,901	$ 110,793	$ 139,332
Interest	73,664	64,343	52,553	60,194	80,598	90,952	90,245	73,306
Changes of benefit terms	—	—	—	(461,192)	—	(17,819)	(5,007)	—
Differences between expected and actual experience	(142,841)	10,771	23,213	(2,523)	(64,790)	(17,603)	(99,153)	(15,727)
Changes of assumptions	(180,051)	91,495	(720,476)	47,150	326,935	(164,752)	(224,161)	(310,431)
Benefit payments including refunds of employee contributions	(60,872)	(63,607)	(56,511)	(61,487)	(62,373)	(45,811)	(57,100)	(39,820)
Net change in total OPEB liability	(213,853)	192,217	(576,531)	(277,673)	396,042	(36,132)	(184,383)	(153,340)
Total OPEB liability - beginning	1,952,112	1,759,895	2,336,426	2,614,099	2,218,057	2,254,189	2,438,572	2,591,912
Total OPEB liability - ending	$1,738,259	$1,952,112	$1,759,895	$2,336,426	$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 %	0.00 %	0.00 %	0.00 %	0.00 %
Covered-employee payroll	$1,509,418	$1,400,212	$1,362,737	$1,344,442	$1,308,459	$1,332,000	$1,285,000	$1,235,000
Total OPEB liability as a percentage of covered-employee payroll	115.16 %	139.42 %	129.14 %	173.78 %	199.78 %	166.52 %	175.42 %	197.46 %

Notes to Schedule:

1. The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

2. There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

3. Benefit changes: Reflected for the June 30, 2021 measurement date - Texas Plus, Cigna Health Spring, and UHC Plan F plans have all been terminated as of December 31, 2020, and a new plan, Aetna PO1 PPO Basic, was added as of January 1, 2021.

4. Changes of assumptions:
   a. Discount rate reflected for the June 30 measurement date: 2024 - 3.93%; 2023 - 3.65%; 2022 - 3.54%; 2021 - 2.16%; 2020 - 2.21%; 2019 - 3.50%; 2018 - 3.87%; 2017 - 3.58%.
   b. Reflected for the June 30, 2023, measurement date, the trend rates associated with the starting healthcare claims and contribution were updated to reflect recent experience and expected impacts due to the Inflation Reduction Act (IRA) legislation effective in 2025.
   c. Reflected for the June 30, 2022, measurement date, medical and prescription drug claims costs and trend rates were updated to reflect recent experience. The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were updated. The new factors are based on a review of historical claims experience by age, gender, and status (active vs retired) from Segal's claims data warehouse.
   d. Reflected for the June 30, 2021, measurement date, the demographic assumptions (mortality, turnover, disability and retirement) for the Fire department were updated to be consistent with the Houston Firefighter's Relief and Retirement Fund actuarial certification as of July 1, 2020, dated September 16, 2021, completed by Buck Consulting.
   e. Reflected for the June 30, 2020, measurement date, life insurance to be fully retiree paid and is no longer being valued.

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
(in thousands)

	Long-Term Disability							
Report Date: June 30,	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Measurement Date: June 30,	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Total OPEB Liability								
Service Cost	$ 1,589	$ 1,558	$ 1,571	$ 1,705	$ 1,436	$ 719	$ 776	$ 730
Interest	638	628	541	363	365	461	409	379
Changes of benefit terms	—	—	—	—	—	(1,079)	1,379	(14)
Differences between expected and actual experience	(1,328)	(1,644)	(965)	(1,800)	(914)	3,476	255	(158)
Changes of assumptions	(262)	(95)	(326)	(743)	33	—	—	—
Benefit payments including refunds of employee contributions	(850)	(870)	(920)	(901)	(942)	(901)	(957)	(975)
Net change in total OPEB liability	(213)	(423)	(99)	(1,376)	(22)	2,676	1,862	(38)
Total OPEB liability - beginning	13,648	14,071	14,170	15,546	15,568	12,892	11,030	11,068
Total OPEB liability - ending	$ 13,435	$ 13,648	$ 14,071	$ 14,170	$ 15,546	$ 15,568	$ 12,892	$ 11,030
Plan fiduciary net position as percentage of the total OPEB liability	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Covered-employee payroll	$1,092,861	$1,009,800	$ 954,100	$ 895,800	$ 794,600	$ 777,400	$ 833,500	$ 788,500
Total OPEB liability as a percentage of covered-employee payroll	1.23 %	1.35 %	1.47 %	1.58 %	1.96 %	2.00 %	1.55 %	1.40 %

Notes to Schedule:

1. The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

2. There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

3. Changes of assumptions:
   a. Discount rate reflected for the June 30 measurement date: 2025 - 4.81%; 2024 - 4.31%; 2023 - 4.13%; 2022 - 3.54%; 2021 - 2.16%; 2020 - 2.21%; 2019 - 3.50%; 2018 - 3.87%; 2017 - 3.58%.

4. Employees covered: Houston Fire Department is covered by this long-term disability plan in addition to all municipal employees. Houston Police Department is not covered by this plan.

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025
(unaudited)

Schedule of OPEB Contributions
(in thousands)

	Health Benefits							
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Actuarially Determined Contribution	$ 172,198	$ 156,737	$ 198,923	$ 312,311	$ 204,586	$ 133,961	$ 194,236	$ 188,579
Contributions in relation to the actuarially determined contribution	(60,872)	(63,607)	(56,511)	(61,487)	(62,373)	(45,811)	(57,100)	(39,820)
Contribution deficiency (excess)	$ 111,326	$ 93,130	$ 142,412	$ 250,824	$ 142,213	$ 88,150	$ 137,136	$ 148,759
Covered-employee payroll	$1,509,418	$1,400,212	$1,362,737	$1,344,442	$1,308,459	$1,332,000	$1,285,000	$1,235,000
Contribution as a percentage of covered-employee payroll	4.03 %	4.54 %	4.15 %	4.57 %	4.77 %	3.44 %	4.44 %	3.22 %

Notes to Schedule:

1. The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

2. There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

	Long-Term Disability							
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Actuarially Determined Contribution	$ 4,548	$ 5,275	$ 5,917	$ 5,843	$ 7,101	$ 7,248	$ 6,720	$ 5,990
Contributions in relation to the actuarially determined contribution	(850)	(870)	(920)	(901)	(942)	(901)	(957)	(975)
Contribution deficiency (excess)	$ 3,698	$ 4,405	$ 4,997	$ 4,942	$ 6,159	$ 6,347	$ 5,763	$ 5,015
Covered-employee payroll	$1,092,861	$1,009,800	$ 954,100	$ 895,800	$ 794,600	$ 777,400	$ 833,500	$ 788,500
Contribution as a percentage of covered-employee payroll	0.08 %	0.09 %	0.10 %	0.10 %	0.12 %	0.12 %	0.11 %	0.12 %

Notes to Schedule:

1. The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

2. There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.



GOVERNMENTAL FUNDS

HOUSTON CITY HALL
PHOTO BY: SIVO

Governmental Funds:

Houston City Hall stands as a testament to democratic governance and public service. Framed by civic green space and architectural clarity, it reflects the City's commitment to transparency, equity, and responsible stewardship of public resources.

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.

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. This fund is no longer reported separately and is fully incorporated into the Grants Fund for the fiscal year ended June 30, 2025.

Grants Fund – The Grants Fund is used to account for grant resources received from various local, state, federal, 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, Houston Opioid Abatement, Local Youth Diversion Fund, Municipal Courts Technology Fee, and Police Special Services
  - Not budgeted: Helmets for Bicycle Safety, Nuisance Abatement, and FTA Special
- Public Works Special Fund
  - Budgeted: Building Inspection, Dedicated Drainage and Street Renewal, Historic Preservation, Planning and Development Special, and Recycling Revenue
  - 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, and Parks Special
  - Not budgeted: MacGregor Parks Endowment, and 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., and John Battaglia Trust, Inc. Fund

GENERAL FUND
Balance Sheet
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Cash and cash equivalents	$ 248,522	$ 325,265
Investments	175,174	151,862
Receivables, net of allowances		
Accounts receivable	152,145	138,260
Property taxes receivable, net	84,223	71,107
Sales taxes receivable	158,358	146,759
Mixed beverage taxes receivable	4,091	3,981
Franchise taxes receivable	7,688	8,028
Special assessments receivable	8,278	7,915
Lease receivable	34,969	35,788
Due from other funds	120,442	108,966
Due from other governments	60,461	58,253
Inventory	22,275	19,726
Prepaid items	3,350	3,685
Total assets	$ 1,079,976	$ 1,079,595
Liabilities, deferred inflows of resources, and fund balance		
Liabilities		
Accounts payable	$ 173,068	$ 153,949
Accrued payroll liabilities	59,112	51,215
Due to other funds	25,965	15,213
Due to other governments	7,762	7,694
Advances and deposits	1,485	1,521
Claims and judgments	2,384	2,179
Compensated absences	—	3,478
Total liabilities	269,776	235,249
Deferred inflows of resources	233,750	213,733
Total deferred inflows of resources	233,750	213,733
Fund balance		
Non-Spendable		
Prepaids	3,350	3,685
Inventory	22,275	19,726
Restricted	2,311	2,733
Committed	21,369	2,483
Unassigned	527,145	601,986
Total fund balance	576,450	630,613
Total liabilities, deferred inflows of resources, and fund balance	$ 1,079,976	$ 1,079,595

GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Revenues		
Taxes and assessments		
Property Taxes	$ 1,040,020	$ 1,013,454
Industrial Assessments	30,456	27,885
Sales Tax	919,289	883,132
Franchise Tax	151,138	149,152
Mixed Beverage Tax	23,695	23,802
Hotel Occupancy Tax	21,778	21,558
Licenses and permits	36,705	35,750
Charges for services	213,762	193,203
Intergovernmental - grants	75,968	219,652
Fines and forfeits	20,456	20,936
Contributions	—	—
Investment income	34,969	32,802
Other	17,082	22,167
Total revenues	2,585,318	2,643,493
Expenditures		
Current		
General government	332,108	328,416
Public safety	2,407,397	1,652,957
Public works	238,083	230,712
Health	53,899	51,812
Housing and community development	613	514
Parks and recreation	95,452	90,000
Library	52,396	48,790
Capital outlay	82,046	65,309
Debt Service		
Debt service principal	30,904	27,209
Debt service interest	4,394	2,677
Total expenditures	3,297,292	2,498,396
Other financing sources (uses)		
Proceeds from issuance of debt	642,253	50,000
Premium on sale of refunding bonds	48,005	—
Issuance of debt for leases and SBITA	4,038	6,342
Sale of capital assets	43,965	12,970
Transfers in	117,751	75,707
Transfers out	(198,201)	(209,758)
Total other financing sources (uses)	657,811	(64,739)
Change in fund balance	(54,163)	80,358
Fund balance, July 1	630,613	550,255
Fund balance, June 30	$ 576,450	$ 630,613

DEBT SERVICE FUND
Balance Sheet
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Cash and cash equivalents	$ 62,692	$ 37,240
Investments	174,926	157,422
Due from other funds	1,248	—
Total assets	$ 238,866	$ 194,662
Liabilities and fund balance		
Liabilities		
Accounts payable	$ 62	$ 127
Total liabilities	62	127
Fund balance		
Restricted	238,804	194,535
Total fund balance	238,804	194,535
Total liabilities and fund balance	$ 238,866	$ 194,662

DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget vs. Actual
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025			Variance with Final Budget - Pos (Neg)	2024 Actual
	Budget Amounts				
	Original	Final	Actual		
Revenues					
Property Taxes	$ 380,860	$ 380,860	$ 380,860	$ —	$ 352,153
Investment income	$ 7,895	$ 7,895	$ 10,030	$ 2,135	$ 7,507
Other	—	—	1,791	1,791	1,324
Total revenues	388,755	388,755	392,681	3,926	360,984
Expenditures					
Debt service principal	229,511	229,511	309,621	(80,110)	233,071
Debt service interest	153,050	153,050	151,843	1,207	133,728
Debt service fiscal agent & fees	8,572	8,572	6,454	2,118	4,576
Total expenditures	391,133	391,133	467,918	(76,785)	371,375
Other financing sources (uses)					
Proceeds from issuance of debt	—	—	125,423	125,423	266,301
Premium on refunding debt	—	—	9,804	9,804	18,862
Transfers in	38,850	38,850	24,579	(14,271)	30,715
Payment to escrow agent for refunded bonds	—	—	(40,300)	(40,300)	(283,000)
Total other financing sources (uses)	38,850	38,850	119,506	80,656	32,878
Change in fund balance	36,472	36,472	44,269	7,797	22,487
Fund balance, July 1	194,535	194,535	194,535	—	172,048
Fund balance, June 30	$ 231,007	$ 231,007	$ 238,804	$ 7,797	$ 194,535

CAPITAL PROJECTS FUND
Balance Sheet
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Cash and cash equivalents	$ 101,467	$ 95,885
Investments	412,936	402,571
Receivables, net of allowances		
Accounts receivable	1	—
Due from other funds	12,151	1,992
Due from other governments	8,846	10,980
Prepaid items - construction materials	322	235
Total assets	$ 535,723	$ 511,663
Liabilities and fund balance		
Liabilities		
Accounts payable	$ 60,088	$ 91,441
Due to other funds	31,101	33,175
Unearned revenue	209,661	194,468
Due to other governments	10,827	8,483
Total liabilities	311,677	327,567
Fund balance		
Non-Spendable		
Prepaids	322	235
Restricted	23,038	16,112
Assigned	200,686	167,749
Total fund balance	224,046	184,096
Total liabilities and fund balance	$ 535,723	$ 511,663

CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Revenues		
Intergovernmental - grants	$ 57,792	$ 62,047
Investment income	18,112	16,664
Other	7,415	15,390
Total revenues	83,319	94,101
Expenditures		
Current		
General government	—	3,029
Public safety	8,583	5,632
Public works	2,709	9,439
Health	457	1,008
Housing and community development	3,011	880
Parks and recreation	1,933	4,596
Library	467	859
Capital outlay	300,445	270,617
Total expenditures	317,605	296,060
Other financing sources (uses)		
Proceeds from issuance of debt	111,600	56,000
Transfers in	162,636	175,929
Transfers out	—	(11,207)
Total other financing sources (uses)	274,236	220,722
Change in fund balance	39,950	18,763
Fund balance, July 1	184,096	165,333
Fund balance, June 30	$ 224,046	$ 184,096

ARPA Fiscal Recovery Fund
Balance Sheet
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Cash and cash equivalents	$ —	$ 67,763
Due from other funds	—	144
Total assets	$ —	$ 67,907
Liabilities and fund balance		
Liabilities		
Accounts payable	$ —	$ 6,310
Accrued payroll liabilities	—	68
Due to other funds	—	78
Unearned revenue	—	49,789
Total liabilities	—	56,245
Fund balance		
Restricted	—	11,662
Total fund balance	—	11,662
Total liabilities and fund balance	$ —	$ 67,907

Note:

The ARPA Fiscal Recovery Fund, a sub-fund of the Grants Fund, was reported as a major fund as of and for the fiscal year ended June 30, 2024. The ARPA Fund was collapsed into the Grants Fund as of and for the fiscal year ended June 30, 2025.

ARPA Fiscal Recovery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Revenues		
Intergovernmental - grants	$ —	$ 37,628
Investment income	—	5,037
Total revenues	—	42,665
Expenditures		
Current		
General government	—	8,558
Public safety	—	19,120
Health	—	378
Housing and community development	—	28
Library	—	489
Parks	—	736
Public works	—	5,428
Capital outlay	—	2,891
Total expenditures	—	37,628
Change in fund balance	—	5,037
Fund balance, July 1	11,662	6,625
Change within financial reporting entity	(11,662)	–
Fund balance, July 1, as restated	—	6,625
Fund balance, June 30	$ —	$ 11,662

Note:

The ARPA Fiscal Recovery Fund, a sub-fund of the Grants Fund, was reported as a major fund as of and for the fiscal year ended June 30, 2024. The ARPA Fund was collapsed into the Grants Fund as of and for the fiscal year ended June 30, 2025.

GRANTS FUND
Balance Sheet
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Cash and cash equivalents	$ 96,456	$ 4,763
Receivables, net of allowances		
Accounts receivable	7,617	2,592
Due from other funds	11,962	341
Due from other governments	176,989	222,143
Inventory	794	862
Notes receivable	95,685	100,866
Total assets	$ 389,503	$ 331,567
Liabilities, deferred inflows of resources, and fund balance		
Liabilities		
Accounts payable	$ 48,394	$ 63,323
Accrued payroll liabilities	2,035	2,022
Due to other funds	33,333	11,458
Due to other governments	5,973	1,350
Advances and deposits	272	272
Unearned revenue	120,773	15,201
Total liabilities	210,780	93,626
Deferred inflows of resources	66,181	68,366
Total deferred inflows of resources	66,181	68,366
Fund balance		
Non-Spendable		
Inventory	794	862
Restricted	111,748	168,713
Total fund balance	112,542	169,575
Total liabilities, deferred inflows of resources, and fund balance	$ 389,503	$ 331,567

Note:

The ARPA Fiscal Recovery Fund, a sub-fund of the Grants Fund, was reported as a major fund as of and for the fiscal year ended June 30, 2024. The ARPA Fund was collapsed into the Grants Fund as of and for the fiscal year ended June 30, 2025.

GRANTS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Revenues		
Intergovernmental - grants	$ 343,680	$ 407,098
Investment income	12,899	8,654
Other	49	30
Total revenues	356,628	415,782
Expenditures		
Current		
General government	21,222	14,080
Public safety	54,361	33,563
Public works	124,180	41,377
Health	118,084	133,641
Housing and community development	71,359	184,853
Parks and recreation	1,834	1,234
Library	2,575	81
Capital outlay	26,063	25,835
Debt service principal	5,007	752
Debt service interest	638	2,354
Total expenditures	425,323	437,770
Other financing sources (uses)		
Transfers in	—	439
Transfers out	—	(339)
Total other financing sources (uses)	—	100
Change in fund balance	(68,695)	(21,888)
Fund balances, July 1 as previously stated	169,575	191,463
Change within financial reporting entity	11,662	—
Fund balance, July 1, as restated	181,237	191,463
Fund balance, June 30	$ 112,542	$ 169,575

Note:

The ARPA Fiscal Recovery Fund, a sub-fund of the Grants Fund, was reported as a major fund as of and for the fiscal year ended June 30, 2024. The ARPA Fund was collapsed into the Grants Fund as of and for the fiscal year ended June 30, 2025.

NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	Nonmajor Funds		
	Public Safety Special Fund	**Public Works Special Fund**	**Health & Housing Special Fund**
Assets			
Cash and cash equivalents	$ 11,481	$ 87,187	$ 23,971
Investments	35,914	305,261	89,686
Receivables, net of allowances			
Accounts receivable	1,737	13,089	482
Due from other funds	70	942	54
Due from other governments	1,916	110,852	—
Inventory	—	3,152	—
Notes receivable	—	—	45
Total assets	$ 51,118	$ 520,483	$ 114,238
Liabilities and fund balance			
Liabilities			
Accounts payable	$ 2,386	$ 14,990	$ 3,362
Accrued payroll liabilities	1,101	2,232	364
Due to other funds	18	848	39
Due to other governments	—	—	—
Advances and deposits	1,406	180	8
Compensated absences	—	—	—
Total liabilities	4,911	18,250	3,773
Deferred inflows of resources			
Deferred inflow of resources	653	12,556	93
Total deferred inflows of resources	653	12,556	93
Fund balance			
Non-Spendable			
Inventory	—	3,152	—
Restricted	10,319	448,193	86,095
Committed	35,235	38,332	24,277
Total fund balance	45,554	489,677	110,372
Total liabilities and fund balance	$ 51,118	$ 520,483	$ 114,238

(Continued)

Nonmajor Funds			
Parks & Recreation Special Fund	Other Special Revenue Fund	2025	2024
$ 2,085	$ 38,810	$ 163,534	$ 153,580
6,521	131,882	569,264	531,114
1,029	11,325	27,662	26,974
—	7,757	8,823	10,912
—	3,138	115,906	95,582
—	—	3,152	3,096
—	3,827	3,872	19,479
$ 9,635	$ 196,739	$ 892,213	$ 840,737
$ 956	$ 2,234	$ 23,928	$ 15,531
104	181	3,982	3,494
3	14,994	15,902	36,422
19	8,752	8,771	8,619
1,065	579	3,238	4,349
—	—	—	131
2,147	26,740	55,821	68,546
107	4,616	18,025	33,304
107	4,616	18,025	33,304
—	—	3,152	3,096
179	160,053	704,839	643,314
7,202	5,330	110,376	92,477
7,381	165,383	818,367	738,887
$ 9,635	$ 196,739	$ 892,213	$ 840,737

NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	Nonmajor Funds		
	Public Safety Special Fund	**Public Works Special Fund**	**Health & Housing Special Fund**
Revenues			
Franchise Tax	$ —	$ 492	$ —
Mixed Beverage Tax	—	—	—
Property Taxes	—	—	—
Sales Tax	—	—	—
Licenses and permits	3,204	78,828	5,360
Charges for services	4,684	149,222	3,661
Intergovernmental - grants	19,793	110,852	3,082
Fines and forfeits	1,415	13	—
Investment income	2,083	18,460	5,785
Other	21,783	3,481	22,244
Total revenues	52,962	361,348	40,132
Expenditures			
Current			
General government	4	—	—
Public safety	55,618	—	—
Public works	—	198,604	—
Health	—	—	57,893
Housing and community development	—	—	578
Parks and recreation	—	—	—
Capital outlay	574	49,767	217
Debt service fiscal agent & fees	—	520	—
Total expenditures	56,196	248,891	58,688
Other financing sources (uses)			
Sale of capital assets	—	—	—
Transfers in	11,375	143,986	5,344
Transfers out	(2,904)	(161,471)	—
Total other financing sources (uses)	8,471	(17,485)	5,344
Change in fund balance	5,237	94,972	(13,212)
Fund balance, July 1	40,317	394,705	123,584
Fund balance, June 30	$ 45,554	$ 489,677	$ 110,372

(Continued)

Nonmajor Funds			
Parks & Recreation Special Fund	Other Special Revenue Fund	2025	2024
$ —	$ —	$ 492	$ 510
—	105	105	272
—	42,587	42,587	52,882
—	3,083	3,083	1,012
161	272	87,825	84,945
11,302	10,376	179,245	181,049
—	15,268	148,995	129,251
—	10,356	11,784	11,457
363	8,535	35,226	29,096
833	5,330	53,671	41,077
12,659	95,912	563,013	531,551
—	96,957	96,961	54,110
—	—	55,618	54,173
—	—	198,604	196,845
—	—	57,893	52,876
—	—	578	36
12,290	—	12,290	11,578
—	1,113	51,671	40,007
—	—	520	520
12,290	98,070	474,135	410,145
—	—	—	—
—	1,206	161,911	157,373
(404)	(6,530)	(171,309)	(176,317)
(404)	(5,324)	(9,398)	(18,944)
(35)	(7,482)	79,480	102,462
7,416	172,865	738,887	636,425
$ 7,381	$ 165,383	$ 818,367	$ 738,887

PUBLIC SAFETY SPECIAL FUND - ASSET FORFEITURE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025			Variance with Final Budget-	
	Budget Amounts				
	Original	Final	Actual	Pos (Neg)	2024 Actual
Revenues					
Confiscations	$ 2,000	$ 2,000	$ 4,607	$ 2,607	$ 4,181
Investment income	41	41	452	411	322
Total revenues	2,041	2,041	5,059	3,018	4,503
Expenditures					
Current					
Public safety	7,000	6,833	4,209	2,624	2,989
Capital outlay	—	167	165	2	62
Total expenditures	7,000	7,000	4,374	2,626	3,051
Change in fund balance	(4,959)	(4,959)	685	5,644	1,452
Fund balance, July 1	8,210	8,210	8,210	—	6,758
Fund balance, June 30	$ 3,251	$ 3,251	$ 8,895	$ 5,644	$ 8,210

PUBLIC SAFETY SPECIAL FUND - AUTO DEALERS
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	
	Original	Final	Actual	Pos (Neg)	2024 Actual
Revenues					
Licenses and permits	$ 2,770	$ 2,770	$ 2,780	$ 10	$ 2,862
Charges for services	871	871	727	(144)	739
Investment income	385	385	812	427	599
Other	10,200	10,200	8,938	(1,262)	9,619
Total revenues	14,226	14,226	13,257	(969)	13,819
Expenditures					
Current					
Public safety	8,212	8,212	7,439	773	7,457
Capital outlay	2,317	2,317	288	2,029	(5)
Total expenditures	10,529	10,529	7,727	2,802	7,452
Other financing sources (uses)					
Transfers out	(2,950)	(2,950)	(2,904)	46	(2,200)
Total other financing sources (uses)	(2,950)	(2,950)	(2,904)	46	(2,200)
Change in fund balance	747	747	2,626	1,879	4,167
Fund balance, July 1	14,066	14,066	14,066	—	9,899
Fund balance, June 30	$ 14,813	$ 14,813	$ 16,692	$ 1,879	$ 14,066

PUBLIC SAFETY SPECIAL FUND - CHILD SAFETY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	
	Original	Final	Actual	Pos (Neg)	2024 Actual
Revenues					
Fines and forfeits	$ 675	$ 760	$ 774	$ 14	$ 732
Investment income	30	34	40	6	40
Other	2,500	2,331	2,451	120	2,413
Total revenues	3,205	3,125	3,265	140	3,185
Expenditures					
Current					
Public safety	3,205	3,183	3,183	—	3,166
Total expenditures	3,205	3,183	3,183	—	3,166
Change in fund balance	—	(58)	82	140	19
Fund balance, July 1	50	50	50	—	31
Fund balance, June 30	$ 50	$ (8)	$ 132	$ 140	$ 50

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025			Variance with Final Budget-Pos (Neg)	2024 Actual
	Budget Amounts				
	Original	Final	Actual		
Revenues					
Charges for services	$ 280	$ 280	$ 286	$ 6	$ 273
Intergovernmental - grants	19,922	19,922	19,111	(811)	18,152
Investment income	—	—	97	97	177
Total revenues	20,202	20,202	19,494	(708)	18,602
Expenditures					
Current					
Public safety	33,174	33,174	30,508	2,666	29,788
Capital outlay	—	—	(11)	11	—
Total expenditures	33,174	33,174	30,497	2,677	29,788
Other financing sources (uses)					
Transfers in	10,155	10,155	10,165	10	10,155
Total other financing sources (uses)	10,155	10,155	10,165	10	10,155
Change in fund balance	(2,817)	(2,817)	(838)	1,979	(1,031)
Fund balance, July 1	3,891	3,891	3,891	—	4,922
Fund balance, June 30	$ 1,074	$ 1,074	$ 3,053	$ 1,979	$ 3,891

PUBLIC SAFETY SPECIAL FUND - HOUSTON OPIOID ABATEMENT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025			Variance with Final Budget-Pos (Neg)	2024 Actual
	Budget Amounts				
	Original	Final	Actual		
Revenues					
Other	$ 428	$ 428	$ 2,092	$ 1,664	$ 2,633
Investment income	75	75	145	70	32
Total revenues	503	503	2,237	1,734	2,665
Expenditures					
Current					
Public safety	2,345	2,345	291	2,054	177
Total expenditures	2,345	2,345	291	2,054	177
Change in fund balance	(1,842)	(1,842)	1,946	3,788	2,488
Fund balance, July 1	2,488	2,488	2,488	—	—
Fund balance, June 30	$ 646	$ 646	$ 4,434	$ 3,788	$ 2,488

PUBLIC SAFETY SPECIAL FUND - LOCAL YOUTH DIVERSION FUND
(formerly LOCAL TRUANCY PREVENTION AND DIVERSION FUND)
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	
	Original	Final	Actual	Pos (Neg)	2024 Actual
Revenues					
Charges for services	$ 54	$ 54	$ 43	$ (11)	$ 53
Fines and forfeits	575	575	628	53	634
Investment income	13	13	86	73	54
Total revenues	642	642	757	115	741
Expenditures					
Current					
Public safety	836	836	434	402	384
Total expenditures	836	836	434	402	384
Change in fund balance	(194)	(194)	323	517	357
Fund balance, July 1	1,608	1,608	1,608	—	1,251
Fund balance, June 30	$ 1,414	$ 1,414	$ 1,931	$ 517	$ 1,608

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	
	Original	Final	Actual	Pos (Neg)	2024 Actual
Revenues					
Investment income	$ 39	$ 39	$ 65	$ 26	$ 67
Other	730	730	636	(94)	649
Total revenues	769	769	701	(68)	716
Expenditures					
Current					
Public safety	1,198	1,198	990	208	677
Capital outlay	115	115	—	115	—
Total expenditures	1,313	1,313	990	323	677
Change in fund balance	(544)	(544)	(289)	255	39
Fund balance, July 1	1,591	1,591	1,591	—	1,552
Fund balance, June 30	$ 1,047	$ 1,047	$ 1,302	$ 255	$ 1,591

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025			Variance with Final Budget-	
	Budget Amounts				
	Original	Final	Actual	Pos (Neg)	2024 Actual
Revenues					
Licenses and permits	$ 242	$ 242	$ 423	$ 181	$ 275
Charges for services	5,397	5,397	3,133	(2,264)	4,308
Intergovernmental - grants	313	313	682	369	700
Investment income	100	100	291	191	301
Other	2,361	2,361	3,060	699	2,248
Total revenues	8,413	8,413	7,589	(824)	7,832
Expenditures					
Current					
Public safety	10,176	10,165	8,345	1,820	9,338
Capital outlay	45	56	19	37	139
Total expenditures	10,221	10,221	8,364	1,857	9,477
Other financing sources (uses)					
Transfers in	1,210	1,210	1,210	—	980
Total other financing sources (uses)	1,210	1,210	1,210	—	980
Change in fund balance	(598)	(598)	435	1,033	(665)
Fund balance, July 1	6,606	6,606	6,606	—	7,271
Fund balance, June 30	$ 6,008	$ 6,008	$ 7,041	$ 1,033	$ 6,606

PUBLIC WORKS SPECIAL FUND - BUILDING INSPECTION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Taxes and assessments					
Franchise Tax	$ 456	$ 456	$ 492	$ 36	$ 510
Licenses and permits	75,313	75,313	78,227	2,914	75,501
Charges for services	25,908	25,908	23,096	(2,812)	24,025
Fines and forfeits	7	7	13	6	11
Investment income	435	435	1,012	577	1,152
Other	667	667	1,455	788	567
Total revenues	102,786	102,786	104,295	1,509	101,766
Expenditures					
Current					
Public works	104,160	103,578	100,504	3,074	92,429
Capital outlay	2,861	3,456	3,015	441	1,032
Total expenditures	107,021	107,034	103,519	3,515	93,461
Other financing sources (uses)					
Transfers in	—	—	39	39	—
Transfers out	(4,945)	(4,932)	(4,932)	—	(10,342)
Total other financing sources (uses)	(4,945)	(4,932)	(4,893)	39	(10,342)
Change in fund balance	(9,180)	(9,180)	(4,117)	5,063	(2,037)
Fund balance, July 1	17,985	17,985	17,985	—	20,022
Fund balance, June 30	$ 8,805	$ 8,805	$ 13,868	$ 5,063	$ 17,985

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Charges for services	$ 115,018	$ 115,018	$ 109,204	$ (5,814)	$ 110,658
Miscellaneous/Other	2	2	—	(2)	—
Investment income	6,000	6,000	13,127	7,127	10,105
Total revenues	121,020	121,020	122,331	1,311	120,763
Expenditures					
Current					
Public works	8,646	8,917	3,653	5,264	3,611
Capital outlay	—	174	—	174	—
Debt service fiscal agent & fees	520	520	520	—	520
Total expenditures	9,166	9,611	4,173	5,438	4,131
Other financing sources (uses)					
Transfers in	—	—	—	—	10
Transfers out	(135,110)	(134,665)	(84,025)	50,640	(73,637)
Total other financing sources (uses)	(135,110)	(134,665)	(84,025)	50,640	(73,627)
Change in fund balance	(23,256)	(23,256)	34,133	57,389	43,005
Fund balance, July 1	236,521	236,521	236,521	—	193,516
Fund balance, June 30	$ 213,265	$ 213,265	$ 270,654	$ 57,389	$ 236,521

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Investment income	$ 1,000	$ 1,000	$ 3,250	$ 2,250	$ 1,692
Total revenues	1,000	1,000	3,250	2,250	1,692
Expenditures					
Current					
Public works	625	1,228	3,462	(2,234)	20,535
Capital outlay	22,309	23,080	14,044	9,036	4,315
Total expenditures	22,934	24,308	17,506	6,802	24,850
Other financing sources (uses)					
Transfers in	135,537	135,537	143,947	8,410	123,150
Transfers out	(123,999)	(122,625)	(70,620)	52,005	(68,975)
Total other financing sources (uses)	11,538	12,912	73,327	60,415	54,175
Change in fund balance	(10,396)	(10,396)	59,071	69,467	31,017
Fund balance, July 1	115,962	115,962	115,962	—	84,945
Fund balance, June 30	$ 105,566	$ 105,566	$ 175,033	$ 69,467	$ 115,962

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Charges for services	$ 762	$ 762	$ 168	$ (594)	$ 136
Intergovernmental Revenue	96,937	96,937	110,852	13,915	91,674
Miscellaneous/Other	705	705	994	289	1,047
Total revenues	98,404	98,404	112,014	13,610	92,857
Expenditures					
Current					
Public works	99,284	120,967	78,196	42,771	63,546
Capital outlay	867	945	32,695	(31,750)	28,153
Total expenditures	100,151	121,912	110,891	11,021	91,699
Other financing sources (uses)					
Transfers out	(2,531)	—	—	—	—
Total other financing sources (uses)	(2,531)	—	—	—	—
Change in fund balance	(4,278)	(23,508)	1,123	24,631	1,158
Fund balance, July 1	4,534	4,534	4,534	—	3,376
Fund balance, June 30	$ 256	$ (18,974)	$ 5,657	$ 24,631	$ 4,534

PUBLIC WORKS SPECIAL FUND - HISTORIC PRESERVATION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Charges for services	$ 250	$ 250	$ 503	$ 253	$ 352
Investment income	55	55	116	61	91
Total revenues	305	305	619	314	443
Expenditures					
Current					
Public Works	439	439	257	182	179
Total expenditures	439	439	257	182	179
Change in fund balance	(134)	(134)	362	496	264
Fund balance, July 1	2,177	2,177	2,177	—	1,913
Fund balance, June 30	$ 2,043	$ 2,043	$ 2,539	$ 496	$ 2,177

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Licenses and permits	$ 468	$ 468	$ 459	$ (9)	$ 482
Charges for services	8,097	8,097	8,268	171	8,979
Investment income	271	271	407	136	481
Other	50	50	55	5	46
Total revenues	8,886	8,886	9,189	303	9,988
Expenditures					
Current					
Public works	12,366	12,366	9,633	2,733	10,689
Total expenditures	12,366	12,366	9,633	2,733	10,689
Other financing sources (uses)					
Transfers out	—	—	—	—	(2,040)
Total other financing sources (uses)	—	—	—	—	(2,040)
Change in fund balance	(3,480)	(3,480)	(444)	3,036	(2,741)
Fund balance, July 1	7,336	7,336	7,336	—	10,077
Fund balance, June 30	$ 3,856	$ 3,856	$ 6,892	$ 3,036	$ 7,336

PUBLIC WORKS SPECIAL FUND - RECYCLING REVENUE
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Licenses and permits	$ 88	$ 88	$ 141	$ 53	$ 119
Investment income	80	80	166	86	220
Other	282	282	1,614	1,332	497
Total revenues	450	450	1,921	1,471	836
Expenditures					
Current					
Parks and recreation	2,777	2,777	1,650	1,127	2,132
Total expenditures	2,777	2,777	1,650	1,127	2,132
Other financing sources (uses)					
Transfers in	3,863	3,863	—	(3,863)	3,863
Transfers out	(489)	(489)	(489)	—	(1,345)
Total other financing sources (uses)	3,374	3,374	(489)	(3,863)	2,518
Change in fund balance	1,047	1,047	(218)	(1,265)	1,222
Fund balance, July 1	5,067	5,067	5,067	—	3,845
Fund balance, June 30	$ 6,114	$ 6,114	$ 4,849	$ (1,265)	$ 5,067

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Charges for services	$ 13	$ 13	$ 34	$ 21	$ 8
Investment income	400	400	2,228	1,828	2,146
Other	9,200	9,200	9,004	(196)	10,744
Total revenues	9,613	9,613	11,266	1,653	12,898
Expenditures					
Current					
Health	22,878	22,878	14,199	8,679	11,987
Capital outlay	30	30	38	(8)	—
Total expenditures	22,908	22,908	14,237	8,671	11,987
Change in fund balance	(13,295)	(13,295)	(2,971)	10,324	911
Fund balance, July 1	47,750	47,750	47,750	—	46,839
Fund balance, June 30	$ 34,455	$ 34,455	$ 44,779	$ 10,324	$ 47,750

HEALTH & HOUSING SPECIAL FUND - HEALTH SPECIAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Licenses and permits	$ 501	$ 501	$ 564	$ 63	$ 537
Charges for services	1,050	1,050	1,092	42	1,057
Intergovernmental - grants	3,641	3,641	3,082	(559)	3,886
Investment income	60	60	200	140	221
Other	153	153	226	73	92
Total revenues	5,405	5,405	5,164	(241)	5,793
Expenditures					
Current					
Health	10,863	10,797	8,785	2,012	7,485
Capital outlay	547	613	16	597	62
Total expenditures	11,410	11,410	8,801	2,609	7,547
Other financing sources (uses)					
Transfers in	2,503	2,503	2,503	—	2,503
Transfers out	—	—	—	—	(3,500)
Total other financing sources (uses)	2,503	2,503	2,503	—	(997)
Change in fund balance	(3,502)	(3,502)	(1,134)	2,368	(2,751)
Fund balance, July 1	3,450	3,450	3,450	—	6,201
Fund balance, June 30	$ (52)	$ (52)	$ 2,316	$ 2,368	$ 3,450

HEALTH & HOUSING SPECIAL FUND - LABORATORY SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Charges for services	$ 394	$ 394	$ 396	$ 2	$ 395
Investment income	9	9	23	14	22
Other	60	60	100	40	—
Total revenues	463	463	519	56	417
Expenditures					
Current					
Health	591	591	402	189	416
Capital Outlay	—	—	—	—	4
Total expenditures	591	591	402	189	420
Change in fund balance	(128)	(128)	117	245	(3)
Fund balance, July 1	388	388	388	—	391
Fund balance, June 30	$ 260	$ 260	$ 505	$ 245	$ 388

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Licenses and permits	$ 3,539	$ 3,539	$ 3,468	$ (71)	$ 3,316
Charges for services	1,200	1,200	668	(532)	831
Investment income	40	40	173	133	109
Total revenues	4,779	4,779	4,309	(470)	4,256
Expenditures					
Current					
Health	5,224	5,189	3,843	1,346	3,570
Capital outlay	475	510	99	411	93
Total expenditures	5,699	5,699	3,942	1,757	3,663
Other financing sources (uses)					
Transfers in	350	350	350	—	350
Total other financing sources (uses)	350	350	350	—	350
Change in fund balance	(570)	(570)	717	1,287	943
Fund balance, July 1	3,176	3,176	3,176	—	2,233
Fund balance, June 30	$ 2,606	$ 2,606	$ 3,893	$ 1,287	$ 3,176

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget-Pos (Neg)	2024 Actual
Revenues					
Licenses and permits	$ 1,465	$ 1,465	$ 1,327	$ (138)	$ 1,392
Investment income	16	16	42	26	56
Total revenues	1,481	1,481	1,369	(112)	1,448
Expenditures					
Current					
Health	2,108	2,039	1,661	378	1,506
Capital outlay	—	69	68	1	124
Total expenditures	2,108	2,108	1,729	379	1,630
Change in fund balance	(627)	(627)	(360)	267	(182)
Fund balance, July 1	999	999	999	—	1,181
Fund balance, June 30	$ 372	$ 372	$ 639	$ 267	$ 999

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts				
	Original	Final	Actual	Variance with Final Budget- Pos (Neg)	2024 Actual
Revenues					
Charges for services	$ 1,066	$ 1,066	$ 720	$ (346)	$ 1,027
Investment income	35	35	80	45	72
Total revenues	1,101	1,101	800	(301)	1,099
Expenditures					
Current					
Parks and recreation	1,270	1,270	998	272	934
Total expenditures	1,270	1,270	998	272	934
Change in fund balance	(169)	(169)	(198)	(29)	165
Fund balance, July 1	1,693	1,693	1,693	—	1,528
Fund balance, June 30	$ 1,524	$ 1,524	$ 1,495	$ (29)	$ 1,693

PARKS & RECREATION SPECIAL FUND - PARKS GOLF
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	2024
	Original	Final	Actual	Pos (Neg)	Actual
Revenues					
Charges for services	$ 8,401	$ 8,401	$ 8,529	$ 128	$ 8,308
Investment income	43	43	87	44	85
Total revenues	8,444	8,444	8,616	173	8,393
Expenditures					
Current					
Parks and recreation	8,660	8,660	8,357	303	7,886
Total expenditures	8,660	8,660	8,357	303	7,886
Other financing sources (uses)					
Transfers out	(704)	(704)	(704)	—	(200)
Total other financing sources (uses)	(704)	(704)	(704)	—	(200)
Change in fund balance	(920)	(920)	(445)	475	307
Fund balance, July 1	2,222	2,222	2,222	—	1,915
Fund balance, June 30	$ 1,302	$ 1,302	$ 1,777	$ 475	$ 2,222

PARKS & RECREATION SPECIAL FUND - PARKS SPECIAL
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	2024
	Original	Final	Actual	Pos (Neg)	Actual
Revenues					
Licenses and permits	$ 170	$ 170	$ 161	$ (9)	$ 198
Charges for services	2,098	2,098	2,053	(45)	1,954
Investment income	80	80	188	108	267
Other	639	639	833	194	841
Total revenues	2,987	2,987	3,235	248	3,260
Expenditures					
Current					
Parks and recreation	4,024	4,046	2,936	1,110	2,758
Capital outlay	98	76	—	76	5,000
Total expenditures	4,122	4,122	2,936	1,186	7,758
Other financing sources (uses)					
Transfers in	300	300	300	—	10,200
Transfers out	—	—	—	—	(6,200)
Total other financing sources (uses)	300	300	300	—	4,000
Change in fund balance	(835)	(835)	599	1,434	(498)
Fund balance, July 1	3,328	3,328	3,328	—	3,826
Fund balance, June 30	$ 2,493	$ 2,493	$ 3,927	$ 1,434	$ 3,328

OTHER SPECIAL REVENUE FUND - CABLE TELEVISION
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	2024
	Original	Final	Actual	Pos (Neg)	Actual
Revenues					
Charges for services	$ —	$ —	$ —	$ —	$ —
Investment income	80	80	233	153	249
Other	2,393	2,393	2,271	(122)	2,652
Total revenues	2,473	2,473	2,504	31	2,901
Expenditures					
Current					
General government	3,694	3,727	3,288	439	3,700
Capital outlay	1,474	1,441	1,113	328	1,121
Total expenditures	5,168	5,168	4,401	767	4,821
Other financing sources (uses)					
Transfers in	1,011	1,011	806	(205)	800
Total other financing sources (uses)	1,011	1,011	806	(205)	800
Change in fund balance	(1,684)	(1,684)	(1,091)	593	(1,120)
Fund balance, July 1	4,711	4,711	4,711	—	5,831
Fund balance, June 30	$ 3,027	$ 3,027	$ 3,620	$ 593	$ 4,711

OTHER SPECIAL REVENUE FUND - CONTRACTORS RESPONSIBILITY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	2024
	Original	Final	Actual	Pos (Neg)	Actual
Revenues					
Investment income	$ 39	$ 39	$ 113	$ 74	$ 85
Other	1,207	1,207	1,111	(96)	1,369
Total revenues	1,246	1,246	1,224	(22)	1,454
Expenditures					
Current					
General government	446	446	350	96	411
Total expenditures	446	446	350	96	411
Other financing sources (uses)					
Transfers out	(630)	(630)	(630)	—	(400)
Total other financing sources (uses)	(630)	(630)	(630)	—	(400)
Change in fund balance	170	170	244	74	643
Fund balance, July 1	2,098	2,098	2,098	—	1,455
Fund balance, June 30	$ 2,268	$ 2,268	$ 2,342	$ 74	$ 2,098

OTHER SPECIAL REVENUE FUND - HOUSTON TRANSTAR
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	2024
	Original	Final	Actual	Pos (Neg)	Actual
Revenues					
Charges for services	$ 959	$ 959	$ 1,003	$ 44	$ 878
Intergovernmental - grants	1,749	1,749	2,140	391	2,229
Investment income	30	30	205	175	168
Total revenues	2,738	2,738	3,348	610	3,275
Expenditures					
Current					
General government	3,527	3,527	2,736	791	3,086
Total expenditures	3,527	3,527	2,736	791	3,086
Other financing sources (uses)					
Sale of capital assets	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—
Change in fund balance	(789)	(789)	612	1,401	189
Fund balance, July 1	3,941	3,941	3,941	—	3,752
Fund balance, June 30	$ 3,152	$ 3,152	$ 4,553	$ 1,401	$ 3,941

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, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025				
	Budget Amounts			Variance with Final Budget-	2024
	Original	Final	Actual	Pos (Neg)	Actual
Revenues					
Taxes and assessments					
Parking Violations	$ 9,631	$ 9,631	$ 10,356	$ 725	$ 10,067
Parking Fees	9,808	9,808	9,361	(447)	9,089
Permit Fees	268	268	252	(16)	262
Investment income	92	92	330	238	348
Other	46	46	25	(21)	38
Total revenues	19,845	19,845	20,324	479	19,804
Expenditures					
Current					
General government	15,137	15,736	14,377	1,359	13,291
Capital outlay	—	3	—	3	—
Total expenditures	15,137	15,739	14,377	1,362	13,291
Other financing sources (uses)					
Transfers out	(4,685)	(4,610)	(5,900)	(1,290)	(6,319)
Total other financing sources (uses)	(4,685)	(4,610)	(5,900)	(1,290)	(6,319)
Change in fund balance	23	(504)	47	551	194
Fund balance, July 1	2,256	2,256	2,256	—	2,062
Fund balance, June 30	$ 2,279	$ 1,752	$ 2,303	$ 551	$ 2,256



ENTERPRISE FUNDS

MCGOVERN CENTENNIAL GARDENS
AT HERMANN PARK
PHOTO BY: HARSHAVARDHAN

Enterprise Funds:

The cascading water feature at McGovern Centennial Gardens in Hermann Park reflects the balance of beauty, function, and sustainability.

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.

AIRPORT SYSTEM
Schedule of Net Position
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 142,135	$ 202,927
Investments	53,076	110,191
Receivables, net of allowances		
Accounts receivable	28,641	34,238
Due from other funds	38	1,034
Due from other governments	50,712	40,640
Inventory	2,182	2,207
Prepaid items	9,844	9,416
Lease receivable	14,480	14,747
Restricted assets		
Cash and cash equivalents	274,789	248,418
Investments	76,979	101,994
Restricted accounts receivable	21,070	19,732
Total current assets	673,946	785,544
Noncurrent assets		
Investments	9,737	14,025
Prepaid items	1,737	1,799
Lease receivable	308,683	323,163
Restricted assets		
Investments	1,099,418	1,199,486
Capital assets		
Land	216,315	214,457
Buildings	3,683,457	3,259,727
Improvements and equipment	2,267,046	2,153,031
Construction in progress	907,880	1,118,951
Intangibles	21,750	21,750
Infrastructure	623,267	569,774
Lease right-of-use assets	103	295
Subscription right-of-use assets	5,362	5,362
Less accumulated depreciation and amortization	(4,092,221)	(3,910,349)
Net capital assets	3,632,959	3,432,998
Total noncurrent assets	5,052,534	4,971,471
Total assets	5,726,480	5,757,015
Deferred outflows of resources		
Unamortized losses in refunded debt	11,885	13,114
Deferred outflows on pension liability	10,036	10,585
Deferred outflows on OPEB liability	8,333	10,719
Total deferred outflows of resources	$ 30,254	$ 34,418

AIRPORT SYSTEM
Schedule of Net Position
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Liabilities		
Current Liabilities		
Accounts payable	$ 35,743	$ 24,793
Arbitrage rebate liability	338	—
Accrued payroll liabilities	3,454	3,077
Accrued interest payable	54,477	56,625
Contracts and retainages payable	161,193	129,237
Due to other funds	3,190	1,156
Due to other governments	1,843	1,843
General obligation bonds	69	—
Notes payable	1,266	1,241
Advances and deposits	2,890	2,785
Lease liabilities	4	10
Subscription liabilities	109	1,131
Claims and judgments	1,002	1,279
Compensated absences	4,961	7,589
Special facility bonds payable	10,445	9,630
Other post employment benefits	1,837	2,030
Bonds payable	126,350	122,925
Unearned revenue	26,643	34,095
Total current liabilities	435,814	399,446
Noncurrent liabilities		
Bonds payable, net	2,441,597	2,588,270
Special facility bonds payable	23,570	34,015
Claims and judgments	4,335	4,461
Compensated absences	10,449	8,146
Lease liabilities	4	8
Subscription liabilities	1,224	1,333
Net pension liability	141,449	163,240
Notes payable	11,075	12,341
Other post employment benefits	54,438	60,481
Pension obligation bonds payable	2,006	2,006
General obligation bonds, net of current portion	26,348	—
Total noncurrent liabilities	2,716,495	2,874,301
Total liabilities	3,152,309	3,273,747
Deferred inflows of resources		
Unamortized gains on refunded debt	13,778	14,270
Deferred inflows on pension liability	22,096	25,124
Deferred inflows on OPEB liability	23,995	20,649
Deferred inflows from leases	286,775	310,100
Total deferred inflows of resources	346,644	370,143
Net position		
Net investment in capital assets	935,102	728,106
Restricted net position		
Restricted for debt service	528,582	492,900
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	63,914	63,032
Restricted for special facility	70,128	62,152
Restricted for capital improvements	714,921	763,782
Unrestricted (deficit)	(64,866)	27,571
Total net position	$ 2,257,781	$ 2,147,543

AIRPORT SYSTEM
Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Operating Revenues		
Landing area fees	$ 101,145	$ 98,556
Rentals, building and ground areas	271,795	250,353
Parking	133,301	122,588
Concession	121,498	116,332
Other	10,413	7,734
Total operating revenue	638,152	595,563
Operating Expenses		
Maintenance and operating	508,370	437,178
Depreciation and amortization	182,854	170,747
Total operating expenses	691,224	607,925
Operating income (loss)	(53,072)	(12,362)
Nonoperating revenues (expenses)		
Investment income	87,606	91,803
Customer facility charges	18,223	17,946
Special facility cost	(30)	(206)
Other revenues (expenses)	12,377	11,147
Gain (loss) on disposal of assets	(30)	(415)
Passenger facility charges	116,533	117,407
Interest expense	(90,365)	(92,476)
ARPA grants	—	46,736
Cost of issuance for debt	(1,568)	(6,869)
Total Nonoperating revenues (expenses)	142,746	185,073
Income before contributions and transfers	89,674	172,711
Contributions to governmental activities	(27,017)	–
Capital contributions	47,581	6,508
Change in net position	110,238	179,219
Total net position, July 1	2,147,543	1,968,324
Total net position, June 30	$ 2,257,781	$ 2,147,543

AIRPORT SYSTEM
Schedule of Cash Flows
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Cash flows from operating activities		
Receipts from customers	$ 628,220	$ 551,697
Payments to employees	(151,767)	(137,675)
Payments to suppliers	(277,965)	(221,033)
Internal activity-payments to other funds	(90,124)	(82,884)
Other receipts	10,413	7,734
Net cash provided by operating activities	118,777	117,839
Cash flows from investing activities		
Interest income on investments	61,805	63,735
Purchase of investments	(2,173,978)	(2,539,446)
Sales of investments	2,386,265	2,689,490
Net cash used in investing activities	274,092	213,779
Cash flows from noncapital financing activities		
CRRSAA/ARPA grants	23,458	58,473
Retirement of general obligation bonds	(481)	—
Interest expense on general obligation bonds	(766)	—
Net cash provided by noncapital financing activities	22,211	58,473
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(122,925)	(318,695)
Lease liabilities	(10)	(45)
Subscription liabilities	(1,131)	(1,538)
Retirement of special facility bonds	(9,630)	(8,870)
Retirement of SECO Loans	(1,241)	(1,218)
Proceeds from issuance of commercial paper	—	—
Interest expense on debt	(111,114)	(79,697)
Passenger facilities charges	115,102	109,633
Customer facilities charges	18,316	17,750
Net proceeds from issuance of revenue bonds	—	816,486
Grant receipts	14,051	11,857
Special facility cost	(30)	(206)
Acquisition of property, plant and equipment	(350,889)	(463,081)
Retirement of commercial paper	—	(350,000)
Net cash used in capital and related financing activities	(449,501)	(267,624)
Net decrease in cash and cash equivalents	(34,421)	122,467
Cash and cash equivalents, July 1	451,345	328,878
Cash and cash equivalents, June 30	$ 416,924	$ 451,345
Cash and cash equivalents		
Pooled cash and cash equivalents (Note 3A)	$ 142,135	$ 202,927
Current restricted cash and cash equivalents (Note 3A)	274,789	248,418
Total cash and cash equivalents, June 30	$ 416,924	$ 451,345

(Continued)

AIRPORT SYSTEM
Schedule of Cash Flows
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Reconciliation of operating income (loss) to net cash provided (used in) operating activities		
Operating income (loss)	$ (53,072)	$ (12,362)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	182,854	170,747
Changes in assets and liabilities		
Accounts receivable	5,597	(23,493)
Due from other funds	996	(475)
Inventory and prepaid insurance	(341)	(2,847)
Lease receivable	14,747	(85,653)
Accounts payable	10,950	6,170
Accrued payroll liabilities	377	778
Due to other funds	2,034	547
Advances and deposits	105	(39)
Claims and judgments	(403)	2,786
Compensated absences	(325)	571
Other current liabilities	3,357	(9,294)
Other post employment benefits	(504)	761
Pension Obligation payable	(24,270)	(12,705)
Deferred inflow - leases	(23,325)	82,347
Net cash provided by operating activities	$ 118,777	$ 117,839
Non cash transactions		
Amortization of premium and discount	$ 20,441	$ 20,092
Change in capital additions included in liabilities	(31,956)	(70,178)
Unrealized gain on investments	25,801	28,068
Loss on disposal of assets	(382)	(415)
Change in arbitrage liability	(338)	—
Change in deferred outflows and inflows on long-term debt	(737)	(9,889)
Change in accrued interest payable	2,148	(14,220)
General obligation refunding bonds issued by the City of Houston	27,017	—
Contributions to governmental activities	(27,017)	—
Total non cash transactions	$ 14,977	$ (46,542)


CITY OF HOUSTON
CITY CONTROLLER

CONVENTION & ENTERTAINMENT
Schedule of Net Position
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 18,993	$ 19,346
Investments	55,012	42,140
Receivables, net of allowances		
Accounts receivable	67	13
Hotel occupancy tax receivable	27,438	29,544
Due from component units	105,241	32,108
Lease asset receivable	1,508	1,481
Total current assets	208,259	124,632
Noncurrent Assets		
Investments	36,062	35,570
Due from component units	200,318	237,602
Lease receivable	798	2,307
Capital assets		
Land	93,860	93,860
Buildings	566,148	566,148
Improvements and equipment	8,286	8,409
Infrastructure	334	334
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	(381,155)	(368,517)
Net capital assets	300,617	313,378
Total noncurrent assets	537,795	588,857
Total assets	746,054	713,489
Deferred Outflows of Resources		
Deferred outflows on pension liability	3	25
Deferred outflows on OPEB liability	895	1,288
Deferred outflows for unamortized cost on refunded debt	118	130
Total deferred outflows of resources	$ 1,016	$ 1,443

CONVENTION & ENTERTAINMENT
Schedule of Net Position
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Liabilities		
Current Liabilities		
Accounts payable	$ 65	$ 20
Accrued interest payable	4,265	4,654
Due to component units	36,855	34,188
Due to Other Funds	431	—
Other post employment benefits	178	214
Arbitrage Rebate - Current	730	—
Cost of issuance payable	515	515
Pension obligation bonds payable	250	235
Notes payable	77,500	18,000
Bonds payable	26,177	26,558
Total current liabilities	146,966	84,384
Noncurrent liabilities		
Bonds payable	449,991	485,678
Net pension liability	3,630	4,358
Other post employment benefits	5,944	7,456
Arbitrage Rebate - Long-Term	28	—
Unearned revenue	4,567	4,857
Pension obligation bonds payable	2,084	2,334
Total noncurrent liabilities	466,244	504,683
Total liabilities	613,210	589,067
Deferred Inflows of Resources		
Deferred inflows on pension liability	567	671
Deferred inflows for unamortized gains on refunded debt	6,308	7,074
Deferred inflows on OPEB liability	2,606	2,523
Deferred inflows for leases	2,170	3,615
Total deferred inflows of resources	11,651	13,883
Net Position		
Net investment in capital assets	34,755	30,095
Restricted net position		
Restricted for debt service	36,062	35,570
Restricted for maintenance and operations	23,734	21,663
Unrestricted	27,658	24,654
Total net position	$ 122,209	$ 111,982

CONVENTION & ENTERTAINMENT
Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Operating Revenues		
Parking	$ 9,620	$ 8,815
Rental	1,521	1,521
Total operating revenue	11,141	10,336
Operating Expenses		
Maintenance and operating	87,904	83,744
Depreciation and amortization	12,761	12,827
Total operating expenses	100,665	96,571
Operating loss	(89,524)	(86,235)
Nonoperating revenues (expenses)		
Investment income	10,284	8,717
Hotel occupancy tax	111,192	106,344
Other revenue	253	280
Interest on long-term debt	(20,457)	(19,721)
Total nonoperating revenues (expenses)	101,272	95,620
Income before contributions and transfers	11,748	9,385
Transfers out	(1,521)	(1,521)
Total transfers	(1,521)	(1,521)
Change in net position	10,227	7,864
Total net position, July 1	111,982	104,118
Total net position, June 30	$ 122,209	$ 111,982

CONVENTION & ENTERTAINMENT
Schedule of Cash Flows
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Cash flows from operating activities		
Receipts from customers	$ 11,087	$ 10,335
Payments to employees	(178)	(214)
Payments to suppliers	(67)	(95)
Payments to Houston First (Component Units)	(184,655)	(83,587)
Internal activity-payments (to) from other funds	431	—
Receipts from component units	61,977	12,989
Net cash used in operating activities	(111,405)	(60,572)
Cash flows from investing activities		
Interest income on investments	8,910	10,140
Purchase of investments	(71,673)	(72,290)
Proceeds from sale of investments	59,683	77,721
Net cash provided by (used in) investing activities	(3,080)	15,571
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(26,323)	(24,312)
Proceeds from issuance of flexible rate notes	144,500	—
Retirement of flexible rate notes	(85,000)	(4,000)
Interest expense on debt	(30,587)	(28,978)
Net cash provided by (used in) used in capital and related financing activities	2,590	(57,290)
Cash flows from noncapital financing activities		
Retirement of pension bonds	(235)	(220)
Transfers	(1,521)	(1,521)
Hotel occupancy tax revenue	113,298	109,311
Net cash provided by noncapital financing activities	111,542	107,570
Net decrease in cash and cash equivalents	(353)	5,279
Cash and cash equivalents, July 1	19,346	14,067
Cash and cash equivalents, June 30	$ 18,993	$ 19,346
Cash and cash equivalents		
Pooled cash and cash equivalents (Note 3A)	$ 18,993	$ 19,346
Non-pooled cash and cash equivalents (Note 3A)	—	—
Total cash and cash equivalents, June 30	$ 18,993	$ 19,346
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (89,524)	$ (86,235)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	12,761	12,827
Changes in assets and liabilities		
Accounts receivable and prepaids	(54)	—
Due from component unit	(35,849)	12,989
Accounts payable	45	(1)
Lease receivable	1,735	1,737
Due to component unit	2,667	1,239
Due to other funds	431	—
Unearned revenue	(290)	(294)
Pension related payable and deferred amounts	(810)	(477)
Other post employment benefits and deferred amounts	(1,072)	(913)
Deferred inflow - leases	(1,445)	(1,444)
Net cash used in operating activities	$ (111,405)	$ (60,572)
Non cash transactions		
Unrealized gain (loss) on investments	$ 1,374	$ (1,423)
Amortization of premium and discount	9,745	8,294
Change in arbitrage liability	(758)	—

COMBINED UTILITY SYSTEM
Schedule of Net Position
June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 421,791	$ 452,526
Investments	1,577,997	1,652,768
Receivables, net of allowances		
Accounts receivable	324,006	274,438
Special assessments receivable	—	—
Due from City of Houston	59	2,070
Due from other governments	3,500	3,500
Inventory	26,263	23,046
Prepaid items	16,915	8,721
Restricted assets		
Cash and cash equivalents	62	62
Total current assets	2,370,593	2,417,131
Noncurrent Assets		
Investments	71,060	67,658
Prepaids	—	—
Due from other governments	237,676	239,029
Amounts held by other governments	16,873	15,763
Capital assets		
Land	235,003	198,691
Buildings	223,759	206,031
Improvements and equipment	222,787	203,494
Infrastructure	14,150,220	12,725,819
Construction in progress	1,687,717	2,596,693
Rights and intangibles	873,563	847,142
Less accumulated depreciation and amortization	(7,390,527)	(7,092,024)
Net capital assets	10,002,522	9,685,846
Total noncurrent assets	10,328,131	10,008,296
Total assets	12,698,724	12,425,427
Deferred outflows of resources		
Deferred outflows on pension liability	7,730	1,391
Deferred outflows on OPEB liability	18,837	25,041
Unamortized cost on refunded debt	140,059	151,206
Deferred outflows on swap liability	—	12,518
Total deferred outflows of resources	$ 166,626	$ 190,156

COMBINED UTILITY SYSTEM
Schedule of Net Position
June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	2025	2024
Liabilities		
Current Liabilities		
Accounts payable	$ 235,822	$ 238,283
Accrued payroll liabilities	5,413	5,012
Accrued interest payable	35,528	35,110
Contracts payable	14,958	9,538
Due to City of Houston	44,790	27,955
Due to other governments	70,805	3,611
Advances and deposits	74,347	70,693
Pension obligation bonds payable	4,503	4,195
Other post employment benefits	4,053	4,567
Claims and judgments	1,095	1,196
Compensated absences	7,735	12,027
Arbitrage rebate	675	1,550
Bonds payable	314,685	303,224
Total current liabilities	814,409	716,961
Noncurrent liabilities		
Accrued interest payable	67,075	65,588
Bonds payable	6,261,498	6,605,423
Claims and judgments	4,734	4,398
Compensated absences	11,962	9,149
Contracts payable	406,402	396,836
Due to other governments	22,884	16,196
Arbitrage rebate	10,690	4,149
Net pension liability	212,556	246,046
Other post employment benefits	123,463	142,436
SWAP liability	59,725	85,942
Unearned revenue	174,785	248,113
Pension obligation bonds payable	72,708	77,212
Total noncurrent liabilities	7,428,482	7,901,488
Total liabilities	8,242,891	8,618,449
Deferred inflows of resources		
Deferred inflows on pension liability	37,979	47,392
Deferred inflows on OPEB liability	54,343	48,498
Unamortized gain on refunded debt	41,927	43,495
Deferred inflows on swap liability	13,708	—
Total deferred inflows of resources	147,957	139,385
Net Position		
Net investment in capital assets	3,385,792	2,875,934
Restricted net position		
Restricted for maintenance and operations	136,167	123,343
Restricted for debt service	81,802	78,759
Restricted for capital improvements	16,935	15,825
Unrestricted	853,806	763,888
Total net position	$ 4,474,502	$ 3,857,749

COMBINED UTILITY SYSTEM

Schedule of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2025

(With comparative amounts for 2024)

(amounts expressed in thousands)

	2025	2024
Operating Revenues		
Water/Sewer billing	$ 1,655,569	$ 1,630,575
Total operating revenue	1,655,569	1,630,575
Operating Expenses		
Maintenance and operating	617,219	640,844
Depreciation and amortization	332,309	294,198
Total operating expenses	949,528	935,042
Operating income	706,041	695,533
Nonoperating revenue (expenses)		
Investment income	101,955	88,609
Other revenue	67,432	74,149
Gain (loss) on disposal of assets	1,292	(91)
Interest expense	(270,676)	(277,490)
Cost of issuance of debt	(89)	(5,311)
Contributions in	16,143	12,885
Total nonoperating revenues (expenses)	(83,943)	(107,249)
Income before contributions and transfers	622,098	588,284
Capital contributions	90,501	197,186
Transfers out	(95,846)	(41,022)
Total transfers	(95,846)	(41,022)
Change in net position	616,753	744,448
Beginning position, July 1	3,857,749	3,113,301
Total net position, June 30	$ 4,474,502	$ 3,857,749

COMBINED UTILITY SYSTEM
Schedule of Cash Flows
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Cash flows from operating activities		
Receipts from customers	$ 1,622,050	$ 1,676,764
Payments to employees	(242,681)	(219,056)
Payments to suppliers	(341,009)	(324,930)
Internal activity-payments to other funds	(77,852)	(104,359)
Claims paid	(2,058)	(2,040)
Other receipts	65,398	72,058
Net cash provided by operating activities	1,023,848	1,098,437
Cash flows from investing activities		
Interest income on investments	71,282	64,450
Purchases of investments	(2,394,476)	(2,448,411)
Sales of investments	2,496,519	2,301,742
Net cash (used in) provided by investing activities	173,325	(82,219)
Cash flows from capital and related financing activities		
Retirement of revenue bonds	(285,975)	(1,025,735)
Retirement of commercial paper	—	(200,000)
Retirement of contracts payable	(9,537)	(9,200)
Net proceeds from issuance of revenue bonds	—	957,774
Proceeds from issuance of commercial paper	—	200,000
Retirement of junior lien bonds	(4,274)	(19,005)
Interest expense on debt	(279,203)	(278,536)
Proceeds from disposition of assets	2,402	1,858
Retirement of subordinate lien bonds	(12,975)	(12,795)
Capital contributions from other local governments	69,215	223,154
Acquisition of property, plant and equipment	(603,908)	(623,644)
Net cash used for capital and related financing activities	(1,124,255)	(786,129)
Cash flows from noncapital financing activities		
Interest expense on pension obligation bonds	(4,120)	(4,352)
Retirement of pension bonds	(4,195)	(3,901)
Transfers to debt service fund	(2,869)	(2,870)
Transfers to other funds	(92,469)	(38,152)
Net cash used in noncapital financing activities	(103,653)	(49,275)
Net (decrease) increase in cash and cash equivalents	(30,735)	180,814
Cash and cash equivalents, July 1	452,588	271,774
Cash and cash equivalents, June 30	$ 421,853	$ 452,588
Cash and cash equivalents:		
Pooled cash and cash equivalents (Note 3A)	$ 421,791	$ 452,526
Non-pooled cash and cash equivalents (Note 3A)	62	62
Total cash and cash equivalents, June 30	$ 421,853	$ 452,588

(Continued)

COMBINED UTILITY SYSTEM
Schedule of Cash Flows
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	2025	2024
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 706,041	$ 695,533
Depreciation and amortization	332,309	294,198
Changes in assets and liabilities		
Accounts receivable	(50,287)	12,237
Due from City of Houston	2,012	(2,061)
Due to / from other governments	25,043	3,912
Inventory & prepaid insurance	(11,411)	(4,378)
Accounts payable	(18,400)	45,217
Accrued payroll liabilities	400	1,282
Due to City of Houston	16,835	(9,890)
Advances and deposits	3,654	3,762
Claims and judgments	236	(437)
Compensated absences	(1,479)	(275)
Other post employment benefits	(7,439)	(6,371)
Other assets and liabilities	65,398	72,058
Assessments receivable	—	93
Pension obligation payable	(49,243)	(31,934)
Other long-term liabilities	10,179	25,491
Net cash provided by operating activities	$ 1,023,848	$ 1,098,437
Non cash transactions		
Unrealized gain on investments	$ 30,673	$ 24,159
Amortization of premium and discount	22,215	28,564
Change in capital additions included in liabilities	(15,401)	(54,816)
Water rights acquired	(25,000)	—
CAB accretion interest	6,214	6,876
Donated capital	(6,411)	(15,279)
Loss on disposal of assets	(1,984)	(1,947)
Change in arbitrage liability	(5,665)	(4,832)
Changed in accrued interest payable	(1,988)	(3,822)
Change in SWAP Liability	26,217	37,102
Change in deferred outflows and inflows	(35,805)	(122,244)
Total non cash transactions	$ (6,935)	$ (106,239)



INTERNAL SERVICE FUNDS

HALL OF ANCIENT EGYPT
THE HOUSTON MUSEUM OF NATURAL SCIENCE
PHOTO BY: JEFF WHYTE

Internal Service Funds:

The Hall of Ancient Egypt at the Houston Museum of Natural Science showcases the intricate systems and craftsmanship that sustained a civilization.

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.

INTERNAL SERVICE FUNDS
Combining Schedule of Net Position
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

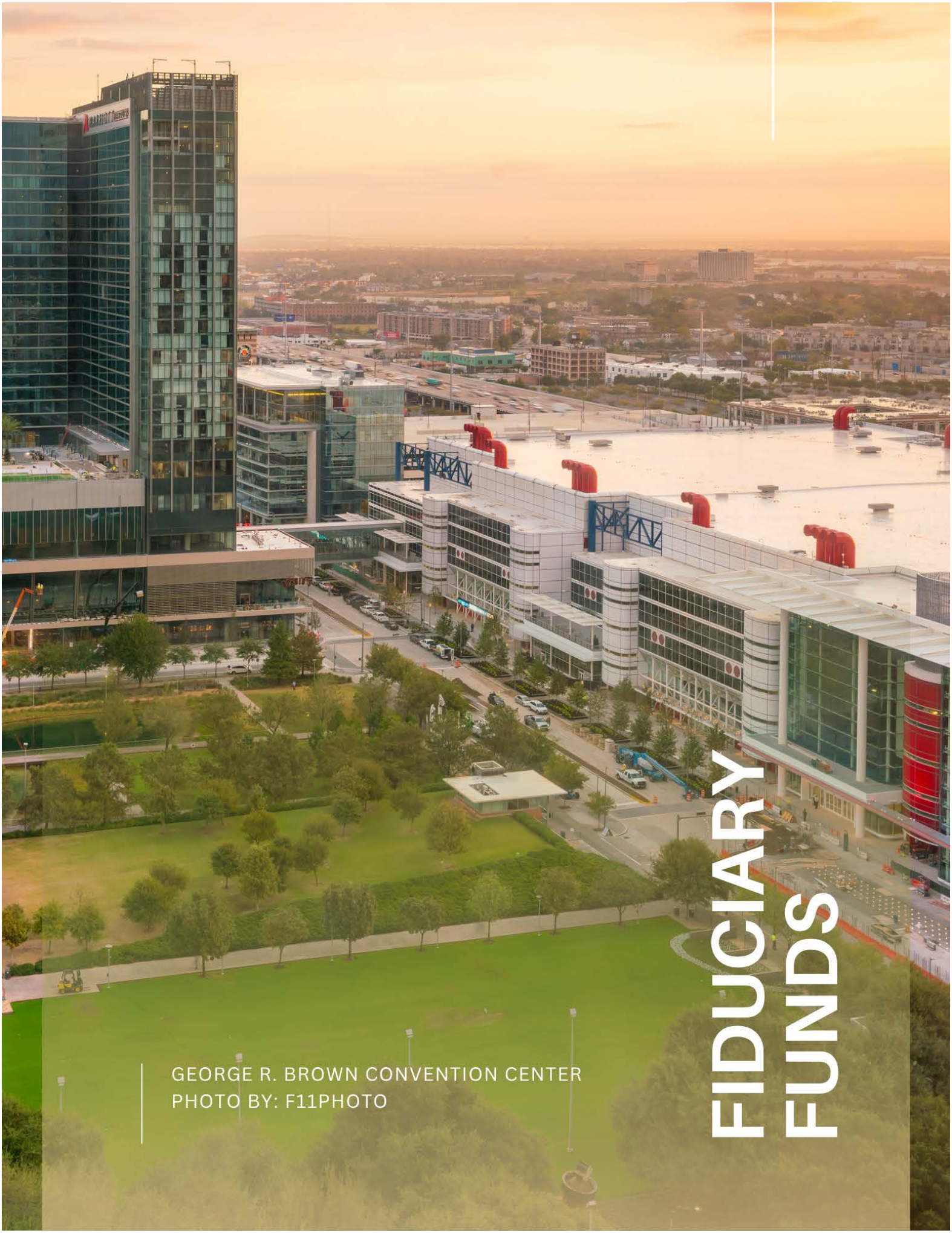
	Health Benefits	Long-term Disability	2025	2024
Assets				
Current assets				
Cash and cash equivalents	$ 20,490	$ 2,048	$ 22,538	$ 22,121
Investments	80,857	7,477	88,334	80,498
Receivables, net of allowances				
Accounts receivable	2	—	2	2
Due from other funds	1	—	1	48
Due from other governments	14	—	14	9
Total current assets	101,364	9,525	110,889	102,678
Noncurrent Assets				
Capital assets				
Buildings, improvements and equipment	2,379	—	2,379	2,351
Construction in progress	230	—	230	—
Total capital assets	2,609	—	2,609	2,351
Less accumulated depreciation and amortization	(1,587)	—	(1,587)	(1,090)
Net capital assets	1,022	—	1,022	1,261
Total noncurrent assets	1,022	—	1,022	1,261
Total Assets	102,386	9,525	111,911	103,939
Liabilities				
Current Liabilities				
Accounts payable	6,591	36	6,627	4,054
Accrued payroll liabilities	91	—	91	72
Due to other funds	12	—	12	50
Claims and judgments	32,883	—	32,883	34,374
Compensated absences	344	—	344	238
Unearned revenue	2,514	—	2,514	2,606
Total current liabilities	42,435	36	42,471	41,394
Noncurrent liabilities				
Claims and judgments	15,000	—	15,000	15,000
Total noncurrent liabilities	15,000	—	15,000	15,000
Total liabilities	57,435	36	57,471	56,394
Net Position				
Net investment in capital assets	1,022	—	1,022	1,261
Unrestricted	43,929	9,489	53,418	46,284
Total net position	$ 44,951	$ 9,489	$ 54,440	$ 47,545

INTERNAL SERVICE FUNDS
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	Health Benefits	Long-term Disability	2025	2024
Operating Revenues				
Other	$ 741	$ 6	$ 747	$ 916
Health benefit premiums	414,966	624	415,590	401,812
Total operating revenues	415,707	630	416,337	402,728
Operating Expenses				
Administrative costs	7,512	27	7,539	7,285
Claims costs	405,992	930	406,922	401,017
Depreciation and amortization	529	—	529	542
Total operating expenses	414,033	957	414,990	408,844
Operating income (loss)	1,674	(327)	1,347	(6,116)
Nonoperating revenues (expenses)				
Investment income	5,070	478	5,548	4,602
Gain (loss) on disposal of assets	—	—	—	(159)
Total nonoperating revenues (expenses)	5,070	478	5,548	4,443
Change in net position	6,744	151	6,895	(1,673)
Total net position, July 1	38,207	9,338	47,545	49,218
Total net position, June 30	$ 44,951	$ 9,489	$ 54,440	$ 47,545

INTERNAL SERVICE FUNDS
Combining Schedule of Cash Flows
For the Year Ended June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	Health Benefits	Long-term Disability	2025	2024
Cash flows from operating activities				
Receipts from customers	$ 414,883	$ 624	$ 415,507	$ 401,546
Payments to employees	(4,814)	—	(4,814)	(4,351)
Payments to suppliers	(1,633)	(27)	(1,660)	(1,812)
Internal activity-payments to other funds	(940)	—	(940)	(1,109)
Claims paid	(404,886)	(954)	(405,840)	(391,090)
Due from (to) other governments	(5)	—	(5)	5
Other receipts	741	6	747	916
Net cash provided by (used in) operating activities	3,346	(351)	2,995	4,105
Cash flows from investing activities				
Interest income on investments	3,629	343	3,972	3,397
Purchase of investments	(82,301)	(7,851)	(90,152)	(85,228)
Proceeds from sale of investments	75,835	8,057	83,892	86,211
Net cash (used in) provided by investing activities	(2,837)	549	(2,288)	4,380
Cash flows from capital and related financing activities				
Acquisition of property, plant, and equipment	(290)	—	(290)	(52)
Net cash used in capital and related financing activities	(290)	—	(290)	(52)
Net increase in cash and cash equivalents	219	198	417	8,433
Cash and cash equivalents, July 1	20,271	1,850	22,121	13,688
Cash and cash equivalents, June 30	$ 20,490	$ 2,048	$ 22,538	$ 22,121
Cash and cash equivalents				
Pooled cash and cash equivalents (Note 3A)	$ 20,490	$ 2,048	$ 22,538	$ 22,121
Total cash and cash equivalents, June 30	$ 20,490	$ 2,048	$ 22,538	$ 22,121
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 1,674	$ (327)	$ 1,347	$ (6,116)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	529	—	529	542
Accounts receivable	—	—	—	1
Due from other funds	47	—	47	(48)
Accounts payable	2,597	(24)	2,573	3,191
Accrued payroll liabilities	19	—	19	12
Due to other funds	(38)	—	(38)	(33)
Due from other governments	(5)	—	(5)	5
Claims and judgments	(1,491)	—	(1,491)	6,736
Compensated absences	106	—	106	1
Unearned revenue	(92)	—	(92)	(186)
Net cash provided by (used in) operating activities	$ 3,346	$ (351)	$ 2,995	$ 4,105
Non cash transactions				
(Loss) gain on disposal of assets	$ —	$ —	$ —	$ (159)
Unrealized gain and (loss) on investments	1,441	135	1,576	1,205



FIDUCIARY FUNDS

GEORGE R. BROWN CONVENTION CENTER
PHOTO BY: F11PHOTO

Fiduciary Funds:

Overlooking Houston's vibrant convention district, the George R. Brown Convention Center represents coordination, trust, and service at scale.

Fiduciary Funds

Funds are used to account for assets held by a government unit as trustee or agent, for individuals, private organizations, and/or other governmental units.

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' pension trust funds.

Private-purpose trust fund is used to account for assets held in a trust of the Houston Foundation which is dedicated to providing benefits to recipients in accordance with the benefit terms. The Houston Foundation was created by City ordinance on March 22, 1915, as a general-purpose charity trust and is administered by an outside board of directors. The City's Finance Director serves as the treasurer of the board in accordance with the ordinance. Additions to the trust consist of individual donor contributions and investment income. Distributions from the fund, primarily to external/eligible 501(c)(3) organizations, may be made for humanitarian needs of the people of Houston.

PENSION TRUST FUNDS
Combining Schedule of Plan Net Position
June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	Firefighters' Relief and Retirement Pension Trust Fund	Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2025	2024
Assets					
Cash and cash equivalents	$ 34,390	$ 10,153	$ 552	$ 45,095	$ 79,342
Investments					
Other fixed income securities	753,156	1,228,697	1,098,525	3,080,378	2,673,470
Commingled equity funds	—	2,635,269	—	2,635,269	2,525,845
Common and preferred stock	1,534,629	—	2,697,966	4,232,595	4,016,003
Real estate, partnerships and alternatives	3,346,605	740,690	3,451,687	7,538,982	6,980,758
Short-term investment funds	125,068	108,646	986,874	1,220,588	1,159,094
Invested securities lending collateral	807	43,350	98,759	142,916	172,427
Receivables, net of allowances					
Due from broker	—	1,434	7,458	8,892	2,182
Contributions	4,691	5,768	9,878	20,337	12,288
Accrued interest and dividends	7,665	7,147	16,769	31,581	27,902
Other receivable	1,410	—	37	1,447	51,077
Other assets	813	8,015	—	8,828	14,863
Land	483	—	5,322	5,805	5,805
Building, net of accumulated depreciation	3,479	—	—	3,479	3,792
Lease right-of-use assets, net of accumulated amortization	—	—	2,303	2,303	2,367
Total assets	5,813,196	4,789,169	8,376,130	18,978,495	17,727,215
Liabilities and plan net position					
Liabilities					
Accounts payable	13,283	—	5,052	18,335	12,637
Securities lending collateral	806	43,350	98,759	142,915	172,427
Foreign funds contracts payable	—	5,047	217	5,264	3,015
Lease liabilities	—	—	2,099	2,099	2,367
Other liabilities	—	6,845	461	7,306	8,299
Total liabilities	14,089	55,242	106,588	175,919	198,745
Net position					
Restricted net position for pensions	5,799,107	4,733,927	8,269,542	18,802,576	17,528,470
Total net position	$ 5,799,107	$ 4,733,927	$ 8,269,542	$ 18,802,576	$ 17,528,470

PENSION TRUST FUNDS
Combining Schedule of Changes in Plan Net Position
June 30, 2025
(With comparative totals for 2024)
(amounts expressed in thousands)

	Firefighters' Relief and Retirement Pension Trust Fund	Municipal Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	2025	2024
Additions:					
Contributions					
City of Houston	$ 87,112	$ 215,355	$ 169,734	$ 472,201	$ 452,302
Members	39,415	34,787	55,469	129,671	121,799
Total contributions	126,527	250,142	225,203	601,872	574,101
Investment income					
Interest	27,340	16,895	88,453	132,688	133,452
Net appreciation (depreciation) in fair value of investments	593,420	436,617	577,810	1,607,847	1,451,874
Dividends	2,097	43,293	59,952	105,342	88,734
Income on securities lending	60	2,033	—	2,093	4,390
Earnings from real estate, limited partnerships real estate investments, and other investments	2,078	751	—	2,829	1,902
Other income	187	414	—	601	927
Total investment and other income (loss)	625,182	500,003	726,215	1,851,400	1,681,279
Less - investment expense	(5,996)	(11,399)	(6,888)	(24,283)	(23,985)
Less - cost of securities lending	—	(1,840)	421	(1,419)	(3,494)
Total additions	745,713	736,906	944,951	2,427,570	2,227,901
Deductions:					
Benefits paid to members	318,587	366,156	447,726	1,132,469	1,077,036
Refunds to members	547	705	2,458	3,710	5,915
Other	6,201	6,334	4,750	17,285	15,858
Total deductions	325,335	373,195	454,934	1,153,464	1,098,809
Net increase (decrease)	420,378	363,711	490,017	1,274,106	1,129,092
Net position restricted for pensions, beginning of year	5,378,729	4,370,216	7,779,525	17,528,470	16,399,378
Net position restricted for pensions, end of year	$ 5,799,107	$ 4,733,927	$ 8,269,542	$ 18,802,576	$ 17,528,470

PRIVATE-PURPOSE TRUST FUND
Schedule of Fiduciary Net Position
June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	Houston Foundation	
	2025	**2024**
Assets		
Cash and cash equivalents	$ 521	$ 384
Investments held by trust	8,112	7,349
Total assets	8,633	7,733
Net position		
Restricted for individuals and organizations	8,633	7,733
Total net position	$ 8,633	$ 7,733

PRIVATE-PURPOSE TRUST FUND
Schedule of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025
(With comparative amounts for 2024)
(amounts expressed in thousands)

	Houston Foundation	
	2025	2024
Additions:		
Investment earnings:		
Net increase in fair value of investments	$ 137	$ 48
Interest, dividends, and other	763	639
Net investment earnings	900	687
Total additions	900	687
Net increase in fiduciary net position	900	687
Net position, July 1	7,733	7,046
Net position, June 30	$ 8,633	$ 7,733

CITY OF HOUSTON, TEXAS

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COMPONENT FUNDS

GEORGE BUSH INTERCONTINENTAL AIRPORT
PHOTO BY: HOUSTON AIRPORT SYSTEM

Component Units:

Framed by a vibrant Texas sunset, the colorful international landmark sculptures at George Bush Intercontinental Airport symbolize Houston's role as a global gateway and highlight the city's strength through diversity.

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 thirty-three (33) governmental nonmajor component units which are divided into five (5) 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.

DISCRETELY PRESENTED NON MAJOR COMPONENT UNITS - GOVERNMENTAL

Combining Schedule of Net Position

June 30, 2025

(amounts expressed in thousands)

	Redevelopment Authorities	Arts & Cultural Authorities	Educational & Research Authorities	BARC Foundation	Recovery Center, LGC	Nonmajor Component Units
Assets						
Current Assets						
Cash	$ 124,414	$ 18,107	$ 874	$ 915	$ 213	$ 144,523
Investments	335,407	3,096	19,482	49	—	358,034
Receivables, net of allowances						
Accounts receivable	18,495	27,583	—	—	—	46,078
Property taxes receivable, net	13,577	—	—	—	—	13,577
Sales taxes receivable	—	—	—	—	—	—
Special assessments receivable	26	—	—	—	—	26
Accrued interest and other	1	—	1,313	—	—	1,314
Due from primary government	23,109	568	—	—	—	23,677
Due from other governments	4,053	—	—	—	402	4,455
Prepaid items	2,349	466	—	1	59	2,875
Restricted assets						
Investments	42,176	—	—	—	—	42,176
Other receivables	1,319	84	—	—	—	1,403
Total current assets	564,926	49,904	21,669	965	674	638,138
Noncurrent Assets						
Restricted assets						
Investments	13,292	—	—	—	—	13,292
Total noncurrent assets	13,292	—	—	—	—	13,292
Capital assets						
Land	62,510	56,986	—	—	—	119,496
Buildings, improvements and equipment	47,448	8,648	—	—	958	57,054
Construction in progress	20,659	—	—	—	—	20,659
Lease right-of-use assets	797	39	—	—	—	836
Less accumulated depreciation and amortization	(20,568)	(5,728)	—	—	(651)	(26,947)
Total capital assets	110,846	59,945	—	—	307	171,098
Total assets	689,064	109,849	21,669	965	981	822,528
Deferred outflows of resources						
Deferred outflows of resources	157	—	—	—	—	157
Total deferred outflows of resources	$ 157	$ —	$ —	$ —	$ —	$ 157

(Continued)

DISCRETELY PRESENTED NON MAJOR COMPONENT UNITS - GOVERNMENTAL

Combining Schedule of Net Position

June 30, 2025

(amounts expressed in thousands)

	Redevelopment Authorities	Arts & Cultural Authorities	Educational & Research Authorities	BARC Foundation	Recovery Center, LGC	Nonmajor Component Units
Liabilities						
Current Liabilities						
Accounts payable	$ 23,590	$ 765	$ —	$ —	$ 51	$ 24,406
Accrued payroll liabilities	—	—	—	—	126	126
Accrued interest payable	5,195	12	—	—	—	5,207
Contracts and retainages payable	2,393	—	1	—	—	2,394
Compensated absences	—	—	—	—	33	33
Notes payable	13,471	—	—	—	—	13,471
Lease payable - current	669	37	—	—	159	865
Due to other governments	484	20,544	467	—	—	21,495
Advances and deposits	33	—	—	—	—	33
Unearned revenue	516	1,300	—	—	—	1,816
Current liabilities payable from restricted assets						
Bonds payable	21,545	—	—	—	—	21,545
Account held for others	—	—	—	—	—	—
Total current liabilities	67,896	22,658	468	—	369	91,391
Noncurrent liabilities						
Notes payable	28,168	—	—	—	—	28,168
Bonds payable	366,283	—	—	—	—	366,283
Other long-term liabilities	12,810	—	—	—	111	12,921
Total Noncurrent liabilities	407,261	—	—	—	111	407,372
Total liabilities	475,157	22,658	468	—	480	498,763
Deferred outflows of resources						
Deferred outflows of resources	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Net position						
Net investment in capital assets	70,139	59,752	—	—	38	129,929
Restricted net position						
Restricted for debt service	32,863	—	—	—	—	32,863
Restricted for maintenance and operations	—	1,444	—	—	—	1,444
Restricted for capital improvements	29,435	—	—	—	—	29,435
Other restricted	58,094	22,404	17,300	19	43	97,860
Unrestricted (deficit)	23,533	3,591	3,901	946	420	32,391
Total net position (deficit)	$ 214,064	$ 87,191	$ 21,201	$ 965	$ 501	$ 323,922

DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS - GOVERNMENTAL

Combining Schedule of Activities

For the Year Ended June 30, 2025

(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Redevelopment Authorities	$ 123,738	$ 942	$ 3,962	$ —
Arts & Cultural Authorities	31,274	4,453	5,702	1,776
Educational & Research Authorities	2,556	—	—	—
Houston BARC Foundation	180	1	430	—
Houston Recovery Center LGC, Inc.	4,516	—	4,219	—
Total nonmajor component units	$ 162,264	$ 5,396	$ 14,313	$ 1,776

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, beginning	
Change in reporting entity	
Error correction	
Net position, beginning as restated	
Net position, ending	

DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS - GOVERNMENTAL

Combining Schedule of Activities

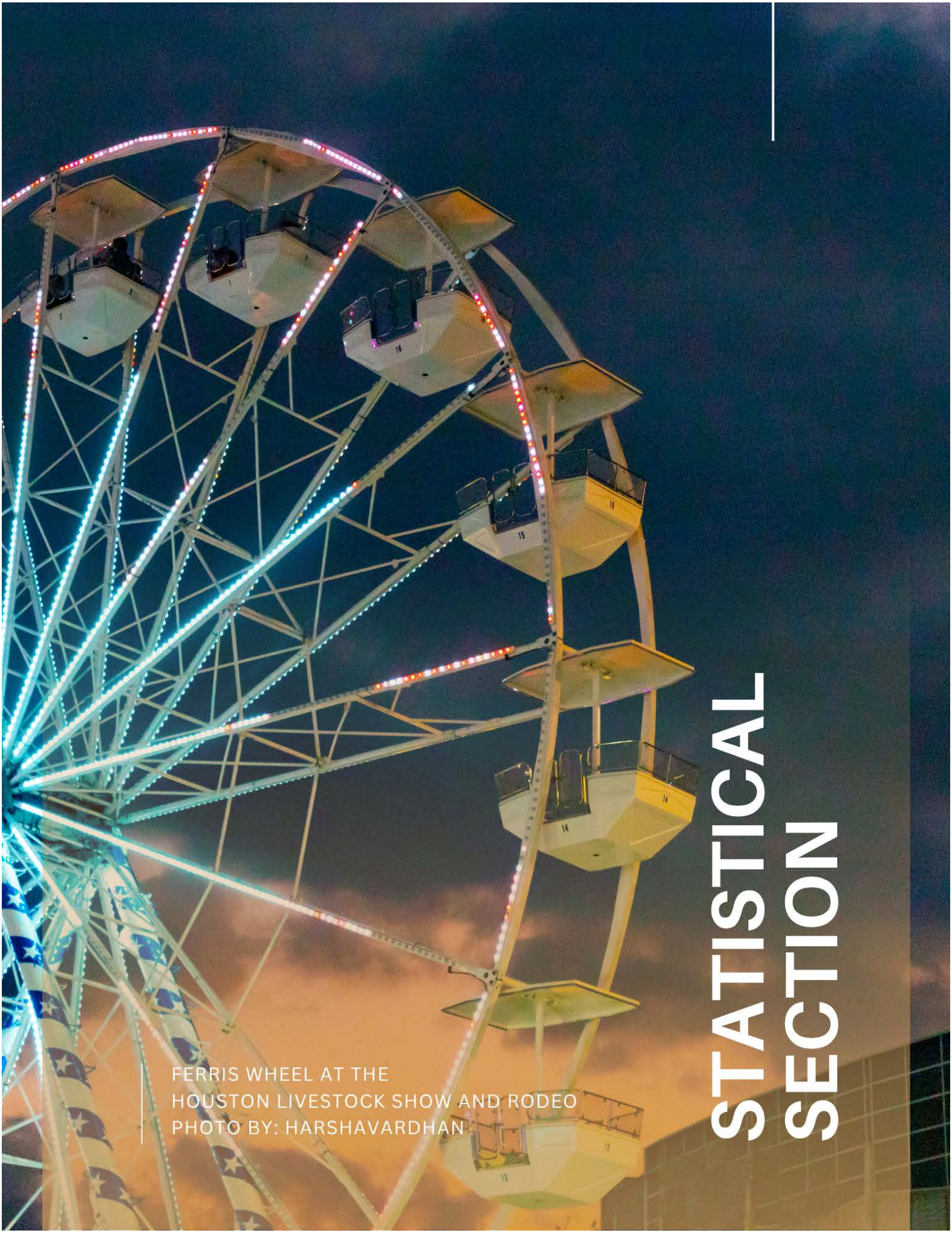
For the Year Ended June 30, 2025

(amounts expressed in thousands)

Net (Expense) Revenue and Change in Net Position					
Redevelopment Authorities	Arts & Cultural Authorities	Educational & Research Authorities	Houston BARC Foundation	Houston Recovery Center LGC	Total Nonmajor Component Units
$ (118,834)	$ —	$ —	$ —	$ —	$ (118,834)
—	(19,343)	—	—	—	(19,343)
—	—	(2,556)	—	—	(2,556)
—	—	—	251	—	251
—	—	—	—	(297)	(297)
(118,834)	(19,343)	(2,556)	251	(297)	(140,779)
156,879	—	—	—	—	156,879
—	22,734	—	—	—	22,734
15,989	69	2,336	(1)	—	18,393
7,193	2,503	1,317	—	53	11,066
180,061	25,306	3,653	(1)	53	209,072
61,227	5,963	1,097	250	(244)	68,293
153,050	81,228	20,692	715	745	256,430
—	—	(588)	—	—	(588)
(213)	—	—	—	—	(213)
152,837	81,228	20,104	715	745	255,629
$ 214,064	$ 87,191	$ 21,201	$ 965	$ 501	$ 323,922

CITY OF HOUSTON, TEXAS

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STATISTICAL SECTION

FERRIS WHEEL AT THE
HOUSTON LIVESTOCK SHOW AND RODEO
PHOTO BY: HARSHAVARDHAN

Statistical Section:

The illuminated Ferris wheel at the Houston Livestock Show and Rodeo captures the spirit of tradition, celebration, and shared experience.

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.

Content	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	248
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	259
Debt Capacity 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.	265
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	274
Operating Information 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.	278

NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	$ 4,434,420	$ 4,593,229	$ 4,865,143	$ 5,138,847
Restricted	42,240	43,419	186,774	367,538
Unrestricted (deficit)	(5,910,541)	(4,433,681)	(5,966,761)	(6,504,244)
Total governmental activities net position	$ (1,433,881)	$ 202,967	$ (914,844)	$ (997,859)
Business-type activities				
Net investment in capital assets	$ 629,382	$ 742,298	$ 823,404	$ 754,981
Restricted	1,129,659	1,264,135	1,370,336	1,415,795
Unrestricted (deficit)	(420,196)	(354,001)	(486,875)	(200,570)
Total business-type activities net position	$ 1,338,845	$ 1,652,432	$ 1,706,865	$ 1,970,206
Primary government				
Net investment in capital assets	$ 5,063,802	$ 5,335,527	$ 5,688,547	$ 5,893,828
Restricted	1,171,899	1,307,554	1,557,110	1,783,333
Unrestricted (deficit)	(6,330,737)	(4,787,682)	(6,453,636)	(6,704,814)
Total primary government net position	$ (95,036)	$ 1,855,399	$ 792,021	$ 972,347

Source: Annual Comprehensive Financial Report

2020	2021	2022	2023	2024	2025
$ 5,992,469	$ 6,333,063	$ 6,755,792	$ 6,889,237	$ 7,181,929	$ 7,442,613
412,184	2,003,544	1,994,010	934,428	516,717	552,755
(7,004,794)	(8,060,061)	(7,248,223)	(5,420,385)	(4,938,032)	(4,517,630)
$ (600,141)	$ 276,546	$ 1,501,579	$ 2,403,280	$ 2,760,614	$ 3,477,738
$ 1,111,081	$ 1,521,493	$ 2,313,363	$ 3,063,468	$ 3,634,135	$ 4,355,649
1,440,243	1,356,397	1,442,434	1,696,746	1,669,875	1,685,247
(396,468)	452,500	623,259	429,112	816,113	816,598
$ 2,154,856	$ 3,330,390	$ 4,379,056	$ 5,189,326	$ 6,120,123	$ 6,857,494
$ 7,103,550	$ 7,854,556	$ 9,069,155	$ 9,952,705	$ 10,816,064	$ 11,798,262
1,852,427	3,359,941	3,436,444	2,631,174	2,186,592	2,238,002
(7,401,262)	(7,607,561)	(6,624,964)	(4,991,273)	(4,121,919)	(3,701,032)
$ 1,554,715	$ 3,606,936	$ 5,880,635	$ 7,592,606	$ 8,880,737	$ 10,335,232

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	$ 425,707	$ 297,716	$ 420,663	$ 412,427
Public safety	1,993,340	228,139	2,137,632	2,021,217
Public works	343,657	341,257	423,137	402,857
Health	158,896	148,995	171,802	164,550
Housing and community development	61,707	61,608	53,965	91,997
Parks and recreation	98,994	89,457	126,416	107,788
Library	48,691	34,966	51,312	50,007
Interest in long-term debt	191,025	142,469	160,247	165,573
Depreciation and amortization	143,028	150,196	153,092	156,412
Total governmental activities expenses	3,465,045	1,494,803	3,698,266	3,572,828
Business-type activities:				
Airport System	581,022	525,207	605,829	595,950
Convention & Entertainment Facilities	117,906	110,765	115,506	96,486
Combined Utility System	942,176	850,204	979,207	1,047,924
Total business-type activities expenses	1,641,104	1,486,176	1,700,542	1,740,360
Total primary government expenses	$ 5,106,149	$ 2,980,979	$ 5,398,808	$ 5,313,188
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 68,093	$ 74,887	$ 63,994	$ 58,537
Public safety	181,888	142,052	120,104	152,061
Public works	222,236	215,824	212,743	232,423
Health	18,349	17,491	19,037	20,614
Parks and recreation	8,820	8,902	9,033	7,483
Library	1,966	2,040	1,867	2,035
Operating grants and contributions	323,686	346,243	380,094	488,757
Capital grants and contributions	53,860	99,487	83,727	217,280
Total governmental activities program revenues	878,898	906,926	890,599	1,179,190
Business-type activities:				
Charges for services:				
Airport System	609,544	609,780	637,259	627,058
Convention & Entertainment Facilities	12,431	12,283	7,883	10,655
Combined Utility System	1,002,582	1,025,795	1,052,549	1,042,442
Operating grants and contributions	13,348	20,187	19,346	26,731
Capital grants and contributions	32,906	52,773	23,408	28,929
Total business-type activities program revenues	1,670,811	1,720,818	1,740,445	1,735,815
Total primary government program revenues	$ 2,549,709	$ 2,627,744	$ 2,631,044	$ 2,915,005
Net (expense)/revenue				
Governmental activities	$ (2,586,147)	$ (587,877)	$ (2,807,667)	$ (2,393,638)
Business-type activities	29,707	234,642	39,903	(4,545)
Total primary government net expense	$ (2,556,440)	$ (353,235)	$ (2,767,764)	$ (2,398,183)

Source: Annual Comprehensive Financial Report

2020	2021	2022	2023	2024	2025
$ 519,746	$ 446,806	$ 314,357	$ 433,538	$ 413,225	$ 440,880
2,041,931	1,297,354	1,202,194	1,457,541	2,095,652	1,674,270
407,569	396,938	355,357	413,454	475,511	548,201
171,950	289,922	225,311	246,163	238,491	231,153
137,035	372,492	390,235	208,397	187,931	78,230
112,225	96,721	81,696	122,018	103,538	137,184
54,956	43,135	33,753	54,954	100,014	55,883
142,711	134,277	108,939	118,251	139,920	125,503
163,454	179,046	180,676	179,465	181,190	182,379
3,751,577	3,256,691	2,892,518	3,233,781	3,935,472	3,473,683
631,435	585,528	568,371	649,504	708,221	810,166
89,737	75,561	106,599	120,981	116,276	121,127
1,032,629	1,052,061	1,001,427	1,139,425	1,218,355	1,218,911
1,753,801	1,713,150	1,676,397	1,909,910	2,042,852	2,150,204
$ 5,505,378	4,969,841	$ 4,568,915	$ 5,143,691	$ 5,978,324	$ 5,623,887
$ 64,160	$ 57,546	$ 63,704	$ 77,817	$ 62,501	$ 73,070
153,159	120,269	154,258	181,793	191,434	208,241
232,059	231,258	162,141	239,223	239,780	238,407
21,062	21,463	23,967	25,002	24,521	24,796
6,210	9,372	10,599	11,278	11,653	11,629
1,421	295	1,303	1,221	1,386	1,757
592,484	1,138,524	1,011,670	814,747	784,657	568,334
208,212	245,921	199,231	172,908	180,043	158,073
1,278,767	1,824,648	1,627,002	1,523,989	1,495,975	1,284,327
563,650	389,865	593,343	685,076	730,916	772,908
9,486	6,100	8,357	10,398	10,336	11,141
1,100,092	1,092,740	1,307,513	1,503,982	1,630,575	1,655,569
24,810	221,928	145,817	59,665	60,890	16,143
35,675	433,101	587,354	238,251	202,425	138,082
1,733,713	2,143,734	2,642,384	2,497,372	2,635,142	2,593,843
$ 3,012,480	$ 3,968,382	$ 4,269,386	$ 4,021,361	$ 4,131,117	$ 3,878,170
$ (2,472,810)	$ (1,432,043)	$ (1,265,516)	$ (1,709,792)	$ (2,439,497)	$ (2,189,356)
(20,088)	430,584	965,987	587,462	592,290	443,639
$ (2,492,898)	$ (1,001,459)	$ (299,529)	$ (1,122,330)	$ (1,847,207)	$ (1,745,717)

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	2016	2017	2018	2019
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property taxes	$ 1,099,411	$ 1,152,420	$ 1,172,313	$ 1,195,949
Industrial assessments tax	19,238	19,291	18,278	19,755
Sales taxes	640,476	631,993	674,279	692,271
Franchise taxes	191,584	191,025	186,206	182,870
Mixed beverage taxes	16,064	16,662	17,296	18,026
Bingo taxes	207	234	73	222
Hotel occupancy tax	—	—	17,196	17,180
Investment earnings	11,925	6,181	12,004	47,825
Insurance proceeds	—	—	93,778	2,061
Other	99,567	95,848	116,814	79,349
Contributions	73,412	—	—	(4,165)
Transfers	51,139	62,885	64,507	59,280
Total governmental activities	2,203,023	2,176,539	2,372,744	2,310,623
Business-type activities:				
Hotel occupancy taxes	88,632	82,882	72,221	68,898
Investment earnings	38,620	16,448	26,388	113,797
Other	62,682	59,183	61,474	65,043
Transfers	(51,139)	(62,885)	(64,507)	(59,280)
Total business-type activities	138,795	95,628	95,576	188,458
Total primary government	$ 2,341,818	$ 2,272,167	$ 2,468,320	$ 2,499,081
Change in Net Position				
Governmental activities	$ (363,751)	$ 1,605,345	$ (434,923)	$ (83,015)
Business-type activities	149,130	313,587	135,479	183,913
Total primary government	$ (214,621)	$ 1,918,932	$ (299,444)	$ 100,898

2020	2021	2022	2023	2024	2025
$ 1,222,846	$ 1,269,935	$ 1,283,942	$ 1,337,128	$ 1,444,942	$ 1,474,700
24,797	25,435	24,086	28,021	27,885	30,456
684,425	706,829	822,656	893,905	884,144	922,372
169,725	154,093	149,978	148,605	149,662	151,630
15,379	14,561	21,890	24,013	24,074	23,800
—	—	—	—	—	—
16,922	7,444	15,588	18,118	21,558	21,778
48,795	2,463	(35,405)	33,999	104,362	116,784
—	—	—	—	—	—
57,019	64,537	70,884	71,786	97,661	67,593
—	—	—	—	—	—
52,370	63,433	59,396	55,918	42,543	97,367
2,292,278	2,308,730	2,413,015	2,611,493	2,796,831	2,906,480
67,348	47,449	82,505	104,853	106,344	111,192
113,944	13,916	(89,842)	87,945	189,129	199,845
58,128	63,371	149,412	85,928	85,577	80,062
(52,370)	(63,433)	(59,396)	(55,918)	(42,543)	(97,367)
187,050	61,303	82,679	222,808	338,507	293,732
$ 2,479,328	$ 2,370,033	$ 2,495,694	$ 2,834,301	$ 3,135,338	$ 3,200,212
$ 876,687	$ 876,687	$ 1,147,499	$ 901,701	$ 357,334	$ 717,124
491,887	491,887	1,048,666	810,270	930,797	737,371
$ 1,368,574	$ 1,368,574	$ 2,196,165	$ 1,711,971	$ 1,288,131	$ 1,454,495

FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	2016	2017	2018	2019
General fund				
Non-spendable	$ 15,493	$ 20,242	$ 18,881	$ 20,387
Restricted	1,232	1,188	1,164	1,092
Committed	10,922	18,701	16,901	17,942
Unassigned	235,405	311,754	375,529	349,176
Total general fund	$ 263,052	$ 351,885	$ 412,475	$ 388,597
All other governmental funds				
Unreserved, reported in:				
Non-spendable	$ 2,395	$ 2,495	$ 3,138	$ 15,784
Restricted	339,991	350,868	362,082	463,700
Committed	77,709	82,599	78,705	77,580
Assigned	109,131	78,898	80,647	71,822
Total all other governmental funds	$ 529,226	$ 514,860	$ 524,572	$ 628,886

Source: Annual Comprehensive Financial Report

2020	2021	2022	2023	2024	2025
$ 22,667	$ 23,627	$ 25,677	$ 24,184	$ 23,411	$ 25,625
1,044	1,072	14,292	1,153	2,733	2,311
18,792	12,615	983	14,994	2,483	21,369
316,227	312,212	379,707	509,924	601,986	527,145
$ 358,730	$ 349,526	$ 420,659	$ 550,255	$ 630,613	$ 576,450
$ 3,306	$ 3,422	$ 6,059	$ 4,439	$ 4,193	$ 4,268
492,621	732,555	863,857	942,729	1,034,336	1,078,429
74,219	68,760	70,024	84,411	92,477	110,376
111,041	92,326	110,441	140,315	167,749	200,686
$ 681,187	$ 897,063	$ 1,050,381	$ 1,171,894	$ 1,298,755	$ 1,393,759

GENERAL FUND BUDGET FOR FISCAL YEAR 2026
(amounts expressed in thousands)
(unaudited)

Budgeted Resources		
Revenues:		
Ad Valorem Taxes (current and delinquent)	$	1,504,362
Sales and Use Tax		902,316
Franchise Fees		146,146
Municipal Courts Fines and Forfeits		19,019
Miscellaneous		353,978
Total Current Revenues		2,925,821
Beginning Fund Balance as of July 01, 2025[1]		380,798
Sale of Capital Assets		2,500
Transfers from Other Funds		43,602
Total Budgeted Resources	$	3,352,721
Budgeted Expenditures		
Administrative Services	$	77,674
Public Safety		1,804,700
Development and Maintenance Services		151,879
Human and Cultural Services		198,228
Elected Officials and General Government		307,290
Debt Service and PAYGO Capital Projects		508,000
Total Budgeted Expenditures		3,047,771
Budgeted Ending Fund Balance as of June 30, 2026		304,950
Total Budgeted Expenditures and Reserves	$	3,352,721

(1) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2026 Budget.

CONTINUING DEBT DISCLOSURE INFORMATION
June 30, 2025
(amounts expressed in thousands)
(unaudited)

Capital Improvement Plan

The 2025 - 2029 CIP consists of the projects and facilities described in the following chart. (The 2025-2029 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	
Streets, Bridges and Traffic Control	$ 1,240,102	
Storm Sewers and Drainage	1,016,318	
Parks and Recreation	115,516	
Police Department	93,687	
Fire Department	94,946	
General Government	183,789	
Public Library	46,019	
Public Health	45,225	
Solid Waste Management	23,817	
Homeless and Housing	6,390	
Technology	77,253	
Fleet	224,649	
Total	$ 3,167,711	(*)

(*) The tax-supported component of the 2025-2029 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	Amount
2025	$ 25,848
2024	25,984
2023	22,801
2022	25,235
2021	24,688
2020	27,789
2019	26,603
2018	28,910
2017	27,399
2016	26,611

CONTINUING DEBT DISCLOSURE INFORMATION

June 30, 2025

(amounts expressed in thousands)

(unaudited)

Long Term Disability and Compensated Absence Liability

Long-Term Disability Fund	Amount
Assets Available for Future Long-Term Disability Obligations	$ 9,525
Claims Payable on Long-Term Disability Obligations	(36)
Unrestricted Net Position	$ 9,489

Compensated Absence Liability	Amount
Governmental Short-Term Liability	$ 100,389
Enterprise Funds Liability	35,107
Governmental Funds Long-Term Liability	525,276
Total	$ 660,772

General Fund Specific Charges to Other City Funds

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.

Fiscal Year	Total Direct Charges for Specific Services
2025	$ 76,971
2024	69,382
2023	65,845
2022	60,475
2021	59,308
2020	59,174
2019	62,214
2018	54,449
2017	53,523
2016	53,934

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	[1] Bingo Tax	[2] Hotel Occupancy Tax	Total Tax Collections
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
2022	1,283,942	822,656	149,978	24,086	21,890	—	15,588	2,318,140
2023	1,337,128	893,905	148,605	28,021	24,013	—	18,118	2,449,790
2024	1,444,942	884,144	149,662	27,885	24,074	—	21,558	2,552,265
2025	1,474,700	922,372	151,630	30,456	23,800	—	21,778	2,624,736

[1] 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.

[2] 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.

TAXABLE VALUE OF PROPERTY
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate
2016	$ 97,070,000	$ 73,598,000	$ 4,947,000	$ 28,362,000	$ 203,977,000	6.01120
2017	106,995,000	80,515,000	5,050,000	28,133,000	220,693,000	5.86420
2018	113,401,000	81,423,000	5,457,000	27,238,000	227,519,000	5.84210
2019	116,204,000	81,425,000	5,455,000	26,546,000	229,630,000	5.88310
2020	126,456,000	84,519,000	5,661,000	27,655,000	244,291,000	5.67920
2021	136,018,000	88,843,000	5,881,000	27,438,000	258,180,000	5.61840
2022	142,582,000	88,769,592	5,653,203	25,695,528	262,700,000	5.50830
2023	155,007,115	95,429,665	6,175,901	28,654,307	285,266,988	5.33640
2024	175,845,260	101,380,981	6,569,154	31,961,722	315,757,117	5.19190
2025	178,240,130	102,224,456	6,533,033	34,296,556	321,294,175	5.19190

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.

CHANGES IN FUND BALANCES IN GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	2016	2017	2018	2019
Revenues				
Taxes	$ 1,966,483	$ 2,013,196	$ 2,068,675	$ 2,120,567
Licenses and permits	126,020	118,899	113,918	123,255
Intergovernmental	377,546	404,276	443,441	537,402
Charges for services	304,438	299,748	304,625	311,587
Fines	42,472	37,407	34,734	36,407
Investment earnings	11,925	6,034	11,579	45,008
Contributions	—	—	—	—
Other	117,442	112,245	133,510	79,036
Total revenues	2,946,326	2,991,805	3,110,482	3,253,262
Expenditures				
General Government	319,160	297,501	357,661	353,912
Public safety	1,418,763	1,446,775	2,248,951	1,502,334
Public Works	329,572	348,229	401,641	383,018
Health	145,976	157,968	160,519	154,884
Housing and Community Development	62,539	60,656	53,249	90,398
Parks and recreation	85,252	89,654	102,237	84,539
Library	39,271	39,932	40,065	39,839
Retiree benefits	11,390	11,521	167,372	11,123
Capital Outlay	334,555	338,946	358,387	358,973
Debt Service				
Principal	290,805	192,656	489,510	219,764
Interest	151,260	144,068	148,754	177,804
Fiscal agent and fees	6,785	3,343	11,574	4,540
Total expenditures	3,195,328	3,131,249	4,539,920	3,381,128
Excess of revenues over (under) expenditures	(249,002)	(139,444)	(1,429,438)	(127,866)
Other financing sources (uses)				
Transfers in	622,988	553,680	605,254	654,394
Transfers out	(571,849)	(490,795)	(540,747)	(595,114)
Proceeds from issuance of debt	65,000	140,000	1,577,352	139,065
Proceeds from refunded debt	557,615	—	—	—
Payment to escrow agent	(550,600)	—	(336,191)	—
Sale of land	8,792	11,026	5,958	30,061
Bond premium (discount)	102,908	—	76,336	—
Contributions out	—	—	—	(4,165)
Insurance proceeds	—	—	93,778	2,061
Total other financing sources (uses)	234,854	213,911	1,481,740	226,302
Net change in fund balances	$ (14,148)	$ 74,467	$ 52,302	$ 98,436
Debt service as a percentage of noncapital expenditures *	15.9 %	12.3 %	15.3 %	13.2 %

Source: Annual Comprehensive Financial Report

*Noncapital expenditures are calculated by subtracting capital outlay (to the extent capitalized for the government-wide statement of net position) and expenditures for capitalized assets contained within the functional expenditure categories from total expenditures.

2020	2021	2022	2023	2024	2025
$ 2,133,402	$ 2,162,378	$ 2,317,905	$ 2,449,304	$ 2,525,812	$ 2,613,503
119,354	112,795	113,344	118,407	120,695	124,530
656,699	1,183,307	1,085,470	872,602	855,676	626,435
310,695	319,012	335,572	357,337	374,252	393,007
29,664	28,341	30,852	30,945	32,393	32,240
45,567	2,709	(33,257)	32,559	99,760	111,236
—	—	—	500	—	—
56,394	62,672	70,879	70,241	79,988	80,008
3,351,775	3,871,214	3,920,765	3,931,895	4,088,576	3,980,959
446,217	430,689	393,107	407,272	408,193	450,291
1,546,820	1,580,922	1,626,241	1,692,423	1,765,445	2,525,959
377,394	399,629	392,056	411,663	483,801	563,576
156,884	289,724	239,397	243,818	239,715	230,333
135,419	369,216	387,329	206,847	186,311	75,561
83,058	77,574	83,998	103,121	108,144	111,509
40,435	41,062	40,675	51,429	50,219	55,438
14,196	13,290	11,837	12,612	—	—
339,363	396,816	429,148	357,542	404,659	460,225
228,668	213,148	265,097	295,375	261,032	345,532
164,793	151,787	144,772	142,769	138,759	156,875
5,760	3,738	4,996	3,260	5,096	6,974
3,539,007	3,967,595	4,018,653	3,928,131	4,051,374	4,982,273
(187,232)	(96,381)	(97,888)	3,764	37,202	(1,001,314)
660,650	659,617	752,414	705,958	792,317	466,877
(608,280)	(596,184)	(693,018)	(650,040)	(749,774)	(369,510)
624,690	123,724	482,181	185,591	378,642	883,314
—	—	—	—	—	—
(552,367)	—	(338,940)	—	(283,000)	(40,300)
22,306	3,786	7	5,836	12,970	43,965
61,685	—	35,170	—	18,862	57,809
—	—	—	—	—	—
982	—	—	—	—	—
209,666	190,943	237,814	247,345	170,017	1,042,155
$ 22,434	$ 94,562	$ 139,926	$ 251,109	$ 207,219	$ 40,841
12.2 %	10.2 %	11.4 %	12.1 %	11.0 %	11.1 %

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(unaudited)

Purpose	2025	2024	2023	2022
City				
General Purposes	3.78600	3.88880	3.85127	4.02470
Debt Service	1.40590	1.30310	1.48513	1.48360
City of Houston [1]	5.19190	5.19190	5.33640	5.50830
County				
Fort Bend County	4.2200	4.3890	4.5120	4.5280
Harris County [2]	3.8530	3.5007	3.4373	4.1042
Montgomery County	3.7900	3.6960	3.7420	4.0830
School District				
Aldine I.S.D.	10.3400	10.3630	12.2170	12.6690
Alief I.S.D.	10.4760	9.8670	12.0480	12.0480
Clear Creek I.S.D.	9.6900	9.7460	11.1460	11.7970
Conroe I.S.D.	9.4960	9.6210	11.1460	11.7600
Crosby I.S.D.	12.3520	12.3750	14.2290	14.4030
Cypress-Fairbanks I.S.D.	10.8690	10.8110	13.5550	13.3920
Deer Park I.S.D.	11.2130	11.2130	12.8220	13.4960
Fort Bend I. S. D.	9.8690	9.9000	11.3460	12.1010
Galena Park I.S.D.	11.7100	11.3191	13.5418	14.6510
Goose Creek I.S.D.	10.7250	10.8250	10.8250	12.8170
Houston I.S.D.	8.7830	8.6830	10.3720	10.9440
Huffman I.S.D.	10.7370	9.4619	11.4930	11.4930
Humble I.S.D.	11.2520	11.0750	13.3890	10.3405
Katy I.S.D.	11.1940	13.0480	13.5170	13.8880
Klein I.S.D.	10.1000	10.3000	12.3000	13.0000
New Caney I.S.D.	12.5520	12.5750	14.4300	14.6030
Pasadena I.S.D.	12.2550	11.3820	13.3530	13.8120
Sheldon I.S.D.	12.5520	12.5750	14.1500	15.0160
Spring I.S.D.	11.0690	11.0920	12.5460	13.1280
Spring Branch I.S.D.	10.7640	10.0789	12.6880	12.6880
Municipal Utility District				
Fort Bend Co WC&I District 2	2.1250	2.1250	2.1250	2.1250
Harris County MUD # 355	0.5000	0.5100	0.0560	0.0600
Harris County MUD # 359	0.9200	0.9500	1.1000	1.2000
Harris County MUD # 366	1.4000	1.5000	1.6000	1.4000
Harris County MUD # 372	1.0500	1.1500	1.6240	1.6750
Harris County MUD # 381	4.0000	4.1000	4.8000	5.2000
Harris County MUD # 390	6.3000	6.3000	5.7250	7.0000
Harris County MUD # 393	3.7000	4.0000	4.9000	6.0000
Harris County MUD # 404	7.5500	7.7500	7.7900	8.6125
Harris County MUD # 410	5.1000	5.2000	5.4000	5.6000
Harris County MUD # 411	4.3000	4.7000	5.3000	5.7000
Harris County MUD # 415	7.5000	7.7000	7.7000	8.0000
Harris County MUD # 450	5.1000	5.2000	5.3000	5.7000
Harris County MUD # 451	9.0000	9.0000	9.0000	9.0000
Harris County MUD # 460	7.4000	7.4000	7.4000	7.4000
Harris County MUD # 499	7.6000	7.8000	8.2000	8.7000
Harris County MUD # 529	4.9000	5.1000	6.1000	6.7000
Harris County MUD # 537	5.0000	5.0000	5.0000	5.0000
Northwood MUD #1	8.2000	8.5000	9.0000	10.0000
Other Jurisdictions				
Clear Lake City Water Authority	2.5000	2.5000	2.6000	2.6000
Harris County Dept. of Education	0.0480	0.0480	0.0490	0.0499
Harris County Hospital District	1.6348	1.4343	1.4831	1.6221
Houston Community College	1.4551	0.9223	0.9557	0.9909
Lee College District	1.9510	2.1010	2.3010	2.3010
Lone Star College System	1.0760	1.0760	1.0780	1.0780
Port of Houston Authority	0.0615	0.0574	0.0799	0.0872
San Jacinto College District	1.5486	1.4619	1.5560	1.6797

[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.

2021	2020	2019	2018	2017	2016
4.23094	4.04129	4.19242	4.20227	4.54458	4.42194
1.38746	1.63791	1.69068	1.63983	1.31962	1.58926
5.61840	5.67920	5.88310	5.84210	5.86420	6.01120
4.5321	4.6000	4.6400	4.6900	4.7400	4.8600
4.2258	4.3505	4.4735	4.4485	4.4485	4.4656
4.3120	4.4750	4.6670	4.6670	4.6670	4.7670
12.7440	13.4712	13.4712	13.7339	13.2338	12.8590
12.0480	12.4410	13.3000	13.3000	13.0500	12.8000
12.6590	13.1000	13.1000	14.0000	14.0000	14.0000
12.1250	12.3000	12.8000	12.8000	12.8000	12.8000
14.4030	15.4835	16.5000	16.7000	16.7000	16.7000
13.5550	13.7000	14.4000	14.4000	14.4000	14.4000
13.4960	14.1510	15.3870	15.5670	15.5670	15.5670
12.4000	12.7000	13.2000	13.4000	13.4000	13.4000
14.5810	14.5810	14.7165	15.6330	15.6330	15.1340
13.6860	13.4110	13.5428	14.3190	14.3190	14.3189
11.3310	11.3700	12.0670	12.0670	12.0670	11.9670
13.4210	13.4210	14.0000	14.0000	14.0000	14.0000
14.1835	14.1835	15.2000	15.2000	15.2000	15.2000
14.4310	15.1660	15.1660	15.1660	15.1660	15.2660
13.4000	13.6000	14.3000	14.1000	14.3000	13.9000
14.6030	15.6840	15.6840	16.7000	16.7000	16.7000
13.8300	13.7840	14.8000	14.8000	13.5000	13.5000
15.0160	15.2840	14.4840	14.7000	14.1000	14.1000
13.8430	14.3000	15.1000	15.1000	14.6996	14.7000
13.0730	13.2100	13.2098	13.9450	13.9450	13.9450
0.0600	0.0600	0.0600	0.0900	0.0900	1.2000
1.4500	1.4500	1.5000	1.6000	1.9000	2.6000
1.6000	1.6000	1.6000	1.6000	1.8000	2.0000
1.6750	1.6000	1.6000	1.6000	1.1100	1.6500
5.6000	6.0000	6.2000	6.3000		
6.9650	7.0000	7.0000	7.0000	7.0000	7.0000
6.4000	6.8000	7.0000	7.3000		
8.6125	8.6125	8.4125	8.6125		
5.6000	5.6000	5.6000	5.9000		
5.8000	6.0000	6.6000	7.0000		
8.0000	8.0000		8.0000	8.0000	
5.8500	6.3000	6.3000	7.8500		
9.0000	9.0000	9.1000	9.1579		
7.4000	7.4000	7.4000			
8.8000	9.1000				
7.0000	7.5000				
5.0000	5.0000				
10.0000	12.5000	12.5000	12.5000	12.5000	12.5000
2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
0.0499	0.0519	0.0519	0.0520	0.0520	0.0600
1.6671					
1.0026	1.0026	1.0026	1.0026	1.0026	1.0194
2.3010	2.5010	2.5010	2.5040	2.1320	2.1570
1.0780	1.0780	1.0780	1.0780	1.0780	1.0790
0.0991	0.1074	0.1155	0.1256	0.1334	0.1342
1.6936	1.7812	1.6797	1.8333	1.8238	1.7578

PRINCIPAL PROPERTY TAXPAYERS
June 30, 2025
Current Year and Nine Years Ago
(amounts expressed in thousands)
(unaudited)

	2025			2016		
Taxpayer	**Total Taxable Value**	**Rank**	**Percentage of Total Taxable Value**	**Total Taxable Value**	**Rank**	**Percentage of Total Taxable Value**
Centerpoint Energy, Inc.	$ 3,592,770	**1**	1.12 %	$ 2,044,348	**1**	1.09 %
Paile LLC	1,458,135	**2**	0.45 %			
Chevron Chemical Company	797,612	**3**	0.25 %	1,172,684	**2**	0.62 %
HG Galleria LLC	768,919	**4**	0.24 %			
Prologis	627,218	**5**	0.20 %			
One Two Three Allen Center	608,421	**6**	0.19 %			
Four Five Oaks Place	583,933	**7**	0.18 %	511,158	**10**	0.27 %
Shell Oil Co	550,209	**8**	0.17 %	857,345	**3**	0.46 %
Block 58 LLC	543,403	**9**	0.17 %			
BSREP	531,941	**10**	0.17 %			
Crescent HC Investors LP (Crescent Real Estate)				838,097	**4**	0.45 %
HG Galleria I II III, LP				687,115	**5**	0.37 %
United Airlines, Inc				629,722	**6**	0.34 %
1000 Louisiana LP				551,073	**7**	0.29 %
Texas Tower Ltd				547,809	**8**	0.29 %
Busycon Property				545,400	**9**	0.29 %
Total	$ 10,062,561		3.14 %	$ 8,384,751		4.47 %

TAX SUPPORTED DEBT SERVICE FUNDS
(amounts expressed in thousands)
(unaudited)

Tax Bond Debt Service Fund for Fiscal Year 2026

Budgeted Resources	**Amount**
Beginning Fund Balance Estimate as of July 01, 2025	$ 251,047
Transfers in from:	
General Fund	324,164
Combined Utility System Operating Fund	16,607
Other sources	20,574
Third Party Reimbursements	7,265
Other	21,000
Total Budgeted Resources	640,657
Budgeted Expenditures	
Debt Service Requirements	
Tax Bonds	198,390
Commercial Paper Paid from Third Party Reimbursements	184,641
Miscellaneous	300
Total Budgeted Expenditures	383,331
Budgeted Ending Fund Balance as of June 30, 2026	257,326
Total Budgeted Expenditures and Reserves	$ 640,657

Note: This fund includes the debt service for the City's Tax Bonds, Pension Obligations, Commercial Paper Notes and Tax Certificates.

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

(unaudited)

	Governmental Activities								
Fiscal Year	Public Improvement Bonds	Pension Obligations	General Obligation Bonds	Commercial Paper	Tax and Revenue Certificates	Notes Payable	Other Borrowings	Lease Liability [2]	Sub-scription Liability [2]
2016	$ 2,603,712	$ 523,443	$ –	$ 99,900	$ 17,479	$ —	$ 4,495	$ —	$ —
2017	2,401,047	516,858	–	239,900	16,694	—	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	—	19,354	—	—
2021	1,959,806	1,400,128	–	244,600	11,396	—	28,889	81,640	—
2022	1,940,414	1,375,473	–	168,000	12,846	—	28,636	83,815	—
2023	1,723,361	1,348,318	–	275,400	11,189	40,429	28,576	69,758	56,660
2024	1,805,691	1,318,489	–	91,000	2,677	40,367	27,824	66,557	38,994
2025	1,679,059	1,285,819	622,118	170,000	–	31,519	27,824	61,759	19,155

	Business-type Activities							
Fiscal Year	Combined Utility System Debt	Houston Airport System Debt	Convention & Entertainment Debt	Long-Term Contracts	Lease Liabilities [2]	Subscription Liabilities [2]	Total Primary Government	Per Capita [1] (in dollars)
2016	$ 6,703,987	$ 2,468,672	$ 666,280	$ 209,300	$ —	$ —	$ 13,297,268	$ 5,823
2017	6,782,294	2,371,252	649,111	469,253	—	—	13,450,245	5,832
2018	6,865,875	2,334,124	703,234	750,193	—	—	14,647,342	6,332
2019	6,891,460	2,245,566	725,803	910,375	—	—	14,667,367	6,337
2020	6,975,458	2,227,419	656,266	890,120	—	—	14,500,808	6,262
2021	7,686,006	2,526,618	637,642	449,846	266	—	15,026,837	6,533
2022	7,512,801	2,595,091	610,384	425,395	123	—	14,752,978	6,447
2023	7,189,483	2,652,817	569,631	416,052	63	3,894	14,385,631	6,247
2024	6,990,054	2,770,428	532,805	406,374	18	2,464	14,093,742	6,090
2025	6,653,394	2,642,726	556,002	421,360	8	1,333	14,172,076	5,929

Note: Details regarding the City's outstanding debt can be found in Note 8 of the accompanying financial statements.

[1] See the Schedule of Demographic and Economic Statistics for personal income and population data.

[2] The City first adopted the Governmental Accounting Standards Board Statements No. 87, Leases, and No. 96, Subscription-based Information Technology Arrangements, as of and for the fiscal years ended June 30, 2021 and 2023, respectively.

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	Net General Tax obligation Debt	Net General Tax Obligation Debt as a Percentage of Estimated Taxable Value of Property[2]	Per Capita [3]
2016	$ 3,244,534	$ 8,770	$ 3,235,764	1.59 %	$ 1,417
2017	3,174,499	7,933	3,166,566	1.43	1,373
2018	3,985,690	82,868	3,902,822	1.72	1,687
2019	3,889,101	85,186	3,803,915	1.66	1,644
2020	3,732,191	116,395	3,615,796	1.48	1,561
2021	3,615,930	107,530	3,508,400	1.36	1,525
2022	3,496,733	117,305	3,379,428	1.29	1,477
2023	3,358,268	146,883	3,211,385	1.13	1,395
2024	3,217,857	127,632	3,090,225	0.98	1,335
2025	3,756,996	158,334	3,598,662	1.12	1,506

Note: Details regarding the City's outstanding debt can be found in Note 8 of the accompanying 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 .

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2025
(amounts expressed in thousands)
(unaudited)

	Net Direct Debt [1]		% of Debt Applicable to Houston [2]	City of Houston Share of Debt
	Amount	As of		
City				
City of Houston - direct	$ 3,816,339	6/30/2025	100.00 %	$ 3,816,339
County				
Fort Bend County	1,025,576	6/30/2025	1.54	15,794
Harris County (including Toll Road Bonds)	2,193	6/30/2025	49.69	1,090
Harris County Flood Control	1,242	6/30/2025	49.69	617
Montgomery County	373,031	6/30/2025	1.16	4,327
School District				
Aldine I.S.D.	1,880,747	6/30/2025	39.70	746,657
Alief I.S.D.	406,574	8/31/2025	77.07	313,347
Clear Creek I.S.D.	937,435	6/30/2025	21.01	196,955
Conroe I.S.D.	3,006,834	8/31/2024	—	—
Crosby I.S.D.	164,669	6/30/2025	0.04	66
Cypress-Fairbanks I.S.D.	3,658,735	6/30/2025	8.92	326,359
Deer Park I.S.D.	335,766	6/30/2025	0.88	2,955
Fort Bend I.S.D.	1,895,337	6/30/2025	3.49	66,147
Galena Park I.S.D.	349,312	6/30/2025	9.72	33,953
Goose Creek I.S.D	521,615	6/30/2025	0.97	5,060
Houston I.S.D.	1,329,741	6/30/2025	91.94	1,222,564
Huffman I.S.D.	60,425	6/30/2025	28.42	17,173
Humble I.S.D.	1,202,811	6/30/2025	32.90	395,725
Katy I.S.D.	2,534,955	8/31/2024	8.78	222,569
Klein I.S.D.	1,216,821	6/30/2025	0.96	11,681
New Caney I.S.D.	1,501,305	6/30/2025	12.88	193,368
Pasadena I.S.D.	802,367	8/31/2024	40.00	320,947
Sheldon I.S.D.	415,462	6/30/2024	0.34	1,413
Spring I.S.D.	1,083,446	6/30/2025	1.40	15,168
Spring Branch I.S.D.	995,476	6/30/2025	73.32	729,883
Municipal Utility District				
Fort Bend Co WC&I District 2	141,136	6/30/2025	0.22	310
Harris County MUD 355	1,724	7/3/2025	100.00	1,724
Harris County MUD 359	2,329	6/30/2025	100.00	2,329
Harris County MUD 372	—	6/23/2025	—	—
Harris County MUD 381	14,215	6/30/2025	100.00	14,215
Harris County MUD 390	55,483	6/30/2025	100.00	55,483
Harris County MUD 393	6,698	6/30/2025	100.00	6,698
Harris County MUD 404	8,593	6/30/2025	100.00	8,593
Harris County MUD 410	22,128	6/30/2025	100.00	22,128
Harris County MUD 411	7,127	6/30/2025	100.00	7,127
Harris County MUD 415	4,295	6/30/2025	100.00	4,295
Harris County MUD 450	12,058	7/14/2025	88.33	10,651
Harris County MUD 451	4,398	6/25/2025	100.00	4,398
Harris County MUD 460	46,813	7/14/2025	100.00	46,813
Harris County MUD 499	10,270	7/16/2025	100.00	10,270
Harris County MUD 529	8,765	6/23/2025	100.00	8,765
Harris County MUD 537	17,203	7/14/2025	100.00	17,203
Northwood MUD # 1	633	6/30/2025	100.00	633
Other Jurisdictions				
Clear Lake City Water Authority	127,830	6/30/2025	66.03	84,406
Harris County Dept. of Education	55,188	8/31/2025	49.69	27,423
Harris County Hospital District	808,505	6/30/2025	49.69	401,746
Houston Community College	396,510	6/30/2025	86.37	342,466
Lee College District	37,893	8/31/2024	0.97	368
Lone Star College System	385,870	6/30/2025	9.25	35,693
Port of Houston Authority	541,563	6/30/2025	49.69	269,103
San Jacinto College District	759,719	6/30/2025	13.28	100,891
Total overlapping debt	29,178,821			6,327,549
Total direct and overlapping debt	$ 32,995,160			$ 10,143,888

[1] 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.

[2] 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.

AD VALOREM TAX LEVIES AND COLLECTIONS

June 30, 2025

(amounts expressed in thousands)

(unaudited)

Fiscal Year	Tax Rate[1] General Purposes	Tax Rate[1] Debt Service	Total	Net Current Year Tax Levy[2][4] (in thousands)	Current Collections Prior to End of Fiscal Year[3][4][5] (in thousands)	Prior Years' Delinquent Collections[5] (in thousands)	Total Collection[3][4][5] (in thousands)	Total Collections Percentage of Net Levy[4]
2017	0.454458	0.131962	0.586420	$ 1,299,973	$ 1,276,573	$ 16,500	$ 1,293,073	99.5 %
2018	0.420227	0.163983	0.584210	1,329,129	1,307,863	4,941	1,312,804	98.8
2019	0.419242	0.169068	0.588310	1,347,166	1,326,810	10,187	1,336,997	99.2
2020	0.404129	0.163791	0.567920	1,367,460	1,345,580	16,082	1,361,662	99.6
2021	0.423094	0.138746	0.561840	1,450,559	1,414,585	14,399	1,428,984	98.5
2022	0.402471	0.148359	0.550830	1,447,043	1,409,911	9,488	1,419,399	98.1
2023	0.385127	0.148513	0.533640	1,531,815	1,485,861	1,687	1,487,548	97.1
2024	0.388878	0.130312	0.519190	1,644,304	1,594,975	(1,415)	1,593,560	96.9
2025	0.378605	0.140585	0.519190	1,674,139	1,619,896	10,150	1,630,046	97.4
2026	0.403259	0.115931	0.519190	1,722,055	1,680,382	4,744	1,685,126	97.9

[1] 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.”

[2] 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 2026, which is as of August 22, 2025.

[3] 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.

[4] 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 2026, the City has budgeted approximately $233 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately $40 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.

[5] The City’s fiscal year 2026 Budget includes a property tax levy in compliance with Proposition 1 & H. Upon receipt of the Certified Initial Roll a proposed tax rate is calculated to comply with the tax revenue restrictions.

AD VALOREM TAX OBLIGATION PERCENTAGES

June 30, 2025

(amounts expressed in thousands, except per capita amount)

(unaudited)

Tax Year	Fiscal Year	Tax-Supported Debt at December 31 (in thousands)[6]	Tax Roll[1] (in thousands)	Tax-Supported Debt as a Percentage of Tax Roll	Tax-Supported Per Capita Debt[2]	Debt Service Requirement Payable from Taxes[3][4] (in thousands)	Tax Levy for Debt Service (in thousands)[5]
2015	2016	$ 3,225,240	$ 203,977,027	1.58 %	$ 1,412	$ 340,345	$ 295,954
2016	2017	3,079,240	220,692,709	1.40	1,335	339,639	258,415
2017	2018	3,978,830	227,519,681	1.75	1,720	384,968	316,124
2018	2019	3,887,020	229,630,283	1.69	1,679	427,761	342,205
2019	2020	3,918,035	244,291,904	1.60	1,692	403,043	352,727
2020	2021	3,603,895	258,180,081	1.40	1,567	382,854	311,295
2021	2022	3,510,903	262,700,434	1.34	1,534	398,565	338,737
2022	2023	3,205,915	262,700,343	1.22	1,392	415,030	358,711
2023	2024	3,058,085	315,757,117	0.97	1,321	385,733	352,153
2024	2025	3,725,980	321,294,175	1.16	1,559	387,985	380,860

(1) With the exception of Tax Year 2024, 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 2024 amount represents the Appraisal Districts' estimate of certified taxable property values.

(2) Per capita figures are based on population estimates according to the U.S. Census Bureau.

(3) These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund.

(4) 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.

(5) Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.

(6) Information as reported in the City’s Monthly Operations and Financial Report dated as of December 31 of each Fiscal Year.

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 2026 through 2053 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 Ending June 30	Tax Bonds[1]	Pension Obligations[2]	Tax Certificates[3]	Total Debt Service[4]
2026	$ 251,657,147	$ 93,730,709	$ —	$ 345,387,856
2027	250,894,227	95,054,021	—	345,948,248
2028	250,220,124	96,419,190	—	346,639,314
2029	205,188,558	105,342,434	—	310,530,992
2030	169,110,324	106,794,257	—	275,904,581
2031	148,152,586	119,692,994	—	267,845,580
2032	135,165,844	121,218,257	—	256,384,101
2033	127,474,626	86,843,783	—	214,318,409
2034	149,720,103	65,230,035	—	214,950,138
2035	104,329,851	110,207,538	—	214,537,389
2036	111,915,127	101,573,226	—	213,488,353
2037	109,102,706	88,346,491	—	197,449,197
2038	101,142,536	66,433,106	—	167,575,642
2039	100,402,567	68,238,405	—	168,640,972
2040	99,648,576	70,088,291	—	169,736,867
2041	78,613,045	92,244,696	—	170,857,741
2042	98,953,601	73,069,195	—	172,022,796
2043	98,124,965	75,079,120	—	173,204,085
2044	61,051,339	77,145,038	—	138,196,377
2045	55,870,412	79,262,831	—	135,133,243
2046	57,260,143	81,442,535	—	138,702,678
2047	58,683,784	83,683,867	—	142,367,651
2048	60,149,850	—	—	60,149,850
2049	61,660,744	—	—	61,660,744
2050	58,423,323	—	—	58,423,323
2051	40,455,834	—	—	40,455,834
2052	—	—	—	—
2053	—	—	—	—
	$ 3,043,371,942	$ 1,957,140,019	$ —	$ 5,000,511,961

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.

(1) 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.

(2) GO portion only.

(3) Adjusted to reflect the sinking fund payments for the Tax and Revenue Certificates of Obligation (QECB - 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.

(4) Totals may reflect a variance due to rounding.

COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

LEGAL DEBT MARGIN CALCULATION AT JUNE 30, 2025

Assessed Value [1]	$ 431,355,386
Debt Limit (10% of assessed value)	$ 43,135,539
Debt applicable to limit:	
Public Improvement Bonds	1,470,485
Pension Obligations	1,285,819
General Obligations Bonds	575,831
Commercial Paper - General Obligation	170,000
Tax and Revenue Certificates of Obligation	—
Total net debt applicable to limit	3,502,135
Legal debt margin	$ 39,633,404

HISTORICAL LEGAL DEBT LIMITATION

Fiscal Year	Legal debt limitation, 10% of assessed value[2]	Total net debt applicable to margin	Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
2016	$ 26,857,750	$ 3,244,534	$ 23,613,216	12.1 %
2017	28,781,940	3,174,499	25,607,441	11.0 %
2018	29,222,567	3,985,690	25,236,877	13.6 %
2019	30,143,366	3,889,101	26,254,265	12.9 %
2020	32,030,547	3,732,189	28,298,358	11.7 %
2021	33,848,534	3,615,930	30,232,604	10.7 %
2022	34,546,666	3,331,796	31,214,870	9.6 %
2023	38,027,390	3,205,916	34,821,474	8.4 %
2024	42,141,601	3,058,086	39,083,515	7.3 %
2025	43,135,539	3,502,135	39,633,404	8.1 %

(1) Assessed Value for the 2024 tax year (fiscal year 2025) 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 Appraisal Districts as of July 2024.

(2) See Texas Government Code, Chapter 1331.051 (b).

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 [5]
				Principal	Interest [3]			
2016	$ 495,831	$ 314,715	$ 181,116	$ 79,093	$ 84,812	$ 13,888	$ 42,320	1.68
2017	510,524	254,506	256,018	82,707	92,315	—	54,673	2.13
2018	522,408	326,889	195,519	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	313,925 [4]	177,612	89,090	91,641	14,169	55,040	1.59
2021	329,110	251,939	77,171	75,580	69,769	88,984	56,365	N/A
2022	488,806	255,377	233,429	77,700	85,803	103,684	59,819	N/A
2023	582,232	315,487	266,745	119,710	88,441	50,000	68,743	3.00
2024	634,743	344,346	290,397	122,925	106,160	46,736	73,926	2.68
2025	680,674	362,131	318,543	126,831	103,081	—	82,439	2.16

(1) Including Senior 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.

(5) Calculations not performed for the years ended June 30, 2021, and 2022, as HAS paid all debt service in fiscal year 2021 and 2022 from PFC's and CARES Act proceeds.

Combined Utility System Bonds[1]

Fiscal Year	Operating & Non-Operating Revenues[2]	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
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
2022	1,406,715	510,072	896,643	254,501	250,694	1.77
2023	1,667,322	585,195	1,082,127	271,299	257,069	2.05
2024	1,762,018	596,241	1,165,777	279,586	256,035	2.18
2025	1,793,901	631,273	1,162,628	290,249	250,017	2.15

(1) Including Water and Sewer System Bonds, Combined Utility System Bonds, and Commercial Paper interest.

(2) Income and revenues derived from the operation of the Combined Utility System with limited exclusions.

Convention and Entertainment Center Bonds[1]

Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue[2]	Debt Service		Coverage
		Principal	Interest	
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
2022	66,593	23,892	31,162	1.21
2023	84,632	23,892	31,162	1.54
2024	94,649	28,312	31,234	1.59
2025	98,168	26,458	31,408	1.70

(1) Including Revenue Bonds and Commercial Paper.

(2) Includes the 5.65%/7% of collected hotel occupancy tax, certain parking revenues, and certain tax rebates.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(unaudited)

Fiscal Year	[1] [2] Population	[3] Personal Income (amount in thousands)	[3] Per Capita Income	[4] Median Age	[4] Educational Attainment Bachelor's Degree or Higher (persons)	[4] School Enrollment (persons)	[5] Average Unemployment Rate (percentage)
2016	2,283,616	$ 351,012	$ 51,572	32.6	1,384,097	1,849,065	5.6%
2017	2,306,360	377,978	54,788	32.6	1,433,072	1,874,344	5.1%
2018	2,313,079	403,674	57,875	32.7	1,490,351	1,893,312	4.6%
2019	2,314,478	415,920	58,884	32.9	1,522,732	1,932,292	4.0%
2020	2,315,720	428,501	59,893	32.9	1,508,624	1,915,864	11.5%
2021	2,300,027	467,267	64,837	33.4	1,675,719	1,920,741	7.0%
2022	2,288,250	501,653	68,344	35.3	1,715,458	1,911,456	4.5%
2023	2,302,878	542,046	72,453	35.4	1,763,563	1,943,808	4.4%
2024	2,314,157	Not available	Not available	35.7	1,896,297	2,005,380	4.7%
2025	2,390,125	Not available	Not available	Not available	Not available	2,082,886	4.3%

[1] Source: U.S. Census Bureau - QuickFacts: Houston, TX; Population estimates, July 1, 2015 - July 1, 2019.

[2] Source: U.S. Census Bureau - Annual Estimates of the Resident Population for Incorporated Places of 20,000 or More: estimate as of July 1, 2020 - July 1, 2024, for fiscal years 2021 - 2025.

[3] Source: U.S. Department of Commerce, Bureau of Economic Analysis. Amounts as of year ended December 31, 2023, for the Houston-Pasadena-The Woodlands, TX Metropolitan Statistical Area ("MSA"). Information for the years ended December 31, 2024, and 2025, are not yet available.

[4] Source: U.S. Census Bureau - American Community Survey, Houston-Pasadena-The Woodlands, TX MSA. Median age and educational attainment for the year ended December 31, 2025, are not yet available.

[5] Source: U.S. Bureau of Labor Statistics. Information is as of June every year for the Houston-Pasadena-The Woodlands, TX MSA.

PRINCIPAL EMPLOYERS (1)
Last Ten Fiscal Years
Employer (Listed Alphabetically)
(unaudited)

2025	2024	2023
Baker Hughes	AT&T	Amazon
ConocoPhillips	Baker Hughes	CHI St. Luke's Health
Enterprise Product Partners	CenterPoint Energy	ExxonMobil
Exxon Mobil	ConocoPhillips	HCA Houston Healthcare
Hewlett Packard Enterprise	Enterprise Products Partners	HEB
LyondellBasell Industries	EOG Resources	Houston Methodist
Occidental Petroleum	ExxonMobil	Kroger
Phillips 66	Group 1 Automotive	Memorial Hermann Health System
Plains All American Pipeline	Halliburton	Schlumberger
Sysco	Kinder Morgan	Walmart

2022	2021	2020
CHI St. Luke's Health	ExxonMobil	ExxonMobil
ExxonMobil	HEB	HEB
HCA Houston Healthcare	HCA Houston Healthcare	HCA Houston Healthcare
HEB	Houston Methodist	Houston Methodist
Houston Methodist	Kroger	Kroger
Kroger	Memorial Hermann Health System	Memorial Hermann Health System
Memorial Hermann Health System	Schlumberger	Shell Oil Company
Schlumberger	UT MD Anderson Cancer Center	UT MD Anderson Cancer Center
UT MD Anderson Cancer Center	United Airlines	United Airlines
Walmart	Walmart	Walmart

2019	2018	2017
HEB	Exxon Mobil	HEB
Houston Methodist	HEB	Houston Methodist
Kroger	Houston Methodist	Kroger Company
McDonald's Corp	Kroger Company	McDonald's Corp
Memorial Hermann Health System	McDonald's Corp	Memorial Hermann Health System
Schlumberger	Memorial Hermann Health System	UT MD Anderson Cancer Center
Shell Oil Company	Texas Children Hospital	United Airlines
UT MD Anderson Cancer Center	UT MD Anderson Cancer Center	Schlumberger Limited
United Airlines	United Airlines	Shell Oil Company
Walmart	Walmart	Walmart

2016
ExxonMobil
Houston Methodist Hospital System
Kroger Company
Memorial Hermann Health System
National Oilwell Varco
Schlumberger Limited
Shell Oil Company
UTMB Health
UT MD Anderson Cancer Center
United Airlines

Source: Greater Houston Partnership Research
(1) Starting fiscal year 2022, information such as the number of employees or the employers' percentage of total employment is not available for disclosure.

EMPLOYMENT STATISTICS
June 30, 2025
(unaudited)

The following table indicates the Houston MSA estimated annual average labor force for the years 2015 through 2024 according to the Texas Employment Commission:

Houston MSA Labor Force Estimates
(Employees in thousands)

	2015	2016	2017	2018	2019
Civilian Labor Force [1]	3,258	3,352	3,381	3,433	3,471
Employed	3,102	3,166	3,207	3,274	3,333
Unemployed	156	186	174	160	139
Percent unemployed	4.80 %	5.60 %	5.10 %	4.60 %	4.00 %
Nonfarm Payroll Employment [2]	3,006	3,001	3,043	3,102	3,173
Manufacturing	247	222	221	229	238
Mining	100	81	78	78	81
Contract construction	218	220	217	223	236
Transp/Trade/Pub Utils/ Communications [3]	641	640	647	655	659
Finance/Insurance/Real Estate	152	156	161	165	167
Services & Miscellaneous	1,259	1,279	1,311	1,339	1,376
Government	390	403	410	412	417

	2020	2021	2022	2023	2024
Civilian Labor Force [1]	3,472	3,513	3,601	3,737	3,853
Employed	3,074	3,266	3,440	3,571	3,673
Unemployed	399	247	160	165	180
Percent unemployed	11.50 %	7.00 %	4.50 %	4.40 %	4.70 %
Nonfarm Payroll Employment [2]	2,947	3,064	3,246	3,394	3,448
Manufacturing	219	212	225	235	241
Mining	65	59	65	76	78
Contract construction	215	208	224	232	233
Transp/Trade/Pub Utils/ Communications [3]	631	658	695	720	724
Finance/Insurance/Real Estate	163	169	179	187	181
Services & Miscellaneous	1,242	1,336	1,428	1,501	1,533
Government	413	422	430	443	459

[1] 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.

[2] Includes the non-agricultural wage and salary jobs estimated to exist in Houston MSA without reference to place of residence of workers.

[3] Trade has been included with Transportation, Public Utilities and Communications.

CITY OF HOUSTON EMPLOYMENT INFORMATION
Last Ten Years
(unaudited)

Full-time Equivalent Employees as of June 30, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Department										
CIVILIAN										
Administration & Regulatory Affair	381.5	388.7	363.3	357.9	354.0	350.6	345.1	337.4	351.0	351.6
City Controller	60.3	57.8	60.3	51.1	48.3	50.0	49.9	46.5	51.5	54.6
City Council	77.6	76.2	73.2	71.8	70.2	72.8	71.2	67.6	74.7	75.5
City Secretary	9.2	8.9	9.9	9.8	9.4	7.6	8.2	7.8	8.6	7.4
Convention & Entertainment Facilities	–	–	–	–	–	–	–	–	–	–
Fire - Civilian	111.9	109.6	108.3	105.2	95.3	85.3	97.5	95.5	94.2	96.6
Finance	146.0	143.4	152.3	150.5	148.1	158.7	154.1	151.4	173.4	176.4
Fleet Management (Formerly PW&E - Fleet Management)	371.2	399.7	406.9	400.8	389.3	392.9	373.0	360.4	379.6	387.6
General Services (Formerly Building Services)	130.1	126.1	134.6	129.6	117.6	113.9	102.9	104.5	114.6	111.4
Houston Health (Formerly Health & Human Services)	1,104.0	1,133.7	1,214.6	1,216.9	1,155.6	1,341.8	1,366.8	1,375.9	1,283.8	1,210.5
Housing & Community Development	159.0	146.8	145.4	189.5	278.6	307.3	286.4	265.7	231.0	203.1
Houston Airport System	1,245.2	1,211.5	1,190.0	1,156.3	1,145.2	1,163.2	1,172.9	1,231.9	1,320.1	1,387.5
Houston Emergency Center	247.5	243.2	246.1	248.0	241.9	242.9	227.5	214.5	229.1	221.6
Houston Information Technology	211.7	195.3	190.6	176.4	124.1	126.8	181.5	180.7	187.1	196.1
Houston Public Works	3,923.8	4,014.2	4,074.6	3,890.7	4,016.9	4,083.8	4,032.3	4,001.2	3,987.2	4,118.3
Human Resources	278.4	257.1	243.9	282.8	283.3	272.1	289.6	283.2	323.9	323.7
Legal	180.5	221.2	211.8	206.2	216.1	197.5	151.9	157.7	156.6	156.2
Library	479.6	474.0	477.4	461.7	449.8	427.0	415.7	433.2	455.5	465.0
Mayor's Office	99.5	100.1	100.4	100.3	99.2	109.3	106.7	107.6	103.4	93.5
Municipal Courts	309.5	301.0	284.4	268.3	262.6	251.7	244.2	230.2	250.4	228.2
Neighborhoods	151.0	144.1	140.4	128.6	117.6	116.9	113.5	111.6	104.5	100.4
Office of Business Opportunity (Formerly Affirm. Action)	30.2	29.7	29.3	27.8	31.9	36.0	29.9	30.3	36.3	32.6
Parks and Recreation	766.2	809.9	804.5	748.1	688.9	618.9	648.0	655.3	692.3	726.3
Planning & Development	81.7	82.2	79.6	77.0	74.0	85.5	83.2	78.0	83.9	78.7
Police - Civilian	1,209.6	1,206.4	1,161.0	1,035.8	932.7	915.0	898.3	903.6	912.0	916.4
Solid Waste Management	647.8	665.1	664.7	690.8	675.2	673.0	651.3	639.0	655.2	642.3
Total Civilian	12,413.0	12,545.9	12,567.5	12,181.9	12,025.8	12,200.5	12,101.6	12,070.7	12,259.9	12,361.5
CLASSIFIED AND CADET										
Fire - Classified	4,235.4	4,231.6	4,219.3	4,100.0	4,098.6	4,055.6	4,101.1	4,150.6	4,142.8	4,254.0
Fire - Cadet	107.1	94.6	41.4	80.2	49.7	98.4	123.7	113.7	92.6	151.1
Police - Classified	5,413.5	5,425.3	5,622.7	5,407.5	5,649.0	5,340.8	5,466.3	5,396.4	5,478.1	5,625.5
Police - Cadet	157.2	217.1	135.1	162.5	139.7	140.3	173.9	166.3	195.2	187.0
Total Classified and Cadet	9,913.2	9,968.6	10,018.5	9,750.2	9,937.0	9,635.1	9,865.0	9,827.0	9,908.7	10,217.6
Total Full-time Equivalent Employees	22,326.2	22,514.5	22,586.0	21,932.1	21,962.8	21,835.6	21,966.6	21,897.7	22,168.6	22,579.1

OPERATING INDICATORS BY FUNCTION
June 30, 2025
(unaudited)

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Physical arrests	61,749	51,910	51,288	58,401	51,054	41,351	43,377	45,984	46,958	45,658
Parking violations	203,941	194,595	187,047	201,142	169,439	187,482	197,997	196,471	216,488	226,690
Traffic violations filed	437,138	395,461	379,266	392,454	280,399	235,349	230,403	280,075	280,022	260,116
Fire										
Number of calls dispatched	336,170	335,693	346,023	337,613	347,409	363,767	382,971	390,547	409,590	412,188
Inspections [1]	74,906	11,000	25,742	30,579	34,582	36,160	27,731	26,910	22,944	27,728
Highways and streets										
Streets resurfaced (miles)	152	186	142	153	158	136	143	126	123	109
Tons of asphalt for pothole repair and skin patches	13,130	13,328	13,058	11,507	15,026	11,379	10,573	10,414	9,613	8,719
Parks and recreation										
Athletic field permits issued	2,270	2,423	2,300	2,342	1,715	608	1,890	2,377	2,695	2,714
Community center admissions (thousands)	5,547	5,838	5,470	5,810	4,521	1,637	2,976	3,582	3,801	4,112
Sanitation										
Refuse collected (tons)	695,613	725,819	732,015	718,506	753,879	773,596	716,584	687,408	681,200	706,951
Recyclables collected (tons) [2]	127,421	120,324	76,024	99,697	127,160	124,075	90,714	64,724	59,591	58,041
Water										
New connections [3]	4,559	4,530	4,612	4,524	3,083	3,805	4,009	3,956	4,662	4,367
Water main breaks	11,122	9,638	8,355	11,067	8,178	9,427	8,539	11,119	11,788	12,483
Average daily pumpage (millions of gallons)	445	458	461	454	455	447	458	476	514	516
Wastewater										
Wastewater line repairs	2,252	2,322	2,452	2,222	1,893	2,152	2,067	1,987	2,120	2,162
Average daily sewage treatment (millions of gallons)	256	253	252	270	245	264	251	242	249	261

[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] New connections represents all water connection types as meters (physical connections) to the water supply, not the regulatory definition of a connection.

CAPITAL ASSET STATISTICS BY FUNCTION
June 30, 2025
(unaudited)

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety										
Police										
Stations	16	17	17	17	17	17	17	17	17	17
Patrol units	1,338	1,315	1,494	1,258	1,402	1,427	1,389	1,308	1,318	1,444
Fire										
Stations	93	93	93	93	93	93	93	93	93	93
Highways and streets										
Streets (lane miles)	14,656	14,656	14,764	13,852	13,852	15,991	15,991	15,991	15,991	15,991
Streetlights	175,172	176,440	177,056	177,056	177,056	177,056	178,837	179,138	179,395	179,708
Traffic signals	2,491	2,495	2,491	2,491	2,491	2,534	2,520	2,520	2,503	2,432
Parks and recreation										
Parks acreage	37,856	35,733	37,942	39,501	39,501	39,501	39,501	35,992	39,393	39,541
Parks	537	542	545	546	547	547	548	556	814	815
Swimming pools	56	57	58	59	59	59	59	59	53	38
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	61	60	60	60	60	60	60	60	62	60
Sanitation										
Collection trucks	351	360	350	371	413	323	327	450	353	324
Water										
Water mains (miles)	7,128	7,128	7,144	7,210	7,174	7,640	7,639	7,660	7,732	7,732
Fire hydrants	N/A	60,420	60,543	61,524	61,876	61,991	62,103	62,509	62,686	62,686
Maximum daily capacity (millions of gallons)	808	799	782	795	790	764	713	693	784	788
Sewer										
Sanitary sewers (miles) [1]	6,950	6,950	6,192	6,200	6,300	6,396	6,186	6,192	6,102	6,099
Storm sewers (miles)	3,894	3,946	3,987	3,987	3,987	3,987	3,987	3,987	3,900	3,900
Maximum daily treatment permitted (millions of gallons)	563	563	564	564	564	564	564	587	560	563

[1] The sanitary sewers (miles) for the fiscal years ended June 30, 2015 to June 30, 2018 were adjusted to reflect updated information received from Water Operations Branch.

Source: Departments of the 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	2016	2017	2018
Operating Revenues			
Fees charged to users, net	$ 12,431	$ 12,283	$ 7,883
Total Operating Revenues	12,431	12,283	7,883
Nonoperating Revenues			
Interest	12,708	9,091	9,723
Hotel occupancy tax (includes penalty and interest)	88,632	82,882	89,417
Other income	—	291	989
Total Nonoperating Revenues	101,340	92,264	100,129
Total Revenues	$ 113,771	$ 104,547	$ 108,012

Total Annual Expenses Last Ten Fiscal Years	2016	2017	2018
Operating Expenses			
Maintenance and operating	$ 76,466	$ 69,756	$ 73,725
Depreciation	13,720	13,654	13,599
Total Operating Expenses	90,186	83,410	87,324
Nonoperating Expenses			
Interest on long-term debt	27,299	27,170	27,945
Gain (loss) on disposal of assets	—	—	—
Other expenses and transfer out	421	177	251
Total Nonoperating Expenses	27,720	27,347	28,196
Total Expenses	$ 117,906	$ 110,757	$ 115,520

(*) 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.

2019	2020	2021	2022	2023	2024	2025
$ 10,655	$ 9,486	$ 6,100	$ 8,357	$ 10,398	$ 10,336	$ 11,141
10,655	9,486	6,100	8,357	10,398	10,336	11,141
13,560	12,000	9,083	7,979	9,491	8,717	10,284
86,078	67,348	47,449	82,505	104,853	106,344	111,192
2,083	292	431	324	307	280	253
101,721	79,640	56,963	90,808	114,651	115,341	121,729
$ 112,376	$ 89,126	$ 63,063	$ 99,165	$ 125,049	$ 125,677	$ 132,870

2019	2020	2021	2022	2023	2024	2025
$ 70,470	$ 48,935	$ 30,441	$ 69,298	$ 85,544	$ 83,744	$ 87,904
13,508	13,480	13,418	12,848	12,844	12,827	12,761
83,978	62,415	43,859	82,146	98,388	96,571	100,665
29,747	27,322	25,475	24,419	22,706	19,721	20,457
—	—	5,753	—	—	—	—
—	—	1,449	1,521	1,522	1,521	1,521
29,747	27,322	32,677	25,940	24,228	21,242	21,978
$ 113,725	$ 89,737	$ 76,536	$ 108,086	$ 122,616	$ 117,813	$ 122,643

CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
Last Ten Fiscal Years
(unaudited)

HISTORICAL PLEDGED REVENUES
(amounts expressed in thousands)

Fiscal Year	Pledged HOT [1]	% Change	Pledged Parking Revenues [2]	% Change	Total [3]
2016	$ 72,265	(1.3)%	$ 9,851	0.4 %	$ 82,116
2017	66,898	(7.4)%	9,593	(2.6)%	76,491
2018	72,172	7.9 %	5,234	(45.4)%	77,406
2019	69,477	(3.7)%	8,006	53.0 %	77,483
2020	54,359	(21.8)%	6,837	(14.6)%	61,196
2021	38,298	(29.5)%	3,451	(49.5)%	41,749
2022	66,593	73.9 %	5,636	63.3 %	72,229
2023	84,632	27.1 %	7,678	36.2 %	92,310
2024	85,835	1.4 %	7,615	(0.8)%	93,450
2025	89,748	4.6 %	8,420	10.6 %	98,168

(1) 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%.

(2) 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 and beyond.

(3) Amounts shown do not include investment earnings on pledged revenues, which are also pledged.

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)
2016	64.2 %	$ 105.55	7.00 %	$ 88,632
2017	61.5	105.47	7.00	82,961
2018	65.0	108.18	7.00	89,417
2019	64.6	104.16	7.00	86,078
2020	39.8	86.48	7.00	67,348
2021	52.4	84.93	7.00	47,449
2022	56.6	100.89	7.00	82,505
2023	62.1	115.75	7.00	104,853
2024	70.8	120.39	7.00	106,344
2025	62.9	122.83	7.00	111,192

[1] Source: STR, Inc.

CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2025
(unaudited)

Schedule of Hotel Occupancy Tax Collections

The Ten Largest Taxpayers		Gross Hotel Occupancy Tax Collections (in thousands)
AirBnB Inc.		$ 9,253
Houston Marriott Marquis		4,716
Hilton Americas-Houston		4,672
The Post Oak Hotel		2,931
Hyatt Regency Hotel		2,218
Four Seasons Hotel Houston		2,210
JW Marriott Houston Downtown		1,841
Marriott Hotel IAH		1,833
JW Marriot Galleria		1,759
Westin Galleria		1,705
	Total	$ 33,139

CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS
June 30, 2025
(unaudited)

Parking Facilities Rates

Facility	City Employee Monthly Contract[1]	Other Monthly Contract		Daily Transient[2]	Event Rate[2]
Theater District Garage	$ 108.90	$ 130.00	(2),(3)	$10 - 1st hour	$ 15.00
		210.00	(2),(4)	$14 - 2nd hour	
		220.00	(2),(5)	$18 - 3rd hour	
			(2),(6)	$20 - daily maximum	
		155.00			
		102.50	(2),(6)		
			(1),(7),(10)		
		194.00			
Reserved parking		$ 325.00	(2),(8)		
		355.00	(2),(9)		
		235.57	(1),(10)		
		194.00	(1),(7)		
City Hall Annex Parking Garage	$ 51.76			n/a	$ 15.00
Lots C and H	$ 72.55	$ 75.00		n/a	$ 20.00

(1) Does not include sales and use tax of 8.25%.
(2) Includes sales and use tax of 8.25%.
(3) Current TC Energy employee flex rate.
(4) Current Monday through Friday monthly unreserved rate.
(5) Current 24/7 monthly unreserved rate.
(6) Rates paid by Convention & Entertainment Facilities departmental contractors.
(7) Rates paid by Arts Group
(8) Current monthly reserved rate.
(9) Current monthly reserved with electric vehicle charger access included in the rate.
(10) Rates paid by Law Enforcement / Marshall's service.

Source: www.houstonfirsttheaters.com/parking

CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS

Debt Service Schedule

(amounts expressed in thousands)

(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 2014 Bonds	Series 2015 Bonds	Truist Notes [1]	Series 2017 Bonds	Series 2019 Bonds	Series 2021 Bonds	Total Debt Service
2026	$ 25,850	$ 4,393	$ 12,015	$ 77,810	$ 1,419	$ 9,834	$ 3,239	$ 134,560
2027	26,610	8,253	9,007	—	854	8,473	3,566	56,762
2028	27,355	7,992	9,336	—	914	7,608	3,528	56,733
2029	28,305	8,287	8,500	—	756	7,254	3,615	56,716
2030	29,065	8,041	8,578	—	773	6,770	3,497	56,724
2031	29,950	8,183	8,377	—	736	6,496	2,977	56,719
2032	30,530	8,074	8,376	—	739	6,205	2,782	56,706
2033	30,560	8,149	8,532	—	765	5,945	2,741	56,693
2034	30,550	9,530	7,807	—	628	5,536	2,609	56,659
2035	—	2,481	4,416	—	—	6,266	—	13,163
2036	—	2,479	4,417	—	—	6,260	—	13,156
2037	—	2,483	4,415	—	—	4,976	—	11,874
2038	—	2,481	4,416	—	—	—	—	6,897
2039	—	2,479	4,414	—	—	—	—	6,893
2040	—	2,481	4,414	—	—	—	—	6,894
2041	—	—	4,415	—	—	—	—	4,415
2042	—	—	4,416	—	—	—	—	4,416
2043	—	—	4,415	—	—	—	—	4,415
2044	—	—	4,416	—	—	—	—	4,416
2045	—	—	4,417	—	—	—	—	4,417
2046	—	—	—	—	—	—	—	—
Total	$ 258,775	$ 85,783	$ 129,097	$ 77,810	$ 7,584	$ 81,622	$ 28,554	$ 669,225

[1] Truist Notes assumes an interest rate of 4.03%.

COMBINED UTILITY SYSTEM FUND REVENUES AND EXPENSES
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Years	2016	2017	2018	2019	2020
Operating Revenues					
Water sales	$ 529,879	$ 547,054	$ 559,010	$ 554,294	$ 591,611
Waste water system user charges	462,786	475,392	479,978	485,183	509,315
Penalties and Other services and charges	18,566	20,501	19,660	20,895	19,663
Provision for bad debts	(8,649)	(17,152)	(6,099)	(17,930)	(20,497)
Total Operating Revenues	1,002,582	1,025,795	1,052,549	1,042,442	1,100,092
Nonoperating Revenues					
Investment income	12,652	3,954	8,074	55,170	54,988
Other income	55,306	58,414	74,595	83,688	70,546
Total Nonoperating Revenues	67,958	62,368	82,669	138,858	125,534
Total Revenues	$ 1,070,540	$ 1,088,163	$ 1,135,218	$ 1,181,300	$ 1,225,626

Fiscal Years	2016	2016	2017	2019	2020
Operating Expenses					
Maintenance and operating	$ 451,342	$ 354,396	$ 492,391	$ 516,503	$ 518,591
Depreciation and Amortization	236,841	246,218	252,093	257,430	265,306
Total Operating Expenses	688,183	600,614	744,484	773,933	783,897
Nonoperating Expenses					
Interest on long-term debt	252,116	248,920	248,284	268,708	247,440
Other expenses	1,877	—	—	—	—
Total Nonoperating Expenses	253,993	248,920	248,284	268,708	247,440
Total Expenses	$ 942,176	$ 849,534	$ 992,768	$ 1,042,641	$ 1,031,337

2021	2022	2023	2024	2025
$ 584,594	$ 698,263	$ 802,915	$ 901,357	$ 894,302
510,832	607,343	713,004	767,457	827,817
18,822	30,855	36,881	36,042	14,661
(21,508)	(28,948)	(48,818)	(74,281)	(81,211)
1,092,740	1,307,513	1,503,982	1,630,575	1,655,569
3,310	(50,712)	39,748	88,609	101,955
84,451	152,820	85,144	87,034	84,867
87,761	102,108	124,892	175,643	186,822
$ 1,180,501	$ 1,409,621	$ 1,628,874	$ 1,806,218	$ 1,842,391

2021	2022	2023	2024	2025
$ 529,971	$ 463,364	$ 578,050	$ 640,844	$ 617,219
273,747	282,839	289,362	294,198	332,309
803,718	746,203	867,412	935,042	949,528
242,569	257,907	270,085	282,801	270,765
—	—	2,955	91	–
242,569	257,907	273,040	282,892	270,765
$ 1,046,287	$ 1,004,110	$ 1,140,452	$ 1,217,934	$ 1,220,293

COMBINED UTILITY SYSTEM REVENUE BOND COVERAGE
(amounts expressed in thousands)
(unaudited)

	Fiscal Year 2025	Fiscal Year 2024
OPERATING REVENUES		
Sales of water	$ 894,302	$ 901,357
Sewer system user charges	827,817	767,457
Penalties, other services and charges	14,661	36,042
Provision for bad debts	(81,211)	(74,281)
Total Operating Revenues	1,655,569	1,630,575
NON-OPERATING REVENUES		
Investment Earnings under Previous Ordinance	60,512	54,534
Investment Earnings under Master Ordinance	10,770	9,916
Contributions from Water Authorities	—	—
Other Non-Operating revenues	31,502	30,550
Total non-operating revenues	102,784	95,000
TOTAL GROSS REVENUES:	1,758,353	1,725,575
EXPENSES		
Contract Revenue Bonds Payments[1]		
Coastal Water Authority Debt Service	6,340	6,351
Total Contract Revenue Bonds Payments	6,340	6,351
Maintenance and Operating Expenses	624,933	589,890
Total Expenses	631,273	596,241
RESTRICTED RECEIPTS UNDER MASTER ORDINANCE	35,548	36,443
NET REVENUES UNDER MASTER ORDINANCE	$ 1,162,628	$ 1,165,777
BOND DEBT SERVICE:		
Previously Issued Bonds	17,990	19,005
First Lien Bonds	522,276	516,616
Total Debt Service	$ 540,266	$ 535,621
BOND DEBT SERVICE COVERAGE:		
Junior Lien Bond Coverage under Previous Ordinance[2]	62.05	58.90
First Lien Bond Coverage under Master Ordinance[3]	2.19	2.22
TOTAL COVERAGE[4]	2.15	2.18

(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.

COMBINED UTILITY SYSTEM STATISTICS
June 30, 2025
(unaudited)

Water Right Permit

	Rights in MGD
Surface Water	
Trinity River Basin	914
Water Reuse	259
San Jacinto River Basin	258
Bayous	116
Brazos River Basin	30
Total Surface Water Rights	1,577
Ground Water Production Capacity [1]	139
Total Water Available	1,716

[1] Pursuant to rules of the Harris - Galveston Coastal Subsidence District.

COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

Previous Ordinance and First Lien Bonds

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

		FY 2025
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]	$	547,205,557
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance	$	551,886,413
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2025[3]	$	1,127,080,323
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2025[4]	$	1,162,627,282
Total Funds available for Debt Service Coverage at July 01, 2025[5]	$	1,286,282,887
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds		25.56
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds		4.48
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bonds		4.44

[1] Does not include debt service on CWA Bonds, which are payable from Gross Revenues as a Maintenance and Operating Expense of the Combined Utility 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 Combined Utility System - Water & Sewer Facilities General

The City of Houston Drinking Water Operations (DWO) System covers over 579 square miles, providing drinking water to four counties: Harris, Fort Bend, Montgomery, and Galveston. There are 509,561 active water service accounts. 88% of source water is pulled from the San Jacinto and Trinity rivers while the remaining 12% originates from groundwater wells. In total, DWO has 941 million gallons per day (MGD) combined design production capacity of groundwater and surface water. More specifically, the water production and storage system include 3 surface water plants, 54 groundwater plants, 130 groundwater wells, 7 surface water re-pressurization plants, and 136 water storage tanks and towers. Average water purification and production is 516 MGD, which is enough to fill the Astrodome almost twice per day. The water distribution network consists of 7,732 linear miles of piping, 62,686 fire hydrants, and over 171,924 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 650 square miles within the City of Houston and serves a population of about 2.3 million people. The Wastewater System consists of over 6,080 miles of both gravity and force main lines, 539 miles of service lines within public right of way, 38 wastewater treatment plants, and over 365 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 2025 was 261 million gallons per day (mgd). The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 563 mgd.

The Combined Utility 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.

COMBINED UTILITY SYSTEM STATISTICS
(unaudited)

Funding of Proposed System Improvements

It is anticipated that the system improvements contemplated in the Combined Utility System's Fiscal Year 2026-2030 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in thousands)
System Revenue Bonds (Net Proceeds and Interest Earnings) [1]	$ 4,378,360
System Revenue	1,500,000
Swift Loan (Subordinate Lien)	2,075,830
Contributed Capital	102,734
	$ 8,056,924

(1) The department's fiscal year 2026-2030 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 Combined Utility System Revenues

The following sets forth the total outstanding principal amount of the Combined Utility System obligations payable from revenues of the Combined Utility System as of June 30, 2025:

Contract Revenue Bonds Payable from System Gross Revenues	Amount (in thousands)
CWA Bonds [1]	$ 60,320
Total - Contract Revenue Bonds	$ 60,320
System Revenue Bonds Payable from System Net Revenues	
Previous Ordinance Bonds	$ 25,302
First Lien Bonds	5,615,925
Third Lien Obligations	–
Total - System Revenue Bonds	$ 5,641,227
Total - All Bonds Payable from System Revenues	$ 5,701,547

(1) 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.

COMBINED UTILITY SYSTEM STATISTICS
TREATED WATER & WASTE WATER CONSUMPTION
(NOT INCLUDING WHOLESALE NOR RAW WATER)
Last Ten Fiscal Years
(unaudited)

Fiscal Years	2016	2017	2018	2019
Water Consumption (in Thousand Gallons)				
Residential	24,744,815	25,911,974	26,498,295	24,144,424
Multi-Family	25,676,282	26,323,185	29,640,195	26,521,613
Commercial	21,825,149	23,764,306	24,188,333	25,778,408
Government	3,558,515	6,174,766	8,670,358	5,982,549
Other Accts	5,903,309	3,072,484	2,777,547	3,092,248
Total	81,708,070	85,246,715	91,774,728	85,519,242

Fiscal Years	2016	2017	2018	2019
Waste Water Consumption (in Thousand Gallons)				
Residential	24,545,897	24,729,939	25,368,705	23,107,362
Multi-Family	25,520,422	25,669,642	29,017,348	25,860,847
Commercial	22,375,995	19,777,267	20,008,565	22,373,928
Government	400,109	3,799,206	6,865,830	4,030,345
Total	72,842,423	73,976,054	81,260,448	75,372,482

2020	2021	2022	2023	2024	2025
25,495,741	26,166,947	23,640,857	24,058,354	23,937,110	23,893,295
27,766,727	29,532,580	27,836,619	27,363,147	27,167,733	27,394,555
29,590,893	21,200,453	20,818,858	22,411,325	23,049,978	22,479,151
5,566,938	5,347,518	5,715,351	6,054,926	6,718,901	6,223,363
3,270,522	2,528,725	2,195,120	2,887,063	2,541,471	2,393,496
91,690,821	84,776,223	80,206,805	82,774,815	83,415,193	82,383,860

2020	2021	2022	2023	2024	2025
24,305,681	25,058,608	22,652,739	22,912,312	22,694,348	22,880,955
27,100,348	28,918,302	27,264,817	26,640,463	26,396,148	26,699,495
20,236,691	17,472,601	17,901,146	18,597,125	19,273,235	18,993,114
3,402,662	3,251,174	3,541,662	3,503,413	4,051,230	3,480,954
75,045,382	74,700,685	71,360,364	71,653,313	72,414,961	72,054,518

COMBINED UTILITY SYSTEM STATISTICS

June 30, 2025

(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, 2025. The total charges to such customers represent approximately 2.15% of the Fund's Gross Revenues and 4.78% of Sewer Facilities gross charges during such period.

Customers	Gross Charges
1. Anheuser-Busch, Inc	$ 7,010,759
2. City of Houston	6,132,493
3. Houston Independent School District	6,845,821
4. University of Houston	5,404,522
5. Harris County	5,284,212
6. Memorial Hermann Hospital	4,329,759
7. Rice University	2,143,720
8. MD Anderson Hospital	1,558,958
9. Methodist Hospital	677,348
10. Republic Services	198,815
	$ 39,586,407

COMBINED UTILITY SYSTEM STATISTICS

June 30, 2025

(unaudited)

Water and Sewer Rate Adjustments

In recent years, the water and sewer rates have been adjusted on the average as follows:

	Average Percent Rate Increase (Decrease)	
Date of Change	**Water**	**Sewer**
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 %
April 2022	9.0 %	20.0 %
September 2022	7.5 %	11.0 %
April 2023*	5.6 %	5.6 %
April 2023	9.2 %	9.2 %
April 2024	6.0 %	6.0 %
April 2024*	7.0 %	11.0 %
April 2025*	6.0 %	6.0 %

1. Current water rates are based on customer class. Customer classes include single-family, commercial, industrial, contract and agricultural. The amount of the bill is the sum of the fixed charge based on meter size and an additional charge based on the volume of water consumed. For example, for single-family customers, water rates can vary from $9.93 for the first thousand gallons to $105.59 for ten thousand gallons.

2. Wastewater rates also include a fixed charge based on meter size and an additional charge based on the volume of the water usage. For example, for single-family customers, wastewater rates can vary from $23.32 for the first thousand gallons to $137.96 for ten thousand gallons. Additionally, industrial customers may be subject to a sewer surcharge based on the quality of their wastewater discharge.

3. The bill for a typical single family residential customer using 7,000 gallons per month would be $165.64 for both water and wastewater services. Refer to table below for further information. However, total water and sewer charges may range from $33.25 for 1,000 gallons to $116.90 for 5,000 gallons per month for single-family residential customers.

4. *Determined from Water and Wastewater Cost of Service Study Rate formally approved by City Council in 2021. Refer to City of Houston, TX Ordinance No. 2021-15 for further information.

COMBINED UTILITY SYSTEM STATISTICS

June 30, 2025

Water Supply

(unaudited)

Capacity, Production, and Sales

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2025 (million gallons per day):

	Available Capacity	Production Planned	Actual Production
Ground	159	72	61
Surface	640	467	456
Total	799	539	517

	Total Sales
Treated	419
Untreated	246
	665

Sources of Combined Utility System Revenues - General

As of June 30, 2025, the Water Facilities and the Sewer Facilities served approximately 509,561 and 481,842 active service account connections, respectively. During Fiscal Year 2025 approximately 48.15% of System Gross Revenues were derived from the sale of water, (90.49% from treated water and 9.51% from untreated water), approximately 44.15% from providing wastewater treatment services 2.81% from interest income and the remaining 4.89% from various other sources. Of the treated water sales, 84.74% of revenues were from retail customers and 15.26% from bulk sales to other governmental entities.

COMBINED UTILITY SYSTEM STATISTICS

June 30, 2025

Water Supply

(unaudited)

Largest Treated Water Customers

The following schedule presents information concerning the ten largest treated water customers of the Combined Utility System for the twelve month period ended June 30, 2025. The total charges to such customers during such period represent approximately 3.79% of the Combined Utility System's Gross Revenues and 7.82% of total water sales revenues for such period.

Customers		Charges
1. North Harris Co. Regional Water Authority	$	17,777,759
2. North Channel Water Authority		11,438,070
3. West Harris Co. Regional Water Authority		8,826,673
4. City of Pasadena		6,617,692
5. North Fort Bend County Water Authority		5,859,873
6. Gulf Coast Water Authority (Galveston)		5,177,288
7. City of Pearland		4,374,687
8. Anheuser-Busch, Inc		3,419,372
9. Memorial Villages Water Authority		3,265,072
10. Clear Lake City		3,140,972
	$	69,897,458

Largest Untreated Water Customers

The following schedule presents information concerning the ten largest untreated water customers of the Combined Utility System for a twelve month period ended June 30, 2025. The total of the contract payments by these ten customers during such period represents approximately 3.10% of the Combined Utility System's Gross Revenue and 6.38% of total water sales revenues for such period.

Customers		Gross Charges
1. Equistar Chemicals LP CH11	$	15,279,607
2. Deer Park Refining Partnership LP		6,519,007
3. Baytown Area		6,499,346
4. Battleground Water Company		6,000,668
5. Air Liquide America Corp.		5,322,973
6. Houston Refining, LP (Lyondell-Citgo) CH11		5,190,334
7. Hoechst Celanese		3,646,406
8. Chevron Phillips Chemical Co,		3,278,940
9. Dear Park Energy Center		2,724,889
10. Occidental Chemical		2,595,773
	$	57,057,943

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 Combined Utility 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.

		Payable From System Net Revenues			
Fiscal Year Ending June 30	Total Payable From System Gross Revenues[1]	Previous Ordinance Bonds	First Lien Bonds[2]	Total Payable From System Net Revenues	Total Debt Service
2026	$ 12,054,874	$ 18,155,000	$ 532,696,933	$ 550,851,933	$ 562,906,807
2027	4,709,385	30,815,000	519,444,889	550,259,889	554,969,274
2028	4,713,193	30,810,000	519,483,322	550,293,322	555,006,515
2029	4,737,215	44,095,000	507,791,413	551,886,413	556,623,628
2030	4,736,474	—	547,205,557	547,205,557	551,942,031
2031	4,729,135	—	544,281,534	544,281,534	549,010,669
2032	4,720,341	—	541,450,053	541,450,053	546,170,394
2033	4,715,796	—	526,609,170	526,609,170	531,324,966
2034	4,710,693	—	523,953,682	523,953,682	528,664,375
2035	4,719,645	—	355,081,066	355,081,066	359,800,711
2036	1,336,056	—	352,992,427	352,992,427	354,328,483
2037	1,337,246	—	332,051,469	332,051,469	333,388,715
2038	1,336,898	—	259,828,386	259,828,386	261,165,284
2039	1,335,102	—	250,901,941	250,901,941	252,237,043
2040	1,336,843	—	195,272,681	195,272,681	196,609,524
2041	1,336,995	—	194,901,825	194,901,825	196,238,820
2042	1,340,587	—	160,352,796	160,352,796	161,693,383
2043	1,342,778	—	153,171,350	153,171,350	154,514,128
2044	1,343,669	—	145,426,741	145,426,741	146,770,410
2045	1,342,690	—	133,683,392	133,683,392	135,026,082
2046	1,344,620	—	116,579,770	116,579,770	117,924,390
2047	1,345,115	—	99,230,593	99,230,593	100,575,708
2048	1,344,405	—	96,460,872	96,460,872	97,805,277
2049	1,346,455	—	78,482,024	78,482,024	79,828,479
2050	1,346,142	—	60,816,529	60,816,529	62,162,671
2051	1,344,670	—	26,611,456	26,611,456	27,956,126
2052	1,346,959	—	26,606,206	26,606,206	27,953,165
2053	1,346,790	—	11,888,975	11,888,975	13,235,765
2054	1,349,040	—	11,886,700	11,886,700	13,235,740
2055	1,349,840	—	11,889,104	11,889,104	13,238,944
Total	$ 81,399,651	$ 123,875,000	$ 7,837,032,856	$ 7,960,907,856	$ 8,042,307,507

(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.

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 Combined Utility System for the past nine fiscal years and the amount budgeted for fiscal year 2026 is set forth below:

Fiscal Year		Discretionary Debt Service (in millions)
2026	(budgeted)	$ —
2025		2.9
2024		2.8
2023		4.9
2022		4.9
2021		5.0
2020		5.6
2019		7.8
2018		9.1
2017		9.2

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 2026 are reflected below:

Fiscal Year		General Purpose Fund Transfers (in millions)
2026	(budgeted)	$ 127.8
2025		88.4
2024		37.8
2023		49.2
2022		52.6
2021		56.5
2020		45.3
2019		50.1
2018		53.9
2017		52.3

Indirect Charges Paid by the System

Fiscal Year		Indirect Charges (in thousands)
2026	(budgeted)	$ 11,414
2025		9,220
2024		8,418
2023		7,333
2022		8,824
2021		9,503
2020		11,069
2019		10,404
2018		10,877
2017		9,988

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.

	2016	2017	2018	2019	2020
OPERATING REVENUES					
Sales of Water	$ 529,879	$ 547,054	$ 559,010	$ 554,294	$ 591,611
Sewer system user charges	462,786	475,392	479,978	485,183	509,315
Penalties and Other services and charges	18,566	20,501	19,660	20,895	19,663
Provision for bad debts	(8,649)	(17,152)	(6,099)	(17,930)	(20,497)
Total Operating Revenues	1,002,582	1,025,795	1,052,549	1,042,442	1,100,092
NON-OPERATING REVENUES	51,066	49,993	74,020	81,164	84,261
TOTAL GROSS REVENUES(A)	1,053,648	1,075,788	1,126,569	1,123,606	1,184,353
OPERATING EXPENSES					
Maintenance and Operating Expenses	419,161	431,126	432,152	461,859	459,410
Contractual Maintenance and Operating Expenses					
CWA Debt Service	17,684	7,204	6,399	6,385	6,381
Total Contractual	17,684	7,204	6,399	6,385	6,381
TOTAL OPERATING EXPENSES(B)	436,845	438,330	438,551	468,244	465,791
NET REVENUES	$ 616,803	$ 637,458	$ 688,018	$ 655,362	$ 718,562
GROSS REVENUES (A) DIVIDED BY TOTAL OPERATING EXPENSES (B)	2.41	2.45	2.57	2.40	2.54

2021	2022	2023	2024	2025
$ 584,594	$ 698,263	$ 802,915	$ 901,357	$ 894,302
510,832	607,343	713,004	767,457	827,817
18,822	30,855	36,881	36,042	14,661
(21,508)	(28,948)	(48,818)	(74,281)	(81,211)
1,092,740	1,307,513	1,503,982	1,630,575	1,655,569
61,914	99,202	163,340	131,443	138,332
1,154,654	1,406,715	1,667,322	1,762,018	1,793,901
499,533	503,696	578,839	589,890	624,933
6,398	6,376	6,356	6,351	6,340
6,398	6,376	6,356	6,351	6,340
505,931	510,072	585,195	596,241	631,273
$ 648,723	$ 896,643	$ 1,082,127	$ 1,165,777	$ 1,162,628
2.28	2.76	2.85	2.96	2.84

AIRPORT SYSTEM FUND REVENUES AND EXPENSES

Last Ten Fiscal Years

(amounts expressed in thousands)

(unaudited)

Total Annual Revenues Last Ten Fiscal Years	2016	2017	2018	2019	2020
Operating Revenues					
Landing area fees	$ 86,870	$ 88,046	$ 95,779	$ 87,767	$ 95,863
Building and ground area fees	216,018	221,181	220,214	211,323	223,301
Parking, concession and other revenues	186,009	184,814	194,871	199,374	152,748
Total Operating Revenues	488,897	494,041	510,864	498,464	471,912
Nonoperating Revenues					
Interest income (loss)	13,260	3,403	8,591	45,067	43,701
Passenger facility charges	104,230	101,539	109,021	111,155	78,418
Customer facility charges	16,417	14,200	17,374	17,439	13,320
Other nonoperating revenues	124	5,596	(1,420)	340	18,877
Total Nonoperating Revenues	134,031	124,738	133,566	174,001	154,316
Total Revenues	622,928	618,779	644,430	672,465	626,228
Total Annual Expenses Last Ten Fiscal Years					
Operating Expenses					
Maintenance and operating	315,419	254,459	335,104	337,477	370,430
Depreciation	179,398	184,203	176,053	174,266	175,573
Total Operating Expenses	494,817	438,662	511,157	511,743	546,003
Nonoperating Expenses					
Interest expense and others	86,259	87,574	94,061	84,578	85,426
Contributions to governmental activities	—	—	—	—	—
Total Nonoperating Expenses	86,259	87,574	94,061	84,578	85,426
Total Expenses	581,076	526,236	605,218	596,321	631,429
Contributions	22,542	35,513	13,784	16,599	10,927
Total Change in Net Position	$ 64,394	$ 128,056	$ 52,996	$ 92,743	$ 5,726
Net Position at Year End					
Net investment in capital assets	$ 537,172	$ 542,363	$ 531,232	$ 542,125	$ 514,164
Restricted net assets					
Restricted for debt service	333,635	287,858	357,588	428,856	464,280
Restricted for maintenance and operations	54,942	54,805	56,891	60,525	54,807
Restricted for special facility	26,944	29,369	36,049	43,442	55,105
Restricted for renewal and replacement	10,000	10,000	10,000	10,000	10,000
Restricted for capital improvements	561,071	676,360	657,050	651,664	619,884
Unrestricted (deficit)	(178,003)	(126,938)	(143,297)	(138,356)	(114,258)
Total Net Position	$ 1,345,761	$ 1,473,817	$ 1,505,513	$ 1,598,256	$ 1,603,982

2021	2022	2023	2024	2025
$ 70,578	$ 94,253	$ 92,601	$ 98,556	$ 101,145
155,598	192,029	234,751	250,353	271,795
92,379	194,892	232,895	246,654	265,212
318,555	481,174	560,247	595,563	638,152
1,523	(47,109)	38,706	91,803	87,606
62,541	98,446	108,754	117,407	116,533
8,769	13,723	16,075	17,946	18,223
198,447	145,281	60,546	57,883	12,377
271,280	210,341	224,081	285,039	234,739
589,835	691,515	784,328	880,602	872,891
318,568	316,001	400,956	437,178	508,370
170,820	166,792	170,922	170,747	182,854
489,388	482,793	571,878	607,925	691,224
95,803	85,427	78,938	99,966	91,993
—	—	—	—	27,017
95,803	85,427	78,938	99,966	119,010
585,191	568,220	650,816	707,891	810,234
24,757	41,047	37,087	6,508	47,581
$ 29,401	$ 164,342	$ 170,599	$ 179,219	$ 110,238
$ 495,497	$ 507,167	$ 591,494	$ 728,106	$ 935,102
384,267	412,293	472,782	492,900	528,582
54,232	55,332	55,457	63,032	63,914
52,362	50,953	55,143	62,152	70,128
10,000	10,000	10,000	10,000	10,000
627,464	681,093	851,491	763,782	714,921
9,561	80,887	(68,043)	27,571	(64,866)
$ 1,633,383	$ 1,797,725	$ 1,968,324	$ 2,147,543	$ 2,257,781

AIRPORT SYSTEM STATISTICS

Passenger Statistics

Last Ten Fiscal Years

(unaudited)

	Domestic Passengers							
	Bush Intercontinental		Hobby		Ellington Airport		Total	
Fiscal Year	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
2016	31,959	— %	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	—	—	43,967	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	17,645	(29.6)	7,738	(22.6)	—	—	25,383	(27.6)
2022	31,045	75.9	11,656	50.6	—	—	42,702	68.2
2023	33,449	7.7	12,656	8.6	—	—	46,106	8.0
2024	35,384	5.8	13,620	7.6	—	—	49,004	6.3
2025	36,028	1.8	13,103	(3.8)	—	—	49,131	0.3

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
10,904	8.8 %	519	12,875.0 %	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)
3,892	(51.2)	421	(28.8)	4,313	(49.6)%	29,696	(31.9)
8,436	116.8	843	100.2	9,279	115.1 %	51,981	75.0
10,688	26.7	976	15.8	11,664	25.7 %	57,769	11.1
12,012	12.4	995	1.9	13,007	11.5 %	62,011	7.3
12,217	1.7	904	(9.1)	13,121	0.9 %	62,252	0.4

AIRPORT SYSTEM STATISTICS
AIRLINE MARKET SHARES
Last Ten Fiscal Years
(unaudited)

MAJOR AIRLINE MARKET SHARE

CARRIER	FY2025	%	FY2024	%	FY2023	%	FY2022	%	FY2021	%
United Airlines	35,238,260	56.6 %	34,152,771	55.1 %	31,959,131	55.3 %	29,357,278	56.5 %	15,894,776	53.5 %
Southwest	13,289,529	21.3	14,865,524	24.0	13,915,118	24.1	12,787,950	24.6	7,829,259	26.4
Spirit Airlines	3,224,340	5.2	3,027,549	4.9	2,948,481	5.1	2,477,109	4.8	1,869,558	6.3
American Airlines	2,567,181	4.1	2,549,058	4.1	2,388,344	4.1	2,392,419	4.6	1,511,037	5.1
Delta Airlines	2,310,231	3.7	2,334,257	3.8	2,196,412	3.8	1,993,556	3.8	1,050,260	3.5
Frontier Airlines	1,292,107	2.1	813,109	1.3	654,869	1.1	347,903	0.7	314,269	1.1
VivaAerobus	444,581	0.7	397,795	0.6	347,772	0.6	355,339	0.7	299,239	1.0
Air Canada	342,743	0.6	355,192	0.6	250,713	0.4	134,785	0.3	12,833	—
Alaska Airlines	279,064	0.4	266,587	0.4	223,960	0.4	181,477	0.3	99,388	0.3
Turkish Airlines	268,507	0.4	245,895	0.4	223,379	0.4	169,837	0.3	82,496	0.3
Other Airlines	2,995,538	4.9	3,002,838	4.8	2,661,102	4.7	1,783,080	3.4	732,478	2.5
	62,252,081	100.0 %	62,010,575	100.0 %	57,769,281	100.0 %	51,980,733	100.0 %	29,695,593	100.0 %

CARRIER	FY2020	%	FY2019	%	FY2018	%	FY2017	%	FY2016	%
United Airlines	25,081,324	57.5 %	34,793,301	58.5 %	32,094,388	58.0 %	32,130,930	58.7 %	33,251,479	59.8 %
Southwest	9,994,165	22.9	13,674,536	23.0	12,893,987	23.3	12,344,834	22.5	11,791,308	21.2
Spirit Airlines	1,948,341	4.5	2,426,727	4.1	2,144,740	3.9	1,889,818	3.5	1,896,577	3.4
American Airlines	2,090,353	4.8	2,774,961	4.7	2,592,345	4.7	2,542,485	4.6	2,951,244	5.3
Delta Airlines	1,567,170	3.6	2,024,867	3.4	1,963,878	3.5	1,922,778	3.5	1,889,715	3.4
Frontier Airlines	297,303	0.7	192,057	0.3	285,337	0.5	421,754	0.8	494,804	0.9
VivaAerobus	88,184	0.2	81,766	0.1	38,072	0.1	40,879	0.1	63,103	0.1
Air Canada	231,407	0.5	329,540	0.6	349,571	0.6	353,721	0.6	293,193	0.5
Alaska Airlines	163,808	0.4	188,351	0.3	185,838	0.3	185,191	0.3	137,433	0.2
Turkish Airlines	148,092	0.3	197,000	0.3	189,048	0.3	167,402	0.3	193,892	0.3
Other Airlines	2,016,193	4.6	2,821,987	4.7	2,590,126	4.8	2,754,206	5.1	2,628,248	4.9
	43,626,340	100.0 %	59,505,093	100.0 %	55,327,330	100.0 %	54,753,998	100.0 %	55,590,996	100.0 %

Information presented is based on the most current statistical data available; numbers from prior years are subject to change.

AIRPORT SYSTEM STATISTICS
AIRLINE MARKET SHARES
June 30, 2025
(unaudited)

CARRIERS by AIRPORT

IAH			HOU		
Mainline Carriers	**Regional Carriers**	**Cargo Carriers**	**Mainline Carriers**	**Regional Carriers**	**Cargo Carriers**
AeroMéxico	Commute Air	Air Transport International	Allegiant Air	Envoy Air	
Air Canada	Envoy Air	Atlas Air	Avelo Airlines	PSA Airlines	
Air France	Mesa Airlines	C.A.L Cargo/ Challenge Airlines	American Airlines	SkyWest Airlines	
Air New Zealand	PSA Airlines	Cargolux	Delta Air Lines		
Alaska Airlines	Republic Airlines	Cathay Cargo	Southwest Airlines		
All Nippon Airways	SkyWest Airlines	DHL	Sun Country Airlines		
American Airlines		Emirates SkyCargo			
Avianca S.A.		Federal Express			
British Airways		Lufthansa Cargo			
Delta Air Lines		Qatar Airways Cargo			
Emirates		Silk Way West Airlines			
EVA Air		Turkish Cargo			
Frontier Airlines		UPS			
JetBlue Airways					
KLM Royal Dutch Airlines					
Lufthansa					
Qatar Airways					
Spirit Airlines					
Turkish Airlines					
United Airlines					
VivaAerobus					
Volaris					
Volaris El Salvador					
WestJet					
ZIPAIR					

AIRPORT SYSTEM STATISTICS
Selected Financial Information
Operating Fund Only
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Operating Revenues	**2016**	**2017**	**2018**
Landing Area Fees:			
Landing Fees	$ 89,505	$ 86,966	$ 92,585
Carrier Incentive Program	(6,802)	(2,930)	(1,327)
Aviation Fuel	1,527	1,350	1,679
Aircraft Parking	2,640	2,660	2,842
Subtotal	86,870	88,046	95,779
Building and Ground Area Revenues:			
Building Space	6,808	6,453	6,460
Terminal Space	191,321	196,162	195,198
Cargo Building	2,484	2,448	2,390
Hangar Rental	6,577	6,813	6,691
Ground Rental	8,828	9,305	9,475
Subtotal	216,018	221,181	220,214
Parking, Concession and other Revenues:			
Terminal Concessions	35,189	39,970	41,231
Auto Parking	101,650	99,752	103,961
Auto Rental	30,737	28,735	28,767
Ground Transportation	10,083	10,402	11,062
Special Events	26	20	14
Vending Machine	—	9	—
Other Operating Income	8,324	5,926	9,836
Subtotal	186,009	184,814	194,871
Total Operating Revenues	$ 488,897	$ 494,041	$ 510,864
Nonoperating Revenues			
Interest on Investments	$ 6,986	$ 9,306	$ 13,349
Other	(52)	7,177	(1,805)
Subtotal	6,934	16,483	11,544
Total Gross Revenues	$ 495,831	$ 510,524	$ 522,408
Operation and Maintenance Expenses			
Personnel and Other Current Expenses	$ 314,715	$ 254,506	$ 326,889
Total Operating and Maintenance Expenses	314,715	254,506	326,889
Net Revenue	$ 181,116	$ 256,018	$ 195,519
Total Debt Service	$ 163,905	$ 175,022	$ 174,456
Less: PFC available for debt service	(42,320)	(54,673)	(50,642)
Less: grant revenue available for debt service	(13,888)	–	—
Debt Service Requirement (per Bond Ordinance)	$ 107,697	$ 120,349	$ 123,814
Coverage of Debt Service	1.68	2.13	1.58

2019	2020	2021	2022	2023	2024	2025
$ 84,357	$ 92,046	$ 67,169	$ 91,138	$ 88,038	$ 94,488	$ 97,668
(1,039)	(775)	(1,619)	(2,381)	(709)	(761)	(1,355)
1,554	1,249	1,302	1,705	1,593	1,536	1,441
2,895	3,343	3,726	3,791	3,679	3,295	3,391
87,767	95,863	70,578	94,253	92,601	98,556	101,145
6,454	6,574	6,256	6,332	5,901	5,230	5,174
185,943	196,844	129,527	166,444	208,854	221,616	238,849
2,391	2,378	2,164	2,078	2,009	2,015	2,060
6,530	6,821	6,339	5,921	5,879	6,454	6,788
10,005	10,684	11,312	11,254	12,108	15,040	18,924
211,323	223,301	155,598	192,029	234,751	250,353	271,795
41,491	32,147	14,460	39,433	48,829	51,983	54,844
110,136	81,172	43,815	98,418	117,460	122,588	133,301
28,949	23,400	20,596	34,055	37,301	38,849	39,051
12,645	10,072	6,913	15,192	21,428	25,332	27,341
15	100	106	109	103	113	116
15	18	18	28	30	55	146
6,123	5,839	6,471	7,657	7,744	7,734	10,413
199,374	152,748	92,379	194,892	232,895	246,654	265,212
$ 498,464	$ 471,912	$ 318,555	$ 481,174	$ 560,247	$ 595,563	$ 638,152
$ 19,681	$ 19,503	$ 10,403	$ 7,556	$ 21,820	$ 38,756	$ 41,796
47	122	152	76	165	424	726
19,728	19,625	10,555	7,632	21,985	39,180	42,522
$ 518,192	$ 491,537	$ 329,110	$ 488,806	$ 582,232	$ 634,743	$ 680,674
$ 315,153	$ 313,925	$ 251,939	$ 255,377	$ 315,487	$ 344,767	$ 362,131
315,153	313,925	251,939	255,377	315,487	344,346	362,131
$ 203,039	$ 177,612	$ 77,171	$ 233,429	$ 266,745	$ 290,397	$ 318,543
$ 176,312	$ 180,731	$ 145,349	$ 163,503	$ 208,151	$ 229,085	$ 229,912
(60,646)	(55,040)	(56,365)	(59,819)	(68,743)	(73,926)	(82,439)
—	(14,169)	(88,984)	(103,684)	(50,000)	(46,736)	–
$ 115,666	$ 111,522	$ —	$ —	$ 89,408	$ 108,423	$ 147,473
1.76	1.59	N/A	N/A	2.98	2.68	2.16

AIRPORT SYSTEM STATISTICS
Total Aircraft Operations, Landing Weight and Cargo Activity
(unaudited)

	Aircraft Operations (in thousand)			Aircraft Landed Weight (in million pounds)		
Fiscal Year	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
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)	34,828	180	0.52
2019	752	17	2.31	37,339	2,511	7.21
2020	624	(128)	(17.02)	30,346	(6,993)	(18.73)
2021	512	(112)	(17.95)	23,464	(6,882)	(22.68)
2022	691	179	34.96	33,863	10,399	44.32
2023	690	(1)	(0.14)	35,885	2,022	5.97
2024	734	44	6.38	38,762	2,877	8.02
2025	730	(4)	(0.54)	39,005	243	0.63

	Cargo Activity (in metric tons)				
Fiscal Year	Domestic Freight	International Freight	Mail	Total Cargo	Year - over Year Change
2016	195,644	205,361	25,713	426,718	(10.2)%
2017	209,345	224,226	24,983	458,554	7.5
2018	231,670	234,384	23,790	489,844	6.8
2019	267,630	243,594	23,413	534,637	9.1
2020	285,135	199,241	19,857	504,233	(5.7)
2021	309,270	153,552	21,197	484,019	(4.0)
2022	321,056	212,883	26,760	560,699	15.8
2023	328,285	191,233	19,446	538,964	(3.9)
2024	341,892	197,790	7,896	547,578	1.6
2025	320,988	210,189	26,955	558,132	1.9

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
2026	$ 230,302,000	$ 230,302,000
2027	241,253,000	241,253,000
2028	241,105,000	241,105,000
2029	233,316,000	233,316,000
2030	238,607,000	238,607,000
2031	241,106,000	241,106,000
2032	238,880,000	238,880,000
2033	233,543,000	233,543,000
2034	111,994,000	111,994,000
2035	111,926,000	111,926,000
2036	111,936,000	111,936,000
2037	111,869,000	111,869,000
2038	111,782,000	111,782,000
2039	111,704,000	111,704,000
2040	111,608,000	111,608,000
2041	83,201,000	83,201,000
2042	83,146,000	83,146,000
2043	73,643,000	73,643,000
2044	73,593,000	73,593,000
2045	73,545,000	73,545,000
2046	73,486,000	73,486,000
2047	73,430,000	73,430,000
2048	73,357,000	73,357,000
2049	63,677,000	63,677,000
2050	39,690,000	39,690,000
2051	39,579,000	39,579,000
2052	39,460,000	39,460,000
2053	39,342,000	39,342,000
2054	39,213,000	39,213,000
Total	$ 3,549,293,000	$ 3,549,293,000

AIRPORT SYSTEM STATISTICS
Summary of Certain Fees and Charges
(unaudited)

	Intercontinental		Hobby	
	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2025
Landing Rates[1][3]	$2.43	$2.28	$2.57	$2.93
Terminal Space Rentals[2][3]	$22.04 - $78.75	$20.44 - $94.82	$72.70 - $89.43	$77.10 - $97.48
Apron Rentals[2][3]	$2.25 - $2.46	$2.54 - $3.23	$2.69	$3.08
Aircraft Parking (per day)	$100.00 - $400.00	$100.00 - $400.00	$100.00 - $400.00	$100.00 - $400.00
Cargo (per day)	$200.00 - $600.00	$200.00 - $600.00	$200.00 - $600.00	$200.00 - $600.00
Parking Rates[4]				
Economy (Ecopark) Uncovered[5][6]	$8.00	$9.00	n/a	n/a
Ecopark Covered[5][6]	$10.00	$11.00	n/a	n/a
Ecopark2 Covered[5][6]	$9.00	$10.00	n/a	n/a
Ecopark 2	n/a	n/a	$10.00	$10.00
Structured[6]	$25.00	$25.00	$24.00	$25.00
Valet[6]	$30.00	$30.00	$28.00	$29.00

(1) Per 1,000 pounds of landing weight.
(2) Range per square foot.
(3) 2015-2024 actual rates provided; 2025 budgeted rates provided.
(4) Maximum per day.
(5) New rates for ecopark JFK & ecopark2 effective April 1, 2024.
(6) New rates ecopark JFK & ecopark2 effective February 3, 2025.

SALARIES OF ELECTED OFFICIALS
June 30, 2025
(unaudited)

Name and Title of Official	Authorized Annual Base Salary
John Whitmire, Mayor	$ 236,189
Chris Hollins, 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
Fred Flickinger, Council Member - District E	62,983
Tiffany D. Thomas, Council Member - District F	62,983
Mary Nan Huffman, Council Member - District G	62,983
Mario Castillo, Council Member - District H	62,983
Joaquin Martinez, Council Member - District I	62,983
Edward Pollard, Council Member - District J	62,983
Martha Castex-Tatum, Council Member - District K	62,983
Julian Ramirez, Council Member - At Large Position 1	30,000
Willie Davis, Council Member - At Large Position 2	62,983
Twila Carter, 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

SURETY BOND AND INSURANCE COVERAGE
June 30, 2025
(amounts expressed in thousands)
(unaudited)

Policy Number	Insurer	Term of Policy
LSM1836640	RLI Insurance Co.	01/2/2025 to 01/02/2026
LSM1836641	RLI Insurance Co.	01/2/2025 to 01/02/2026
61BSBAR6948	Hartford Casualty Ins. Co.	02/27/2025 to 02/27/2026
61BSBAR6948	Hartford Casualty Ins. Co.	01/2/2025 to 01/2/2026
LSM1872256	RLI Insurance Co.	01/2/2025 to 01/2/2026
LSM1676035	RLI Insurance Co.	01/6/2025 to 01/6/2026
106360496	Travelers Casualty & Surety Co.	08/4/2024 to 08/4/2025
61BSBHO1810	Hartford Casualty Ins. Co.	09/19/2024 to 09/19/2025
61BDDHT0320	Hartford Casualty Ins. Co.	10/29/2024 to 10/29/2025
61BDDH05613	The Hartford	02/11/2025 to 02/11/2026
Various (Approximately 1,500+)	Western Surety Company	Various
D37362797 017	Westchester Surplus Lines Insurance Company	04/1/2025 to 04/1/2026
NB2500038	Lloyds - Various	04/1/2025 to 04/1/2026
ESP30000289308	Endurance American Specialty Insurance Company	04/1/2025 to 04/1/2026
D31DCA250401	Beazley Excess and Surplus Insurance, Inc.	04/1/2025 to 04/1/2026
N1-A3-PP-0000053-02	Princeton Excess & Surplus Lines Insurance Company	04/1/2025 to 04/1/2026
NB2500037	Lloyds - Various	04/1/2025 to 04/1/2026
City of Houston - Retention	City of Houston - Retention	04/1/2025 to 04/1/2026
SLSTPTY13097725	Starr Surplus Lines Insurance Company	04/1/2025 to 04/1/2026
42-PRP-314477-05	National Fire & Marine Insurance Company	04/1/2025 to 04/1/2026
NB2500039	Lloyds - Various	04/1/2025 to 04/1/2026
NHD950187	RSUI Indemnity Company	04/1/2025 to 04/1/2026
SLSTPTY13097725	Starr Surplus Lines Insurance Company	04/1/2025 to 04/1/2026
062502968	Lexington Insurance Company	04/1/2025 to 04/1/2026
1000389033-06	Ironshore Specialty Insurance Company	04/1/2025 to 04/1/2026
KMDF0300000416-25	Sutton National Insurance Company	04/1/2025 to 04/1/2026
PKG0000066-25	Specialty Builders Insurance Company	04/1/2025 to 04/1/2026
MKLV1XPR001189	Evanston Insurance Company	04/1/2025 to 04/1/2026
CSP00291781P-00	Starstone Specialty Insurance Company	04/1/2025 to 04/1/2026
NB2500040	Lloyds - Various	04/1/2025 to 04/1/2026
BRPSLPTTX011100_080139_03	Texas Insurance Company	04/1/2025 to 04/1/2026
CSP00099901P-01	Starstone Specialty Insurance Company	04/1/2025 to 04/1/2026
NY25LCMZ0G1YJIC	Navigators Specialty Insurance Company	04/1/2025 to 04/1/2026
ZA094Q25A000	Nautilus Insurance Company	04/1/2025 to 04/1/2026
SLSTPTY13097725	Starr Surplus Lines Insurance Company	04/1/2025 to 04/1/2026
PPP-912337	Crum & Forster Specialty Insurance Company	04/1/2025 to 04/1/2026
NB2500041	Lloyds - Various	04/1/2025 to 04/1/2026
EAF678023-25	AXIS Surplus Insurance Company	04/1/2025 to 04/1/2026
XAR-00004V9-03	Westfield Specialty Insurance Company	04/1/2025 to 04/1/2026
NQU-100104	Price Forbes on Behalf of United Specialty Insurance Company	04/1/2025 to 04/1/2026
ESP7302058-10	Arch Specialty Insurance Company	04/1/2025 to 04/1/2026
CUS30000037-02	Canopius US Insurance, Inc.	04/1/2025 to 04/1/2026
PX00LCM25	Aspen Specialty Insurance Company	04/1/2025 to 04/1/2026
LCP6481431-02	Tokio Marine America Insurance Company	04/1/2025 to 04/1/2026
ESP 2003932-06	Swiss Re Corporate Solutions Capacity Insurance Corporation	04/1/2025 to 04/1/2026
B0507PT2501384	Lloyds - Various	04/1/2025 to 04/1/2026
B0507PT2501385	Lloyds - Various	04/1/2025 to 04/1/2026
B0507PT2501386	Lloyds - Various	04/1/2025 to 04/1/2026
B0507PT2501387	Lloyds - Various	04/1/2025 to 04/1/2026
BM6076028407	National Fire Insurance Co. of Hartford	03/18/2025 to 03/18/2026
6610	Texas Municipal League	07/1/2024 to 07/1/2025
6611	Texas Municipal League	07/1/2024 to 07/01/2025
PCFA00023503	Philadelphia Indemnity Insurance Company	06/26/2025 to 06/26/2026
06-989-55-39	Philidelphia Indemnity Insurance Company	05/29/2025 to 05/29/2026
6610	Texas Municipal League	05/15/2025 to 05/15/2026
6610	Texas Municipal League	05/15/2025 to 05/15/2026
6610	Texas Municipal League	05/15/2025 to 05/15/2026
105324683	Travelers Casualty & Surety	12/30/2024 to 12/30/2025
CA00001556814	Admiral Insurance Company	02/26/2025 to 02/26/2026
73652M249ALI	Starstone Specialty Insurance Company	02/26/2025 to 02/26/2026

Property at Risk	Type of Coverage		(in thousands) Coverage
City of Houston Public Funds	Public Official Bond, Mayor	$	50
City of Houston Public Funds	Public Official Bond, City Controller		50
City of Houston Public Funds	Public Official Bond, Tax Assessor Collector		25
City of Houston Public Funds	Public Official Bond, Asst. Tax Assessor Collector		25
City of Houston Public Funds	Public Official Bond, Treasurer		25
City of Houston Public Funds	Public Official Bond, Deputy City Controller		25
City of Houston Public Funds	Public Official Bond, Municipal Court Chief Clerk		25
City of Houston Public Funds	Public Official Bond, HMEP Treasurer		250
City of Houston Public Funds	Public Employee Dishonesty, Parks Board		10
City of Houston Public Funds	Public Employee Dishonesty, Library Board		10
City of Houston Public Funds	Notary Public Bonds		3
Buildings and Contents	City of Houston Property Insurance	*	3,300
Buildings and Contents	City of Houston Property Insurance	*	2,500
Buildings and Contents	City of Houston Property Insurance	*	2,000
Buildings and Contents	City of Houston Property Insurance	*	2,500
Buildings and Contents	City of Houston Property Insurance	*	1,250
Buildings and Contents	City of Houston Property Insurance	*	22,792
Buildings and Contents	City of Houston Property Insurance	*	5,000
Buildings and Contents	City of Houston Property Insurance	*	4,000
Buildings and Contents	City of Houston Property Insurance	*	10,000
Buildings and Contents	City of Houston Property Insurance	*	3,300
Buildings and Contents	City of Houston Property Insurance	*	17,500
Buildings and Contents	City of Houston Property Insurance	*	11,500
Buildings and Contents	City of Houston Property Insurance	*	10,000
Buildings and Contents	City of Houston Property Insurance	*	5,000
Buildings and Contents	City of Houston Property Insurance	*	2,500
Buildings and Contents	City of Houston Property Insurance	*	2,500
Buildings and Contents	City of Houston Property Insurance	*	5,000
Buildings and Contents	City of Houston Property Insurance	*	2,500
Buildings and Contents	City of Houston Property Insurance	*	20,042
Buildings and Contents	City of Houston Property Insurance	*	2,000
Buildings and Contents	City of Houston Property Insurance	*	2,250
Buildings and Contents	City of Houston Property Insurance	*	5,000
Buildings and Contents	City of Houston Property Insurance	*	3,500
Buildings and Contents	City of Houston Property Insurance	*	3,500
Buildings and Contents	City of Houston Property Insurance	*	2,000
Buildings and Contents	City of Houston Property Insurance	*	23,564
Buildings and Contents	City of Houston Property Insurance	*	3,333
Buildings and Contents	City of Houston Property Insurance	*	3,750
Buildings and Contents	City of Houston Property Insurance	*	3,750
Buildings and Contents	City of Houston Property Insurance	*	2,916
Buildings and Contents	City of Houston Property Insurance	*	5,000
Buildings and Contents	City of Houston Property Insurance	*	1,250
Buildings and Contents	City of Houston Property Insurance	*	1,500
Buildings and Contents	City of Houston Property Insurance	*	3,500
Buildings and Contents	Terrorism Property Insurance		57,000
Buildings and Contents	Terrorism Property Insurance		43,000
Buildings and Contents	Terrorism Property Insurance		109,500
Buildings and Contents	Terrorism Property Insurance		40,500
Buildings and Contents	Boiler & Machinery Insurance		125,000
Communication Towers and Radio Equipment	Property Insurance		114,977
Parade Props and Floats	Mobile Equipment		300
Library Fine Arts	Fine Arts		13,533
City of Houston Public Funds	Public Employee Dishonesty		2,000
FEMA funded replacement vehicles	Automobile Catastrophe Damage		9,145
City of Houston Public Funds	Automobile Liability		500
SETRAC AMBUS Fire Dept. Vehicle	Automobile Physical Damage		450
City of Houston Public Funds	Pole Attachment Bond, CenterPoint		250
City of Houston Public Funds	Health Lab Commercial General Liability		1,000
City of Houston Public Funds	Health Lab Commercial General Excess Liability		5,000

* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

Schedule of Credits
(unaudited)

Annual Comprehensive Financial Report:

Controller's Office

Executive/Administrative Divisions	**Design Oversight and Writing**
Chris Hollins, City Controller Ethan Eaker, Associate Staff Analyst Aubrey C. Hooper, Chief Administrative Officer Angelica Ramirez, Associate Staff Analyst John Seydler, Director of Policy & Government Relations Antonio Castaneda, Deputy Director of Communications	
Financial Reporting Division	**Preparation and Coordination**
William Jones, Deputy City Controller Alicia Cai, Assistant City Controller Camille Jones, Assistant City Controller Sylvia Nguyen, Assistant City Controller Chris Okeagu, Assistant City Controller Maria G. Perez, Administrative Specialist Tiffani Perry, Assistant City Controller Beverly Riggans, Senior Staff Analyst Thy Ruiz, Deputy Director Bonita Wright, Assistant City Controller	
Operations and Technical Services Division	**Consulting and General Support**
Aubrey C. Hooper, Chief Administrative Officer Chanelle Clark, Assistant Director Monika De Los Santos, Senior Assistant City Controller Emad Tahir, Senior Assistant City Controller	
Treasury Division	**Debt and Investment Management Disclosures**
Vernon M. Lewis, Deputy City Controller Han Au, Deputy Director Enier Cabrera, Management Analyst Ashlee Brown, Senior Treasury Analyst Sharon Liu, Assistant City Controller Lillian Rodriguez, Management Analyst Linjie Zhu, Treasury Manager	
Finance Department	**Preparation, Coordination, Analysis and Documentation**
Melissa Dubowski, Finance Director Veda Aaron, Division Manager Kiran Chandu, Assistant Director Yolanda Coleman, Financial Analyst LeAnn Hoang, Division Manager Chau Huynh, Division Manager	

Schedule of Credits - Continued
(unaudited)

Finance Department (Continued)
Clint Joines, Division Manager
Mohsin Raza, Deputy Assistant Director
Sherry Mose, Division Manager
Vivien Nguyen, Staff Analyst
Arif Rasheed, Deputy Director
Lorena Leijia, Division Manager
Adela Rice, Senior Division Manager
Fazal Syed, Assistant Director
Alma Tamborello, Deputy Director

Administration & Regulatory Affairs Department Tina Paez, Director Valerie Berry, Deputy Director Chia-Hsuan Chiou, Division Manager Vijay Govind, Financial Analyst Hannah Hoang, Senior Accountant Maria Irshad, Deputy Director Bethany Li, Division Manager Chris Lutz, Assistant Director Carlos Medel, Financial Analyst Rosalinda Salazar, Senior Division Manager Sreng Ung, Senior Division Manager Karen Davidson, Deputy Director	**Analysis and Supporting**
Houston Information Technology Services Department Lisa Kent, Director	**SAP/ ERP Consulting, Support & Development**
Professional Consultants	
F.H. Black & Company Incorporated Conrad Lin, CPA, CIA, Principal Consultant	**Consulting & General Support**
Bayside Printing Sherri Tyndall, Lead Customer Service Representative	**Project Management and Design**
Weaver and Tidwell, L.L.P.	**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.


CITY OF HOUSTON
CITY CONTROLLER

CHRIS HOLLINS
CITY CONTROLLER

APPENDIX B

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

This Appendix contains a brief discussion of certain selected economic and demographic data on the City of Houston, Texas (the "City") and surrounding areas. Information in this Appendix has been obtained from sources that are believed to be reliable; however, such information is subject to revision and adjustment, and no representation is made with respect to the accuracy or completeness of such information.

The following data focuses primarily on four geographic areas, the Houston Primary Metropolitan Statistical Area (the "Houston PMSA"), the Houston Consolidated Metropolitan Statistical Area (the "Houston CMSA"), the Greater Houston Area and Harris County, the county in which the City primarily lies. The Greater Houston Area includes all of Harris County and parts of six surrounding counties. The Houston PMSA consists of six counties: Chambers, Fort Bend, Harris, Liberty, Montgomery and Waller. The Houston CMSA consists of eight counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller.

IT SHOULD BE NOTED THAT THE FOUR GEOGRAPHIC AREAS DESCRIBED ABOVE ENCOMPASS POPULATIONS AND AREAS WHICH FAR EXCEED THE POPULATION AND AREA OF THE CITY, SO THAT THE FOLLOWING DATA MAY SET FORTH STATISTICS AND TRENDS WHICH DO NOT NECESSARILY REFLECT STATISTICS AND TRENDS APPLICABLE SOLELY TO THE CITY ITSELF. IN ADDITION, INVESTORS SHOULD NOTE THE DATA CONTAINED IN THIS APPENDIX MAY FLUCTUATE MORE OR LESS IN SUBSEQUENT YEARS THAN IN PRIOR YEARS AND SUCH FLUCTUATIONS MAY BE COUNTER TO THE TRENDS AND STATISTICS EXHIBITED IN THE FOLLOWING TABLES.

HOUSTON - THE WOODLANDS - PASADENA MSA[(a)]
POPULATION ESTIMATES

Calendar Year	Population Estimates[(b)] (In Thousands)	Annual % Change
2025	7,904.6	1.6%
2024	7,777.9	2.5
2023	7,587.6	2.4
2022	7,406.3	2.2
2021	7,248.0	1.1

[(a)] In 2023, the U.S. Census Bureau changed the MSA to include Pasadena, Texas instead of Sugar Land, Texas.
[(b)] Figures are as of July 1 of each year.
Source: Population Division, U.S. Census Bureau.

HOUSTON POPULATION ESTIMATES
(WITHIN THE CITY LIMITS)

Year	Population Estimates[(a)] (In Thousands)	Annual % Change
2025	2,397.3	0.48%
2024	2,385.8	1.72
2023	2,345.4	1.23
2022	2,316.8	1.09
2021	2,291.8	-0.28

Source: Population Division, U.S. Census Bureau.

HOUSTON-THE WOODLANDS-PASADENA MSA[(a)]
CONSUMER PRICE INDEX
ALL URBAN CONSUMERS

Calendar Year	Average Index	Annual % Change
2025	277.7	1.3%
2024	274.2	2.5
2023	267.6	3.5
2022	258.7	8.2
2021	239.0	4.3

[(a)] In 2023, the U.S. Census Bureau changed the MSA to include Pasadena, Texas instead of Sugar Land, Texas.
Source: U.S. Bureau of Labor Statistics, Consumer Price Index.

HOUSTON-THE WOODLANDS-PASADENA MSA[(a)]
NONFARM PAYROLL

Calendar Year	Annual Average (in thousands)	Percent Change
2025	3,470.7	1.8%
2024	3,436.4	1.8
2023	3,376.9	3.8
2022	3,252.1	5.8
2021	3,074.4	2.4

[(a)] In 2023, the U.S. Census Bureau changed the MSA to include Pasadena, Texas instead of Sugar Land, Texas.
Source: U.S. Bureau of Labor Statistics.

HOUSTON-THE WOODLANDS-PASADENA MSA[(a)]
UNEMPLOYMENT RATE
(NOT SEASONALLY ADJUSTED)
% UNEMPLOYED

Calendar Year	Annual Average %
2025	4.5%
2024	4.4
2023	4.2
2022	4.2
2021	6.2

[(a)] In 2023, the U.S. Census Bureau changed the MSA to include Pasadena, Texas instead of Sugar Land, Texas.
Source: U.S. Bureau of Labor Statistics.

PORT OF HOUSTON TONNAGE
TOTAL CARGO

Calendar Year	Short Tons
2025	154,204,690[(1)]
2024	149,664,394
2023	141,592,005[(1)]
2022	147,024,414[(2)]
2021	124,933,763

Source: porthouston.com, as noted under Port Statistics on the Port of Houston website.

GREATER HOUSTON AREA
APARTMENT OCCUPANCY RATES[a]

Calendar Year	Occupancy Rate
2026[b]	88.7%
2025	90.2
2024	90.5
2023	89.9
2022	88.1

[a] Physical occupancy based on calendar year.
[b] As of June 30, 2026.
Source: Apartment Data Services; MMG Real Estate Advisors, CoStar.

HOUSTON HOTEL OCCUPANCY RATES

Calendar Year	Average Occupancy Rate
2026[a]	58.9
2025	62.9
2024	70.8
2023	62.1
2022	56.6

[a] As of July 31, 2026.
Source: STR, Inc. City of Houston Financial Statements; Houston First.

CITY OF HOUSTON BUILDING PERMITS
NEW NON-RESIDENTIAL[a]

Calendar Year	Number of Permits Issued	Dollar Value (In Thousands)
2026[b]	297	$247,473
2025	1,015	1,018,216
2024	1,630	1,673,384
2023	1,472	1,226,932
2022	1,512	1,839,632

[a] Privately Owned.
[b] As of March 31, 2026.
Source: City of Houston, Public Works and Engineering.
Compiled by Planning and Development Dept.

CITY OF HOUSTON BUILDING PERMITS
RESIDENTIAL[a]

Calendar Year	Single Family Number of Permits Issued	Multi-Family Number of Permits Issued
2026[b]	1,024	319
2025	4,793	1,548
2024	8,293	1,379
2023	8,196	940
2022	8,274	1,349

[a] Privately Owned.
[b] As of March 31, 2026.
Source: City of Houston, Public Works and Engineering.
Compiled by Planning and Development Dept.

HOUSTON PMSA
GENERAL PURPOSE OFFICE SPACE ACTIVITY[a]

Calendar Year	Net Rentable Area (in millions of SF)	Net Absorption[b] (In thousands of SF)	Overall Vacancy Rate	Average Rents (Per Square Foot)[c]
2026[d]	198.4	208.8	27.7%	$31.35
2025	202.4	286.6	27.4	29.00
2024	205.4	-838.5	27.9	29.88
2023	236.9	753.3	22.5	30.11
2022	237.7	-188.2	22.2	30.69

[a] Based on buildings greater than 20,000 square feet. (Excludes single tenant government-owned and medical office buildings.)
[b] Net absorption is the difference between the total number of square feet that are leased (excluding renewals of leases) and the total number of square feet that have become vacant in the year.
[c] Average asking rental rates are quoted on a gross basis.
[d] As of July 31, 2026.
Source: Colliers International, Second Quarter 2026.

CITY OF HOUSTON
AVIATION PASSENGER STATISTICS

The following table presents total passenger arrivals and departures for George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport for the years indicated.

Calendar Year	Passenger Domestic (thousands)	Percentage Change	Passenger International (thousands)	Percentage Change	Passenger Domestic and International (thousands)	Percentage Change
2025	49,131	0.3%	13,121	0.9%	62,252	0.4%
2024	49,004	6.3	13,007	11.5	62,011	7.3
2023	46,106	8.0	11,664	25.7	57,769	11.1
2022	42,702	68.2	9,279	115.1	51,981	75.0
2021	25,383	-27.6	4,306	-49.7	29,696	-31.9

Source: Houston Airport System Fiscal Year 2025 Financial Statements.

APPENDIX C

DEFINITIONS

As used in this Official Statement, the following terms shall have the following meanings as defined in the Master Ordinance or the Supplemental Ordinance, unless the context clearly indicates otherwise:

"Additional Bonds Test" means the terms of the Master Ordinance relating to the issuance of Additional First Lien Bonds and Additional Second Lien Bonds as described in the section contained herein captioned "ADDITIONAL BONDS – Additional First Lien and Second Lien Obligations."

"Additional First Lien Bonds" means the additional first lien revenue bonds permitted to be issued by the City pursuant to the Master Ordinance. See "ADDITIONAL BONDS" herein.

"Additional Second Lien Bonds" means the additional second lien revenue bonds permitted to be issued by the City pursuant to the Master Ordinance. See "ADDITIONAL BONDS" herein.

"Adjustable Rate Obligations" means any Bonds or other Obligations that initially bear interest at an adjustable or variable rate of interest, including Adjustable Rate Obligations which may be converted to bear a rate of interest fixed to maturity.

"Average Annual Debt Service Requirements" means the average of the annual Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in the current Fiscal Year and future Fiscal Years for the particular System Obligations (First Lien Bonds, Second Lien Bonds, or otherwise) for which such calculation is made.

"Bondholder" whenever used herein, means the person in whose name such Bond is registered.

"**Bond Insurer**" means, if any, a third party financial institution that provides a Credit Agreement in the form of a municipal bond insurance policy, as determined in the Officers' Pricing Certificate.

"**Bond Insurance Policy**" means a municipal bond insurance policy or policies, if any, issued by a Bond Insurer insuring the scheduled payment when due of the principal of and interest on the Bonds.

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which the Paying Agent/Registrar, the Bond Insurer, if any, or banks and trust companies in New York, New York are authorized or required to remain closed, or (iii) a day on which the New York Stock Exchange is closed.

"City" means the City of Houston, Texas, and, where appropriate, the City Council thereof and any successor to the City as owner of the System.

"Combined Utility System" or **"System"** means all properties, facilities, improvements, equipment, interests, rights and powers constituting the combined water, sewer, and solid waste systems of the City, and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including without limitation, all those heretofore or hereafter acquired as a result of the annexation and dissolution of water districts or the acquisition of the properties or assets of any other public, private or non-profit entities. The System shall not include any Special Project. The System shall include other utility systems provided for in Chapter 1502 of the Texas Government Code which the City may from time to time elect to combine with the System so long as the revenues of such other utility systems are included in Gross Revenues under the Master Ordinance. As of July 1, 2026, the System includes the City's solid waste disposal system.

"Credit Agreement" means any agreement between the City and a third party institution pursuant to which such third party institution issues a letter of credit, municipal bond insurance policy, line of credit, standby purchase agreement, surety policy, surety bond or other guarantee for the purpose of enhancing the creditworthiness or liquidity of any of the City's obligations pursuant to any System Bonds or Qualified Hedge Agreements and in consideration for which the City may agree to pay, but solely from Net Revenues as provided in the Master Ordinance, (i) periodic payments for the availability of such Credit Agreement and/or (ii) reimbursements or repayments of any amounts advanced under such Credit Agreement, together with interest and other stipulated costs and charges related to such

amounts advanced. Obligations of the City pursuant to a Credit Agreement shall be deemed to be, and shall be included within, the Debt Service Requirements for the series of System Bonds to which the Credit Agreement relates. Further, obligations of the City to make payments under a Credit Agreement as reimbursements or repayments of amounts paid or advanced under such Credit Agreement for interest on or principal of any System Bonds (including interest and other stipulated costs and charges related to such amounts advanced) shall be deemed to be payments of interest on or principal of such System Bonds. Each Credit Agreement shall be deemed to be a part of the series of System Bonds to which it relates for the purpose of securing its payment or repayment by the pledge of Net Revenues as provided in the Master Ordinance. Unless specifically provided for in a Supplemental Ordinance, issuers of Credit Agreements shall not be treated as Owners of System Bonds for purposes of any voting rights to approve amendments or to direct the exercise of any remedies under the Master Ordinance; provided that a Supplemental Ordinance may provide that, so long as an institution that issues a municipal bond insurance policy insuring a series of System Bonds is not in default of its payment obligations under such policy, such institution may, under the terms of the Supplemental Ordinance, at all times be deemed to be the exclusive owner of such series of System Bonds for the purpose of all approvals, consents, waivers, or exercise of any action and the direction of all remedies. For purposes of the Master Ordinance, Credit Agreements shall not include a Reserve Fund Surety Policy.

"Crossover Refunding Bonds" means any System Bonds the proceeds of which: (i) are deposited in an escrow account established for such purpose with a Paying Agent/Registrar, (ii) cannot be applied to the purpose for which such Crossover Refunding Bonds are to be issued until the Crossover Refunding Bonds Break Date, (iii) must be sufficient, together with the investment income thereon, after the payment of bond issuance costs, if any, to pay the Debt Service Requirements on such series on and prior to such Crossover Refunding Bonds Break Date, and (iv) other than paying or providing for the payment of bond issuance costs, if any, cannot be used for any purpose other than the payment of Debt Service Requirements on such Crossover Refunding Bonds on and prior to the Crossover Refunding Bonds Break Date.

"Crossover Refunding Bonds Break Date" means the date specified in the Supplemental Ordinance authorizing a Series of Crossover Refunding Bonds as the date upon which the proceeds of such Crossover Refunding Bonds can be applied to the purpose for which such Crossover Refunding Bonds are to be issued upon the satisfaction of certain conditions, which conditions shall be set forth in such Supplemental Ordinance.

"Debt Service Requirements" means, as of any period of time for which such calculation applies, an amount equal to the sum of the following for any such period and with respect to all or any portion of the System Bonds:

A. Current interest scheduled to be paid during such period on such System Bonds, except to the extent that provision for the payment of such interest has been made by (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest either from proceeds of System Bonds, from interest earned or to be earned thereon, from other System funds other than Net Revenues, or from any combination of such sources and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a fund or account for capitalized interest, the proceeds of which are required to be transferred as needed into the First Lien Bond Interest and Sinking Fund or the Second Lien Bond Interest and Sinking Fund, as the case may be, plus

B. That portion of the principal of, or compounded interest on, such System Bonds scheduled to be payable during such period (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Bond redemptions);

provided, however, that the following rules shall apply to the computation of Debt Service Requirements on any series of System Bonds that are Short Term Obligations, Adjustable Rate Obligations or Refundable Obligations:

(i) For any series of System Bonds issued as Short Term Obligations under the Master Ordinance pursuant to a program designated by the City as a commercial paper or similar program, Debt Service Requirements shall be computed on the assumption that the principal amount shall continuously be refinanced under such program and remain outstanding until the first Fiscal Year for which interest on such Short Term Obligations has not been capitalized or otherwise funded or provided for, at which time (which shall not be beyond the term of such program) it shall be assumed that the outstanding principal amount thereof shall be refinanced with a series of System Bonds of the same lien which shall be assumed to be amortized over a remaining period not to exceed 30 years from the

original issue date of such Short Term Obligations and shall be assumed to be amortized in such a manner that the Debt Service Requirements in any 12-month period are substantially equal to the Debt Service Requirements for any other 12-month period, and shall be assumed to bear interest at a fixed interest rate estimated by the City's municipal advisor in a written certificate delivered to the City at the time of such calculation to be the interest rate such series of System Bonds would bear if issued on such terms on the date of such estimate;

(ii) For any series of System Bonds issued as Adjustable Rate Bonds, it shall be assumed that such System Bonds will bear interest at a rate calculated as follows: (a) with respect to compliance with the Rate Covenant, for any such series of System Bonds then Outstanding, at the actual interest rate derived from such variable or adjustable interest rate formula or computation, or the actual interest rate payable on such series of System Bonds, on the date of such calculation, and (b) with respect to compliance with the Reserve Fund Requirements and compliance with the Additional Bonds Test, for any such System Bonds then Outstanding or proposed to be issued, at an interest rate estimated by the City's municipal advisor in a written certificate delivered to the City at the time of such calculation to be the average rate of interest such System Bonds would bear if issued as long-term bonds, in the same principal amount and with the same priority of lien, bearing interest at fixed rates based on the average life of the Adjustable Rate Obligations;

(iii) For the purpose of calculating the Debt Service Requirements on any series of System Bonds issued as Refundable Obligations, such System Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period not to exceed 30 years from the original issue date of such series of System Bonds at an interest rate estimated by the City's municipal advisor in a written certificate delivered to the City at the time of such calculation to be the average rate of interest such series of System Bonds would bear if issued as long-term bonds in the same principal amount with the same priority of lien, bearing interest at fixed rates to be amortized over 30 years;

(iv) With respect to Crossover Refunding Bonds, the aggregate Debt Service Requirements thereon until the Crossover Refunding Bonds Break Date shall be disregarded; and

(v) With respect to System Bonds to be redeemed with the proceeds of Crossover Refunding Bonds, Debt Service Requirements thereon after the Crossover Refunding Bonds Break Date shall be disregarded.

Debt Service Requirements shall be calculated on the assumption that no System Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of scheduled principal maturities or scheduled mandatory redemptions of such System Bonds, except as provided above for Short Term Obligations.

Credit Agreements shall cause Debt Service Requirements to be increased only to the extent of scheduled payments and charges for the availability of the Credit Agreement without regard to any repayment or reimbursement obligations or interest thereon or other stipulated costs or charges related thereto.

Debt Service Requirements shall include debt service requirements on Previous Ordinance Bonds.

Qualified Hedge Agreements shall cause Debt Service Requirements to be (i) increased by the amount of any scheduled payments and charges for the availability of the Qualified Hedge Agreement, (ii) decreased by the amount of any scheduled interest payments on the related System Bonds which the City's municipal advisor certifies in a written certificate delivered to the City to be modified pursuant to the Qualified Hedge Agreement, and (iii) increased by the gross payments of the City under the Qualified Hedge Agreement (without regard to netting); provided, however, that the Debt Service Requirements for any variable or adjustable payment obligation of the City under the Qualified Hedge Agreement shall be calculated in accordance with the provisions contained in paragraph (ii) above of the definition of Debt Service Requirements, as certified by the City's municipal advisor in a written certificate delivered to the City; and provided further, that any obligation of the City to make termination payments that are not

payable in installments over the remaining term of that relevant transaction or deliver collateral under a Qualified Hedge Agreement shall be paid as a Third Lien Obligation or an obligation inferior and subordinate to Third Lien Obligations.

"Designated Index" means the Producers Price Index (also known as the PPI), as published by the United States Bureau of Labor Statistics, U.S. Department of Labor (but if such is subject to adjustment later, then the later adjusted index, together with any correlation factor necessary to relate the later adjusted index to the earlier index, as published by the entity publishing the index, shall be used), or if such publication is discontinued, the Designated Index shall then refer to comparable statistics on changes in the rate of inflation as the same may be computed and published (on the most frequent basis available) by an agency of the United States or by a responsible financial periodical of recognized authority, which agency or periodical shall be selected by the City.

"Discretionary Debt Service" shall have the meaning given to such term in the section captioned "SYSTEM DEBT AND CHARGES – Discretionary Debt Service."

"DTC" means The Depository Trust Company of New York, New York or any successor securities company.

"DTC Participant" shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities and to facilitate the clearance and settlement of securities transactions among DTC Participants through electronic book-entry changes in the accounts of the DTC Participants, thereby eliminating the need for physical movement of definitive certificates.

"First Lien Bonds" means each series of Outstanding First Lien Bonds, and any First Lien Bonds from time to time hereafter issued, but only to the extent such First Lien Bonds remain Outstanding within the meaning of the Master Ordinance.

"**First Lien Bond Reserve Fund**" shall mean the reserve fund established in the Master Ordinance for Reserve Fund Participants that are First Lien Bonds.

"**First Lien Bond Reserve Fund Requirement**" shall mean an amount equal to 50% of the Maximum Annual Debt Service Requirements on (i) all First Lien Bonds issued through the date of the authorizing Supplemental Ordinance that are Reserve Fund Participants, and (ii) all subsequent issues of First Lien Bonds which the City elects as Reserve Fund Participants.

"Fiscal Year" means the City's Fiscal Year, which currently runs from July 1 to June 30, but which may be changed from time to time by the City.

"Fitch" means Fitch Ratings, Inc.

"Fourth Lien Obligations" means System Obligations authorized by the Master Ordinance that are payable after First Lien Bonds, Second Lien Bonds and Third Lien Obligations.

"Gross Revenues" means all revenues and income of every nature now or hereafter derived or received by the City from the operation and ownership of the components of the System; the interest income from the investment or deposit of money in the funds created pursuant to the Master Ordinance and the Previous Ordinance; and any other revenues hereafter pledged to the payment of System Obligations issued pursuant to the Master Ordinance. Gross Revenues shall not include Restricted Receipts. The term "Gross Revenues" shall also include all payments received by the City, except for termination payments and receipts of collateral, pursuant to Qualified Hedge Agreements.

"Junior Lien Bonds" means City of Houston, Texas Junior Lien Revenue Bonds issued under the Previous Ordinance. See also the definition for "PREVIOUS ORDINANCE BONDS."

"Maintenance and Operation Expenses" means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, wages, pension fund contributions, interest, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would

otherwise impair the System Bonds or other System Obligations), and all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas) under contracts which are now or hereafter defined for a system such as the System as operating expenses by the Legislature of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense. Maintenance and Operation Expenses shall include, without limitation, all payments under contracts for the impoundment, conveyance or treatment of water or otherwise which are now or hereafter treated as operating expenses under the laws of the State of Texas and the treatment of such payments as Maintenance and Operation Expenses shall not be affected in any way if, subsequent to the entering into such contracts, the City acquires as a part of the System title to any properties or facilities used to impound, convey or treat water under such contracts, or if the City contracts to acquire title to such properties or facilities as a part of the System upon the final payment of debt service on the bonds issued to finance such properties or facilities. Any payments by the System to the City for use of rights-of-way are not designated as Maintenance and Operations Expenses.

"Maintenance and Operation Expenses under the Previous Ordinance" means Maintenance and Operation Expenses of the Water and Sewer System required to be paid under the Previous Ordinance.

"Master Ordinance" means the amended and restated Master Ordinance adopted by City Council on November 4, 2026, and all amendments thereof and supplements thereto.

"Maximum Annual Debt Service Requirements" means the greatest combined Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any particular future Fiscal Year or in the then current Fiscal Year for the particular System Bonds (First Lien Bonds, Second Lien Bonds, Previous Ordinance Bonds, or any combination of the foregoing) for which such calculation is made.

"Moody's" means Moody's Investors Service, Inc.

"Net Revenues" means (i) all Gross Revenues remaining after deducting Maintenance and Operation Expenses, plus (ii) any Restricted Receipts deposited to the Revenue Fund that may be used to pay Debt Service Requirements on System Obligations.

"Ordinance" means, collectively, the Master Ordinance and all Supplemental Ordinances.

"Outstanding," when used with reference to the Previous Ordinance Bonds, First Lien Bonds, Second Lien Bonds, Third Lien Obligations or Fourth Lien Obligations, as the case may be, means, as of a particular date, all such System Obligations theretofore delivered except: (a) any such obligation cancelled by or on behalf of the City at or before said date; (b) any such obligation defeased pursuant to the defeasance provisions of the Previous Ordinance or a supplemental ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such obligation in lieu of or in substitution for which another obligation shall have been delivered pursuant to the ordinance authorizing the issuance of such obligation.

"Owner" or **"Registered Owner,"** when used with respect to any System Obligation, means the person or entity (including any entity acting as an underwriter of System Bonds) in whose name such System Obligation is registered in the Register. Any reference to a particular percentage or proportion of the Owners of the System Obligations of a particular class or series of System Bonds means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all System Bonds or the System Obligations of such class or series then Outstanding.

"Paying Agent/Registrar" or **"Paying Agent"** for the Bonds means U.S. Bank Trust Company, National Association, and its successors in that capacity.

"Previous Ordinance" means, collectively, the City's ordinances heretofore or adopted, as amended, that authorized the issuance of the Previous Ordinance Bonds.

"Previous Ordinance Bonds" means the City's Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 1998A.

"Purchased Bonds" means the Outstanding First Lien Bonds of the System that are tendered to the City and refunded through purchase and cancellation, as further identified in Schedule II hereto.

"Qualified Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the City determines is to be used, or is intended to be used, to manage or reduce the cost of any System Bonds, to convert any element of any System Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty (in the case of clauses (i) through (v), whether from or initiated at the option of the City or the counterparty). A Qualified Hedge Agreement may only be entered into with an institution that has long term credit ratings, or the obligations of which are unconditionally guaranteed by a financial institution with long term credit ratings, in one of the two highest generic rating categories by at least one Rating Agency then rating the System Bonds. Any obligations of the City to make scheduled payments under a Qualified Hedge Agreement shall be included within the definition of Debt Service Requirements for the series of System Bonds to which the Qualified Hedge Agreement relates. Further, obligations of the City to make payments under a Qualified Hedge Agreement derived from or resulting from a fluctuation in hedged interest rates or in the value of any index of payment shall be deemed to be payments of interest on the bonds to which the Qualified Hedge Agreement relates, and each Qualified Hedge Agreement shall be deemed to be a part of the System Bonds of the series to which it relates for the purpose of securing its payment by the pledge of Net Revenues as provided in the Master Ordinance, except that any obligation of the City to make termination payments that are not payable in installments over the remaining term of the relevant transaction or to deliver collateral shall be paid as a Third Lien Obligation or an obligation inferior and subordinate to Third Lien Obligations. However, issuers of and counterparties to Qualified Hedge Agreements shall not be treated as Owners of System Bonds for purposes of any voting rights to approve amendments under the Master Ordinance.

"Rate Covenant" has the meaning given to such term in the section captioned "SECURITY FOR THE BONDS – Rate Covenant."

"Rating Agency" means Fitch Ratings, Moody's Investors Service, S&P Global Ratings, or any other nationally recognized rating agency.

"**Refunded Bonds**" means the Outstanding First Lien Bonds of the System, which are (i) refunded and defeased with a portion of the proceeds of the Bonds and (ii) the Purchased Bonds as further described in Schedule I hereto

"Refunded Notes" means all or a portion of the City's Combined Utility System Commercial Paper Notes, Series B refunded with proceeds of the Bonds.

"Refundable Obligations" means any series of System Obligations 25% or more of the original principal amount of which is due on any date; provided that, in calculating the principal amount of such System Obligations due or required to be redeemed, prepaid or otherwise paid on any date, such principal amount shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized on any date.

"Register" means the registration books maintained by a Paying Agent/Registrar for System Obligations issued under a Supplemental Ordinance.

"Required Payments" means any payments required to be made under the Previous Ordinance, including without limitation (i) all payments required to be made by the City as Maintenance and Operation Expenses under the Previous Ordinance, including without limitation under outstanding contracts on the effective date of this Master Ordinance for the impoundment, conveyance, or treatment of water or otherwise which are treated as operating expenses under the laws of the State of Texas, and (ii) all payments required to be made by the City to pay debt service requirements on Previous Ordinance Bonds in accordance with the terms of the Previous Ordinance and to comply with the reserve fund requirements of the Previous Ordinance.

"Reserve Fund Participants" means those First Lien Bonds which the City elects to fund a shared First Lien Bond Reserve Fund.

"Reserve Fund Requirements" means the amount required by a Supplemental Ordinance to be deposited, accumulated, reaccumulated and maintained in the First Lien Bond Reserve Fund, Second Lien Bond Reserve Fund and any reserve funds created for Third Lien Obligations, Fourth Lien Obligations, or Prior Ordinance Subordinate Lien Obligations.

"Reserve Fund Surety Policy" means any surety bond or any insurance policy which has liquidity features equivalent to an irrevocable and unconditional letter of credit, or any irrevocable and unconditional letter of credit, deposited in a reserve fund created pursuant to the Master Ordinance in lieu of or in partial substitution for monies on deposit therein, which is rated at the time of deposit of such Reserve Fund Surety Policy in the highest rating category by each Rating Agency rating the Outstanding Obligations to which the Reserve Fund Surety Policy relates at the time of deposit of such Reserve Fund Surety Policy.

"Restricted Receipts" means (i) revenues related to the System received by the City that pursuant to law or contractual agreements that may not be used to pay Maintenance and Operation Expenses and (ii) any interest earnings on the revenues described in clause (i) above.

"S&P" means S&P Global Ratings, a division of S&P Global Inc.

"Second Lien Bonds" means each series of Second Lien Bonds from time to time hereafter issued, but only to the extent such Second Lien Bonds remain Outstanding within the meaning of the Master Ordinance.

"Short Term Obligations" means each series of bonds, notes and other obligations issued pursuant to a commercial paper or other similar financing program under the Master Ordinance, the payment of principal of which is scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced through the issuance of additional System Obligations.

"Special Project" means, to the extent permitted by law, any utility system property, improvement or facility declared by the City not to be part of the System, for which the costs of acquisition, construction, and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes or revenues of the System and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes or revenues of the System, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction, and installation under such financing transaction.

"Supplemental Ordinance" means any ordinance supplementing the Master Ordinance to provide for the issuance of Bonds or other obligations authorized by the Master Ordinance.

"Surety" means a third party financial institution that provides a Reserve Fund Surety Policy.

"System Bonds" means any or all of the System Obligations issued as First Lien Bonds or Second Lien Bonds, or both, as the context may indicate.

"System Obligations" means Previous Ordinance Bonds and obligations authorized pursuant to the Master Ordinance, including, without limitation, First Lien Bonds, Second Lien Bonds, Third Lien Obligations, Fourth Lien Obligations, Credit Agreements and Qualified Hedge Agreements.

"Target Bonds" means those certain Outstanding First Lien Bonds held by beneficial owners to whom an Invitation (as defined in the section captioned "PURPOSE AND PLAN OF FINANCE – The Purchased Bonds") is delivered in accordance with the Supplemental Ordinance.

"Third Lien Obligations" means System Obligations authorized by the Master Ordinance that are payable after First Lien Bonds and Second Lien Bonds.

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APPENDIX D

EXCERPTS FROM THE MASTER ORDINANCE

The following are selected provisions of the Master Ordinance. These excerpts should be qualified by reference to other portions of the Master Ordinance referred to elsewhere in this Official Statement, and all amended and restated references and summaries pertaining to the Master Ordinance in this Official Statement are separately and in whole, qualified by reference to the exact terms of the Master Ordinance, a copy of which may be obtained from the City of Houston. Unless otherwise indicated, any references to sections listed below are to sections contained in the Master Ordinance, and Section and Article headings contained in the following excerpts are to Sections and Articles contained in the Master Ordinance. As used in this APPENDIX D, the Master Ordinance is referred to herein as "this Ordinance," "System Bonds" are referred to as the "Bonds" and "System Obligations" are referred to as the "Obligations." Other defined terms used in this APPENDIX D shall have the meanings given such terms in APPENDIX C to this Official Statement, unless the context of the use of such term herein indicates otherwise.

ARTICLE III

TERMS OF THE BONDS

Section 3.1 Name.

The name, amount, purpose, and legal authorization for each series of Bonds shall be specified in the Supplemental Ordinance authorizing such series.

Section 3.2 Numbers; Date, and Denomination.

Each series of Bonds shall be numbered and dated and shall be in principal denominations as specified in the authorizing Supplemental Ordinance.

Section 3.3 Terms.

Each Series of Bonds shall bear interest from the dates and at the rates per annum and shall mature on the date or dates to be set forth in the authorizing Supplemental Ordinance. Bonds may bear interest at a fixed, variable, auction, term or commercial paper rate or any other rate provided for in the authorizing Supplemental Ordinance.

Section 3.4 Redemption Prior to Maturity.

Each Series of Bonds may be subject to redemption in the manner provided in the authorizing Supplemental Ordinance.

Section 3.5 Manner of Payment, Characteristics, Execution, and Authentication.

Each authorizing Supplemental Ordinance shall designate a Paying Agent/Registrar for such series of Bonds. The Bonds shall be payable, shall have the characteristics, shall be signed and executed, shall be sealed, and shall be authenticated, all as provided and in the manner indicated in the authorizing Supplemental Ordinance. To the extent required by Texas law, Bonds initially delivered shall also have attached or affixed thereto the registration certificate of the Comptroller of Public Accounts of the State of Texas. If any officer of the City whose manual or facsimile signature shall appear on the Bonds, as provided in the authorizing Supplemental Ordinance, shall cease to be such officer before the authentication of the Bonds or before the delivery of the Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond. The definitive Bonds shall be printed, lithographed, engraved, or typewritten or produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof, but the initial Bonds submitted to the Attorney General of Texas may be typewritten, photocopied, or otherwise reproduced.

The approving legal opinion of Bond Counsel for the Bonds, may be printed on the back of the Bonds over the certification of the City Secretary of the City which may be executed in facsimile. CUSIP numbers and a statement of insurance, if any, also may be printed on applicable Bonds, but errors or omissions in the printing of the opinion, the numbers, or the statement of insurance shall have no effect on the validity of the Bonds.

ARTICLE IV

FORM OF BONDS

Each series of Bonds shall be in substantially the form set out in the Supplemental Ordinance, with such omissions, insertions and variations as may be permitted or required pursuant to the terms of such ordinance for each series of the Bonds (including appropriate variations required for any Bonds issued as capital appreciation bonds).

ARTICLE V

SECURITY AND SOURCE OF PAYMENT FOR ALL BONDS

Section 5.1 Pledge Securing Bonds.

The City hereby covenants and agrees that Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds hereinafter established. Gross Revenues shall be applied in the manner hereinafter set forth in order to provide for the payment of all remaining Maintenance and Operation Expenses. Net Revenues shall be applied to provide for the payment of principal of, interest on and any redemption premiums on the First Lien Bonds, any parity Obligations under Qualified Hedge Agreements and Credit Agreements, and all expenses of paying same; to provide for the payment of principal of, interest on and any redemption premiums on the Second Lien Bonds, any parity Obligations under Qualified Hedge Agreements and Credit Agreements, and all expenses of paying same; and to provide for the disposition of the remaining Net Revenues in accordance with this Ordinance. The First Lien Bonds shall constitute special obligations of the City that shall be payable solely from and shall be equally and ratably secured by a lien on the Net Revenues as collected and received by the City from the operation and ownership of the System, which Net Revenues shall, in the manner herein provided, be set aside in the First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund for and pledged to the payment of the First Lien Bonds as hereinafter provided, and the First Lien Bonds shall be, in all respects, on a parity with and of equal dignity with one another. The Second Lien Bonds shall constitute special obligations of the City that shall be payable solely from and, subject only to the senior and superior lien on Net Revenue pledged to the payment of the First Lien Bonds and other obligations payable from the First Lien Bond Interest and Sinking Fund, shall be equally and ratably secured by a lien on the Net Revenues, as collected and received by the City from the operation and ownership of the System, which Net Revenues shall, in the manner herein provided, be set aside in the Second Lien Bond Interest and Sinking Fund and the Second Lien Bond Reserve Fund for and pledged to the payment of the Second Lien Bonds as hereinafter provided, and the Second Lien Bonds shall be in all respects on a parity with and of equal dignity with one another. The Owners of the First Lien Bonds and the Second Lien Bonds shall never have the right to demand payment of either the principal of, interest on or any redemption premium on the First Lien Bonds or the Second Lien Bonds out of any funds raised or to be raised by taxation. Chapter 1208, Texas Government Code, applies to the issuance and delivery of the First Lien Bonds and the Second Lien Bonds and the pledge of the Net Revenues granted under this Ordinance, and such pledge Is therefore valid, effective, and perfected.

Section 5.2 Rates and Charges.

So long as any Bonds remain Outstanding, the City shall fix, charge, and collect rates and charges for the use and services of the System which are calculated to be fully sufficient to produce Net Revenues in each Fiscal Year at least equal to the greater of:

(a) 120% of the combined Debt Service Requirements scheduled to occur in such Fiscal Year on all Previous Ordinance Bonds and First Lien Bonds then Outstanding, or

(b) 110% of the combined Debt Service Requirements scheduled to occur in such Fiscal Year on all Previous Ordinance Bonds, First Lien Bonds, and Second Lien Bonds then Outstanding,

plus an amount equal to the sum of (i) all deposits required to be made to the First Lien Bond Reserve Fund and to the Second Lien Bond Reserve Fund in such Fiscal Year and (ii) all other financial obligations of the System reasonably anticipated to be paid from Net Revenues of the System; provided that in calculating the Net Revenues required by paragraphs (a) and (b) above all or any portion of such Net Revenues that exceed 100% of the combined Debt Service Requirements may be attributed to amounts on deposit in the General Purpose Fund that are available to pay Debt Service Requirements pursuant to Section 5.9(c) of this Ordinance, and provided further that in no event shall Net Revenues ever be less than the amount required to establish and maintain the First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund as hereinafter provided, to establish and maintain the Second Lien Bond Interest and Sinking Fund and the Second Lien Bond Reserve Fund as hereinafter provided and, to the extent that funds for such purpose are not otherwise available, to pay all other Outstanding Obligations payable from the Net Revenues of the System, including all amounts owed as a repayment obligation by the City pursuant to a Reserve Fund Surety Policy or a Credit Agreement, as and when the same become due.

Effective for monthly billing cycles for the System commencing on April 1, 2005, and on April 1 of each year thereafter and subject to the terms of existing contracts, the requirements of the immediately preceding paragraph of this Section 5.2, applicable Texas law and the authority of the City Council of the City to adopt other rates and charges, rates and charges for the use and services of the System shall be adjusted based on the percentage change (if any) in the Designated Index or other appropriate index for the preceding calendar year. The calculation required by this Section 5.2 shall be made annually at the time City's Annual Budget for the System is adopted and shall be included in the Annual Budget for the System.

Section 5.3 Special Funds.

The following special Funds shall be established, maintained and accounted for on the books of the City as hereinafter provided so long as any of the Bonds or other Obligations remain Outstanding:

(a) Revenue Fund;

(b) First Lien Bond Interest and Sinking Fund;

(c) First Lien Bond Reserve Fund;

(d) Second Lien Bond Interest and Sinking Fund;

(e) Second Lien Bond Reserve Fund;

(f) Third Lien Obligation Interest and Sinking Fund;

(g) Third Lien Obligation Reserve Fund (if and when required);

(h) Fourth Lien Obligation Interest and Sinking Fund (if and when required);

(i) Fourth Lien Obligation Reserve Fund (if and when required);

(j) Interest and Sinking Funds and Reserve Funds for any additional Obligations that will be junior and subordinate to Fourth Lien Obligations (if and when required); and

(k) General Purpose Fund.

All such Funds shall be maintained as separate accounts on the books of the City. The First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund shall constitute trust funds which shall be held in trust for the Owners of the First Lien Bonds (and parity Obligations, if any, under Qualified Hedge Agreements and Credit Agreements) and the proceeds of which (except for interest income, which shall be transferred to the Revenue Fund) shall be pledged to the payment of the First Lien Bonds and such parity Obligations. The Second Lien Bond Interest and Sinking Fund and the Second Lien Bond Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Owners of the Second Lien Bonds (and parity Obligations, if any, under Qualified Hedge Agreements and Credit Agreements) and the proceeds of which (except for interest income, which shall be transferred to the Revenue Fund) shall be and are hereby pledged to the payment of the Second Lien Bonds and such parity

Obligations. All of the Funds named above shall be used solely as herein provided so long as any Obligations remain Outstanding. The City reserves the right to establish, maintain, and account for on the books of the City such additional funds and accounts as may be necessary or desirable in the efficient administration of the System and flow of funds governing all Outstanding Obligations.

Section 5.4 Flow of Funds.

After making any Required Payments in accordance with the terms of the Previous Ordinance, Gross Revenues of the System shall be deposited as collected into the Revenue Fund and shall be applied (i) to pay Maintenance and Operation Expenses and (ii) to establish and maintain an operating reserve with a minimum balance of two months' budgeted Maintenance and Operation Expenses for the then-current Fiscal Year. The remaining balance, together with Restricted Receipts, shall be applied in the following manner and in the following order of priority on or before the last Business Day of each month:

(a) First, to make all deposits into the First Lien Bond Interest and Sinking Fund required by Section 5.5 hereof or any Supplemental Ordinance authorizing the issuance of First Lien Bonds;

(b) Second, to make all deposits into the First Lien Bond Reserve Fund required by Section 5.6 hereof or any Supplemental Ordinance authorizing the issuance of First Lien Bonds;

(c) Third, to make all deposits into the Second Lien Bond Interest and Sinking Fund required by Section 5.7 hereof or any Supplemental Ordinance authorizing the issuance of Second Lien Bonds;

(d) Fourth, to make all deposits into the Second Lien Bond Reserve Fund required by Section 5.8 hereof or any Supplemental Ordinance authorizing the issuance of Second Lien Bonds;

(e) Fifth, to make all payments and deliveries, as may be required by any Supplemental Ordinance of the City authorizing the issuance of certain Third Lien Obligations authorized by Section 6.3 hereof, in order to provide for the payment of and security for such Third Lien Obligations;

(f) Sixth, to make all payments and deliveries, as may be required by any Supplemental Ordinance of the City authorizing the issuance of certain Fourth Lien Obligations described in Section 6.3 hereof, in order to provide for the payment of and security for such Fourth Lien Obligations; and

(g) Seventh, to make all deposits of any remaining Net Revenues into the General Purpose Fund as required by Section 5.9 hereof.

Further, such monthly deposits may be adjusted by the City, as appropriate, to reflect the amount or frequency of any Interest Payment Date and/or principal payment date applicable to each series of Obligations and frequency of payments under any Qualified Hedge Agreement or Credit Agreement. On or before each transfer date, the City shall make up any deficiencies in deposits on prior transfer dates from and to the extent monies remain on deposit in the Revenue Fund.

Section 5.5 First Lien Bond Interest and Sinking Fund.

So long as any First Lien Bonds remain Outstanding, after making all required payments and provisions for the payment of Maintenance and Operation Expenses and required deposits to an operating reserve, if any, there shall be transferred into the First Lien Bond Interest and Sinking Fund from the Revenue Fund the following amounts for each series of First Lien Bonds:

(a) The amount of interest (excluding any compound interest) accruing through the end of the next succeeding calendar month less any amounts on deposit therein and available for the payment of interest due on such First Lien Bonds; plus

(b) (i) for each series of First Lien Bonds with annual principal payment dates amounts equal to one-twelfth (1/12) of principal, including any compound interest, due and payable over the twelve month period starting on the first day of the next succeeding month; (ii) for each series of First Lien Bonds with principal payment dates occurring at a frequency other than annual, equal monthly installments

of principal, including any compound interest, due and payable at the next Principal Payment Date starting on the first day of the next succeeding month; less, in each case, any amounts on deposit therein and available for the payment of principal due on such First Lien Bonds; plus

(c) Such amount, if any, in approximately equal monthly installments as shall be necessary to enable the City to pay when due all expenses of providing for the full and timely payment of the principal of, premium, if any, and interest on the First Lien Bonds in accordance with their terms, including without limitation, all fees charged or costs incurred with any Credit Agreements, Qualified Hedge Agreements and other related agreements in connection with the First Lien Bonds.

Provided, however, that interest income, if any, derived from amounts on deposit in the First Lien Bond Interest and Sinking Fund and available for the timely payment of interest or principal on First Lien Bonds may be used by the City at any time to offset any required deposit described in (a) or (b) above

Moneys credited to the First Lien Bond Interest and Sinking Fund shall be used solely for the purpose of paying interest on, principal (at maturity or mandatory redemption or to purchase First Lien Bonds issued as term bonds in the open market to be credited against the next succeeding mandatory redemption requirements) of and redemption premiums on the First Lien Bonds, plus all fees, charges, and other amounts payable, including those described in clause (c) above. On or before each Principal Payment Date and/or Interest Payment Date on First Lien Bonds, the City shall transfer from the First Lien Bond Interest and Sinking Fund to the Paying Agent/Registrar in immediately available funds an amount equal to the principal of, redemption premium (if any) on, and interest payable on the First Lien Bonds on such date, plus all fees, charges, and other amounts payable, including those described in clause (c) above.

Further, such monthly deposits may be adjusted by the City, as appropriate, to reflect the amount or frequency of any Interest Payment Date and/or Principal Payment Date applicable to each series of First Lien Bonds and frequency of payments under any Qualified Hedge Agreement or Credit Agreement on parity with First Lien Bonds. On or before each transfer date, the City shall make up any deficiencies in deposits on prior transfer dates from and to the extent monies remain on deposit in the Revenue Fund.

Section 5.6 First Lien Bond Reserve Fund.

On or before the last Business Day of each month so long as any First Lien Bonds that are Reserve Fund Participants remain Outstanding, there shall be transferred into the First Lien Bond Reserve Fund from the Revenue Fund amounts equal to one-sixtieth ($1/60^{th}$) of the Reserve Fund Requirements for the First Lien Bonds unless or until there has been accumulated in the First Lien Bond Reserve Fund money and investments in an aggregate amount at least equal to the Reserve Fund Requirements for the First Lien Bonds; provided that additional deposits into the First Lien Bond Reserve Fund sufficient to provide for the increased Reserve Fund Requirements resulting from the issuance of any Additional First Lien Bonds that are Reserve Fund Participants shall be made by not later than 60 months from the date of issuance of such Additional First Lien Bonds. After such amount has accumulated in the First Lien Bond Reserve Fund and so long thereafter as such Fund contains such amount, no further deposits shall be required to be made into the First Lien Bond Reserve Fund, and any excess amounts in such Fund may be transferred to the Revenue Fund. But if and whenever the balance in the First Lien Bond Reserve Fund is reduced below such amount, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to one-sixtieth ($1/60^{th}$) of the Reserve Fund Requirements on the First Lien Bonds until the First Lien Bond Reserve Fund has been restored to such amount. The First Lien Bond Reserve Fund shall be used to pay the principal of and interest on the First Lien Bonds that are Reserve Fund Participants (and parity Obligations, if any, under Qualified Hedge Agreements and Credit Agreements) at any time when there is not sufficient money available in the First Lien Bond Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last First Lien Bonds that are Reserve Fund Participants to mature or be redeemed.

The requirements of the immediately preceding paragraph of this Section notwithstanding, the City may provide a Reserve Fund Surety Policy issued in amounts equal to all or part of the Reserve Fund Requirements on the First Lien Bonds that are Reserve Fund Participants in lieu of depositing cash into the First Lien Bond Reserve Fund. In the event a Reserve Fund Surety Policy issued to satisfy all or a part of the City's obligation with respect to the First Lien Bond Reserve Fund causes the amount then on deposit in the First Lien Bond Reserve Fund to exceed the Reserve Fund Requirements on all First Lien Bonds, the City may transfer such excess amount to any fund or funds established for the payment of or security for First Lien Bonds, the Second Lien Bonds, or any Third Lien Obligations

or Fourth Lien Obligations (including any escrow established for the final payment of any such Obligations preceding an Interest Payment Date pursuant to Chapter 1207, Texas Government Code), or to the General Purpose Fund.

Section 5.7 Second Lien Bond Interest and Sinking Fund.

So long as any Second Lien Bonds remain Outstanding, there shall be transferred into the Second Lien Bond Interest and Sinking Fund from the Revenue Fund the following amounts:

(a) The amount of interest (excluding any compound interest) accruing from the first day of the next succeeding calendar month through the last day of the next succeeding calendar month; plus

(b) For each series of Second Lien Bonds with annual principal payment dates amounts equal to one-twelfth (1/12) of principal, including any compound interest, due and payable over the twelve month period starting on the first day of the next succeeding month; (ii) for each series of Second Lien Bonds with principal payment dates occurring at a frequency other than annually, equal monthly installments of principal, including any compound interest, due and payable on the next principal payment date starting on the first day of the next succeeding month; plus

(c) Such amount, if any, in approximately equal monthly installments as shall be necessary to enable the City to pay when due all expenses of providing for the full and timely payment of the principal of, premium, if any, and interest on the Second Lien Bonds in accordance with their terms, including without limitation, all fees charged or Bonds incurred with any Credit Agreements, Qualified Hedge Agreements and other related agreements in connection with the Second Lien Bonds.

Provided, however, that interest income, if any, derived from amounts on deposit in the Second Lien Bond Interest and Sinking Fund and available for the timely payment of interest or principal on Second Lien Bonds may be used by the City at any time to offset any required deposit described in (a) or (b) above.

Moneys credited to the Second Lien Bond Interest and Sinking Fund shall be used solely for the purpose of paying interest on, principal (at maturity or prior redemption or to purchase Second Lien Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements) of and redemption premiums on the Second Lien Bonds, plus all fees, charges, and other amounts payable to any and all of the Paying Agent/Registrar, and any auction agent, market agent, broker/dealer, remarketing agent, Credit Agreement provider; or Qualified Hedge Agreement provider which, by the terms of their agreements with the City, are payable from the Second Lien Bond Interest and Sinking Fund. On or before each principal becomes due and/or Interest Payment Date on the Second Lien Bonds, the City shall transfer from the Second Lien Bond Interest and Sinking Fund to the Paying Agent/Registrar in immediately available funds an amount equal to the principal and interest payable on the Second Lien Bonds on such date.

Further, such monthly deposits may be adjusted by the City, as appropriate, to reflect the amount or frequency of any Interest Payment Date and/or principal payment date applicable to each series of Second Lien Bonds and frequency of payments under any Qualified Hedge Agreement or Credit Agreement on parity with Second Lien Bonds. On or before each transfer date, the City shall make up any deficiencies in deposits on prior transfer dates from and to the extent monies remain on deposit in the Revenue Fund.

The Paying Agent/Registrar shall totally destroy all paid Second Lien Bonds and shall provide the City with an appropriate certificate of destruction.

Section 5.8 Second Lien Bond Reserve Fund.

On or before the last Business Day of each month so long as any Second Lien Bonds that are Reserve Fund Participants remain Outstanding, there shall be transferred into the Second Lien Bond Reserve Fund from the Revenue Fund amounts equal to at least one-sixtieth ($1/60^{th}$) of the Reserve Fund Requirements for the Second Lien Bonds unless or until there has been accumulated in the Second Lien Bond Reserve Fund money and investments in an aggregate amount at least equal to the Reserve Fund Requirements for the Second Lien Bonds; provided that additional deposits into the Second Lien Bond Reserve Fund sufficient to provide for the increased Reserve Fund Requirements resulting from the issuance of any Additional Second Lien Bonds that are Reserve Fund Participants shall be made by not later than 60 months from the date of issuance of such Additional Second Lien Bonds. After such amount has

accumulated in the Second Lien Bond Reserve Fund and so long thereafter as such Fund contains such amount, no further deposits shall be required to be made into the Second Lien Bond Reserve Fund, and any excess amounts in the Fund may be transferred to the Revenue Fund. But if and whenever the balance in the Second Lien Bond Reserve Fund is reduced below such amount, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to one-sixtieth ($1/60^{th}$) of the Reserve Fund Requirements on the Second Lien Bonds until the Second Lien Bond Reserve Fund has been restored to such amount. The Second Lien Bond Reserve Fund shall be used to pay the principal of and interest on the Second Lien Bonds that are Reserve Fund Participants (and parity Obligations, if any, under Qualified Hedge Agreements and Credit Agreements) at any time when there is not sufficient money available in the Second Lien Bond Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last Second Lien Bonds that are Reserve Fund Participants to mature or be redeemed.

The requirements of the immediately preceding paragraph of this Section notwithstanding, the City may provide a Reserve Fund Surety Policy issued in amounts equal to all or part of the Reserve Fund Requirements on the Second Lien Bonds that are Reserve Fund Participants in lieu of depositing cash into the Second Lien Bond Reserve Fund. In the event a Reserve Fund Surety Policy issued to satisfy all or a part of the City's obligation with respect to the Second Lien Bond Reserve Fund causes the amount then on deposit in the Second Lien Bond Reserve Fund to exceed the Reserve Fund Requirements on all Second Lien Bonds, the City may transfer such excess amount to any fund established for the payment of or security for First Lien Bonds, the Second Lien Bonds, or any Third Lien Obligations or Fourth Lien Obligations (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, Texas Government Code), or to the General Purpose Fund.

Section 5.9 General Purpose Fund.

Subject to the payment to the provider of a Reserve Fund Surety Policy of any interest on amounts advanced and any expenses incurred under the Reserve Fund Surety Policy required to be paid pursuant to an agreement between the City and the provider of such Reserve Fund Surety Policy, and subject to the provisions of Sections 5.5, 5.6, 5.7, and 5.8 hereinabove in this Article, from any moneys remaining in the Revenue Fund, at least annually within 90 days following the end of each Fiscal Year, there shall be set aside and credited to the General Purpose Fund, the remaining revenues in the Revenue Fund. Moneys accounted for in the General Purpose Fund, subject to any limitations herein or in any other contract pertaining to such account, may be withdrawn in any priority for any one, all, or any combination of the following:

(a) Capital Costs. To pay the costs of constructing or otherwise acquiring any betterments of, enlargement of, extensions of, or any other improvements to the System, or any part thereof, and any equipment therefor, authorized by law;

(b) Major Maintenance Costs. To pay the costs of extraordinary and major repairs, renewals, replacements, or maintenance items pertaining to any properties of the System of a type not recurring annually or at shorter intervals and not paid as Maintenance and Operation Expenses;

(c) Debt Service Requirements. To pay any Bonds or other Obligations or securities pertaining to the System and payable from Net Revenues (regardless of whether such securities are secured by a lien thereon), as to Debt Service Requirements and any other appurtenant charge pertaining to such Debt Service Requirements on any Interest Payment Date, or any redemption date or redemption dates, or by purchase in the open market, or by creating an escrow to provide for the payment of or to defease such Bonds, other Obligations or securities or otherwise;

(d) Legal Obligations. To pay any obligations pertaining to the System and arising from a judgment against the City or any officer, employee, or other agent of the City acting within the scope of his official duties, rights, or privileges, or the scope of his employment, as the case may be, in any suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, or a settlement by the City of any claim to avoid or to settle such a suit, action, or special proceedings, except to the extent revenues are otherwise available to defray such an obligation, including, without limitation, insurance proceeds, or to pay any penalties, fines, settlements or other amounts required to be paid by the City as a result of federal or state administrative proceedings relating to the System;

(e) Assumed and Other Obligations. To pay any bonds or other obligations assumed by the City which were issued or incurred by water districts annexed and dissolved by the City, which bonds or other

obligations are by their own terms secured in whole or in part by a pledge of water or sewer revenues which did not terminate upon the annexation and dissolution of such water districts, and other bonds or obligations issued or assumed by the City for combined utility system purposes which are payable from ad valorem taxes or sources other than the First Lien Bond Interest and Sinking Fund, the First Lien Bond Reserve Fund, the Second Lien Bond Interest and Sinking Fund, or the Second Lien Bond Reserve Fund;

(f) Lawful System Purposes. For any other lawful purpose of the System as the City may determine; and

(g) Drainage Purposes. For planning, design, construction, regulation, improvement, repair, maintenance, and operation of facilities and programs relating to the system or network of storm water management facilities including, but not limited to, inlets, conduits, manholes, channels, ditches, drainage easements, retention and detention basin, infiltration facilities, and other components, including, without limitation, the costs of developing, implementing, and enforcing a storm water management program to reduce the discharge of pollutants from the City's storm sewer system and protect water quality, and the costs related to obtaining, renewing, or maintaining any required permits related to the operation of the storm sewer system, and also including payment of debt service on bonds, notes, or other obligations issued for the purposes listed in this paragraph (g); provided that the aggregate amount withdrawn from the General Purpose Fund pursuant to this paragraph (g) during any Fiscal Year shall not exceed 8% of the Gross Revenues of the System for the immediately preceding Fiscal Year.

Section 5.10 Application of General Purpose Fund.

Moneys shall be withdrawn from the General Purpose Fund for any one, all, or other combination of such purposes designated in Section 5.9 hereof in the same manner that other claims against the System are presented and paid. Amounts in the General Purpose Fund at the beginning of a Fiscal Year which are deposited into the Revenue Fund in that Fiscal Year are Gross Revenues for the Fiscal Year in which such amounts are deposited into the Revenue Fund.

Section 5.11 Investment of Funds; Transfer of Investment Income.

(a) Money in the Revenue Fund, the First Lien Bond Interest and Sinking Fund, the First Lien Bond Reserve Fund, the Second Lien Bond Interest and Sinking Fund, the Second Lien Bond Reserve Fund, and the General Purpose Fund may, at the option of the City, be invested in investments as permitted by state law, consistent with the City's investment policy; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times, and provided further that in no event shall such deposits or investments of moneys in the First Lien Bond Reserve Fund or the Second Lien Bond Reserve Fund mature later than the final maturity date of the First Lien Bonds or the Second Lien Bonds, as the case may be. All such investments shall be valued in terms of current market value no less frequently than the last Business Day of the City's Fiscal Year, except that any direct obligations of the United States of America – State and Local Government Series may be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held in an official depository of the City, except as hereinafter provided. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the City, in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository of the City, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such deposits and investments shall be credited to the Revenue Fund monthly, and shall constitute Gross Revenues of the System.

Section 5.12 Security for Uninvested Funds.

So long as any Bonds remain Outstanding, all uninvested moneys on deposit in, or credited to, the Revenue Fund, the First Lien Bond Interest and Sinking Fund, the First Lien Bond Reserve Fund, the Second Lien Bond Interest and Sinking Fund, the Second Lien Bond Reserve Fund, and the General Purpose Fund shall be secured by the pledge of security as provided by law for cities in the State of Texas.

ARTICLE VI

ADDITIONAL BONDS AND OTHER OBLIGATIONS

Section 6.1 Additional First Lien Bonds and Additional Second Lien Bonds.

The City reserves the right to issue, for any lawful System purpose, including the refunding of any previously issued First Lien Bonds, Second Lien Bonds, Previous Ordinance Bonds, or any other bonds or obligations of the City issued in connection with the System or payable from Net Revenues, or to pay obligations incurred under or pursuant to any Credit Agreement or Qualified Hedge Agreement, one or more series of (i) Additional First Lien Bonds on a parity with the Outstanding First Lien Bonds payable from, and secured by a first lien on, the Net Revenues of the System senior and superior to the lien securing the Second Lien Bonds; and (ii) Additional Second Lien Bonds on a parity with the Outstanding Second Lien Bonds; provided, however, that no Additional First Lien Bonds or Additional Second Lien Bonds may be issued unless:

(a) The First Lien Bond Reserve Fund (and, for the issuance of Additional Second Lien Bonds, the Second Lien Bond Reserve Fund) each contains the amount of money then required to be on deposit therein;

(b) For either the preceding Fiscal Year or any consecutive 12-month period out of the 18-month period immediately preceding the month in which the Supplemental Ordinance authorizing such Additional First Lien Bonds or Additional Second Lien Bonds, as the case may be, is adopted (the "Base Period") either:

(1) Net Revenues are certified by the City Controller of the City to have been equal to not less than the greater of (A) 120% of the combined Maximum Annual Debt Service Requirements on all First Lien Bonds and any Previous Ordinance Bonds or (B) 110% of the combined Maximum Annual Debt Service Requirements on all First Lien Bonds, Second Lien Bonds, and any Previous Ordinance Bonds, after giving effect to the issuance of the Additional First Lien Bonds or Additional Second Lien Bonds to be issued; or

(2) Net Revenues, adjusted to give effect to any rate increase, new customers, or annexation of territory placed into effect or consummated prior to the adoption of the ordinance authorizing the Additional First Lien Bonds or Additional Second Lien Bonds, as the case may be, to the same extent as if such rate increase, new customers, or annexation had been placed into effect or consummated prior to the commencement of the Base Period, would have been equal to at least the greater of (A) or (B) in paragraph (1) above, as certified by an independent consulting engineer or independent firm of consulting engineers;

provided that all or any portion of the Net Revenues required by clauses (1) and (2) of paragraph (b) above that exceed 100% of the Maximum Annual Debt Service Requirements may be attributed to amounts on deposit in the General Purpose Fund that are available to pay Debt Service Requirements pursuant to Section 5.9(c) of this Ordinance; provided, further, that this requirement shall not apply to the issuance of any series of Additional Second Lien Bonds for the purpose of refunding Outstanding First Lien Bonds, or to the issuance of any series of Additional First Lien Bonds or Additional Second Lien Bonds for refunding purposes, that will not have the result of increasing the Average Annual Debt Service Requirements on the First Lien Bonds or the Second Lien Bonds; and

(c) Provision is made in the Supplemental Ordinance authorizing the Additional First Lien Bonds or Additional Second Lien Bonds then proposed to be issued for (1) additional payments into the First

Lien Bond Interest and Sinking Fund or Second Lien Bond Interest and Sinking Fund, as the case may be, sufficient to provide for the payment of the increased principal of and interest on the First Lien Bonds or Second Lien Bonds resulting from the issuance of such Additional First Lien Bonds or Additional Second Lien Bonds, and (2) additional payments into the First Lien Bond Reserve Fund or Second Lien Bond Reserve Fund, as the case may be, sufficient to provide for the accumulation therein of the increased Reserve Fund Requirements resulting from the issuance of such Additional First Lien Bonds or Additional Second Lien Bonds, by not later than 60 months from the date of issuance of such Additional First Lien Bonds or Additional Second Lien Bonds.

(d) Special Provisions for Refunding Short Term Obligations. The provisions of paragraph (b) above shall not apply to the issuance of Additional First Lien Bonds for the purpose of refunding Short Term Obligations issued as First Lien Bonds or the issuance of Additional Second Lien Bonds for the purpose of refunding Short Term Obligations issued as First Lien Bonds or Second Lien Bonds.

(e) Special Provisions for Credit Agreements. The City may enter into Credit Agreements with respect to any Bonds or Qualified Hedge Agreements if:

(i) prior to entering into such Credit Agreement, the City, to the extent required by law, shall cause the proceedings authorizing the Credit Agreement and any contracts or reimbursement agreements relating thereto to be submitted to and approved by the Attorney General of Texas; and

(ii) for any Credit Agreement that obligates the City to make any future payments for the availability of such Credit Agreement, the City's municipal advisor must certify in a written certificate delivered to the City that the inclusion of such payments within the Debt Service Requirements on the Bonds or Qualified Hedge Agreement to which the Credit Agreement relates will not cause such Bonds or Qualified Hedge Agreement to fail to comply with the applicable coverage requirements for their issuance or incurrence; and

The issuer of any Credit Agreement shall be entitled to be subrogated to the rights of the Owners of the Bonds or the counterparty to the Qualified Hedge Agreement secured by such Credit Agreement, and the City's reimbursement and repayment obligations to the issuer of the Credit Agreement shall be secured by Net Revenues as herein provided.

(f) Special Provisions for Qualified Hedge Agreements. The City may enter into Qualified Hedge Agreements in connection with any Bonds for any purpose authorized by law if the following requirements are satisfied:

(i) the proceedings authorizing the Qualified Hedge Agreement and any contracts or reimbursement agreements relating thereto shall, to the extent required by law, be submitted to and approved by the Attorney General of Texas; and

(ii) the City's municipal advisor shall certify in a written certificate delivered to the City that the Bonds to which the Qualified Hedge Agreement relates could have been issued in satisfaction of all of the coverage requirements of this Article Six if the Debt Service Requirements with respect to such Bonds are recalculated (as provided in the definition of Debt Service Requirements) to take into account the Qualified Hedge Agreement.

Section 6.2 Short Term Obligations.

The City reserves the right to issue, from time to time, one or more series of Additional First Lien Bonds and/or Additional Second Lien Bonds in accordance with Section 6.1 hereof as Short Term Obligations.

Section 6.3 Third Lien Obligations and Fourth Lien Obligations.

The City reserves the right to issue, for any lawful purpose, Third Lien Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the First Lien Bonds and the Second Lien Bonds. The City also reserves the right to issue Fourth Lien Obligations

secured in whole or in part by liens on Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of First Lien Bonds, Second Lien Bonds, and Third Lien Obligations.

Section 6.4 Supplemental Ordinance.

Bonds payable from Net Revenues shall be issued only after authorization thereof by a Supplemental Ordinance stating the purpose or purposes of the issuance of such additional Bonds, directing the application of the proceeds thereof to such purpose or purposes, directing the execution and authentication thereof, and fixing and determining the date, principal amount, maturity or maturities, designation, and numbers thereof, the maximum rate or the rate or rates of interest to be borne thereby, any prior redemption privileges of the City with respect thereto, and other provisions thereof. Upon such authorization such additional Bonds may at one time or from time to time be executed by and on behalf of the City and authenticated and delivered by the City or upon its order. All additional Bonds shall bear such date, shall bear such numbers and series designation, letters, or symbols prefixed to their numbers distinguishing them from each other security, shall be payable at such place or places, may be subject to redemption prior to maturity on such terms and conditions, and shall bear interest at such rate or at such different or varying rates per annum, as may be fixed by ordinance or other document of the City. Third Lien Obligations, Fourth Lien Obligations, Qualified Hedge Agreements, and Credit Agreements shall be issued pursuant to Supplemental Ordinances or pursuant to separate ordinances that shall provide for the timing of transfer from the Revenue Fund to the debt service funds and reserve funds, if any, established for such Obligations consistent with the order of priority set forth in Section 5.4 hereof.

Section 6.5 Special Project Obligations.

The City reserves the right to issue other obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

ARTICLE VII

COVENANTS AND PROVISIONS RELATING TO BONDS AND OTHER OBLIGATIONS

Section 7.1 Punctual Payment of Bonds and Other Obligations.

The City covenants that it will punctually pay or cause to be paid the interest on and principal of all Bonds and other Obligations according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any Supplemental Ordinance authorizing the issuance of such Bonds and other Obligations.

Section 7.2 Power to Own and Operate System; Ratemaking Power.

The City covenants that it currently owns the System and has all necessary power and authority to own and operate the System as herein described and provided and that it possesses, and shall exercise, all necessary power and authority to establish, fix, increase, impose and collect rates and charges for the use and services of the System in the amounts required to comply with the covenants and provisions contained herein.

Section 7.3 Maintenance of System.

So long as any Bonds or other Obligations remain Outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

Section 7.4 Sale or Encumbrance of System.

So long as any Bonds remain Outstanding, the City covenants that it will not sell, dispose of or, except as permitted in Article VI, further encumber the System; provided, however, that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Net proceeds from any such disposition may be deposited in the General Purpose Fund. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation, political subdivision or other entity to operate the System or to lease and/or operate or to lease and lease back to the City all or part of the System shall not be considered as an encumbrance of the System.

Section 7.5 Insurance.

The City covenants that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. All net proceeds of such insurance may be applied to repair or replace the insured property that is damaged or destroyed, or may be deposited in the General Purpose Fund. The cost of all such insurance, together with any additional insurance, shall be a part of the Maintenance and Operation Expenses.

Section 7.6 Accounts, Records, and Audits.

So long as any Bonds or other Obligations remain Outstanding, the City covenants that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof. The City shall after the close of each Fiscal Year prepare financial statements of the System, and have those financial statements audited by an independent certified public accountant or independent firm of certified public accountants. After the audit, the City shall furnish a copy of these audited financial statements, together with the independent certified public accountant's report thereon, without cost, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, each Rating Agency then rating the Bonds, the Texas Water Development Board, and any Owners of Bonds who shall request the same. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

Section 7.7 Competition.

To the extent it legally may, the City covenants that it will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities to the extent that such competing facilities would impair the City's ability to pay principal of or interest on the Bonds or other Obligations.

Section 7.8 Pledge and Encumbrance of Net Revenues.

The City covenants that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Obligations, and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants that, other than to the payment of the Obligations, the Net Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Obligations.

Section 7.9 Covenants with Respect to Certain Assumed Water District Bonds.

So long as any Bonds or other Obligations remain Outstanding, the City covenants as follows:

(a) To the extent it legally may, the City will impose, and strictly enforce, the requirement upon all water districts located within the City's extraterritorial jurisdiction that any bonds or obligations issued or incurred by such water districts which are secured in whole or in part by pledges of or liens on water or sewer revenues shall provide that all such pledges of and liens on water or sewer

revenues shall automatically terminate upon the annexation and dissolution of the district by the City;

(b) The City shall use its best efforts to redeem, refund, or defease all annexed water district bonds assumed by the City which by their own terms are secured in whole or in part by pledges of or liens on water or sewer revenues which do not terminate upon annexation and dissolution by the City of such water district, or otherwise to provide for the discharge of such pledges or liens on water or sewer revenues; and

(c) Pursuant to Section 43.075, Texas Local Government Code, the City shall, unless it has theretofore made adequate provision for the payment thereof, annually levy and cause to be collected taxes upon all taxable property of the City sufficient to pay principal of and interest, as they respectively become due and payable, on all assumed bonds, warrants and other obligations that were issued by water districts that have been annexed to, and dissolved by, the City, and which are by their own terms secured in whole or in part by a lien on or pledge of water or sewer revenues which did not terminate upon the annexation and dissolution by the City of such water district.

Section 7.10 Bondholders Rights and Remedies.

This Ordinance shall constitute a contract between the City and the Owners of the Bonds from time to time Outstanding and this Ordinance shall be and remain irrepealable until the Bonds and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal of or interest on any of the Bonds or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the revenues thereof into the special funds herein provided, and the application of such revenues in the manner required in this Ordinance. A Supplemental Ordinance may provide that, so long as an issuer of a municipal bond insurance policy shall not have defaulted in its payment obligations under such policy with the City insuring a portion of the Bonds, such issuer shall, under the terms of this Ordinance, at all times be deemed to be the exclusive owner of such Bonds for the purpose of all approvals, consents, waivers or institutions of any action and the direction of all remedies.

Section 7.11 Defeasance.

The City may defease the provisions of this Ordinance and discharge its obligation to the Owners of any or all of the Bonds or other Obligations to pay principal, interest and redemption premium, if any, thereon in any manner permitted by law, including by depositing with the Paying Agent/Registrar, or if authorized by Texas law with any national or state bank having trust powers and having combined capital and surplus of at least $50 million or with the Comptroller of Public Accounts of the State of Texas (or any successor office) either: (a) cash in an amount equal to the principal amount and redemption premium, if any, of such Bonds or other Obligations plus interest thereon to the date of maturity or redemption, or (b) pursuant to an escrow or trust agreement, cash and/or securities authorized by § 1207.062 of the Texas Government Code, as amended at the time of issuance of such series of Bonds or Obligations. Such deposits may be invested only in obligations described above that are in principal amounts and maturities and bear interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Bonds or other Obligations plus interest thereon to the date of maturity or redemption. Upon such deposit and upon receipt of an opinion of nationally recognized bond counsel to the effect that such Bonds or Obligations are deemed to be fully paid and are no longer outstanding, such Bonds or other Obligations shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the System after the Obligations are retired. Payments of principal of and interest on any Bonds or other Obligations made by a provider of a Credit Agreement insuring a portion of the Bonds or other Obligations shall not be deemed to have been paid hereunder and such Bonds or other Obligations shall continue to be Outstanding until paid by the City.

Section 7.12 Legal Holidays.

Unless otherwise provided for in a Supplemental Ordinance, in any case where the date of maturity of interest on or principal of the Bonds or other Obligations or the date fixed for redemption of any Bonds or other Obligations shall be in the City a legal holiday or a day on which the Paying Agent/Registrar for the Bonds or other Obligations is authorized by law to close, then payment of interest or principal need not be made on such date but may be made on the next succeeding day not in the City a legal holiday or a day on which such Paying Agent/Registrar is authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment.

Section 7.13 No Recourse Against City Officials.

No recourse shall be had for the payment of principal of or interest on any Bonds or other Obligations or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bonds or other Obligations

Section 7.14 Amendment of Ordinance Without Consent.

The City may, without the consent of or notice to any of the Owners, amend this Ordinance and any Supplemental Ordinance for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in this Ordinance or in the Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that such action shall not adversely affect the interests of the Owners of the Bonds;

(b) to grant to or confer upon the Owners of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Bonds;

(c) to add to the covenants and agreements of the City contained in this Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in this Ordinance;

(d) to subject additional revenues to the lien and pledge of this Ordinance;

(e) to provide for the issuance of Adjustable Rate Obligations, Short Term Obligations, or Refundable Obligations;

(f) to authorize Credit Agreements and Qualified Hedge Agreements with respect to Outstanding Bonds;

(g) to provide for the continued tax exemption for any Outstanding Bonds;

(h) to provide for the continued exemption from registration of any Outstanding Bonds under the federal securities laws; or

(i) to permit other utility systems provided for in Chapter 1502 of the Texas Government Code, as amended, to be combined with the System.

Section 7.15 Amendment to Ordinance Requiring Consent.

The City may, with the consent of Owners holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, or reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition, or rescission. For the purposes of this Section 7.15, the Owners of the Bonds shall include the initial Owners regardless of whether such Bonds are being held for subsequent resale.

Section 7.16 No Free Service.

The City will not grant or permit any free service from the System, except for public buildings and institutions operated by the City and properties permitted to be exempt by state law. In addition, the City will not grant or permit any free service from the System permitted by the previous sentence if to do so would violate any condition or covenant to which the City is bound in connection with any federal grant agreement or otherwise.

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APPENDIX E

PROPOSED FORM OF CO-BOND COUNSEL OPINION AND TAX COUNSEL OPINION

_____, 2026

We have acted as Bond Counsel for the City of Houston, Texas, a political subdivision and municipal corporation of the State of Texas (the "City") in connection with the authorization of its City of Houston, Texas, Combined Utility System First Lien Revenue Refunding Bonds, Series 2026B (the "Bonds"), in accordance with the provisions of the Ordinance (the "Ordinance") adopted by the City Council authorizing their issuance.

In such connection, we have reviewed the Ordinance; the tax certificate of the City dated the date hereof (the "Tax Certificate"); other certificates of the City; certificates of others; transcripts of certain certified proceedings pertaining to (1) the issuance of the Bonds, and (2) a portion of the City's Outstanding Combined Utility System First Lien Revenue Bonds (the "Refunded Bonds"), and (3) a portion of the City's Outstanding Combined Utility System Commercial Paper Notes (the "Refunded Notes") that are being refunded with the proceeds of the Bonds; certified copies of certain proceedings of the City, U.S. Bank Trust Company, National Association (the "Refunded Notes Paying Agent") and U.S. Bank Trust Company, National Association (the "Refunded Bonds Paying Agent"); and a verification report which verifies the sufficiency of the deposits made with the Refunded Bonds Escrow Agent for the defeasance and redemption of the Refunded Bonds and the deposit made with the Refunded Notes Paying Agent for the discharge and final payment of the Refunded Notes (the "Report"); and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted, or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial

discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the City.

2. The deposit with the Refunded Notes Paying Agent constitutes the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Notes; in reliance upon the accuracy of the calculations in the Report, the Refunded Notes, having been discharged and paid, are no longer outstanding and the lien on and pledge of Net Revenues as set forth in the ordinance authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Notes may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Notes only out of the funds provided therefor by the deposit with the Refunded Notes Paying Agent; and therefore the Refunded Notes are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from such deposit.

3. The escrow agreement between the City and the Refunded Bonds Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the escrow pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of revenues as set forth in the ordinance authorizing their issuance will be appropriately and legally defeased and all conditions precedent contained in the Ordinance to the defeasance have been complied with; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

4. The Bonds are payable, both as to principal and interest, from and secured by a first lien on the Net Revenues received and collected by the City from the operation and ownership of the System after making all Required Payments pursuant to the Previous Ordinance, all as defined in and provided by the Ordinance.

5. Under existing statutes, regulations, rulings and court decisions, assuming the accuracy of certain certifications of the City made at the time of issuance of the

Bonds and continuing compliance with the covenants described below, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes; and, furthermore, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds will not be excluded from the determination of adjusted financial statement income. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance with the requirements of the Code that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The City's failure to meet such requirements may cause interest on the Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted in the Ordinance to comply with such requirements. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

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APPENDIX F

CONTINUING DISCLOSURE SCHEDULES

Schedule 1:	Net Revenues of the System and Debt Service Coverage
Schedule 2:	Coverage of Maximum Annual Debt Service by Net Revenues
Schedule 3:	Employees
Schedule 4:	System Budget
Schedule 5A:	Water Rights Permits
Schedule 5B:	Water Capacity, Production and Sales
Schedule 6:	Ten Largest Treated Water Customers
Schedule 7:	Ten Largest Untreated Water Customers
Schedule 8:	Ten Largest Sewer Customers
Schedule 8a:	Solid Waste Management Customer Counts
Schedule 9:	Rate Adjustments
Schedule 10:	Funding of Planned System Improvements
Schedule 11:	Obligations Payable from System Revenues
Schedule 12:	Discretionary Debt Service Paid by the System
Schedule 13A:	Indirect Charges Paid by the System
Schedule 13B:	General Purpose Fund Transfers – Storm Water Fund and ROW Fee
Schedule 14:	System Debt Service Schedule
Schedule 15*:	Actuarially Determined Contribution Amounts and Changes in Pension Plan Assets
Schedule 15A*:	Municipal System Pension Plan Assets, Liabilities and Unfunded Actuarial Accrued Liability
Schedule 15B*:	Police System Pension Plan Assets, Liabilities and Unfunded Actuarial Accrued Liability
Schedule 15C*:	Firefighter Fund Pension Plan Assets, Liabilities and Unfunded Actuarial Accrued Liability

* The City agrees to update Schedules 15, 15A, 15B, and 15C only to the extent that the City receives updated actuarial reports from the boards of the pension systems. While required by State law, the City is not empowered to require the boards of the pension systems to obtain updated actuarial reports. The pension systems will periodically receive additional actuarial reports with regard to the City's pension plans, to the extent required under State law or requested by the boards of the pension systems. Accordingly, updated Schedules 15, 15A, 15B, and 15C may not be available in every annual continuing disclosure filing.

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APPENDIX G

SECURITIES DEPOSITORY

The information in this APPENDIX G describes the securities clearance procedures of The Depository Trust Company ("DTC") in the United States. The information in this APPENDIX concerning DTC has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy of such information.

None of the City, the Co-Municipal Advisors or the Underwriters will have any responsibility for the performance by DTC or its direct or indirect participants or account holders of their respective obligations, including the timely transfer of funds to pay interest on and principal of the Bonds when due, under the rules and procedures governing their operations or the arrangements referred to below.

Introduction

DTC will act as the initial securities depository for the Bonds. The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect and the City expressly disclaims any responsibility to update this Official Statement to reflect any such changes. The City will have no responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The Beneficial Owners should confirm the following information with DTC or the DTC Participants.

So long as Cede & Co. is the registered holder of the Bonds, as nominee of DTC, references in this Official Statement, including the Appendices hereto, to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER, WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL AND INTEREST DUE ON THE BONDS; (III) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE BONDS UNDER THE RESOLUTION; (IV) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER.

THE PAYING AGENT/REGISTRAR, AS LONG AS THE BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION AND ANY OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

The Depository Trust Company

The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct

Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking have advised the City as follows:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The City will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the City on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC Participant acquires an interest in any Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the City, the following provisions will be applicable to the Bonds: The Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar in Houston, Texas (the "Designated Trust Office") and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or the designee thereof. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

APPENDIX H

UNDERWRITER DISTRIBUTION AGREEMENTS

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the City. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities, including the Bonds or other System Obligations, in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

RBC Capital Markets, LLC (RBCCM), an underwriter of the Bonds, has entered into a distribution arrangement with its affiliate RBC Securities, Inc. ("RBC Securities") (formerly known as City National Securities, Inc.). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Bonds.

Piper Sandler & Co., an underwriter of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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CITY OF HOUSTON, TEXAS • COMBINED UTILITY SYSTEM FIRST LIEN REVENUE REFUNDING BONDS, SERIES 2026B



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