Board of Directors

November Finance and Budget Committee Meeting

Schedule	Tuesday, November 17, 2026 9:00 AM — 10:00 AM CST
Venue	Houston-Galveston Area Council 3555 Timmons Ln. Houston, TX 77027
Organizer	Krissia Reyes

Agenda

1. CALL TO ORDER

2. ROLL CALL

3. DECLARE CONFLICTS OF INTEREST

4. PUBLIC COMMENT

5. CHAIR'S REMARKS

6. EXECUTIVE DIRECTOR'S REPORT
   Report on current and upcoming H-GAC activities. (Staff Contact: Ron Papsdorf)

ACTION ITEMS

7. OCTOBER 2026 MEETING MINUTES
   Request approval of the minutes from the October 2026 meeting of the Finance and Budget Committee. (Staff contact: Rick Guerrero)

8. MONTHLY FINANCIAL REPORT – SEPTEMBER 2026
   Request approval of the monthly financial report ending September 30, 2026. (Staff Contact: Shaun Downie)

9. 2027 BUDGET & SERVICE PLAN - NOVEMBER BUDGET WORKSHOP
   No action required. For information only. (Staff Contact: Yvette Gonzalez)

10. ADJOURNMENT

HOUSTON-GALVESTON AREA COUNCIL

FINANCE AND BUDGET COMMITTEE

MEETING MINUTES

October 20, 2026

ATTENDANCE ROSTER

The following members of the Houston-Galveston Area Council (H-GAC) Finance and Budget Committee attended all or a portion of the October 20, 2026 meeting.

- Austin County – Judge Tim Lapham (Chair)
- Fort Bend County – Commissioner Andy Meyers
- Harris County – Commissioner Adrian Garcia (arrived after roll call)
- Harris County – Commissioner Lesley Briones
- Liberty County – Judge Jay Knight
- Waller County – Judge Trey Duhon
- City of Friendswood – Councilmember Sally Branson
- City of La Porte – Councilperson Chuck Engelken
- City of Sugar Land – Councilmember Stewart Jacobson
- City of Waller – Councilmember Nancy Arnold (General Law Cities)
- City of Bellaire – Councilmember Ross Gordon (Chair Elect)

Not Present:

- Galveston County – Commissioner Hank Dugie
- Montgomery County – Judge Mark Keough
- City of Huntsville – Mayor Russell Humphrey
- City of Lake Jackson – Mayor Rhonda Seth
- City of League City – Mayor Nick Long

A quorum was confirmed and announced by Rick Guerrero.

The Finance and Budget Committee of the Houston-Galveston Area Council met on Tuesday, October 20, 2026, at 3555 Timmons Lane, Houston, Texas.

1. Call to Order

The Chair, Judge Tim Lapham of Austin County, called the meeting to order and stated that the meeting room was open and accessible to members of the public.

2. Roll Call

Staff conducted roll call. A quorum was declared present.

3. Declare Conflicts of Interest

The Chair asked whether any committee members had conflicts of interest to declare. No conflicts were declared.

4. Public Comment

The Chair opened the meeting for public comment. No members of the public had registered to speak, and no public comments were received.

5. Chair's Remarks

The Chair had no remarks.

6. Executive Director's Report

Executive Director Ron Papsdorf provided the Executive Director's report on current and upcoming H-GAC activities.

The Committee was informed that H-GAC's new Chief Financial Officer, Shawn Hufstedler, is joining the agency from the Columbus, Ohio region and is expected to begin on November 2, 2026.

Mr. Papsdorf reported that, as an initial step following the internal service analysis review conducted by Weaver, H-GAC formed a cross-departmental team to evaluate and map the agency's procurement and contracting process and identify recommendations for streamlining it while maintaining appropriate risk mitigation and oversight.

Mr. Papsdorf noted that the agenda included the FY 2025 indirect cost under-recovery and the first draft of the proposed 2027 budget, with budget adoption scheduled for the December meetings.

7. September 2026 Meeting Minutes

The Committee considered approval of the September 2026 meeting minutes.

Motion: Commissioner Andy Meyers
Second: Councilmember Sally Branson

The motion carried unanimously.

8. Recommended 2027 Salary Program

Madison Handy, Human Resources Manager, presented the proposed 2027 salary range matrix. Staff explained that H-GAC operates under a job classification and compensation system comparable to the State of Texas compensation structure and that the Board reviews and approves the salary ranges each year.

Staff reported that the proposed 2027 matrix reflects the State of Texas salary ranges and that no changes to the salary range amounts are proposed; the minimum, midpoint, and maximum amounts remain the same as those established for 2026. Following Board approval, the required information will be submitted to the Governor's Office for review.

The Chair noted that the salary schedule must be submitted to the Governor's Office each year.

Motion: Councilmember Sally Branson
Second: Judge Trey Duhon

The motion to approve the recommended 2027 Salary Program and authorize submission of the classification schedule to the Governor's Office carried unanimously.

9. Quarterly Investment Report – Third Quarter 2026

Arathi Nayak presented the investment report for the quarter ended September 30, 2026.

Staff reported that H-GAC's investment portfolio included the TexPool Prime account, the Texas Range Daily Select account, and a Texas Range term investment. During the quarter, H-GAC invested $2,000,000 in a four-month Texas Range term investment earning a yield of 3.89%. Year-to-date interest earnings were approximately $281,000, and the total market value of the portfolio was approximately $10.0 million.

For the H-GAC component units, the certificates of deposit with Chase Bank matured in July and the funds were moved to TexPool and Texas Range to earn better returns. The Emission Reduction Credit Corporation and the Gulf Coast Economic Development District were added to the investment portfolio. The total component unit portfolio value was approximately $12.3 million, with approximately $316,000 in interest earned year to date.

Motion: Judge Trey Duhon
Second: Commissioner Andy Meyers

The motion to approve the Quarterly Investment Report for the third quarter of FY 2026 carried unanimously.

10. Monthly Financial Report – August 2026

Shaun Downie presented the monthly financial report for the period ending August 31, 2026.

Staff reported that cooperative purchasing revenue continued to fluctuate, decreasing from approximately $940,000 in July to approximately $241,000 in August, and was at 58% of the annual budget. Federal grant revenues were at 102% of the annual budget, largely due to the Quick Clearance Program, with approximately $3.2 million in revenue recorded in August. Gulf Coast Regional 911 fees were ahead of budget; August revenue was approximately $734,000, with approximately $306,000 related to the closeout of the ARPA grant. Other revenues increased from approximately $155,000 to $241,000 in August, primarily due to the data analytics program, and were at 63% of the annual budget. State grant revenue, consisting mostly of pass-through funds, was at 53% of budget.

Personnel expenditures remained below budget because of vacant and proposed positions. Year-to-date personnel expenditures were 55% of the annual budget compared with approximately 67% of the fiscal year elapsed. Indirect program salaries were 10% below the year-to-date budget, while direct program salaries were 20% below. Pass-through expenses increased slightly and were at 54% of the annual budget, and consultant and contract-service expenditures were at 47%; staff expected both to increase as several grants approach the end of their grant cycles. Equipment expenditures increased from 30% of budget in July to 42% in August, mainly due to approximately $790,000 in renovation expenses. Third-quarter revenues and expenses, covering July and August, were each approximately $87 million.

During discussion, Council Member Stewart Jacobson asked whether any revenue underperformance was cause for concern. Staff stated that it was not, explaining that many grants end in August or September with 45 to 60 days for closeout, and that cooperative purchasing fees are typically billed quarterly, with large increases expected in October and at year end.

Council Member Ross Gordon asked about the gap between indirect and direct program salaries and the outlook for FY 2026 indirect cost recovery. Staff estimated the current FY 2026 under-recovery

at approximately $600,000 and stated that filling vacant and proposed positions is the primary driver and is being addressed in the 2027 budget. Mr. Papsdorf added that the FY 2026 under-recovery is on track to be smaller than in FY 2025, that a number of vacant grant-funded positions are being filled, and that other indirect expenditures are also being monitored and managed.

Commissioner Lesley Briones asked what was being done to meet projected cooperative purchasing revenue and maximize that revenue in the coming year. Staff stated that the program did not anticipate a shortfall. Mr. Papsdorf noted that the year-to-date budget reflects historical revenue patterns and that cooperative purchasing revenue was at 110% of the year-to-date budget.

Motion: Commissioner Andy Meyers
Second: Councilmember Sally Branson

The motion to approve the August 2026 financial report carried unanimously.

11. Indirect Cost Carryforward

Yvette Gonzalez, Budget and Special Projects Manager, presented the indirect carryover scenarios requested by the Committee at its September meeting.

Staff reported that the current EPA-approved indirect cost rate for 2026 is 30.74%. The projected FY 2027 indirect rate would be 29.74% with the full FY 2025 carryover of approximately $1.3 million included, 28.60% if half of the carryover were included and half absorbed by H-GAC, and 27.45% without the carryover.

Staff reviewed H-GAC's operating reserve policy, which provides an internal source of funds to support continuity of operations in the event of unexpected financial or operational disruptions. The target operating reserve is a minimum of 60 days of funding based on the annual revenue budget approved by the Board, excluding revenues associated with subrecipient payments and pass-through funds.

Under the split scenario, not incorporating approximately $668,000 would result in a write-off of that amount by H-GAC, while incorporating it would increase the FY 2027 rate by 1.15% and recover the amount, with a corresponding increase to the operating reserve. Under the full-amount scenario, not incorporating the approximately $1.3 million would result in a $1.3 million write-off by H-GAC, while incorporating it would increase the FY 2027 rate by 2.29% and fully recover the amount, with a corresponding increase to the operating reserve.

The Chair noted that while the indirect rate may decrease, the total amount billed to programs may increase as budgets grow, and asked whether H-GAC should absorb the under-recovery rather than charge it to future grants, citing reductions in funding for programs such as Meals on Wheels and rural transportation. The Chair stated that the under-recovery was not a staff error but related to rate decisions made by the Board in the past.

Mr. Papsdorf stated that the under-recovery was not a bookkeeping error but a natural result of how indirect rates and budgets work. He explained that the rate is calculated from the adopted budget and applied only to direct salaries and benefits, and that past practices, including flat shared-service fees, overstated position budgets, and budgeting new positions for a full year, contributed to the gap. He noted that the proposed budget carries the $1.336 million FY 2025 under-recovery into FY 2027 and,

through cost containment, still results in a lower rate than in 2026, and that H-GAC's general fund resources, derived largely from HGACBuy and member contributions, are limited and are used for costs that grants cannot pay and for local match.

Council Member Ross Gordon stated that indirect costs were being contained while the program portfolio grows, and that because indirect costs exist to benefit the programs they serve, it is appropriate for those costs to be carried forward into the indirect rate and borne by the programs. He supported the carryforward.

Commissioner Lesley Briones asked what was being done to prevent a recurrence. Mr. Papsdorf stated that staff are budgeting new positions for the portion of the year they are expected to be filled, adding monitoring of direct and indirect expenditures so corrective steps can be taken earlier, and accounting for temporary positions, which are treated as contracts and are not charged the indirect rate.

Commissioner Adrian Garcia asked whether a breakdown of indirect cost sources by grant had been provided and whether workforce development funds were affected. Mr. Papsdorf explained that the indirect rate is applied evenly and each program's share is proportional to its share of direct salaries and benefits; workforce programs represented approximately 40% of direct salaries and benefits in 2026 and therefore approximately 40% of indirect costs, while the rate charged to all programs is 30.74% as approved by EPA. He noted that this information was presented at the August and September Committee meetings and the September Board meeting.

Council Member Nancy Arnold asked why the issue had not been identified by auditors earlier. Members discussed the role of auditors, and Mr. Papsdorf explained that indirect costs are booked as receivables, that approximately $2.4 million in under-recovery for years prior to FY 2025 has been booked against H-GAC's general fund, and that the remaining FY 2025 amount of $1.3 million is under consideration.

Judge Trey Duhon stated that the under-recovery resulted from missing the budget mark rather than a mistake, agreed that the costs were incurred to advance the programs, and supported the $1.336 million carryover, noting the resulting rate would still be lower than in 2026. Council Member Gordon added that this was a one-year decision, that the FY 2028 rate would be expected to decline to approximately 27% with a similar budget, and that the indirect rate does not apply to pass-through funds. He noted that workforce staff represent approximately 43% of non-administrative headcount, transportation approximately 26%, and Community and Environmental and Aging approximately 8% each.

The Chair clarified that the motion was to approve incorporating the FY 2025 $1.3 million indirect cost under-recovery as a carryforward adjustment in the rate computation for the FY 2027 indirect cost proposal submitted to EPA, resulting in a projected indirect rate of 29.74%.

Motion: Council Member Stewart Jacobson
Second: Councilmember Sally Branson

The motion carried, with Commissioner Adrian Garcia abstaining.

12. 2027 Budget & Service Plan – October Budget Workshop

Given the time, Mr. Papsdorf suggested deferring the presentation to the Board of Directors meeting, where the same presentation would be given. With the concurrence of the Chair, the item was not presented to the Committee. No action was required.

13. Adjournment

There being no further business, the Chair declared the meeting adjourned at 10:04 a.m.

MONTHLY FINANCIAL REPORT – SEPTEMBER 2026

Background

H-GAC prepares the monthly financial report to provide the Board with an overview of the organization's financial position and operating results. This report helps the Board monitor financial performance and budget compliance.

Current Situation

As of September, revenue and expenditure remain below the year-to-date budget, although activity has increased in several areas. Many grants are reaching the end of their grant cycles, resulting in increased consultant and pass-through expenses. Some Aging, Workforce, and Transportation projects are expected to have their final close in November, and we may see further increases in expenses over the next two monthly reports as additional charges come in. Personnel expenditure remains below budget, primarily due to the timing of vacancies and hiring. We continue to closely monitor personnel costs and their impact on indirect cost recovery, along with significant unspent balances and timing-related variances.

Funding Source

Not Applicable

Budgeted

Not Applicable

Action Requested

Request approval of the monthly financial report ending September 30, 2026. (Staff Contact: Shaun Downie)

HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Monthly Financial Report

For Month Ended September 30, 2026

Prepared on November 5th, 2026

Esteemed H-GAC Board of Directors and Executive Director Ron Papsdorf, please find attached the financial report for September 2026. The information contained within is intended for managerial reporting purposes. All figures are unaudited and subject to change. Should you have any questions, please feel free to reach out to one of the accounting managers. Respectfully submitted, Arathi Nayak - Accounting Manager and Shaun Downie - Senior Accounting Manager.

SUMMARY OF KEY CHANGES

REVENUES

> Cooperative Purchasing Fees revenue continues to fluctuate, decreasing from $240,778 in August to $182,156 in September. Revenue is currently at 60% of the annual budget. Third-quarter reporting received in October is expected to improve year-to-date results.

> Energy revenue is currently at 46% of budget, compared to 71% during the same period last year. With 75% of the fiscal year elapsed, revenue is tracking below expectations due to lower than anticipated customer enrollment.

> Interest income is at 56% of the annual budget. Interest earnings remain below prior-year levels due to the current rate environment and fluctuations in cash balances available for investment.

EXPENDITURES

> Personnel expenditures remain below budget, primarily due to vacant positions and the timing of hiring. Year-to-date personnel costs are at 65% of the annual budget, compared to 75% of the fiscal year elapsed. Indirect program salaries are 7% below YTD budget, while direct program salaries are 14% below YTD budget.

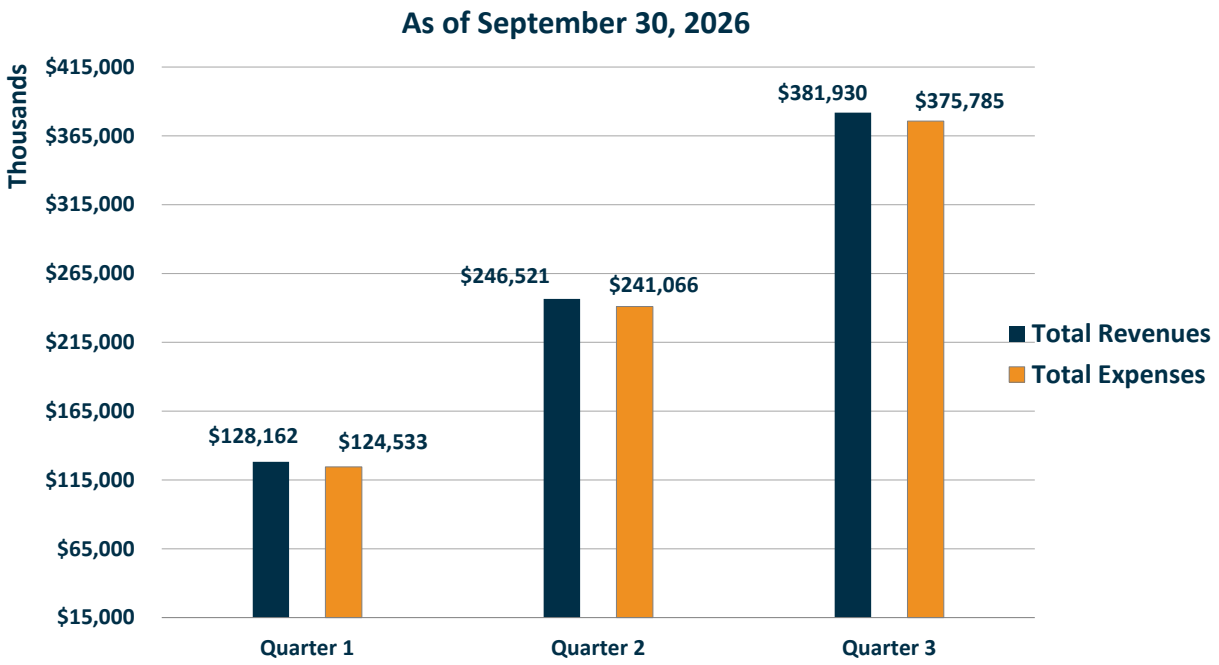
> Pass-through grant and consultant/contract service expenses continue to fluctuate based on the timing of grant activities. We expect spending to increase as several grants approach the end of their grant cycles and final activities are completed.

> Travel expenses have been gradually increasing as several grants are closing out and staff are submitting outstanding travel expenses.

****** Please note: the financial activity outlined above and in the report falls within the past trends observed in H-GAC's operations and is not out of the ordinary. ******

The activity (revenues and expenses) included in this report reflect actual amount recorded to date; some billings have not yet been processed or fully recorded. Reported figures are presented on a cumulative Year-to-Date basis and may be adjusted in subsequent periods to reflect finalized amounts.

Quarterly Trends Chart



HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Quarterly Trends Report

For Month Ended September 30, 2026

	Quarter 1	Quarter 2	Quarter 3
Revenues			
General & Enterprise Fund Revenues			
Membership Dues	$ 348,736	$ 17,923	$ 32,911
HGAC Energy Corporation	21,889	19,688	21,016
Cooperative Purchasing Fees	1,513,184	1,655,053	1,362,646
Gulf Coast Regional 911 Fees	4,817,553	2,160,900	1,655,170
Interest Income	218,657	229,384	220,172
Other Revenues	563,131	428,707	655,983
General Funds - Local	383,847	1,714,067	1,560,975
Total General & Enterprise Fund Revenues	**$ 7,866,998**	**$ 6,225,722**	**$ 5,508,873**
Special Revenue Fund			
Federal Grants	$ 2,184,766	$ 1,865,900	$ 5,310,965
State Grants	118,110,075	110,267,634	124,589,517
Total Special Revenue Fund Revenues	**$ 120,294,841**	**$ 112,133,534**	**$ 129,900,482**
Total Revenues	**$ 128,161,839**	**$ 118,359,255**	**$ 135,409,355**
Expenditures			
Personnel	$ 13,820,796	$ 12,988,447	$ 14,924,174
Pass-through Funds - Grant	105,264,896	94,158,621	111,134,298
Consultant and Contract Services	1,972,724	5,003,911	4,948,075
Lease of Office Space	577,406	520,701	655,514
Equipment	429,307	1,299,023	1,057,440
Travel	79,705	173,143	290,811
Other Expenses	2,388,047	2,389,020	1,709,316
Total Expenditures	**$ 124,532,883**	**$ 116,532,865**	**$ 134,719,628**
Excess of Revenues Over(Under) Expenditures	**$ 3,628,956**	**$ 1,826,390**	**$ 689,727**

HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Monthly Trends Report

For Month Ended September 30, 2026

	January 2026	February 2026	March 2026	April 2026	May 2026	June 2026	July 2026	August 2026	September 2026
Revenues									
General & Enterprise Fund Revenues									
Membership Dues	$ 38,083	$ 249,630	$ 61,023	$ 8,501	$ 6,895	$ 2,526	$ -	$ -	$ 32,911
HGAC Energy Corporation	3,735	9,939	8,215	2,980	7,289	9,419	3,319	9,021	8,676
Cooperative Purchasing Fees	199,384	406,185	907,615	570,363	517,124	567,566	939,711	240,779	182,156
Gulf Coast Regional 911 Fees	319,365	37,540	4,460,648	931,207	772,175	457,518	530,675	733,864	390,631
Interest Income	33,613	105,697	79,347	78,313	96,736	54,335	70,436	78,563	71,173
Other Revenues	68,866	392,365	101,900	94,430	121,230	213,048	155,836	241,399	258,747
General Funds - Local	69,655	129,840	184,352	442,690	786,748	484,628	339,753	685,396	535,826
Total General & Enterprise Fund Revenues	**$ 732,701**	**$ 1,331,196**	**$ 5,803,100**	**$ 2,128,484**	**$ 2,308,198**	**$ 1,789,040**	**$ 2,039,731**	**$ 1,989,021**	**$ 1,480,121**
Special Revenue Fund									
Federal Grants	$ 512,118	$ 500,931	$ 1,171,718	$ 1,022,904	$ 610,208	$ 232,788	$ 279,200	$ 3,701,558	$ 1,330,206
State Grants	33,401,154	38,168,463	46,540,458	24,521,780	45,406,474	40,339,380	40,029,539	39,774,558	44,785,420
Total Special Revenue Fund Revenues	**$ 33,913,272**	**$ 38,669,393**	**$ 47,712,176**	**$ 25,544,684**	**$ 46,016,681**	**$ 40,572,168**	**$ 40,308,739**	**$ 43,476,116**	**$ 46,115,627**
Total Revenues	**$ 34,645,973**	**$ 40,000,590**	**$ 53,515,276**	**$ 27,673,168**	**$ 48,324,879**	**$ 42,361,209**	**$ 42,348,470**	**$ 45,465,137**	**$ 47,595,747**
Expenditures									
Personnel	$ 4,233,634	$ 4,360,096	$ 5,227,066	$ 4,335,643	$ 4,169,306	$ 4,483,497	$ 4,068,332	$ 4,342,261	$ 6,513,581
Pass-through Funds - Grant	28,908,852	33,193,949	43,162,096	19,468,024	40,556,534	34,134,062	35,358,858	37,736,764	38,038,676
Consultant and Contract Services	283,688	998,384	690,651	1,345,520	1,786,555	1,871,837	1,578,653	1,535,380	1,834,042
Lease of Office Space	181,274	195,662	200,471	152,829	183,247	184,625	240,801	207,262	207,451
Equipment	39,967	47,911	341,429	934,520	65,742	298,761	184,911	803,388	69,142
Travel	15,066	16,492	48,147	37,328	79,348	56,467	66,389	110,336	114,086
Other Expenses	1,385,364	505,970	496,713	660,450	760,032	968,538	557,936	487,812	663,568
Total Expenditures	**$ 35,047,845**	**$ 39,318,465**	**$ 50,166,573**	**$ 26,934,314**	**$ 47,600,764**	**$ 41,997,788**	**$ 42,055,880**	**$ 45,223,202**	**$ 47,440,546**
Excess of Revenues Over(Under) Expenditures	**$ (401,872)**	**$ 682,125**	**$ 3,348,703**	**$ 738,854**	**$ 724,115**	**$ 363,421**	**$ 292,590**	**$ 241,936**	**$ 155,201**

HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Budget to Actual Report - All Funds

For Month Ended September 30, 2026

75% of Year Elapsed

	FY26 Annual Budget	FY26 Year-to Date Budget	FY26 Year-to-Date Actuals	FY26 % of Actuals to Annual Budget	FY26 % of Actuals to YTD Budget
Revenues					
General & Enterprise Fund Revenues					
	FY26 Annual Budget	**FY26 Year-to Date Budget**	**FY26 Year-to-Date Actuals**	**FY26 % of Actuals to Annual Budget**	**FY26 % of Actuals to YTD Budget**
Membership Dues	$ 466,583	$ 389,280	$399,570	86%	103%
HGAC Energy Purchasing Corporation	135,000	106,443	62,592	46%	59%
Cooperative Purchasing Fees	7,556,971	4,413,026	4,530,883	60%	103%
Gulf Coast Regional 911 Fees	9,355,194	3,883,424	8,633,624	92%	222%
Interest Income	1,200,000	836,685	668,214	56%	80%
Other Revenues	2,188,437	1,728,358	1,647,822	75%	95%
General Funds - Local	5,742,177	5,019,531	3,658,888	64%	73%
Total General & Enterprise Fund Revenues	**$ 26,644,362**	**$ 16,376,747**	**$ 19,601,592**	**74%**	**120%**
Special Revenue Fund					
	FY26 Annual Budget	**FY26 Year-to Date Budget**	**FY26 Year-to-Date Actuals**	**FY26 % of Actuals to Annual Budget**	**FY26 % of Actuals to YTD Budget**
Federal Grant	$ 7,875,088	$ 4,947,720	$ 9,361,630	119%	189%
State Grants	584,179,539	421,435,005	352,967,226	60%	84%
Total Special Revenue Fund Revenues	**$ 592,054,627**	**$ 426,382,725**	**$ 362,328,857**	**61%**	**85%**
Total Revenues	**$ 618,698,989**	**$ 442,759,472**	**$ 381,930,449**	**62%**	**86%**
Expenditures					
	FY26 Annual Budget	**FY26 Year-to Date Budget**	**FY26 Year-to-Date Actuals**	**FY26 % of Actuals to Annual Budget**	**FY26 % of Actuals to YTD Budget**
Personnel	$ 64,137,302	$ 45,103,905	$ 41,733,417	65%	93%
Pass-through Funds - Grant	507,913,797	363,577,676	310,557,815	61%	85%
Consultant and Contract Services	21,545,932	17,596,592	11,924,710	55%	68%
Lease of Office Space	3,599,393	2,652,227	1,753,621	49%	66%
Equipment	6,476,840	3,572,862	2,785,770	43%	78%
Travel	1,215,721	751,788	543,659	45%	72%
Other Expenses	13,810,004	8,625,859	6,486,383	47%	75%
Total Expenditures	**$ 618,698,989**	**$ 441,880,908**	**$ 375,785,376**	**61%**	**85%**
Excess of Revenues Over(Under) Expenditures	**$ -**	**$ 878,564**	**$ 6,145,073**		
Beginning Fund Balance (all funds) - Jan. 1 (1)	**$ 52,762,360**	**$ 46,532,496**	**$ 52,762,360**		
Ending Fund Balance (all funds) - September. 30 (2)	**$ 52,762,360**	**$ 47,411,060**	**$ 58,907,433**		

(1) All beginning fund balances are as of January 1 of each year. The January 1, 2026 beginning fund balance is based on the 2026 ACFR presented at the May 2026 Board meeting.

(2) All ending fund balances are as of September 30 each year.

The Year-to-Date budget has been calculated using a three-year average spending & earning pattern. Historical monthly expenditure trends were analyzed to determine the proportion of annual spending incurred in each period, and these percentages were applied to the current year's approved budget to derive the YTD budget.

2027 BUDGET & SERVICE PLAN – NOVEMBER ITERATION

Background

The annual budget serves as the financial plan for H-GAC operations from January 1, 2027, through December 31, 2027. It supports activities across the agency's various service programs including Workforce Solutions, the Metropolitan Planning Organization, Area Agency on Aging, Economic Development, Public Safety, Environmental, and Disaster and Emergency Preparedness programs. It also includes cross-agency services including administration, finance, communications, audit, human resources, and network and information technology.

Budget development begins in late July with a review of previous year's expenditure reports and assessment of estimated revenues. Departments work together to identify program needs and goals for the coming year and develop a draft budget for review and refinement by the Board of Directors.

Current Situation

This is the second iteration of the proposed budget. The total budget is $675.8 million and represents a 9.13% increase over the FY 2026 Revised budget adopted July 21, 2026. The budget includes $116.3 million in operational costs (salaries, benefits, contracted services, and other direct and indirect expenditures), which is a 5.01% increase from the FY 2026 Revised budget and $558.8 million in pass-through funds, which is a 10.03% increase over the FY 2026 Revised budget.

Personnel costs include a 2% salary adjustment, implemented as a 1% adjustment on January 1 and an additional 1% adjustment on July 1, along with a 3% performance-based merit pool. The budget also reflects a 9% increase in medical insurance premiums, shared equally between employees and H-GAC.

H-GAC's indirect cost rate is developed by finance and accounting staff following completion of the single audit, reviewed by independent auditors, and approved by H-GAC's cognizant agency, the Environmental Protection Agency. Indirect costs are allocated across all programs based on direct personnel expenditures. The FY 2027 indirect rate based on the draft proposed budget is projected to decrease from 30.74% to 29.14%. This includes the H-GAC Board of Directors decision to carryover FY 25 indirect cost under recovery of $1,336,281. This is the result of continued organization growth and specific efforts to constrain indirect cost growth.

Capital expenditures are budgeted at $278,500, representing a 95.2% reduction from FY 2026 due to completion of the build-out of additional office space at 3555 Timmons to accommodate growing staff.

A final adoption draft will be presented to the Board in December based on the Board's feedback and any new or updated financial information.

Funding Source
Funding for the budget comes from a variety of federal and state grants, enterprise funds, and member contributions.

Budgeted
N/A

Action Requested
No action required. For information only. (Staff Contact: Yvette Gonzalez)

Home | OpenBook

FY 2027 Proposed Budget and Service Plan Summary

November Draft

Unified Budget			$675,176,639
	Increase	9.13%	$56,477,650
Pass-through funds			$558,836,825
	Increase	10.03%	$50,923,028
Operations*			$116,339,814
	Increase	5.01%	$5,554,622

Increases

	% increase	increase
Workforce	10.89%	$55,392,225
Data Services- Workforce	24.73%	$502,495
Transportation	20.70%	$10,147,957
Enterprise Solutions	7.21%	$726,877
Administration	10.83%	$1,680,226

Decreases

	% decrease	decrease
Aging	18.73%	$3,461,399
Community & Environmental	12.54%	$2,954,896
Local	57.99%	$3,875,607

Employee Benefits	**Rate**	
Released Time	14.77%	$6,934,942
Insurance, Retirement, and Social Security	33.36%	$15,659,073
Benefit Carry Forward	(0.67%)	($316,847)
Total Benefits & Release Time	47.46%	$22,277,168

*The operations category includes all expenditure categories that are not pass-through funds, including salaries and benefits, contracted services, equipment, rent, travel, and other direct expenditures.

Budget

Fiscal year budget summary and comparison

Description	2025 Actuals	2026 Budget	2027 Budget
Beginning Balance (All Funds)	**$45,454,933**	**$52,762,360**	**$52,762,360**
Revenues			
Member contributions	$466,414	$466,583	$466,583
HGAC Energy Purchasing Corporation	$102,159	$135,000	$135,000
Cooperative Purchasing Fees	$7,964,962	$7,556,971	$8,299,161
Gulf Coast Regional 911 Fees	$8,709,837	$9,355,194	$4,072,436
Interest/investment income	$1,170,252	$1,200,000	$900,000
Other Revenues	$6,011,787	$2,188,437	$3,166,531
Federal and State Grants	$494,503,966	$592,054,627	$655,567,216
General Fund - Local	$2,237,373	$5,742,177	$2,569,713
Total Revenues	**$521,166,750**	**$618,698,988**	**$675,176,639**
Total Funds Available	**$566,621,683**	**$671,461,348**	**$727,938,999**
Expenditures			
Personnel	$47,092,037	$64,137,302	$69,259,111
Pass-through Funds - Grant	$442,324,804	$507,913,797	$558,836,825
Consultant and Contract Services	$12,400,341	$21,545,932	$22,874,770
Lease of Office Space	$1,758,549	$3,599,393	$2,869,870
Equipment	$3,515,971	$6,476,840	$2,567,195
Travel	$752,891	$1,215,721	$1,371,635
Other Expenses	$6,014,730	$13,810,003	$17,397,233
Total Expenditures	**$513,859,323**	**$618,698,988**	**$675,176,639**
Ending Balance (All Funds)	**$52,762,360**	**$52,762,360**	**$52,762,360**

Fiscal year budget summary and comparison