Board of Directors

September Finance and Budget Committee Meeting

Schedule	Tuesday, September 15, 2026 9:00 AM — 10:00 AM CDT
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. AUGUST 2026 MEETING MINUTES
   Request approval of the minutes from the August 2026 meeting of the Finance and Budget Committee. (Staff contact: Rick Guerrero)

8. MONTHLY FINANCIAL REPORT – JULY 2026
Request approval of the monthly financial report ending July 31, 2026. (Staff Contact: Shaun Downie)

9. INDIRECT COST CARRYFORWARD
Request approval to use general funds in 2027 and 2028 to offset $2.4M under recovered indirect costs incurred through FY2024 and incorporate FY2025 under recovered indirect costs of $1.3M as an adjustment to the rate computation for the FY2027 indirect cost proposal submitted to EPA. (Staff Contact: Shaun Downie)

10. ADJOURNMENT

MEETING MINUTES
H-GAC FINANCE AND BUDGET COMMITTEE
August 18, 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 August 18, 2026 meeting:

- Austin County – Judge Tim Lapham (Chair)
- Fort Bend County – Commissioner Andy Meyers
- Galveston County – Commissioner Hank Dugie
- Harris County – Commissioner Lesley Briones
- 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 Bellaire – Councilmember Ross Gordon
- Harris County – Commissioner Adrian Garcia (arrived after roll call)
- Liberty County – Judge Jay Knight (arrived after roll call)

Not Present:

- 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
- City of Waller – Councilmember Nancy Arnold (General Law Cities)

A quorum was confirmed and announced by Rick Guerrero.

1. CALL TO ORDER

- Chair: Judge Tim Lapham
- Date: August 18, 2026
- Time: Approximately 9:10 a.m.
- Location: 3555 Timmons Lane, Houston, Texas 77027

Chair Lapham called the meeting to order. The meeting room was declared open and accessible to the public.

2. ROLL CALL

Roll call was conducted by Rick Guerrero. A quorum was present.

3. DECLARE CONFLICTS OF INTEREST

The Chair asked if any committee member had a conflict of interest to declare. None were reported.

4. PUBLIC COMMENT

No public comment requests were received. No comments were presented.

5. CHAIR'S REMARKS

Chair Lapham stated that he had no remarks.

6. EXECUTIVE DIRECTOR'S REPORT

- Presented by: Ron Papsdorf

- Staff reported that finalist interviews for H-GAC's Chief Financial Officer position had concluded and that an announcement regarding an accepted offer was anticipated soon.
- Development of H-GAC's 2027 budget was underway, with staff working toward a fully aligned budget incorporating input from the Finance and Budget Committee and Board of Directors for action in December.
- Staff noted that the employee benefits action item on the agenda would affect cost assumptions for the 2027 budget.

7. INDIRECT COST CARRYFORWARD

- Presented by: Yvette Gonzalez
- Staff explained that H-GAC's indirect cost rate is based on the indirect cost budget and the direct salary recovery base. Differences between budgeted and actual indirect costs or direct salaries can result in over- or under-recovery.
- Staff reported that higher-than-expected vacancy rates and over-budgeting of direct salary costs contributed to growing indirect cost under-recovery beginning during H-GAC's growth period after 2021.
- The cumulative under-recovery through fiscal years 2021-2024 is approximately $2.4 million. Staff proposed offsetting this amount from general funds over 2027 and 2028, approximately $1.2 million per year.
- For fiscal year 2025, staff identified an additional indirect cost under-recovery of approximately $1.3 million. Staff expects to incorporate this amount as an adjustment to the fiscal year 2027 indirect cost rate, pending Board concurrence and U.S. Environmental Protection Agency approval.
- Staff described planned controls including more accurate personnel budgeting, position control, regular monitoring, and interim corrective actions.
- The committee discussed the need to routinely carry forward annual under-recoveries, monitor the reasonableness of indirect costs and rates, and address the matter as part of the upcoming budget cycle.
- No action was taken. Staff stated that the item would return the following month for action by the Finance and Budget Committee and Board.

8. JULY 2026 MEETING MINUTES

- The committee considered approval of the July 2026 Finance and Budget Committee meeting minutes.
- Motion to approve was made by Commissioner Andy Meyers.
- Second by Councilmember Sally Branson.
- All in favor; no opposed; motion passed.

9. MONTHLY FINANCIAL REPORT – JUNE 2026

- Presented by: Shaun Downie
- Staff presented the monthly financial report for the period ending June 30, 2026, reflecting the revised budget approved by the Board.
- Cooperative Purchasing revenue increased from approximately $517,000 in May to approximately $568,000 in June, bringing year-to-date revenue to 42% of the annual budget. Staff noted that second-quarter reporting received in July was expected to improve results.
- Gulf Coast Regional 9-1-1 year-to-date Proposition 8 expenditures totaled approximately $1.3 million, and the budget was amended to align with current expenditure projections.
- Personnel expenditures were at 42% of the annual budget with 50% of the year elapsed, reflecting vacancies and hiring activity. Consultant and contract services were also below projected levels because of project and contract timing.

- Staff reported that pass-through activity remained below budget in several programs and was expected to increase as grants and contracts progressed. Renovation and equipment spending was also expected to increase later in the year.
- Motion to approve was made by Councilmember Stewart Jacobson.
- Second by Councilmember Sally Branson.
- All in favor; no opposed; motion passed.

10. ACCOUNTING AND FINANCIAL POLICY

- Presented by: Maty M. Keita, Finance Consultant, with Shaun Downie
- Staff presented an updated Accounting and Financial Policy establishing an overarching framework for financial operations, accounting, budgeting, investment, reporting, internal controls, grant administration compliance, and public fund management.
- Staff reported that the policy separates Board-level policy from internal operating procedures, addresses an audit-related corrective action plan, and incorporates benchmarking against other governmental organizations.
- Key changes included updated delegation-of-authority and approval thresholds, electronic disbursement requirements, check-signing thresholds, and purchase card limits. Transactions over $100,000 require Board approval, and all electronic disbursements require two signatures.
- Staff stated that department directors had reviewed the proposed changes and raised no concerns.
- Motion to approve was made by Commissioner Andy Meyers.
- Second by Councilmember Sally Branson.
- All in favor; no opposed; motion passed.

11. BENEFITS INSURANCE COVERAGE 2026-2027 PLAN YEAR

- Presented by: Laura Tomlinson, Senior Human Resources Manager
- Staff recommended renewing medical coverage with Blue Cross Blue Shield of Texas with a 9% premium increase, shared between H-GAC and employees. Staff determined the renewal provided the best overall value after evaluating proposals from Blue Cross Blue Shield of Texas, Aetna, and Cigna.
- Staff recommended renewing dental coverage with Delta Dental and vision coverage with EyeMed with no premium increases, and renewing voluntary life and long-term disability coverage with Reliance Standard with a 7.5% rate increase.
- Staff also recommended transitioning H-GAC's employee benefits plan year to a calendar-year schedule beginning January 1 to align the plan year with annual deductibles and H-GAC's fiscal year.
- Staff confirmed that H-GAC is fully insured. The committee clarified that its action would be a recommendation to the Board for approval of authority for the Executive Director to execute the agreements.
- Motion to recommend approval was made by Councilmember Sally Branson.
- Second by Judge Trey Duhon.
- All in favor; no opposed; motion passed.

12. ADJOURNMENT

With no further business, Chair Lapham adjourned the August 18, 2026 H-GAC Finance and Budget Committee meeting at approximately 9:50 a.m.

MONTHLY FINANCIAL REPORT – JULY 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 July, revenue and expenditure remain below the year-to-date budget, although activity has increased in several areas. Consultant expenditure increased across C&E, Transportation, and Workforce, while overall pass-through spending remains below budget. Workforce spending remains below budget, primarily due to low childcare enrollments. Other program expenditures are also below budget, with several projects progressing through amendments, contracting, and billing, which should increase expenditures in the coming months. Overall, we continue to monitor areas 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 July 31, 2026. (Staff Contact: Shaun Downie)

HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Monthly Financial Report

For Month Ending July 31, 2026

Prepared on September 2nd, 2026

Esteemed H-GAC Board of Directors and Executive Director Ron Papsdorf, please find attached the financial report for July 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. July revenue totaled $939,711, bringing year-to-date revenue to 54% of the annual budget. Second-quarter reporting received in July improved the year-to-date results.

> Interest income is at 43% of the annual budget. Interest earnings are lower than prior-year levels due to lower market interest rates and fluctuations in cash balances available for investment.

> Other revenue increased from 45% of the annual budget in June to 52% in July, mainly due to data sales, including LiDAR and imagery, and workshop and event registration collections.

EXPENDITURES

> Personnel expenditures remain below budget as we continue filling vacant positions. Year-to-date personnel costs are at 48% of the annual budget, compared with 58.33% of the year elapsed, primarily due to the timing of vacancies and hiring.

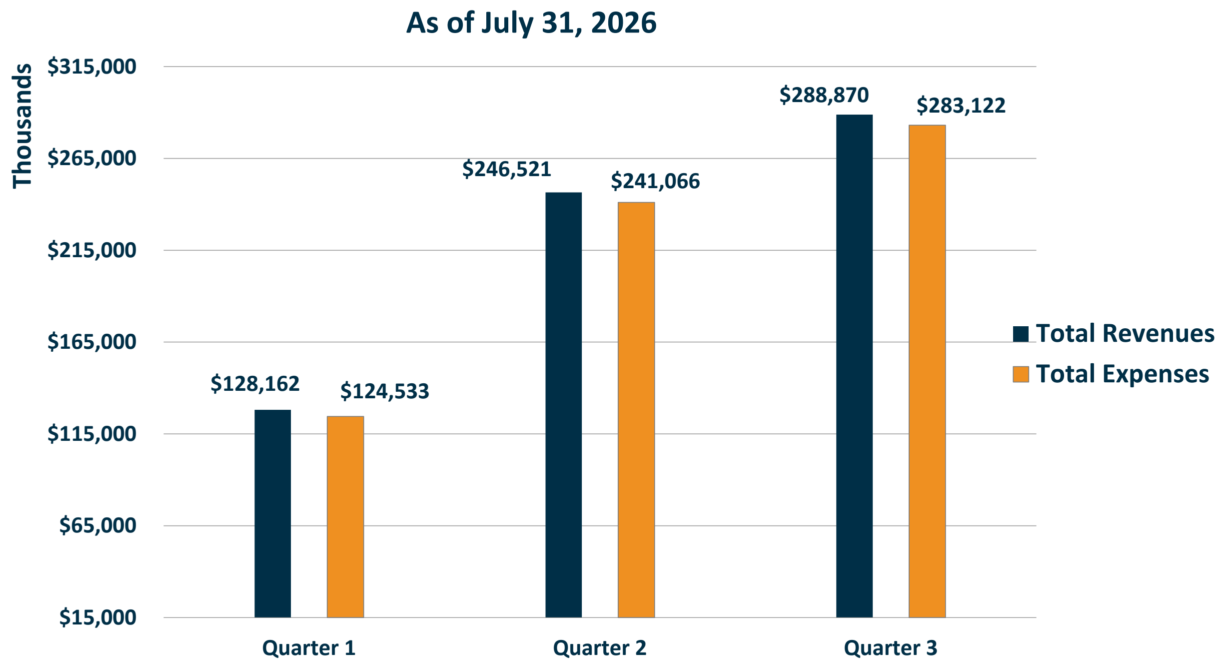
> Consultant expenditure remains below budget but increased from 32% in June to 40% in July. The increase was primarily driven by higher spending in C&E, Workforce, and Transportation consultant services.

> Travel expenses are at 26% of the annual budget, up from 21% last month. Spending remains below the projected level due to the timing of travel activities and reimbursement processing.

****** 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 Ending July 31, 2026

	Quarter 1	Quarter 2	Quarter 3
Revenues			
General & Enterprise Fund Revenues			
Membership Dues	$ 348,736	$ 17,923	$ -
HGAC Energy Corporation	21,889	19,688	3,319
Cooperative Purchasing Fees	1,513,184	1,655,053	939,711
Gulf Coast Regional 911 Fees	4,817,553	2,160,900	530,675
Interest Income	218,657	229,384	70,436
Other Revenues	563,131	428,707	155,836
General Funds - Local	383,847	1,714,067	339,753
Total General & Enterprise Fund Revenues	**$ 7,866,998**	**$ 6,225,722**	**$ 2,039,731**
Special Revenue Fund			
Federal Grants	$ 2,184,766	$ 1,865,900	$ 279,200
State Grants	118,110,075	110,267,634	40,029,539
Total Special Revenue Fund Revenues	**$ 120,294,841**	**$ 112,133,534**	**$ 40,308,739**
Total Revenues	**$ 128,161,839**	**$ 118,359,255**	**$ 42,348,470**
Expenditures			
Personnel	$ 13,820,796	$ 12,988,447	$ 4,068,332
Pass-through Funds - Grant	105,264,896	94,158,621	35,358,858
Consultant and Contract Services	1,972,724	5,003,911	1,578,653
Lease of Office Space	577,406	520,701	240,801
Equipment	429,307	1,299,023	184,911
Travel	79,705	173,143	66,389
Other Expenses	2,388,047	2,389,020	557,936
Total Expenditures	**$ 124,532,883**	**$ 116,532,865**	**$ 42,055,880**
Excess of Revenues Over(Under) Expenditures	**$ 3,628,956**	**$ 1,826,390**	**$ 292,590**

HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Budget to Actual Report - All Funds

For Month Ending July 31, 2026

58.33 % 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					
Membership Dues	$ 466,583	$ 375,077	$ 366,659	79%	98%
HGAC Energy Purchasing Corporation	135,000	78,477	44,895	33%	57%
Cooperative Purchasing Fees	7,556,971	3,267,912	4,107,948	54%	126%
Gulf Coast Regional 911 Fees	9,355,194	3,157,778	7,509,129	80%	238%
Interest Income	1,200,000	640,739	518,478	43%	81%
Other Revenues	2,188,437	1,455,118	1,147,675	52%	79%
General Funds - Local	5,742,177	4,100,000	2,437,666	42%	59%
Total General & Enterprise Fund Revenues	**$ 26,644,362**	**$ 13,075,100**	**$ 16,132,450**	**61%**	**123%**
Special Revenue Fund					
Federal Grant	$ 7,875,088	$ 3,390,611	$ 4,329,866	55%	128%
State Grants	584,179,539	321,396,174	268,407,248	46%	84%
Total Special Revenue Fund Revenues	**$ 592,054,627**	**$ 324,786,785**	**$ 272,737,114**	**46%**	**84%**
Total Revenues	**$ 618,698,989**	**$ 337,861,885**	**$ 288,869,564**	**47%**	**85%**
Expenditures					
Personnel	$ 64,137,302	$ 33,693,917	$ 30,877,575	48%	92%
Pass-through Funds - Grant	507,913,797	277,923,933	234,782,375	46%	84%
Consultant and Contract Services	21,545,932	14,729,350	8,555,288	40%	58%
Lease of Office Space	3,599,393	2,080,178	1,338,909	37%	64%
Equipment	6,476,840	2,394,530	1,913,241	30%	80%
Travel	1,215,721	514,683	319,237	26%	62%
Other Expenses	13,810,004	6,485,101	5,335,004	39%	82%
Total Expenditures	**$ 618,698,989**	**$ 337,821,693**	**$ 283,121,628**	**46%**	**84%**
Excess of Revenues Over(Under) Expenditures	**$ -**	**$ 40,193**	**$ 5,747,936**		
Beginning Fund Balance (all funds) - Jan. 1 (1)	**$ 52,762,360**	**$ 46,532,496**	**$ 52,762,360**		
Ending Fund Balance (all funds) - July. 31 (2)	**$ 52,762,360**	**$ 46,572,689**	**$ 58,510,296**		

(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 July 31 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.

INDIRECT COST CARRYFORWARD

Background
H-GAC uses the Environmental Protection Agency, EPA, as its cognizant agency for approval of the organization's annual indirect cost rate. Each year, EPA approves an indirect cost rate that H-GAC uses to recover eligible administrative and support costs from grants and programs.
After the fiscal year ends and actual costs are finalized, H-GAC compares the amount of indirect costs recovered during the year to the actual allowable indirect costs incurred. If H-GAC recovers less than the actual allowable amount, this is considered an under-recovery.

Current Situation
Historically, H-GAC experienced small deviations between budged indirect costs and actual indirect cost recovery. H-GAC went through a significant growth period beginning in about 2021 with increases in budgeted staff positions. At the same time, due to national economic conditions and recruiting and hiring challenges, higher than expected vacancy rates persisted, resulting in growing indirect under-recovery.

The cumulative under-recovery as of FY2024 is approximately $2.4M. These under-recoveries will need to be offset in 2027 and 2028 from general funds.

For FY2025, H-GAC has identified an indirect cost under-recovery of approximately $1.3M. This means that H-GAC did not recover the full amount of allowable indirect costs during FY2025.

Based on the timing of the rate approval process, this FY2025 under-recovery is expected to be included as an adjustment in the FY2027 indirect cost rate, pending H-GAC Board of Directors concurrence and EPA approval. Moving forward, staff will be implementing procedures and strategies to reduce the amount of indirect under-recovery with a focus on accurately budgeting personnel costs, position control, regular monitoring and interim corrective actions when necessary.

Funding Source
N/A

Budgeted
Not Applicable

Action Requested
Request approval to use general funds in 2027 and 2028 to offset $2.4M under recovered indirect costs incurred through FY2024 and incorporate FY2025 under recovered indirect costs of $1.3M as an adjustment to the rate computation for the FY2027 indirect cost proposal submitted to EPA. (Staff Contact: Shaun Downie)