

Board of Directors



October Finance and Budget Committee Meeting

Schedule	Tuesday, October 20, 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. SEPTEMBER 2026 MEETING MINUTES

Request approval of the minutes from the September 2026 meeting of the Finance and Budget Committee. (Staff contact: Rick Guerrero)

Board of Directors



8. RECOMMENDED 2027 SALARY PROGRAM

Request approval of the recommended 2027 Salary Program and authorize submission of the classification schedule to the Governor's Office for review. (Staff Contact: Madison Handy)

9. QUARTERLY INVESTMENT REPORT – THIRD QUARTER 2026

Request approval of the Quarterly Investment Report for Third Quarter FY2026 ending September 30, 2026. (Staff Contact: Arathi Nayak)

10. MONTHLY FINANCIAL REPORT – AUGUST 2026

Request approval of the monthly financial report ending August 31, 2026. (Staff Contact: Shaun Downie)

11. INDIRECT COST CARRYFORWARD

Requesting approval to incorporate the FY2025 1.3 million carryforward as an adjustment in the rate computation for the FY2027 indirect cost proposal submitted to EPA. (Staff Contact: Yvette Gonzalez)

12. 2027 BUDGET & SERVICE PLAN - OCTOBER BUDGET WORKSHOP

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

13. ADJOURNMENT

HOUSTON-GALVESTON AREA COUNCIL
FINANCE AND BUDGET COMMITTEE
MEETING MINUTES
September 15, 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 September 15, 2026 meeting:

- Austin County – Judge Tim Lapham
- Fort Bend County – Commissioner Andy Meyers
- Galveston County – Commissioner Hank Dugie
- Harris County – Commissioner Lesley Briones
- Liberty County – Judge Jay Knight
- Montgomery County – Judge Mark Keough
- Waller County – Judge Trey Duhon
- City of Friendswood – Councilmember Sally Branson
- City of Huntsville – Mayor Russell Humphrey
- City of La Porte – Mayor Pro Tem Chuck Engelken
- City of Sugar Land – Councilmember Stuart Jacobson
- City of Waller – Councilmember Nancy Arnold
- City of Bellaire – Council Member Ross Gordon

- **Not Present:**
- Harris County – Commissioner Adrian Garcia
- City of Lake Jackson – Mayor Rhonda Seth
- City of League City – Mayor Nick Long

The Finance and Budget Committee of the Houston-Galveston Area Council met on Tuesday, September 15, 2026, at 3555 Timmons Lane, Houston, Texas.

1. Call to Order and Roll Call

The meeting was called to order, and staff conducted roll call. A quorum was declared present.

2. Conflicts of Interest

The Chair, Judge Tim Lapham of Austin County asked whether any committee members had conflicts of interest to declare. No conflicts were declared.

3. 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.

4. Chair Remarks

The Chair had no remarks.

5. Executive Director's Report

Chief Workforce Officer, Juliet Stipeche provided the Executive Director's report on current and upcoming H-GAC activities.

Ron Papsdorf was attending the Association of Metropolitan Planning Organizations annual conference and participating in AMPO's policy committee activities. Staff also reported that the agency continued its search for a new MPO Director.

The Committee was informed that H-GAC had selected a new Chief Financial Officer, who was expected to begin on November 2, 2026.

Staff also reported that development of the FY 2027 budget was underway, with a budget workshop planned for October, presentation of a draft budget in November, and final action in December.

6. August 2026 Meeting Minutes

The Committee considered approval of the August 2026 meeting minutes.

Motion: Council Member Stuart Jacobson

Second: Council Member Sally Branson

The motion carried unanimously.

7. Monthly Financial Report – July 2026

Staff presented the monthly financial report for the period ending July 31, 2026.

Staff reported that cooperative purchasing revenue continued to fluctuate, with July revenue of approximately \$940,000 and year-to-date revenue at approximately 54% of budget. Other revenue increased primarily due to data sales, workshops, and event registration collections.

Personnel expenditures remained below budget because of vacancies and the timing of hiring. Year-to-date personnel expenditures were approximately 48% of the annual budget compared with approximately 58% of the fiscal year elapsed. Consultant and contract-service expenditures increased during July but remained below budget.

Staff also discussed workforce pass-through expenditures, childcare enrollment, transportation and Community and Environmental Planning consultant expenditures, and equipment expenses.

During discussion, the Committee asked about the FY 2027 budget schedule. Staff stated that a budget workshop would occur in October, followed by presentation of a draft budget in November and final action in December.

Motion: Council Member Stuart Jacobson

Second: Council Member Sally Branson

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

8. Indirect Cost Carryforward

Staff presented the indirect cost carryforward and explained the relationship between indirect costs, direct personnel expenditures, and H-GAC's federally approved indirect cost rate.

The requested action addressed approximately \$2.4 million in cumulative indirect-cost under-recovery through FY 2024 and approximately \$1.3 million in FY 2025 under-recovery. Staff

explained that the cumulative under-recovery was associated in part with growth in budgeted positions coupled with higher-than-expected vacancies and hiring challenges.

Staff explained that H-GAC planned to address the FY 2024 cumulative under-recovery using general fund resources over 2027 and 2028. The FY 2025 under-recovery could instead be incorporated into the FY 2027 indirect-cost-rate calculation, subject to Board concurrence and EPA approval.

Committee members discussed the effect of using general fund reserves, the agency's reserve policy, the potential effect of a higher indirect-cost rate on grant-funded programs, and whether the FY 2025 under-recovery should instead be absorbed by H-GAC.

Members requested additional information regarding the amount and adequacy of H-GAC's reserves, the reserve policy, the operational period represented by the reserve balance, and the effect on programs and grant recipients of incorporating the FY 2025 under-recovery into the FY 2027 indirect-cost rate.

Following discussion, the Committee agreed to separate the two components of the requested action.

Motion: Council Member Sally Branson

Second: Commissioner Andy Meyers

The Committee moved to:

1. Approve the approximately \$2.4 million cumulative indirect-cost under-recovery through FY 2024, to be addressed using general fund resources in FY 2027 and FY 2028; and
2. Table consideration of the approximately \$1.3 million FY 2025 indirect-cost under-recovery until the October meeting, when additional budget, reserve, and indirect-rate information can be presented.

The motion carried unanimously.

9. Adjournment

There being no further business, a motion was made to adjourn.

Motion: Council Member Sally Branson

Second: Commissioner Andy Meyers

The motion carried, and the meeting was adjourned.

RECOMMENDED 2027 SALARY PROGRAM

Background

H-GAC operates under a policy-oriented job classification and pay-for-performance framework designed to ensure equity, accountability, and market responsiveness. The system emphasizes:

- Common classifications for similar roles,
- Structured ranges that recognize performance and growth,
- Individual, merit-based evaluation, and
- Pay for performance.

The Board annually reviews and approves the agency job classifications. These classifications group comparable positions and establish minimum and maximum salaries for each job group. Individual compensation within each range is determined by management's assessment of current performance and expected future contribution. Each year, the schedule is reviewed for equity and market alignment using multiple data sources.

State law requires regional councils to implement a salary classification system similar to the State of Texas compensation system, with classifications submitted to the Governor's office for review.

Current Situation

For 2027, we compared H-GAC's proposed salary ranges to the State of Texas ranges for the 2027-2028 biennium (see attachment). We recommend adopting a salary structure that remains comparable to the state's schedule. This approach:

- Keeps H-GAC compliant with statutory expectations,
- Maintains competitiveness in attracting and retaining talent,
- Supports a merit-based culture by enabling management to differentiate pay based on performance within approved ranges, and
- Preserves fiscal discipline through defined salary bands.

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the recommended 2027 Salary Program and authorize submission of the classification schedule to the Governor's Office for review. (Staff Contact: Madison Handy)

ATTACHMENTS:

2027 H-GAC Salary Grade Schedule

H-GAC Salary Range Matrix 2027								
Grade	Job Family	H-GAC Job Family Titles	2027 Salary Range			State Salary Group	2026-2027 Texas State Salary Range	
			Minimum	Midpoint	Maximum			
E-25	Executive	Executive Director	\$215,000	\$287,500	\$360,000	B37	\$215,000	\$360,000
E-24	Executive	Chief, Deputy Executive Director	\$180,453	\$258,081	\$335,710	B35-B36	\$180,453	\$335,710
E-23	Executive	Senior Director	\$164,048	\$234,619	\$305,191	B34-B35	\$164,048	\$305,191
E-22	Executive	Director	\$149,134	\$213,290	\$277,446	B33-B34	\$149,134	\$277,446
E-21	Executive	Assistant Director	\$112,047	\$170,671	\$229,295	B30-B32	\$112,047	\$229,295
M-20	Manager	Senior Manager	\$112,047	\$150,773	\$189,499	B30	\$112,047	\$189,499
M-19	Manager	Manager II	\$101,860	\$137,066	\$172,272	B29	\$101,860	\$172,272
M-18	Manager	Manager	\$92,600	\$124,606	\$156,612	B28	\$92,600	\$156,612
M-17	Manager	Special Projects Manager	\$84,182	\$120,397	\$156,612	B27-B28	\$84,182	\$156,612
M-16	Manager	Supervisor	\$84,182	\$113,278	\$142,374	B27	\$84,182	\$142,374
P-15	Professional	Principal, Administrator	\$76,530	\$116,571	\$156,612	B26-B28	\$76,530	\$156,612
P-14	Professional	Lead II, Senior II	\$65,104	\$97,267	\$129,430	B24-B26	\$65,104	\$129,430
P-13	Professional	Lead, Senior	\$61,184	\$83,909	\$106,634	B23-B24	\$61,184	\$106,634
P-12	Professional	Analyst II, Coordinator II, Executive Assistant	\$57,614	\$78,636	\$99,658	B22-B23	\$57,614	\$99,658
P-11	Professional	Analyst, Coordinator	\$51,158	\$72,148	\$93,138	B20-B22	\$51,158	\$93,138
T-10	Technical/Professional	Specialist IV	\$54,278	\$73,708	\$93,138	B21-B22	\$54,278	\$93,138
T-9	Technical/Professional	Specialist III	\$48,244	\$64,798	\$81,351	B19-B20	\$48,244	\$81,351
T-8	Technical/Professional	Specialist II	\$42,976	\$57,016	\$71,055	B17-B18	\$42,976	\$71,055
T-7	Technical/Professional	Specialist	\$38,976	\$50,053	\$61,130	B15-B16	\$38,976	\$61,130
T-6	Technical/Professional	Communications Operator	\$33,840	\$44,487	\$55,134	B12-B14	\$33,840	\$55,134
S-5	Support	Administrative Assistant	\$45,521	\$60,775	\$76,028	A18-A19	\$45,521	\$76,028
S-4	Support	Support II	\$40,918	\$52,694	\$64,469	A16-A17	\$40,918	\$64,469
S-3	Support	Doctoral Intern, Support	\$33,840	\$45,943	\$58,045	A12-A15	\$33,840	\$58,045
S-2	Support	Graduate Intern, Receptionist	\$32,332	\$39,844	\$47,355	A11	\$32,332	\$47,355
S-1	Support	Undergraduate Intern	\$30,910	\$36,741	\$42,571	A10	\$30,910	\$42,571

QUARTERLY INVESTMENT REPORT – THIRD QUARTER 2026**Background**

H-GAC invests public funds in accordance with its adopted Investment Policy. Quarterly investment reports are presented to the Board to provide transparency regarding H-GAC's investment portfolio, including compliance with the Investment Policy, portfolio performance, and investment activity during the reporting period.

Current Situation

The Quarterly Investment Report for the Third Quarter of FY2026 provides an overview of H-GAC's investment portfolio and investment activity for the quarter ended September 30, 2026. During the quarter, we continued our efforts to diversify the investment portfolio by investing in TEXPOOL and TEXAS RANGE securities to enhance interest income. Overall, the investment portfolio is performing well and generating positive returns.

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the Quarterly Investment Report for Third Quarter FY2026 ending September 30, 2026. (Staff Contact: Arathi Nayak)

Houston Galveston Area Council
Investment Report
For Quarter Ending September 30th, 2026

	Opening Balance FY 26	Deposits	Withdrawal	Interest Earned FY 26	Current Balance / Market Value	Percent of Portfolio
TexPool Prime Account Yield 3.82% Book Value \$6,500,000	\$ 9,717,660	-	(\$2,000,000)	\$ 259,936	\$ 7,977,595	79.79%
Texas Range - Daily Select Yield 3.82%	-	2,000,000	(\$2,000,000)	2,717	2,717	0.03%
Texas Range - Term Investment Yield 3.89% (Maturity 11/06/2026) Book Value \$2,000,000	-	2,000,000	-	18,118	2,018,118	20.18%
Balance as of September 30, 2026	\$ 9,717,660	\$ 4,000,000	\$ (4,000,000)	\$ 280,770	\$ 9,998,429	100.00%

The above securities are in compliance with Texas Government Code Chapter 2256, Public Funds Investment Act (PFIA), and with the investment objectives of the H-GAC investment policy.

Ron Papsdorf
 Ron Papsdorf
 Executive Director

Shaun Downie
 Shaun Downie
 Investment Officer

Arathi Nayak
 Arathi Nayak
 Investment Officer

Houston Galveston Area Council - Component Unit
Investment Report
For Quarter Ending September 30th, 2026

	Opening Balance FY 26	Deposits	Withdrawal	Interest Earned FY 26	Current Balance / Market Value	Percent of Portfolio
Local Development Corporation						
Certificate of Deposit Yield 2.87% Chase Bank	\$ 349,572	\$ -	\$ (361,187)	\$ 11,615	\$ -	-
Texas Range - Daily Select Yield 3.82% Book Value \$362,000	-	362,000.00	-	3,266	365,266	2.96%
Corporation for Regional Excellence						
Certificate of Deposit Yield 2.87% Chase Bank	536,479	-	(554,304)	17,825	-	-
Texas Range - Daily Select Yield 3.82% Book Value \$560,000	-	560,000	-	4,878	564,878	4.58%
Gulf Coast 911 Regional District						
Certificate of Deposit Yield 2.87% Chase Bank	5,423,821	-	(5,604,033)	180,212	-	-
TexPool Prime Account Yield 3.82% Book Value \$6,000,000	-	6,000,000	-	48,249	6,048,249	49.06%
Texas Range - Daily Select Yield 3.82%	-	4,000,000	(4,000,000)	2,922	2,922	0.02%
Texas Range -Term Investment Yield 3.89% (Maturity 11/06/2026) Book Value \$4,000,000	-	4,000,000	-	36,236	4,036,236	32.74%
Emission Reduction Credit Corporation						
TexPool Prime Account Yield 3.82% Book Value \$600,000	-	600,000	-	4,825	604,825	4.91%
Gulf Coast Economic Development District						
TexPool Prime Account Yield 3.82% Book Value \$700,000	-	700,000	-	5,629	705,629	5.72%
Balance as of September 30, 2026	\$ 6,309,872	\$ 16,222,000	\$ (10,519,524)	\$ 315,658	\$ 12,328,006	100.00%

The above securities are in compliance with Texas Government Code Chapter 2256, Public Funds Investment Act (PFIA), and with the investment objectives of the H-GAC investment policy.


 Ron Papsdorf
 Executive Director


 Shaun Downie
 Investment Officer


 Arathi Nayak
 Investment Officer

MONTHLY FINANCIAL REPORT – AUGUST 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 August, 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. Consultant expenditure continues to steadily increase across programs, while Transportation saw a significant increase in pass-through expenses within the federal area. Personnel expenditure remains below budget, primarily due to the timing of vacancies and hiring. We are closely monitoring personnel costs as they impact indirect cost recovery. Overall, we continue to monitor areas with significant unspent balances and timing-related variances.

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the monthly financial report ending August 31, 2026. (Staff Contact: Shaun Downie)



HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY26 Monthly Financial Report

For Month Ending August 31, 2026

Prepared on October 6th, 2026

Esteemed H-GAC Board of Directors and Executive Director Ron Papsdorf, please find attached the financial report for August 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. Revenue decreased from \$939,711 in July to \$240,778 in August and is currently at 58% of the annual budget.
- > Gulf Coast Regional 911 Fees are ahead of budget, primarily due to favorable revenue activity during the year. Revenue increased by approximately \$734K from the prior month, with approximately \$306K of the increase related to the closeout of the ARPA grant.
- > Federal grant revenues are significantly higher than budgeted and are currently at 102% of the annual budget, largely attributable to activity in the Quick Clearance Programs, with approximately \$3.2 million in revenue recorded in August.

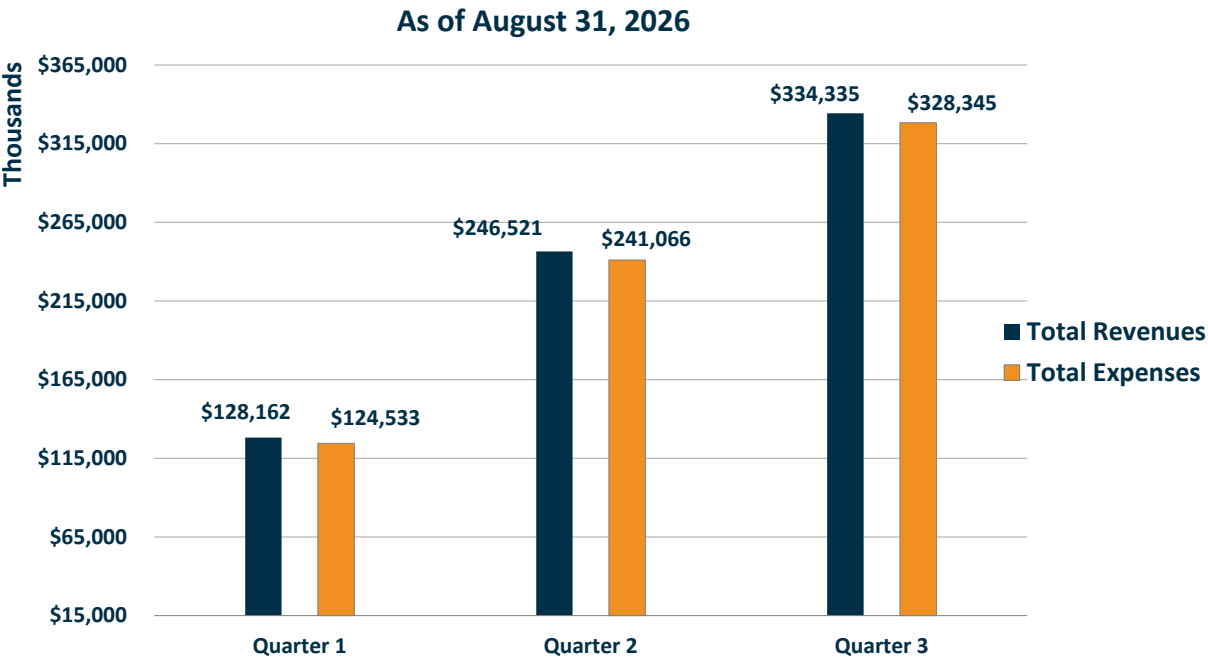
EXPENDITURES

- > Personnel expenditures remain below budget due to vacant positions. YTD personnel costs are at 55% of annual budget versus 66.67% of the year elapsed, primarily due to the timing of vacancies and hiring. Indirect program salaries are 10% below YTD budget, while direct program salaries are 20% below YTD budget.
- > Pass-through expenses increased slightly in August and are currently at 54% of the annual budget. We expect spending to continue increasing next month as several grants approach the end of their grant cycles.
- > Equipment expense is at 42% of the budget, compared to 30% in July, reflecting approximately \$790K in renovation costs paid in August.

*** 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 August 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	12,340
Cooperative Purchasing Fees	1,513,184	1,655,053	1,180,490
Gulf Coast Regional 911 Fees	4,817,553	2,160,900	1,264,539
Interest Income	218,657	229,384	148,999
Other Revenues	563,131	428,707	397,235
General Funds - Local	383,847	1,714,067	1,025,149
Total General & Enterprise Fund Revenues	\$ 7,866,998	\$ 6,225,722	\$ 4,028,752
Special Revenue Fund			
Federal Grants	\$ 2,184,766	\$ 1,865,900	\$ 3,980,758
State Grants	118,110,075	110,267,634	79,804,097
Total Special Revenue Fund Revenues	\$ 120,294,841	\$ 112,133,534	\$ 83,784,855
Total Revenues	\$ 128,161,839	\$ 118,359,255	\$ 87,813,607
Expenditures			
Personnel	\$ 13,820,796	\$ 12,988,447	\$ 8,410,594
Pass-through Funds - Grant	105,264,896	94,158,621	73,095,622
Consultant and Contract Services	1,972,724	5,003,911	3,114,033
Lease of Office Space	577,406	520,701	448,063
Equipment	429,307	1,299,023	988,298
Travel	79,705	173,143	176,725
Other Expenses	2,388,047	2,389,020	1,045,748
Total Expenditures	\$ 124,532,883	\$ 116,532,865	\$ 87,279,082
Excess of Revenues Over(Under) Expenditures	\$ 3,628,956	\$ 1,826,390	\$ 534,525

HOUSTON GALVESTON AREA COUNCIL (H-GAC)**FY26 Monthly Trends Report****For Month Ending August 31, 2026**

	January 2026	February 2026	March 2026	April 2026	May 2026	June 2026	July 2026	August 2026
Revenues								
General & Enterprise Fund Revenues								
Membership Dues	\$ 38,083	\$ 249,630	\$ 61,023	\$ 8,501	\$ 6,895	\$ 2,526	\$ -	\$ -
HGAC Energy Corporation	3,735	9,939	8,215	2,980	7,289	9,419	3,319	9,021
Cooperative Purchasing Fees	199,384	406,185	907,615	570,363	517,124	567,566	939,711	240,779
Gulf Coast Regional 911 Fees	319,365	37,540	4,460,648	931,207	772,175	457,518	530,675	733,864
Interest Income	33,613	105,697	79,347	78,313	96,736	54,335	70,436	78,563
Other Revenues	68,866	392,365	101,900	94,430	121,230	213,048	155,836	241,399
General Funds - Local	69,655	129,840	184,352	442,690	786,748	484,628	339,753	685,396
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
Special Revenue Fund								
Federal Grants	\$ 512,118	\$ 500,931	\$ 1,171,718	\$ 1,022,904	\$ 610,208	\$ 232,788	\$ 279,200	\$ 3,701,558
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
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
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
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
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
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
Lease of Office Space	181,274	195,662	200,471	152,829	183,247	184,625	240,801	207,262
Equipment	39,967	47,911	341,429	934,520	65,742	298,761	184,911	803,388
Travel	15,066	16,492	48,147	37,328	79,348	56,467	66,389	110,336
Other Expenses	1,385,364	505,970	496,713	660,450	760,032	968,538	557,936	487,812
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
Excess of Revenues Over(Under) Expenditures	\$ (401,872)	\$ 682,125	\$ 3,348,703	\$ 738,854	\$ 724,115	\$ 363,421	\$ 292,590	\$ 241,936

HOUSTON GALVESTON AREA COUNCIL (H-GAC)**FY26 Budget to Actual Report - All Funds****For Month Ending August 31, 2026****66.67 % 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	\$ 376,146	\$ 366,659	79%	97%
HGAC Energy Purchasing Corporation	135,000	90,258	53,916	40%	60%
Cooperative Purchasing Fees	7,556,971	3,943,097	4,348,727	58%	110%
Gulf Coast Regional 911 Fees	9,355,194	3,608,086	8,242,993	88%	228%
Interest Income	1,200,000	747,022	597,040	50%	80%
Other Revenues	2,188,437	1,639,269	1,389,074	63%	85%
General Funds - Local	5,742,177	4,559,765	3,123,062	54%	68%
Total General & Enterprise Fund Revenues	\$ 26,644,362	\$ 14,963,642	\$ 18,121,471	68%	121%
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	\$ 3,882,818	\$ 8,031,424	102%	207%
State Grants	584,179,539	376,543,352	308,181,806	53%	82%
Total Special Revenue Fund Revenues	\$ 592,054,627	\$ 380,426,170	\$ 316,213,230	53%	83%
Total Revenues	\$ 618,698,989	\$ 395,389,813	\$ 334,334,701	54%	85%
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	\$ 39,458,577	\$ 35,219,836	55%	89%
Pass-through Funds - Grant	507,913,797	325,193,056	272,519,138	54%	84%
Consultant and Contract Services	21,545,932	16,725,685	10,090,668	47%	60%
Lease of Office Space	3,599,393	2,344,591	1,546,171	43%	66%
Equipment	6,476,840	3,356,441	2,716,628	42%	81%
Travel	1,215,721	618,812	429,573	35%	69%
Other Expenses	13,810,004	7,357,563	5,822,816	42%	79%
Total Expenditures	\$ 618,698,989	\$ 395,054,726	\$ 328,344,830	53%	83%
Excess of Revenues Over(Under) Expenditures	\$ -	\$ 335,086	\$ 5,989,871		
Beginning Fund Balance (all funds) - Jan. 1 (1)	\$ 52,762,360	\$ 46,532,496	\$ 52,762,360		
Ending Fund Balance (all funds) - August. 31 (2)	\$ 52,762,360	\$ 46,867,582	\$ 58,752,231		

(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 August 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 budgeted 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.

During its September 2026 meeting, the H-GAC Board of Directors approved the use of general funds in 2027 and 2028 to offset approximately \$2.4M in cumulative indirect cost under-recovery incurred as of FY2024.

Based on the timing of the rate approval process, the FY2025 under-recovery of \$1.3M 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

N/A

Action Requested

Requesting approval to incorporate the FY2025 \$1.3M indirect cost under-recovery as a carryforward adjustment in the rate computation for the FY2027 indirect cost proposal submitted to EPA. (Staff Contact: Yvette Gonzalez)

2027 BUDGET & SERVICE PLAN – OCTOBER 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 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 first iteration of the proposed budget. The total budget is \$674.9 million and represents a 9.1% increase over the FY 2026 Revised budget adopted July 21, 2026. The budget includes \$115.8 million in operational costs (salaries, benefits, contracted services, and other direct and indirect expenditures), which is a 4.6% increase from the FY 2026 Revised budget and \$559.1 million in pass-through funds, which is a 10.1% increase over the FY 2026 Revised budget.

Personnel costs include a 2% across-the-board 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 awarded based on level of performance. The budget also reflects the previously approved Board of Directors approved medical insurance premium increase of 9%, with half budgeted as an employer cost and the other half paid by employees.

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 29.73 %. This includes the proposal to carryover FY 2025 indirect cost under recovery of \$1,336,281. Without that carryover, the projected FY 2026 indirect rate would be 27.5%. This is the result of continued organization growth and specific efforts to constrain indirect cost growth.

Capital expenditures are budgeted at \$208,500, representing a 96.4% reduction from FY 2026 due to completion of the build-out of additional office space at 3555 Timmons to accommodate growing staff and a reduction in capital expenditures in Community & Environmental due to completion of some large 9-1-1 capital expenditures.

A revised draft will be presented to the Board in November based on the Board's feedback, final adjustments, and any new or updated financial information. The final proposed budget will be presented in December for adoption prior to the beginning of the fiscal year on January 1, 2027.

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)

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FY 2027 Proposed Budget and Service Plan Summary
October Draft

Unified Budget			\$674,940,377
	Increase	9.09%	\$56,241,388
Pass-through funds			\$559,113,063
	Increase	10.08%	\$51,199,266
Operations*			\$115,827,314
	Increase	4.55%	\$5,042,122
Increases			
		% increase	increase
Workforce		10.91%	\$55,500,035
Transportation		20.73%	\$10,162,474
Enterprise Solutions		6.81%	\$686,874
Administration		12.05%	\$1,869,880
Decreases			
		% decrease	decrease
Aging		18.73%	\$3,461,399
Community & Environmental		12.44%	\$2,931,353
Local		63.11%	\$4,217,737
Employee Benefits		Rate	
Released Time		14.77%	\$6,917,625
Insurance, Retirement, and Social Security		33.27%	\$15,578,959
Benefit Carry Forward		(0.67%)	(\$316,847)
Total Benefits & Release Time		47.37%	\$22,179,737

*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.