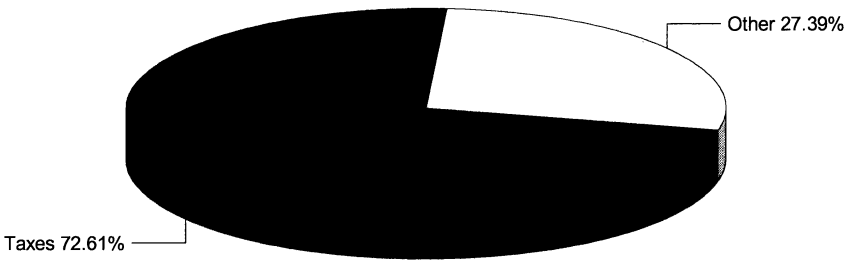
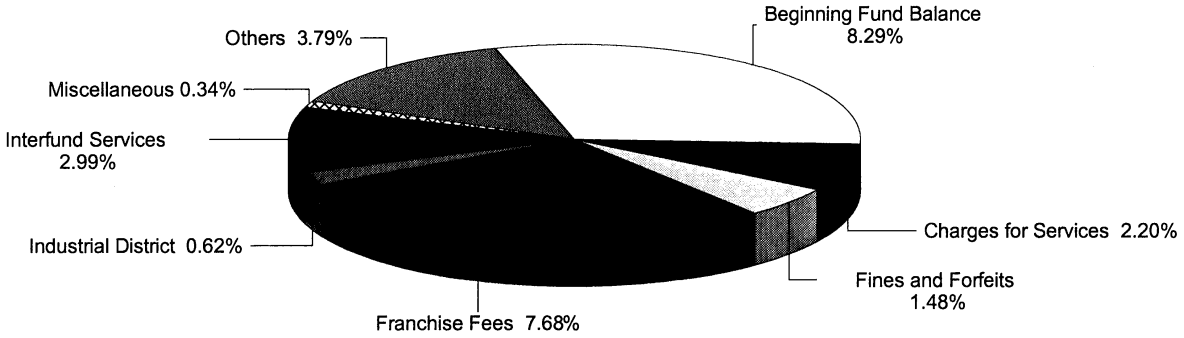
GENERAL FUND RESOURCES SUMMARY

The General Fund is the City of Houston's largest operating fund. With total resources of $2.4 billion budgeted in FY2015, this fund relies heavily on various forms of revenue to finance its operations. As illustrated below, approximately 73% percent of the total resources in the General Fund are from taxes, mainly property and sales taxes.

GENERAL FUND RESOURCES FY2015 BUDGET



COMPOSITION OF OTHER (ABOVE)



The composition of the FY2015 General Fund resources is listed below:

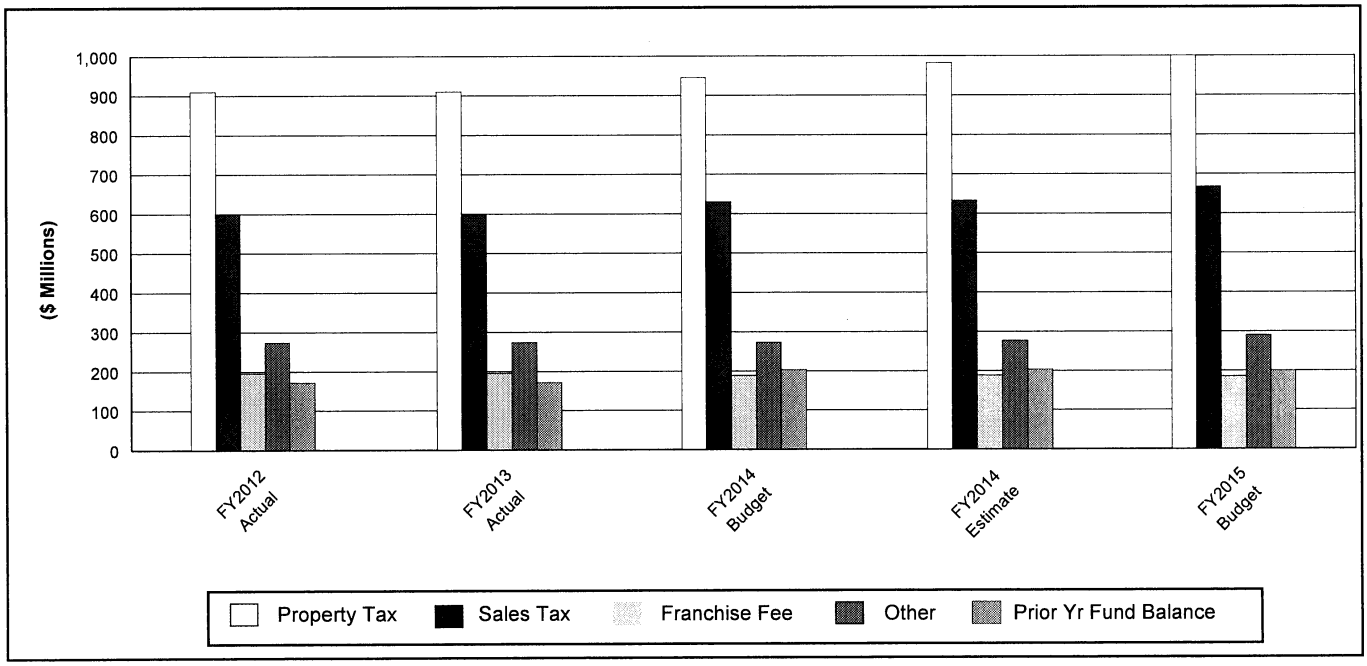
RESOURCE CATEGORIES	RESOURCE FY2015 BUDGET*	% OF TOTAL BUDGET
Taxes:		
Property Taxes	$ 1,069,545	44.36%
Sales Taxes	666,968	27.66%
Other Tax	14,168	0.59%
Franchise Fees	185,099	7.68%
Industrial District	15,000	0.62%
Licenses and Permits	34,507	1.43%
Intergovernmental	21,619	0.90%
Charges for Services	53,070	2.20%
Interfund Services	72,178	2.99%
Fines and Forfeits	35,720	1.48%
Interest	2,401	0.10%
Miscellaneous/Other	8,170	0.34%
Total Revenue	2,178,445	90.35%
Sale of Capital Assets	2,500	0.10%
Transfers In	30,402	1.26%
Beginning FY2015 Fund Balance	199,782	8.29%
TOTAL RESOURCES	$ 2,411,129	100.00%

* Dollars in Thousands

Total may reflect slight variances due to rounding.

The graph below provides a four-year comparsion of the City's resources in millions of dollars.

RELATIONSHIP OF GENERAL FUND RESOURCES
FY2012 THROUGH FY2015



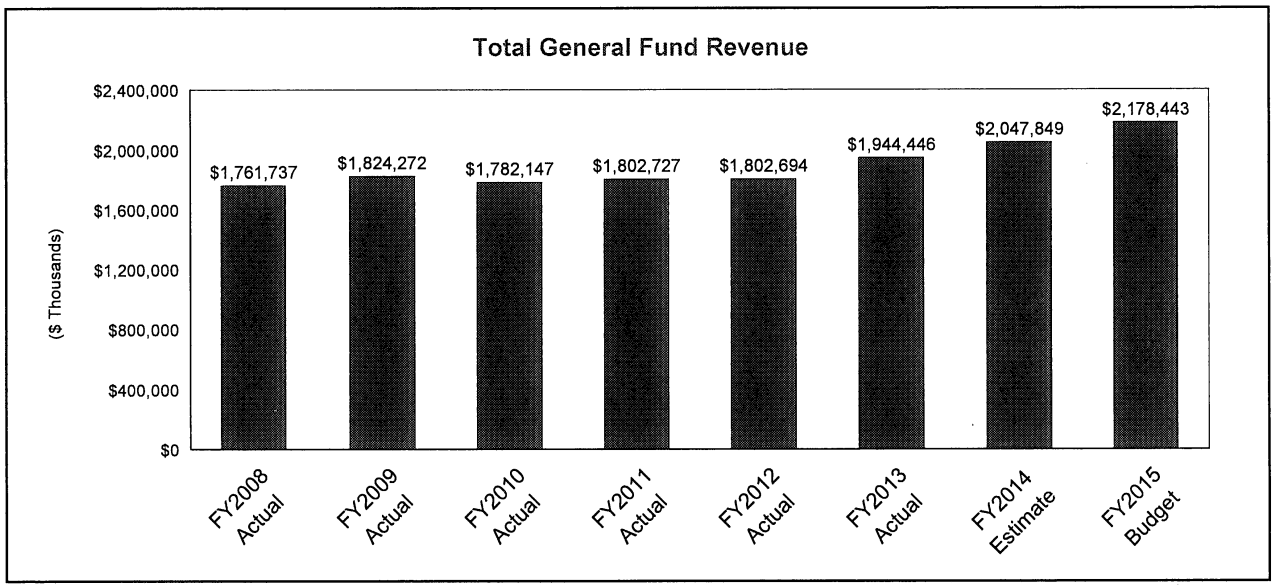


Table I below provides the FY2015 General Fund revenue budget by categories. As shown, the total revenue is expected to be $2.2 billion or $131 million higher than the projected FY2014 revenue.

Table I

FY2015 Revenue Budget
Compared with FY2014 Estimate

	Projected Revenue ($ Thousands)		
Category	**FY2014 Estimate**	**FY2015 Budget**	**Increase / (Decrease)**
General Property Taxes	981,868	1,069,545	87,677
Industrial Assessment	15,000	15,000	0
Sales Taxes	633,000	666,968	33,968
Other Tax	13,634	14,168	534
Electric Franchise	100,526	100,670	144
Telephone Franchise	43,647	42,225	(1,422)
Gas Franchise	16,492	14,538	(1,954)
Other Franchise	27,213	27,666	453
Licenses and Permits	34,305	34,507	202
Intergovernmental	19,249	21,619	2,370
Charges for Services	47,666	53,070	5,404
Direct Interfund Services	46,134	48,453	2,319
Indirect Interfund Services	19,221	23,724	4,503
Municipal Courts Fines and Forfeits	31,308	31,308	0
Other Fines and Forfeits	4,422	4,411	(11)
Interest	2,400	2,401	1
Miscellaneous/Other	11,764	8,170	(3,594)
Total	**2,047,849**	**2,178,443**	**130,594**

Table II provides the revenue estimate for each distinct revenue source that is expected to produce at least $3 million in FY2015. The remainder of this document describes the projection logic that has been used for each of these items.

Table II

Revenue Estimates for Revenue Sources over $3 Million

Item	Projected Revenue ($ Thousands) FY2014 Estimate	FY2015 Budget	Increase / (Decrease)
General Property Taxes	981,868	1,069,545	87,677
Sales Taxes	633,000	666,968	33,968
Industrial Assessment	15,000	15,000	0
Mixed Beverage Tax	13,444	13,978	534
Electric Franchise	99,026	99,170	144
Telephone Franchise	43,625	42,225	(1,400)
Gas Franchise	16,492	14,538	(1,954)
Cable TV Franchise Fees	21,000	21,200	200
Solid Waste Hauler Franchise Fee	6,300	6,400	100
Licenses and Permits	34,305	34,507	202
TIRZ Funding	10,292	11,104	812
Intergovernmental Revenue - 1115 Waiver	8,457	10,065	1,608
Ambulance Fees	32,335	37,700	5,365
Platting Fees	5,345	5,262	(83)
Other Charges for Services	9,986	10,109	123
Interfund Police Protection	23,232	24,686	1,454
Interfund Fire Protection	17,276	18,083	807
Other Direct Interfund	5,626	5,684	58
Indirect Cost Recovery	19,222	23,725	4,503
Moving Violations	17,200	17,200	0
Other Municipal Courts Fines and Forfeitures	14,108	14,108	0
Miscellaneous/Other	11,764	8,170	(3,594)
All Other Revenues	8,946	9,016	70
Total	**2,047,849**	**2,178,443**	**130,594**

Taxes

Property Taxes

General property taxes are ad valorem taxes levied on the assessed valuation of real and personal property. Taxable values for all real and personal property within the City, depending on their locations, are established by the Harris County Appraisal District (HCAD), Montgomery County Appraisal District (MCAD) or Fort Bend County Appraisal District (FBCAD), collectively County Appraisal District (CAD), based upon market values as of January 1st. City Council approves exemptions such as homestead, 65 and over, disabled as well as Freeport exemptions and then sets a tax rate according to the state law. The current tax rate for the City of Houston is 63.875 cents per $100 of taxable value.

CAD notifies taxpayers of appraised values by May 15th of each year or as soon thereafter as practicable. Taxpayers may protest appraised values or the exemption status of their properties. Hearings of protests are conducted by Appraisal Review Board of CAD. Chief Appraiser of CAD certifies appraisal roll to the Tax Assessor of the City, Harris County Tax Office act as Tax Assessor on behalf of the City.

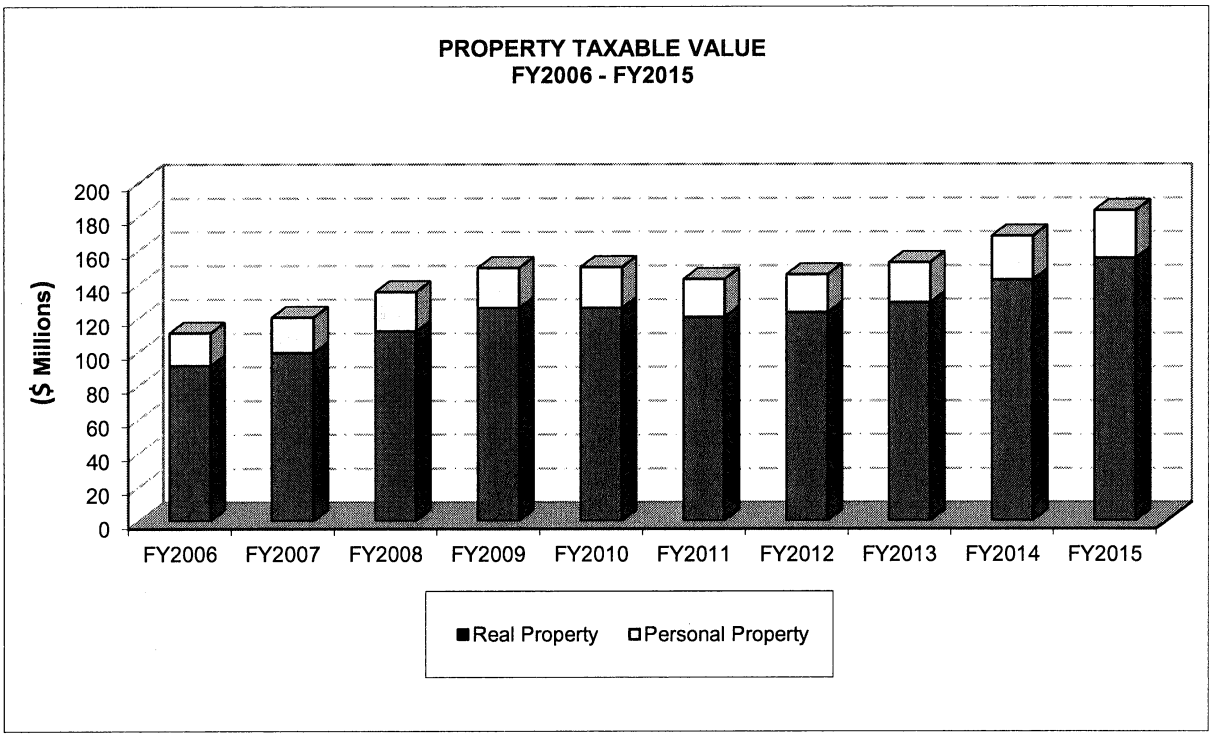
Based upon the adopted tax rate set by Council and taxable value as assessed by CAD, tax bills are generated and sent to taxpayers by Harris County Tax Office around mid-November. Payment is due by January 31st of the following year. Taxes not paid by the due date are delinquent and subject to penalties and interest charges. Taxpayers who wish to appeal values set by CAD may do so if taxes on the uncontested value are paid timely.

Occasionally, taxes are overpaid as a result of errors in appraisal or an overpayment by a taxpayer. Harris County Tax Office refunds such payments based upon the Texas Property Tax Code and documentation supplied by the taxpayers. Fluctuations in collections reflect changes in assessed property values, collection efforts, and tax rate.

The FY2015 property tax value estimate is derived from CAD certified projections provided to the City in April 2014. The taxable value used was $183.5 billion, which is a net of the senior/disabled exemptions. The estimated taxable value is then reduced by the estimated incremental value of properties within the Tax Increment Reinvestment Zones (TIRZ). The net of TIRZ taxable value is estimated at $167.1 billion.

The Finance Department applied an assumed 63.875 cent per $100 taxable value to this tax base, along with a 97.8% collection ratio and assumptions for prior year taxes collection of $24.6 million, to arrive at a net revenue estimate of $1.07 billion. This revenue is approximately 8.9% higher than the estimated FY2014 revenue of $981.9 million.

Below is a graph showing the ten-year history of property taxable values in Houston, with the $183.5 billion estimate shown for FY2015.



CITY OF HOUSTON APPRAISED VALUE
($ Millions)

Fiscal Year	Tax Year	Real Property	Personal Property	Total Value
2004	2003	83,776	19,399	103,175
2005	2004	86,433	19,467	105,900
2006	2005	91,827	19,293	111,120
2007	2006	99,483	20,858	120,341
2008	2007	112,241	23,214	135,455
2009	2008	125,982	23,645	149,627
2010	2009	125,999	24,094	150,093
2011	2010	120,546	22,360	142,906
2012	2011	123,292	22,381	145,579
2013	2012	129,096	23,692	152,788
2014	2013	142,599	25,810	168,409
2015	2014	155,371	28,186	183,556*

*County Appraisal District Certified Estimates, as of April 2014.

In November 2004, Proposition No. 1 was passed, amending the City Charter, to limit the annual increase in total ad valorem tax revenues. The increase is capped at the lower of the increase in Consumer Price Indexes (CPI) plus the growth in population, or 4.5% over the prior fiscal year. In addition, in November 2006, Proposition H was passed to further increase the applicable revenue limitations by $90 million.

The proposed budget includes the property tax estimate revenues of $1,069.5 billion, which is below the capped level of $1,069.6 billion, with the following assumptions.

Population		CPI (3)	
July 1, 2003 (1)	2,009,669	2003	163.7
July 1, 2004 (1)	2,012,626 + 0.1471%	2004	169.5 + 3.5431%
July 1, 2005 (1)	2,076,189 + 3.1582%	2005	175.6 + 3.5988%
July 1, 2006 (1)	2,144,491 + 3.2898%	2006	180.6 + 2.8474%
July 1, 2007 (1)	2,208,180 + 2.9699%	2007	183.8 + 1.7929%
July 1, 2008 (1)	2,244,615 + 1.6500%	2008	189.967 + 3.3339%
July 1, 2009 (1)	2,257,926 + 0.5930%	2009	190.495 + 0.2779%
July 1, 2010 (1)	2,099,451 + 0.0000%	2010	194.172 + 1.9302%
July 1, 2011 (1)	2,145,146 + 2.1765%	2011	200.495 + 3.2564%
July 1, 2012 (1)	2,160,821 + 0.7307%	2012	204.213 + 1.8544%
July 1, 2013 (2)	2,201,027 + 1.8607%	2013	207.574 + 1.6458%

	($ In Thousand)
FY2005 Actual	$671,294
Population Increase 2004	0.1471%
CPI Increase 2004	3.5431%
FY2006 CAP	$696,066
Population Increase 2005	3.1582%
CPI Increase 2005	3.5988%
FY2007 CAP	$743,100
Population Increase 2006	3.2898%
CPI Increase 2006	2.8474%
FY2008 CAP	$788,705
Population Increase 2007	2.9699%
CPI Increase 2007	1.7929%
FY2009 CAP	$826,269
Population Increase 2008	1.6500%
CPI Increase 2008	3.3339%
FY2010 CAP	$867,450

Population Increase 2009	0.5930%
CPI Increase 2009	0.2779%
FY2011 CAP	$875,005
Population Increase 2010	-7.0186%
CPI Increase 2010	1.9302%
FY2012 CAP	$875,005
Population Increase 2011	2.1765%
CPI Increase 2011	3.2564%
FY2013 CAP	$922,543
Population Increase 2012	0.7307%
CPI Increase 2012	1.8544%
FY2014 CAP	$946,392
Population increase 2013	1.8607%
CPI Increase 2013	1.6458%
	$979,577
Proposition H	$90,000
FY2015 CAP	$1,069,577

FY2014 Estimate (5)	$989,120
FY2015 CAP (Based on 4.5% Increase from FY2014 Estimate)	$1,080,579
Final FY2015 CAP (the Lower FY2015 CAP)(4)	$1,069,577

(1) Population numbers based upon the US Census Bureau estimate most recently published when deciding limits of each respective year's property tax revenue budget increase.
(2) July 1, 2013 population is the City's estimate. The US Census Bureau figures will be available in late June 2014.
(3) CPI increase based on the change in the CPI-U for Houston-Galveston-Brazoria, Texas as published by the Bureau of Labor Statistics, for the preceding calendar year.
(4) In accordance to Proposition H, to increase the applicable revenue limitation by $90 million. The remaining applicable revenue to be added for FY2015 is $90 million.
(5) Estimate reflects gross of Chapter 380 payments.

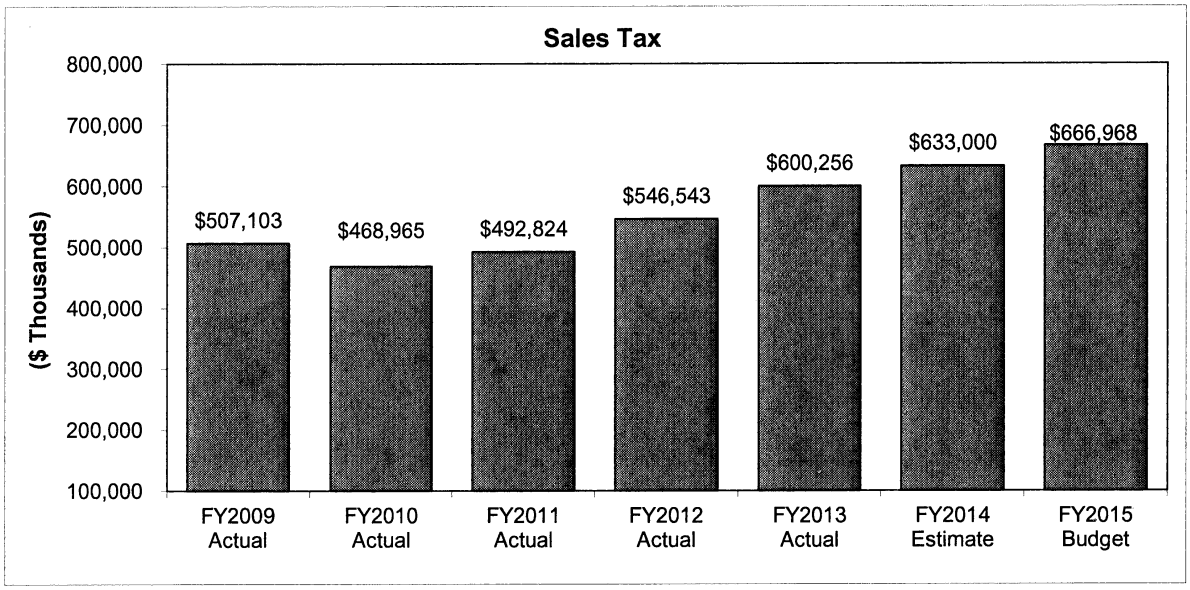
Sales Tax

General sales and use taxes are imposed upon the sale or consumption of certain goods and services at the point of sale. In the City of Houston, a $0.0825 sales and use tax is applied for every dollar of sales. The Metropolitan Transit Authority (METRO) receives $0.01, and the State of Texas receives $0.0625. The State Comptroller remits a $0.01 share to the City, after withholding a 2% service charge.

The sales tax projections are based on the "Houston Economic Multi-Sector (HEMS) Model" which takes into account the sectors of the Houston economy and estimates of income, prices, population, and Primary Metropolitan Statistical Area (PMSA) retail sales.

The FY2015 budget amount of $667 million is approximately $34 million, or 5.4%, higher than FY2014 estimate amount of $633 million. This estimate is supported by continued growth in virtually all sectors of the Houston economy. Employment is the key driver of sales tax revenue, including consumer sales and business to business sales. Historically, the sales tax has responded in an immediate manner to changes in our employment growth and/or decline. The year over year growth rate has slowed from its torrid pace of 2010-2013, to a sustainable, more historical employment growth rate of 2-3%. The national economy is continuing to recover with housing prices returning to prior levels and employment now in its fifth year of steady growth. The energy exploration and drilling boom has slowed somewhat with the maturation of the Eagle Ford shale area; however, the demand for oil worldwide driven by international economies continues unabated. Houston's energy sector will continue to play the leadership role in the region and around the world, supporting local economic growth in FY2015.

The following graph provides a seven-year comparison of the City's Sales Tax revenue.



Industrial District Assessments

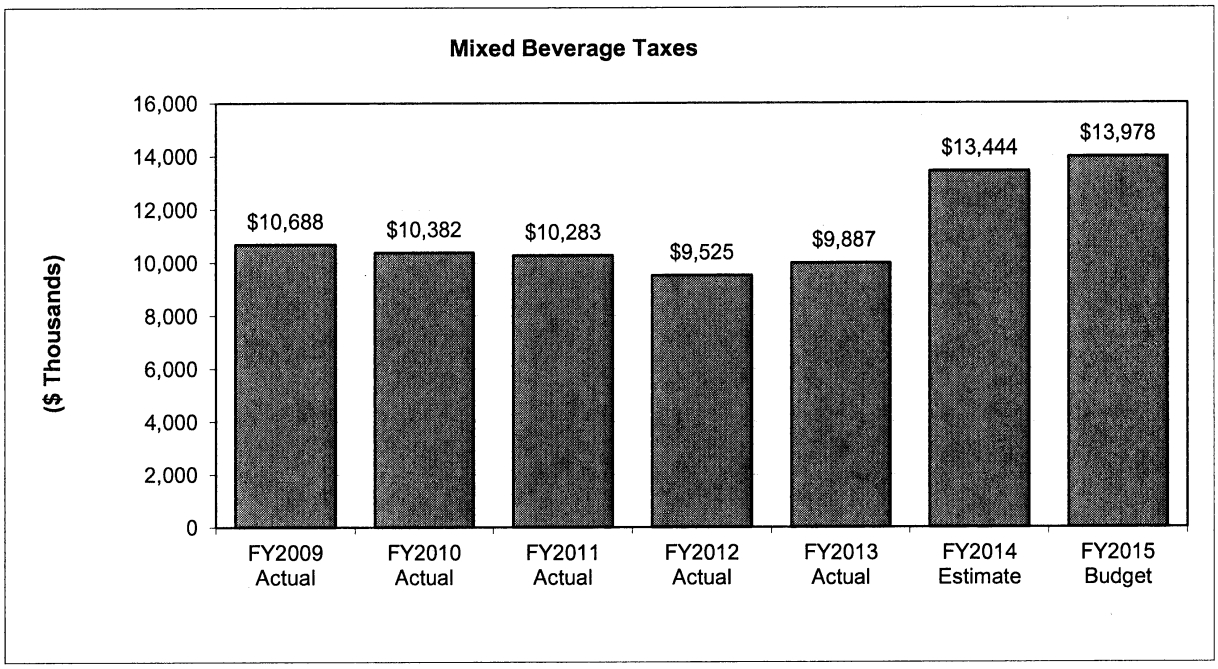
The City of Houston has Industrial District Contract Agreements having a term of fifteen years with more than 100 companies that are located within the Houston Extra-Territorial Jurisdiction (ETJ). A contractually reduced ad valorem assessed valuation fee is calculated and billed annually to each of those companies in lieu of the property being annexed and subject to City of Houston property taxes. Industrial District Assessments are based on current year property values provided by HCAD. The City expects to collect $15 million in FY2014 and FY2015.

Mixed Beverage Tax

Prior to January 1, 2014, all mixed beverage and private club permit holders were required to remit to the State Comptroller a 14% gross receipts tax on their mixed beverage sales each month. Effective January 1, 2014 the gross receipts tax was lowered to 6.7% and an 8.25% mixed beverage sales tax was added to the price of each mixed beverage sold. Following the end of each calendar quarter, the State Comptroller allocates a portion of the tax paid to the county where each business is located. Prior to the October 2011 allocation, the State Comptroller allocated 10.7143% of the mixed beverage gross receipts to the counties and cities. From October 2011 through July 2013 the allocation rate was reduced to 8.3065%. Beginning October 2013 the allocation has been increased to the previous 10.7143% rate.

For any business located within an incorporated city, another 10.7143% of the tax paid is allocated to the city where it is located. The remaining tax is distributed to the State's General Revenue Fund. Mixed Beverage Tax allocation amounts are dependent upon the timing and accuracy of taxpayer's returns and payments, but generally represent taxes remitted to the Comptroller's Office during the calendar quarter immediately preceding the month the allocation is distributed.

For the FY2015 projection, we are anticipating the revenue estimate of $14.0 million reflecting the trend in recent years. The following graph shows the seven-year comparison of the City's mixed beverage tax revenue.



Franchise Fees

Franchise fees are paid by companies, entities, or persons for the privilege of using public property for private purposes. Franchise agreements have been granted to numerous utilities and other enterprises, either directly by the City of Houston or by the State of Texas, including CenterPoint Energy, AT&T, several cable television firms, and others.

Changes in franchise revenue depend on many factors including economic fluctuations, rate charges, customer usage, franchise agreement changes and legislative actions.

Electric Franchise

Electric franchise fees are paid to the City for the right to conduct an electric light and power business and to use the City's rights-of-way for that business.

There are two companies in Houston that pay electric franchise fees: CenterPoint Energy Houston Electric ("CenterPoint") and Entergy. CenterPoint pays approximately 99% of the electric franchise fees paid to the City, which represents approximately $99 million per year.

Prior to electric deregulation, which became effective on January 1, 2002, electricity franchise payments were calculated as a percentage of the electric company's gross revenues from sales to customers located within the City limits. Under this payment formula, electric franchise fees to the City fluctuated, from $80 million to as much as $90 million per year.

From January 2002 through June 2005, franchise payments were no longer calculated based on a percentage of gross revenues, but instead were based on kilowatt hour consumption by customers within the City limits. During this period, electric franchise revenues dropped significantly, averaging $75 million each year.

In July 2005 the City and CenterPoint entered into a new franchise agreement for a term of 30 years. The new agreement establishes a base franchise fee to the City of approximately $96 million per fiscal year, payable monthly, which is adjusted annually based on kilowatt-hours delivered in the City.

The FY2014 electric franchise fee estimate is $99.0 million. The FY2015 electric franchise fee estimate of $99.2 million is approximately 0.1% higher than the FY2014 estimate. Kilowatt hour consumption for calendar year 2013 was up 0.25% from 2012.

The City of Houston exercises original jurisdiction over the rates, operations and services of these electric utilities for the Houston area.

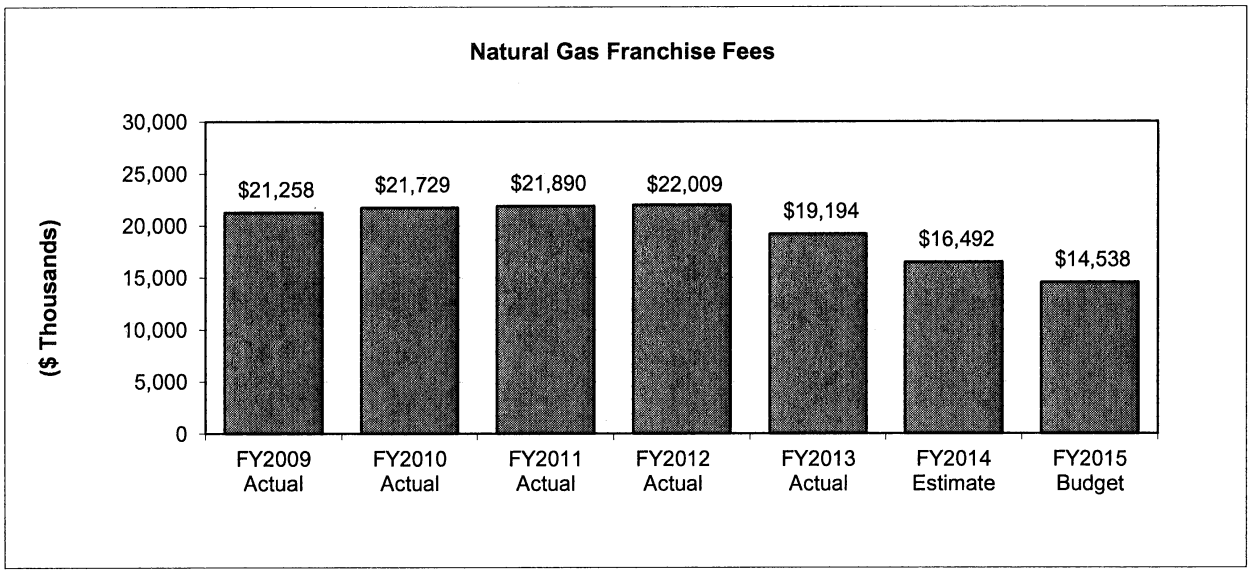
Natural Gas Franchise

Like electric franchise fees, natural gas franchise fees are paid by utilities that use the City's rights-of-way for the transportation, delivery, sale and distribution of natural gas to customers in the City.

There is one company in Houston that pays natural gas franchise fees to the City of Houston: CenterPoint Energy Resources Corporation ("CenterPoint" – formerly Entex). These fees are paid monthly and are based on 5% of gross receipts on a rolling 3-year average.

The estimate for FY2014 natural gas franchise fees from CenterPoint is approximately $16.5 million. The FY2015 natural gas franchise fee estimate is $14.5 million, a decrease of 11.9% from FY2014. The price of natural gas has continued to drop over the last several years, resulting in decreased gross revenues for CenterPoint, which in turn results in decreased franchise fees.

The graph below provides a seven-year comparison of the City's natural gas franchise fee revenue.



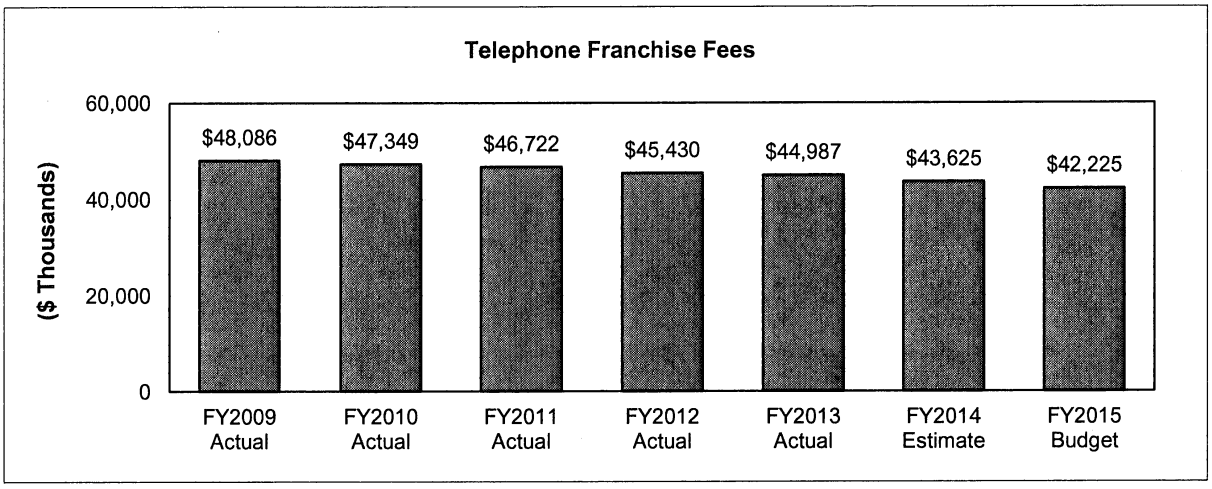
The City of Houston exercises original jurisdiction over the rates, operations and services of these natural gas utilities for the Houston area.

Telephone Franchise

Since deregulation of this industry in 2000, the telephone franchise fee paid to municipalities in Texas has been determined by applying an "access line rate," assigned by the Public Utilities Commission of Texas (PUCT) and adjusted annually for inflation, to the number of access lines in the municipality reported quarterly by each Certificated Telecommunications Provider ("CTP") doing business in that municipality. The access line rates that will be in effect during the fiscal year are as follows: residential - $1.79; non-residential - $6.04; and point-to-point - $17.12.

The FY2014 estimate for telephone franchise fee is $43.6 million, exclusive of audit recoveries. The FY2015 projection of $42.2 million is a 3.2% decrease from FY2014's estimate, and is reflective of the continued decrease in the number of access lines being reported by CTPs.

The following graph below provides a seven-year comparison of the City's telephone franchise fee revenue.



Cable TV Franchise Fees

The City of Houston currently has four active cable franchises with the following cable companies: TVMAX of Houston, SuddenLink Communications, Phonoscope, and Northland. The cable franchises expire after 2015. Pursuant to the terms of their franchise agreements, these companies pay franchise fees in the amount of 5% of their gross revenues from sales to Houston customers. In addition, there are two cable television/video service-providers operating in Houston under state-issued certificates of franchise authority: Comcast Cable and AT&T UVerse. Under the terms of the state franchise, these operators also pay the City of Houston 5% of their gross revenues from sales to Houston customers. The largest of either type of franchise is Comcast, which accounts for approximately 55.6% of the total cable franchise revenue projection for FY2015. The projection for FY2015 is $21.2 million, which is 1% higher than the FY2014 estimate of $21 million.

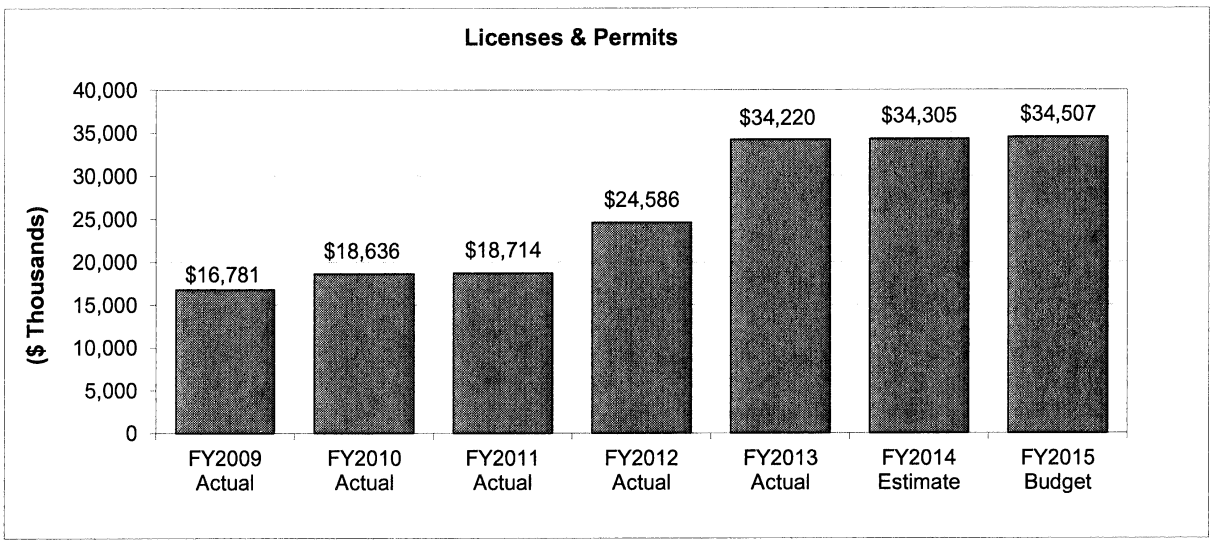
Solid Waste Hauler Franchise Fees

Solid waste haulers pay fees to compensate the City for the use of City streets. Approximately 100 active solid waste hauler franchises pay 4% of gross revenues from transporting commercial solid and industrial wastes that originate within the City limits. The FY2014 estimate for solid waste hauler franchise fees is $6.3 million, exclusive of audit recoveries. The FY2015 estimate of $6.4 million assumes that the waste hauling industry continues to recover from the effects of the recession, as well as improved compliance efforts.

Other Revenues

Licenses and Permits

The Licenses and Permits category includes such items as special fire, food dealer, burglar alarm, dumpster permits, and many other permits. The FY2015 revenue is estimated at $34.5 million, which is approximately $202,000 higher than FY2014 estimate of $34.3 million.



Ambulance Fees

City of Houston Code of Ordinance Chapter 4 permits the City to provide Emergency Medical Services including ambulance transport to the public and permits the City to partially recover the cost of providing those services. The base and variable fee structure is addressed under Section 4.13.

The City contracts with a third-party vendor for the billing and collection of Emergency Medical Services. The present contract is with Digitech Computers, Inc. The City is currently in the first year of a four-year contract with Digitech. At the end of the four-year term (August 2017), the City can opt to renew the contract for up to four successive one-year terms.

The revenue projection for Emergency Medical Services provided by the City of Houston for FY2015 is $37.7 million, an increase of $5.4 million or 16.6% higher than the FY2014 estimate of $32.3 million. This is mainly due to the adjustment in FY2015 to reflect gross revenue collection.

Platting Fees

City of Houston Code of Ordinance Chapter 42 permits the City to collect processing fees that shall be paid by an applicant for a subdivision plat, development plat, general plan and street dedication play. The FY2015 revenues are estimated at $5.26 million, approximately $83,707, or 1.5% lower than the FY2014 estimates of $5.34 million.

Other Charges for Services

Other charges for services include miscellaneous copy fees, public safety report fees, vending machine concessions, vehicle storage, hazardous material response, and others. For FY2015, revenues of $10.1 million are projected, an increase of $123,000 or 1.2% higher than the FY2014 estimate of $9.99 million.

Interfund Direct Charges

The General Fund charges the Houston Airport System for airport police service, which is the responsibility of Houston Police Department (HPD). The FY2015 projection of $24.7 million is $1.5 million or approximately 6.3% higher than the FY2014 estimates of $23.2 million.

The Aviation Enterprise Fund also pays for fire protection provided by the Fire Department to the Houston Airport System. The FY2015 projection of $18.1 million reflects an increase of $806,630 over the FY2014 estimate of $17.3 million.

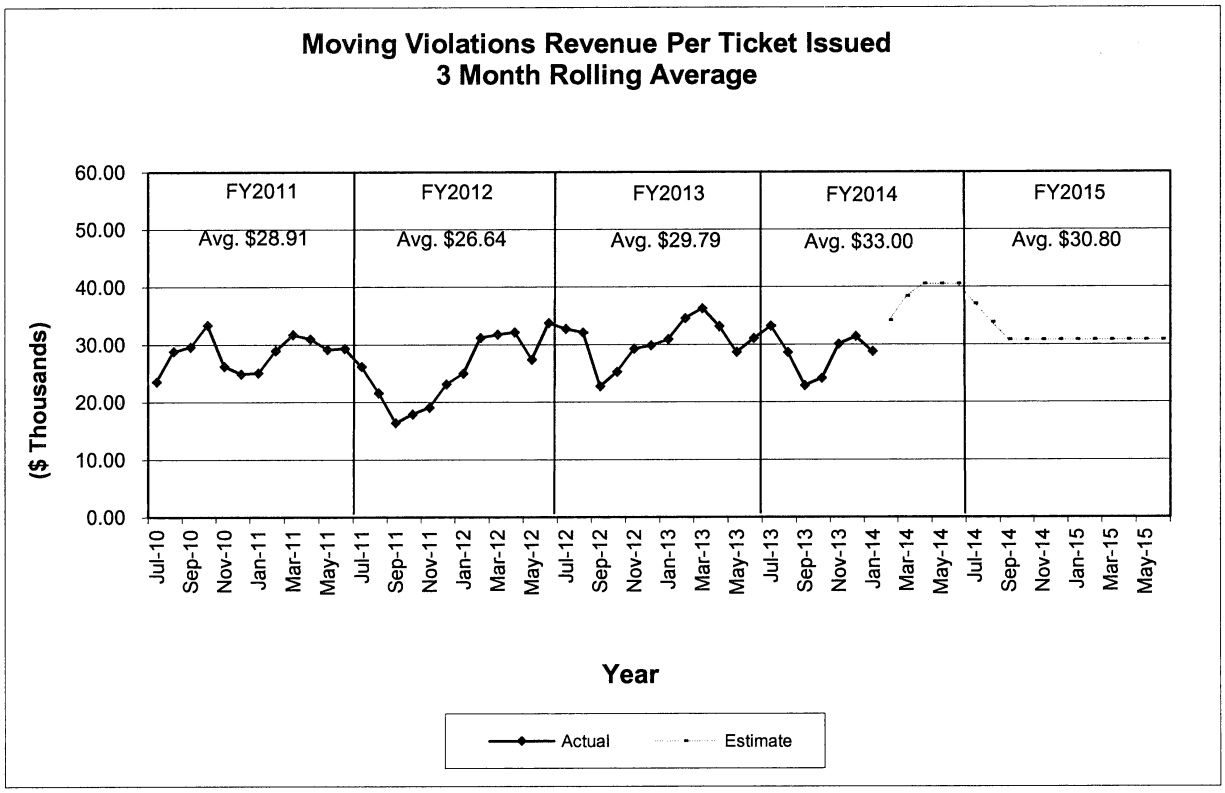
Payments received for other direct services performed by the General Fund are recovered throughout the year. The FY2015 projection of $5.68 million is approximately $58,000 higher than the FY2014 estimate of $5.63 million.

Indirect Cost Recovery

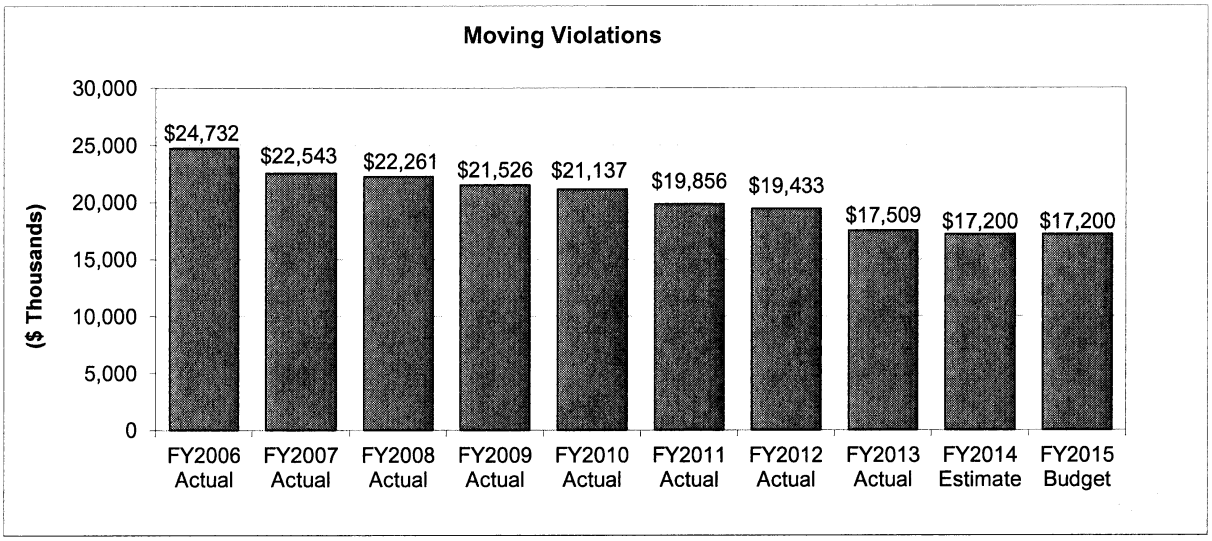
The General Fund provides citywide central support services and recovers the cost of these services through allocation of indirect costs. These amounts are determined through the preparation of an annual cost allocation plan, which distributes administrative overhead costs to General Fund operating departments and to other funds. For FY2015, the proposed plan calls for cost recoveries totaling $23.7 million, an increase of $4.5 million in indirect interfund revenue from the FY2014 estimate of $19.2 million.

Moving Violations

In FY2015, we expect 558,458 tickets to be issued and 164,437 tickets paid at an average of $104.60 per ticket. Moving violations revenue in FY2015 is projected at $17.2 million.



The graph below provides a ten-year comparison of the City's Moving Violations revenue.



Other Municipal Courts Fines and Forfeitures

The Municipal Court Fines and Forfeitures are currently projected at $14.1 million.

Miscellaneous/Other

The FY2015 revenue is estimated at $8.2 million, which is approximately, $3.6 million lower than FY2014 estimate of $11.8 million.

All Other Revenues

Estimated revenues in remaining categories have been calculated using simple trend analysis, as well as operational and collections information from the collecting department. These revenues are estimated at $9 million in FY2015.

A detailed listing of General Fund revenues by category are presented on the following pages showing the FY2013 Actual, FY2014 Current Budget and Estimate, and the FY2015 Budget amounts.