



CITY OF HOUSTON

Office of the Mayor

Annise D. Parker

Mayor

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To: Citizens, Honorable Members of City Council and the Honorable City Controller

I am pleased to submit the proposed budget for the fiscal year which begins July 1, 2011 and ends June 30, 2012 (FY2012). Our budget does not include a property tax increase and keeps public safety as our number one priority. For the second year in a row, it also does not include the use of Pension Obligation Bonds or the issuance of any other long-term debt to meet current expenses. It incorporates the Houston First consolidation of Convention and Entertainment Facilities operations with the Convention Center Hotel Corporation. And, it includes savings realized from the new employee health benefits contract as well as the departmental and operational consolidations of fleet, fuel, human resources, payroll and information technology. In short, it continues our progress toward a more efficient, effective and fiscally-responsible City.

This proposal is by no means a finished product. It is a starting point for discussions with the public and City Council.

Developing this budget has not been without difficulty, challenges and tough decisions. The long-term forecast is for better economic times ahead, but we are not there yet. As a result, we have had to say farewell to many of our dedicated city employees. The layoffs will mean some changes in City services. Most residents will not be impacted, but users of some services may have to utilize alternative locations than what they are used to.

Departmental General Fund budgets are 4% to 27% lower than their FY2011 spending levels, with the smaller reductions going to our most essential life and safety services - police, fire, municipal courts and solid waste. Overall, the FY2012 budget proposal is \$100 million less than our current appropriation. This is in addition to more than \$200 million that has been cut over the last two years to eliminate an imbalance between revenues and expenditures. The FY2012 proposal is the lowest budget in three years.

Our fund balance remains above the required reserve amount of 5%. We have set a goal of increasing that balance back to the 7.5% level maintained during better economic times with the receipt of any unbudgeted revenue during the year.

Property Tax Revenues

This budget maintains the existing property tax rate of 63.875 cents per \$100 of taxable value. Property tax revenue is expected to be slightly lower than FY2011 levels.

Sales Tax Revenues

We are projecting sales tax collections to be \$518.9 million. (5.7% percent over FY2011). This economic indicator has shown consistent improvement in recent months, a sign that we are exiting the downturn of the last two years.

Public Safety

Public safety remains our priority. One third of General Fund expenditures go to pay for police operations and another 23% goes to the fire department. Thanks to the cooperation of the Houston Police Officers' Union (HPOU) and the Houston Police Officers' Pension System (HPOPS) we are able to avoid layoffs of any police officers or jailers. HPOU and HPOPS understand the gravity of what the City is facing and have been willing to work with us on a plan that preserves valuable classified police officer positions. Similarly, The Houston Professional Fire Fighters Association has reached a tentative agreement with the city that will eliminate the need for laying off any firefighters. The agreement is contingent on City Council approval of several new fees as well as ratification by the union's rank and file and City Council. The proposed budget document includes the previously planned layoffs. The budget adopted in June by City Council will have to be amended to reflect the elimination of these layoffs.

The fire department is laying off 16 civilian employees. Civilian layoffs at the police department total 153.

Overall, combined police and fire expenditures will decrease approximately \$56 million.

Other budget changes

Despite having to layoff 38 employees, all Houston Public Library neighborhood libraries, except those under renovation, will remain open and adequately staffed. Saturday hours are being restored at 24 out of 41 libraries. There will be small changes in hours of operation at all libraries. However, after school locations will remain open until 6 p.m. Monday-Thursday and until 5 p.m. on Friday.

More than 100 Houston Parks and Recreation Department employees are being laid off. This will cause the closure of eight swimming pools and seven community centers. These facilities have the lowest usage, are in need of repairs or are within at least two miles of another City pool or community center. All City-funded youth sports leagues are being eliminated. Youth baseball will continue due to funding provided by the Houston Astros. The department will work with the privately-funded youth sports leagues for continued use of City playing fields. Other reductions are being made in the areas of grounds maintenance.

All Houston Department of Health and Human Services (HDHHS) multi-service centers will remain open. However, a total of 85 HDHHS services employees are being laid off. To offset these losses, the department will consolidate the majority of its clinical public health services into four health centers managed by HDHHS. The centers are La Nueva Casa de Amigos Health Center, Northside Health Center, Sharpstown Health Services and Sunnyside Health Center, all of which service areas of the city with high need, high morbidity for communicable disease and high risk for poor health outcomes.

Management and Operations of Lyons Health Center, Magnolia Health Center and Riverside Health Center will be transferred to another agency, possibly the existing Federally Qualified Health Centers that currently provide primary health care services at these facilities. HDHHS plans to provide TB and STD services at Lyons Health Center and dental services at Magnolia Health Center, depending on negotiations with the new managing agency for each site.

We are in the middle of the toughest times Houston has experienced since the oil bust of the mid-1980s. Indeed, we are challenged, but our future is brighter. The signs of economic improvement we are seeing today provide assurance that the better times we yearn for are just ahead. We will emerge from this downturn stronger and more financially secure. In the meantime, we will continue fighting crime, improving neighborhoods, growing our economy, creating jobs, planning for the future and saving money; we will continue reforming, streamlining, modernizing and transforming the way we do business.

Sincerely,

A handwritten signature in black ink that reads "Annise D. Parker".

Annise D. Parker
Mayor