



CITY OF HOUSTON

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, 2012, and ends June 30, 2013 (FY2013). Once again, our budget does not include a property tax increase and it maintains focus on my administration's five priorities: jobs and sustainable development, public safety, infrastructure, quality of life and fiscal responsibility.

In stark contrast to the previous two years, there are no service cuts or layoffs in city departments. Also, for the third year in a row, the budget does not include the use of Pension Obligation Bonds or the issuance of any other long-term debt to meet current expenses. There will be some cost increases for pensions, health benefits, fuel, electricity and information technology but in general, it is a flat budget with funding levels for most departments about the same as last year - a positive starting point for discussions with the public and City Council.

The budget maintains the existing property tax rate of 63.875 cents per \$100 of taxable value. Property tax revenue is expected to increase 4.3% in FY2013 as the housing market continues to improve. Sales tax revenues are predicted to increase 5.9% with the strong growth in employment in Houston.

The recovery in property and sales taxes has allowed us to meet the goal I set last year of increasing General Fund Reserves above the preferred 7.5 percent level (fund balance divided by operating expenditures before debt service). We will use reserves above that amount to offset the cost increases mentioned above and we will be able to put another \$5 million back into the Rainy Day Fund. With the \$5 million contribution we were able to make in FY2012, the total in the Rainy Day Fund will rise to \$10 million.

Due to prudent fiscal management of the City during the past two budget cycles, we have sufficient funding to continue delivering on my administration's five priorities below.

Jobs and Sustainable Development

We will continue to support economic growth and job creation through business friendly policies and practices like Hire Houston First, which now includes 250 registered Houston firms. Since my administration took office, the City of Houston has directly incentivized more than \$1 billion of economic development and created or saved more than 13,000 jobs.

Overall, the city has gained more than 100,000 jobs, as compared to the previous year. Our job growth is the envy of the rest of the nation. Due to several projects currently in the discussion phase, I anticipate more job growth tied to direct city involvement in FY2013.

Public Safety

Over two-thirds of the General Fund budget is devoted to public safety. The budget includes \$5 million in contingent funding for the proposed independent Houston Forensics Science Center. City Council will be asked in June to appoint board members and formally create the Local Government Corporation (LGC) that will oversee administration and operation of this new consolidated facility. The steps and the funding we are providing are in keeping with my promise to have an independent crime lab in operation by the end of my second term in office.

There is also \$2 million in funding for the new Sobering Center. This will free up jail space for more serious offenders and streamline and reduce processing time. Police officers will be able to return to patrol faster to help increase public safety in our neighborhoods. Eventually, we anticipate it will also generate cost savings in the jail operation.

Infrastructure

We are entering the second year of Rebuild Houston. This new program is transforming the way we do long-term planning for infrastructure improvements, allowing for planning ten years down the road instead of just five. For the first time we have a comprehensive analysis of the condition of every mile of city streets, a watershed level drainage assessment and a plan to address them in a systematic, worst-comes-first, pay-as-you-go manner. Almost 30 new projects for street and drainage improvements valued at approximately \$250 million are planned for this year.

Quality of Life

Unlike FY2012, this budget will not include cuts in swimming pool and library hours or health clinic services. We will be adding more homes to the curbside, single stream recycling program – one of the few program expansions planned for next year. In addition, Saturday library hours will continue and, in our parks, we will continue to replant trees lost to the drought of 2011. Overall, our attention will be focused on strengthening neighborhoods, cultivating corporate partnerships for cultural activities and civic celebrations and maintaining the amenities that make Houston a destination for visitors, a magnet for new residents and the best city in America in which to live, work and raise a family.

Fiscal Responsibility

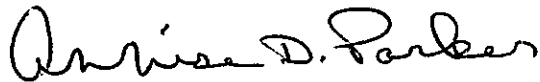
As part of my commitment to financial transparency, the mayor's office budget now more accurately reflects the employees who work directly for me, ending the practice of previous administrations of placing the salaries of mayor's office employees in the budgets of other departments.

This budget also furthers transparency for the Mobility Response Team and burglar alarm and false alarm activities by showing these revenues and expenditures in the General Fund rather than the Police Special Services Fund.

Although our work here is not done, we are emerging from the recession financially stronger. We achieved this not by raising taxes, but with firm fiscal stewardship. We have achieved greater efficiency by consolidating human resource management, information technology and fleet operations that were distributed citywide into the HR, IT and Fleet departments.

I am excited about the progress on these five priorities, and I am excited about the continued progress we will make in FY2013. We know there are still challenges ahead. We must make our pensions more secure and stable for our employees and affordable for our taxpayers, and we will continue our practice of lowering costs through contract renegotiations and streamlining our work processes. I am confident that we will continue to meet our challenges head-on, making the right decisions even when they are tough, and I am confident that we will continue working together to make Houston one of the greatest cities in the world.

Sincerely,

A handwritten signature in black ink that reads "Annise D. Parker". The signature is written in a cursive, flowing style.

Annise D. Parker
Mayor.