CITY OF HOUSTON

Annise D. Parker
Mayor

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May 15, 2014

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, 2014, and ends June 30, 2015 (FY2015).

With tough choices and sensible, steady fiscal management, Houston emerged from the recession and is now the envy of the rest of the nation. The economy is booming and City government has prudently utilized the increased revenues that are a by-product of this economic growth to invest in Houston's future. We have restored services cut during the downturn, implemented a debt-free plan for rebuilding our streets and drainage and shored up finances at the City water and sewer system. Unfortunately, our ability to continue this approach is now threatened by revenue limitations approved by Houston voters in 2004. There is no impact expected for the FY2015 budget, but revenue growth is anticipated to exceed the cap in FY2016. With this in mind, we must begin to identify cost containment options and develop a plan that will allow the city to manage the revenue limitations while continuing to meet the City's growing needs. The only other alternative is a Charter amendment to address City funding needs. My administration will talk more about these options in the weeks to come.

FY2015 Budget Highlights

As has been the case for every previous year of my administration, this budget maintains the existing property tax rate of 63.875 cents per $100 of taxable value. Property tax revenue is expected to increase nearly 9% in FY2015. Sales tax revenues are predicted to rise by 5.3% as the city continues to enjoy one of the hottest economies in the nation.

We will maintain the $20 million Rainy Day Fund and an ending fund balance above the preferred 7.5% level (fund balance divided by operating expenditures before debt service).

The total budget expenditure, including the General, Special and Enterprise Funds, amounts to $4.8 billion, which is 6.2% higher than the FY2014 estimates. Contributing to the increase is a 22% rise in our required contribution to employee pensions.

Council Members: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Richard Nguyen Oliver Pennington Edward Gonzalez Robert Gallegos Mike Laster Larry V. Green Stephen C. Costello David W. Robinson Michael Kubosh C.O. "Brad" Bradford Jack Christie
Controller: Ronald C. Green

Pension payments in the taxpayer-supported General Fund will increase by $45 million, which is 21 percent more than FY2014 estimates. The largest portion of this General Fund pension contribution increase is attributable to a $28 million rise in the required payments for fire fighters.

I am drafting a plan that will begin reforming fire fighter pensions. This will not have any impact on our immediate budget situation, but it will have a long-term impact and provide a mechanism for achieving parity with our other pension systems for police officers and civilian employees. More details will be forthcoming in the weeks ahead.

The budget also includes funding for the contractually obligated three percent pay increases for classified police officers and civilian employees covered by the HOPE union. Fire fighters were awarded two percent raises in March as part of an interim contract that expires June 30, 2014. Negotiations are underway on a new three-year contract agreement with fire fighters that could provide for another pay increase for which funding would have to be found in the FY2015 budget.

Jobs and Sustainable Development

A goal for FY2015 is to speed up the approval process at the Houston Permitting Center, a task we've already begun. The faster we get businesses through the permitting process, the faster they are able to get their projects off the ground and put people to work. FY2015 will also include work on the new General Plan for Houston and continue strategic use of economic development agreements that help create jobs.

Our Hire Houston First program will continue to serve as a catalyst for promoting economic opportunity for local businesses and supporting local job creation. In just a little over two years, 1,400 companies have been designated, with more than 400 of those companies having won contracts, which accounts for more than half of the $2.1 billion contracts awarded. And, as of January, contracts had been awarded to a total of 50 companies that had never received contracts before their Hire Houston First designation. These companies collectively employ nearly 20,000 employees right here in Houston.

Public Safety

Public safety continues to comprise the largest portion of the City's annual expenditures, accounting for about two thirds of the total General Fund budget. This budget includes funding to expand HPD's pilot police body camera project, hire more animal control staff at BARC and conduct a work demands analysis at the Houston Fire Department – a study that is integral to determining how best to allocate firefighting staff and apparatus to meet shifting service demands. Although FY2015 will be the first full fiscal year that the Houston Forensic Science Center has been totally independent of the Houston Police Department, the city is still responsible for providing operational funds. On an exciting note, the multi-year DNA backlog has been eliminated.

Infrastructure

In addition to continued progress for Rebuild Houston, this budget will include an additional $10 million for pothole repairs and street overlays. Like all Houstonians, I am well aware that our roads need attention. We are reprogramming as many dollars into repair as possible. However, like the pension challenges, our infrastructure problems were years in the making. There are simply no quick or cheap fixes for deferred maintenance.

Also, the newly established Maintenance Renewal and Replacement Fund (MRR) will be increased $5 million to continue a preventative maintenance approach for parks and other City facilities.

Quality of Life

We will complete expansion of single-stream recycling to all Houston households receiving solid waste services, begin work on the announced cultural and bike plans, and continue the Bayou Greenways Initiative and the effort to end chronic homelessness. To ensure we are able to meet the increased demand for civic celebrations, we are creating the Houston Civic Events Special Fund, which will be dedicated solely to community events.

Fiscal Responsibility

As I noted at the beginning of this letter, we have some fiscal challenges ahead. We must continue taking steps to alleviate our pension burden, reduce citywide spending and stabilize revenues.

Since taking this office, I have never shied away from the tough decisions and I am not about to do so now. The difficulties that lie ahead will challenge us to be creative and to put in place policies and practices that will allow the city to address, in a fiscally responsible manner, the growing need for services that are the result of being the best City in which to live, work and raise a family. I welcome the help of all Houstonians as we tackle this.

Sincerely,

Annise D. Parker
Mayor