



CITY OF HOUSTON, TEXAS

OFFICE OF THE CITY CONTROLLER

A REPORT TO OUR CITIZENS



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City Controller

FISCAL 2016 – JULY 1, 2015 – JUNE 30, 2016

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OUR VISION

The Office of the City Controller is responsible for ensuring that the assets of the City are properly accounted for and expended in a manner consistent with applicable laws, policies, plans and procedures. We will continue to make it our priority to serve the citizens of Houston, Texas, with transparency and integrity.

The City of Houston

Brothers John Kirby Allen and Augustus Chapman Allen founded the City of Houston on August 30, 1836, near the banks of Buffalo Bayou and incorporated the city on June 5, 1837. Today, Houston is the fourth largest city in the United States and home to more than 2.2 million residents. The City covers a total area of more than 650 square miles of the gulf coast plains. Houston is home to the Texas Medical Center, the Port of Houston, the second largest concentration of Fortune 500 companies in the country, 11 major institutions of higher education, two international airports, 373 developed parks, and more than 220 greenspaces. The City also has a vibrant cultural arts community which includes resident professional companies in ballet, opera, symphony and theater.

City Government

Houston residents elect a Mayor and City Council who meet each week to enact policy. The Mayor is the Executive Officer and responsible for presenting an annual budget for approval, general management, and strategic direction of City of Houston operations. City Council is comprised of 11 district council members and five at-large council members.

The City Controller, also elected, serves as the City’s Chief Financial Officer. The Controller manages a \$13 billion debt portfolio, a \$3.5 billion investment portfolio, and oversees Houston’s \$5 billion annual budget.

General government services provided include police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, solid waste collection, sanitary code enforcement, health and human services, building and maintenance, parks and recreation, library, and cultural activities. Business-focused enterprise services are provided by the airport system through George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport, which are owned and operated by the City; the combined utility system responsible for water production and distribution and wastewater treatment; and convention and entertainment facilities.

Houston’s Fiscal Year (FY) 2016 operating budget was \$5.12 billion and has a projected FY 2017 budget of \$5.07 billion. The City manages revenue and expenditures through General, Special Revenue, and Enterprise funds. General Fund revenues primarily come from property taxes, sales taxes, franchise fees, licenses and permits, fines, charges for services and grant funding. Enterprise fund operating revenue primarily comes from the water utility and aviation. Special Revenue funds are derived from sources such as building inspections, parking management and Houston’s animal shelter and adoption facility, BARC.

SELECTED DEMOGRAPHICS

	2013	2014	2015
Resident population	2,216,460	2,256,192	2,296,224
Median household income	\$45,010	\$45,728	\$46,187
Median price of single family home	\$180,000	\$199,000	\$212,000
Unemployment rate	5.8%	4.8%	4.3%
City of Houston FTEs	18,007	18,078	18,062



KEY FISCAL YEAR 2016 RESULTS



Selected Performance Measures	FY 2014	FY 2015	FY 2016
Public Safety			
911 Emergency Calls Answered within 10 seconds	98.87%	97.31%	97.26%
EMS Response Time (minutes)	6.2	7.3	7.2
Fire Response Time (minutes)	7.2	7.3	7.4
Police Priority 1 Call Response Time (minutes)	5.0	5.2	5.2
311 Call Wait Time (seconds)	72.3	72.8	92.7
Aviation			
Passenger Traffic - IAH (millions)	39,799	41,239	43,023
Passenger Traffic - HOU (millions)	11,109	11,945	12,163
Quality of Life			
Dangerous Buildings Demolished	138	134	127
Drinking Water Distributed (billions of gallons)	166	157	163
Recreation & Wellness Program Participation	1,926,374	2,350,976	2,363,083
Net Trees Planted (Planted less removed)	14,258	105,556	8,144
BARC Spay and Neuter Procedures Completed	8,858	13,869	17,241
Number of Animal Adoptions	5,670	6,655	7,571
Greenspace De-Littering (thousand cubic yards)	48.3	55.9	55.9
Solid Waste Collected (tons)	838,329	778,007	819,943
Waste Water Collected and Treated (billions of gallons)	82.3	93.8	94.4
Vision Testing and Glasses (2nd graders)	9,903	8,990	10,585
Dental Varnishing and Sealants (2nd graders)	7,317	8,641	9,623
Home Delivered and Congregate Meals	1,261,131	1,384,861	1,446,975
Consumer food Inspections (schools, restaurants, grocery)	33,601	33,993	33,979
General Government and Administration			
Vendor Payments Processed	72,803	71,769	60,090
Audit Division Reports Completed	7	8	10
Commercial Paper Program (in millions)	\$1,750	\$875	\$875
Re-Financing activity savings (in millions)	\$322	\$26	\$264

Want more Performance Measures? We want to hear from you.

Submit your suggestions to the Controller's Office:

controllers@houstontx.gov

The Controller's web site has hundreds of pages of useful and interesting information, as well as financial archives. On the home page, take a moment and watch Controller Brown's welcome.

www.houstontx.gov/controller

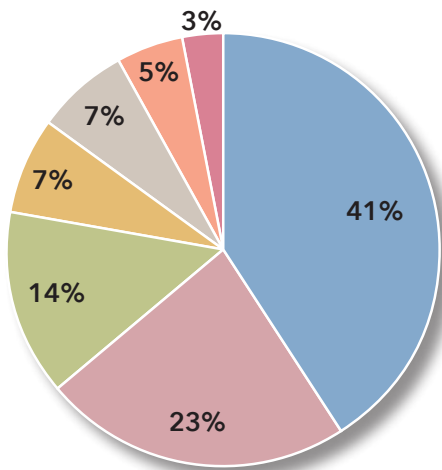
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FISCAL YEAR 2016 FINANCIAL DATA

REVENUES AND EXPENSES

PRIMARY SOURCES OF REVENUE

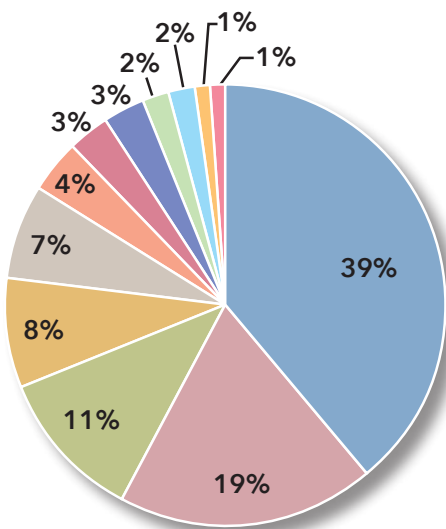


- Charges for Services
- Property Tax
- Sales Tax
- Operation grants and contributions
- Other Taxes
- Other
- Capital Grant Contributions

Revenues by Source* (amounts expressed in thousands)	2015 Revenue	2016 Revenue
Charges for Services	1,901,410	2,125,909
Property Tax	1,074,070	1,099,411
Sales Tax	667,061	640,476
Operating Grants and Contributions	316,131	337,034
Other Tax	313,685	315,725
Other	245,140	162,249
Capital Grants and Contributions	113,948	86,766
Total Revenues	4,722,248	4,767,570

**Total includes Business-Type Activities*

FUNCTIONAL EXPENSES



- Public Safety
- Combined Utility Systems
- Airport Systems
- General Government
- Public Works
- Interest on Long-term Debt
- Health
- Unallocated Depreciation
- Convention & Entertainment Facilities
- Parks and Recreation
- Housing and Community Development
- Library

Expenses by Source* (amounts expressed in thousands)	2015 Expenses	2016 Expenses
Public Safety	1,858,766	1,993,340
Combined Utility Systems	924,793	942,176
Airport Systems	556,844	581,022
General Government	359,640	425,707
Public Works	336,311	343,657
Interest on Long-term Debt	158,212	191,025
Health	150,931	158,896
Unallocated Depreciation	138,016	143,028
Convention & Entertainment Facilities	123,371	117,906
Parks and Recreation	112,844	98,994
Houston and Community Development	65,275	61,707
Library	49,374	48,691
Total Expenses	\$ 4,834,377	5,106,149

**Total includes Governmental and Enterprise Funds*

**The entire City of Houston 2016 Comprehensive Annual Financial Report can be viewed online at:
www.houstontx.gov/controller/cafr/html**

CHALLENGES AND ECONOMIC OUTLOOK

THE ROAD TO PENSION REFORM

The City has three defined benefit pension plans, the Houston Municipal Employees Pension System (HMEPS), the Houston Firefighters' Relief and Retirement Fund (HFRRF), and the Houston Police Officers' Pension System (HPOPS). Changes to pension benefit structure implemented in 2001 combined with underfunding of the pension liability created an combined unfunded liability of approximately \$4 billion despite subsequent decreases to benefits in HMEPS and HPOPS as of January 2005. In October 2016, the governing boards of the pension organizations worked with City officials to construct proposed changes to their respective pension structures with the intent to provide stability and sustainability for the City and for employees. The proposed agreement includes strict management and investment principles and sets a 30-year payoff date. Houston City Council approved the proposed plan, which cleared the way for it to move to the State of Texas Legislature for review and approval. The State of Texas 85th legislative session convened January 2017.

ECONOMIC OUTLOOK

As of January 2017, the energy industry in Houston appears to be stabilizing. Though the metro area's economy has greatly diversified over the past three decades, the downturn in oil prices in the past two years has had a very real impact on employment and, consequently, income and purchasing. The loss of 70,000 jobs in the energy industry has been offset by employment gains in hospitality, government, schools, wholesale and retail, and health care, for a net gain of about 5,000 jobs in 2016—compared to 98,000 new jobs in 2014. The real estate market has remained steady with the sales of single family homes (SFH) up 1.5 percent over 2015; both median price and average prices of SFHs are at record levels. Houston is a global leader in petrochemical production, and nearly \$50 billion in petrochemical construction is currently taking place in east Houston. The City of Houston has felt the effects of the downturn in energy with a decline in sales tax revenue since mid-2015.

STATEMENT OF POSITION

	Governmental Activities		Business-type Activities		Total	
	(Amounts expressed in millions)		(Amounts expressed in millions)			
	2016	2015	2016	2015	2016	2015
Total assets	8,608	8,441	12,809	12,528	21,417	20,969
Total liabilities	10,940	10,447	12,036	11,709	22,976	22,156
Net Position						
Net investment in capital asset	4,434	4,251	629	547	5,063	4,798
Restricted	43	192	1,130	1,132	1,173	1,324
Unrestricted (deficit)	(5,911)	(5,487)	(420)	(489)	(6,331)	(5,976)
Total net position (deficit)	(1,434)	(1,044)	1,339	1,190	(95)	146

The new Government Accounting Standards Board (GASB) Standard 68 (regarding the reporting of pension liability) dramatically altered the City's balance sheet, and for the first time Houston shows a negative balance of assets and liabilities. With pension reform in place, this will be corrected in the next fiscal year; the bond rating agencies continue to look positively on the City.

