



CITY OF HOUSTON

Sylvester Turner

Mayor

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Fellow Houstonians, Honorable Members of City Council and the Honorable City Controller:

I am pleased to submit the proposed budget for Fiscal Year 2018, which begins July 1, 2017 and ends June 30, 2018 (FY2018). The proposed General Fund budget of \$2.38 billion increases spending by \$35 million or 1.5 percent from the FY17 current General Fund budget of \$2.34 billion; while operational spending was reduced, previously scheduled increases in City debt payments drove the overall budget higher. The total proposed budget includes expenditures for all funds of \$5.2 billion, an increase of \$110 million or about 2.2 percent from the FY2017 current budget of \$5.1 billion. Operating efficiencies and reductions in this budget build on \$55 million in recurring General Fund improvements made a year ago, and our proposed budget anticipates finalization of the Houston's Pension Solution with the governor's signature. They are a continuation of our journey toward resolving Houston's economic and financial challenges and opportunities.

Each City department, the employee unions and pension systems, City Council and other parties have worked together to identify cost savings and efficiencies while preserving a healthy fund balance, minimizing employee layoffs and maintaining critical city services. This budget was balanced using both recurring and non-recurring initiatives. The recurring improvements continue our new approach to managing City finances. We have streamlined operations, eliminated redundancies and forced greater efficiencies for recurring annual General Fund savings of \$50.5 million. If \$72.8 million in non-recurring items had been taken off the table, there would have been drastic cuts in City services and hundreds of City employees would have lost their jobs.

Despite our progress in closing one-third of last year's budget gap with recurring improvements, challenges remain. A spike in debt payments, contractually required cost increases, a still-sluggish economy and the City's revenue cap combined to generate a \$123 million deficit in the General Fund (note that simply lifting the revenue cap would have eliminated \$22 million of that deficit). I am proud that not only have we closed that gap, but we are moving forward with implementation of key priorities for the City. Starting with a foundation of prudent financial management, and supported by strong public safety and infrastructure programs, we can make Complete Communities a centerpiece of this administration; our goal is that all of Houston's neighborhoods are inclusive healthy and resilient. We want to be certain that all Houston's residents have access to opportunities for success in life, and support in accessing those opportunities.

Our priorities are rooted in Plan Houston – the City's general plan – and include several key initiatives as highlights of this year's budget. Public safety remains a focus, and we are funding four police cadet classes to support our understaffed police department, and we will look to fund a fifth. We are increasing our focus on response to 311 calls, and on making sure that we address citizen concerns in a timely and proper manner. Toward this end, a particular customer service focus for the upcoming year is improvement in the operations of the Houston Permitting Center. Street repairs and drainage upgrades highlight our infrastructure efforts, but just covering the basics isn't good enough.

Council Members: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Steve Le Greg Travis Karla Cisneros
Robert Gallegos Mike Laster Larry V. Green Mike Knox David W. Robinson Michael Kubosh Amanda Edwards Jack Christie

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Controller: Chris Brown

We will also offer a hand up to those in need around us, from our homelessness prevention efforts to community-based employment initiatives like Turnaround Houston and Hire Houston Youth.

This budget also begins to draw from the work being done on our long-range financial plan, a priority in the FY17 budget. The work done by our planning team to date supports our efforts to increase police staffing, and we expect to implement Fire Department changes including improved revenue recovery for EMS and possible partnerships with our medical community to reduce demand for emergency medical responses. And the plan's observations about City subsidies for the Houston Zoo have been helpful in our discussions with zoo leadership regarding adjustments to this year's City contribution. We will be making more improvements through the year based on our final long-range plan, which is to chart a 10-year path to sustainable, structural budget balance. As we work toward that goal, this budget marks another important step along the path to financial stability and provides Houston's taxpayers the quality services they count on, and deserve.

Sincerely,

A handwritten signature in black ink, appearing to read "Sylvester Turner". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Sylvester Turner
Mayor