



CITY OF HOUSTON

Sylvester Turner

Mayor

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To the people of Houston, Honorable Members of City Council and the Honorable City Controller:

I am pleased to present the proposed budget for the Fiscal Year 2021, which begins July 1, 2020, and ends June 30, 2021. For the fifth consecutive year, my annual proposal closes a significant budget gap – in this case \$169 million, which is exacerbated by the COVID-19 global pandemic. The FY2021 Proposed Budget for all funds excluding transfers totals \$5.10 billion, an increase of \$62.20 million, or 1.2 percent compared to the FY2020 Current Budget of \$5.03 billion.

The proposed General Fund budget of \$2.53 billion reflects a decrease in spending by \$22.17 million or 0.9 percent from the FY2020 Current Budget of \$2.55 billion. The change is primarily driven by the loss of sales tax revenue due to the COVID-19 pandemic. This unprecedented public health crisis, along with the plunge of oil prices, severely impacted the economy and the City's budget.

Pre COVID-19, the City experienced a modest growth in sales tax revenue in FY2020 and anticipated another conservative 2% growth in FY2021. As a result of COVID-19, the City will experience a cumulative estimated loss in sales tax revenue of almost \$100 million during both FY2020 and FY2021. This combined with decreases in other revenue sources, will have a significant adverse impact on city services.

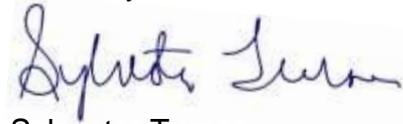
To address this budgetary crisis caused by COVID-19, the City has un-designated the \$20 million from the Budget Stabilization Fund, which leaves the City in a precarious state for the upcoming hurricane season.

Additionally, we have made difficult decisions involving public safety, city services, and cost of items associated with city services. This proposal includes suspending all five police cadet classes, furloughing thousands of municipal employees, and deferring payment obligations – all difficult, but necessary decisions. This budget also includes \$14.5 million in new revenue sources resulting from the City's need to re-assess the cost burden of goods and services provided to Houstonians.

For the first time since taking office, in order to balance the budget, we are drawing down an amount from the General Fund balance which drops it below the required 7.5% expenditures less debt service and pay-as-you-go. The FY2021 ending fund balance will be 7.15%, less than 0.5% below the minimum requirement. Per our financial policies, this is allowable in the event of economic instability beyond the City's control, which is where we are today.

Unlike other municipalities, the City of Houston must operate under the property tax revenue cap, while contending with the loss of revenues from COVID-19 in FY2021 and possibly beyond. Having said that, we are presenting a budget that does balance – even in a very uncertain time. Despite the tough financial challenges, this budget provides funding for overtime for police, three cadet classes for fire, funding for parks, libraries, trash pickup and upgrades to drainage and streets.

Sincerely,

A handwritten signature in blue ink that reads "Sylvester Turner". The signature is written in a cursive style with a large initial 'S'.

Sylvester Turner
Mayor