



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Bridging the Budget Gap FY2015-FY2019

September 9, 2014 Update

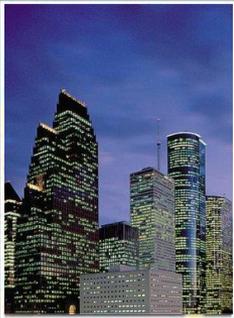
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Overview

Recap from last presentation

- Five-year General Fund forecast shows costs of services outpacing available revenues for FY 2016-2019
- Anticipated FY2016 gap is approximately \$144 million
- Contributing factors include:
 - Property tax revenue cap
 - Contractually obligated employee compensation and benefits (including rising pension contributions and potential pay increases)
 - Debt service
- Gap does not include:
 - Unfunded liabilities (pensions, other post employment benefits, accrued leave)
 - Unmet departmental needs (e.g., increased illegal dumping cleanup, increased animal control, Police body cameras, after school programs, etc.)
 - Full funding for needed facilities maintenance, renewal, and replacement
- “No silver bullet” – solution requires combination of methods





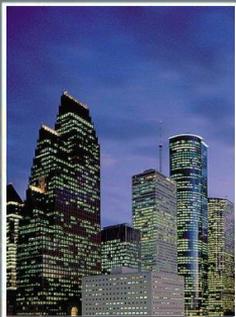
Updates

FY 2014 ending General Fund balance projected at approximately \$8 million



Administration proactively taking steps to narrow the gap:

1. Administration approval required for filling departmental vacancies
 - Estimated impact: \$5-8 million in FY2015
2. Departments have been directed to identify cost-savings above and beyond efficiency measures already in place or possible revenue opportunity
 - Target: 1%





Cap on Property Tax Revenue Makes Its First Impact on City Finances



- Final certified tax rolls indicate property tax revenues of \$1.080 billion which would be over charter cap.
- Will require tax rate to be lowered to \$0.63108 per \$100 taxable value from the current rate of \$0.63875
- Will reduce revenue by \$12.7 million that would have otherwise resulted in fund balance available for FY 2016
- No affect on FY2015 budget because it was assembled based on property tax revenues below the cap

Amount \$ in Thousands	FY2015 Adopted Budget	FY2015 * Estimates with no Change in Tax Rate	FY2015 * Estimates with Change in Tax Rate
Estimated Taxable Value	\$ 183,281,848	\$ 185,864,151	\$ 185,864,151
Approved/Proposed Tax Rate for every \$100 assessed value	0.0063875	0.0063875	0.00631081
Tax Levy	1,170,713	1,187,207	1,172,953
Collection Rate	97.53%	97.53%	97.53%
Est. Collection Revenue	1,141,827	1,157,914	1,144,011
TIRZ Transfer	(100,489)	(103,904)	(102,673)
Delinquent & Rebates	26,000	26,000	26,000
Total Revenue	\$ 1,067,338	\$ 1,080,010	\$ 1,067,338

**Note: Estimated Taxable Value based on the Certified Roll as of August 29, 2014*



Potential Next Steps

Important decisions remain for administration and City Council, with options including:

1. Expenditure cuts – will result in service cuts
2. One-time sources of revenue, such as property sales
3. New revenue
4. Ask voters to revisit property tax cap

Goal remains identification of recurring revenues or savings: one-time or non-recurring revenues or savings help in short term but do not resolve longer-term concerns

