



# **Finance Department**

## **Presentation to the City of Houston Budget and Fiscal Affairs Committee**

### **Bridging the Budget Gap FY2015-FY2019**

**September 9, 2014 Update**

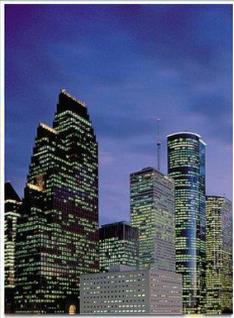
**Kelly Dowe, Chief Business Officer / Director of Finance**



# 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





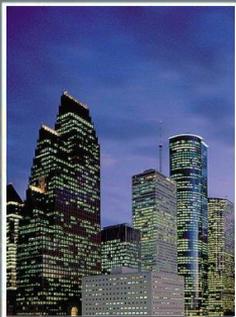
# Updates

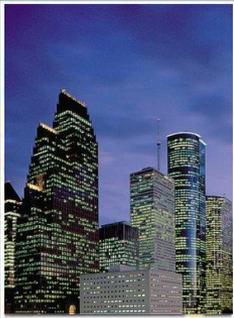
FY 2014 ending General Fund balance projected at approximately \$8 million



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
<b>Tax Levy</b>	<b>1,170,713</b>	<b>1,187,207</b>	<b>1,172,953</b>
Collection Rate	97.53%	97.53%	97.53%
<b>Est. Collection Revenue</b>	<b>1,141,827</b>	<b>1,157,914</b>	<b>1,144,011</b>
TIRZ Transfer	(100,489)	(103,904)	(102,673)
Delinquent & Rebates	26,000	26,000	26,000
<b>Total Revenue</b>	<b>\$ 1,067,338</b>	<b>\$ 1,080,010</b>	<b>\$ 1,067,338</b>

*\*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

