



# City of Houston

## Long Range Financial Management Task Force

Revenues and Expenditures:  
Long-Range Outlook

As of February 6, 2012



# Statement of Limitations

## Disclaimer

The Finance Department for the City of Houston (the “City”) prepared this report and the related exhibits and analysis (the “Report”) on a “best efforts” basis in response to the request of the City’s Financial Management Task Force (“FMTF”) for a set of sensitivities around the City’s General Fund revenues, expenditures and reserves. The Report is a preliminary draft and is subject to further refinement. As such, it is intended solely for informational purposes and is not intended to be authoritative or definitive in any way.

The Report’s forward-looking statements are based on numerous assumptions, including business, economic, and other market conditions requested by members of the FMTF. Many of these assumptions, and whether such forward-looking statements are achieved, are beyond the control of the City and are inherently subject to substantial uncertainty. Such assumptions involve significant elements of subjective judgment, which may or may not prove to be accurate, and consequently no assurances can be made regarding the analyses or conclusions derived from analyses based upon such assumptions. Accordingly, actual results will likely vary from the forward-looking statements and such variations may be material.

The City has various public debt issues that include financial covenants and other commitments. The Report has not evaluated the City’s potential performance with respect to these covenants and commitments and the City specifically disavows the applicability of this Report in evaluating prospective financial performance in relation to its debt obligations.

The City has not subjected the information contained herein to the attestation standards or the Statement on Standards for Prospective Financial Information issued by the American Institute of Certified Public Accountants or the Governmental Accounting Standards Board (“GASB”). The Report is not intended to comply with the proposed *GASB Economic Condition Reporting: Financial Projections*.



# Table of Contents

- Executive Summary
- Financial Results
- Baseline Forecast
- Scenario I: ARC and OPEB Funding Commencing in FY2013
- Scenario II: Scenario I Plus Slow Economic Recovery
- Scenario III: Scenario II with No Property Tax Growth
- Scenario IV: Scenario I with 4.5% Pension Investment Returns
- Scenario V: Scenario I with 4% Property Tax Growth
- Long-Term Projections: Scenario Comparison
- Appendices



# Executive Summary

- The Finance Department has prepared this document in response to a request from the Financial Management Task Force (FMTF) to provide scenarios of possible City's revenues and expenditures over the next 20 years.
- The FMTF specifically requested the Finance Department to develop five-year scenario detail and a longer-term projection model. The purpose of these scenarios is to assist in identifying challenges the City will face in the short, mid, and long term so that the FMTF can identify options for the City to consider to address its financial issues.
- ***Since FY2004, the City has been operating at a deficit before taking into account non-recurring sources, transfers from external funds, and use of the General Fund reserves***
  - In response, City management has worked over the last two fiscal years (2011-12) to identify initiatives that will increase revenue and reduce operating expenditures (the "Identified Initiatives").
  - Many of the initiatives (identified in the Appendixes A and B), are one-time financial measures that will not generate financial benefit in future years.
  - The Baseline forecast in this document reflects the annually recurring initiatives, which are permanent fixes.



# Executive Summary

- The following scenarios account for all changes made at the City over the past fiscal years, include FY2012 estimated revenues and expenditures, and are based on assumptions created by members of the FMTF:
  - Scenario I (begin fully funding contribution for pensions at the Actuarially Required Contribution (ARC) rate and Other Post Employment Benefits (OPEB) in FY2013) projects a cumulative FY2031 deficit totaling \$3.5 billion.
  - Scenario II (Slow Economic Recovery) projects a cumulative FY2031 deficit totaling \$7.6 billion.
  - Scenario III (No Property Tax Growth) projects cumulative FY2031 deficit totaling \$11.3 billion.
  - Scenario IV (Scenario I with 4.5% Returns in Pension Fund Investments) - unable to calculate actuarially required contributions with the data available to the City.
  - Scenario V (Scenario I with 4% Property Tax Growth) projects cumulative FY2031 deficit totaling \$1.3 billion.



# Executive Summary

- This Report forecasts a deficit for each fiscal year through FY2017 in all scenarios. ***Even in the Baseline, assuming no additional external sources of funds are identified, General Fund cash balances will be exhausted in FY2014.***
  - The five-year forecast reflects known or anticipated changes to revenues and expenses, with certain assumptions for growth requested by the FMTF.
  - The projections reflect generalized macro assumptions for growth in revenue and expenses.
  - A projection of the Baseline case through FY2031 reflects an annual average General Fund deficit of \$140 million and a cumulative deficit totaling \$2.7 billion.
- **Based on the forecasted financial results, City leadership has both an immediate FY2014 General Fund balancing issue and medium and longer-term budget balancing challenges. The City will need to develop and implement a plan to: (i) increase revenue, (ii) reduce operating expenditures, and/or (iii) identify external sources of funding to address the budget.**



# Financial Results: FY2006 - FY2012 (Forecast)

- ❑ The City of Houston has been operating at a deficit, excluding non-recurring items, since FY2004. The budget has been balanced through use of fund balance, pension bonds, land sales, transfers from other funds, and other means.
- ❑ After adjusting the surplus/deficit for non-recurring sources, the General Fund balance has declined from \$253 million in FY2008 to \$129 million by the end of FY2011.

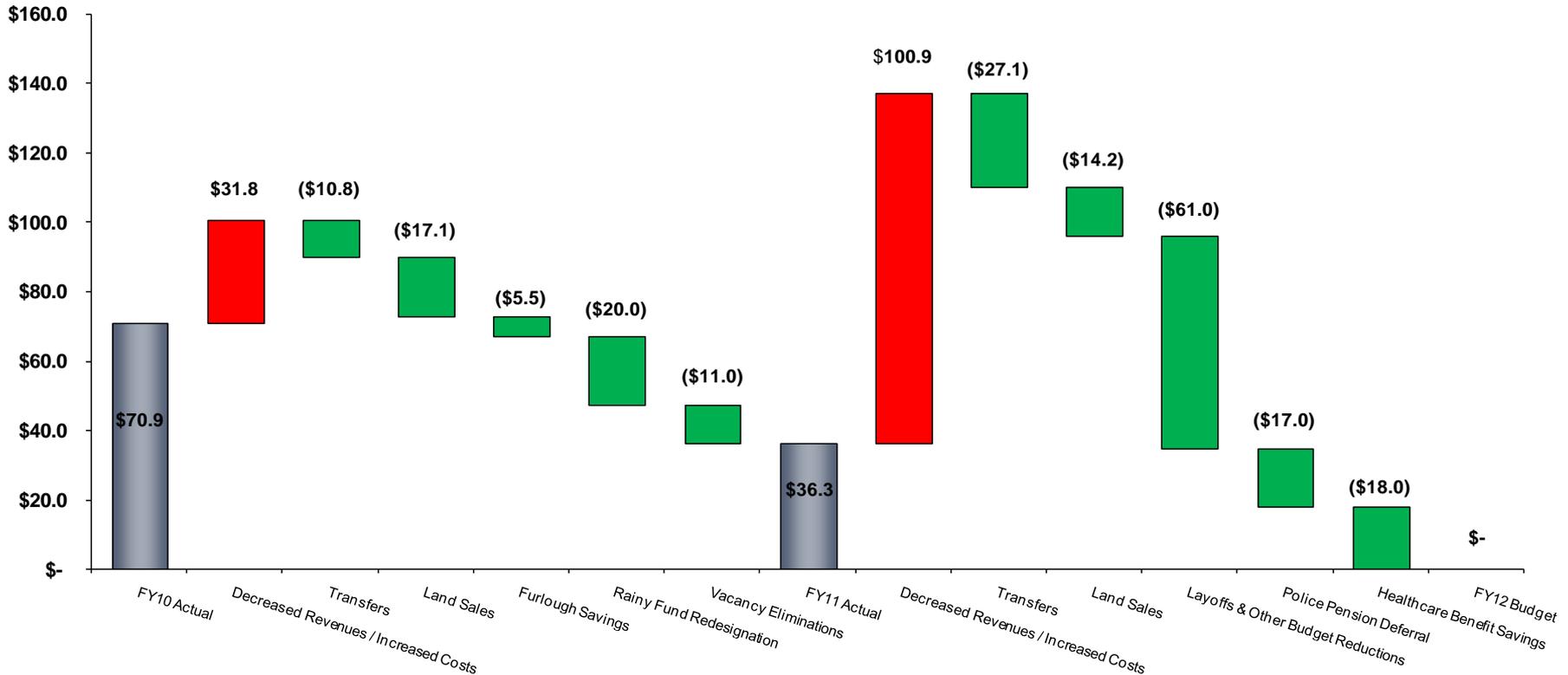
(\$000s)	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Forecast
Total Revenues	\$ 1,398,349	\$ 1,448,418	\$ 1,552,611	\$ 1,655,281	\$ 1,761,737	\$ 1,824,306	\$ 1,782,148	\$ 1,802,728	\$ 1,783,652
Growth %		4%	7%	7%	6%	4%	-2%	1%	-1%
Total Expenditures	\$ 1,400,996	\$ 1,467,217	\$ 1,563,746	\$ 1,668,076	\$ 1,790,341	\$ 1,901,646	\$ 1,916,387	\$ 1,900,876	\$ 1,835,414
Growth %		5%	7%	7%	7%	6%	1%	-1%	-3%
Transfers from Other Funds - Ongoing	-	1,028	1,095	1,095	7,095	7,595	9,385	7,729	23,368
Sale of Land (Right of Ways) - Ongoing	1,863	1,656	7,675	4,757	4,003	4,798	4,487	740	1,500
<b>Surplus / (Deficit) before Non-recurring Items</b>	<b>\$ (784)</b>	<b>\$ (16,115)</b>	<b>\$ (2,365)</b>	<b>\$ (6,943)</b>	<b>\$ (17,506)</b>	<b>\$ (64,947)</b>	<b>\$ (120,367)</b>	<b>\$ (89,679)</b>	<b>\$ (26,894)</b>
Transfers from Other Funds - One-Time	\$ 6,800	\$ -	\$ 946	\$ 3,447	\$ 4,124	\$ 28,215	\$ 29,273	\$ 15,832	\$ 29,612
Proceeds from Pension Bonds	-	48,599	59,000	63,000	35,000	20,000	20,000	-	-
Sale of Other Assets - One Time	-	-	-	-	-	-	2,061	13,026	11,650
Change in Inventory/Prepaid Items	(857)	(672)	3,922	(801)	(463)	-	(1,895)	4,478	-
Redesignation of Rainy Day Fund	-	-	-	-	-	-	-	20,000	(5,000)
<b>Increase / (Decrease) in Fund Balance</b>	<b>\$ 5,159</b>	<b>\$ 31,812</b>	<b>\$ 61,503</b>	<b>\$ 58,703</b>	<b>\$ 21,155</b>	<b>\$ (16,732)</b>	<b>\$ (70,928)</b>	<b>\$ (36,343)</b>	<b>\$ 9,367</b>
<b>Ending Unrestricted Fund Balance</b>	<b>\$ 79,867</b>	<b>\$ 111,679</b>	<b>\$ 173,182</b>	<b>\$ 231,886</b>	<b>\$ 253,041</b>	<b>\$ 236,309</b>	<b>\$ 165,381</b>	<b>\$ 129,039</b>	<b>\$ 138,406</b>
Growth %		40%	55%	34%	9%	-7%	-30%	-22%	7%



# Budget Issues and Identified Initiatives: FY2011 - FY2012

- In balancing the last two budgets, the City has taken the steps identified below and further detailed in Appendixes A and B to address decreased revenues and increased operating costs. The graph below highlights these initiatives:

City of Houston  
Deficit Bridge  
(\$ in Millions)





# Budget Issues and Identified Initiatives:

## FY2011 - FY2012

- As seen on slide 7, the City has now lowered the current budget deficit (current revenues – current expenditures, excluding one-time funding sources) to \$26.9 million in FY2012 (estimated as of February 6, 2012). This is the lowest current budget deficit since the 2008-2009 period.
- While the City has made significant progress in lowering the deficit in the past two years, revenues are not forecasted to increase enough to support increases in expenditures in future years.
- The scenarios that follow illustrate potential challenges the City may face in trying to continuing its progress in reducing the deficit.



# Baseline Forecast: Key Assumptions

- The following key assumptions are reflected in the Baseline forecast requested by the FMTF:

Revenue Category	Assumption					Comment
	FY2013	FY2014	FY2015	FY2016	FY2017	
Property Tax Growth %	2.10%	3.20%	3.20%	3.20%	3.20%	Based on 2011 estimate received from Harris County Tax Appraisal District for FY2013. Thereafter, it is based on average annual growth CPI (2.22%) plus population growth (0.96%).
Sales Tax Growth %	4.51%	4.28%	5.62%	6.45%	6.23%	FY2013-17 is based on January 2012 estimate from Dr. Barton Smith's (University of Houston) assumption. Thereafter it is based on CPI plus population growth.
Other Revenue Growth %	1.00%	1.00%	1.00%	1.00%	1.00%	FY2013-17 is based on historical average. Thereafter, it is based on CPI growth.
Sale of Other Assets \$mm	\$ 23.0	-	-	-	-	One time asset sales anticipated in FY2013



# Baseline Forecast: Key Assumptions (cont'd)

Expense Categories	Assumption					Comment
	FY2013	FY2014	FY2015	FY2016	FY2017	
<u>Personnel</u> <sup>(1)</sup> <sup>(2)</sup> :						
Classified FTE Growth %	1.0%	1.0%	1.0%	1.0%	1.0%	Average annual growth for population in the past 20 yrs
Civilian FTE Growth %	0.5%	0.5%	0.5%	0.5%	0.5%	Applied as 0.5 times classified growth rate
Salary & Wage Growth %	2.2%	2.2%	2.2%	2.2%	2.2%	20 year historical average annual CPI growth
<u>Pension:</u>						
Future Benefits Discount	8.5%	8.5%	8.5%	8.5%	8.5%	Pension Board assumptions
Investment Rate of Return	8.5%	8.5%	8.5%	8.5%	8.5%	Pension Board assumptions
Fire (HFRRF) Contribution %	23.9%	23.9%	31.6%	31.6%	31.6%	FY2013-17 based on Meet & Confer, assumes ARC thereafter
Municipal (HMEPS) Contribution %	21.4%	23.4%	25.4%	27.4%	28.7%	FY2013-17 based on Meet & Confer, assumes ARC thereafter
Police (HPOPS) Annual \$mm Increase	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0	FY2013-17 based on Meet & Confer, FY2018 is based on more conservative approach (\$10mm increment is higher than ARC)
<u>Health Benefits:</u>						
Growth %	9.0%	7.0%	7.0%	6.0%	5.0%	Human Resource Department engages consulting firm to determine medical trends as well as historical analysis.
<u>Energy:</u>						
Growth %	0.7%	-13.0%	7.4%	3.5%	3.5%	Based Energy Division Forecast
<u>Other Operating Costs:</u>						
Growth %	3.2%	3.2%	3.2%	3.2%	3.2%	20 year average annual growth of CPI (2.22%) plus population (0.96%) assumption

(1) FY2013-16 includes HPD Meet and Confer agreement, HFD Collective Bargaining, as well as HOPE Meet and Confer

(2) No explicit funding for unfunded Other Post Employment Benefits (OPEB)



# Baseline Forecast: Five-Year Forecast

- Assuming the General Fund Reserve is the only source available to cover operating deficits, the fund balance will be below 5% limit of total expenditure less debt service in FY2013 and would be exhausted during FY2014 in the following scenario.
- The Baseline five-year forecast suggests a cumulative deficit over the next five years totaling \$540 million.

(\$000s)	FY2011 Actual	FY2012 Forecast	FY2013 Forecast	FY2014 Forecast	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast
Property Tax Revenues	\$859,413	\$858,679	\$876,723	\$904,778	\$933,731	\$963,611	\$994,446
Sales Tax	492,824	521,912	545,475	568,822	600,789	639,552	679,371
Franchise Revenue	190,563	190,493	190,984	191,631	192,431	194,428	196,550
Other Revenues	259,924	212,568	215,597	219,620	224,068	227,625	231,274
<b>Total Revenues</b>	<b>\$1,802,724</b>	<b>\$1,783,652</b>	<b>\$1,828,780</b>	<b>\$1,884,851</b>	<b>\$1,951,019</b>	<b>\$2,025,216</b>	<b>\$2,101,641</b>
<i>Growth %</i>		-1%	3%	3%	4%	4%	4%
Total Operating Expenditures	\$1,680,038	\$1,614,907	\$1,680,483	\$1,743,450	\$1,824,096	\$1,869,641	\$1,911,721
Transfers for Debt Service	232,545	220,507	256,100	274,100	285,000	291,000	322,571
Transfers for Fleet/Equipment Debt to Departments	(11,707)	-					
<b>Total Expenditures</b>	<b>\$1,900,876</b>	<b>\$1,835,413</b>	<b>\$1,936,583</b>	<b>\$2,017,550</b>	<b>\$2,109,096</b>	<b>\$2,160,641</b>	<b>\$2,234,292</b>
<i>Growth %</i>		-3%	6%	4%	5%	2%	3%
Transfers from Other Funds - Ongoing	7,729	23,368	22,156	22,156	22,156	22,156	22,156
Sale of Land (Right of Ways)	740	1,500	1,545	1,560	1,576	1,576	1,576
<b>Surplus / (Deficit) before Non-recurring Items</b>	<b>(\$89,682)</b>	<b>(\$26,893)</b>	<b>(\$84,102)</b>	<b>(\$108,983)</b>	<b>(\$134,345)</b>	<b>(\$111,693)</b>	<b>(\$108,919)</b>
Transfers from Other Funds - One-Time	\$15,832	\$29,612	\$0	\$0	\$0	\$0	\$0
Sale of Other Assets	13,026	11,650	23,000	-	-	-	-
Change in Inventory/Prepaid Items	4,478	-	-	-	-	-	-
Redesignation of Rainy Day Fund	20,000	(5,000)	(5,000)	(5,000)	(5,000)	-	-
<b>Increase / (Decrease) in Fund Balance</b>	<b>(\$36,346)</b>	<b>\$9,367</b>	<b>(\$66,102)</b>	<b>(\$113,983)</b>	<b>(\$139,345)</b>	<b>(\$111,693)</b>	<b>(\$108,919)</b>
<b>Ending Unrestricted Fund Balance</b>	<b>\$129,037</b>	<b>\$138,405</b>	<b>\$72,302</b>	<b>(\$41,680)</b>	<b>(\$181,025)</b>	<b>(\$292,718)</b>	<b>(\$401,637)</b>
Fund Balance Percent of Expenditures (less debt)	7.68%	8.57%	4.30%	-2.39%	-9.92%	-15.66%	-21.01%



## Baseline Forecast: Five-Year Forecast

- In the Baseline Forecast, expenditures grow faster than revenues in three out of the next five years (FY2013-17).
- As seen in Appendix D (Baseline: Expenditures by Category), the growth in pensions, health benefits, and debt service grow faster than salary cost and take up an increasing portion of the General Fund budget.



# Scenario I (ARC & OPEB Funding Commencing in FY2013): **Key Assumptions**

- The pension contributions in the Baseline do not reflect the Annual Required Contribution (“ARC”). The ARC is amount needed to fully fund the City’s three pension funds each year as calculated by the pension funds. At the request of the FMTF, Scenario I includes the funding amounts to achieve the ARC. This does not include an ARC assumption for the Houston Police Officers’ Pension System (HPOPS), as the current contract between HPOPS and the City already fully funds beyond the ARC each year.
- The Baseline forecast does not include the full funding the City should be setting aside to pay Other Post Employment Benefits (“OPEB”), mainly retiree health benefit costs. At the request of the FMTF, this Scenario I includes the funding amounts for OPEB based on an actuarial report provided to the Finance Department.



# Scenario I (ARC & OPEB Funding Commencing in FY2013): **Key Assumptions**

Revenue Category	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017

No Changes from Baseline Forecast

Expense Categories	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017

Personnel:

Classified FTE Growth %	No Changes from Baseline Forecast				
Civilian FTE Growth %	No Changes from Baseline Forecast				
Wager Growth %	No Changes from Baseline Forecast				

OPEB:

Payment with Interest \$mm	\$ 27.5	\$ 30.0	\$ 32.6	\$ 35.2	\$ 37.6
----------------------------	---------	---------	---------	---------	---------

Pension:

Future Benefits Discount	No Changes from Baseline Forecast				
Investment Rate of Return	No Changes from Baseline Forecast				
Fire (HFRRF) Contribution %	ARC - see appendix for more details				
Municipal (HMEPS) Contribution %	ARC - see appendix for more details				
Police (HPOPS) Annual \$mm Increase	No Changes from Baseline Forecast				

Health Benefits:

Growth %	No Changes from Baseline Forecast				
----------	-----------------------------------	--	--	--	--

Energy:

Growth %	No Changes from Baseline Forecast				
----------	-----------------------------------	--	--	--	--

Other Operating Costs:

Growth %	No Changes from Baseline Forecast				
----------	-----------------------------------	--	--	--	--



# Scenario I (ARC & OPEB Funding Commencing in FY2013): Five-Year Forecast

- The Scenario I five-year forecast suggests a cumulative operating deficit totaling \$637 million before General Fund Reserves are considered.

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
(\$000s)	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Property Tax Revenues	\$859,413	\$858,679	\$876,723	\$904,778	\$933,731	\$963,611	\$994,446
Sales Tax	492,824	521,912	545,475	568,822	600,789	639,552	679,371
Franchise Revenue	190,563	190,493	190,984	191,631	192,431	194,428	196,550
Other Revenues	259,924	212,568	215,597	219,620	224,068	227,625	231,274
<b>Total Revenues</b>	<b>\$1,802,724</b>	<b>\$1,783,652</b>	<b>\$1,828,780</b>	<b>\$1,884,851</b>	<b>\$1,951,019</b>	<b>\$2,025,216</b>	<b>\$2,101,641</b>
<i>Growth %</i>		-1%	3%	3%	4%	4%	4%
Total Operating Expenditures	\$1,680,038	\$1,614,907	\$1,718,454	\$1,757,745	\$1,831,172	\$1,883,758	\$1,935,548
Transfers for Debt Service	232,545	220,507	256,100	274,100	285,000	291,000	322,571
Transfers for Fleet/Equipment Debt to Departments	(11,707)	-					
<b>Total Expenditures</b>	<b>\$1,900,876</b>	<b>\$1,835,413</b>	<b>\$1,974,554</b>	<b>\$2,031,845</b>	<b>\$2,116,172</b>	<b>\$2,174,758</b>	<b>\$2,258,119</b>
<i>Growth %</i>		-3%	8%	3%	4%	3%	4%
Transfers from Other Funds - Ongoing	7,729	23,368	22,156	22,156	22,156	22,156	22,156
Sale of Land (Right of Ways)	740	1,500	1,545	1,560	1,576	1,576	1,576
<b>Surplus / (Deficit) before Non-recurring Items</b>	<b>(\$89,682)</b>	<b>(\$26,893)</b>	<b>(\$122,074)</b>	<b>(\$123,278)</b>	<b>(\$141,421)</b>	<b>(\$125,811)</b>	<b>(\$132,746)</b>
Transfers from Other Funds - One-Time	\$15,832	\$29,612	\$0	\$0	\$0	\$0	\$0
Sale of Other Assets	13,026	11,650	23,000	-	-	-	-
Change in Inventory/Prepaid Items	4,478	-	-	-	-	-	-
Redesignation of Rainy Day Fund	20,000	(5,000)	(5,000)	(5,000)	(5,000)	-	-
<b>Increase / (Decrease) in Fund Balance</b>	<b>(\$36,346)</b>	<b>\$9,367</b>	<b>(\$104,074)</b>	<b>(\$128,278)</b>	<b>(\$146,421)</b>	<b>(\$125,811)</b>	<b>(\$132,746)</b>
<b>Ending Unrestricted Fund Balance</b>	<b>129,037</b>	<b>\$138,405</b>	<b>\$34,331</b>	<b>(\$93,947)</b>	<b>(\$240,368)</b>	<b>(\$366,178)</b>	<b>(\$498,924)</b>
Fund Balance Percent of Expenditures (less debt)	7.68%	8.57%	2.00%	-5.34%	-13.13%	-19.44%	-25.78%



## Scenario II (Scenario I Plus Slow Economic Recovery): **Key Assumptions**

- Scenario II builds on Scenario I (ARC & OPEB Funding Commencing in FY2013) and additionally assumes that revenue growth is slower by adjusting the rate of growth for property tax and sales tax.



# Scenario II (Scenario I Plus Slow Economic Recovery): Key Assumptions

Revenue Category	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017
Property Tax Growth %	2.00%	2.00%	2.00%	2.00%	2.00%
Sales Tax Growth %	3.50%	3.50%	3.50%	3.50%	3.50%
Other Revenue Growth %	No Changes from Baseline Forecast				
Sale of Other Assets \$mm	No Changes from Baseline Forecast				
Redesignation of Rainy Day Fund \$mm	No Changes from Baseline Forecast				

Expense Categories	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017
<u>Personnel:</u>					
Classified FTE Growth %	No Changes from Baseline Forecast				
Civilian FTE Growth %	No Changes from Baseline Forecast				
Wager Growth %	No Changes from Baseline Forecast				
<u>OPEB:</u>					
Payment with Interest \$mm	\$ 27.5	\$ 30.0	\$ 32.6	\$ 35.2	\$ 37.6
<u>Pension:</u>					
Future Benefits Discount	No Changes from Baseline Forecast				
Investment Rate of Return	No Changes from Baseline Forecast				
Fire (HFRRF) Contribution %	ARC - see appendix for more details				
Municipal (HMEPS) Contribution %	ARC - see appendix for more details				
Police (HPOPS) Annual \$mm Increase	No Changes from Baseline Forecast				
<u>Health Benefits:</u>					
Growth %	No Changes from Baseline Forecast				
<u>Energy:</u>					
Growth %	No Changes from Baseline Forecast				
<u>Other Operating Costs:</u>					
Growth %	No Changes from Baseline Forecast				



# Scenario II (Scenario I Plus Slow Economic Recovery): Five-Year Forecast

- The Scenario II five-year forecast suggests a cumulative operating deficit totaling \$898 million before General Fund Reserves are considered.

(\$000s)	FY2011 Actual	FY2012 Forecast	FY2013 Forecast	FY2014 Forecast	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast
Property Tax Revenues	\$859,413	\$858,679	\$875,853	\$893,370	\$911,237	\$929,462	\$948,051
Sales Tax	492,824	521,912	540,179	559,085	578,653	598,906	619,868
Franchise Revenue	190,563	190,493	192,398	194,322	196,265	198,228	200,210
Other Revenues	259,924	212,568	214,693	216,840	219,009	221,199	223,411
<b>Total Revenues</b>	<b>\$1,802,724</b>	<b>\$1,783,652</b>	<b>\$1,823,123</b>	<b>\$1,863,617</b>	<b>\$1,905,164</b>	<b>\$1,947,795</b>	<b>\$1,991,540</b>
<i>Growth %</i>		-1%	2%	2%	2%	2%	2%
Total Operating Expenditures	\$1,680,038	\$1,614,907	\$1,718,454	\$1,757,746	\$1,831,174	\$1,883,762	\$1,935,554
Transfers for Debt Service	232,545	220,507	256,100	274,100	285,000	291,000	322,571
Transfers for Fleet/Equipment Debt to Departments	(11,707)	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$1,900,876</b>	<b>\$1,835,413</b>	<b>\$1,974,554</b>	<b>\$2,031,846</b>	<b>\$2,116,174</b>	<b>\$2,174,762</b>	<b>\$2,258,125</b>
<i>Growth %</i>		-3%	8%	3%	4%	3%	4%
Transfers from Other Funds - Ongoing	7,729	23,368	22,156	22,156	22,156	22,156	22,156
Sale of Land (Right of Ways)	740	1,500	1,545	1,560	1,576	1,576	1,576
<b>Surplus / (Deficit) before Non-recurring Items</b>	<b>(\$89,682)</b>	<b>(\$26,893)</b>	<b>(\$127,730)</b>	<b>(\$144,512)</b>	<b>(\$187,278)</b>	<b>(\$203,236)</b>	<b>(\$242,853)</b>
Transfers from Other Funds - One-Time	\$15,832	\$29,612	\$0	\$0	\$0	\$0	\$0
Sale of Other Assets	13,026	11,650	23,000	-	-	-	-
Change in Inventory/Prepaid Items	4,478	-	-	-	-	-	-
Redesignation of Rainy Day Fund	20,000	(5,000)	(5,000)	(5,000)	(5,000)	-	-
<b>Increase / (Decrease) in Fund Balance</b>	<b>(\$36,346)</b>	<b>\$9,367</b>	<b>(\$109,730)</b>	<b>(\$149,512)</b>	<b>(\$192,278)</b>	<b>(\$203,236)</b>	<b>(\$242,853)</b>
<b>Ending Unrestricted Fund Balance</b>	<b>\$129,037</b>	<b>\$138,405</b>	<b>\$28,674</b>	<b>(\$120,838)</b>	<b>(\$313,116)</b>	<b>(\$516,352)</b>	<b>(\$759,206)</b>
Fund Balance Percent of Expenditures (less debt)	7.68%	8.57%	1.67%	-6.87%	-17.10%	-27.41%	-39.22%



## Scenario III (Scenario II with No Property Tax Growth): **Key Assumptions**

- Scenario III builds on Scenario II (Slow Economic Growth) and additionally assumes that revenue growth is much slower than Scenario II, by adjusting the rate of growth for property tax to zero.



# Scenario III (Scenario II with No Property Tax Growth): Key Assumptions

Revenue Category	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017
Property Tax Growth %	0.00%	0.00%	0.00%	0.00%	0.00%
Sales Tax Growth %	3.50%	3.50%	3.50%	3.50%	3.50%
Other Revenue Growth %	No Changes from Baseline Forecast				
Sale of Other Assets \$mm	No Changes from Baseline Forecast				
Redesignation of Rainy Day Fund \$mm	No Changes from Baseline Forecast				

Expense Categories	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017
<u>Personnel:</u>					
Classified FTE Growth %	No Changes from Baseline Forecast				
Civilian FTE Growth %	No Changes from Baseline Forecast				
Wager Growth %	No Changes from Baseline Forecast				
<u>OPEB:</u>					
Payment with Interest \$mm	\$ 27.5	\$ 30.0	\$ 32.6	\$ 35.2	\$ 37.6
<u>Pension:</u>					
Future Benefits Discount	No Changes from Baseline Forecast				
Investment Rate of Return	No Changes from Baseline Forecast				
Fire (HFRRF) Contribution %	ARC - see appendix for more details				
Municipal (HMEPS) Contribution %	ARC - see appendix for more details				
Police (HPOPS) Annual \$mm Increase	No Changes from Baseline Forecast				
<u>Health Benefits:</u>					
Growth %	No Changes from Baseline Forecast				
<u>Energy:</u>					
Growth %	No Changes from Baseline Forecast				
<u>Other Operating Costs:</u>					
Growth %	No Changes from Baseline Forecast				



# Scenario III (Scenario II with No Property Tax Growth): Five-Year Forecast

- The Scenario III five-year forecast suggests a cumulative operating deficit totaling \$1.2 billion before General Fund Reserves are considered.

(\$000s)	FY2011 Actual	FY2012 Forecast	FY2013 Forecast	FY2014 Forecast	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast
Property Tax Revenues	\$859,413	\$858,679	\$858,679	\$858,679	\$858,679	\$858,679	\$858,679
Sales Tax	492,824	521,912	540,179	559,085	578,653	598,906	619,868
Franchise Revenue	190,563	190,493	192,398	194,322	196,265	198,228	200,210
Other Revenues	259,924	212,568	214,693	216,840	219,009	221,199	223,411
<b>Total Revenues</b>	<b>\$1,802,724</b>	<b>\$1,783,652</b>	<b>\$1,805,949</b>	<b>\$1,828,927</b>	<b>\$1,852,606</b>	<b>\$1,877,012</b>	<b>\$1,902,168</b>
<i>Growth %</i>		-1%	1%	1%	1%	1%	1%
Total Operating Expenditures	\$1,680,038	\$1,614,907	\$1,718,454	\$1,757,746	\$1,831,174	\$1,883,762	\$1,935,554
Transfers for Debt Service	232,545	220,507	256,100	274,100	285,000	291,000	322,571
Transfers for Fleet/Equipment Debt to Departments	(11,707)	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$1,900,876</b>	<b>\$1,835,413</b>	<b>\$1,974,554</b>	<b>\$2,031,846</b>	<b>\$2,116,174</b>	<b>\$2,174,762</b>	<b>\$2,258,125</b>
<i>Growth %</i>		-3%	8%	3%	4%	3%	4%
Transfers from Other Funds - Ongoing	7,729	23,368	22,156	22,156	22,156	22,156	22,156
Sale of Land (Right of Ways)	740	1,500	1,545	1,560	1,576	1,576	1,576
<b>Surplus / (Deficit) before Non-recurring Items</b>	<b>(\$89,682)</b>	<b>(\$26,893)</b>	<b>(\$144,904)</b>	<b>(\$179,203)</b>	<b>(\$239,836)</b>	<b>(\$274,019)</b>	<b>(\$332,225)</b>
Transfers from Other Funds - One-Time	\$15,832	\$29,612	\$0	\$0	\$0	\$0	\$0
Sale of Other Assets	13,026	11,650	23,000	-	-	-	-
Change in Inventory/Prepaid Items	4,478	-	-	-	-	-	-
Redesignation of Rainy Day Fund	20,000	(5,000)	(5,000)	(5,000)	(5,000)	-	-
<b>Increase / (Decrease) in Fund Balance</b>	<b>(\$36,346)</b>	<b>\$9,367</b>	<b>(\$126,904)</b>	<b>(\$184,203)</b>	<b>(\$244,836)</b>	<b>(\$274,019)</b>	<b>(\$332,225)</b>
<b>Ending Unrestricted Fund Balance</b>	<b>\$129,037</b>	<b>\$138,405</b>	<b>\$11,500</b>	<b>(\$172,702)</b>	<b>(\$417,539)</b>	<b>(\$691,557)</b>	<b>(\$1,023,783)</b>
Fund Balance Percent of Expenditures (less debt)	7.68%	8.57%	0.67%	-9.83%	-22.80%	-36.71%	-52.89%



## Scenario IV (Scenario I with 4.5% Pension Investment Returns): **Key Assumptions**

- Scenario IV builds on Scenario I and additionally assumes investment returns of 4.5% in the pension trust funds.



# Scenario IV (Scenario I with 4.5% Pension Investment Returns): Key Assumptions

Revenue Category	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017

No Changes from Baseline Forecast

Expense Categories	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017

Personnel:

Classified FTE Growth %	No Changes from Baseline Forecast				
Civilian FTE Growth %	No Changes from Baseline Forecast				
Wager Growth %	No Changes from Baseline Forecast				

OPEB:

Payment with Interest \$mm	\$ 27.5	\$ 30.0	\$ 32.6	\$ 35.2	\$ 37.6
----------------------------	---------	---------	---------	---------	---------

Pension:

Future Benefits Discount	4.5%				
Investment Rate of Return	4.5%				

Fire (HFRRF) Contribution %	ARC - unable to calculate				
-----------------------------	---------------------------	--	--	--	--

Municipal (HMEPS) Contribution %	ARC - unable to calculate				
----------------------------------	---------------------------	--	--	--	--

Police (HPOPS) Annual \$mm Increase	No Changes from Baseline Forecast				
-------------------------------------	-----------------------------------	--	--	--	--

Health Benefits:

Growth %	No Changes from Baseline Forecast				
----------	-----------------------------------	--	--	--	--

Energy:

Growth %	No Changes from Baseline Forecast				
----------	-----------------------------------	--	--	--	--

Other Operating Costs:

Growth %	No Changes from Baseline Forecast				
----------	-----------------------------------	--	--	--	--



## Scenario IV (Scenario I with 4.5% Pension Investment Returns): **Five-Year Forecast**

- Unable to calculate actuarially required contributions with the data available to the City.



## Scenario V (Scenario I with 4% Property Tax Growth): **Key Assumptions**

- Scenario V builds on Scenario I (ARC and OPEB Funding Commencing in FY2013) and additionally assumes a 4% property tax growth rate.



# Scenario V (Scenario I with 4% Property Tax Growth): Key Assumptions

Revenue Category	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017
Property Tax Growth %	4.00%	4.00%	4.00%	4.00%	4.00%

Expense Categories	Assumption				
	FY2013	FY2014	FY2015	FY2016	FY2017
<u>Personnel:</u>					
Classified FTE Growth %	No Changes from Baseline Forecast				
Civilian FTE Growth %	No Changes from Baseline Forecast				
Wager Growth %	No Changes from Baseline Forecast				
<u>OPEB:</u>					
Payment with Interest \$mm	\$ 27.5	\$ 30.0	\$ 32.6	\$ 35.2	\$ 37.6
<u>Pension:</u>					
Future Benefits Discount	No Changes from Baseline Forecast				
Investment Rate of Return	No Changes from Baseline Forecast				
Fire (HFRRF) Contribution %	ARC - see appendix for more details				
Municipal (HMEPS) Contribution %	ARC - see appendix for more details				
Police (HPOPS) Annual \$mm Increase	No Changes from Baseline Forecast				
<u>Health Benefits:</u>					
Growth %	No Changes from Baseline Forecast				
<u>Energy:</u>					
Growth %	No Changes from Baseline Forecast				
<u>Other Operating Costs:</u>					
Growth %	No Changes from Baseline Forecast				



# Scenario V (Scenario I with 4% Property Tax Growth): Five-Year Forecast

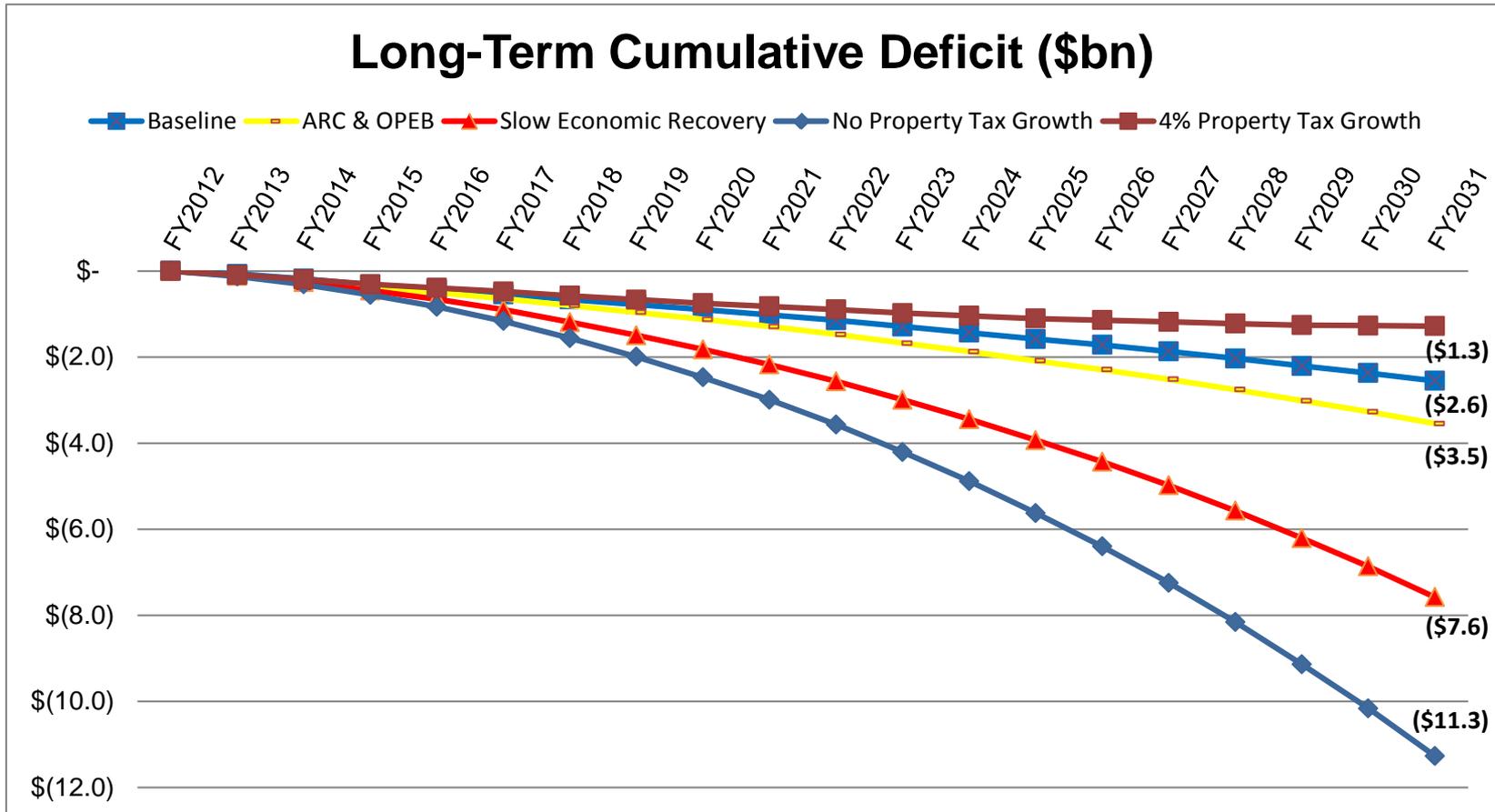
- Deficits are slightly less in the Scenario V five-year forecast than in Scenario I due to the higher Property Tax assumption.

(\$000s)	FY2011 Actual	FY2012 Forecast	FY2013 Forecast	FY2014 Forecast	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast
Property Tax Revenues	\$859,413	\$858,679	\$893,026	\$928,747	\$965,897	\$1,004,533	\$1,044,714
Sales Tax	492,824	521,912	545,475	568,822	600,789	639,552	679,371
Franchise Revenue	190,563	190,493	190,984	191,631	192,431	194,428	196,550
Other Revenues	259,924	212,568	215,597	219,620	224,068	227,625	231,274
<b>Total Revenues</b>	<b>\$1,802,724</b>	<b>\$1,783,652</b>	<b>\$1,845,083</b>	<b>\$1,908,820</b>	<b>\$1,983,185</b>	<b>\$2,066,138</b>	<b>\$2,151,910</b>
<i>Growth %</i>		-1%	3%	3%	4%	4%	4%
Total Operating Expenditures	\$1,680,038	\$1,614,907	\$1,718,454	\$1,757,745	\$1,831,172	\$1,883,758	\$1,935,548
Transfers for Debt Service	232,545	220,507	256,100	274,100	285,000	291,000	322,571
Transfers for Fleet/Equipment Debt to Departments	(11,707)	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$1,900,876</b>	<b>\$1,835,413</b>	<b>\$1,974,554</b>	<b>\$2,031,845</b>	<b>\$2,116,172</b>	<b>\$2,174,758</b>	<b>\$2,258,119</b>
<i>Growth %</i>		-3%	8%	3%	4%	3%	4%
Transfers from Other Funds - Ongoing	7,729	23,368	22,156	22,156	22,156	22,156	22,156
Sale of Land (Right of Ways)	740	1,500	1,545	1,560	1,576	1,576	1,576
<b>Surplus / (Deficit) before Non-recurring Items</b>	<b>(\$89,682)</b>	<b>(\$26,893)</b>	<b>(\$105,770)</b>	<b>(\$99,309)</b>	<b>(\$109,255)</b>	<b>(\$84,888)</b>	<b>(\$82,478)</b>
Transfers from Other Funds - One-Time	\$15,832	\$29,612	\$0	\$0	\$0	\$0	\$0
Sale of Other Assets	13,026	11,650	23,000	-	-	-	-
Change in Inventory/Prepaid Items	4,478	-	-	-	-	-	-
Redesignation of Rainy Day Fund	20,000	(5,000)	(5,000)	(5,000)	(5,000)	-	-
<b>Increase / (Decrease) in Fund Balance</b>	<b>(\$36,346)</b>	<b>\$9,367</b>	<b>(\$87,770)</b>	<b>(\$104,309)</b>	<b>(\$114,255)</b>	<b>(\$84,888)</b>	<b>(\$82,478)</b>
<b>Ending Unrestricted Fund Balance</b>	<b>129,037</b>	<b>\$138,405</b>	<b>\$50,634</b>	<b>(\$53,675)</b>	<b>(\$167,929)</b>	<b>(\$252,818)</b>	<b>(\$335,295)</b>
Fund Balance Percent of Expenditures (less debt)	7.68%	8.57%	2.95%	-3.05%	-9.17%	-13.42%	-17.32%



# Long-Term Projections: Scenario Comparison

- The chart below compares the difference in cumulative General Fund deficit over a longer-term projection between the five scenarios





# Appendices

- A. FY2011 Implemented Initiative Detail
- B. FY2012 Implemented Initiative Detail
- C. Baseline: Revenues vs. Expenditures
- D. Baseline: Expenditures by Category
- E. Scenario I: Revenues vs. Expenditures
- F. Scenario II: Revenues vs. Expenditures
- G. Scenario III: Revenues vs. Expenditures
- H. Scenario V: Revenues vs. Expenditures
- I. Scenario I – III, V: Expenditures by Category
- J. Actuarially Required Contribution (ARC) Rate
- K. Consumer Price Index v. Population



## A. FY2011 Implemented Initiative Detail

FY2011 (\$000s)	Revenue	Expenditures
<b>One-Time Transfers</b>		
Transfer from Debt Service (refund overpayment)	\$ 813	
Transfer from Limited Mobility Capital Fund	432	
Hurricane Ike Proceeds	5,729	
Transfer from Fleet Equipment Acquisition Fund	2,600	
Parking Management one time accounting adjustment	1,259	
	<b>\$ 10,832</b>	
<b>Land Sales</b>		
Ellington Field	\$ 6,126	
3300 Main St	5,000	
Center Street	2,000	
Battleground Rd	4,000	
	<b>\$ 17,126</b>	
<b>Initiatives</b>		
Furlough Savings		\$ 5,530
Vacancy/Attrition Savings		10,985
		<b>\$ 16,515</b>
<b>FY 2011 Total (Revenue &amp; Expenditures)</b>	<b>\$</b>	<b>44,473</b>

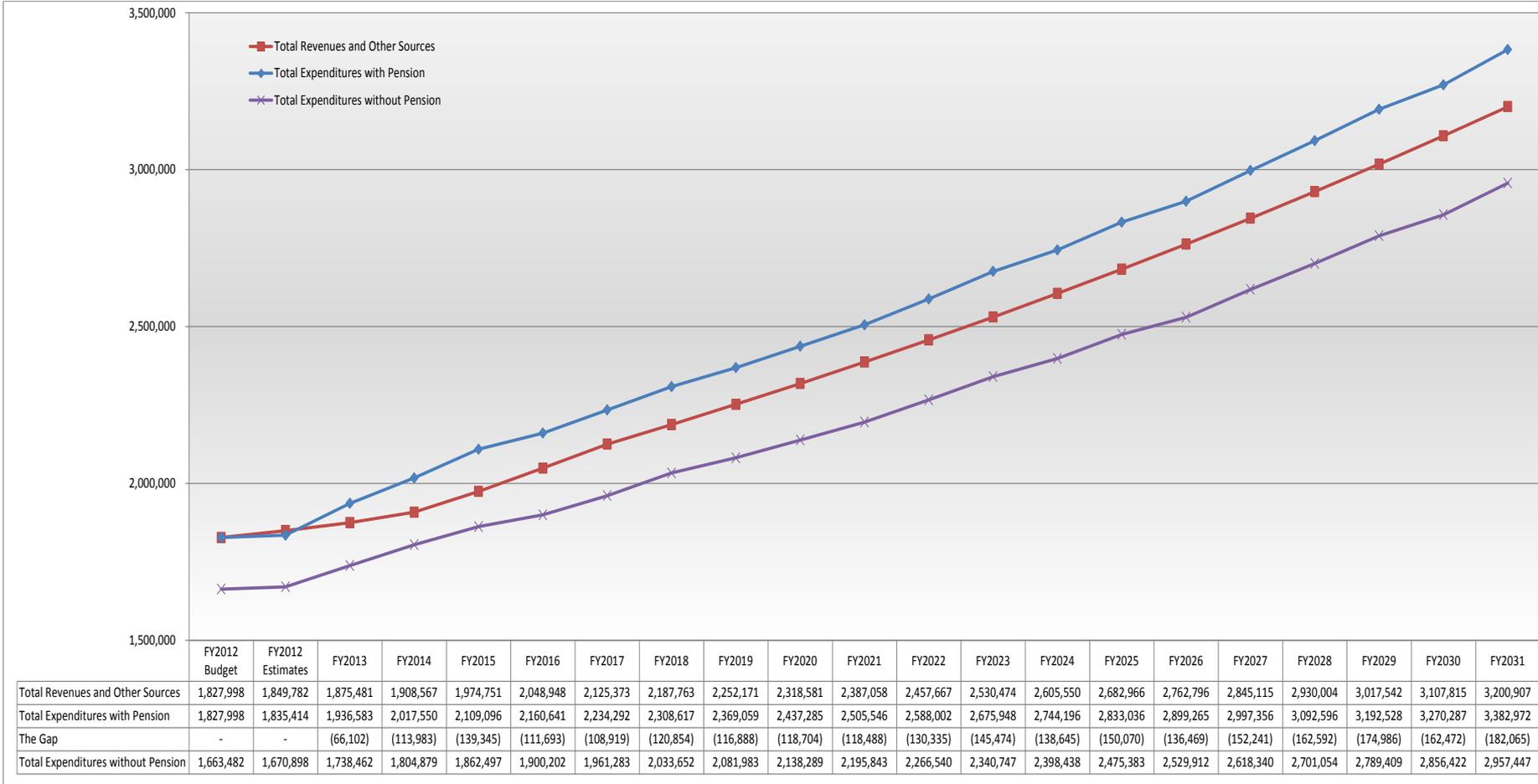


## B. FY2012 Implemented Initiative Detail

FY2012 (\$000s)	Revenue	Expenditures
<b>Land Sales</b>		
3 properties projected to be sold	\$ 11,650	
3400 Main St	2,500	
	<b>\$ 14,150</b>	
<b>Transfers</b>		
Transfer from Combined Utility System Fund for Drainage Debt payment	\$ 17,112	
LGC Hotel Corp pre-payment - Houston First Initiative	10,000	
	<b>\$ 27,112</b>	
<b>Initiatives</b>		
Layoffs & Other Budget Reductions		\$ 61,000
Police Pension Deferral to FY13		17,000
Health Benefits Savings		18,000
Creation of DDSRF Fund (Transfer Rev & Exp)	\$ (54,364)	53,412
	<b>\$ (54,364)</b>	<b>\$ 149,412</b>
<b>FY 2012 Total (Revenue &amp; Expenditures)</b>	<b>\$</b>	<b>136,310</b>

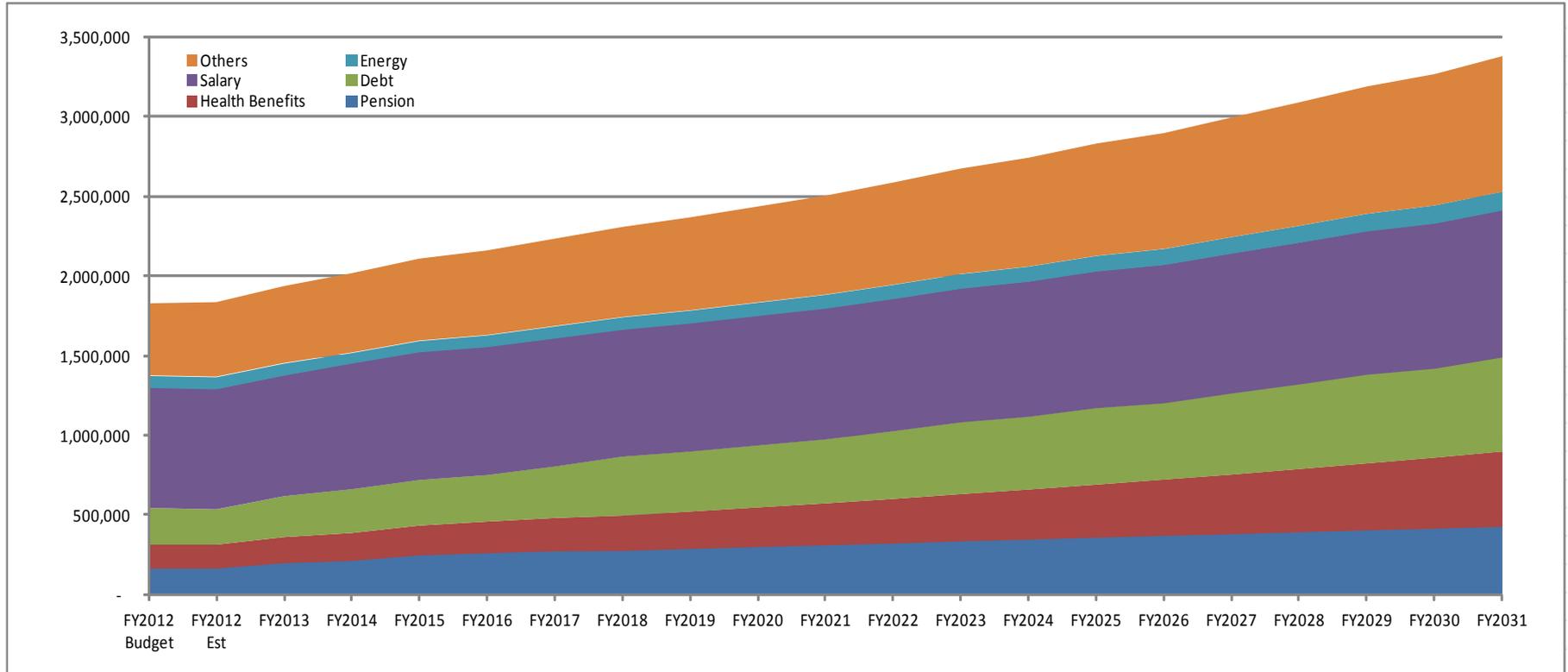


# C. Baseline: Revenues vs. Expenditures





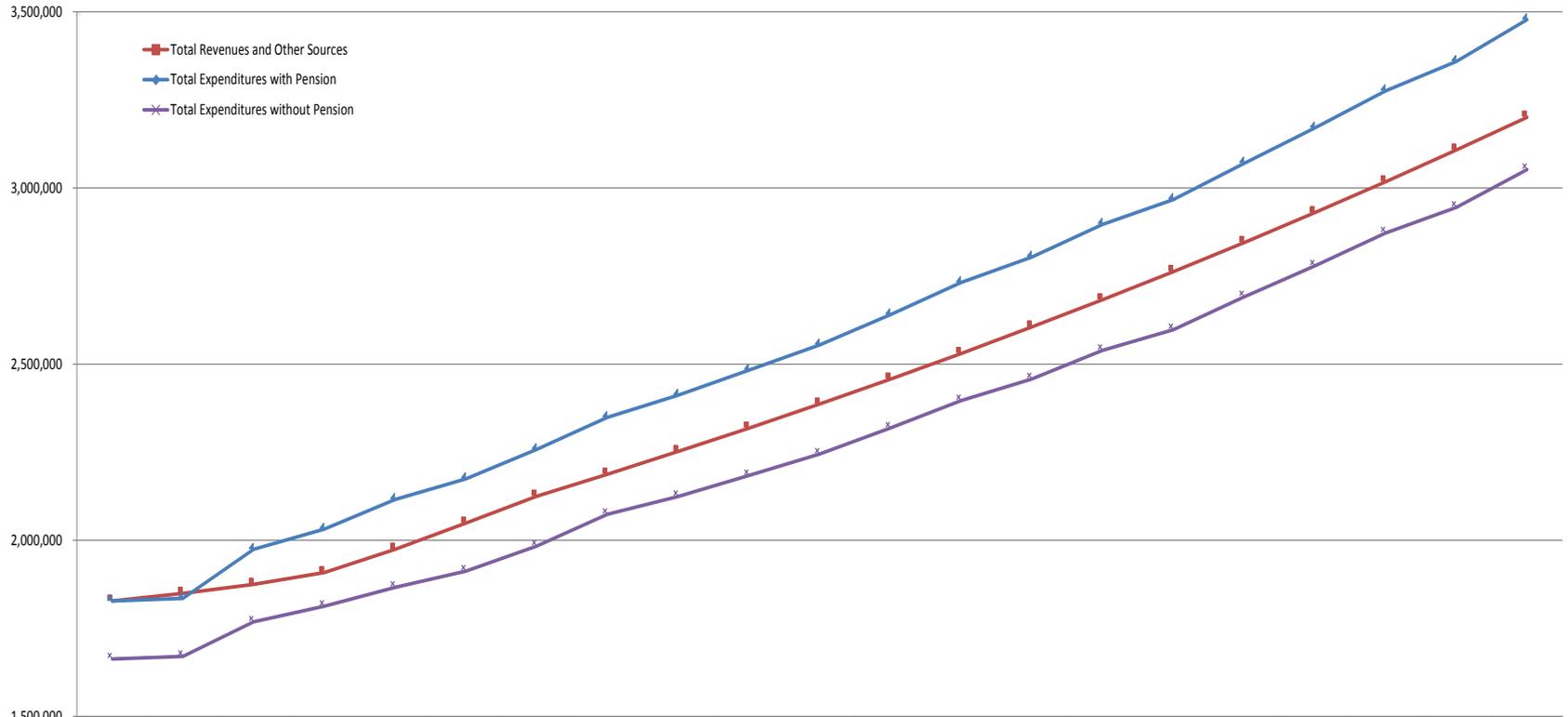
# D. Baseline: Expenditures by Category



EXPENDITURES	FY2012 Budget	FY2012 Est	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Pension	9.00%	8.96%	10.23%	10.54%	11.69%	12.05%	12.22%	11.91%	12.12%	12.27%	12.36%	12.42%	12.53%	12.60%	12.62%	12.74%	12.65%	12.66%	12.63%	12.66%	12.58%
Health Benefits	8.20%	8.17%	8.44%	8.66%	8.87%	9.18%	9.32%	9.56%	9.87%	10.17%	10.49%	10.77%	11.04%	11.41%	11.71%	12.13%	12.44%	12.78%	13.12%	13.58%	13.91%
Debt	12.57%	12.01%	13.22%	13.59%	13.51%	13.47%	14.44%	16.01%	15.88%	15.96%	16.01%	16.41%	16.80%	16.62%	16.94%	16.51%	16.99%	17.19%	17.45%	17.08%	17.48%
Salary	41.34%	41.21%	39.21%	39.19%	38.14%	37.30%	36.07%	34.59%	34.05%	33.43%	32.86%	32.15%	31.43%	30.99%	30.36%	30.01%	29.37%	28.80%	28.24%	27.91%	27.33%
Energy	4.11%	4.10%	3.91%	3.27%	3.35%	3.39%	3.39%	3.39%	3.41%	3.42%	3.43%	3.43%	3.42%	3.44%	3.44%	3.47%	3.47%	3.47%	3.47%	3.47%	3.48%
Other Costs	24.78%	25.55%	24.99%	24.75%	24.44%	24.62%	24.57%	24.54%	24.68%	24.75%	24.85%	24.83%	24.78%	24.94%	24.93%	25.14%	25.09%	25.10%	25.09%	25.28%	25.22%
<b>Total</b>	<b>100.00%</b>																				



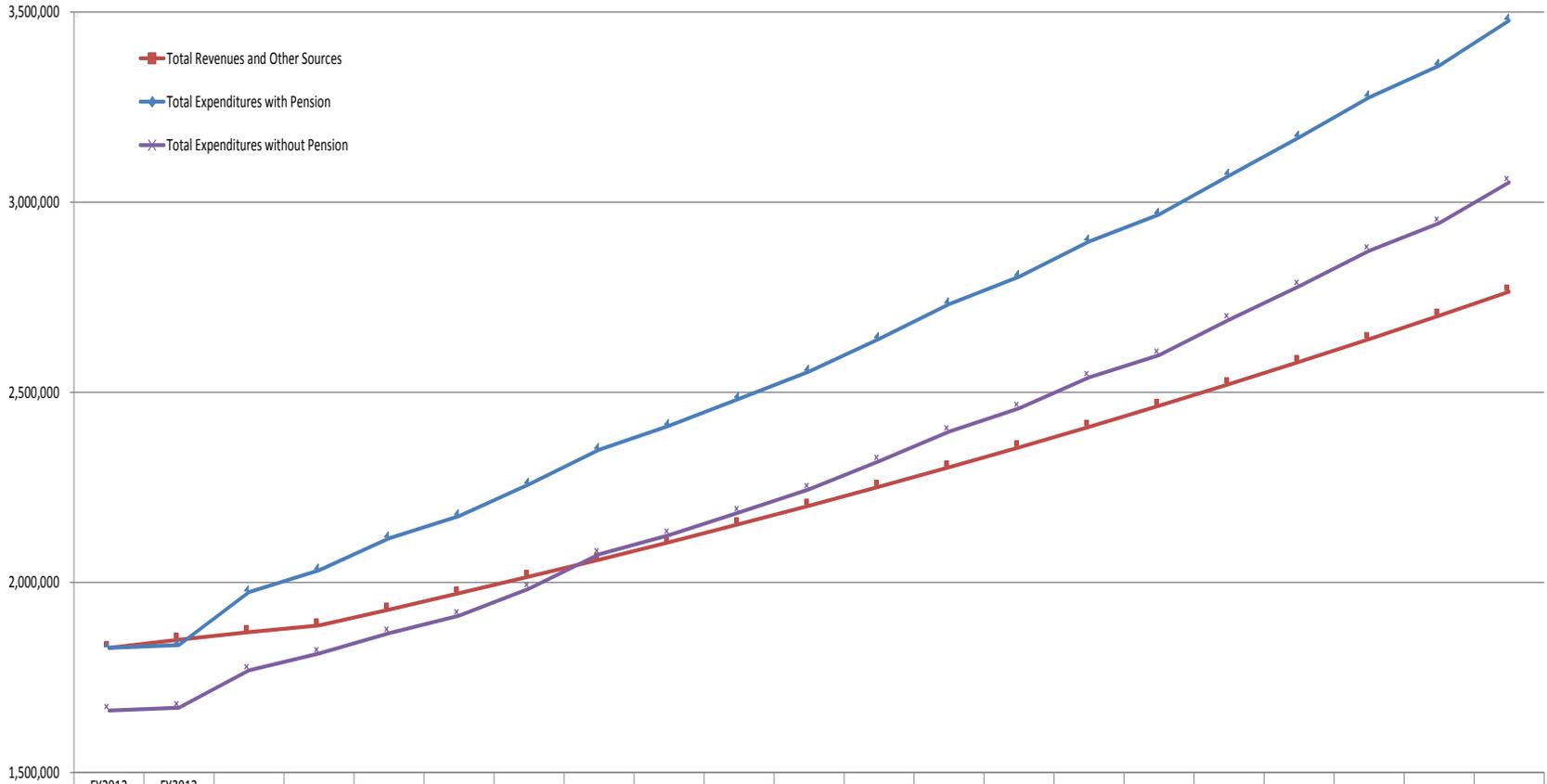
# E. Scenario I: Revenues vs. Expenditures



	FY2012 Budget	FY2012 Estimates	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Total Revenues and Other Sources	1,827,998	1,849,782	1,875,481	1,908,567	1,974,751	2,048,948	2,125,373	2,187,763	2,252,171	2,318,581	2,387,058	2,457,667	2,530,474	2,605,550	2,682,966	2,762,796	2,845,115	2,930,004	3,017,542	3,107,815	3,200,907
Total Expenditures with Pension	1,827,998	1,835,414	1,974,554	2,031,845	2,116,172	2,174,758	2,258,119	2,348,762	2,411,949	2,483,109	2,554,503	2,640,306	2,731,829	2,803,897	2,896,819	2,967,409	3,070,160	3,170,377	3,275,628	3,359,069	3,477,825
The Gap	-	-	(104,074)	(128,278)	(146,421)	(125,811)	(132,746)	(160,999)	(159,779)	(164,527)	(167,444)	(182,639)	(201,354)	(198,346)	(213,853)	(204,614)	(225,045)	(240,374)	(258,086)	(251,254)	(276,917)
Total Expenditures without Pension	1,663,482	1,670,898	1,768,888	1,813,234	1,866,902	1,912,932	1,983,917	2,073,798	2,124,874	2,184,113	2,244,799	2,318,844	2,396,627	2,458,139	2,539,166	2,598,056	2,691,143	2,778,836	2,872,509	2,945,204	3,052,300



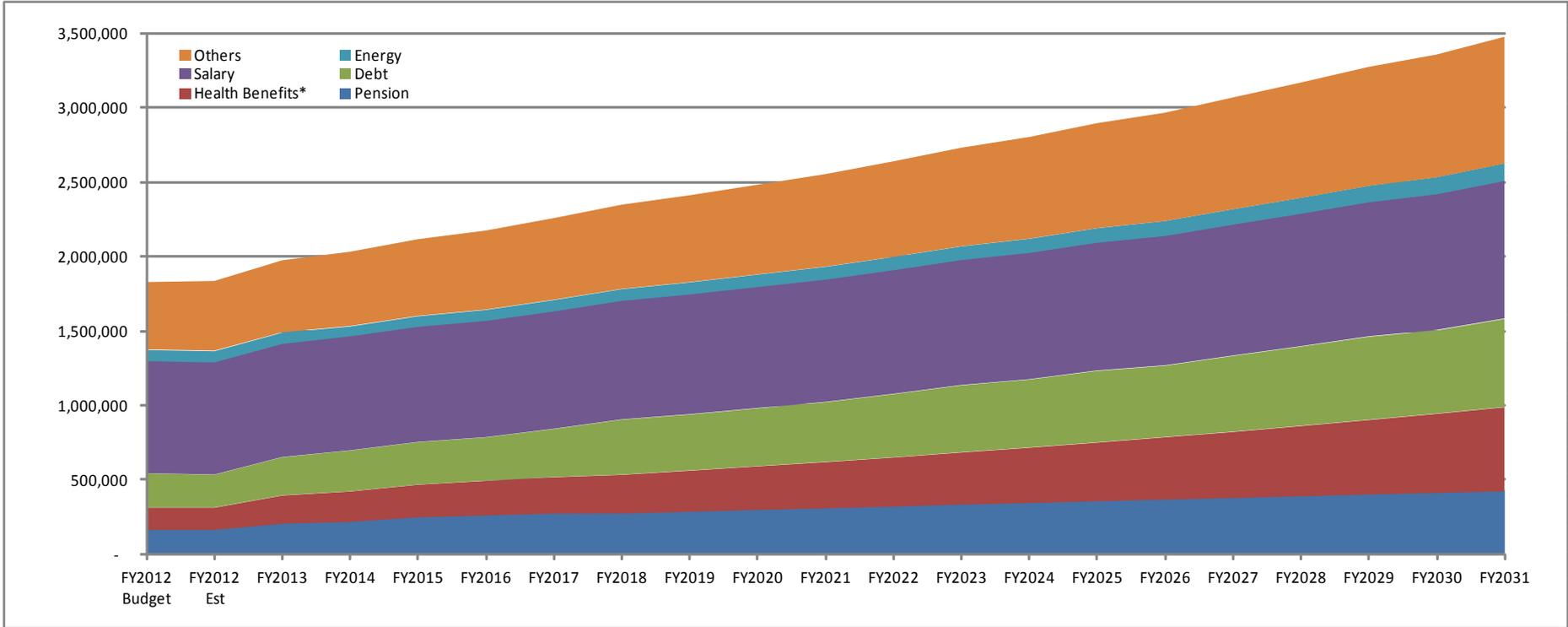
# F. Scenario II: Revenues vs. Expenditures



	FY2012 Budget	FY2012 Estimates	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Total Revenues and Other Sources	1,827,998	1,849,782	1,869,824	1,887,333	1,928,896	1,971,526	2,015,272	2,060,088	2,106,162	2,153,451	2,201,991	2,251,819	2,302,973	2,355,492	2,409,417	2,464,789	2,521,651	2,580,047	2,640,023	2,701,627	2,764,907
Total Expenditures with Pension	1,827,998	1,835,414	1,974,554	2,031,846	2,116,174	2,174,762	2,258,125	2,348,770	2,411,959	2,483,121	2,554,517	2,640,322	2,731,847	2,803,918	2,896,843	2,967,435	3,070,188	3,170,408	3,275,661	3,359,105	3,477,863
The Gap with Pension	-	-	(109,730)	(149,512)	(192,278)	(203,236)	(242,853)	(288,682)	(305,798)	(329,670)	(352,526)	(388,503)	(428,874)	(448,425)	(487,426)	(502,646)	(548,537)	(590,361)	(635,638)	(657,477)	(712,956)
Total Expenditures without Pension	1,663,482	1,670,898	1,768,888	1,813,235	1,866,904	1,912,935	1,983,922	2,073,804	2,124,882	2,184,122	2,244,810	2,318,856	2,396,642	2,458,155	2,539,183	2,598,076	2,691,165	2,778,859	2,872,534	2,945,232	3,052,329



# G. Scenario I – III, V: Expenditures by Category

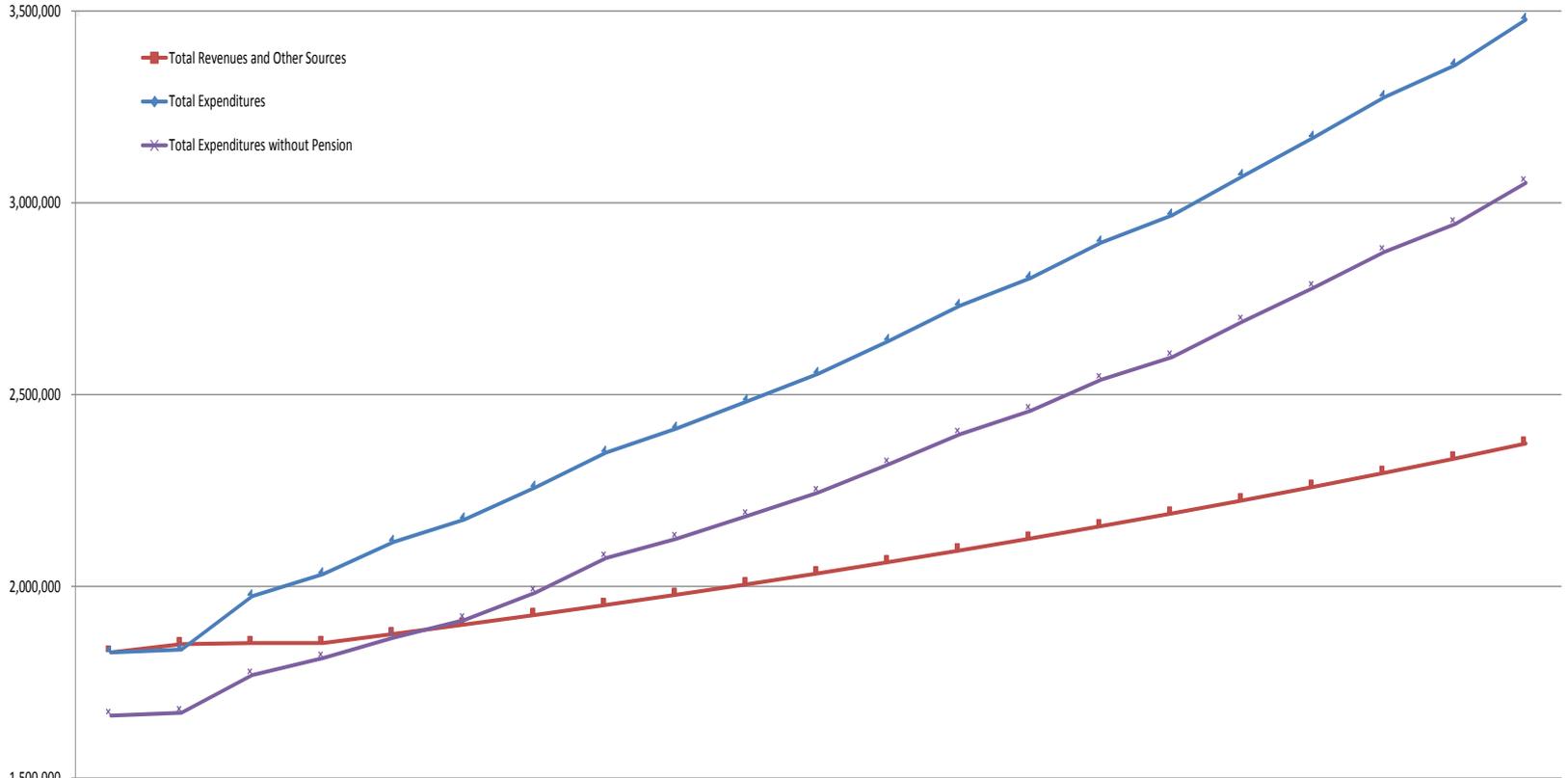


EXPENDITURES	FY2012 Budget	FY2012 Est	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Pension	9.00%	8.96%	10.42%	10.76%	11.78%	12.04%	12.14%	11.71%	11.90%	12.04%	12.12%	12.18%	12.27%	12.33%	12.35%	12.45%	12.35%	12.35%	12.31%	12.32%	12.24%
Health Benefits*	8.20%	8.17%	9.67%	10.08%	10.38%	10.73%	10.88%	11.11%	11.48%	11.83%	12.21%	12.53%	12.86%	13.29%	13.66%	14.15%	14.52%	14.92%	15.33%	15.86%	16.26%
Debt	12.57%	12.01%	12.97%	13.49%	13.47%	13.38%	14.28%	15.74%	15.60%	15.66%	15.70%	16.08%	16.46%	16.27%	16.56%	16.13%	16.59%	16.77%	17.01%	16.63%	17.01%
Salary	41.34%	41.21%	38.60%	37.85%	36.68%	36.02%	35.02%	34.00%	33.44%	32.81%	32.23%	31.51%	30.79%	30.33%	29.69%	29.32%	28.67%	28.10%	27.52%	27.18%	26.58%
Energy	4.11%	4.10%	3.83%	3.24%	3.34%	3.37%	3.36%	3.33%	3.35%	3.36%	3.37%	3.36%	3.35%	3.37%	3.37%	3.39%	3.38%	3.38%	3.38%	3.40%	3.39%
Other Costs	24.78%	25.55%	24.51%	24.58%	24.35%	24.46%	24.31%	24.12%	24.24%	24.30%	24.37%	24.33%	24.27%	24.40%	24.38%	24.56%	24.50%	24.48%	24.45%	24.61%	24.53%
<b>Total</b>	<b>100.00%</b>																				

\*Note: Health Benefits include funding for Other Post Employment Benefits (OPEB).



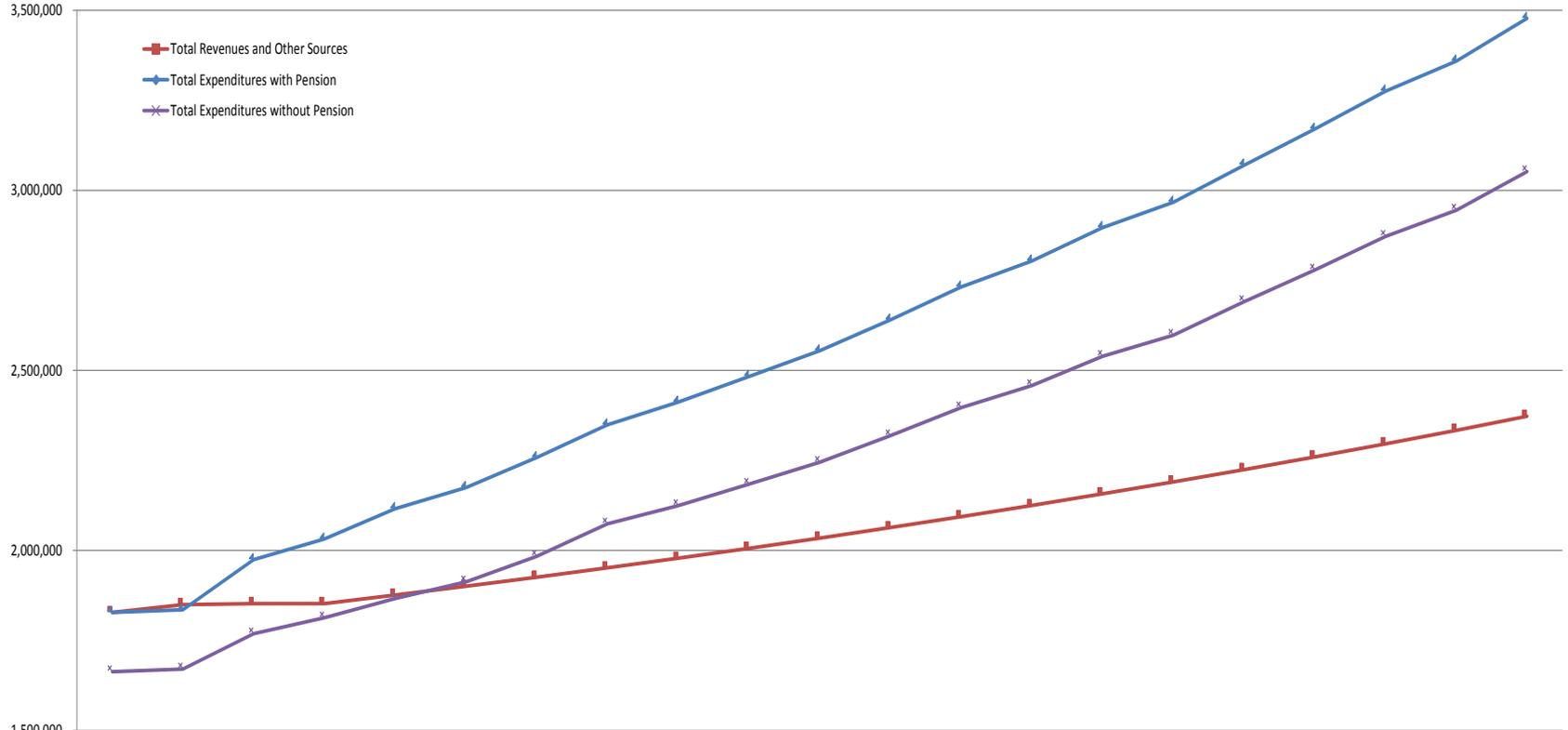
# H. Scenario II: Revenues vs. Expenditures



	FY2012 Budget	FY2012 Estimates	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Total Revenues and Other Sources	1,827,998	1,849,782	1,852,650	1,852,643	1,876,338	1,900,744	1,925,900	1,951,755	1,978,488	2,006,050	2,034,469	2,063,773	2,093,993	2,125,159	2,157,303	2,190,459	2,224,661	2,259,943	2,296,344	2,333,901	2,372,653
Total Expenditures	1,827,998	1,835,414	1,974,554	2,031,846	2,116,174	2,174,762	2,258,125	2,348,770	2,411,959	2,483,121	2,554,517	2,640,322	2,731,847	2,803,918	2,896,843	2,967,435	3,070,188	3,170,408	3,275,661	3,359,105	3,477,863
The Gap with Pension	-	-	(126,904)	(184,203)	(244,836)	(274,019)	(332,225)	(397,015)	(433,471)	(477,070)	(520,048)	(576,549)	(637,854)	(678,759)	(739,540)	(776,976)	(845,527)	(910,465)	(979,317)	(1,025,204)	(1,105,211)
Total Expenditures without Pension	1,663,482	1,670,898	1,768,888	1,813,235	1,866,904	1,912,935	1,983,922	2,073,804	2,124,882	2,184,122	2,244,810	2,318,856	2,396,642	2,458,155	2,539,183	2,598,076	2,691,165	2,778,859	2,872,534	2,945,232	3,052,329



# I. Scenario V: Revenues vs. Expenditures



	FY2012 Budget	FY2012 Estimates	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Total Revenues and Other Sources	1,827,998	1,849,782	1,852,650	1,852,643	1,876,338	1,900,744	1,925,900	1,951,755	1,978,488	2,006,050	2,034,469	2,063,773	2,093,993	2,125,159	2,157,303	2,190,459	2,224,661	2,259,943	2,296,344	2,333,901	2,372,653
Total Expenditures with Pension	1,827,998	1,835,414	1,974,554	2,031,845	2,116,172	2,174,758	2,258,119	2,348,762	2,411,949	2,483,109	2,554,503	2,640,306	2,731,829	2,803,897	2,896,819	2,967,409	3,070,160	3,170,377	3,275,628	3,359,069	3,477,825
The Gap with Pension	-	-	(87,770)	(104,309)	(114,255)	(84,888)	(82,478)	(100,765)	(88,925)	(82,366)	(73,253)	(75,656)	(80,779)	(63,338)	(63,527)	(38,038)	(41,243)	(38,319)	(36,699)	(9,402)	(13,410)
Total Expenditures without Pension	1,663,482	1,670,898	1,768,888	1,813,234	1,866,902	1,912,932	1,983,917	2,073,798	2,124,874	2,184,113	2,244,799	2,318,844	2,396,627	2,458,139	2,539,166	2,598,056	2,691,143	2,778,836	2,872,509	2,945,204	3,052,300



## J. Actuarially Required Contribution (ARC) – HMEPS and HFRRF

<u>Fiscal Year</u>	<u>HMEPS</u>	<u>HFRRF</u>
2013	25.5%	23.90%
2014	26.4%	23.90%
2015	27.1%	31.60%
2016	27.7%	31.60%
2017	28.2%	31.60%
2018	28.6%	26.90%
2019	29.0%	26.90%
2020	29.3%	26.90%
2021	29.6%	26.40%
2022	29.8%	26.40%
2023	30.8%	26.40%
2024	31.0%	25.90%
2025	31.2%	25.90%
2026	31.3%	25.90%
2027	31.0%	25.50%
2028	31.4%	25.50%
2029	31.4%	25.50%
2030	31.5%	25.10%
2031	31.5%	25.10%

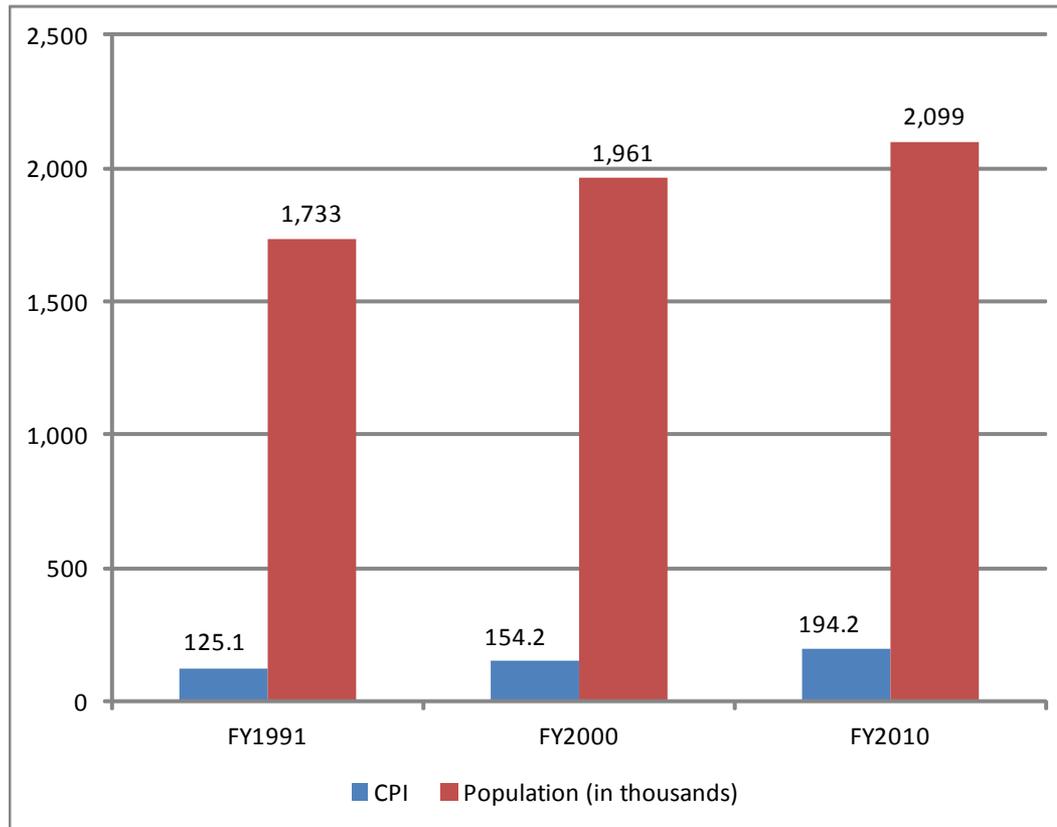
**Note:**

1. ARC rate for HFRRF is adjusted every 3 years to reflect the Collective Bargaining agreement
2. Assuming there is no change in benefit structure



## K. Consumer Price Index v. Population

- CPI and population and growth averages were used as the basis of a number of FMTF assumptions, and the data used to calculate these averages is shown here .



**CPI annual average growth in the past 20 years = 2.22%**

**Population annual average growth in the past 20 years = 0.96%**

**CPI plus Population annual avg. growth in the past 20 years = 3.18% (approx. 3.20%)**