



# City of Houston

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## Long Range Financial Management Task Force

Deep Dive on City Expenditures

October 31, 2011



# Agenda

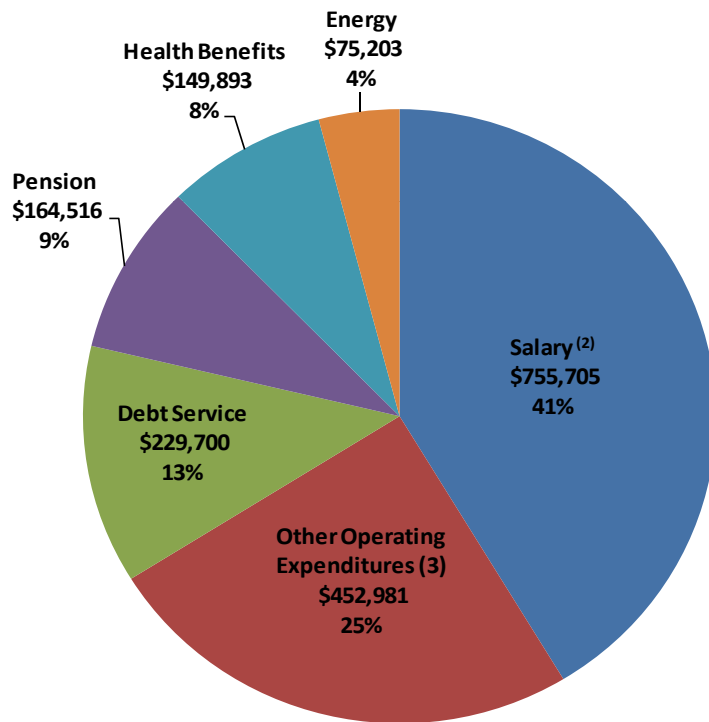
- General Fund Expenditure
  - Overview & Historical Data
  - Personnel
    - Fire Classified Pay Comparison
    - Police Classified Pay Comparison
  - Pension
  - Health Benefits
  - Energy
  - Debt Service
  - Other Operating Expenditures
  - Expenditure Outlook
  - Management Initiatives



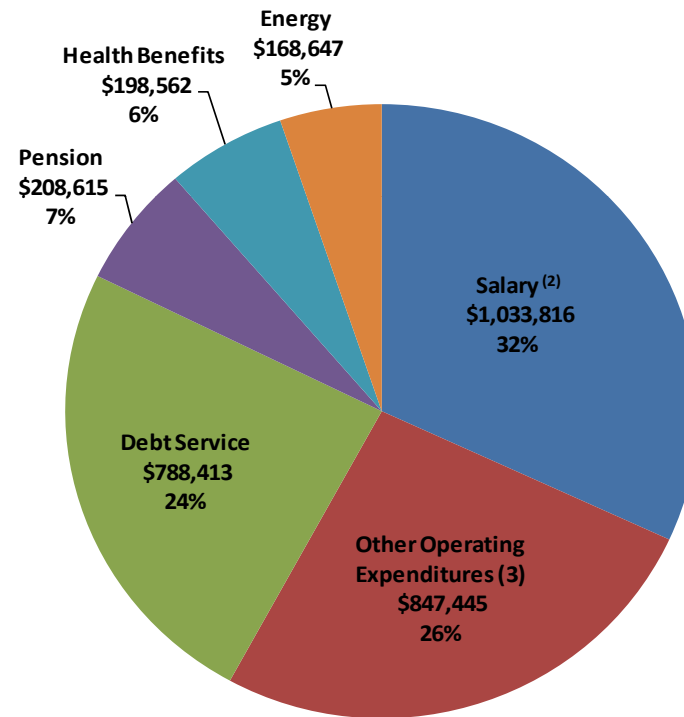
# FY2012 Expenditures & Other Uses Overview

(\$ in Thousands)

**General Fund**  
**\$1,827,998**



**All Funds<sup>(1)</sup>**  
**\$3,245,498**



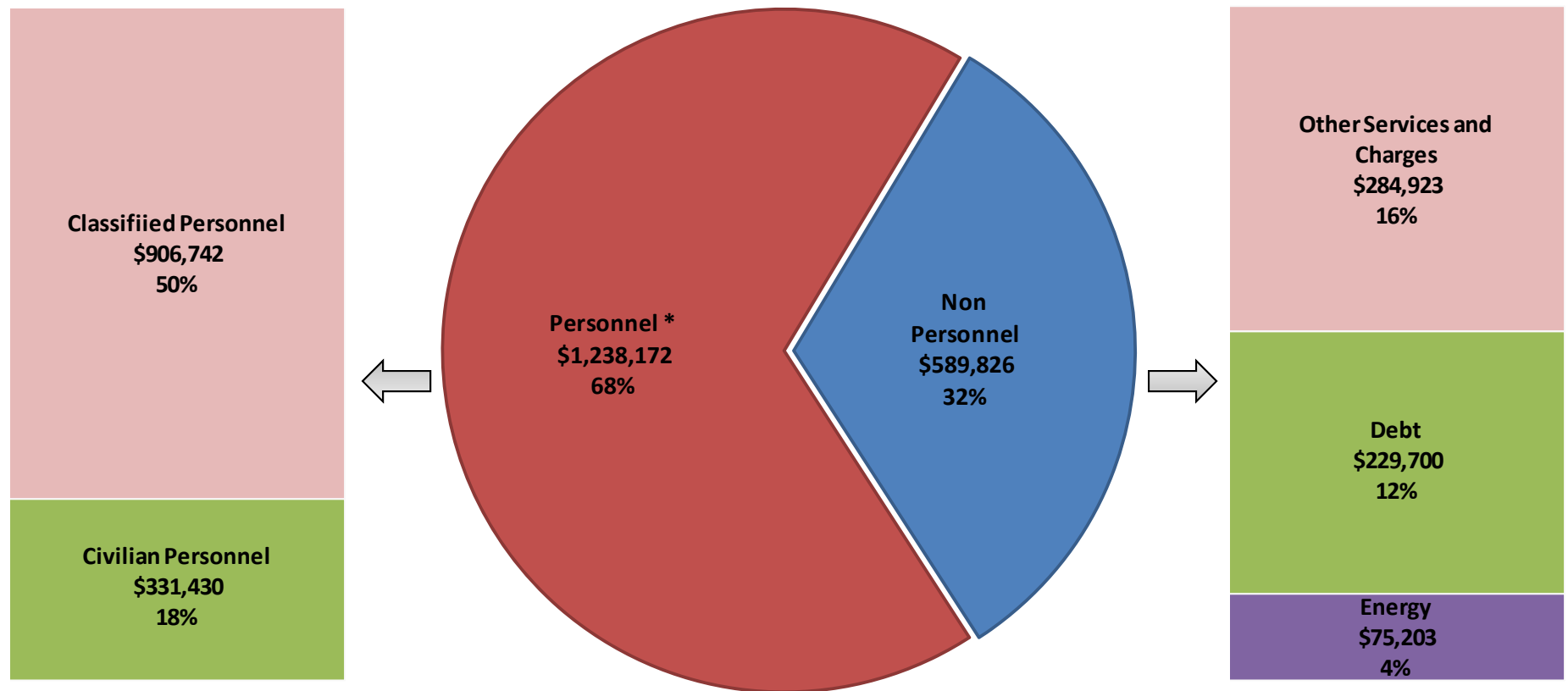
1. Includes General Fund, Special Funds, and Enterprise Funds
2. Salary includes: Base Pay (full and part-time) and FICA. In General Fund, over 2/3 of salary costs are classified
3. Other Operating Expenditures includes: Overtime, Temporary Employees, Unemployment Claims, Workers Compensation, Classified Special Pays, etc.



# FY2012 General Fund Expenditures Personnel vs. Non Personnel

(\$ in Thousands)

**Adopted Budget  
\$1,827,998**

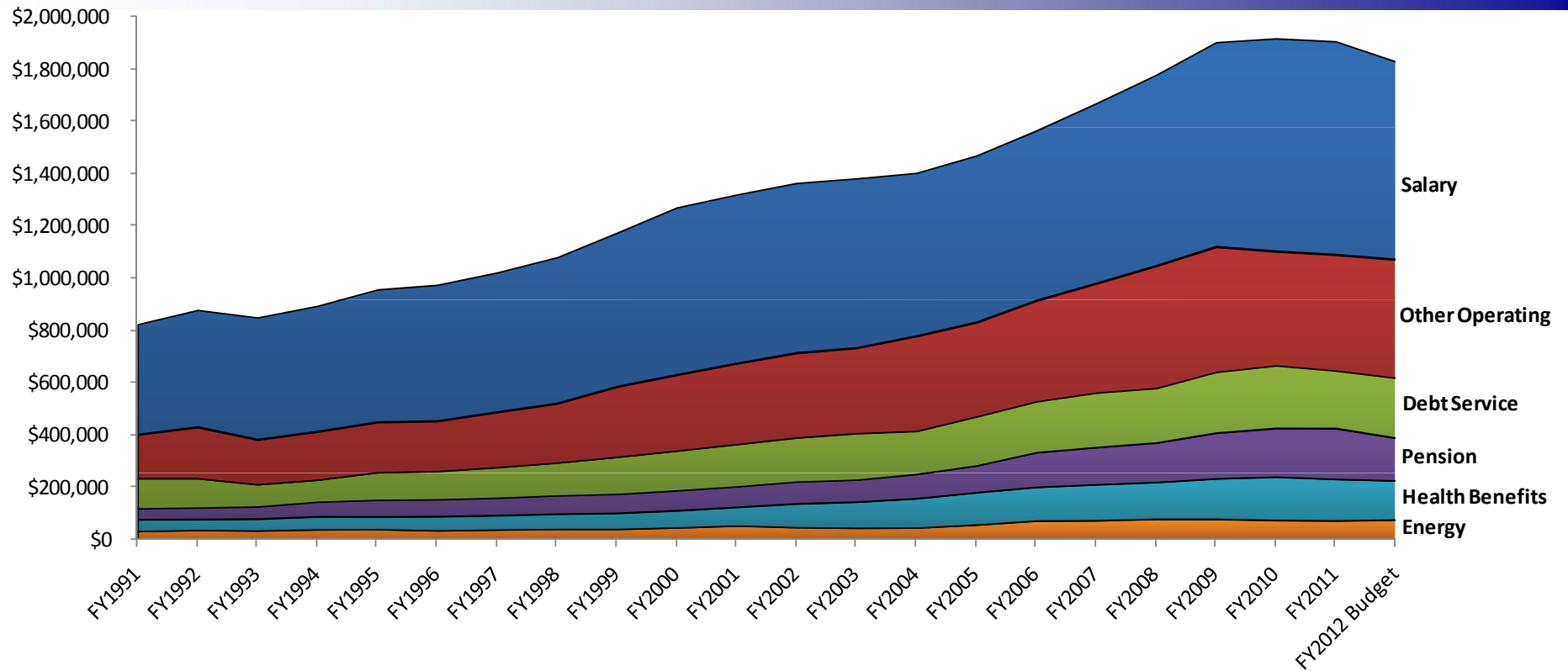


\* Includes Temporary Personnel Services



# General Fund Expenditures by Category

(\$ in Thousands)



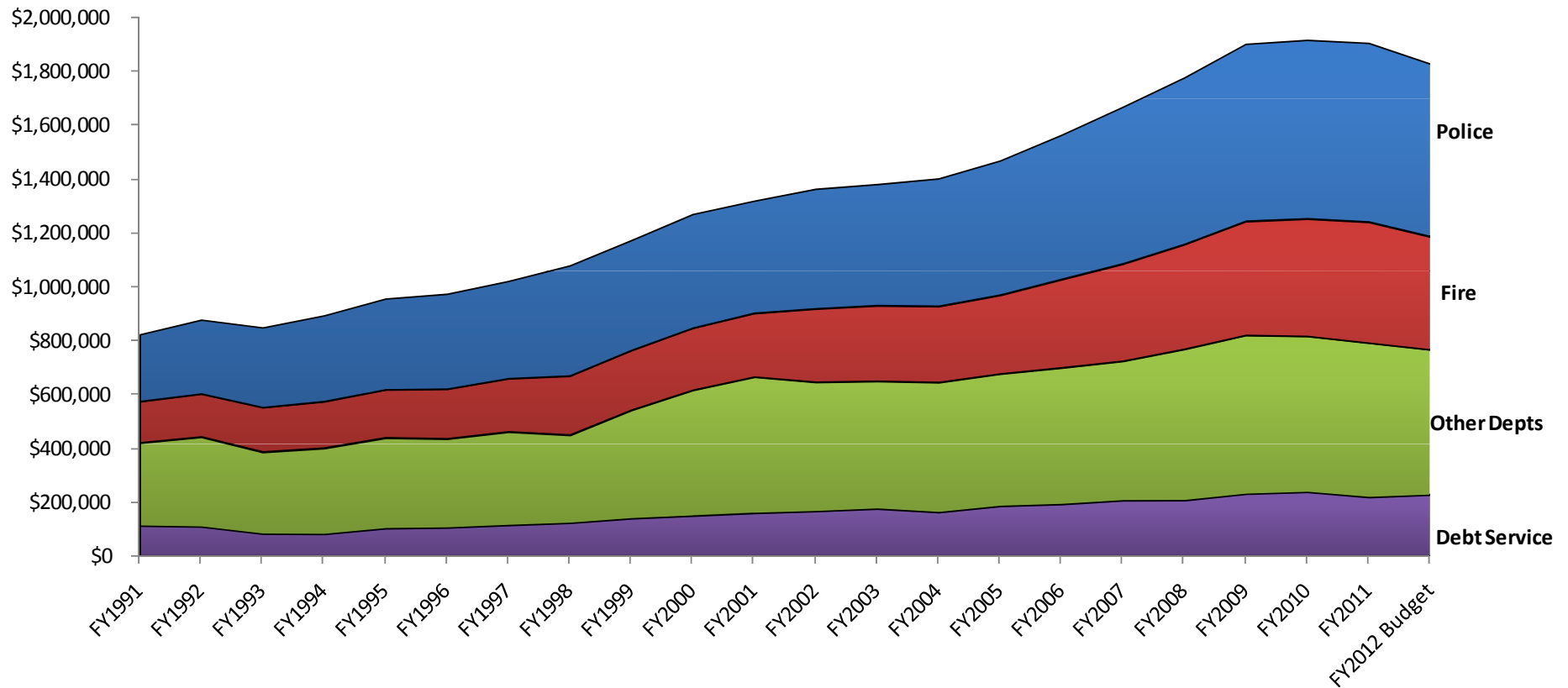
Fiscal Year	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Budget
Salary	\$419,971	\$446,088	\$465,253	\$479,573	\$505,893	\$518,995	\$532,274	\$557,617	\$586,934	\$638,580	\$644,205	\$648,343	\$646,464	\$622,125	\$635,963	\$648,406	\$687,286	\$728,601	\$780,642	\$812,934	\$814,363	\$755,705
Other Operating	\$167,398	\$195,754	\$170,447	\$183,882	\$191,565	\$191,419	\$210,834	\$226,187	\$268,803	\$290,250	\$309,028	\$323,777	\$326,676	\$363,375	\$360,509	\$386,196	\$418,113	\$467,882	\$478,880	\$436,592	\$443,413	\$452,981
Debt Service	\$115,000	\$111,503	\$84,924	\$84,050	\$105,260	\$107,879	\$117,073	\$125,492	\$142,000	\$151,999	\$162,000	\$168,764	\$178,000	\$165,000	\$188,000	\$195,000	\$209,000	\$209,350	\$232,948	\$240,020	\$220,838	\$229,700
Pension	\$43,688	\$46,674	\$48,664	\$58,227	\$66,241	\$67,034	\$68,566	\$72,139	\$74,075	\$78,319	\$79,944	\$85,342	\$85,828	\$94,165	\$103,638	\$133,936	\$143,513	\$151,886	\$175,995	\$186,985	\$195,351	\$164,516
Health Benefits	\$44,947	\$41,347	\$45,054	\$49,363	\$48,086	\$53,574	\$54,900	\$57,690	\$61,292	\$65,058	\$71,207	\$90,506	\$100,241	\$112,409	\$123,435	\$128,534	\$137,385	\$140,566	\$155,017	\$166,113	\$159,064	\$149,893
Energy	\$30,930	\$34,996	\$33,019	\$37,449	\$37,981	\$33,647	\$36,654	\$39,249	\$39,131	\$44,933	\$52,296	\$46,035	\$43,151	\$44,258	\$56,334	\$71,674	\$72,779	\$78,549	\$78,166	\$73,743	\$72,095	\$75,203
<b>Total</b>	<b>\$821,934</b>	<b>\$876,363</b>	<b>\$847,361</b>	<b>\$892,544</b>	<b>\$955,026</b>	<b>\$972,548</b>	<b>\$1,020,301</b>	<b>\$1,078,374</b>	<b>\$1,172,235</b>	<b>\$1,269,139</b>	<b>\$1,318,680</b>	<b>\$1,362,767</b>	<b>\$1,380,360</b>	<b>\$1,401,332</b>	<b>\$1,467,879</b>	<b>\$1,563,746</b>	<b>\$1,668,076</b>	<b>\$1,776,834</b>	<b>\$1,901,648</b>	<b>\$1,916,387</b>	<b>\$1,905,124</b>	<b>\$1,827,998</b>

Other Operating Expenditures: Overtime, Temporary Employees, Unemployment Claims, Workers Compensation, Classified Special Pays, etc.



# General Fund Expenditures by Department

(\$ in Thousands)



Fiscal Year	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Budget
Police	\$248,079	\$274,147	\$295,852	\$318,585	\$337,429	\$352,326	\$361,071	\$409,373	\$408,163	\$422,048	\$416,470	\$443,749	\$449,624	\$473,223	\$498,187	\$535,504	\$581,787	\$618,304	\$657,225	\$662,765	\$663,461	\$640,741
Fire	\$151,712	\$158,290	\$163,789	\$171,620	\$176,860	\$183,309	\$196,129	\$218,083	\$220,400	\$229,366	\$235,392	\$271,598	\$279,618	\$281,525	\$291,352	\$327,323	\$360,542	\$388,352	\$422,718	\$435,852	\$448,817	\$419,309
Other Depts	\$307,143	\$332,423	\$302,796	\$318,289	\$335,477	\$329,034	\$346,028	\$325,426	\$401,672	\$465,726	\$504,818	\$478,656	\$473,118	\$481,584	\$490,340	\$505,919	\$516,747	\$560,828	\$588,757	\$577,750	\$572,008	\$538,248
Debt Service	\$115,000	\$111,503	\$84,924	\$84,050	\$105,260	\$107,879	\$117,073	\$125,492	\$142,000	\$151,999	\$162,000	\$168,764	\$178,000	\$165,000	\$188,000	\$195,000	\$209,000	\$209,350	\$232,948	\$240,020	\$220,838	\$229,700
<b>Total</b>	<b>\$821,934</b>	<b>\$876,363</b>	<b>\$847,361</b>	<b>\$892,544</b>	<b>\$955,026</b>	<b>\$972,548</b>	<b>\$1,020,301</b>	<b>\$1,078,374</b>	<b>\$1,172,235</b>	<b>\$1,269,139</b>	<b>\$1,318,680</b>	<b>\$1,362,767</b>	<b>\$1,380,360</b>	<b>\$1,401,332</b>	<b>\$1,467,879</b>	<b>\$1,563,746</b>	<b>\$1,668,076</b>	<b>\$1,776,834</b>	<b>\$1,901,648</b>	<b>\$1,916,387</b>	<b>\$1,905,124</b>	<b>\$1,827,998</b>



# General Fund Expenditures

## Key Points

- Major changes in the past 20 years (FY1991 – FY2012):
  - Salary cost increased by 80%. The allocation decreased from 50% to 41% of the total expenditures.
  - Debt Service increased by 100%. The allocation decreased from 14% to 12% of the total expenditures.
  - Pension increased by 277%. The allocation increased from 5.3% to 9% of the total expenditures.
  - Health Benefit increased by 243%. The allocation increased from 5.4% to 8% of the total expenditures.
  - Energy increased by 143%. The allocation slightly increased from 3.8% to 4% of the total expenditures.
  - Public safety (Police & Fire) grew from 48.6% to 58% of the total expenditures.
    - While other departments' expenses decreased from 37% to 29% of the total General Fund expenditures.



# City of Houston

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## Personnel





# Population vs. Citywide Staffing Growth

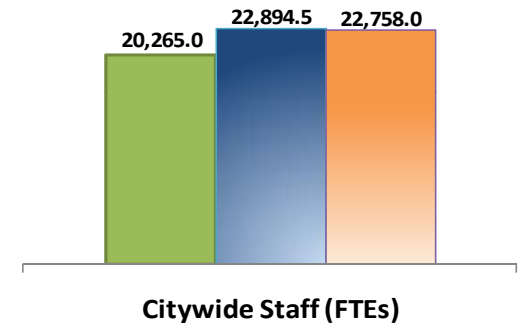
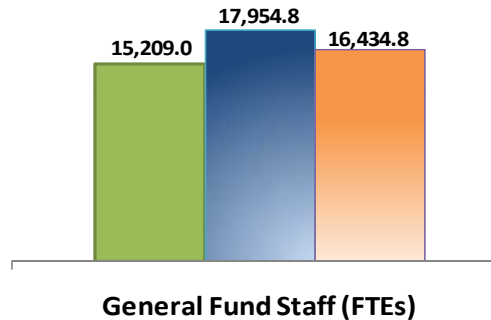
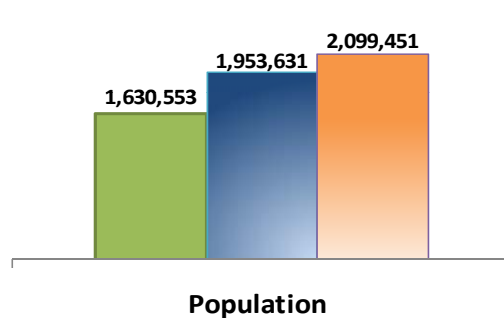
Percentage Growth Over the Last 20 Years

Full-Time Equivalents(FTEs) includes Overtime

## Percentage Growth: 1990 to 2010

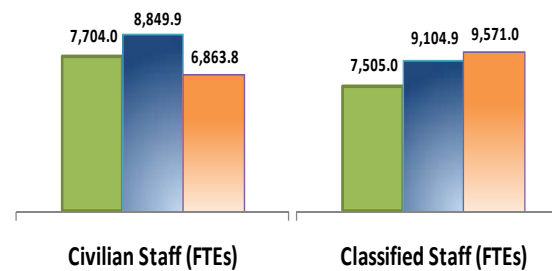
Population: 28.8%  
General Fund Staff: 8.1%  
Citywide Staff: 12.3%

■ 1990 ■ 2000 ■ 2010



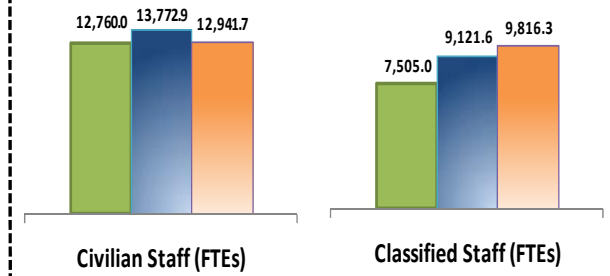
## Percentage Growth: 1990 to 2010

Civilian: -10.9%  
Classified: 27.5%



## Percentage Growth: 1990 to 2010

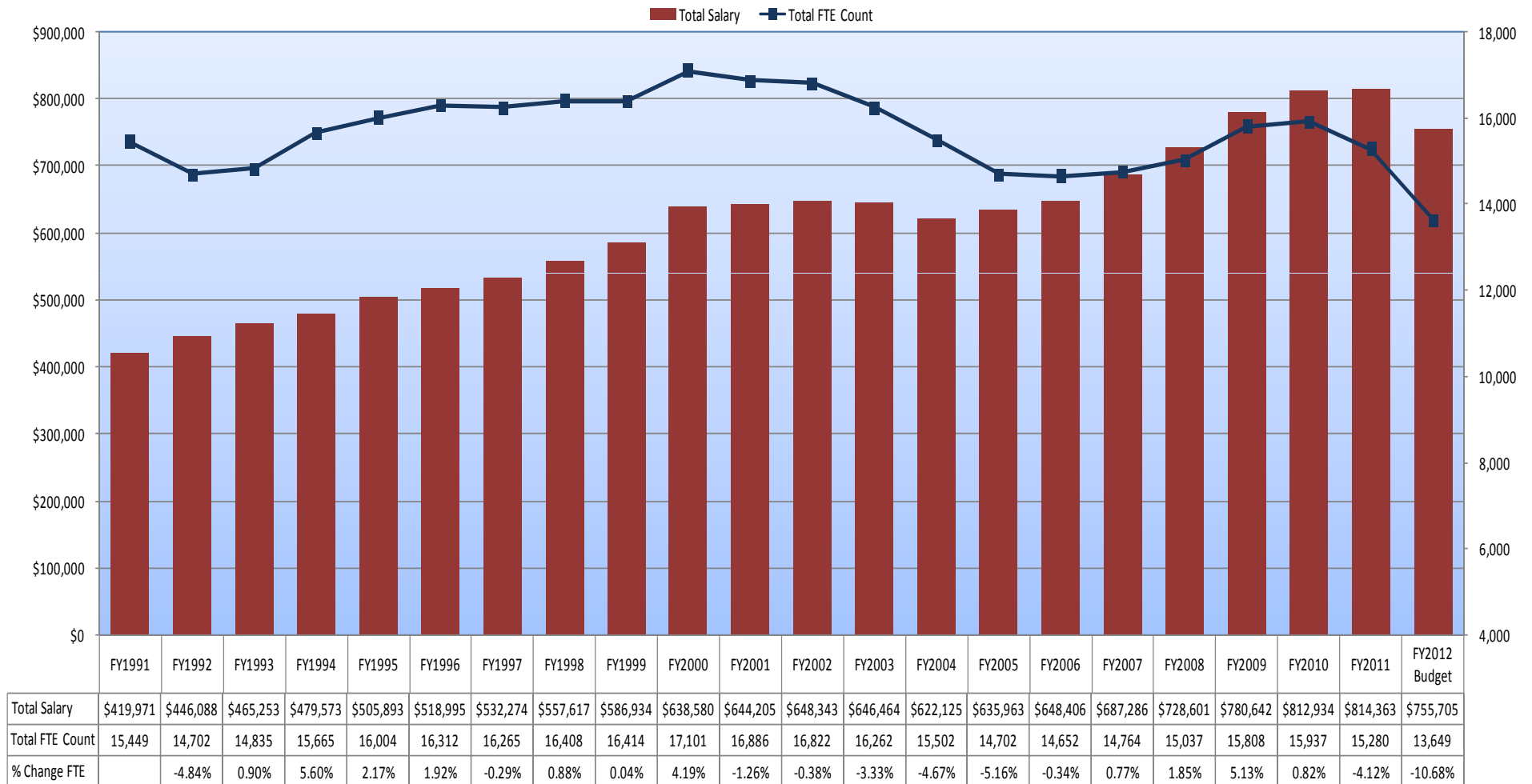
Civilian: 1.4%  
Classified: 30.8%





# Total General Fund Payroll and Full-Time Equivalents (FTEs)

(Payroll \$ in Thousands)

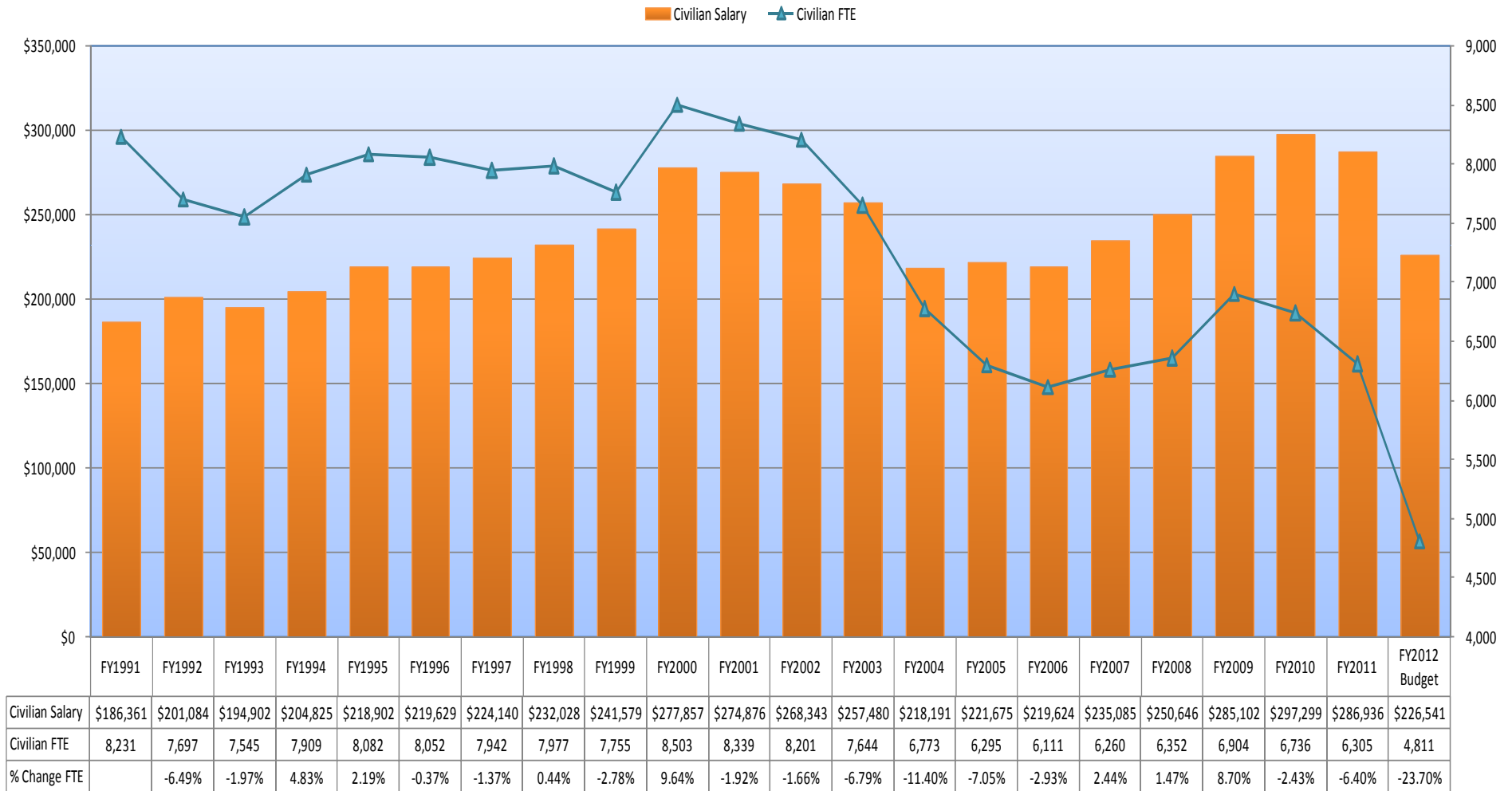


Payroll (Civilian & Classified) includes salary base (full and part-time) and FICA



# Civilian General Fund Payroll and Full-Time Equivalents (FTEs)

(Payroll \$ in Thousands)



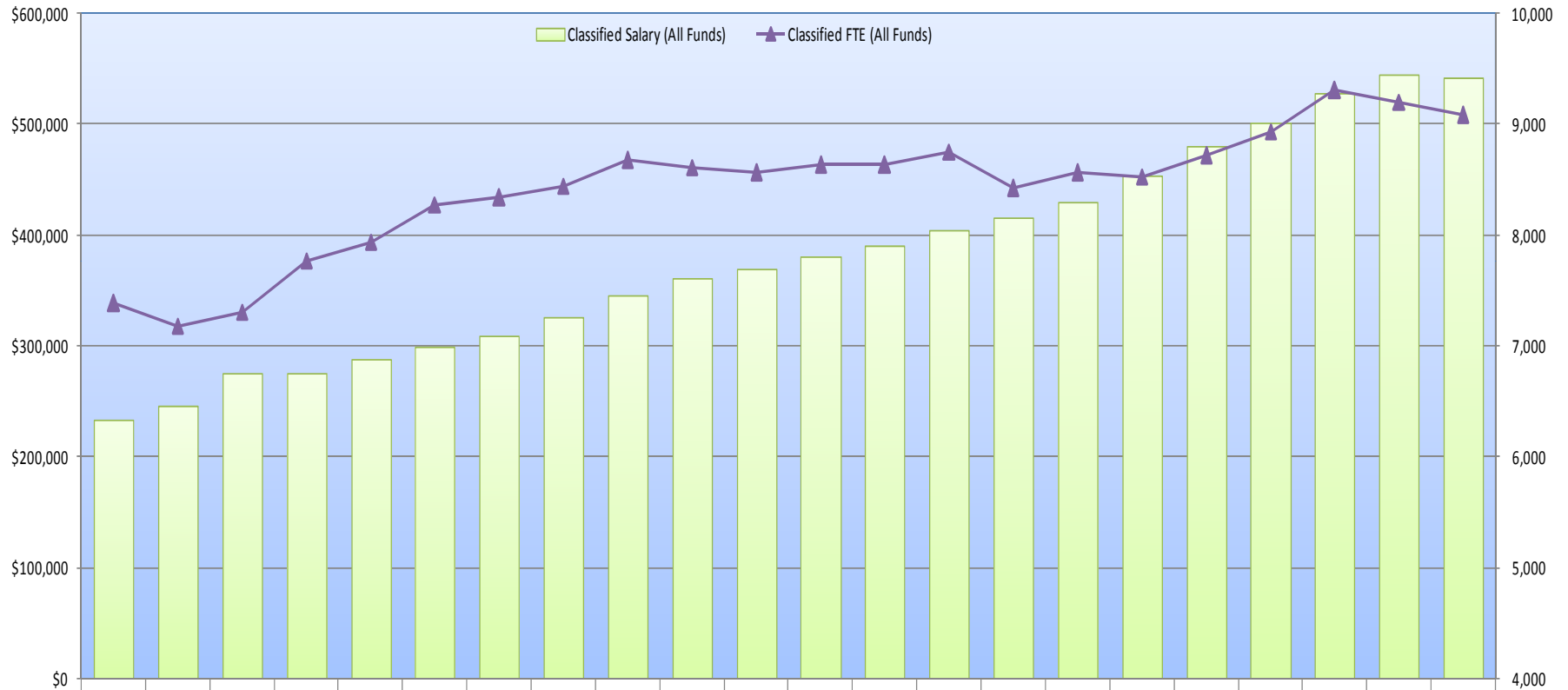
Civilian payroll includes salary base (full and part-time) and FICA

Reduction in FY2012 due to layoffs, consolidations, and creation of Dedicated Drainage and Street Renewal Fund (463.2 FTEs)



# Classified Payroll and Full-Time Equivalents (FTEs) – All Funds

(Payroll \$ in Thousands)



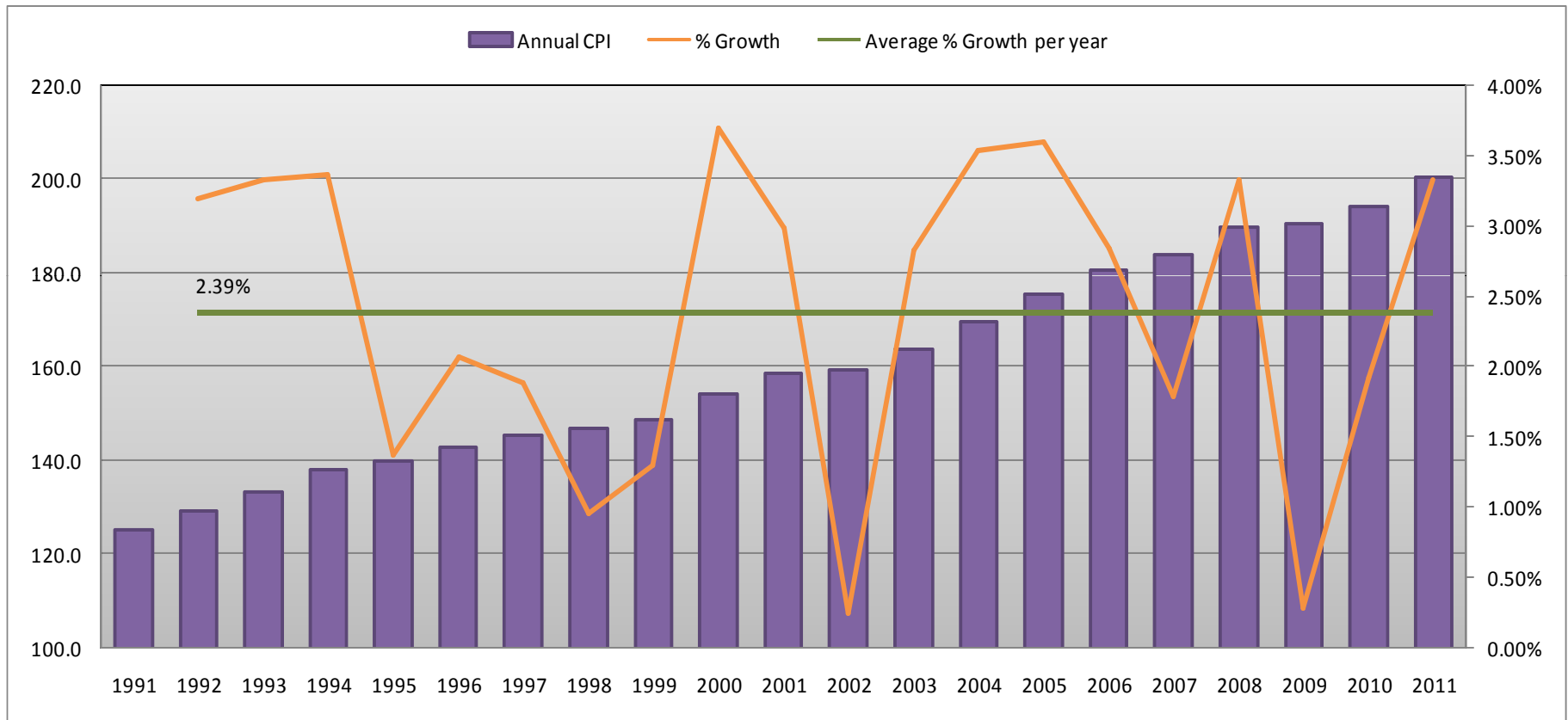
	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Budget
Classified Salary (All Funds)	\$234,087	\$245,506	\$275,986	\$275,281	\$287,519	\$299,910	\$308,802	\$326,138	\$345,969	\$361,362	\$369,957	\$380,598	\$390,591	\$404,810	\$415,486	\$430,474	\$454,387	\$479,923	\$501,827	\$527,715	\$544,981	\$542,436
Classified FTE (All Funds)	7,384	7,176	7,303	7,770	7,936	8,274	8,337	8,444	8,674	8,613	8,560	8,633	8,630	8,747	8,422	8,560	8,523	8,715	8,931	9,305	9,202	9,081
% Change FTE		-2.82%	1.76%	6.40%	2.14%	4.26%	0.76%	1.29%	2.71%	-0.70%	-0.61%	0.86%	-0.04%	1.36%	-3.72%	1.64%	-0.43%	2.25%	2.48%	4.19%	-1.12%	-1.31%

Classified payroll includes salary base (full and part-time) and FICA



# Consumer Price Index – All Items

## Not Seasonally Adjusted



Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CPI	125.1	129.1	133.4	137.9	139.8	142.7	145.4	146.8	148.7	154.2	158.8	159.2	163.7	169.5	175.6	180.6	183.8	190.0	190.5	194.2	200.7
% Growth		3.20%	3.33%	3.37%	1.38%	2.07%	1.89%	0.96%	1.29%	3.70%	2.98%	0.25%	2.83%	3.54%	3.60%	2.85%	1.79%	3.33%	0.28%	1.93%	3.34%

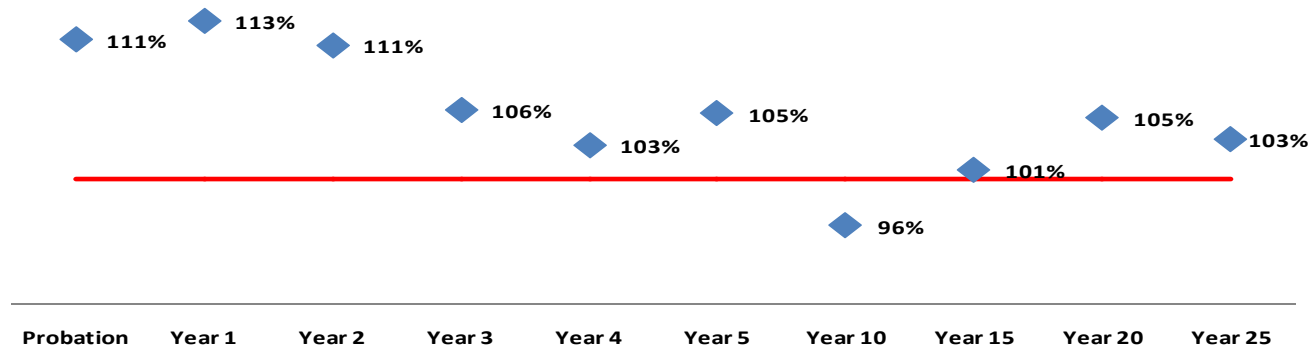


# Pay Comparison Fire Classified

Fire Fighter  
Hourly Regular Rate of Pay with Longevity  
By Years of Service

City	Regular Work Schedule (hours)	Probation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25
Austin	2,756	\$17.33	\$18.86	\$20.49	\$22.39	\$22.42	\$22.45	\$24.88	\$27.54	\$29.04	\$30.61
Dallas	2,808	\$14.68	\$14.69	\$15.44	\$16.22	\$17.05	\$17.92	\$22.98	\$24.21	\$24.29	\$24.38
El Paso	2,912	\$12.47	\$13.11	\$13.79	\$14.50	\$15.24	\$16.02	\$19.55	\$19.65	\$19.75	\$19.86
Fort Worth	2,912	\$16.98	\$17.84	\$18.75	\$19.70	\$20.70	\$21.75	\$22.47	\$23.40	\$23.48	\$23.57
San Antonio	2,912	\$16.76	\$16.79	\$18.66	\$18.70	\$18.73	\$19.52	\$20.49	\$21.49	\$22.08	\$22.68
Average		\$15.64	\$16.26	\$17.43	\$18.30	\$18.83	\$19.53	\$22.07	\$23.26	\$23.73	\$24.22
<b>Houston</b>	<b>2,428</b>	<b>\$17.40</b>	<b>\$18.33</b>	<b>\$19.31</b>	<b>\$19.33</b>	<b>\$19.35</b>	<b>\$20.57</b>	<b>\$21.26</b>	<b>\$23.43</b>	<b>\$24.90</b>	<b>\$25.01</b>
% of Average		111%	113%	111%	106%	103%	105%	96%	101%	105%	103%

Houston as a percent of the Average of Other Cities



Source: Mercer Compensation and Retirement Benefits Report as of October 2011



# Pay Comparison Police Classified

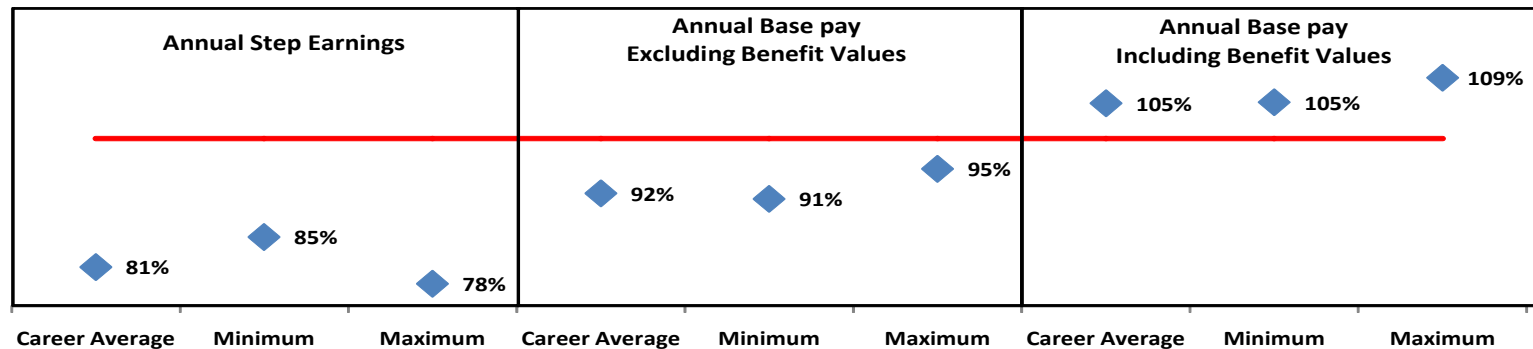
Police Officer / Senior Officer  
Annual Step Earnings and Base Pay  
Without Pension, Health Benefits, and Overtime

	Annual Step Earnings			Annual Base Pay Excluding Benefit Values <sup>(1)</sup>			Annual Base Pay Including Benefit Values <sup>(2)</sup>		
Jurisdiction	Career Average	Minimum	Maximum	Career Average	Minimum	Maximum	Career Average	Minimum	Maximum
Austin	\$75,587	\$52,374	\$85,030	\$77,727	\$52,474	\$89,330	\$77,727	\$52,474	\$89,330
Dallas	\$61,665	\$41,690	\$67,884	\$64,961	\$41,738	\$75,084	\$64,961	\$41,738	\$75,084
El Paso	\$55,602	\$38,718	\$61,954	\$56,986	\$38,766	\$64,414	\$56,986	\$38,766	\$64,414
Fort Worth	\$67,212	\$53,082	\$73,112	\$68,268	\$53,130	\$75,032	\$68,268	\$53,130	\$75,032
San Antonio	\$58,396	\$45,019	\$61,322	\$64,086	\$45,475	\$73,041	\$64,086	\$45,475	\$73,041
Average	\$63,692	\$46,177	\$69,860	\$66,406	\$46,317	\$75,380	\$66,406	\$46,317	\$75,380
<b>Houston</b>	<b>\$51,447</b>	<b>\$39,374</b>	<b>\$54,695</b>	<b>\$60,956</b>	<b>\$42,126</b>	<b>\$71,957</b>	<b>\$69,895</b>	<b>\$48,820</b>	<b>\$82,221</b>
% of Average	81%	85%	78%	92%	91%	95%	105%	105%	109%

(1) Benefit values Includes longevity pay, retention bonuses, equipment allowance and training/certification pay.

(2) Includes non-cash benefits in Houston (personal fitness time, paid time off, and phase down).

## Houston as a percent of the Average of Other Cities



Source: Mercer HPD Compensation Study as of October 2011



# Personnel Key Points

- Comprehensive salary study for Police and Fire in 2011
- No recent comprehensive salary study available for civilian employees
- Salary cost is the largest expenditure in the General Fund
  - Represents 41% of the FY2012 Adopted Budget
  - Salary cost on average grew about 2.8% per year over 20 years
    - Civilian average growth is approximately 1.0%
    - Classified average growth is approximately 4.0%
  - Full-Time Equivalent (FTEs) count on average decreased 0.59% per year over 20 years
    - Civilian average growth is approximately -2.52%
    - Classified average growth is approximately 1.0%
- Average annual cost per FTE (includes salary base, overtime, pension and fringe benefits):
  - Civilian = approximately \$62,689
  - Police Classified = approximately \$99,073
  - Fire Classified = approximately \$91,759

Note: FTE growth does not include Overtime





# City of Houston

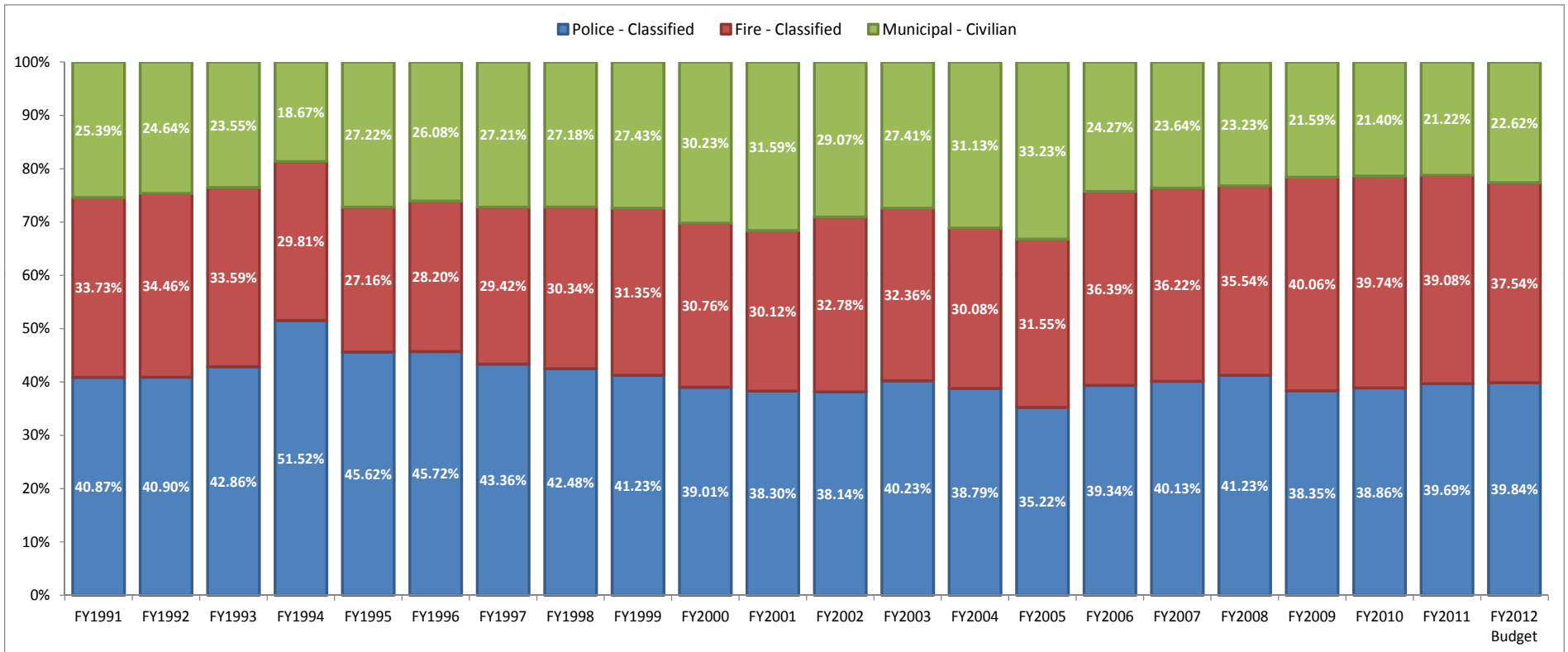
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## Pension



# General Fund Pension Expenditures

(\$ in Thousands)



Pension	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Budget
Police - Classified	\$17,857	\$19,090	\$20,859	\$29,999	\$30,218	\$30,645	\$29,731	\$30,645	\$30,538	\$30,551	\$30,615	\$32,551	\$34,532	\$36,523	\$36,502	\$52,697	\$57,597	\$62,627	\$67,495	\$72,669	\$77,536	\$65,545
Fire - Classified	\$14,738	\$16,086	\$16,345	\$17,357	\$17,992	\$18,904	\$20,175	\$21,884	\$23,220	\$24,093	\$24,076	\$27,979	\$27,772	\$28,325	\$32,699	\$48,738	\$51,984	\$53,981	\$70,506	\$74,299	\$76,352	\$61,758
Municipal - Civilian	\$11,093	\$11,499	\$11,460	\$10,871	\$18,031	\$17,485	\$18,660	\$19,610	\$20,317	\$23,675	\$25,253	\$24,812	\$23,524	\$29,317	\$34,437	\$32,501	\$33,932	\$35,278	\$37,994	\$40,017	\$41,463	\$37,213
<b>Total</b>	<b>\$43,688</b>	<b>\$46,675</b>	<b>\$48,664</b>	<b>\$58,227</b>	<b>\$66,241</b>	<b>\$67,034</b>	<b>\$68,566</b>	<b>\$72,139</b>	<b>\$74,075</b>	<b>\$78,319</b>	<b>\$79,944</b>	<b>\$85,342</b>	<b>\$85,828</b>	<b>\$94,165</b>	<b>\$103,638</b>	<b>\$133,936</b>	<b>\$143,513</b>	<b>\$151,886</b>	<b>\$175,995</b>	<b>\$186,985</b>	<b>\$195,351</b>	<b>\$164,516</b>
% Growth		6.84%	4.26%	19.65%	13.76%	1.20%	2.29%	5.21%	2.68%	5.73%	2.07%	6.75%	0.57%	9.71%	10.06%	29.23%	7.15%	5.83%	15.87%	6.24%	4.47%	-15.78%

Note: An additional 6.2% of payroll is paid to Social Security for municipal employees (HMEPS) ONLY.



# Pension Key Points

- Pension cost represents 6% of FY2012 Citywide Budget (General, Special, and Enterprise Funds) and 9% of the General Fund Adopted Budget
- FY2012 pension rates as a percent of payroll for all funds
  - HMEPS – 18.0%
  - HFRRF – 23.9%
  - HPOPS – 20.0%



# City of Houston

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## Health Benefits



# General Fund Health Benefits Expenditures

(\$ in Thousands)



Note: Prior to FY1996, active and retiree cost were combined



# Health Benefits Key Points

- Health Benefits costs represent 6% of FY2012 Citywide Budget, and 8% of FY2012 General Fund Adopted Budget
  - On average, Citywide costs have increased approximately 6% per year over the past 20 years, and General Fund approximately 5%
- Retiree costs in General Fund decreased approximately 37% from FY2011 primarily due to:
  - Change to Medicare Advantage plan for eligible retirees
  - Lowered City Contribution for retirees from:
    - 64% in FY2010 to 56% in FY2011 to 39% in FY2012
  - Change to CIGNA plan in FY2012



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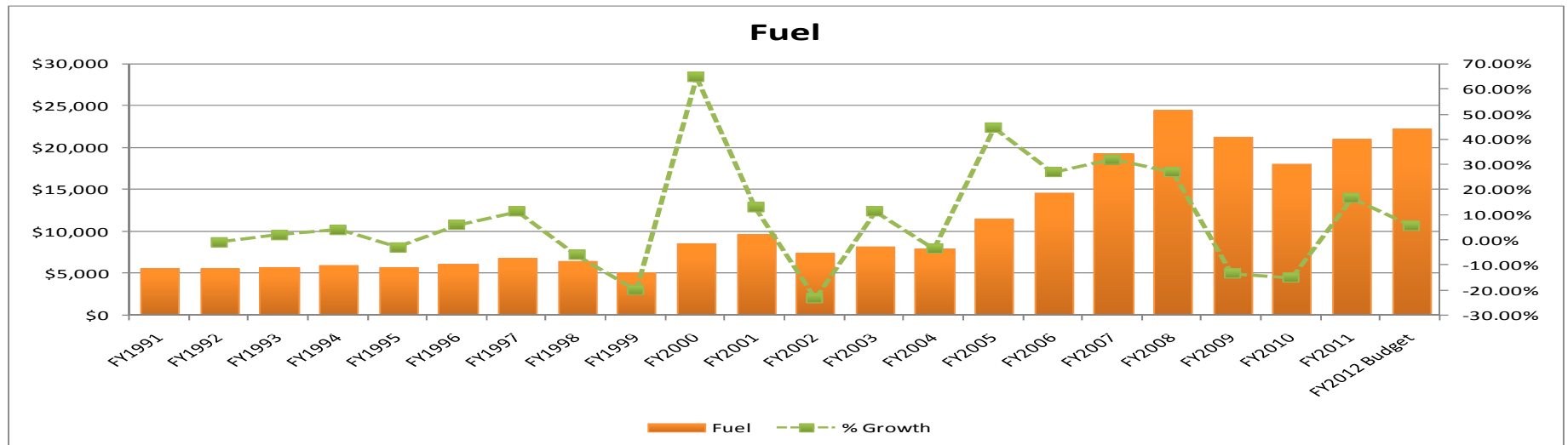
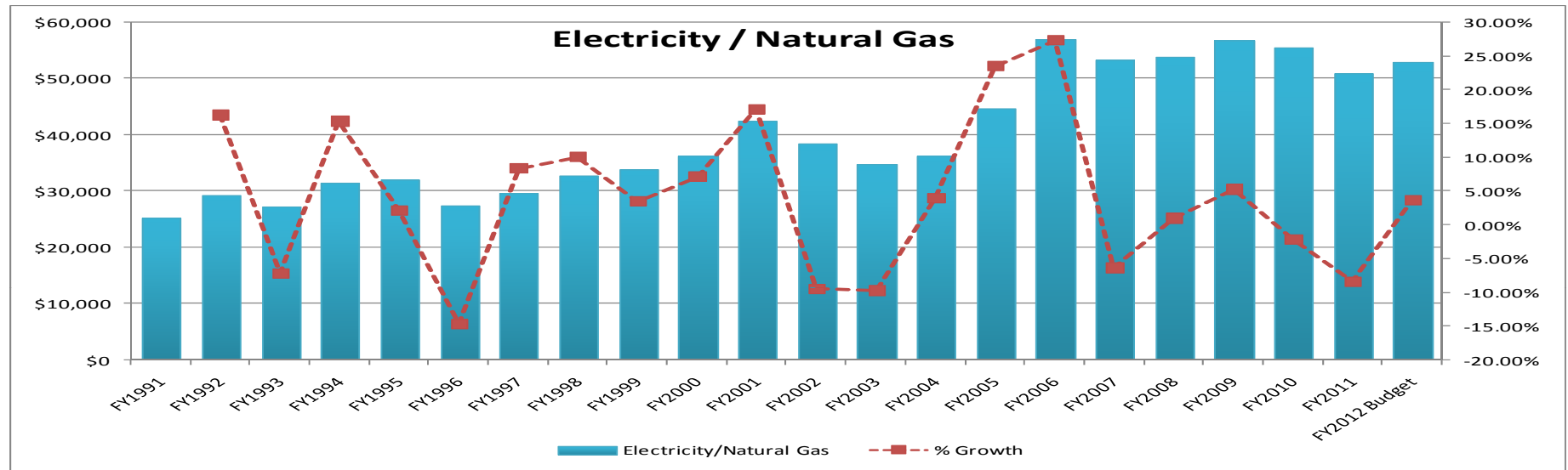
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## Energy



# General Fund Energy Expenditures

(\$in Thousands)







# Energy Key Points

- Energy costs represent approximately 5% of the FY2012 Citywide budget, and 4% of the FY2012 General Fund Adopted Budget
  - On average, Citywide costs have increased approximately 1.0% per year over the past 20 years, and approximately 4% in the General Fund
- Natural Gas:
  - FY2012 General Fund Budget of \$967,963
- Fuel:
  - FY2012 General Fund Budget of approximately \$22 million



## Energy Key Points Continued

- Electricity:
  - FY2012 General Fund Adopted Budget of \$52 million (65% is street lights)
  - Over the last three years the Citywide consumption of electricity in total has come down about 3%, the price per Kwh has come down about 10%, from 11.4 cents to 10.3 cents (6.7 cents is for electricity and 3.6 cents is for Transmission and Distribution). The total dollars spent has come down about 13%.
  - Cost depends on the price of natural gas. The electricity costs in FY2012 and FY2013 are heavily influenced by past decisions to fix the price of natural gas as a way to protect against rising commodity prices and establish budget certainty. Those decisions were made in FY2008-09 when prices were much higher.
  - For the current fiscal year, 70% of our consumption was fixed at a natural gas (NG) price of about \$7.80 per mmbtu, and for next year 60% of our consumption is fixed at about \$8.00 per mmbtu. Natural gas prices are currently about half of that.



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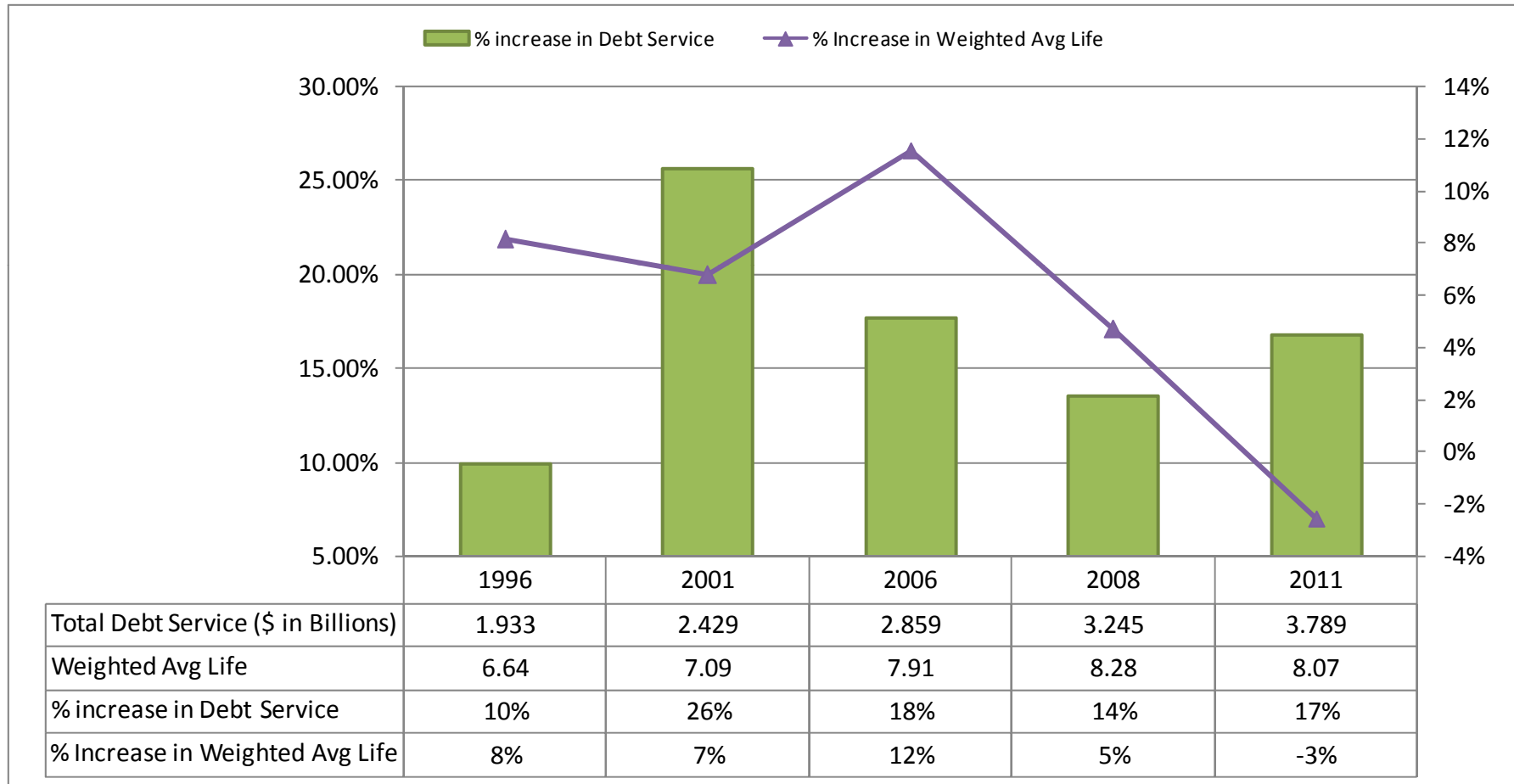
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## Debt Service



# Debt Service Payable from Ad Valorem Taxes

## Excluding Pension Obligation Bonds

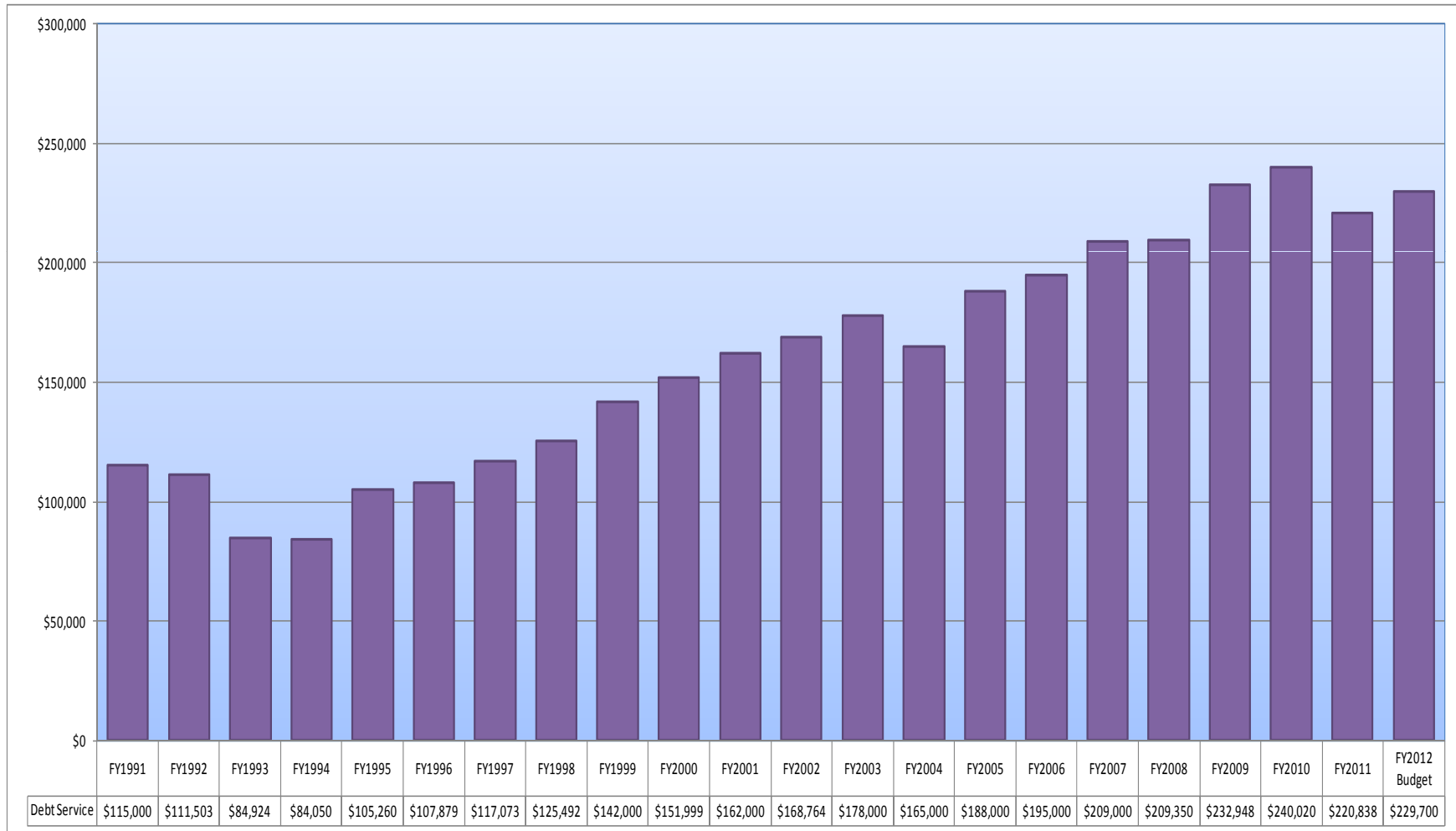


Note: Starting October 2011, the weighted average life of debt service has reduced as debt service increased.



# General Fund Debt Service

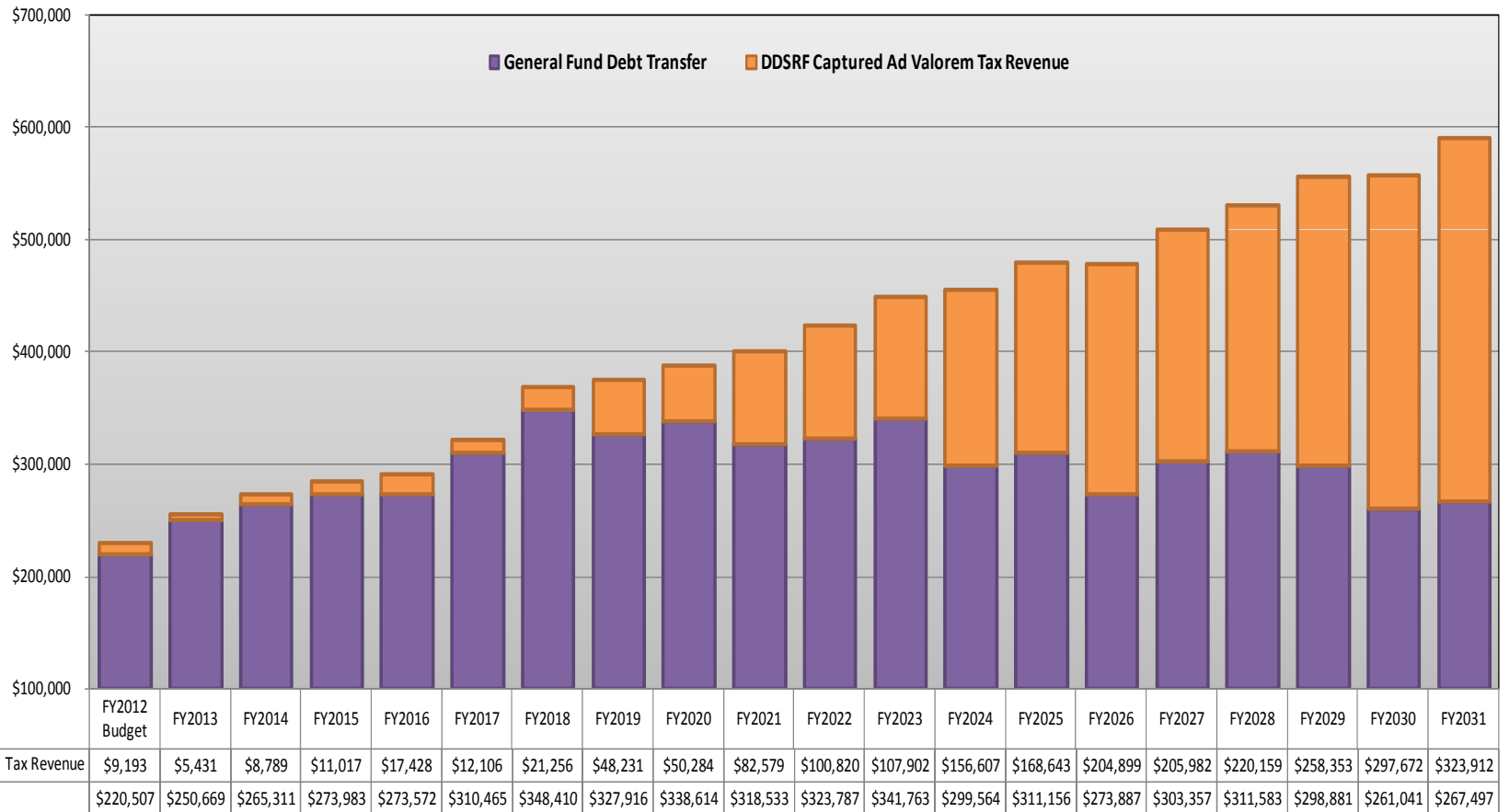
(\$ in Thousands)





# 20 Year Debt Payment Schedule & DDSRF Captured Ad Valorem Tax Revenue

(\$ in Thousands)





## Debt Service Key Points

- The Dedicated Drainage and Street Renewal Fund (DDSRF) was established in FY2012 as a pay-as-you-go source of funding for the City's drainage and streets.
- DDSRF cannot be used to pay debt service and shall be funded annually by:
  - Developer impact fees
  - Drainage fees
  - Grants and proceeds from third party contracts
  - Captured ad valorem tax revenue (an amount equivalent to proceeds from \$0.118 of the City's ad valorem tax levy minus an amount equal to debt service for drainage and streets)
- On average, drainage and streets debt service amount has constituted approximately 68% of the total tax bond debt service.
  - The \$0.118 amount is the portion of the debt service tax rate (currently at \$0.158041) which is required to pay the associated debt service.
  - Over time as the debt is paid off, the increment will grow as captured ad valorem tax revenues, to be used for future drainage and street projects.



## Debt Service Key Points Continued

- The City's 2011 tax rate is \$0.63875 per \$100 assessed value, broken down as follows:
  - Operations and Maintenance = \$0.480709
  - Debt Service = \$0.158041
    - \$0.118 goes to pay for debt service associated to drainage and street projects
    - The remaining \$0.040041 will fund debt service for items such as:
      - Capital Improvement Plan
      - Equipment Acquisition Plan (IT and Rolling Stock)
      - Existing Debt (Tax Bonds, Certificates of Obligation, Commercial Paper, etc)





# FY2012-2016 Tax Supported Capital Improvement Plan

(\$ in Thousands)

Department	FY2012	FY2013	FY2014	FY2015	FY2016	Total
Fire	\$ 5,137	\$ 10,575	\$ 11,725	\$ 10,725	\$ 10,825	\$ 48,987
Gen. Gov't.	\$ 4,972	\$ 2,645	\$ 2,125	\$ 2,275	\$ 2,250	\$ 14,267
Health	\$ 7,578	\$ 1,300	\$ 3,979	\$ 5,700	\$ 5,700	\$ 24,257
Housing	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000
Library	\$ 2,220	\$ 7,350	\$ 7,791	\$ 8,150	\$ 8,570	\$ 34,081
Parks	\$ 7,810	\$ 15,075	\$ 13,512	\$ 10,200	\$ 10,225	\$ 56,822
Police	\$ 7,432	\$ 37,185	\$ 23,450	\$ 28,275	\$ 14,245	\$110,587
Solid Waste	\$ 3,363	\$ 1,134	\$ 3,766	\$ 2,100	\$ 2,975	\$ 13,338
<b>Grand Total:</b>	<b>\$ 41,512</b>	<b>\$ 78,264</b>	<b>\$ 69,348</b>	<b>\$ 70,425</b>	<b>\$ 57,790</b>	<b>\$317,339</b>



# City of Houston

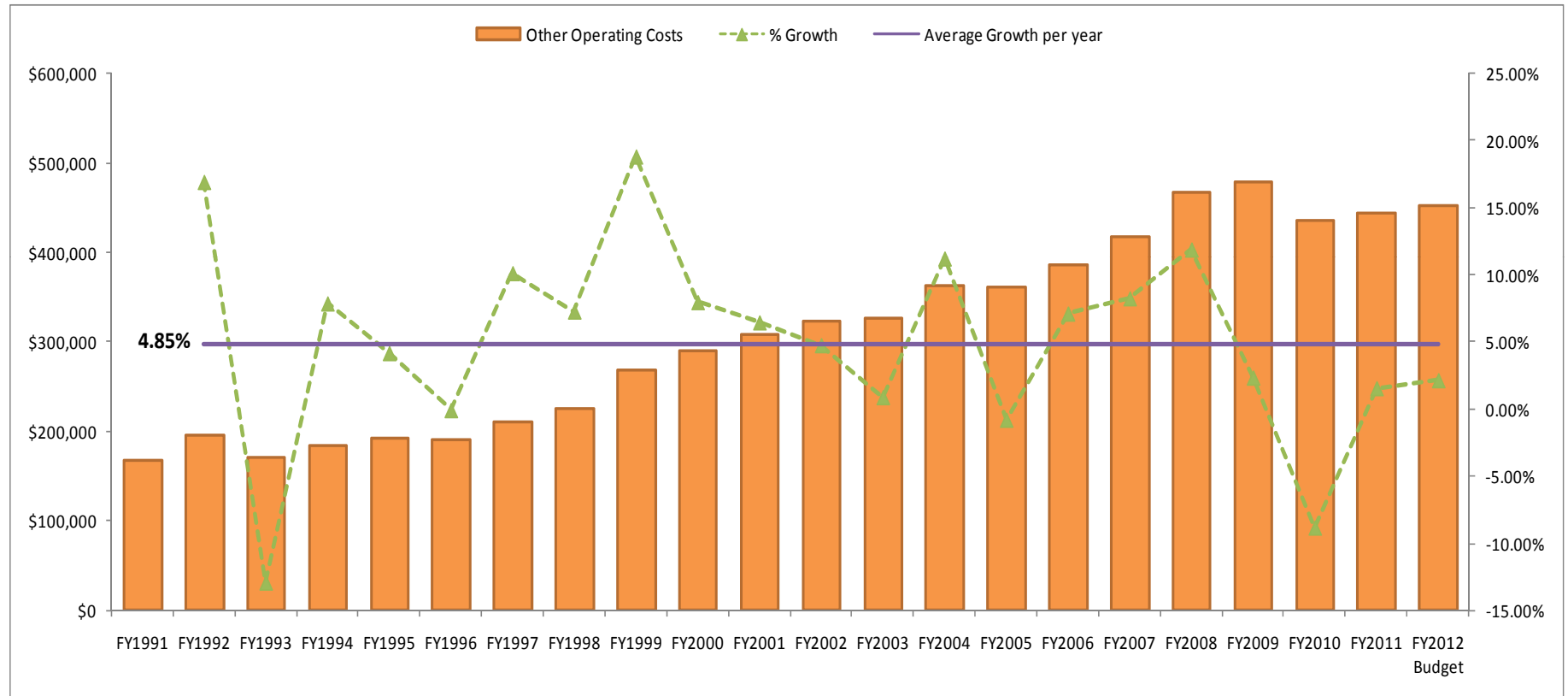
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## Other Operating Expenditures



# Other Operating Expenditures

(\$ in Thousands)



Fiscal Year	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Budget
Other Operating Costs	\$167,398	\$195,754	\$170,447	\$183,882	\$191,565	\$191,419	\$210,834	\$226,187	\$268,803	\$290,250	\$309,028	\$323,777	\$326,676	\$363,375	\$360,509	\$386,196	\$418,113	\$467,882	\$478,880	\$436,592	\$443,413	\$452,981
% Growth		16.94%	-12.93%	7.88%	4.18%	-0.08%	10.14%	7.28%	18.84%	7.98%	6.47%	4.77%	0.90%	11.23%	-0.79%	7.13%	8.26%	11.90%	2.35%	-8.83%	1.56%	2.16%



## Other Operating Costs

- Other Operating Costs represents approximately 25% of the FY2012 Adopted Budget
  - On average, the costs have increased approximately 5% per year over the past 20 years
- Includes Overtime, Temporary Employees, Unemployment Claims, Workers Compensation, Classified Special Pays, etc.
- Major items include:
  - Classified Special Pays (16% of FY2012 Other Operating Budget) cost decreased by 1.23% from FY2011 actual
  - Overtime (5.8% of FY2012 Other Operating Budget) cost decreased by approximately 17% from FY2011 actual



# City of Houston

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## Expenditure Outlook



# Base Forecast Assumptions

- Personnel:
  - FY2013-16 includes HPD Meet and Confer agreement as well as HFD Collective Bargaining, as well as HOPE Meet and Confer
  - -1.4% in FY2013; 3.12% in FY2014; 1.38% in FY2015; 2.09% in FY2016 and 3% onward
  - Police Classified:
    - Assume 2 cadet classes each year of 140 employees/year
    - Assume attrition of 200 employees/year
  - Fire Classified:
    - Assume 4 cadet classes each year (2 fast track, 2 regular) of 180 employees/year
    - Assume attrition of 160 employees/year
  - No explicit funding for unfunded Other Post Employment Benefits (OPEB)



# Base Forecast Assumptions

- Pension
  - Fire (HFRRF) at 23.9% in FY2013-14; 36.3% in FY2015-17; 35.0% in FY2018-20; 34.0% in FY2021-23; 33.0% in FY2024-26; 32.0% in FY2027-29 and 31.0% in FY2030-31
  - Police (HPOPS) at \$10 million increase per year from FY2013 onward
  - Municipal (HMEPS) at 21.4% in FY2013; 23.4% in FY2014; 25.4% in FY2015; 27.4% in FY2016; 28.7% in FY2017 and 0.5% growth per year onward
- Health Benefits:
  - 6% in FY2013 onward



# Base Forecast Assumptions

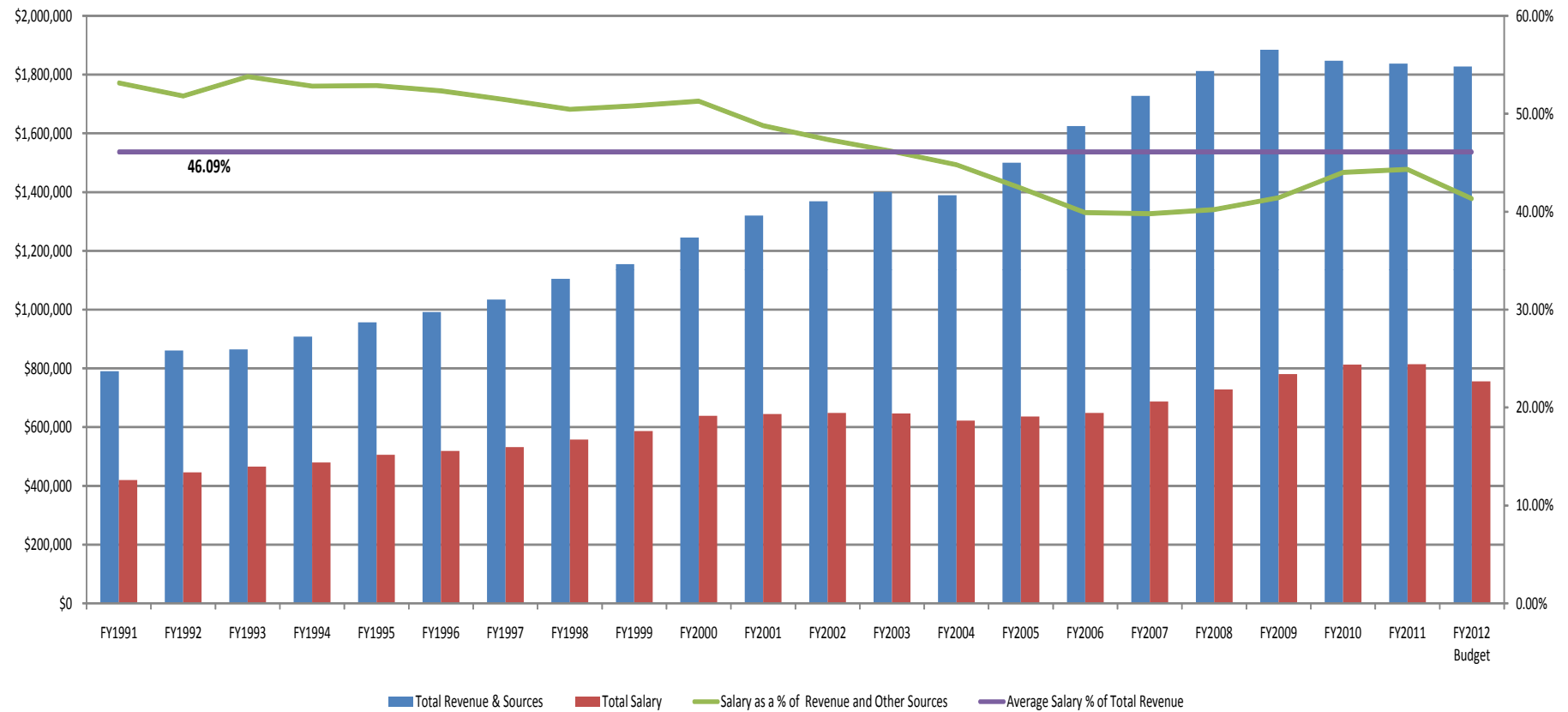
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- Energy:
  - 5% in FY2013 onward
- Debt Service:
  - Based on the existing debt payment schedule
- Other Operating Costs:
  - 5% in FY2013 onward





# Salary Cost vs. Total Revenue and Other Sources (\$ in Thousands)



	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Budget
Total Salary	419,971	446,088	465,253	479,573	505,893	518,995	532,274	557,617	586,934	638,580	644,205	648,343	646,464	622,125	635,963	648,406	687,286	728,601	780,642	812,934	814,363	755,705
Total Revenue & Sources	790,330	860,878	864,814	907,762	956,820	991,451	1,034,797	1,105,149	1,155,266	1,245,182	1,320,147	1,368,694	1,400,342	1,389,218	1,499,705	1,625,250	1,727,579	1,811,959	1,884,880	1,847,353	1,837,535	1,827,995
Salary % of Total Revenue	53%	52%	54%	53%	53%	52%	51%	50%	51%	51%	49%	47%	46%	45%	42%	40%	40%	40%	41%	44%	44%	41%



# City of Houston

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## Management Initiatives



# Management Initiatives

## Completed:

- Payroll consolidation - resulting in a Citywide reduction of 17 FTEs (General Fund reduction of 11 FTEs)
- HR Client Services consolidation - resulting in a Citywide reduction of 15 FTEs (General Fund reduction of 10 FTEs)
- New Health Benefits contract - resulting in Citywide savings of \$23.2 million (General Fund savings of approximately \$17 million)
- New cell phone provider contract - resulting in a Citywide savings of \$3 million over 5 years
- Three new union salary benefit contracts with pay freezes for two years
- Municipal Courts scheduling changes to reduce police overtime



# Management Initiatives

## Ongoing:

- Implementing Fleet and IT consolidations
- First comprehensive Citywide collections system
- Continued efforts to lower health benefits cost increases through CIGNA health management program
- Creation of City Sobering Center
- Joint City and County prisoner processing center
- Implementation of new courts case management system



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# Questions?