



FY2024 Adopted Budget Overview and General Fund Five Year Forecast

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Forward Looking Statements

The statements contained in this presentation and made verbally in conjunction with the presentation that are not purely historical are forward looking statements, including statements regarding the City's expectations, intentions, or strategies regarding the future. Readers and viewers should not place undue reliance on forward looking statements. All forward looking statements in this presentation and made verbally in conjunction with the presentation are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or development in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this presentation and made verbally in conjunction with the presentation would prove to be accurate and may be materially different.



Forward Looking Statements (Cont'd.)

Additionally, pension-related projections or forecasts, including projections of the amount of the UAAL and net pension liability and the amounts of actuarially calculated contributions by the City, constitute “forward-looking” information that reflects the judgment of the City, the boards of the Pension Systems and the actuaries as to the amount of assets that will be required to be accumulated for the payment of future benefits to both active and retired employees. Such judgments are based upon a variety of assumptions concerning future events and circumstances, any one or more of which could prove to be inaccurate and are subject to change in the future. The assumptions underlying the projections are material to the development of the projections, and variations in the assumptions may produce substantially different results.

OPEB-related projections including projections of the net OPEB liability constitute “forward-looking” information that reflects the judgment of the City and the actuary. Long-term forecasts are generally good for relative magnitude, but are unlikely to produce exact results. Actual projected liabilities will vary greatly based on interest rates, employee count, demographic changes, medical inflation, legislation, federal law, and many other factors. Sensitivity to changes with all other things kept constant can reveal the direction and relative magnitude of expected changes.



Connecting Budget to Strategy

Transforming Houston's Budgeting Practices

Connecting Budget to Strategy - Transforming Houston's Budgeting Practices



VISION

To **transform** the way City leadership makes **decisions** on the allocation of financial resources by **focusing** on the expected **results** and **outcomes** of City services and programs.

GUIDING PRINCIPLES

- ✓ Clearly communicate what is needed from City stakeholders and how it will support decision-making
- ✓ Evaluate leading budgeting practices and tailor elements based on the City's needs and readiness for change
- ✓ Introduce process efficiencies, when possible, to address current pain-points
- ✓ Adopt and refine process changes first to prepare for a more seamless budget system upgrade and implementation



Connecting Budget to Strategy – Impactful Benefits of OBB



Informed Decision-making

Help City Leadership make informed choices through increased visibility into departmental budgets, resource allocations, and service provision.



Measurable Results

Focus budget, capital, and spending decisions on specified, measurable results and outcomes.



Linkage to Goals

Link the City's operating budgets, capital improvement plan, and performance metrics to clear, measurable short and long-term goals.



Efficiency

Maximize City resources by eliminating waste, inefficiency, and redundancy within and across departments.



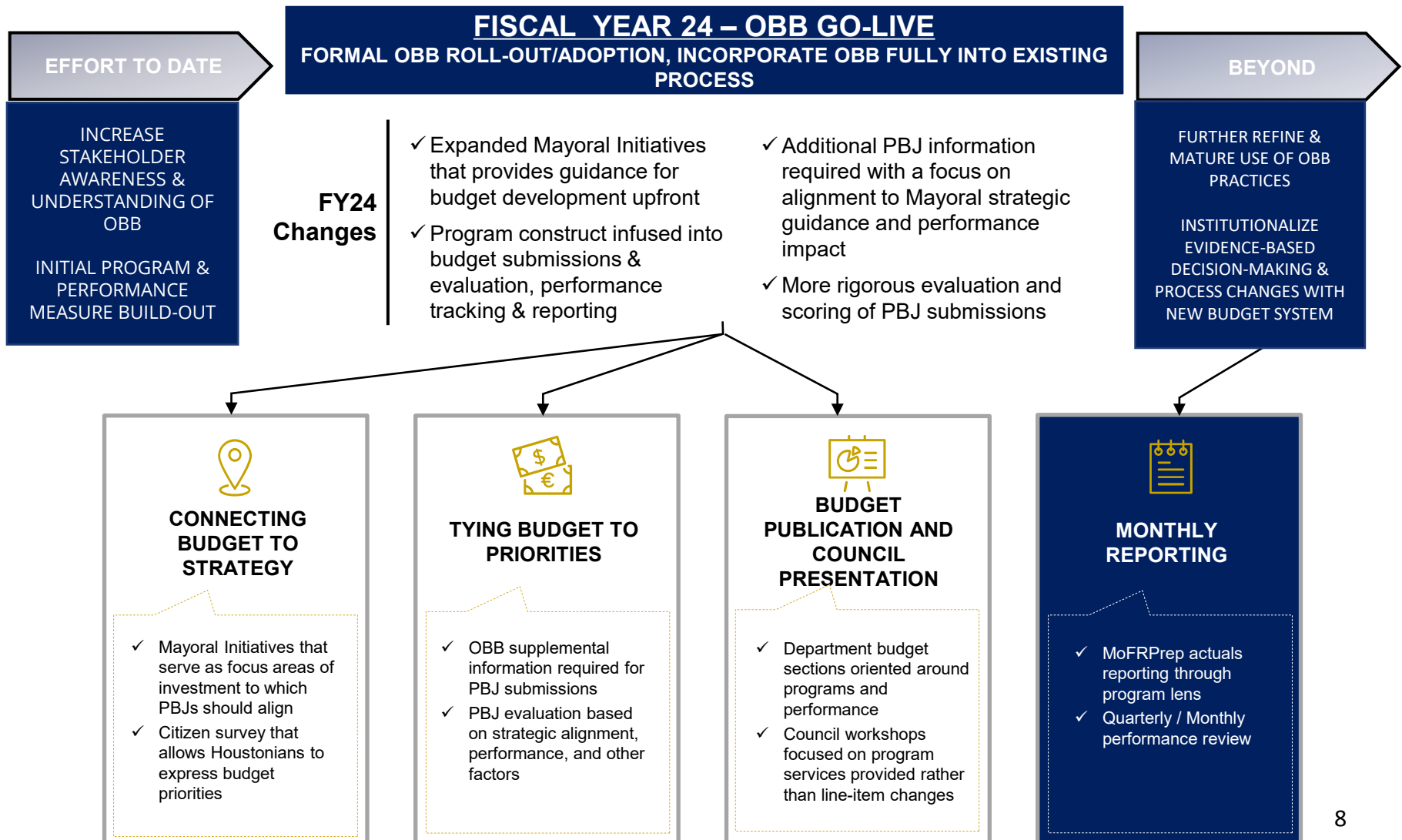
Transparency

Increase public understanding of City programs/services and the value City government provides.

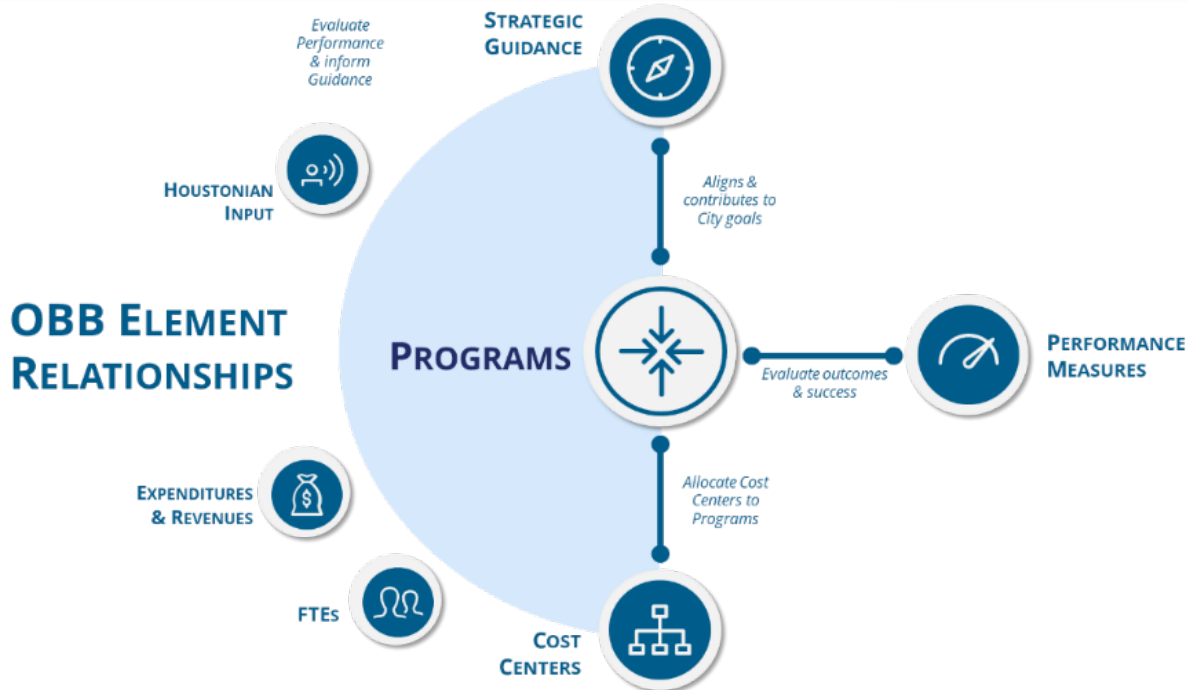
OBB benefits will be increasingly realized as the City's budget processes mature over time



Connecting Budget to Strategy – OBB Adoption Road Map



Connecting Budget to Strategy – OBB Elements



Click here for Mayor's strategic Guidance



1. Houstonian Input

An increased emphasis on opportunities for public input into the budgeting process better informs the City's funding priorities and ensures that dollars are allocated towards programs and projects desired by the public. In FY2024, Houstonian input was gathered early in the budget process through an annual survey.

2. Strategic Guidance

Expanded Mayoral Strategic Guidance provides direction before budget formulation on City Priorities and Initiatives to which City programs and enhancements align.

3. Program Budgeting

Programs are groupings of related services aimed at accomplishing a shared outcome. Programs provide the discrete budgetary units for which responsibility for results is assigned so resources can be allocated based on performance and desired outcomes.

4. Performance Measures

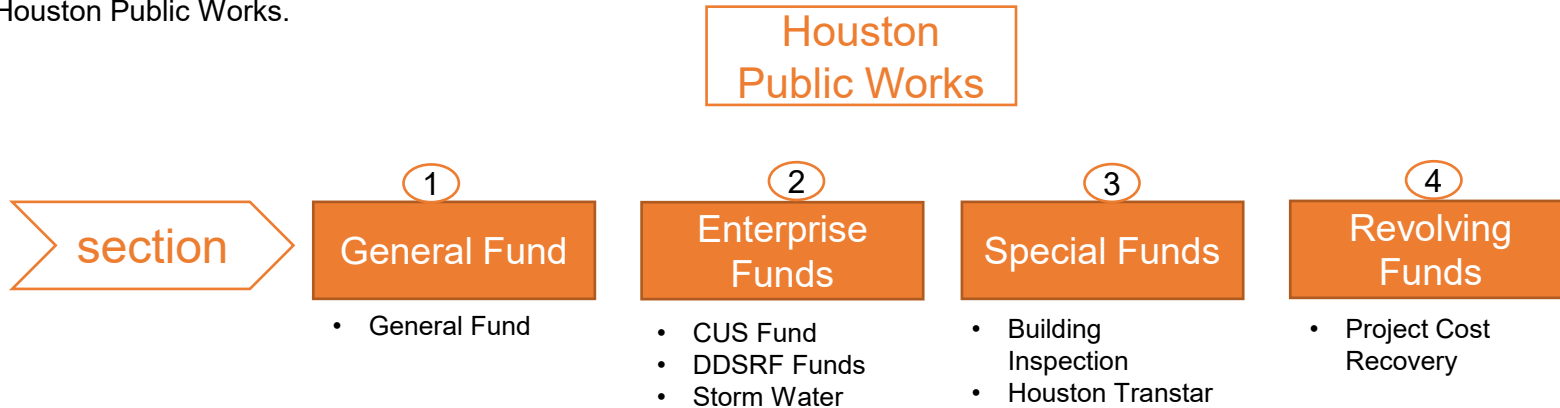
Performance measures are linked to each program and are used to evaluate how successful programs are at helping achieve their stated goals and furthering the Mayor's priorities and initiatives.



Connecting Budget to Strategy – Publication and Workshops

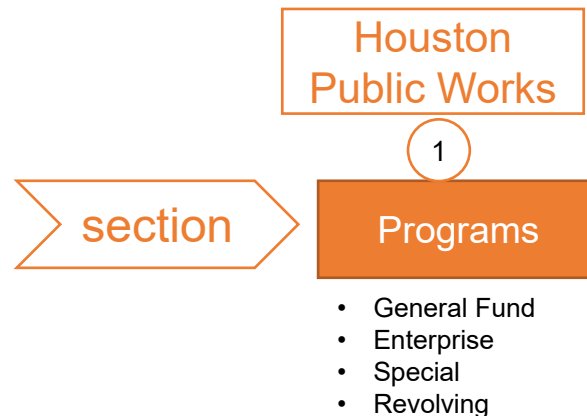
BEFORE

The budget book was segmented by **Fund** which means the budget for a department would fall under multiple sections throughout the book. In order to get the total funding level for a department, you would have to scan many sections of the book. Below is an example using Houston Public Works.



AFTER

Now the book will be segmented by **Department** and **Programs**. All funding sources for a program will be identified in one section. You will no longer have to scan the book to identify all of the funding sources for a department.





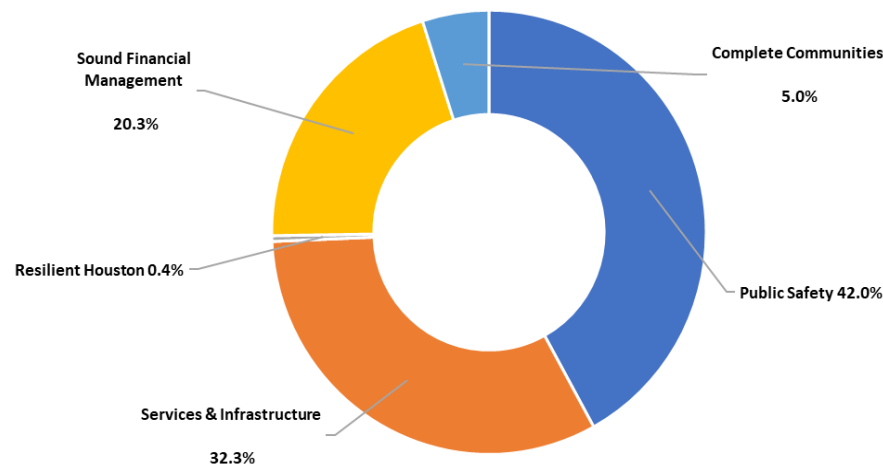
Connecting Budget to Strategy – Budget Summary by Mayor’s Priority

- The chart and table below show the operating budget (all funds) broken out by Mayoral Priority. Please note the Other Category includes debt service payments and interfund transfers.

All Funds (\$ in thousands)

Priority	FY22 Actual	FY23 Budget	FY24 Proposed	Variance FY24 Proposed/ FY23 Budget	% Change
Public Safety	1,550,635	1,621,251	1,671,643	50,391	3.1%
Services & Infrastructure	989,690	1,138,734	1,287,758	149,023	13.1%
Resilient Houston	10,097	13,694	16,559	2,865	20.9%
Sound Financial Management	594,123	733,512	807,690	74,178	10.1%
Complete Communities	153,230	188,218	197,214	8,996	4.8%
Total Mayor Priorities	3,297,775	3,695,410	3,980,863	285,453	7.7%
<i>Other</i>	<i>1,629,392</i>	<i>2,083,360</i>	<i>2,201,548</i>	<i>118,188</i>	<i>5.7%</i>
Total Including Other	4,927,167	5,778,770	6,182,411	403,641	7.0%

**Totals include interfund elimination.*



Note: Percentage in chart excludes Other category.

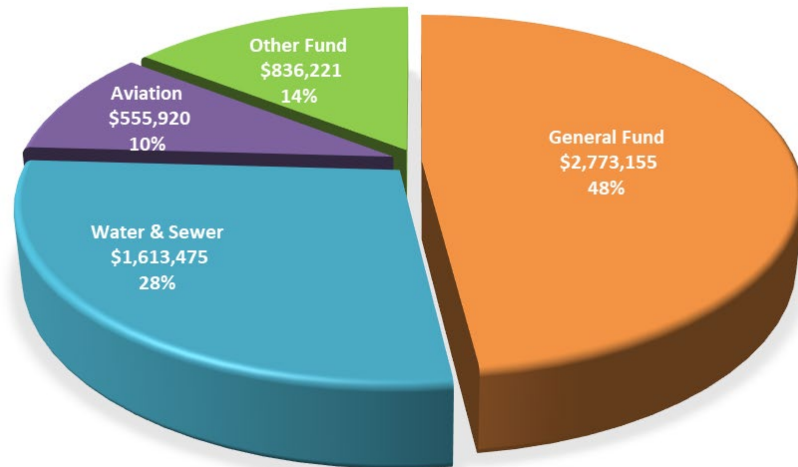


Fiscal Year 2024 Budget Overview

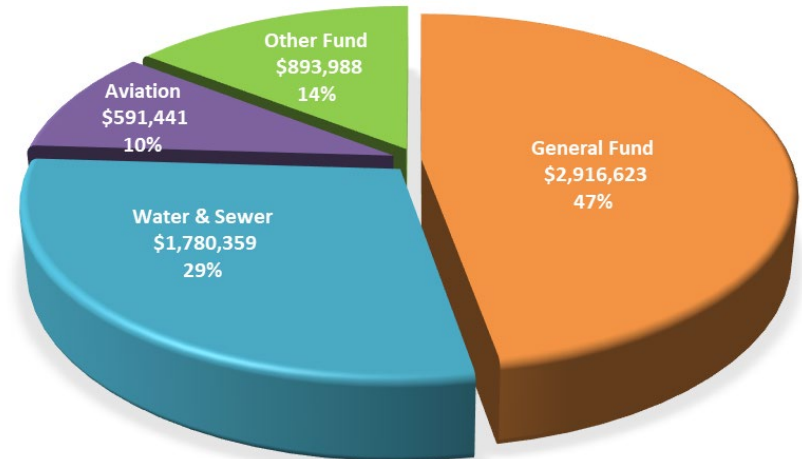
Citywide Expenditures Including Debt Service & PAYGO (\$ in thousands)



FY2023 CURRENT BUDGET
\$5,778,770



FY2024 ADOPTED BUDGET
\$6,182,411



Net Change
\$403,641
6.98%

Note:

- Expenditures Budget above represent the total budget including General Fund, Special and Enterprise Funds. Total does not include Service Chargeback and Internal Service Funds.

Long Term Liabilities



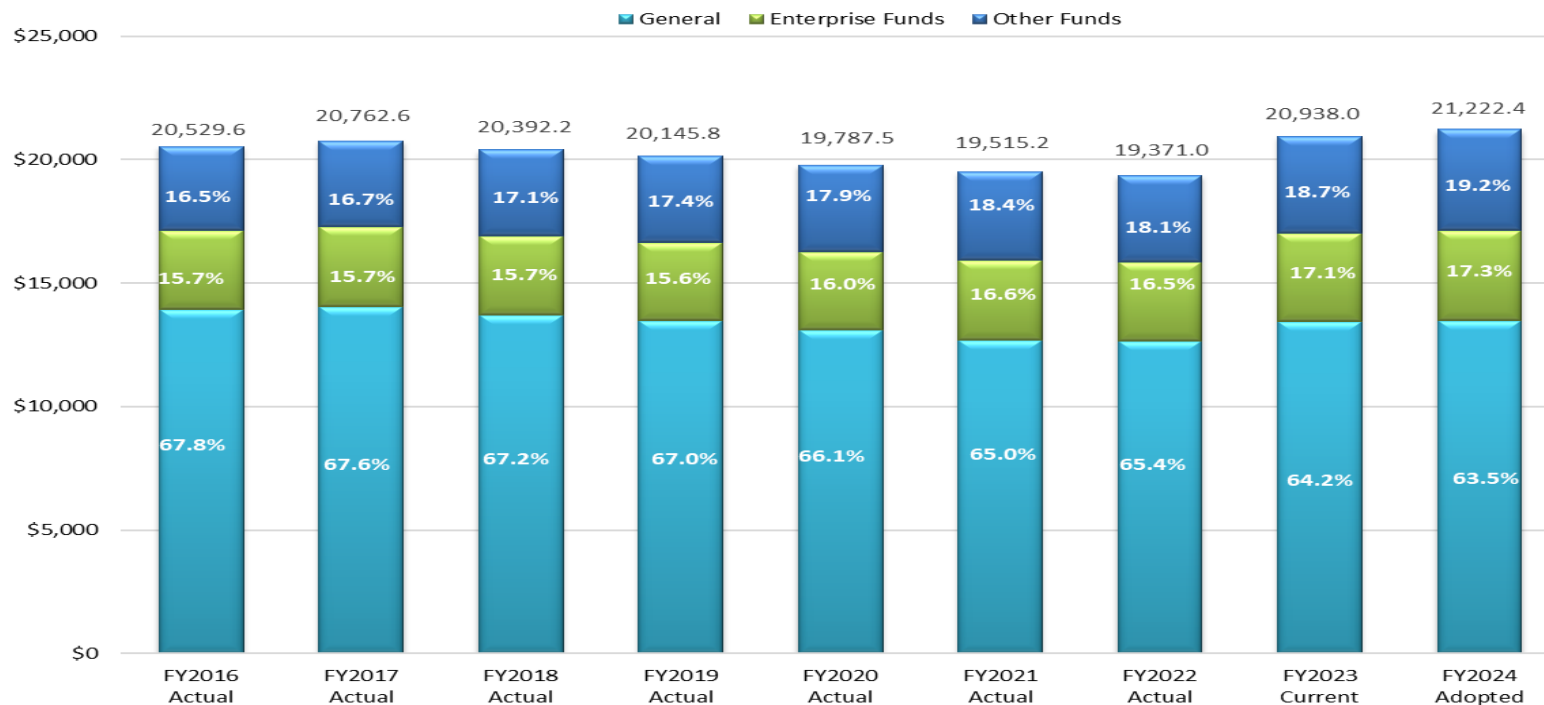
Pension Reform

- Reduced an \$8.2 billion liability and put in place a responsible plan to pay off the balance over 30 years.
- The pension liability now stands at \$2.2 billion a reduction of \$6 billion.
- The three pension systems are healthier today - municipal, police, and fire because of the pension reform we have put in place.

OPEB Reform

- Reduced the City's OPEB Liability from \$9.1 billion to \$4.5 billion, a reduction of \$4.6 billion.
- In this FY2024 Proposed Budget, with the support of Council, we will establish an OPEB trust with a starting contribution of \$10 million which will escalate over time. The goal of the trust is to save (and grow through investment earnings) funds that will offset pay-as-you-go costs in the future while simultaneously reducing the Net OPEB liability.
- The City's ongoing contributions to the trust are estimated to further reduce the liability down to \$1.1 billion by year 2048, an additional reduction of \$3.4 billion.

Citywide Full-Time Equivalents Civilian and Classified



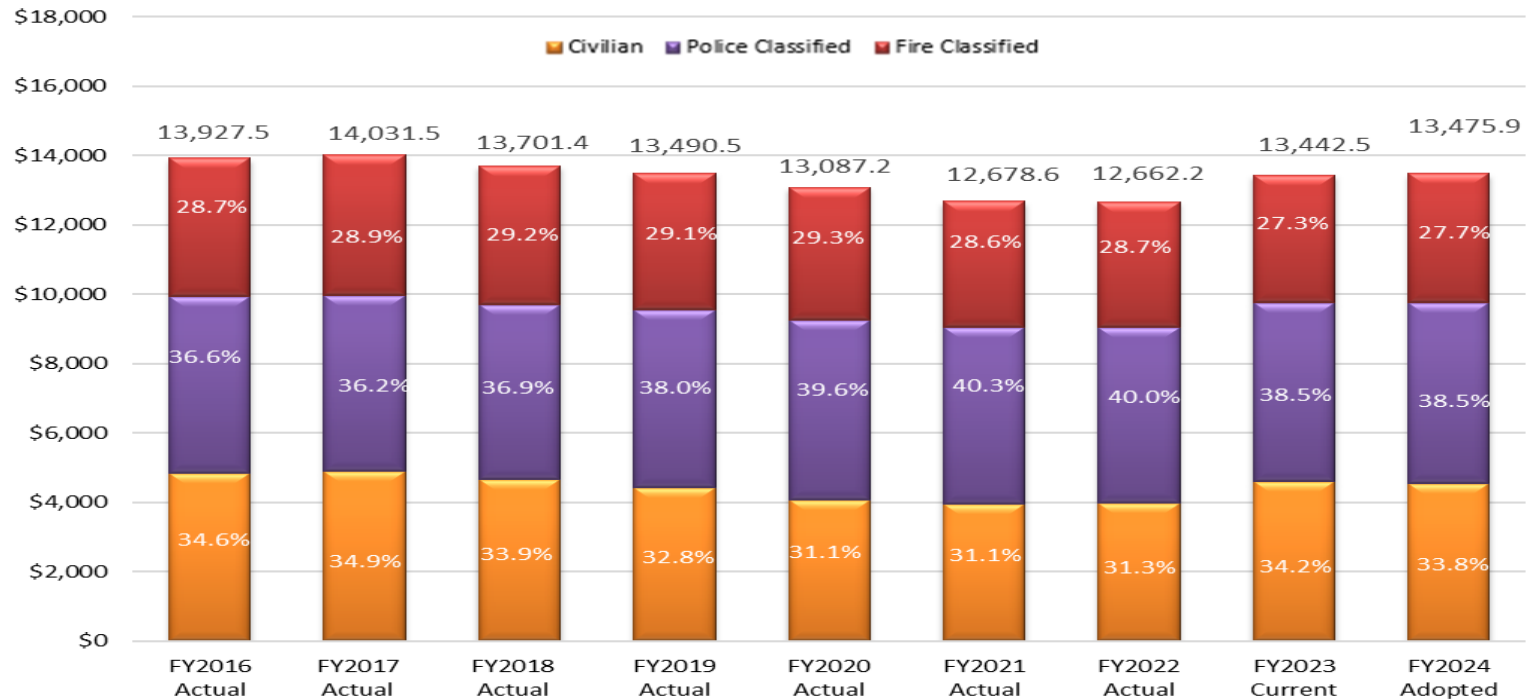
General	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Current	FY2024 Adopted
General	13,927.5	14,031.5	13,701.4	13,490.5	13,087.2	12,678.6	12,662.2	13,442.5	13,475.9
Enterprise Funds	3,219.0	3,254.5	3,206.5	3,147.2	3,166.3	3,249.2	3,198.3	3,574.0	3,668.9
Other Funds	3,383.1	3,476.6	3,484.3	3,508.1	3,534.0	3,587.4	3,510.5	3,921.5	4,077.6
Grand Total	20,529.6	20,762.6	20,392.2	20,145.8	19,787.5	19,515.2	19,371.0	20,938.0	21,222.4

Notes:

- Citywide FTEs include General Fund, Enterprise, Special, Internal Service and Service Chargeback Funds.
- For General Fund :**
 - FY2020 and FY2021 includes lower FTEs due to redeployment funded out of CRF.
 - FY2022 lower FTEs due the Great Resignation.
 - FY2023 Budget and FY2024 Adopted Budget included cadet classes (5 police, 5 fire in FY2023 and 5 police, 4 fire in FY2024).



General Fund Full-Time Equivalents



	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Current	FY2024 Adopted
Civilian	4,825.8	4,896.3	4,646.2	4,430.4	4,071.2	3,940.2	3,967.7	4,597.5	4,552.4
Police Classified	5,100.4	5,081.0	5,059.7	5,128.0	5,177.2	5,111.0	5,064.0	5,171.3	5,193.3
Fire Classified	4,001.3	4,054.2	3,995.5	3,932.1	3,838.8	3,627.4	3,630.5	3,673.7	3,730.2
Grand Total	13,927.5	14,031.5	13,701.4	13,490.5	13,087.2	12,678.6	12,662.2	13,442.5	13,475.9

Notes:

1. FY2020 and FY2021 includes lower FTEs due to redeployment funded out of CRF.
2. FY2023 Budget and FY2024 Adopted Budget included cadet classes (5 police, 5 fire in FY2023 and 5 police, 4 fire in FY2024).



American Rescue Plan Act (ARPA)

- ARPA was signed into law by President Joe Biden on March 11, 2021, providing \$65.1 billion in federal funding to support municipalities as they continue to respond to the COVID-19 pandemic.
- The City of Houston received \$607.8 million in two tranches, first half in 2021 and the second half in 2022. The City has until December 31, 2024, to encumber the funds and until December 31, 2026 to expend all funds.
- Unlike the CRF, ARPA recognizes the economic impact due to the COVID-19 pandemic and provides flexibility to address the reduction in revenues due to the COVID-19 public health emergency.
- This budget includes \$160 million in ARPA utilization for the provision of government services relative to revenue reduction due to the COVID-19 public health emergency.
- The City's ARPA website can be accessed at: <https://houstontx.gov/arpa/>



General Fund Budget

- This budget includes:
 - 16.5% Fund Balance of expenditures less debt service and pay-as-you-go transfers, above the desired minimum of 7.5% (\$220 million above the minimum 7.5%)
 - 3% pay raises for municipal employees
 - 6% pay raise for the fire fighters
 - 3% pay raise for the police classified
 - Fully funds the Budget Stabilization Fund (representing more than \$20 million)
 - Funds **for cadet classes**:
 - five (5) police cadet classes and four (4) fire cadet classes
 - Fully fund all three pension systems
 - OPEB trust starting contribution of \$8 million (\$10 million in total for all funds)
 - \$42.9 million for Maintenance Renewal and Replacement Fund
 - \$20 million for Local Drainage Program
 - \$1.8 million for Sidewalk project
- This budget **does not** include:
 - Fund balance drawdown
 - One-time land sales nor payment deferrals

FY2024 General Fund Revenue

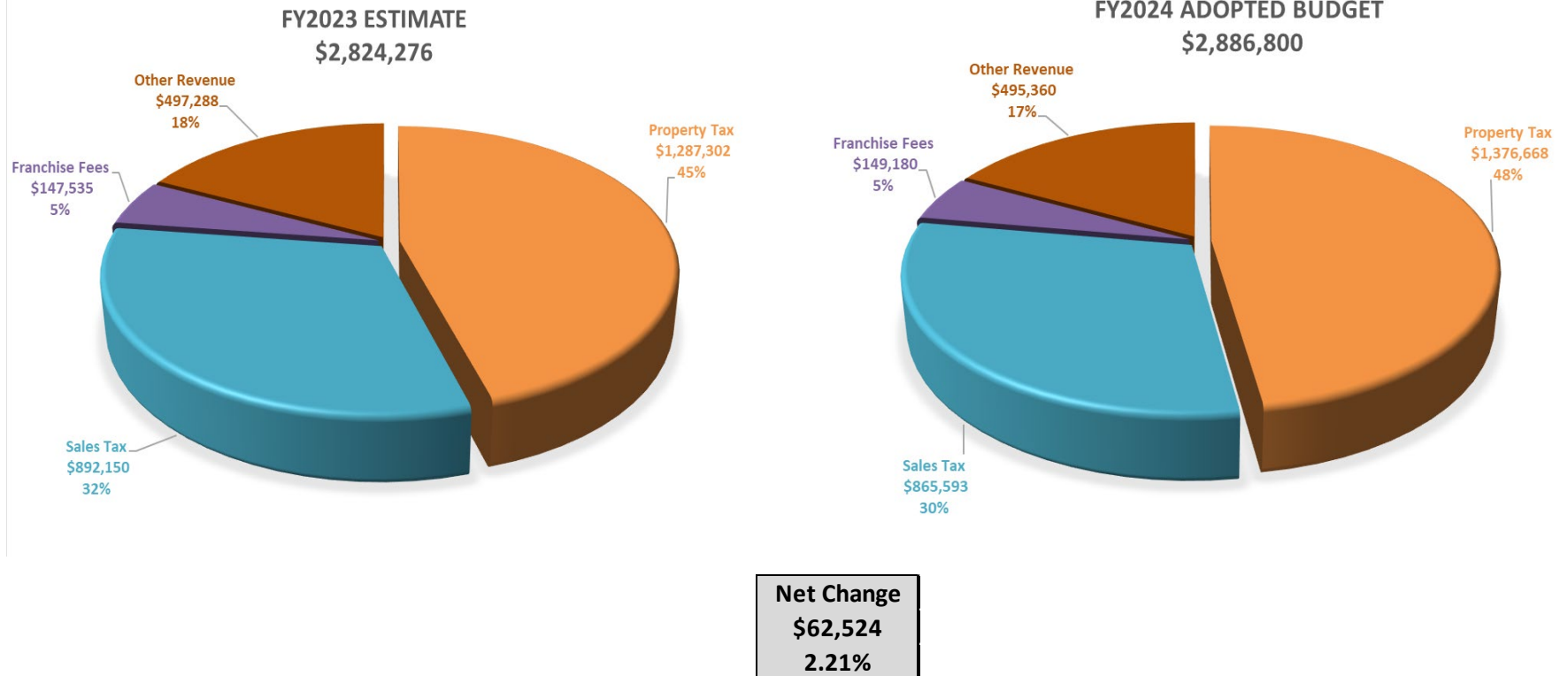
Including Other Resources

Net Change vs FY2023 Estimates



FY2024 General Fund Revenues - Net change to FY23 Estimates (\$ in thousands)	
FY2023 Estimates incl. Other Resources	\$2,838,165
FY2024 Proposed Budget incl. Other Resources	\$2,900,276
Incremental Increase/(Decrease)	\$62,112
	2.19%
<u>Revenue Increases/(Decreases):</u>	
Sales Tax ¹	(\$26,558)
Intergovernmental ²	(\$10,468)
Sale of Capital Assets ³	(\$549)
Others ⁴	(\$482)
Interest ⁵	(\$478)
Charges for Services ⁶	\$622
Industrial Assessment ⁷	\$888
Other Tax ⁸	\$940
Franchise Fees ⁹	\$1,644
Interfund Services ¹⁰	\$7,187
Property Tax ¹¹	\$89,366
Net Change of Revenues	\$62,112
Note: 1. Decrease to reflect an adjustment to pre-pandemic growth. 2. Decrease primarily due to lower Charity Care Program reimbursement and ARPA receipts to cover revenue losses due to COVID-19. 3. Decrease due to anticipated lower sale of capital assets. 4. Decrease primarily due to lower unclaimed property overpayment over 3 years. 5. Decrease due to lower than anticipated cash receipts. 6. Increase primarily due to higher than anticipated ambulance fees. 7. Increase due to anticipated higher taxable valuation. 8. Increase due to anticipated higher mixed beverage tax receipts. 9. Increase primarily due to higher consumption in electric franchise. 10. Increase mainly in Airport Police and Fire Protection Services. 11. FY2024 Budget is based on Proposition 1+H.	

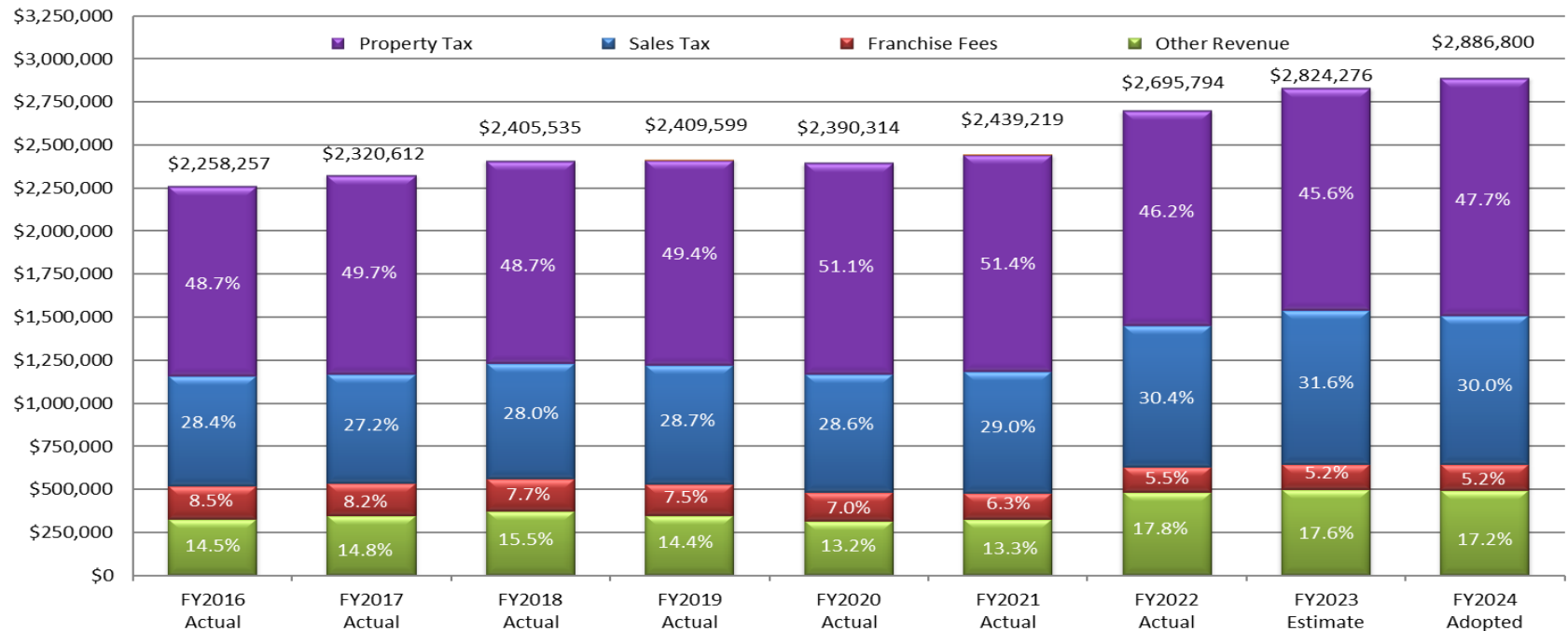
FY2024 General Fund Revenue Excluding Other Resources (\$ in Thousands)



Note:

- Does not include Other Resources such as Sale of Capital Assets and Transfers from Other Funds.
- Includes \$160 million ARPA Funding

General Fund Revenues Excluding Other Resources FY2016 – FY2024 (\$ in Thousands)



Property Tax	\$	1,098,664	\$	1,153,991	\$	1,172,543	\$	1,190,243	\$	1,222,154	\$	1,254,016	\$	1,244,722	\$	1,287,302	\$	1,376,668
Sales Tax	\$	640,476	\$	631,993	\$	674,279	\$	692,271	\$	684,425	\$	706,829	\$	820,622	\$	892,150	\$	865,593
Franchise Fees	\$	191,168	\$	190,586	\$	185,774	\$	179,640	\$	168,135	\$	153,600	\$	149,519	\$	147,535	\$	149,180
Other Revenue	\$	327,949	\$	344,042	\$	372,939	\$	347,445	\$	315,600	\$	324,774	\$	480,932	\$	497,288	\$	495,360
Total GF Revenues	\$	2,258,257	\$	2,320,612	\$	2,405,535	\$	2,409,599	\$	2,390,314	\$	2,439,219	\$	2,695,794	\$	2,824,276	\$	2,886,800
Change YOY (\$)	\$	45,126	\$	62,355	\$	84,923	\$	4,063	\$	(19,285)	\$	48,905	\$	256,575	\$	128,481	\$	62,524
Change YOY (%)		2.04%		2.76%		3.66%		0.17%		-0.80%		2.05%		10.52%		4.77%		2.21%

Note:

1. FY2022 Actual and FY2023 Estimate include \$139.4 million and \$162.6 million from ARPA funding relative to revenue reduction due to COVID-19 public health emergency respectively.
2. FY2024 Adopted Budget includes \$160 million from ARPA funding relative to revenue reduction due to COVID-19 public health emergency.

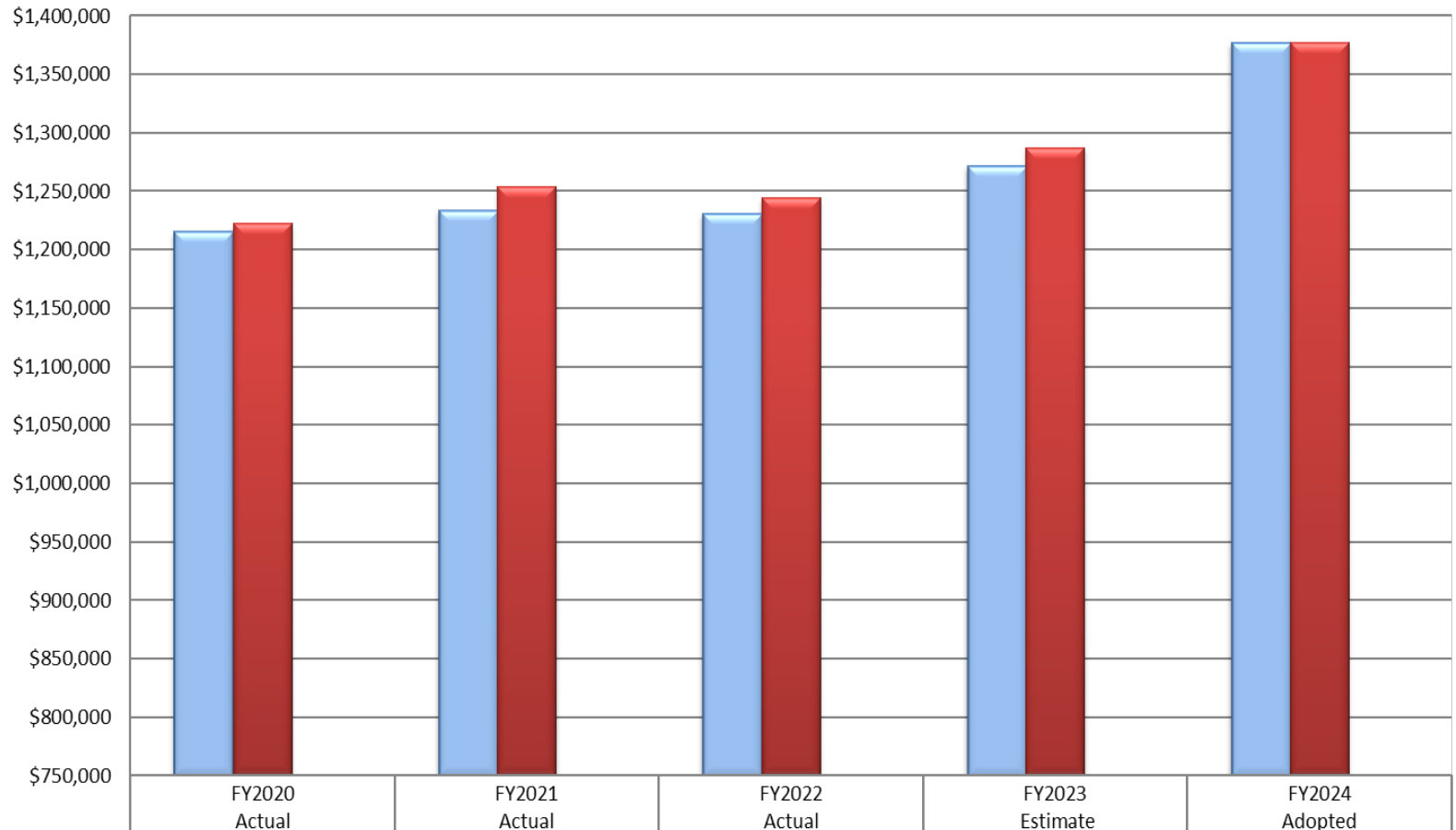


Property Tax Revenue

- Assumptions:
 - Estimated taxable value of \$313.2 billion, which is an increase of 8.92%.
 - The estimated taxable value net of the tax increment agreements is \$267.6 billion.
 - Based on Population data from U.S. Census Bureau as of July 1, 2022, the Finance Department applied the inflation rate of 8.2373% plus 0.6393% growth for population for purposes of calculating Proposition 1.
 - An increase in property tax revenue of 6.94%, which is \$89.4 million higher than FY2023 estimates.
 - Over 65/Disabled exemption currently at \$260,000.

Trends in Property Tax Revenues

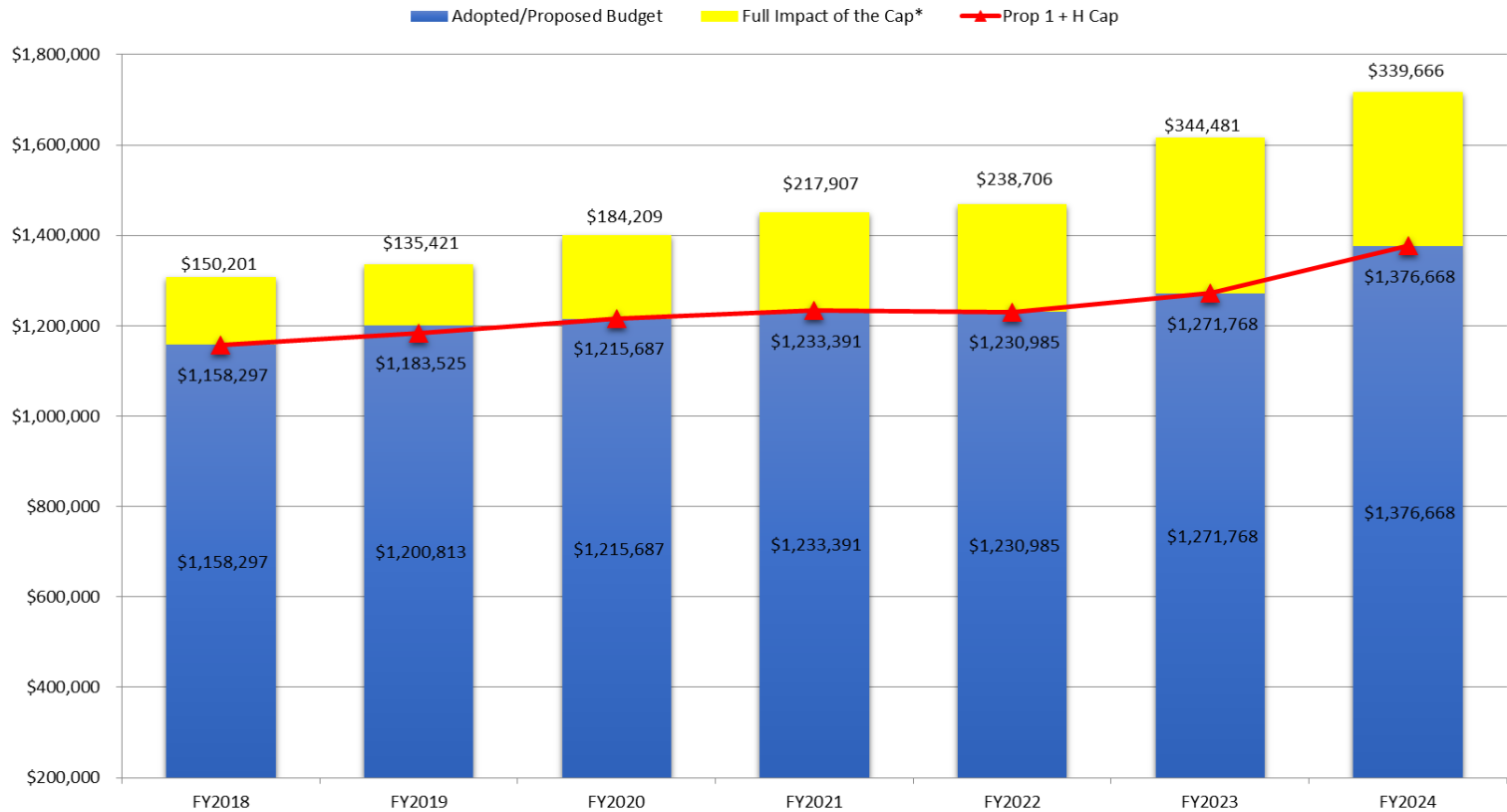
FY2020 - FY2024 (\$ in Thousands)



■ Adopted/Proposed Budget	\$1,215,687	\$1,233,391	\$1,230,985	\$1,271,768	\$1,376,668
■ Actual/Estimate	\$1,222,154	\$1,254,016	\$1,244,722	\$1,287,302	\$1,376,668
Variance: Over/(Under)	\$6,467	\$20,625	\$13,737	\$15,534	\$0

Adopted Budget vs. Charter Cap

FY2018 - FY2024 (\$ in Thousands)



Property Tax Revenue	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Adopted/Proposed Budget	\$ 1,158,297	\$ 1,200,813	\$ 1,215,687	\$ 1,233,391	\$ 1,230,985	\$ 1,271,768	\$ 1,376,668
Prop 1 + H Cap	\$ 1,158,297	\$ 1,183,525	\$ 1,215,687	\$ 1,233,391	\$ 1,230,985	\$ 1,271,768	\$ 1,376,668
Full Impact of the Cap*	\$ 150,201	\$ 135,421	\$ 184,209	\$ 217,907	\$ 238,706	\$ 344,481	\$ 339,666

* Since FY2015, the full impact of the property tax revenue cap is \$1.84 billion.



Sales Tax Revenue

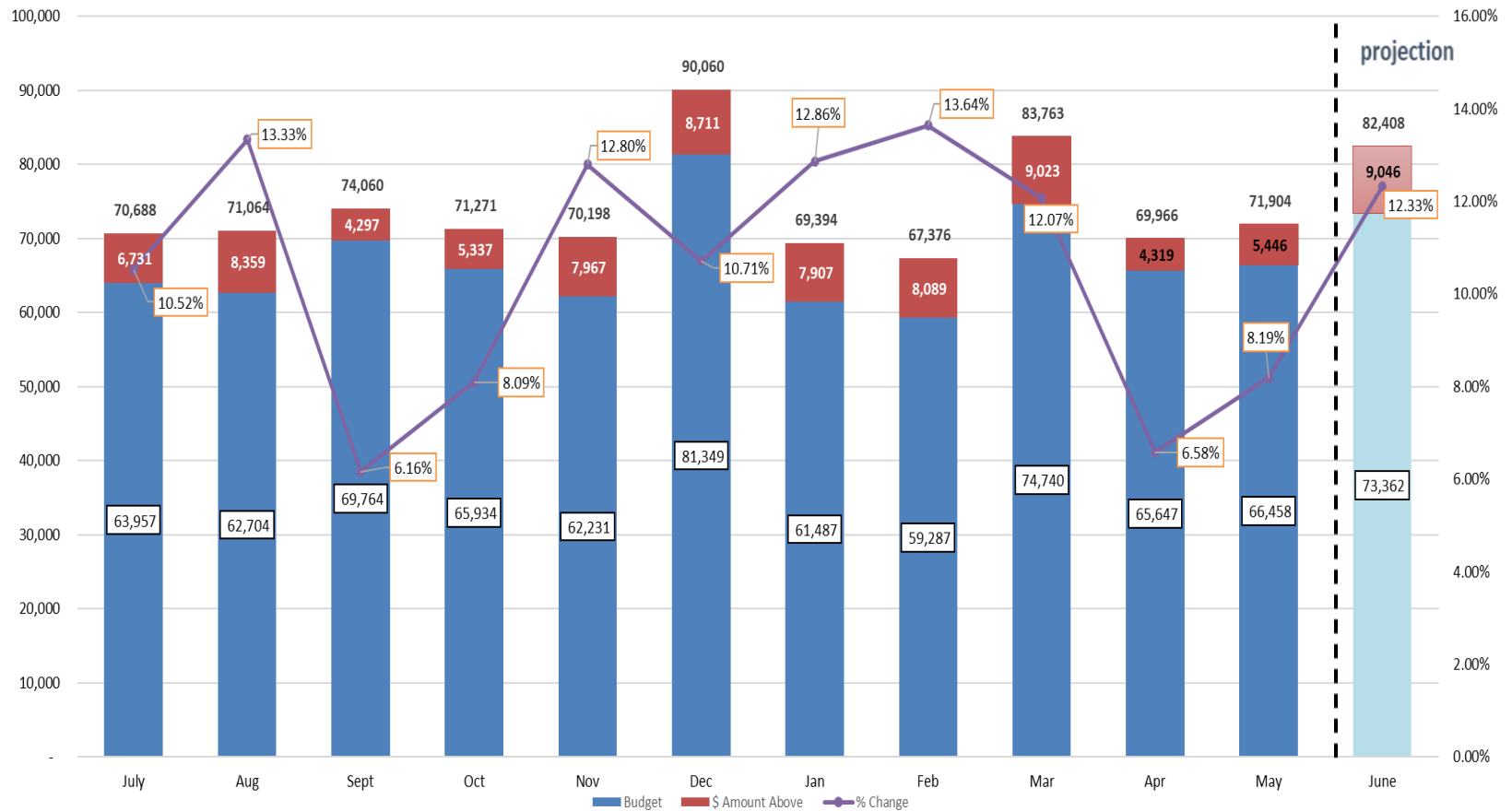
- Assumption:
 - 2.98% decrease from FY2023 estimates.
 - Employment is the key driver of sales tax revenue, including consumer sales and business to business sales. Historically, sales tax has responded in an immediate manner to changes in our employment growth and/or decline.
 - The energy sector contributes significantly to Houston's economy, Russia's invasion of Ukraine wages on and much uncertainty remains on the impacts to the oil industry.
 - Furthermore, economists advise of an economic slowdown in the near future, assuming a modest recession in the later part of FY2024 we proceed with a conservative outlook.

Trends in Sales Tax Revenues

FY2020 - FY2024 (\$ in Thousands)



FY2023 Sales Tax Budget vs Actual (\$ in thousands)



FY2024 General Fund Expenditures Net Change vs. FY2023 Current Budget



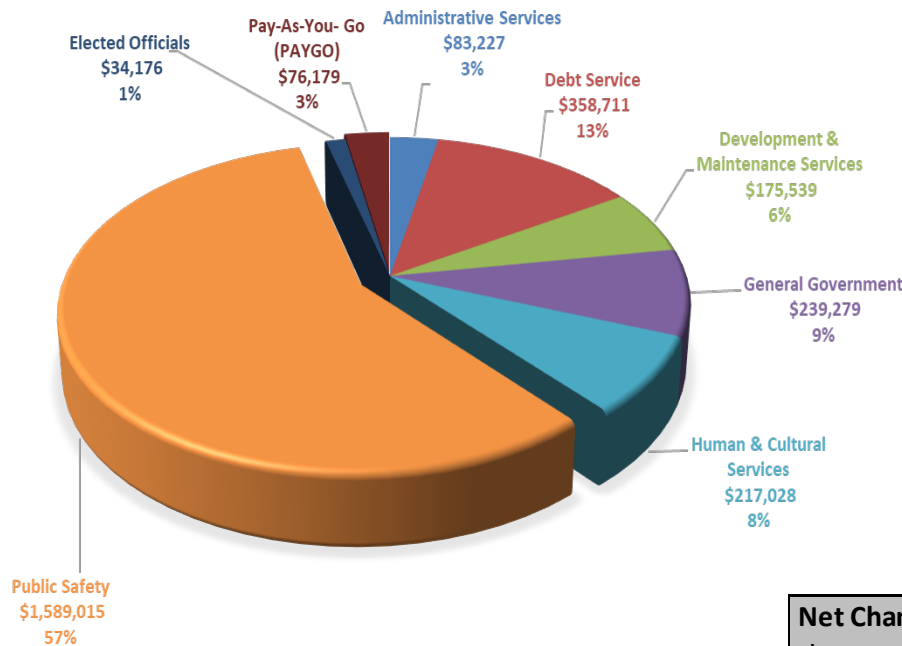
FY2024 General Fund Expenditures - Net Change vs. FY2023 Current Budget (\$ in thousands)		
FY2023 Current Budget		\$2,773,155
FY2024 Adopted Budget Incl. Other Resources		\$2,916,623
Incremental Increase/(Decrease)		\$143,468
		5.17%
<u>Operating Budget Adjustments</u> <u>Notes</u>		
Employee Compensation	1	\$52,384
Pension	2	\$11,811
Transfers to MRR	3	\$11,310
OPEB Trust	4	\$8,570
Service Chargeback	5	\$8,175
Health Benefits		\$7,574
Other Services & Charges	6	\$3,231
Subtotal Operating Budget		\$103,055
<u>Operating Budget Adjustments</u>		
Debt Service & PAYGO		\$40,413
Subtotal Debt Service		\$40,413
Net Change of Expenditures		\$143,468
Note:		
1. Includes the cost for employee pay raises: Fire Classified - 6%, Police Classified - 3%, and		
2. Driven by staffing and pay increases.		
3. Includes an increase in transfer to Maintenance Renewal Replacement Fund.		
4. Establishment of OPEB trust with a starting contribution.		
5. Includes increased cost for items such as electricity, HR client services, and vehicle services.		
6. Includes reduction for one-time funding such as Ruffino land purchase, Parks 50/50 Initiative, Illegal Dumping, bulk waste, Jones Hall, and the ending of 1115 Health Waiver program offset by an increase in Local Drainage Program, and Sidewalk Project.		

General Fund Expenditures Including Debt Service & PAYGO

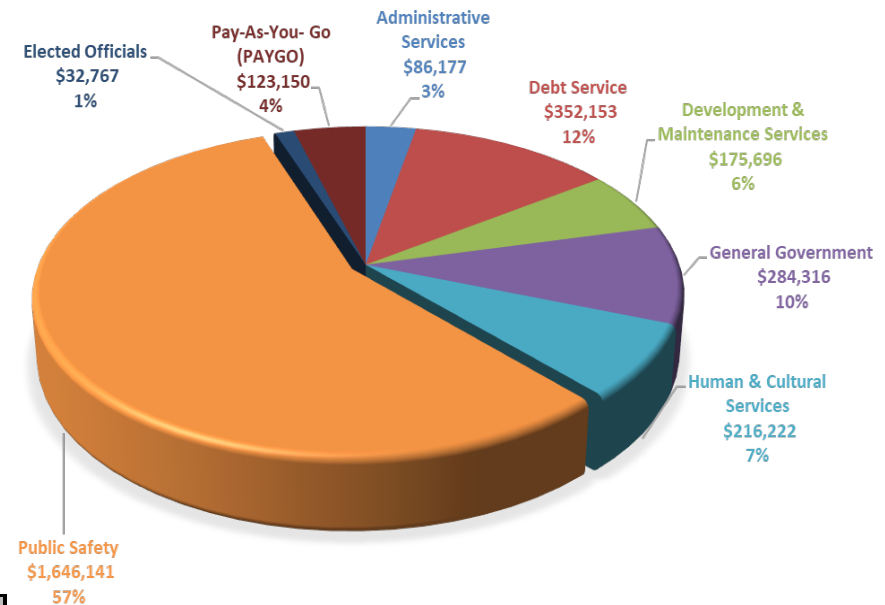
(\$ in Thousands)



FY2023 CURRENT BUDGET
\$2,773,155



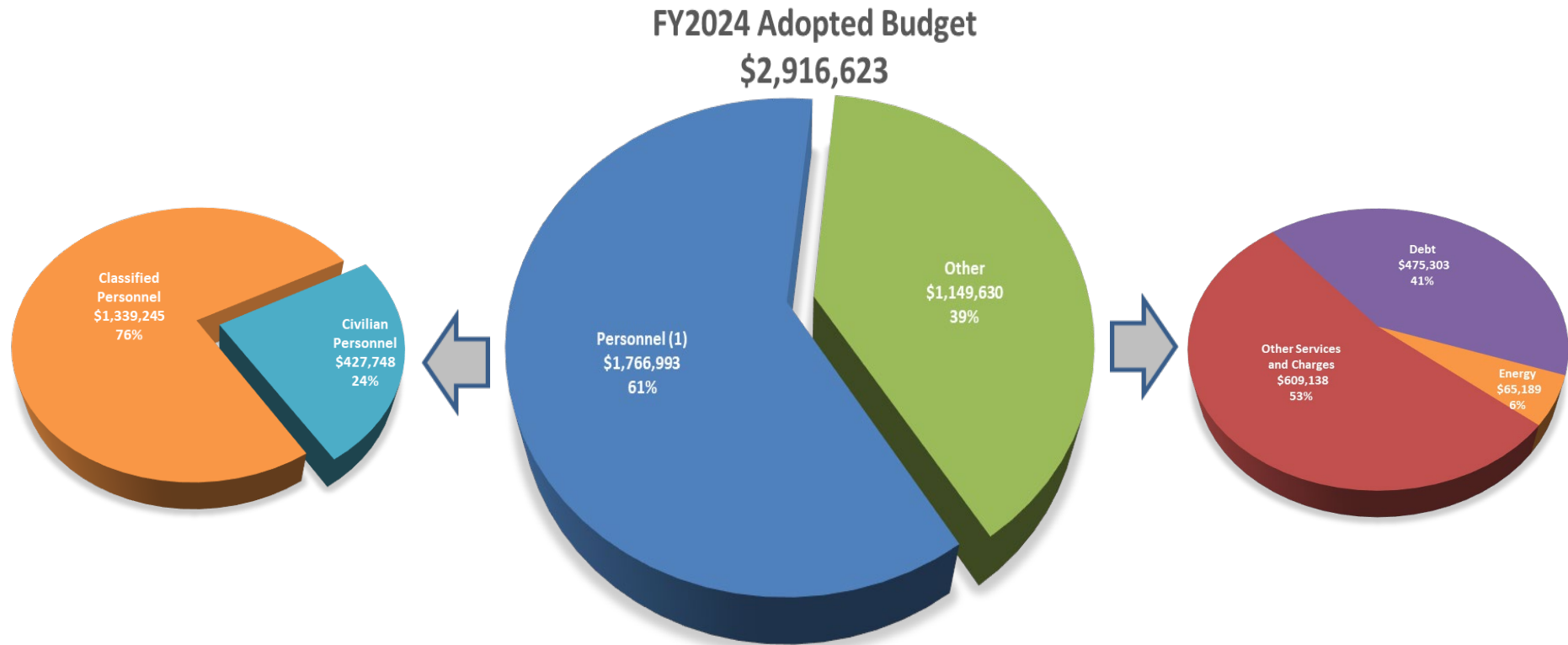
FY2024 ADOPTED BUDGET
\$2,916,623



Net Change
\$ 143,468
5.2%

Public Safety: Police, Fire, Houston Emergency Center (HEC), Municipal Courts
 Other: General Services, Planning & Development, Houston Public Works, Solid Waste
 Houston Health Department, Housing, Library, Neighborhoods, and Parks
 Administration and Regulatory Affairs, Controller, City Council, City Secretary, Finance, Human Resources,
 Legal, Mayor's Office, Office of Business Opportunity

FY2024 General Fund Expenditures Personnel vs. Non-Personnel (\$ in Thousands)



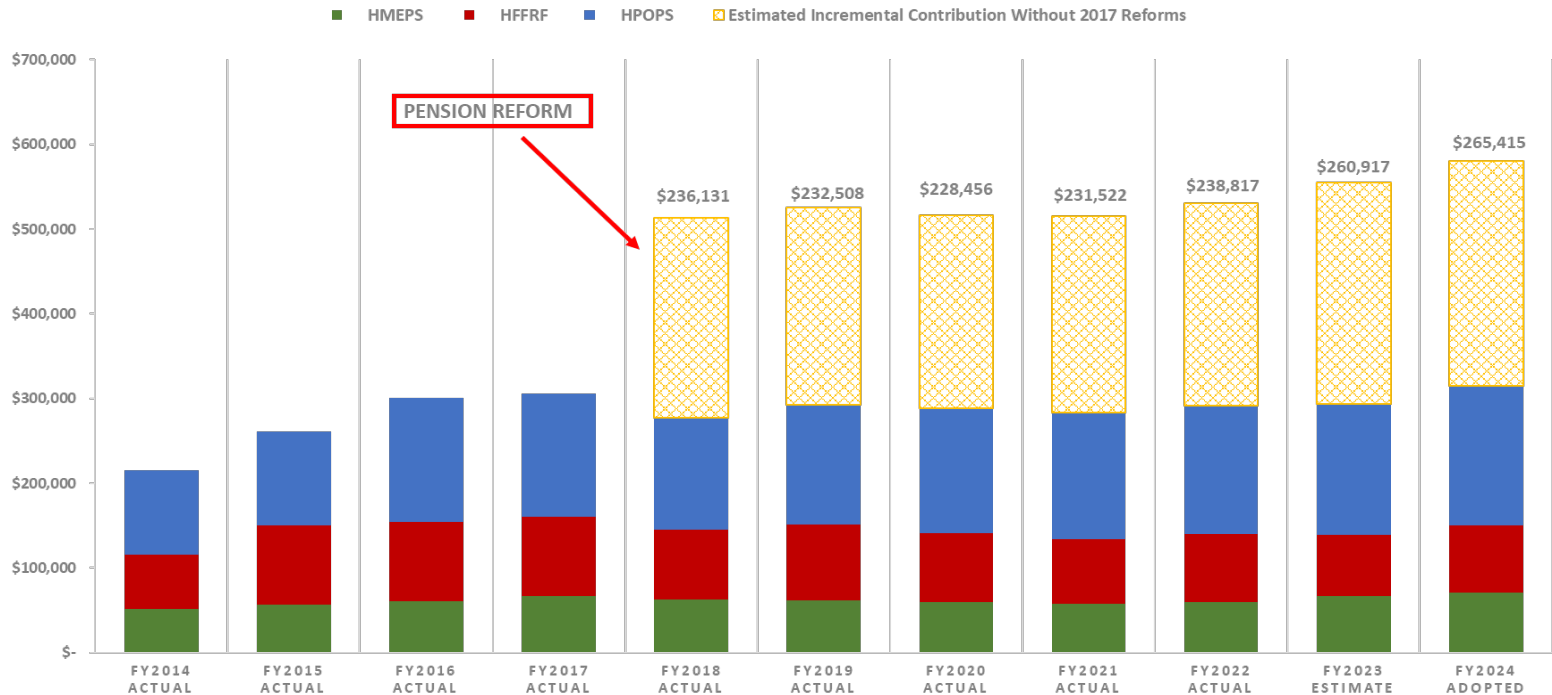
(1) Includes items such as salary, FICA, pension, health benefits, overtime, workers' comp, other pays, temp personnel, etc.

General Fund Pension Contributions

FY2014- FY2024 (\$ in Thousands)



PENSION CONTRIBUTIONS OF THE THREE PENSION SYSTEMS

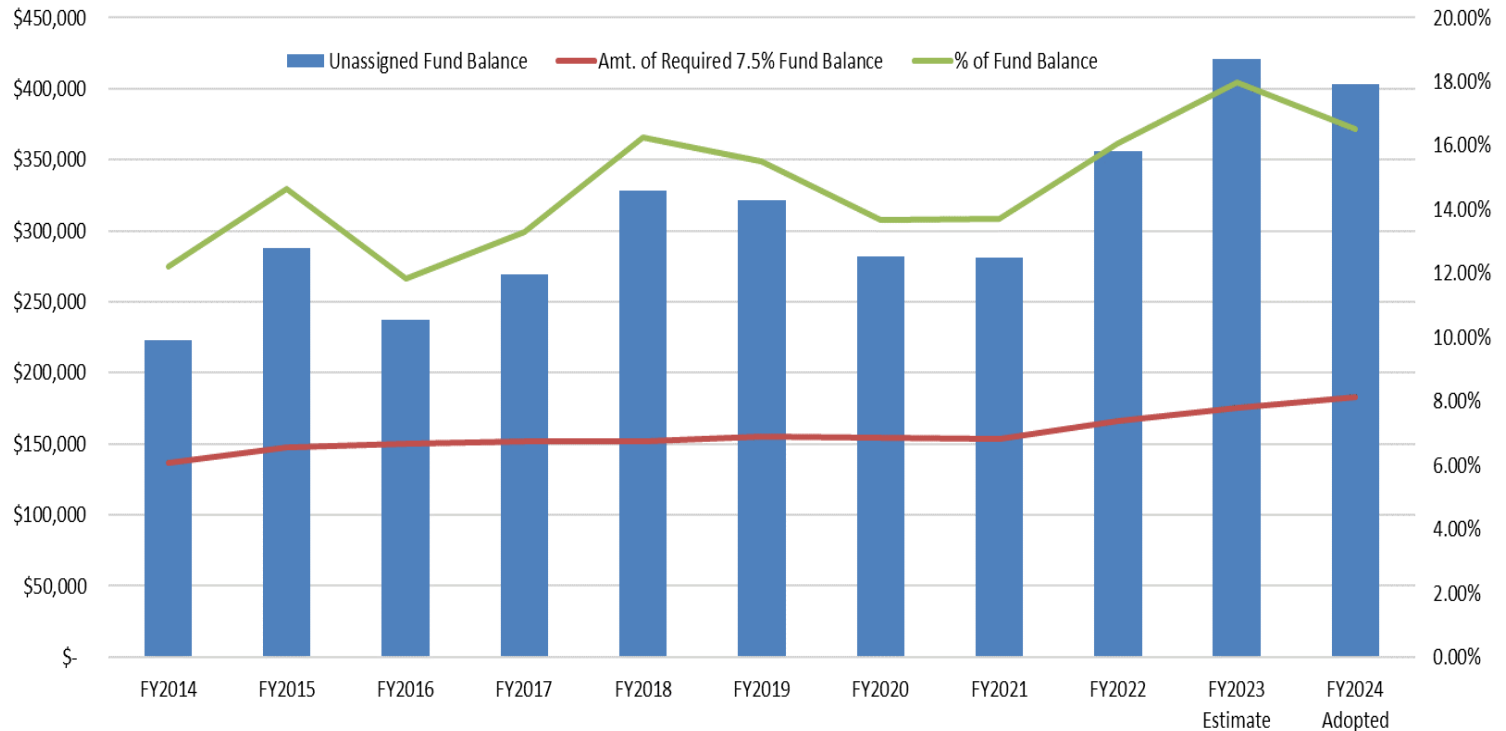


HMEPS	\$	51,354	\$	57,039	\$	60,447	\$	66,968	\$	62,643	\$	61,682	\$	59,814	\$	57,586	\$	59,745	\$	67,079	\$	71,067
HFFRF		63,758		93,407		94,121		92,958		82,940		89,902		80,760		76,293		80,427		72,220		78,974
HPOPS		100,614		110,727		146,216		145,646		131,645		141,096		147,487		149,641		151,557		154,700		164,515
Pension Contributions	\$	215,726	\$	261,173	\$	300,784	\$	305,572	\$	277,228	\$	292,680	\$	288,062	\$	283,520	\$	291,729	\$	293,998	\$	314,556
Change YOY (\$)		(29,857)		45,447		39,610		4,789		(28,344)		15,452		(4,619)		(4,541)		8,208		2,270		20,558
Change YOY (%)		-15.3%		21.1%		15.2%		1.6%		-9.3%		5.6%		-1.6%		-1.6%		2.9%		0.8%		7.0%
Estimated Incremental Contribution Without 2017 Reforms									\$	236,131	\$	232,508	\$	228,456	\$	231,522	\$	238,817	\$	260,917	\$	265,415
Total Estimated Contribution Without 2017 Reform									\$	515,196	\$	526,665	\$	517,869	\$	516,703	\$	530,546	\$	554,916	\$	579,971

Notes: 1. FY2018 Actual excludes \$910 million Pension Obligation Bonds for General Fund.

2. The full impact of pension reform on City's General Fund contribution is \$1.7 billion.

General Fund Unassigned Ending Fund Balance FY2014 - FY2024



Unassigned Fund Balance	\$ 222,620	\$ 287,842	\$ 236,947	\$ 269,558	\$ 328,346	\$ 321,436	\$ 282,068	\$ 281,202	\$ 356,332	\$ 420,482	\$ 402,809
Amt. of Required 7.5% Fund Balance	\$ 136,619	\$ 147,331	\$ 150,143	\$ 151,972	\$ 151,587	\$ 155,450	\$ 154,765	\$ 153,812	\$ 166,432	\$ 175,349	\$ 183,099
% of Fund Balance	12.22%	14.65%	11.84%	13.30%	16.25%	15.51%	13.67%	13.71%	16.06%	17.98%	16.50%
M&O Expenditures	\$1,821,588	\$1,964,412	\$2,001,911	\$2,026,297	\$2,021,156	\$2,072,672	\$2,063,529	\$2,050,824	\$2,219,090	\$2,337,981	\$2,441,319

- Notes: 1. FY2018 amount required of 7.5% fund balance is adjusted to excludes \$910 million Pension Obligation Bonds.
2. FY2022 - FY2024 include the use of ARPA funding relative to revenue reduction due to COVID-19 public health emergency.



General Fund Five Year Forecast FY2024 – FY2028



Overview

- Shows the projected budget gap range based on a conservative and optimistic growth in revenue
- Does not include one-time land sales
- In compliance with Prop 1+H limitations and holding the senior/disabled exemption at \$260,000
- Pension assumptions based on midpoint of the corridor
- Expenditures include legal mandates, staffing for new facilities, and contractual escalators.



Key Assumptions – Revenue

Revenue Category	FY2024 Proposed	FY2025 - FY2028	Comments
Property Tax Growth %	7.7%	(Low) 1.6% to 2.2% (High)	FY2025-2028 estimate is based on the maximum allowed revenue by 2004 Proposition 1 and modified by 2006 Proposition H. Range varies using different assumption for CPI and population growth.
Sales Tax Growth %	-3.0%	(Low) 1.0% to 2.7% (High)	FY2025-2028 estimate derived from econometric models which consider the sectors of the Houston economy and estimates of income, prices, population and Primary Metropolitan Statistical Area (PMSA) retail sales Range varies using different assumptions for employment and oil prices.
Franchise Fee Growth %	1.1%	(Low) -2.6% to -1.3% (High)	FY2025-2028 estimate based on historical growth. High range assumes slower decline in franchise fee revenue.
Other Revenue Growth %	1.0%	(Low) -0.8% to 2.0% (High)	FY2025-2028 estimate based on historical growth.
One-time sale of Capital Assets \$mm	\$0.00	(Low) 0.0% to 0.0% (High)	No one-time land sales included.

Notes:

(1) Other Revenue Category includes items such as Industrial Assessment, Licenses and Permits, Charges for Services, Interfund Services, Fines and Forfeits

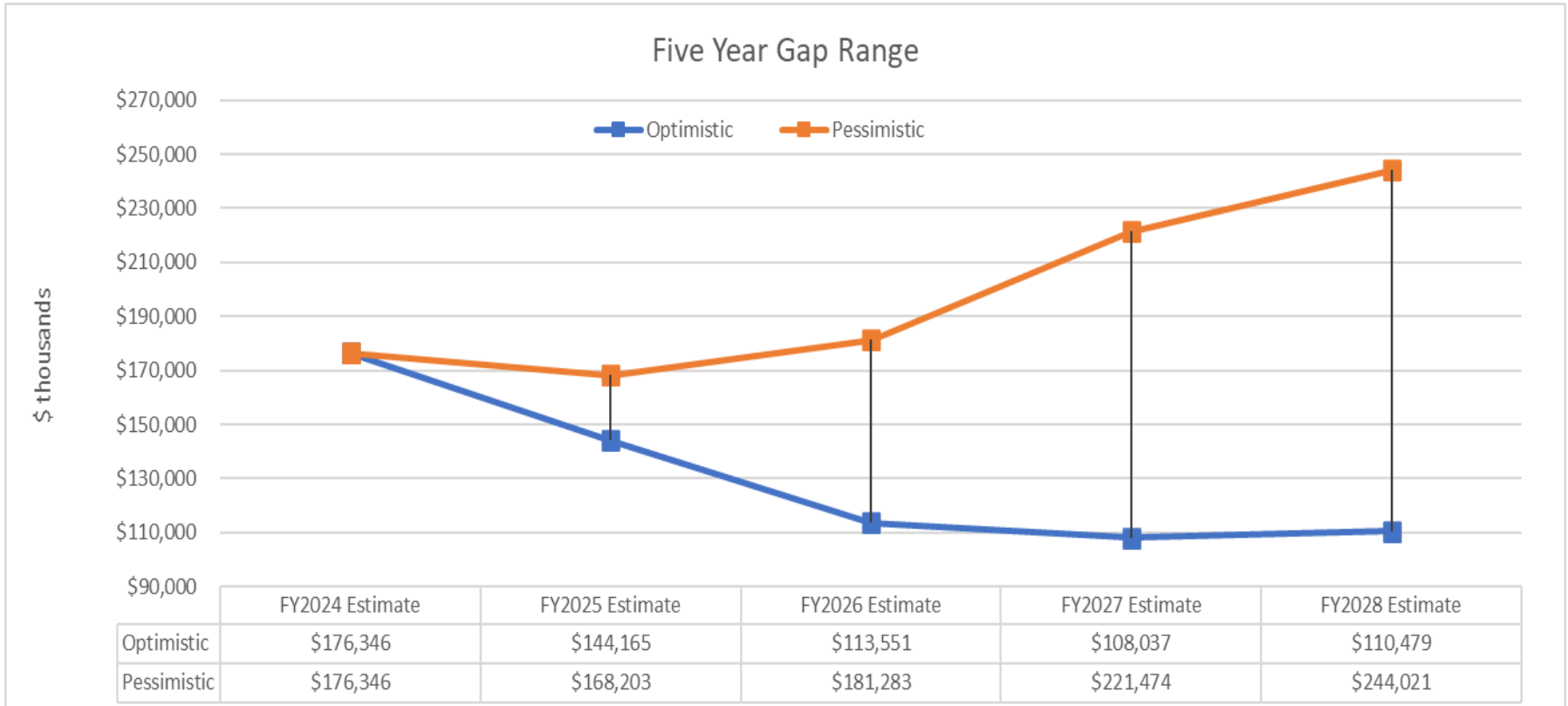


Key Assumptions – Expenditures

Expenditure Category	FY2024 Proposed	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast	Comments
<u>Personnel</u>						
• Police Classified	3.0%	3.5%	TBD	TBD	TBD	10.5% over 3 years approved by Council on 03/23/2022. Effective July 2022 of Fiscal Year 2023
• Fire Classified	6.0%	TBD	TBD	TBD	TBD	18% over 3 years approved by Council on 06/30/2021. Effective July 2021 of Fiscal Year 2022
• Municipal Employees	3.0%	TBD	TBD	TBD	TBD	9% over 3 years approved by Council on 08/04/2021. Effective October 2021 of Fiscal Year 2022
<u>Pension Contribution</u>						
• HMEPS	8.48%	8.51%	8.54%	8.57%	8.59%	Based on the midpoint of the corridor
• HMEPS Legacy (\$mm)	\$146	\$150	\$154	\$158	\$163	Legacy liability contribution
• HPOPS	32.03%	(Low) 27.07% to 32.13% (High)				Based on min-mid point of corridor
• HFRFF	26.89%	(Low) 26.89% to 31.89% (High)				Based on min-mid point of corridor
<u>Health Benefits</u>						
• Growth %	3.7%	(Low) 4% to 5% (High)				
<u>Total Debt Service and PAYGO (\$mm)</u>	\$475.3	\$485.8	\$461.7	\$474.0	\$495.1	

Current Budget Gap FY2024- FY2028

(\$ in Thousands)



Notes:

- (1) Revenue assumptions exclude the utilization of ARPA funding
- (2) Any gap that may exist in FY2025 will be fully covered by the fund balance.



Addressing the Gap – What have we done?

Major items include:

- Pension Reform
- OPEB Reform
- Shared Services – Joint Processing Center
- Hiring Control – Mayor's Staffing Efficiency Process
- Implement claw back provision for certain special funds
- EMS Fee adjustment
 - Increased EMS Transport Fee
 - Created new fees
- Health benefit updates
 - Negotiated citywide medical and prescription benefits plan
 - Implemented spousal surcharge
 - Performed dependent eligibility audit
- Outcome Based Budget



Addressing the Gap – What's Next?

- Limitations
 - Property tax revenue cap in City Charter and State Cap
 - Police and Fire cost make up 66% of General Fund expenditures other than debt/PAYGO
 - Any potential legislative change
- Short-term
 - Build and preserve fund balance
 - Continue hiring control
 - Continue to look for efficiencies and cost cutting opportunities
 - Develop new revenue sources
- Long-term
 - Continue to implement PFM recommendations that are supported by Mayor and City Council



Questions