



# City of Houston

## **Long Range Financial Management Task Force**

City Financial Overview  
Part 2

September 6, 2011



# Agenda

- General Fund Overview
  - Historical Data Revenues & Expenditures
  - Houston Economic Indicators
  - Revenues & Expenditures Outlook



# General Fund

- Focus of Task Force will be **General Fund**, the major operating fund for the City.

## General Fund Departments include:

### **Public Safety:**

Police  
Fire  
Houston Emergency Center  
Municipal Courts

### **Development & Maintenance:**

General Services  
Planning & Development  
Public Works & Engineering  
Solid Waste Management

### **General Government Debt Services**

### **Human & Cultural Services:**

Convention & Entertainment  
Health & Human Services  
Housing & Community  
Library  
Parks & Recreation  
Neighborhoods

### **Administrative Services:**

Administration & Regulatory  
Affairs  
Office of Business Opportunity  
Controller's Office  
City Council  
City Secretary  
Finance  
Human Resources  
Information Technology  
Legal  
Mayor's Office

## Enterprise Funds Departments include:

Aviation  
Convention & Entertainment  
Public Works & Engineering



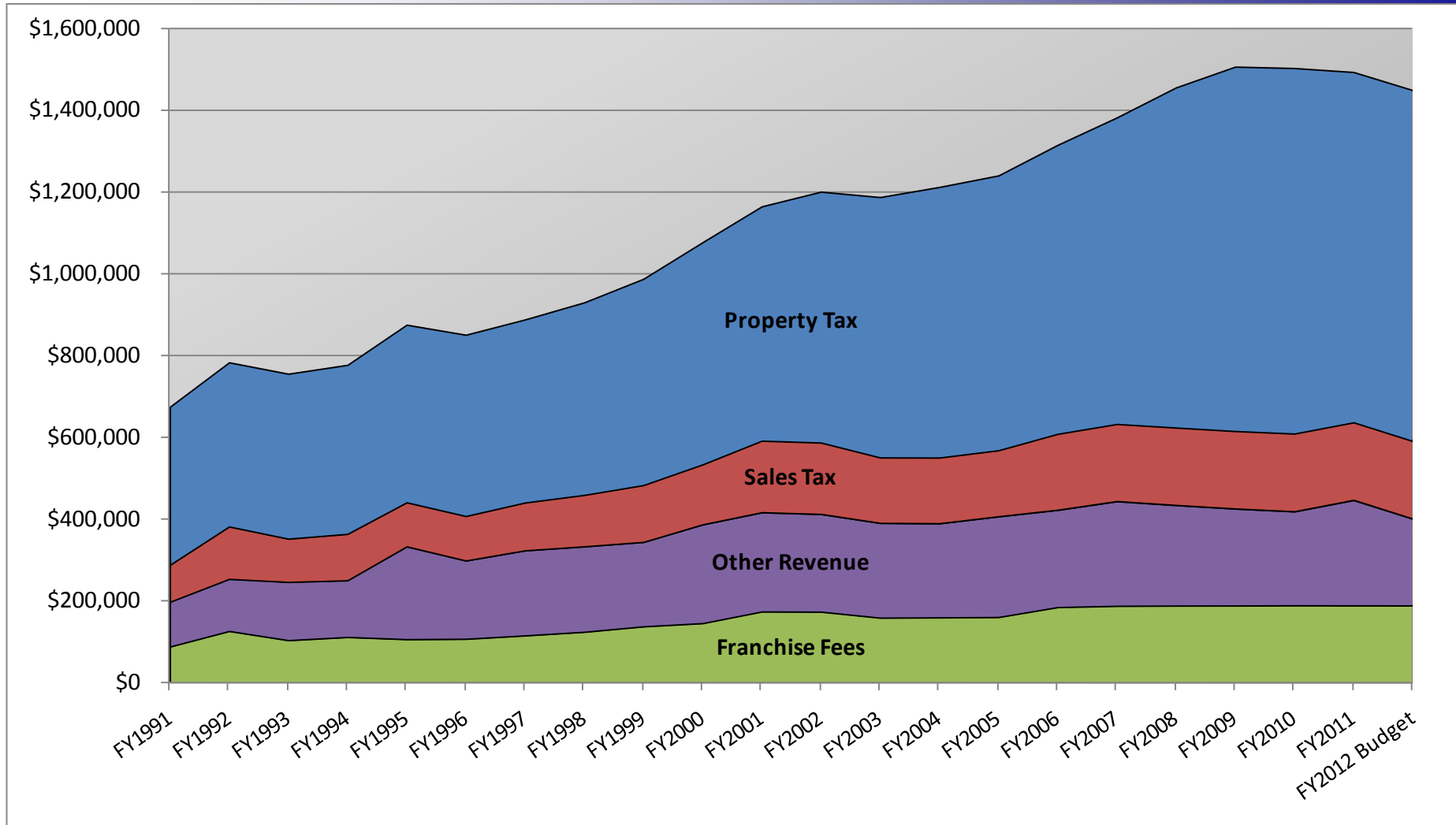
# City of Houston

## **General Fund Historical Data Revenues and Expenditures**



# General Fund Revenues

(\$ in Thousands)





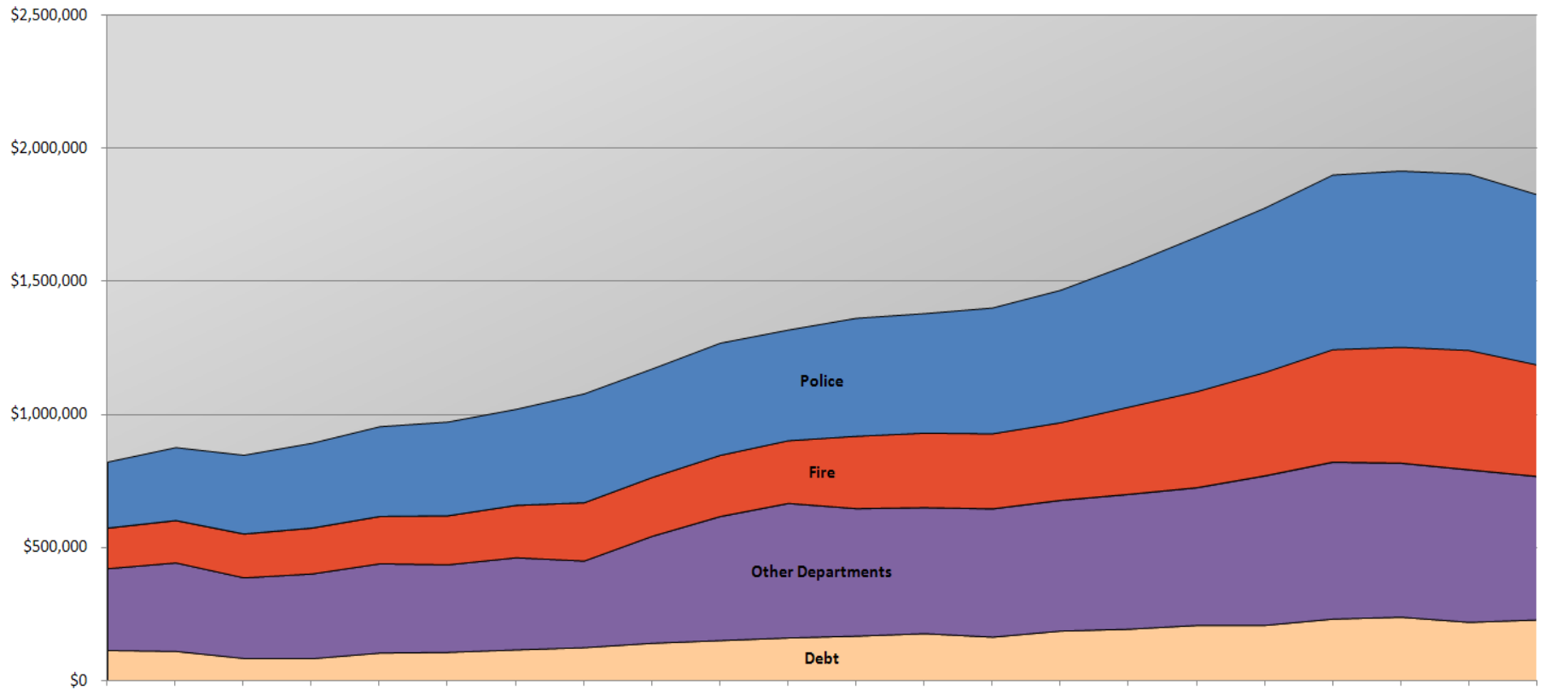
# General Fund Revenues

- Property and Sales Taxes are the major revenue sources.
- Highest peak occurred in FY2009.
- The period of FY2009-10 was the start of the economic downturn as Property Tax and Sales Tax revenues started to decrease.



# General Fund Expenditures by Department

(\$ in Thousands)

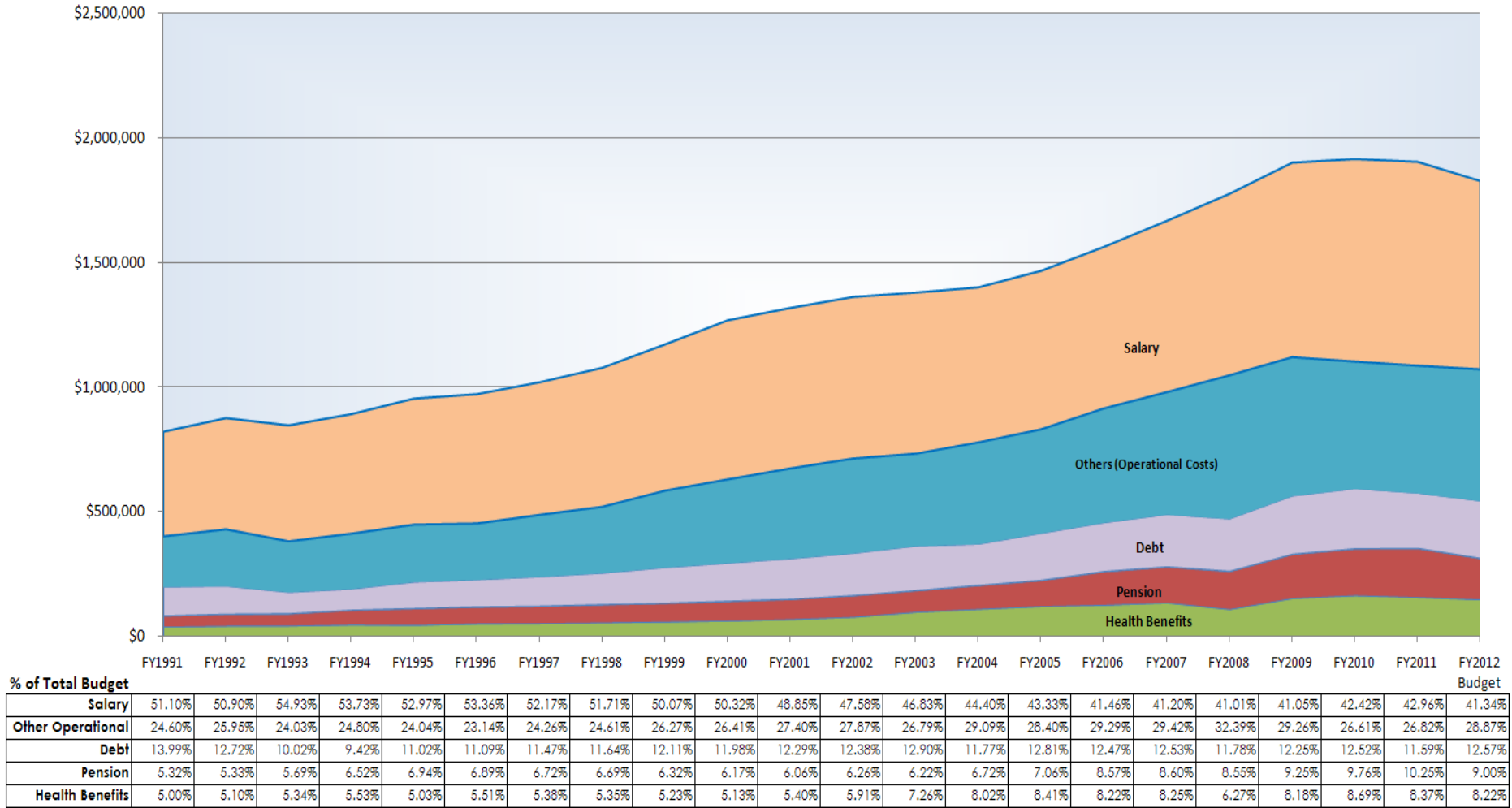


	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Budget																						
<b>% of Total Budget</b>																						
<b>Police</b>	30.18%	31.28%	34.91%	35.69%	35.33%	36.23%	35.39%	37.96%	34.82%	33.25%	31.58%	32.56%	32.57%	33.77%	33.94%	34.24%	34.88%	34.80%	34.56%	34.58%	34.83%	35.05%
<b>Fire</b>	18.46%	18.06%	19.33%	19.23%	18.52%	18.85%	19.22%	20.22%	18.80%	18.07%	17.85%	19.93%	20.26%	20.09%	19.85%	20.93%	21.61%	21.86%	22.23%	22.74%	23.56%	22.94%
<b>Other Depts</b>	37.37%	37.93%	35.73%	35.66%	35.13%	33.83%	33.91%	30.18%	34.27%	36.70%	38.28%	35.12%	34.27%	34.37%	33.40%	32.35%	30.98%	31.56%	30.96%	30.15%	30.02%	29.44%
<b>Debt</b>	13.99%	12.72%	10.02%	9.42%	11.02%	11.09%	11.47%	11.64%	12.11%	11.98%	12.29%	12.38%	12.90%	11.77%	12.81%	12.47%	12.53%	11.78%	12.25%	12.52%	11.59%	12.57%



# General Fund Expenditures by Category

(\$ in Thousands)





# General Fund Expenditures

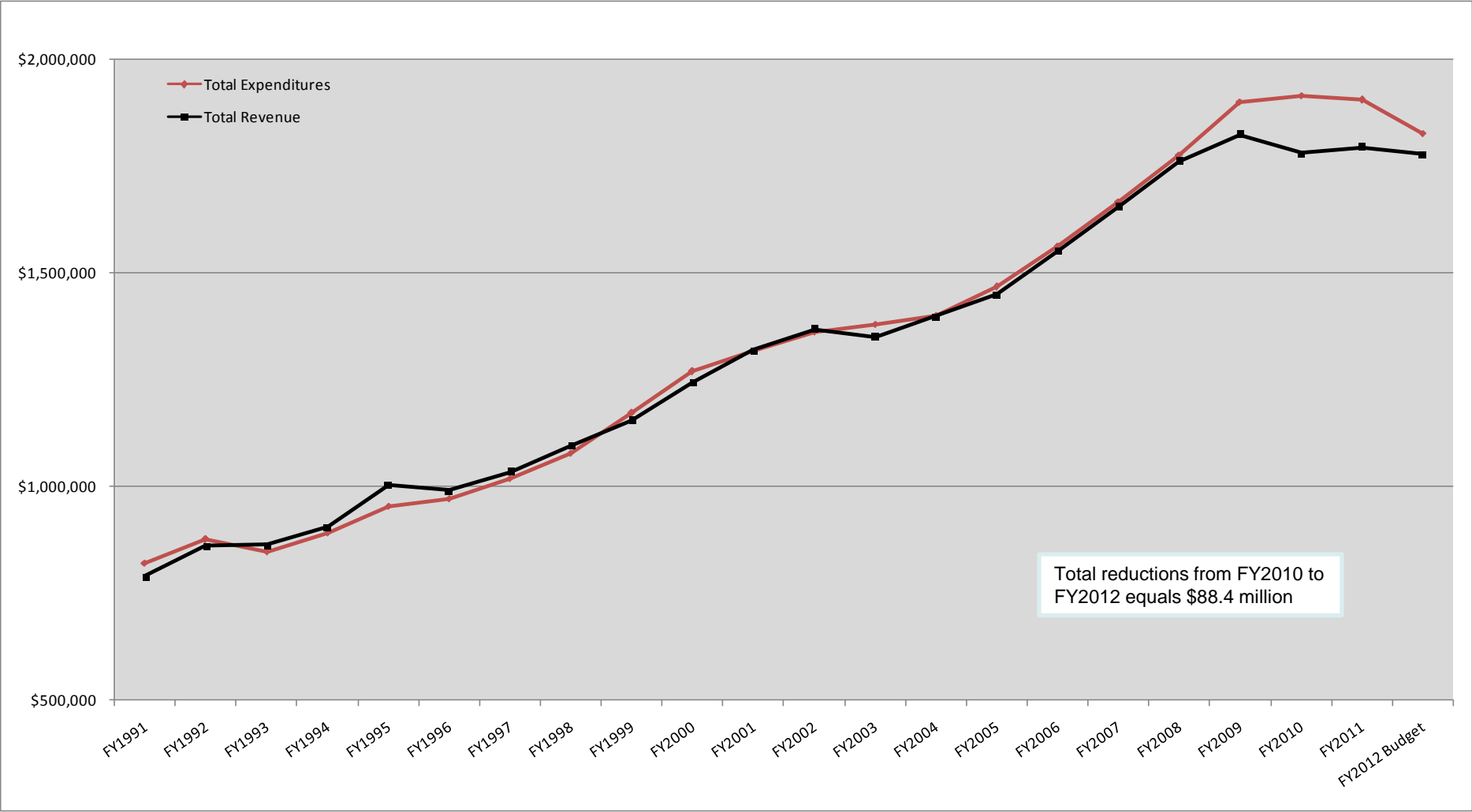
## Key Points

- Salary Cost is the major expense of General Fund
- Followed by Operational Cost, Debt, Pension and Health Benefits
- Contractual pay increases
  - Three year HOPE contract pay increases of 4.25% per year from FY2009 -11
  - Police Classified received 2% pay increases per year from FY2009 -11
  - Fire Classified received pay increases of 4.5% in FY2009, 4% in FY2010, and 5.75% in FY2011 (3.75% in July and 2% in January)
  - Major budget reduction started in FY2011



# General Fund Revenue and Expenditure Data

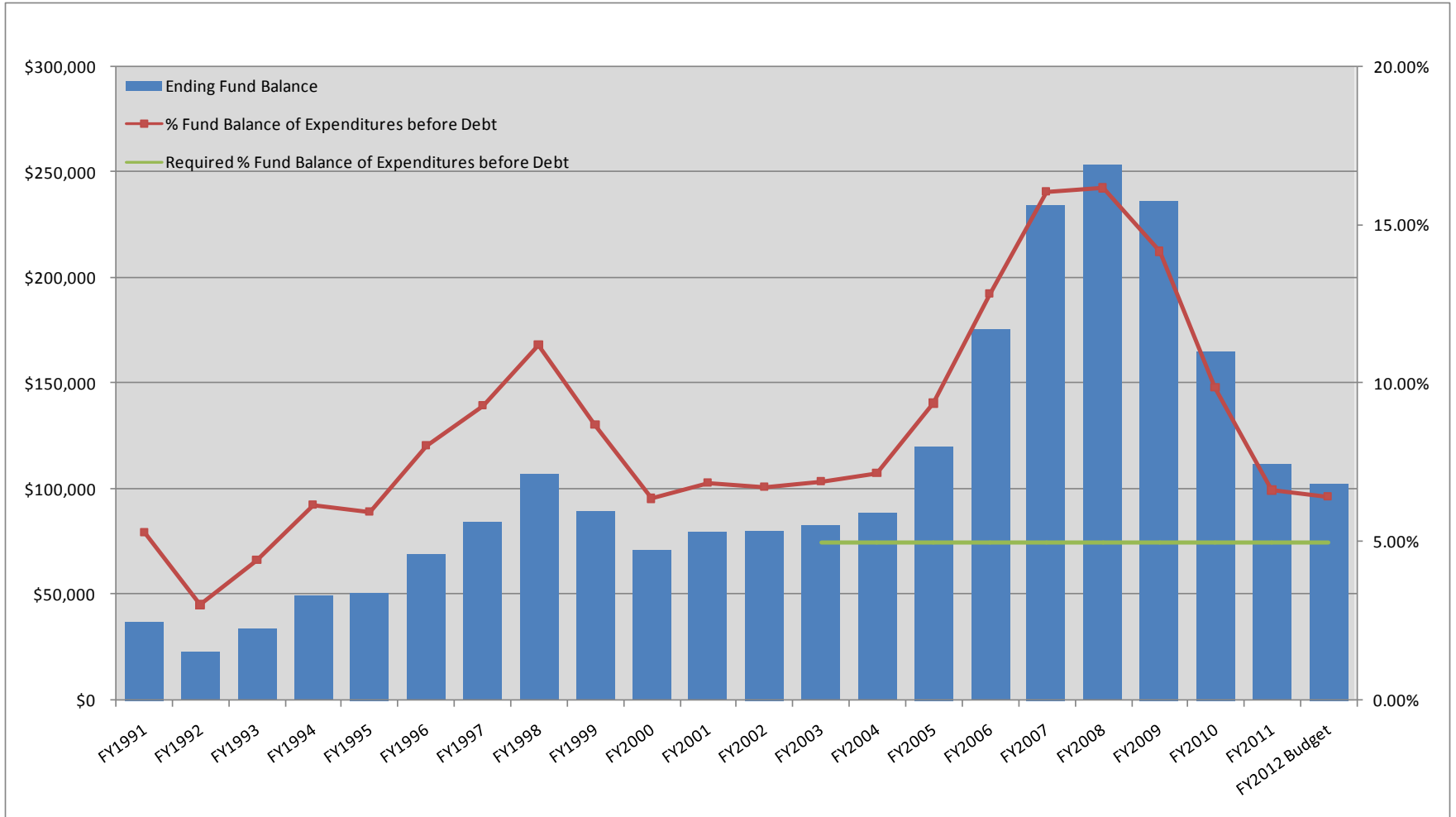
(\$ In Thousands)





# General Fund Ending Fund Balance

(\$ in Thousands)



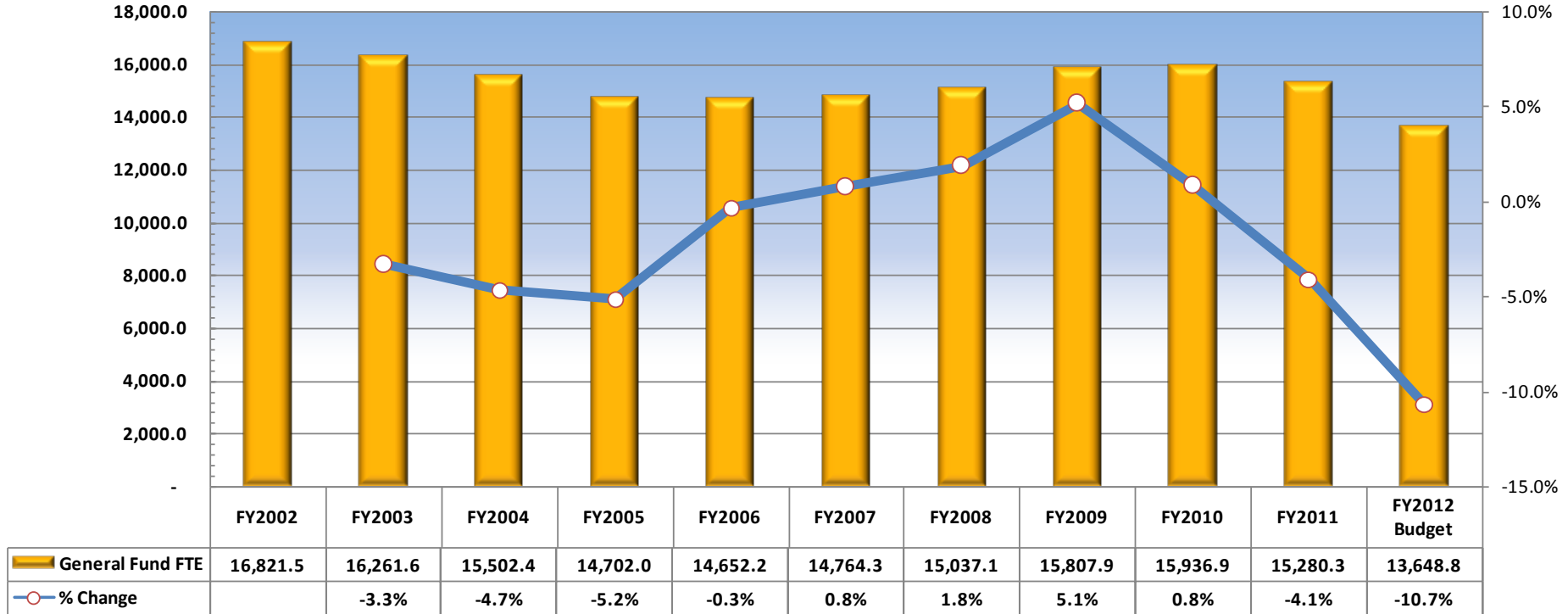


# General Fund Personnel

- As a result of budget challenges due to the economic downturn, departments were reorganized to maintain services with fewer employees
- Consolidations in Fleet, Human Resource, Information Technology, and Payroll contributed to reductions in civilian staffing in FY2011 and FY2012
- No reduction in classified employees



# General Fund Full Time Equivalents (FTEs)

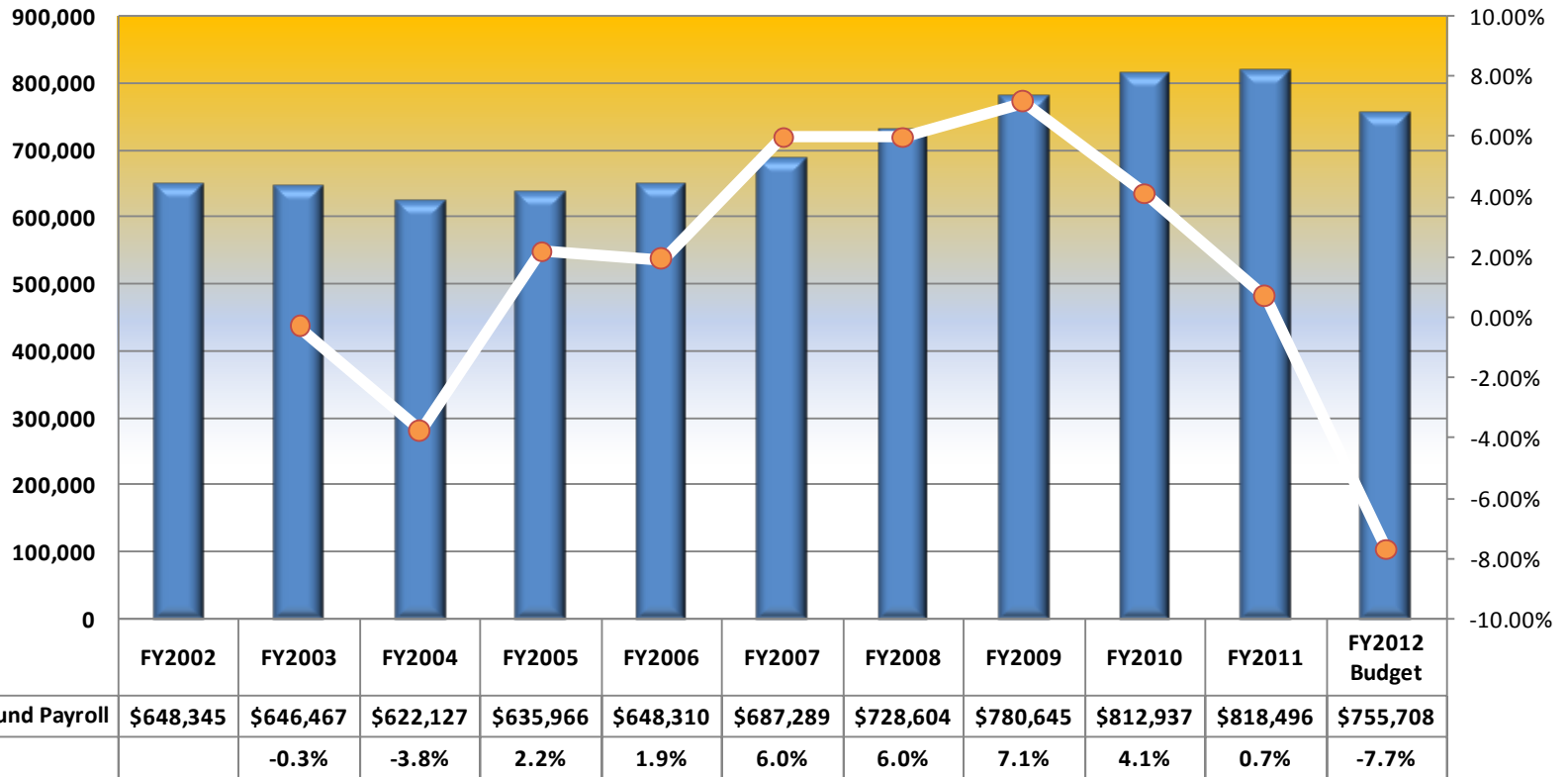


Fiscal Year	FY2010	FY2011	FY2012
Change in FTE Count	129	(656.6)	(1,631.5)



# General Fund Payroll

(\$ in Thousands)



Fiscal Year	FY2010	FY2011	FY2012
\$ Change in Payroll	\$32,292	\$5,559	(\$62,788)



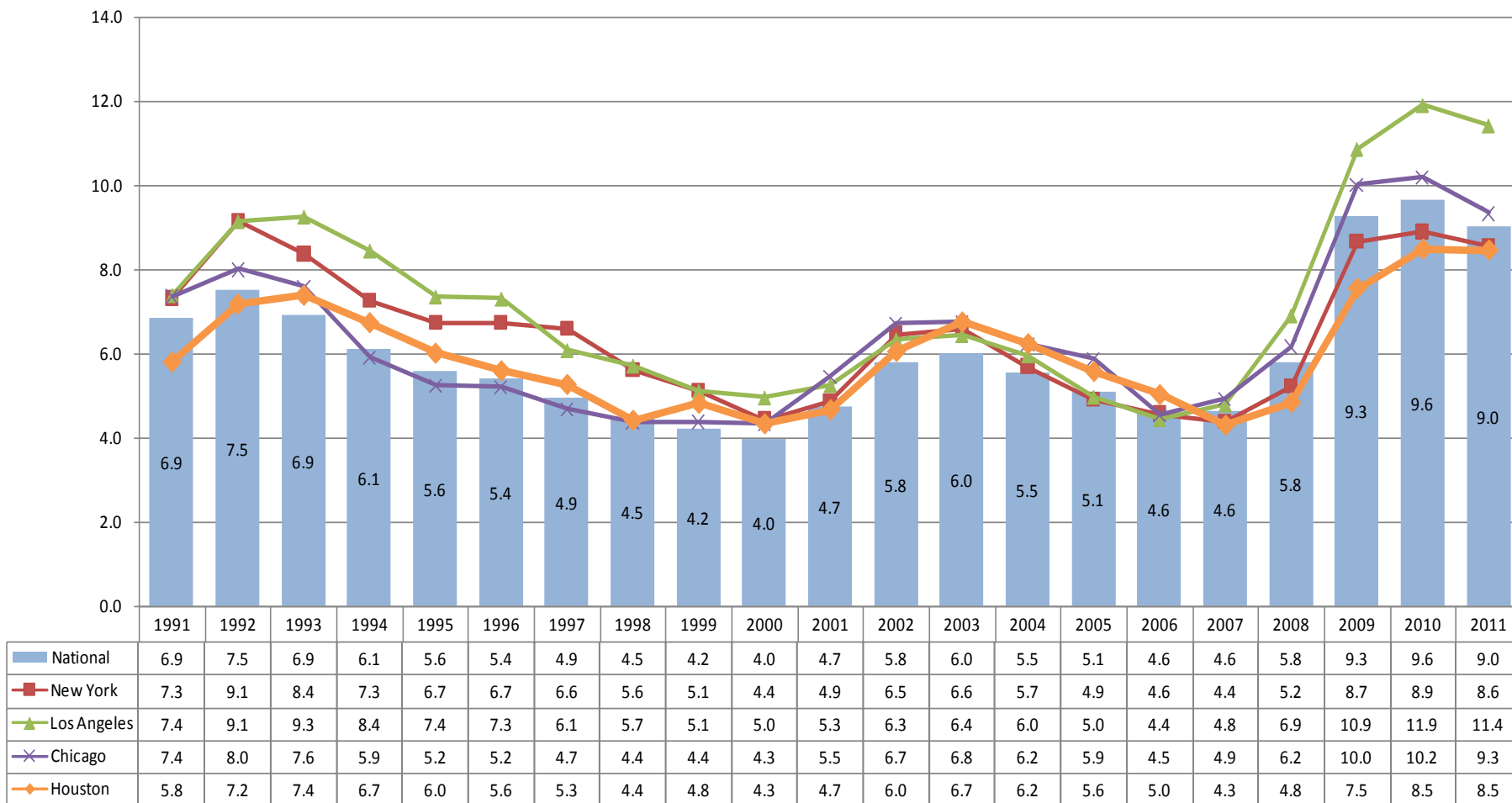
# City of Houston

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## Houston Economic Indicators



# Unemployment Rate Comparison

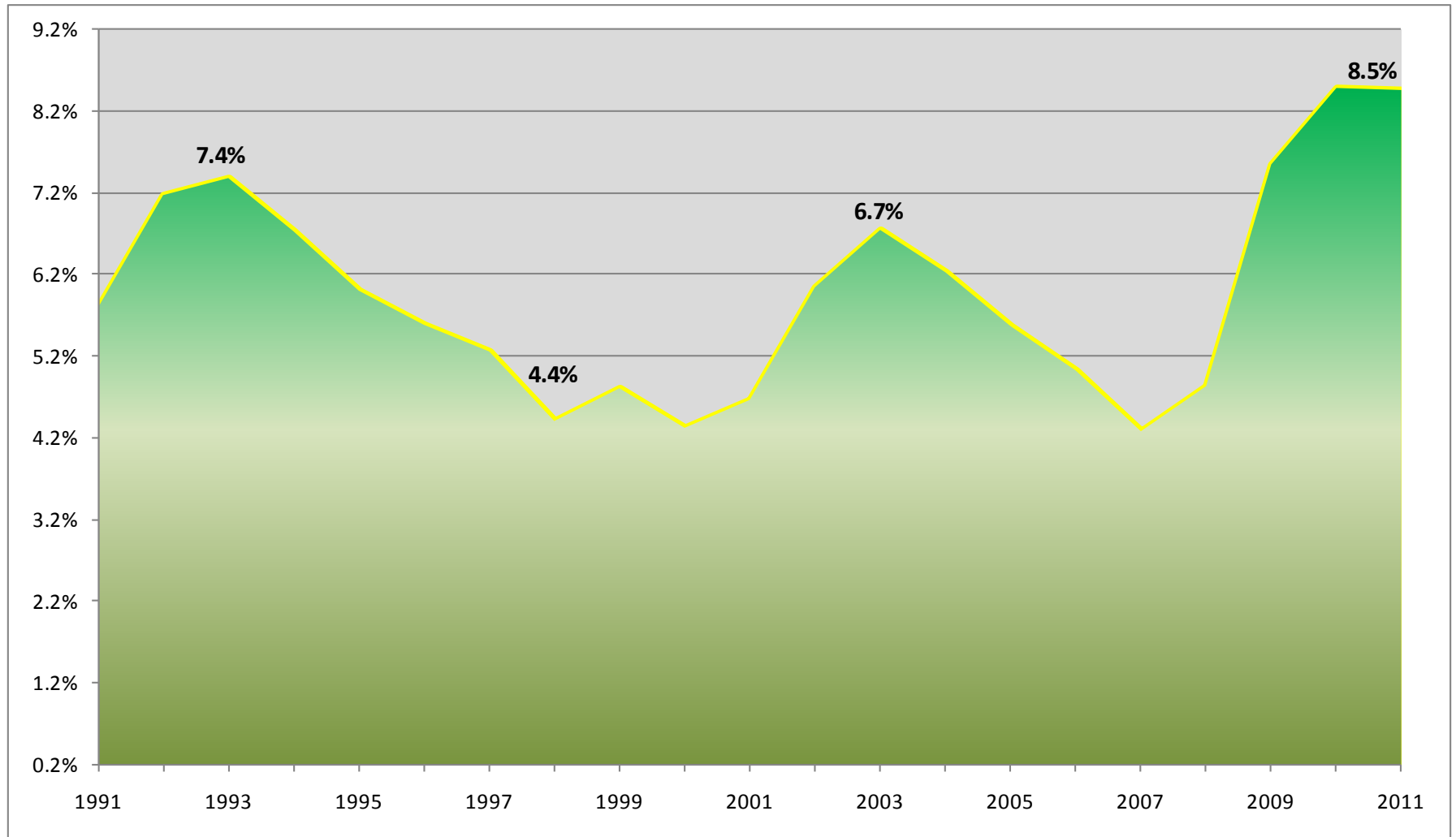


Source: Bureau of Labor Statistics



# Area Unemployment

Houston Unemployment Rate, Seasonally Adjusted  
Houston-Sugar Land-Baytown MSA (Including Austin & San Jacinto Counties)  
July 2011



Source: Bureau of Labor Statistics

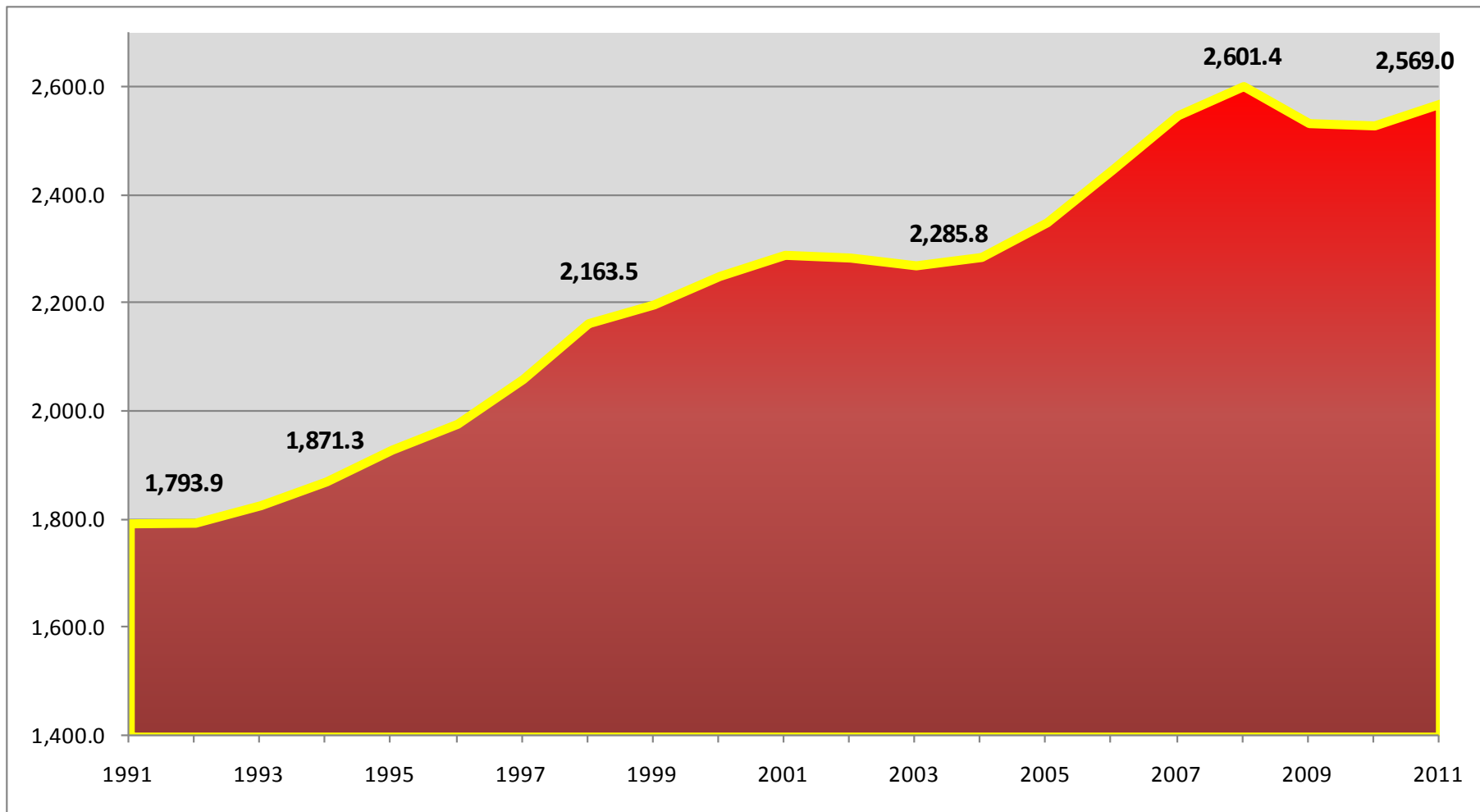


# Area Employment

Total Nonagricultural Wage and Salary Employment, Seasonally Adjusted  
Houston-Sugar Land-Baytown MSA (Including Austin & San Jacinto Counties)

July 2011

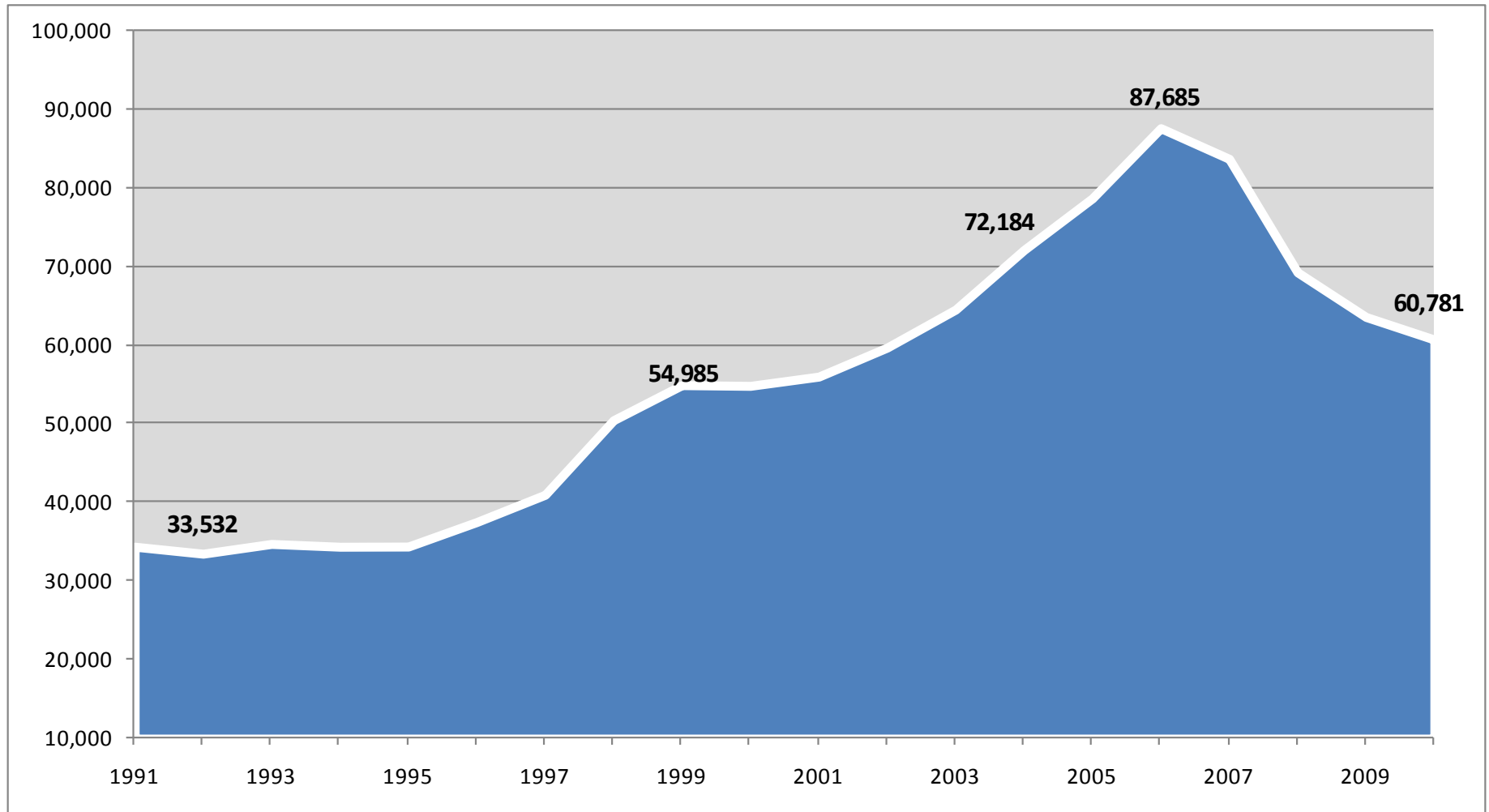
(\$ in Thousands)





# Area Real Estate Sales

MLS Sales  
Houston Metropolitan Area  
(\$ in Thousands)

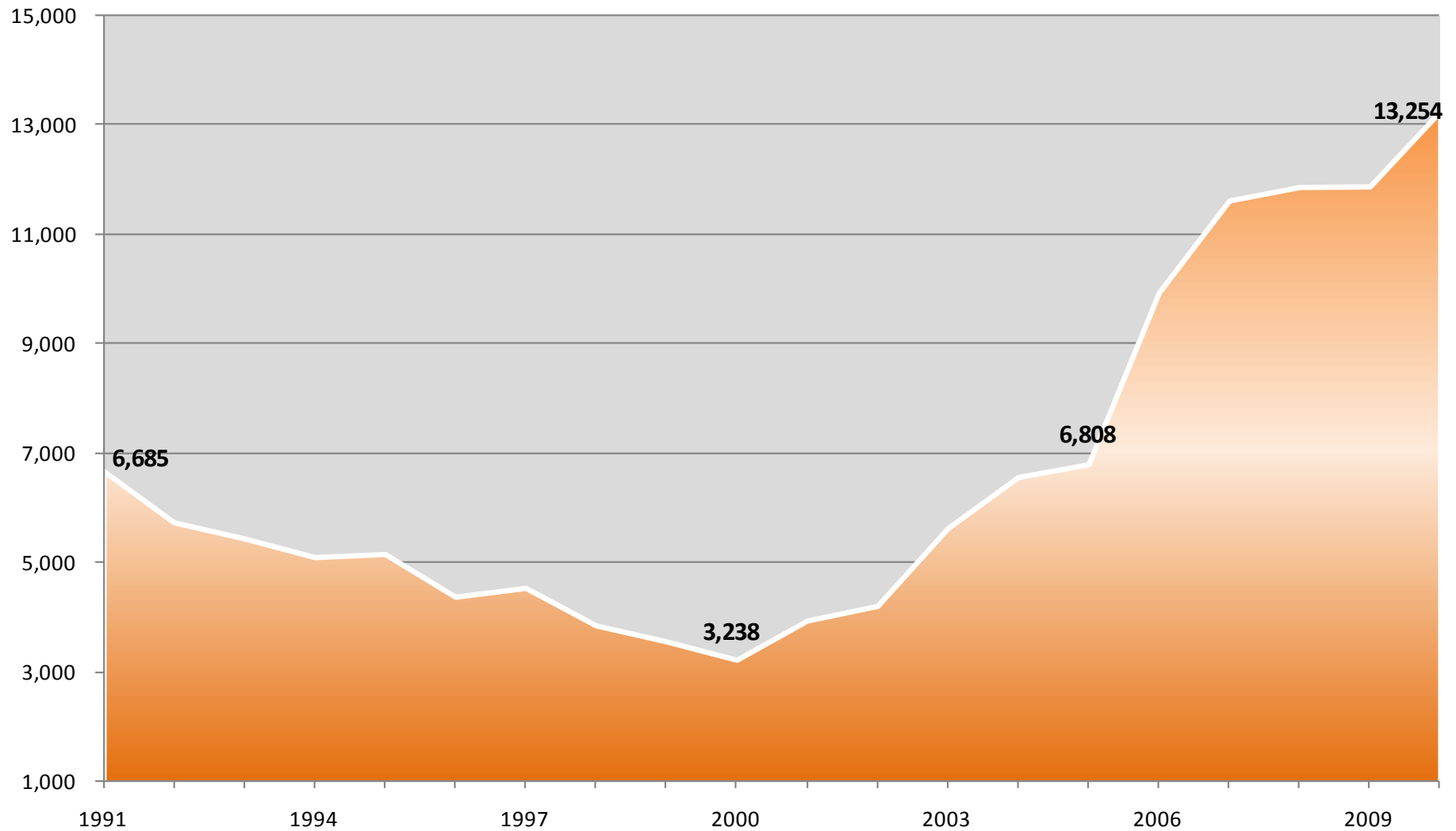




# Area Real Estate

## Harris County Foreclosures

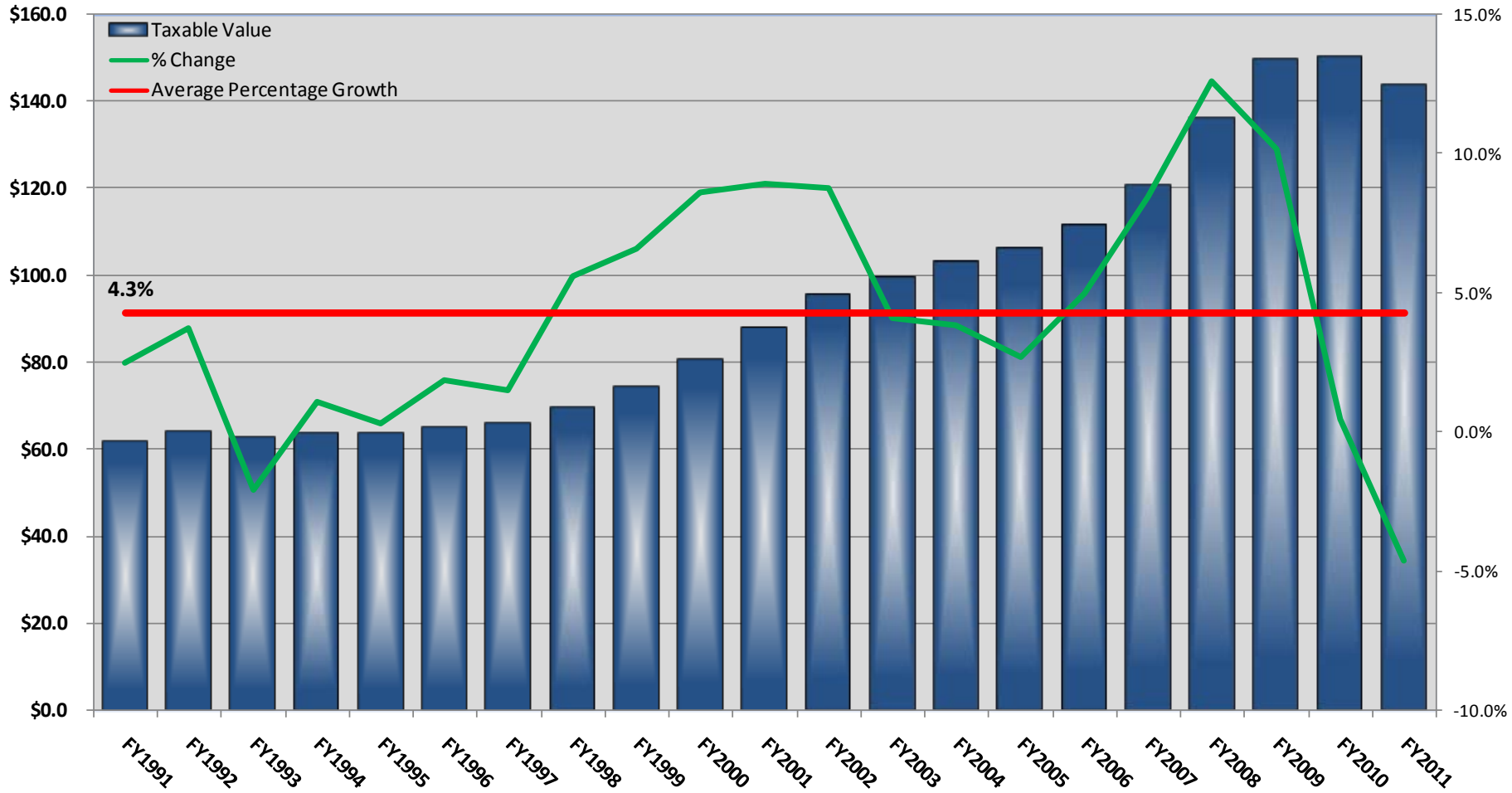
(\$ in Thousands)





# Taxable Value

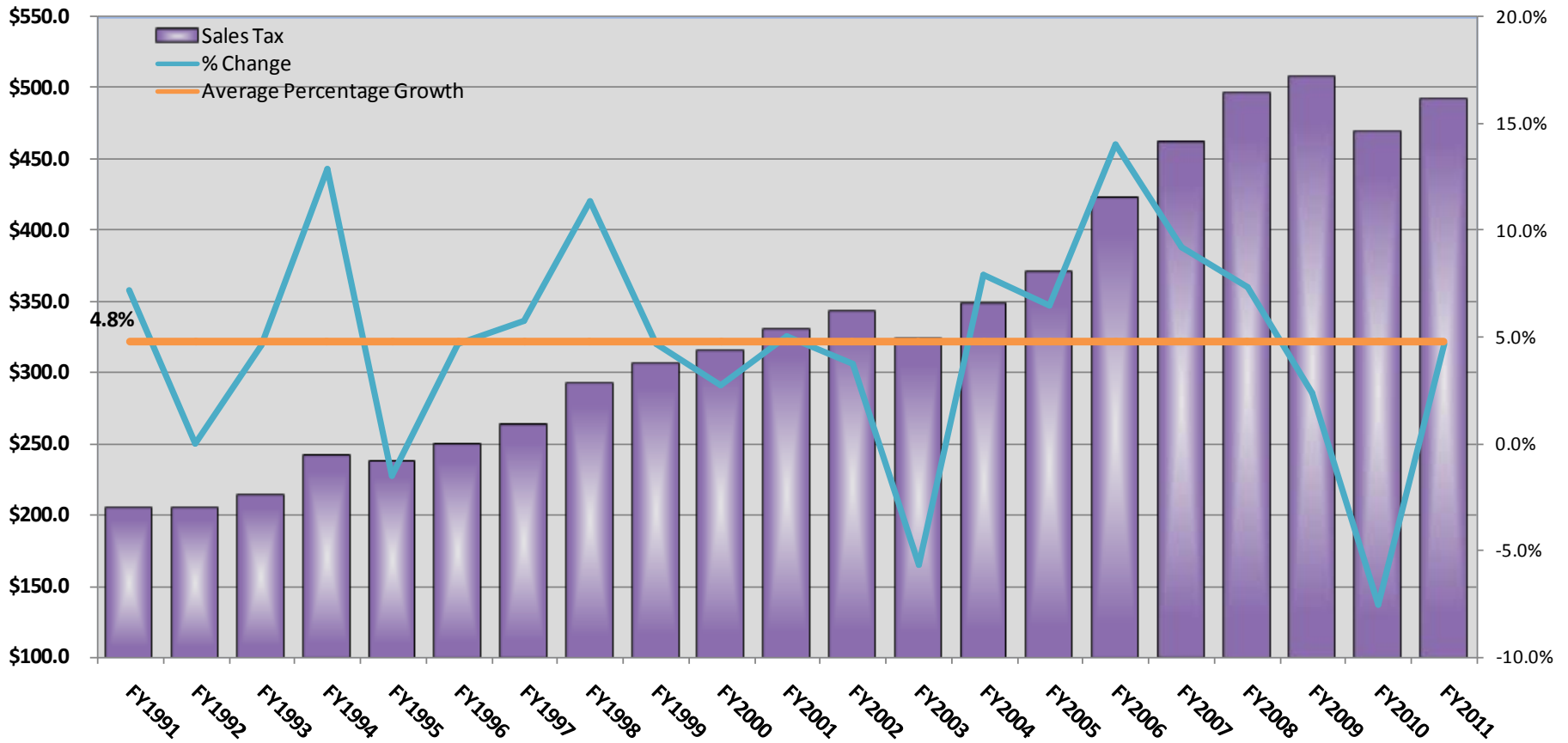
(\$in Billions)





# Sales Tax

(\$in Millions)





# City of Houston

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## Revenues and Expenditures Outlook



# Forecast Assumptions

## Revenues

- Property taxable values growth based on:
  - 3.5% in FY2013-16; 4.3% in FY2017 onward.
  - Assumes TIRZs will grow at the same rate as the City
  - The current tax rate for the City of Houston is 63.875 cents per \$100 of taxable value
- Sales taxes based on:
  - Barton Smith's projection 3.81% in FY2013, 4.24% in FY2014, 5.79% in FY2015, 6.52% in FY2016
  - Growth at 4.8% in FY2017 onward



# Forecast Assumptions

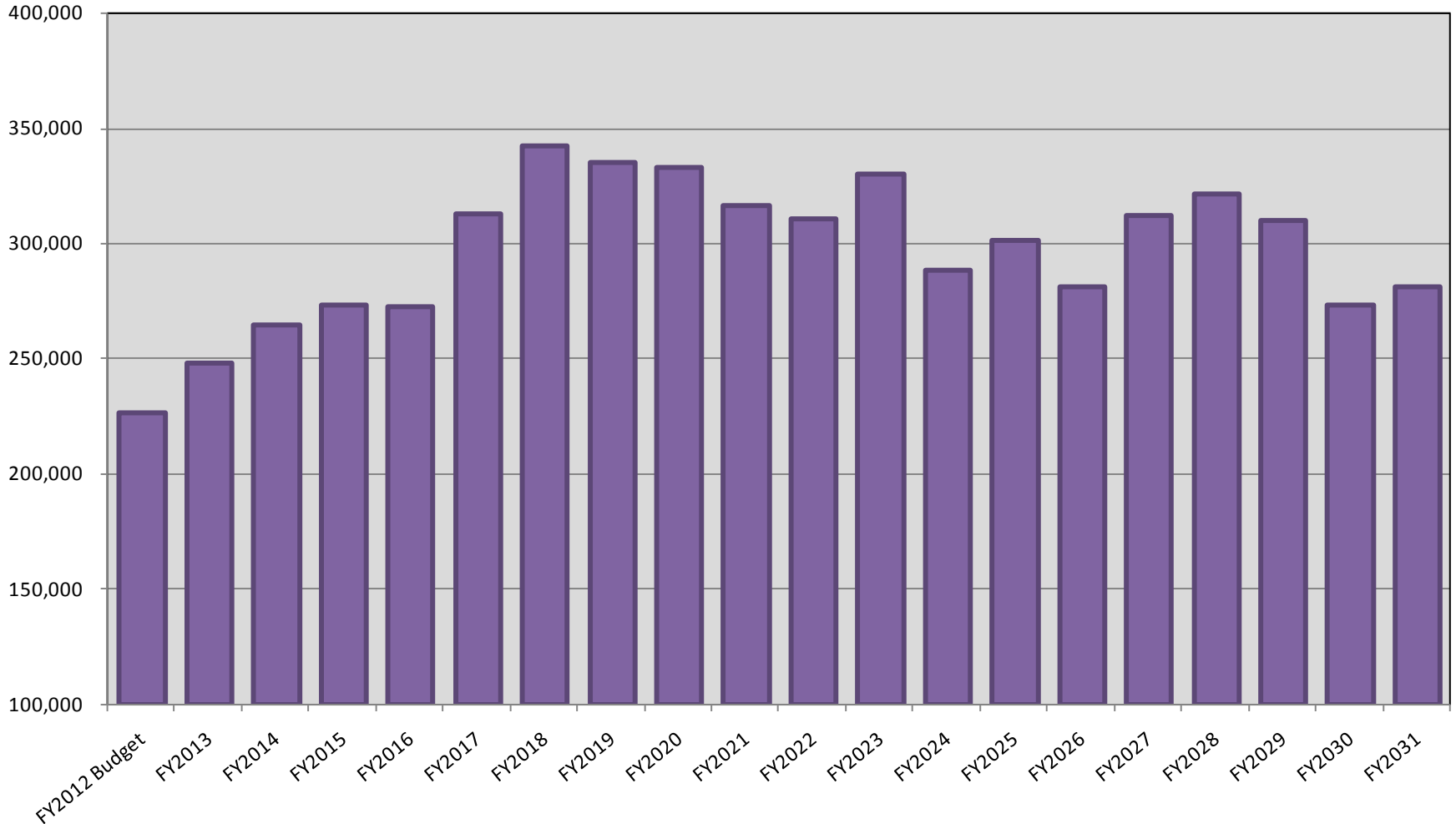
## Expenditures

- Pension rate (City contribution as a percentage of payroll):
  - 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 growth at 5% in FY2013-14; 6% in FY2015; 7% in FY2016 and 8% in FY2017 onward
- Payroll and Operational expenses growth:
  - FY2013-16 includes HPD Meet and Confer, 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 3.6% onward
  - No explicit funding for unfunded Other Post Employment Benefits (OPEB)
- Debt: based on the existing debt payment schedule



# 20 Year Debt Payment Schedule

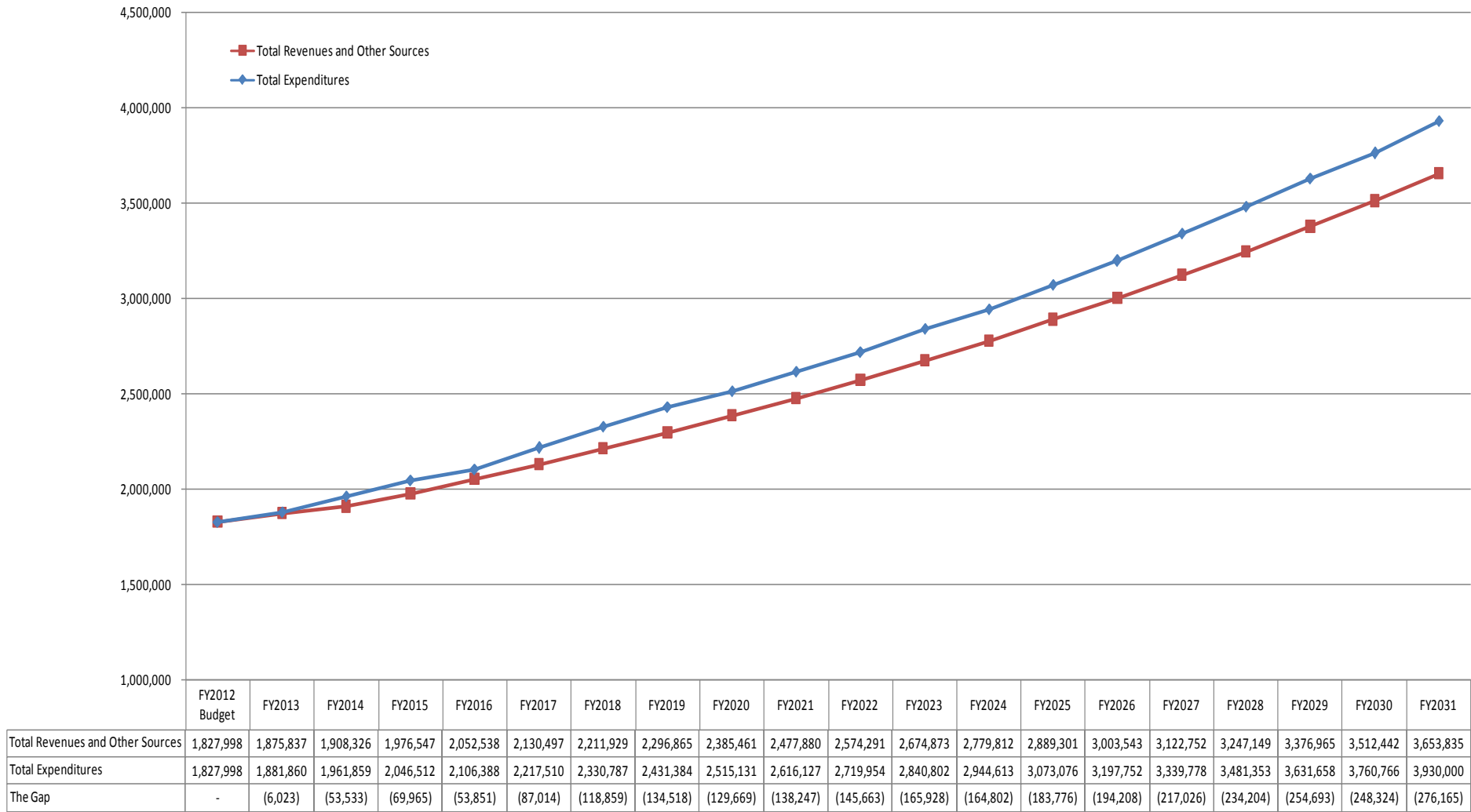
(\$ in Thousands)





# General Fund Revenue & Expenditure Forecast

(\$ in Thousands)





# Next Agenda

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## **General Fund Revenues**



# Questions?