



City of Houston

Long Range Financial Management Task Force

Deep Dive on City Revenue
Part 2

October 7, 2011



Agenda

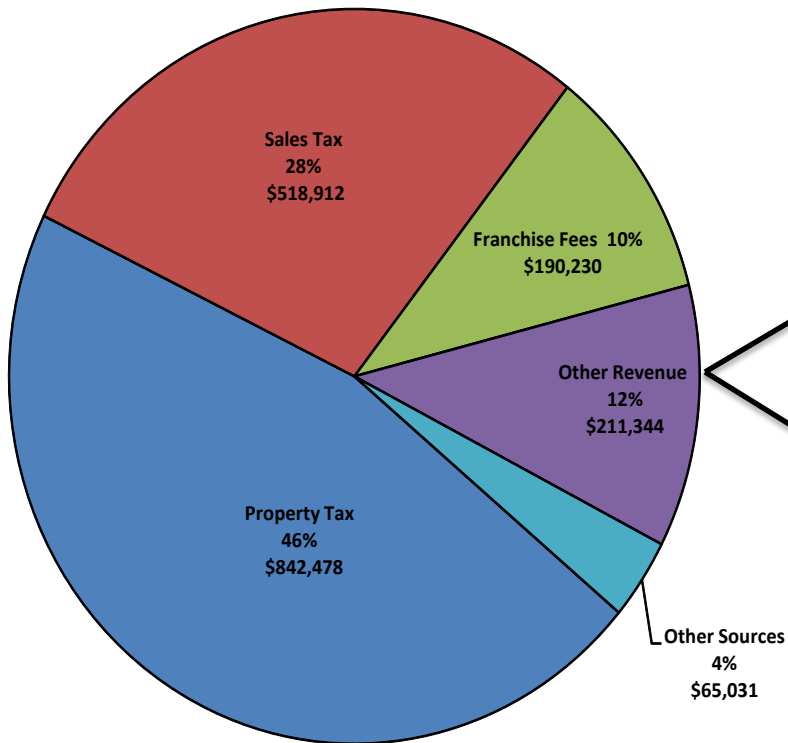
- Houston Statistics
- Property Tax Burden on Owner-Occupied Homes
- Sales Tax Burden
- Tax Limitations
- Account Receivable and Collections
- Questions



FY2012 Revenue & Other Sources Overview

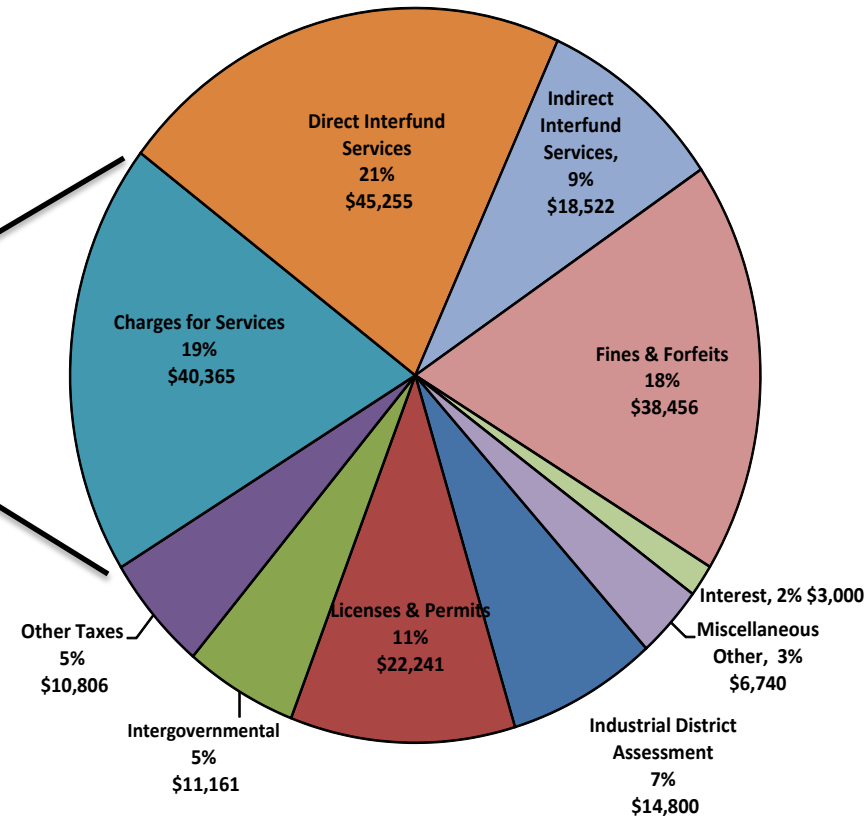
(\$ in Thousands)

Total Revenue & Other Sources



Total \$1,827,995

Other Revenue



Total \$211,346



City of Houston

Houston Statistics

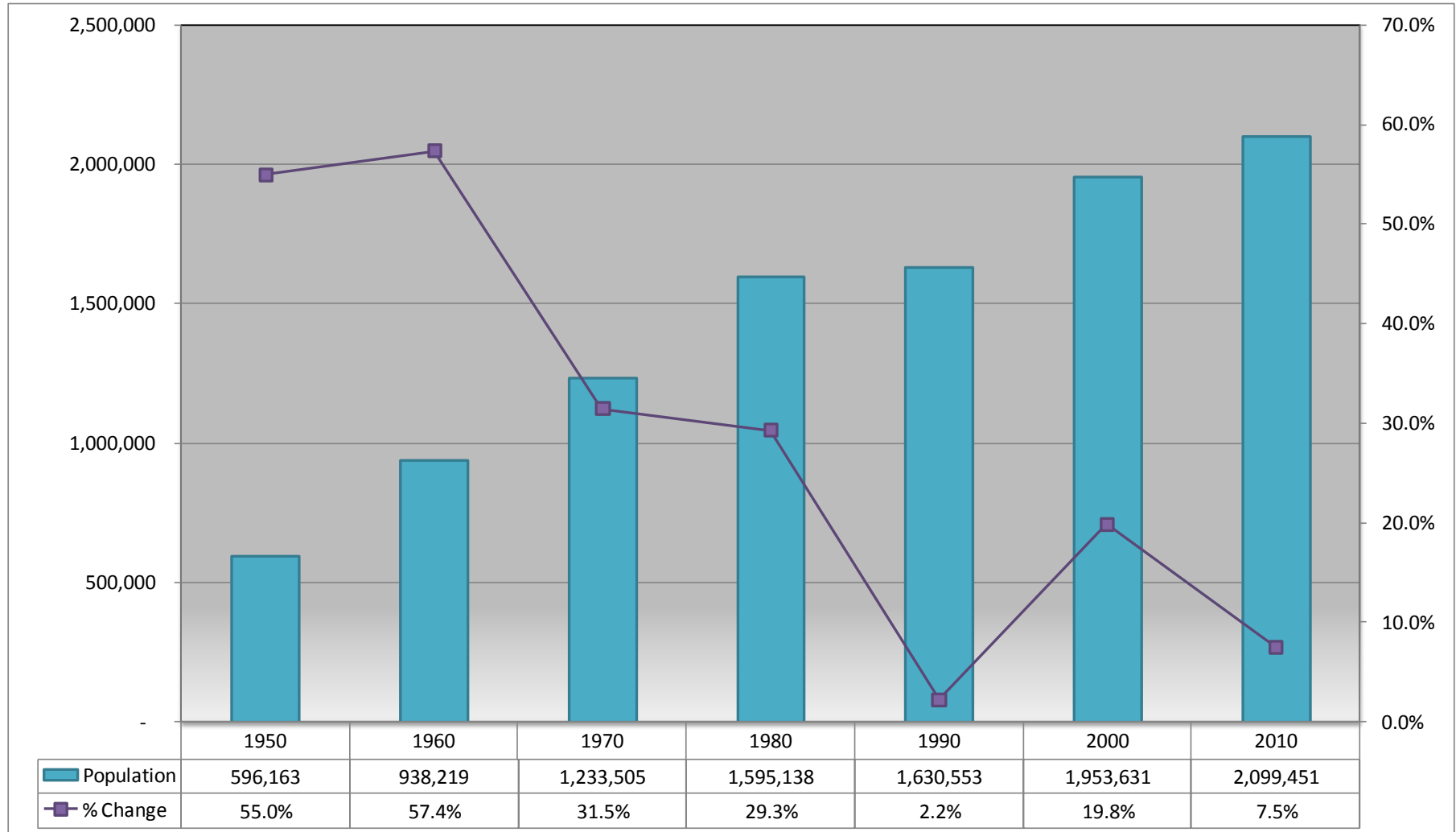


Houston Statistics - 2010

Population	<ul style="list-style-type: none">• Fourth largest city in the nation with a population of 2.1 million• Grew 7.5% in the past decade
Households	<ul style="list-style-type: none">• Total households is 782,643<ul style="list-style-type: none">– Owner-Occupied: 355,236– Renter-Occupied: 427,407• Average household size is 2.7 people• Median household income is \$42,355
Employment	<ul style="list-style-type: none">• Total in civilian labor force is 1,085,834<ul style="list-style-type: none">– Employed: 977,622– Unemployed: 108,212
Real Estate	<ul style="list-style-type: none">• Median home value is \$124,700



Historical Population Growth: 1950 – 2010



Source: U.S. Census Bureau 2010



Census Population Comparison 2000 and 2010

Top 25 Texas Cities

City	Rank	2010 Census Count	2000 Census Count	Change	% Change
Houston*	1	2,099,451	1,953,631	145,820	7.5%
San Antonio	2	1,327,407	1,144,646	182,761	16.0%
Dallas	3	1,197,816	1,188,580	9,236	0.8%
Austin	4	790,390	656,562	133,828	20.4%
Fort Worth	5	741,206	534,694	206,512	38.6%
El Paso	6	649,121	563,662	85,459	15.2%
Arlington	7	365,438	332,969	32,469	9.8%
Corpus Christi	8	305,215	277,454	27,761	10.0%
Plano	9	259,841	222,030	37,811	17.0%
Laredo	10	236,091	176,576	59,515	33.7%
Lubbock	11	229,573	199,564	30,009	15.0%
Garland	12	226,876	215,768	11,108	5.1%
Irving	13	216,290	191,615	24,675	12.9%
Amarillo	14	190,695	173,627	17,068	9.8%
Grand Prairie	15	175,396	127,427	47,969	37.6%
Brownsville	16	175,023	139,722	35,301	25.3%
Pasadena	17	149,043	141,674	7,369	5.2%
Mesquite	18	139,824	124,523	15,301	12.3%
McKinney	19	131,117	54,369	76,748	141.2%
McAllen	20	129,877	106,414	23,463	22.0%
Killeen	21	127,921	86,911	41,010	47.2%
Waco	22	124,805	113,726	11,079	9.7%
Carrollton	23	119,097	109,576	9,521	8.7%
Beaumont	24	118,296	113,866	4,430	3.9%
Abilene	25	117,063	115,930	1,133	1.0%

Source: U.S. Census Bureau 2010

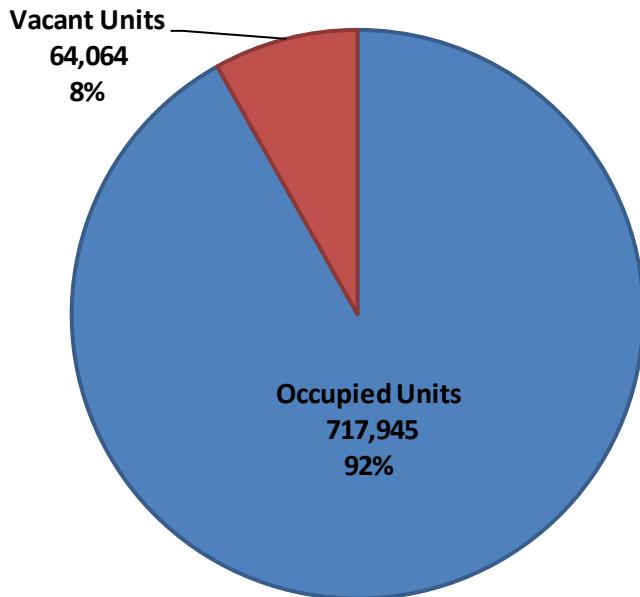
* The Census Bureau is processing corrections to the 2010 Census count submitted by the City of Houston



Houston Housing

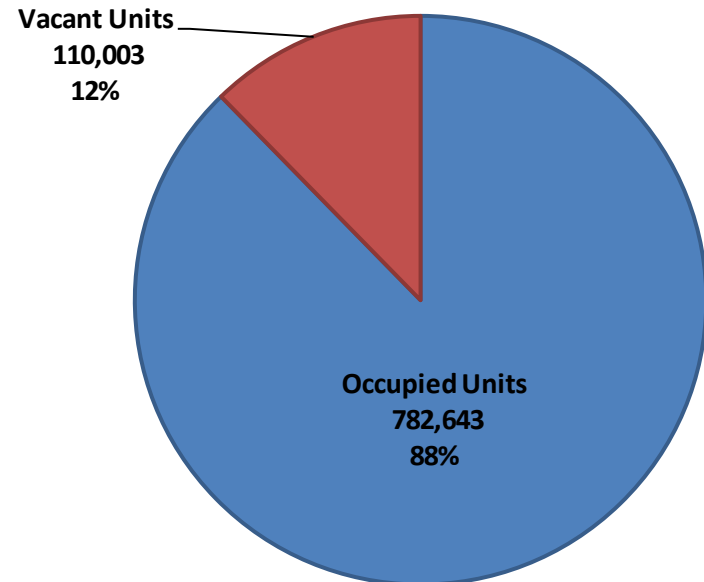
2000

Total Units = 782,009



2010

Total Units = 892,646



Change from 2010 – 2000:

Total Units = 110,637 units

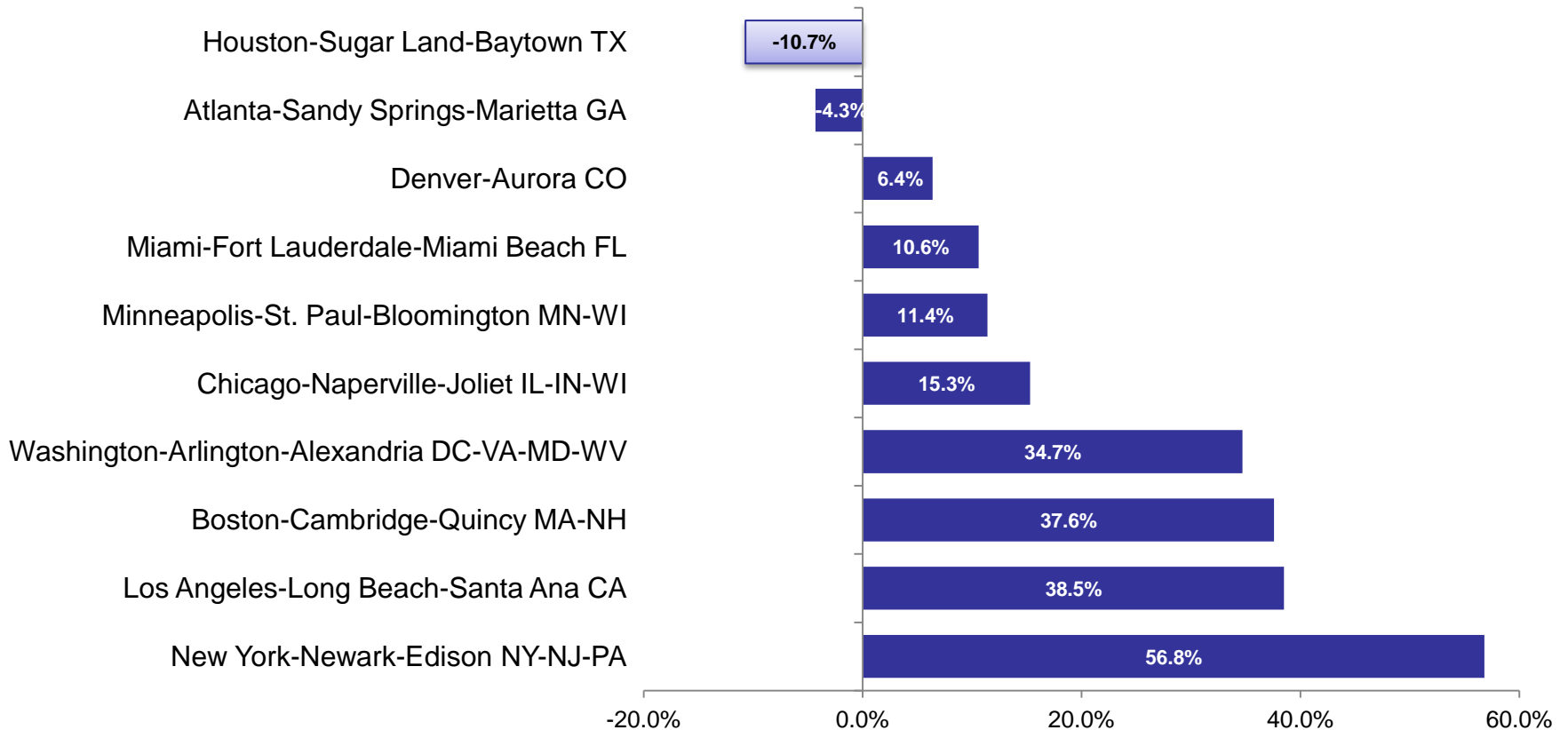
Occupied Units = 64,698 units

Vacant Units = 45,939 units



Cost of Living Comparisons

% Below/Above Nationwide Average

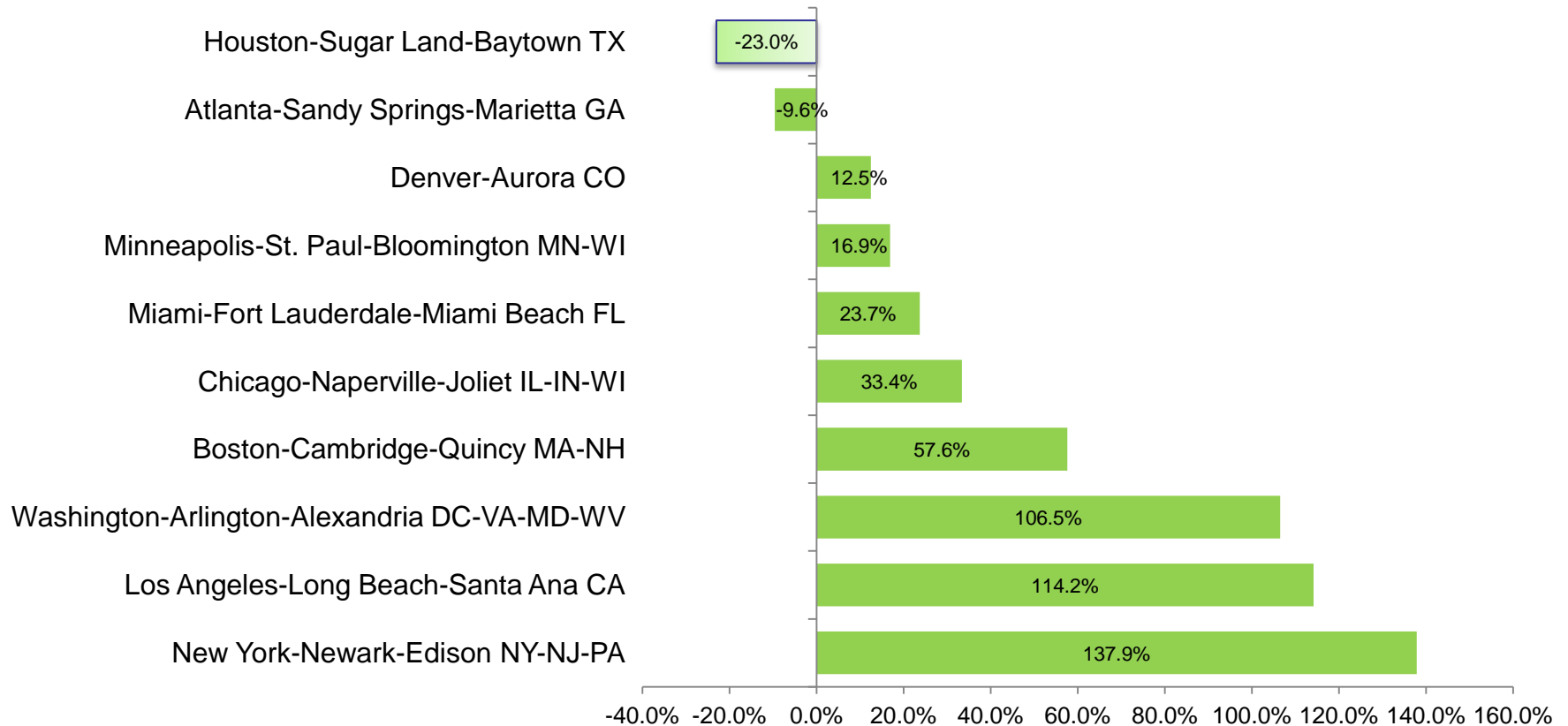


Source: ACCRA Cost of Living Index, First Quarter 2011 Data based on a Survey of 312 Urban Areas, Published May 2011



Housing Cost Index Selected Metro Areas

% Below/Above Nationwide Average



Source: ACCRA Cost of Living Index, First Quarter 2011 (Published May 2011) via the Greater Houston Partnership



City of Houston

Property Tax Burden On Owner-Occupied Homes



Property Taxes on Owner-Occupied Housing by City

Ranked by Property Taxes Paid

City	Rank	Median Property Tax Paid on Homes	Margin of Error +/-	Median Home Value	Taxes as a Percent of Home Value	Median Household Income	Margin of Error +/-	Taxes as a Percent of income
Average		\$2,583		\$122,384	2.08%	\$65,113		3.91%
Pearland	1	\$4,398	113	\$170,400	2.58%	\$94,816	4,387	4.64%
Plano	3	\$4,286	61	\$206,000	2.08%	\$109,087	1,550	3.93%
Missouri City	2	\$4,195	142	\$158,500	2.65%	\$87,181	3,097	4.81%
Austin	4	\$3,700	36	\$189,600	1.95%	\$78,206	1,114	4.73%
Carrollton	5	\$3,503	61	\$161,000	2.18%	\$85,569	2,271	4.09%
Arlington	6	\$3,096	47	\$130,400	2.37%	\$72,846	1,395	4.25%
Katy	7	\$2,895	239	\$128,600	2.25%	\$73,259	3,879	3.95%
Irving	8	\$2,877	68	\$133,400	2.16%	\$67,614	2,173	4.26%
Grand Prairie	9	\$2,755	50	\$119,600	2.30%	\$65,223	2,119	4.22%
Fort Worth	10	\$2,679	36	\$115,900	2.31%	\$63,098	956	4.25%
Garland	11	\$2,566	38	\$117,500	2.18%	\$60,984	1,104	4.21%
Dallas	12	\$2,395	40	\$129,500	1.85%	\$60,323	856	3.97%
Houston	13	\$2,386	28	\$124,300	1.92%	\$63,873	750	3.74%
Mesquite	14	\$2,385	54	\$113,000	2.11%	\$63,056	2,830	3.78%
San Antonio	15	\$2,215	26	\$103,700	2.14%	\$56,855	588	3.90%
Laredo	16	\$2,106	63	\$103,700	2.03%	\$48,502	1,747	4.34%
Pasadena	17	\$2,101	62	\$103,000	2.04%	\$59,881	1,835	3.51%
El	18	\$2,086	36	\$99,600	2.09%	\$49,195	941	4.24%
McAllen	19	\$2,063	91	\$96,800	2.13%	\$52,245	2,931	3.95%
Baytown	20	\$1,932	115	\$98,100	1.97%	\$60,902	2,919	3.17%
Corpus Christi	21	\$1,756	47	\$100,200	1.75%	\$57,623	1,684	3.05%
Amarillo	22	\$1,751	29	\$99,200	1.77%	\$55,095	1,572	3.18%
Lubbock	23	\$1,720	44	\$101,000	1.70%	\$56,821	1,456	3.03%
Brownsville	24	\$1,436	43	\$74,600	1.92%	\$38,450	1,483	3.73%
Waco	25	\$1,305	55	\$82,000	1.59%	\$47,121	1,971	2.77%

Source: U.S. Census Bureau, ACS Survey 2005-2009

City taxes only (does not include other taxing jurisdictions)



Property Taxes on Owner-Occupied Housing by Cities in Houston Metro Jurisdiction

Ranked by Property Taxes Paid

City	Rank	Median Property Tax Paid on Homes	Margin of Error +/-	Median Home Value	Taxes as a Percent of Home Value	Median Household Income	Margin of Error +/-	Taxes as a Percent of income	2010 Rate (per \$100 taxable value)
Bunker Hill Village	1	\$10,001	.	\$819,000	1.22%	\$203,000	46,984	4.93%	\$0.27304
Hunters Creek Village	2	\$10,001	.	\$939,400	1.06%	\$250,001	.	4.00%	\$0.18500
Piney Point Village	3	\$10,001	.	\$1,000,001	1.00%	\$210,809	35,617	4.74%	\$0.21514
Southside Place	4	\$10,001	.	\$840,700	1.19%	\$249,792	28,942	4.00%	\$0.34783
West University Place	5	\$10,001	.	\$663,600	1.51%	\$191,403	16,013	5.23%	\$0.37411
Bellaire	6	\$8,967	1,045	\$497,600	1.80%	\$160,692	11,452	5.58%	\$0.39990
Hilshire Village	7	\$8,561	653	\$470,300	1.82%	\$149,167	56,007	5.74%	\$0.63739
Spring Valley Village	8	\$6,553	507	\$373,800	1.75%	\$141,875	20,065	4.62%	\$0.53976
Hedwig Village	9	\$4,967	2,997	\$442,500	1.12%	\$112,188	45,644	4.43%	\$0.22300
Pearland	10	\$4,398	113	\$170,400	2.58%	\$94,816	4,387	4.64%	\$0.66510
Friendswood	11	\$4,347	194	\$200,100	2.17%	\$107,117	3,495	4.06%	\$0.58510
Seabrook	12	\$4,312	398	\$195,600	2.20%	\$93,152	8,538	4.63%	\$0.62681
League City	13	\$4,285	129	\$169,100	2.53%	\$93,264	3,057	4.59%	\$0.61600
Missouri City	14	\$4,195	142	\$158,500	2.65%	\$87,181	3,097	4.81%	\$0.52840
Jersey Village	15	\$4,146	290	\$185,700	2.23%	\$96,007	7,098	4.32%	\$0.74250
Taylor Lake Village	16	\$4,102	363	\$193,900	2.12%	\$126,425	9,583	3.24%	\$0.34860
El Lago	17	\$3,567	631	\$160,800	2.22%	\$95,313	16,631	3.74%	\$0.47776
Nassau Bay	18	\$3,407	627	\$203,700	1.67%	\$97,173	17,403	3.51%	\$0.69212
Katy	19	\$2,895	239	\$128,600	2.25%	\$73,259	3,879	3.95%	\$0.59372
Morgan's Point	20	\$2,818	558	\$162,500	1.73%	\$112,083	26,029	2.51%	\$0.64600
Shoreacres	21	\$2,818	247	\$142,200	1.98%	\$99,079	7,602	2.84%	\$0.82467
Deer Park	22	\$2,719	113	\$125,500	2.17%	\$89,203	4,032	3.05%	\$0.70500
Stafford	23	\$2,545	153	\$142,200	1.79%	\$74,841	10,619	3.40%	\$0.00000
Tomball	24	\$2,402	597	\$141,900	1.69%	\$78,183	6,621	3.07%	\$0.25146
Houston	25	\$2,386	28	\$124,300	1.92%	\$63,873	750	3.74%	\$0.63875

Source: U.S. Census Bureau, ACS Survey 2005-2009
City taxes only (does not include other taxing jurisdictions)



Property Taxes on Owner-Occupied Housing by Cities in Houston Metro Jurisdiction

Ranked by Property Taxes Paid

City	Rank	Median Property Tax Paid on Homes	Margin of Error +/-	Median Home Value	Taxes as a Percent of Home Value	Median Household Income	Margin of Error +/-	Taxes as a Percent of income	2010 Rate (per \$100 taxable value)
La Porte	26	\$2,303	96	\$115,700	1.99%	\$72,938	6,663	3.16%	\$0.71000
Pasadena city	27	\$2,101	62	\$103,000	2.04%	\$59,881	1,835	3.51%	\$0.59159
Webster	28	\$2,029	1,107	\$114,000	1.78%	\$53,611	10,401	3.78%	\$0.25750
Baytown	29	\$1,932	115	\$98,100	1.97%	\$60,902	2,919	3.17%	\$0.78703
Humble	30	\$1,797	362	\$101,200	1.78%	\$53,191	6,007	3.38%	\$0.20000
Galena Park	31	\$1,767	198	\$69,700	2.54%	\$43,526	6,798	4.06%	\$1.03745
South Houston	32	\$1,762	151	\$84,400	2.09%	\$46,752	4,976	3.77%	\$0.67316
Waller	33	\$1,679	183	\$129,500	1.30%	\$52,288	4,137	3.21%	\$0.49843
Jacinto City	34	\$1,437	227	\$74,200	1.94%	\$43,257	6,230	3.32%	\$0.80153

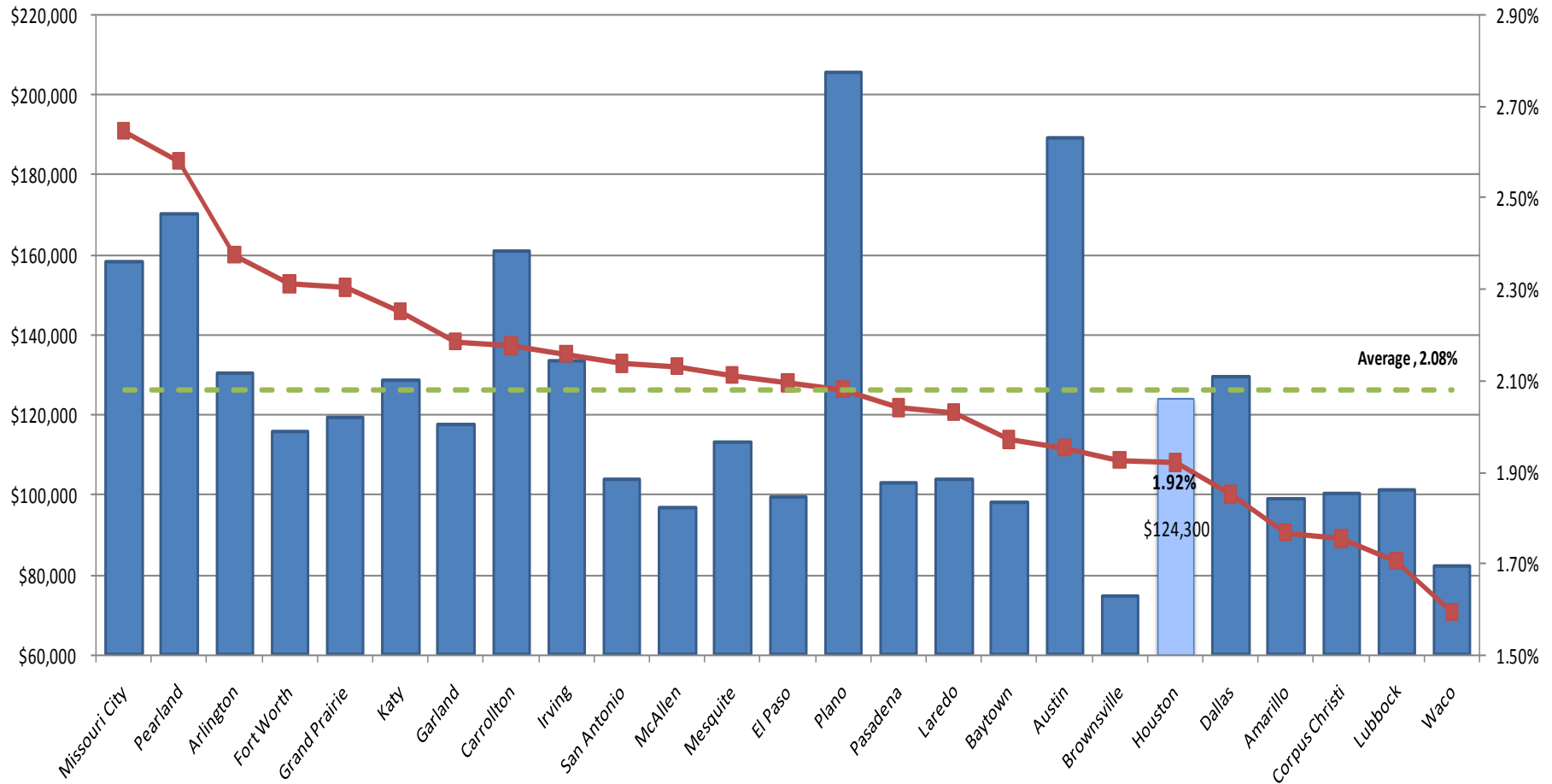
Source: U.S. Census Bureau, ACS Survey 2005-2009
City taxes only (does not include other taxing jurisdictions)



Property Taxes on Owner-Occupied Housing by City

Taxes as a Percent of Home Value

Median Home Value Property Taxes as a Percent of Home Value Average

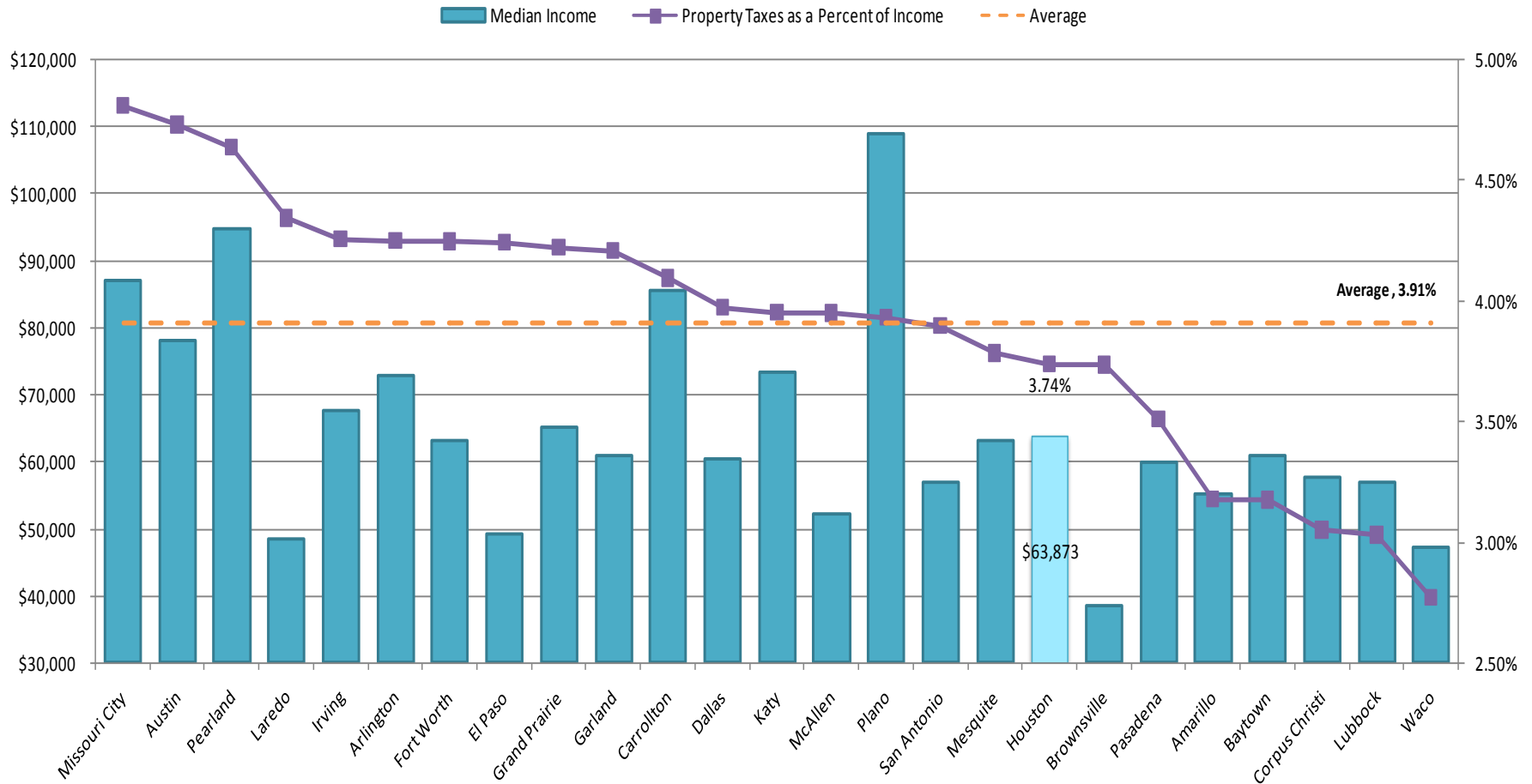


Source: U.S. Census Bureau, ACS Survey 2005-2009



Property Taxes on Owner-Occupied Housing by City

Taxes as a Percent of Income

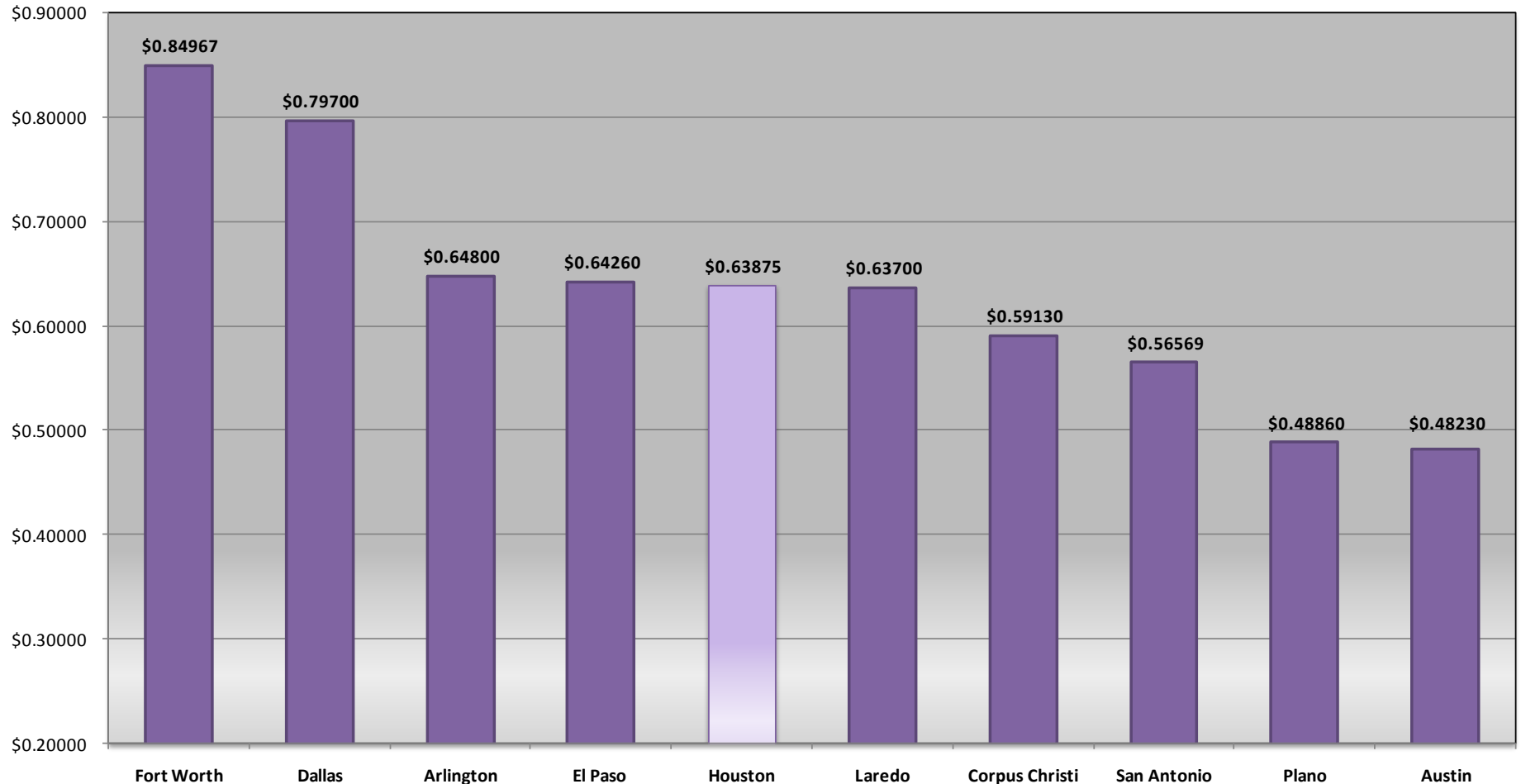


Source: U.S. Census Bureau, ACS Survey 2005-2009



Property Tax Rates Comparison

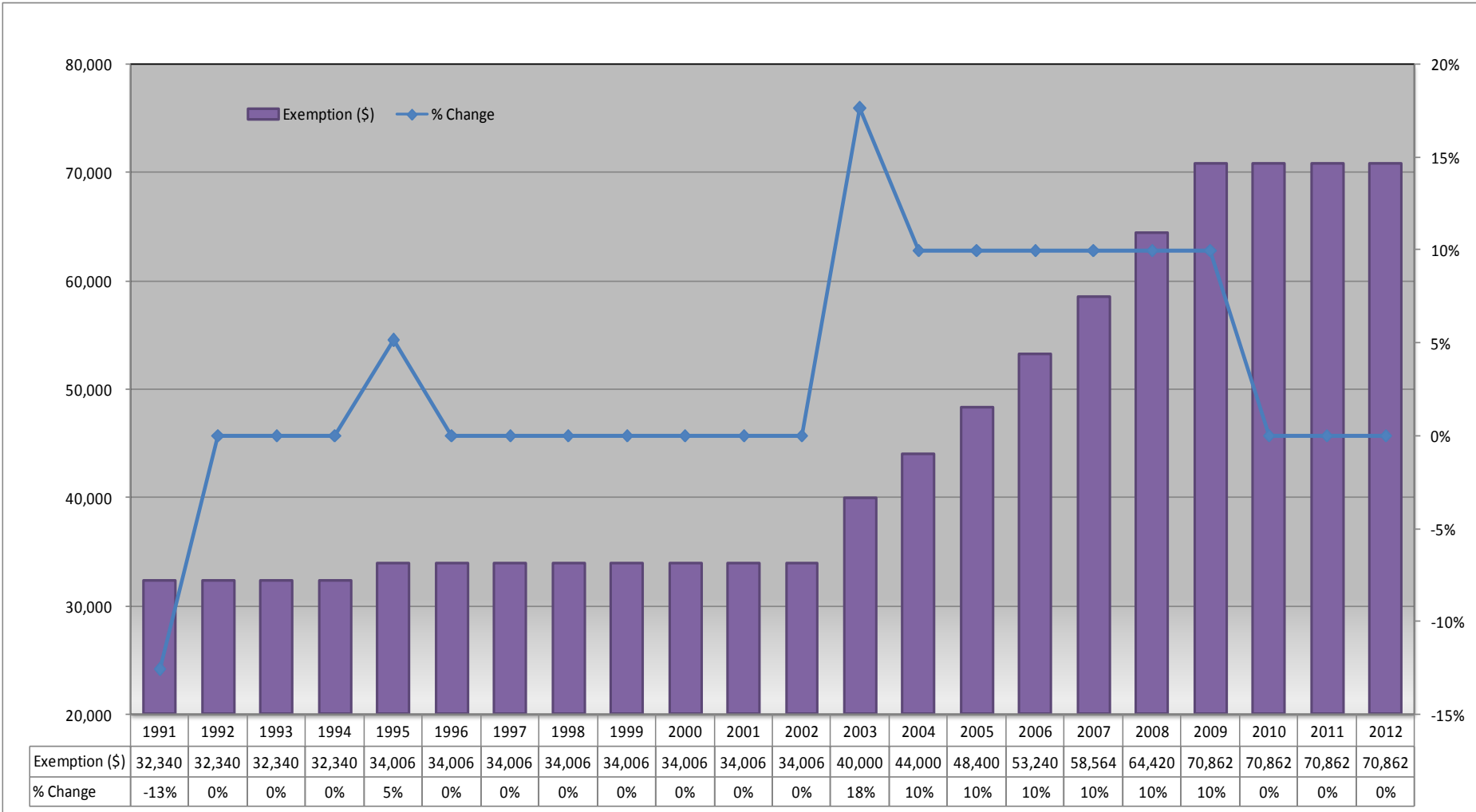
Tax Year 2010 – Per \$100 of Taxable Value



Austin and San Antonio have electrical utilities that subsidize the General Fund



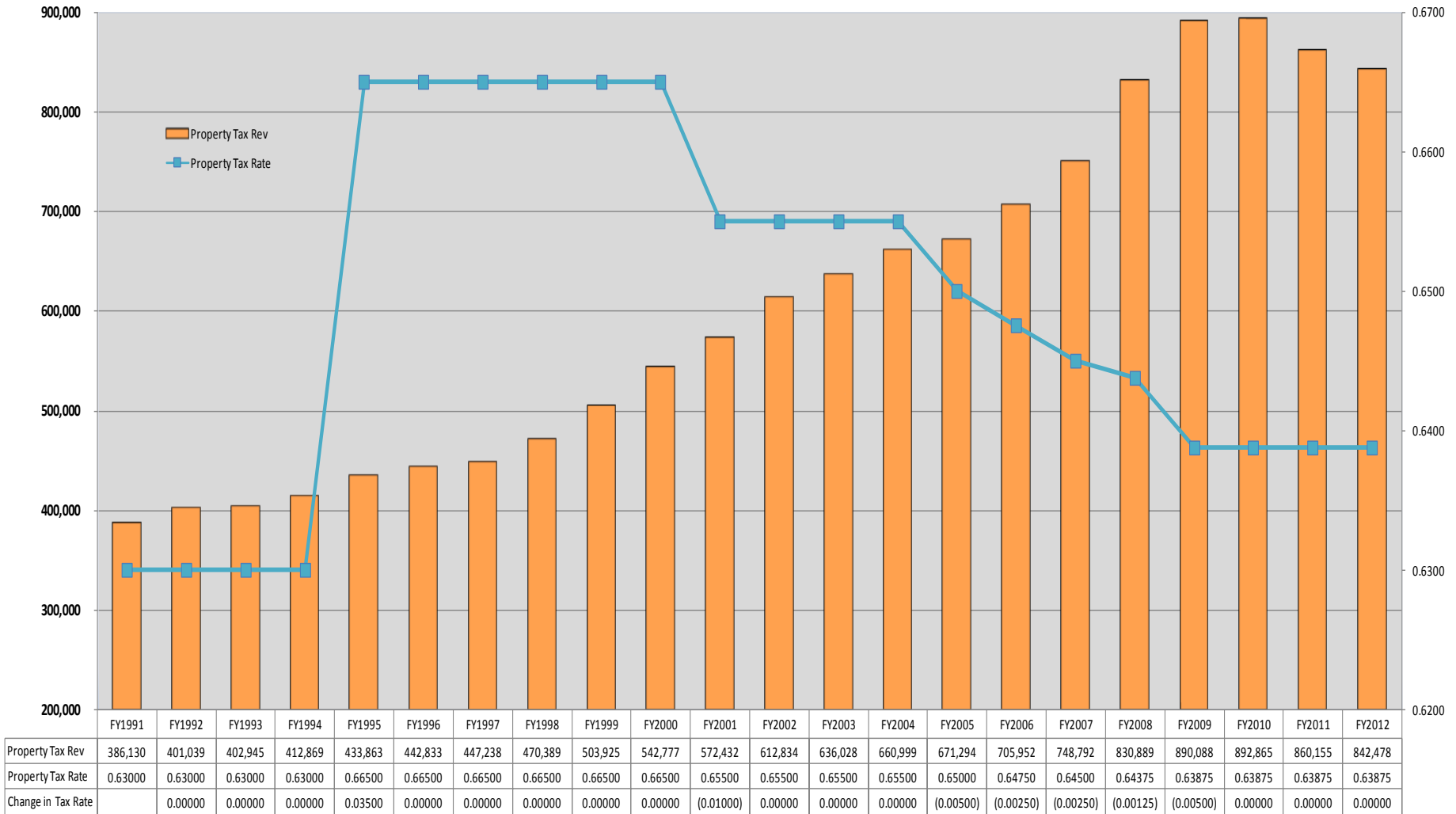
Senior and Disabled Exemption





Property Tax Revenue & Tax Rate

(\$in Thousands)





Property Tax Key Points

- Houston's median property tax paid on owner-occupied homes is \$2,386
 - The median home value of \$124,300, represents 1.92% of property taxes paid
 - The median household income of \$63,873, represents 3.74% of property taxes paid
- Houston Tax Rate = $\$0.63875/\100 assessed Value
 - The tax rate decreased consecutively from FY2005-09

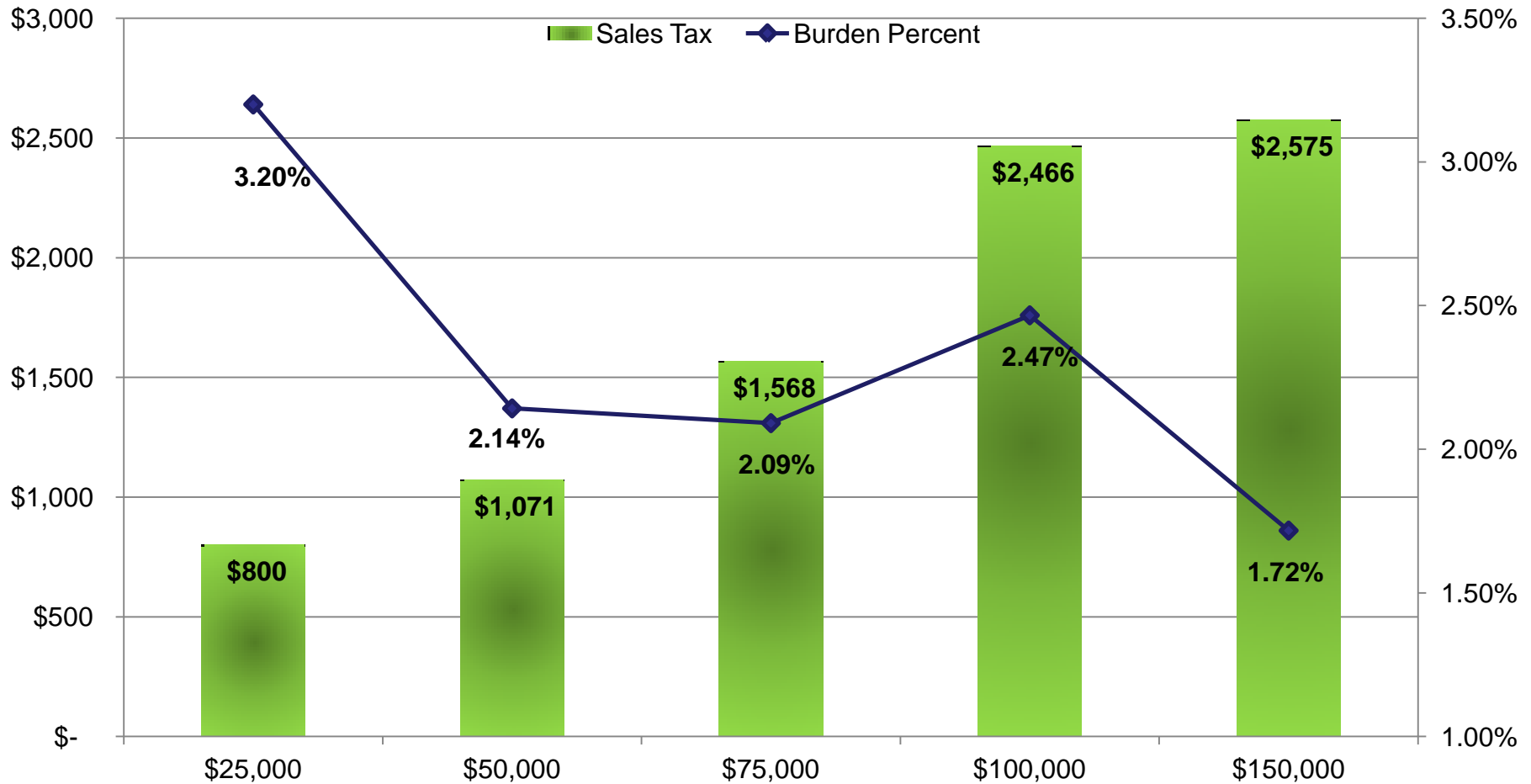


City of Houston

Sales Tax Burden



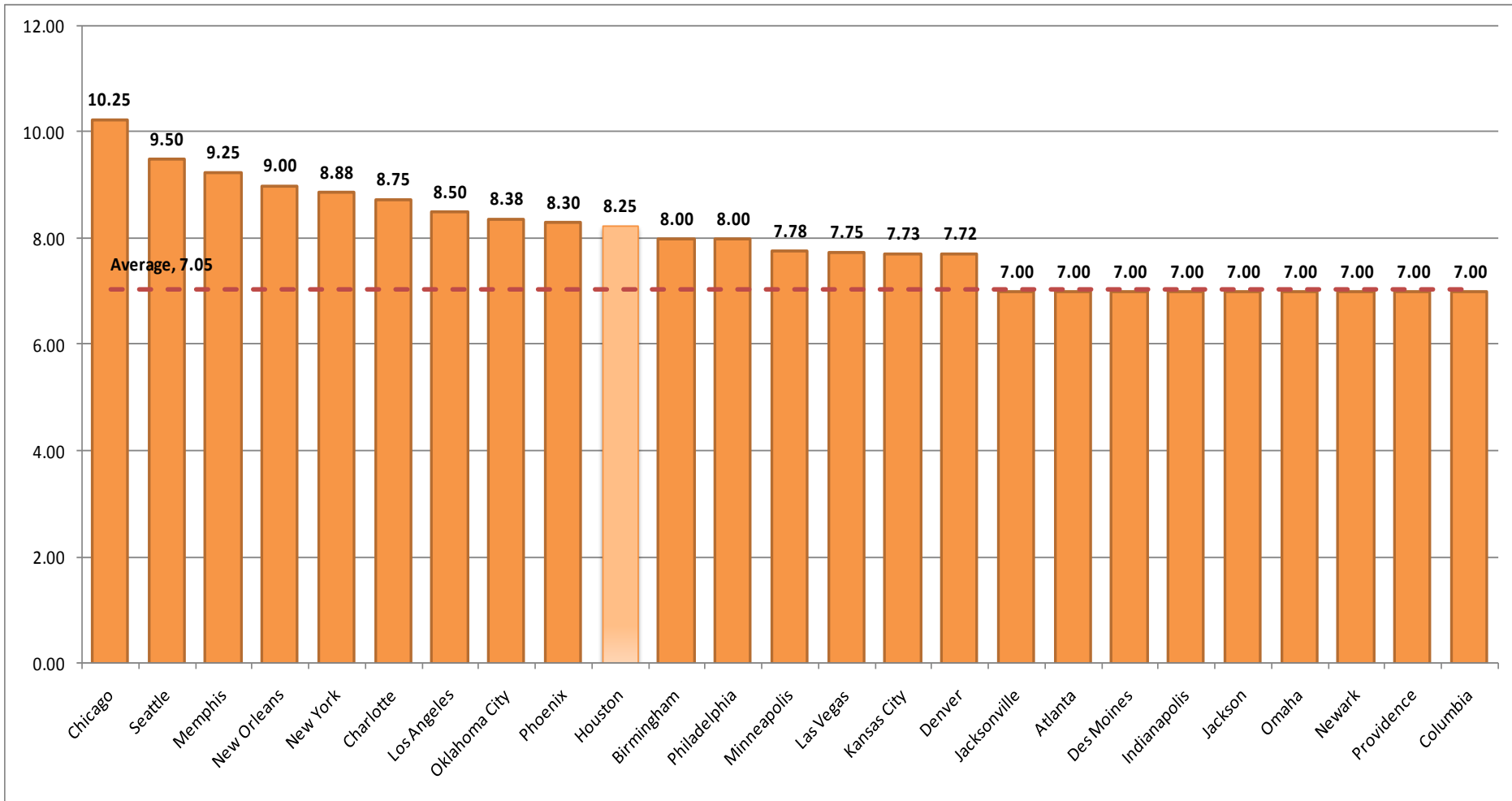
2009 Sales Tax Burden at Various Income Levels for a Family of Three in Houston, TX



Source: 2009 Tax Rates and Tax Burdens – A study by the Government of the District of Columbia



Nationwide Sales Tax Rate Comparison

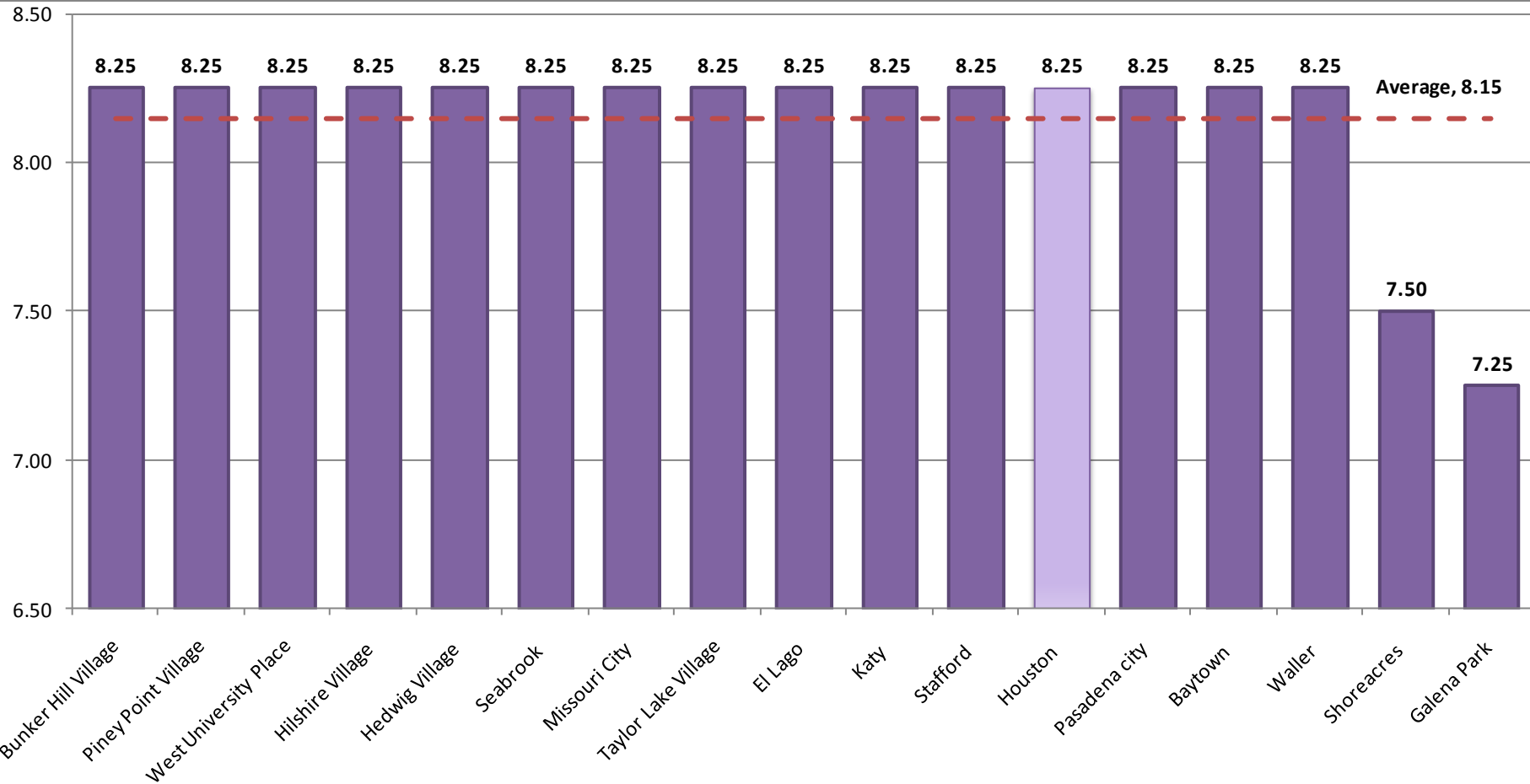


Average based on the largest city in each state

Source: 2009 Tax Rates and Tax Burdens – A study by the Government of the District of Columbia



Local Sales Tax Rate Comparison





Sales Tax Key Points

- The U.S. national median total sales tax rate is 7.00%
- The total sales tax rate for the City of Houston is 8.25%
 - 6.25% is for the State of Texas
 - 1% is for the City of Houston
 - 1% is for Metro Transit
- Houston's sales tax rate is the 10th highest for large cities in the U.S.
- The City of Chicago has the highest total sales tax rate in the nation
 - Total sales tax rate of 10.25%



City of Houston

Tax Limitations



Propositions 1, 2, G & H

- Proposition 1 (Tax Cap)

- Election held in 2004, it limits the growth of City's property tax revenue to the lesser of population and inflation growth or 4.5% growth
- Proposition 1 is in effect and calculation is done each budget year

- Proposition H

- Election held in November 2006, it allows city officials to raise an additional \$90 million of revenues above the limit level for public safety issues

- Proposition 2 (Revenue Cap)

- Election held in 2004, it limits the total City's revenue by population and inflation growth. All of the city's combined operating funds (general, water and sewer enterprise, airport enterprise) cannot increase revenues by more than the area's calculated rate of inflation
- Proposition 2 was nullified by Proposition 1

- Proposition G

- Election held in November 2006, it would lessen Proposition 2's effect by removing enterprise-related revenues



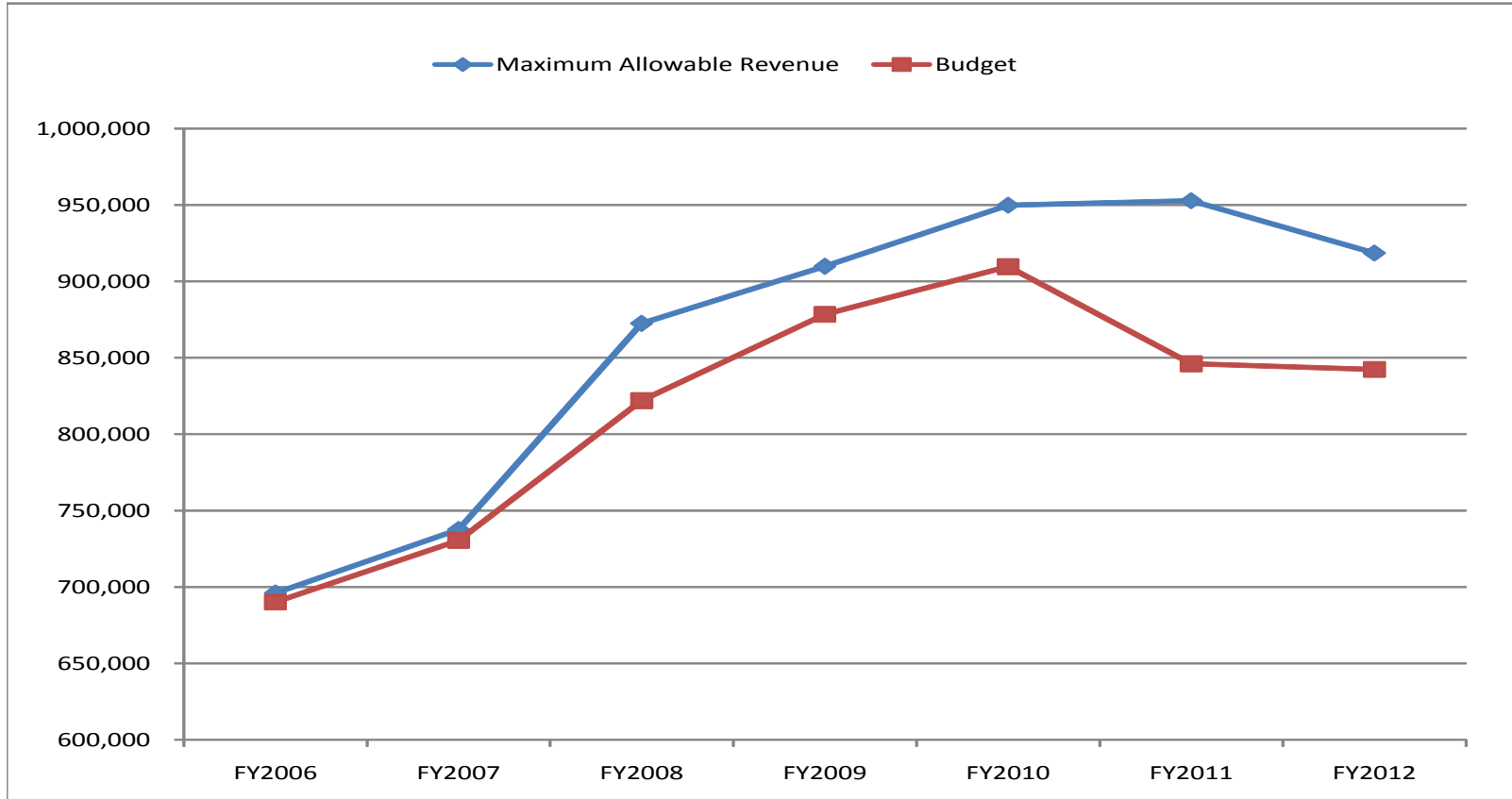
Propositions 1 & 2

- Supporters of Proposition 2 filed a lawsuit against the City in order to have Proposition 2 put in effect
- Most recently, on August 26, 2011, The Texas Supreme Court ruled that the plaintiffs' claims were not ripe for adjudication, vacated the judgments of the Court of Appeals and trial court, and dismissed the case for lack of jurisdiction



Proposition 1

(\$ in thousands)



Fiscal Year	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Max. Allowable Revenue	696,066	737,720	872,488	909,878	949,932	952,834	918,652
Budget	690,246	730,520	822,065	878,486	909,715	846,136	842,478
Over (Under) Cap	(5,820)	(7,200)	(50,423)	(31,392)	(40,217)	(106,698)	(76,174)



City of Houston

Accounts Receivable and Collections



Initial Report

- City Attorney delivered Mayor's report on February 16, 2011
- Report gave Council overview of outstanding balances and process findings
- All figures herein were as of December 31, 2010



Findings

Receivables by department **without regard to age, collectability, or fund**: (as of December 31, 2010, unless otherwise noted*)

■ ARA -	\$351,490,927	■ HPL -	\$ 11,249,495
■ FIN -	\$ 77,201,007*	■ HFD -	\$ 4,297,462
■ HAS -	\$ 2,532,603	■ MCD -	\$ 307,632,425*
■ HPD -	\$ 10,629,638**	■ PD -	\$ 17,271*
■ HLT -	\$ 382,604	■ PWE -	\$ 140,867,600*
■ HPARD -	\$ 25,169*	■ SWD -	\$ 461,945*



Progress

- Since the City Attorney delivered the initial Debt Collection Report significant progress has been made in resolving issues in the following areas:
 - Large value of known receivables
 - Lack of citywide accountability for collections
 - Missing internal policies, procedures, and processes
 - Missed revenue opportunities
 - Inconsistent vendor contracts, processes for managing vendors, and vendor performance
 - Inefficient use of technology
- A full update on progress to date is available on the City's Fiscal Responsibility Website. Selected highlights appear on the next slide.



Progress - Highlights

- Litigation
 - Filed numerous suits aimed at collecting delinquent debt and other monies owed the City
 - Notices of intention to file suit sent to numerous debtors
- Significant increases in collections of Municipal Courts and Parking Management fines
- Creation of collections unit in Finance
- Renegotiated ACS billing & collections contract for EMS transports and Linebarger contract for Municipal courts resulting in lower costs and increased revenue for City
- Piloting use of SAP Accounts Receivable module to automate and increase collections efforts
- Reengineering collections processes Citywide, reviewing all collections contracts, and expanding use of SAP as part of Accounts Receivable and Collections (ARC) project



Questions

