



Finance Department

Presentation to the City of Houston  
Budget and Fiscal Affairs Committee

**FY2016 Budget Overview  
and  
General Fund Five Year Forecast**

June 1, 2015

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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.

# Fiscal Year 2016 - Budget Redline Changes



- This presentation includes revenue and expenditure changes that occurred after the proposed budget which will be reflected in the budget ordinance.
- The redline changes include:
  - General Fund
    - \$2.8 million increase in property tax revenue cap as a result of higher population data recently received from U.S. Census Bureau
    - \$2.1 million increase in General Government expenditures for the Houston Forensics Science LGC (HFSLGC)
    - \$500,000 increase in City Council expenditures for the Council District Service Fund



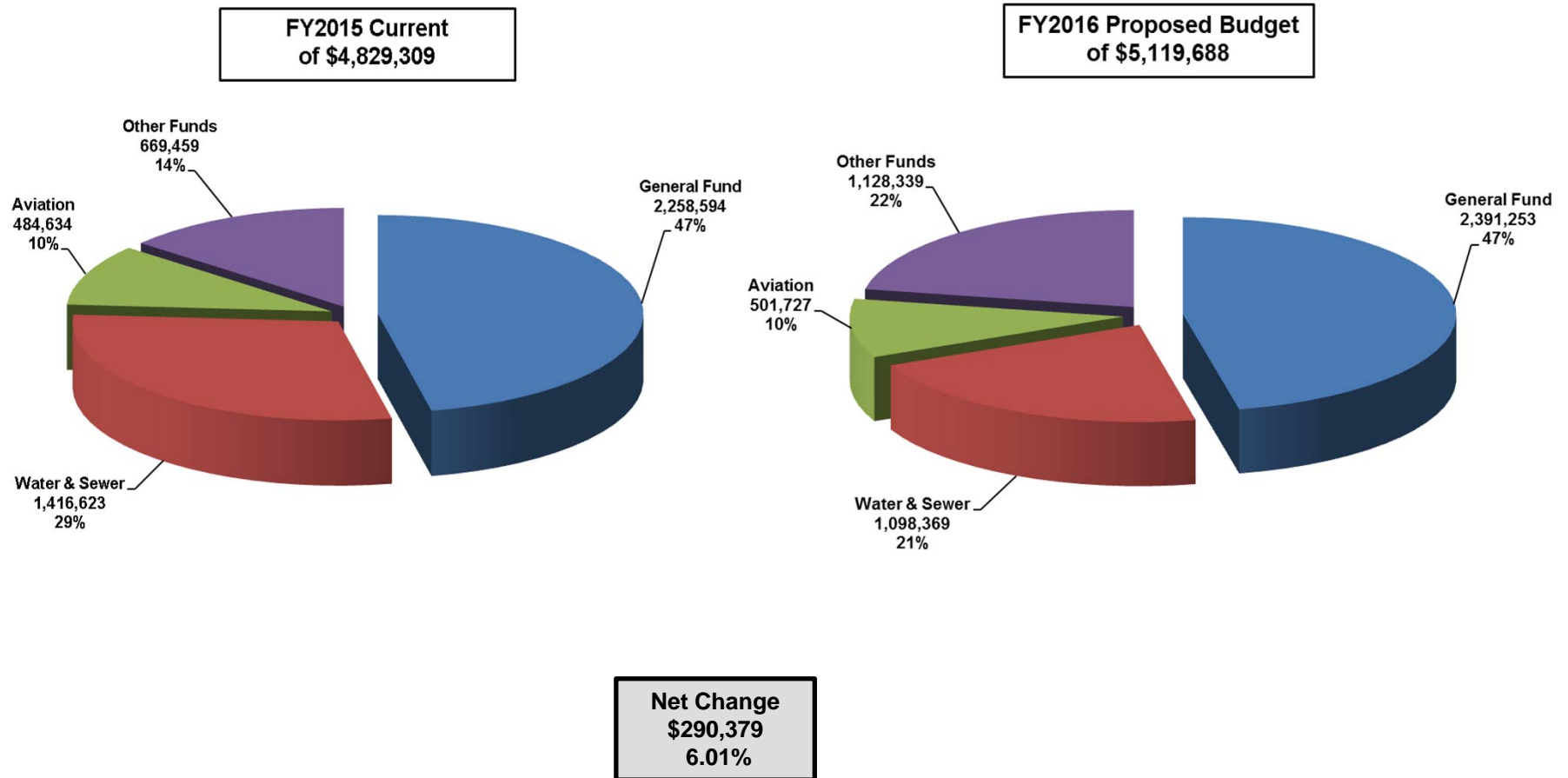
# Fiscal Year 2016 – General Fund Budget Overview

- The budget includes:
  - Increasing Budget Stabilization Fund to \$20.5 million
  - \$25.5 million for HPOPS Deferred Payment
  - Required additional \$17 million funding increase in pension for a total of \$307.7 million
  - Funding for contractual pay increases
  - Additional \$3.1 million funding for Maintenance Renewals & Replacement
  - \$2.1 million increase in General Government for transfer to HFSLGC
  - \$2.5 million funding for municipal election
  - Additional \$31.5 million for Debt Service
  - Additional \$9.1 million for Pay-As-You-Go Capital Projects to DDSRF for a total of \$50 million
  - Continues funding for the following programs:
    - \$5.5 million Council District Service Fund
    - \$1.5 million Summer Jobs Program
    - \$550,000 After School Program
  - Unassigned ending fund balance ratio in General Fund at the required 7.5% ratio.



# Citywide Expenditures

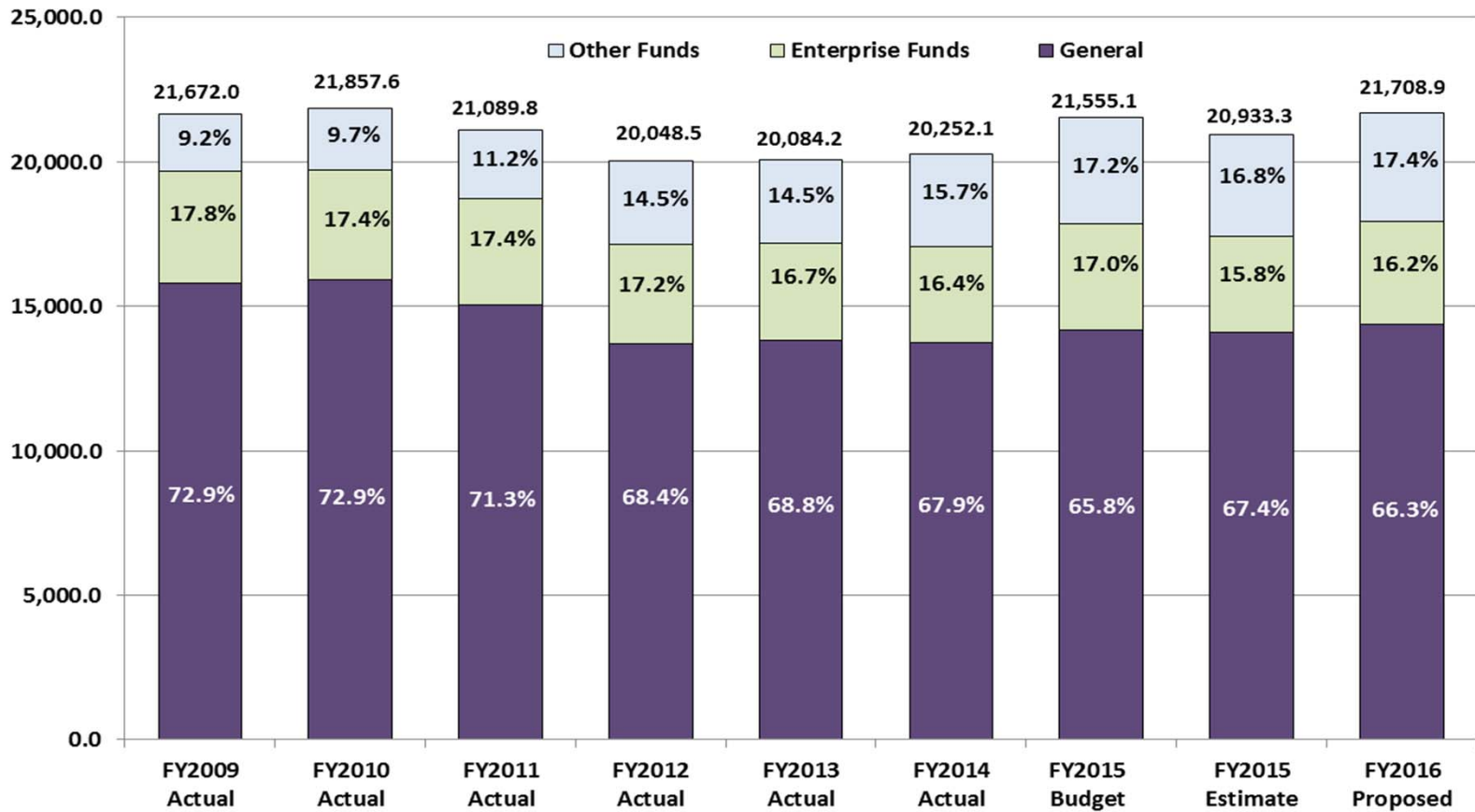
## Including Debt Service & PAYGO (\$ in Thousands)



**Note:** Expenditures budget above represents the Total Budget includes General Fund, Special and Enterprise Funds. Totals do not include Service Chargeback and Internal Service Funds. FY2016 Total Budget including ending fund balance is \$5,473,931



# Citywide Full-Time Equivalents



	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Budget	FY2015 Estimate	FY2016 Proposed
General	15,807.9	15,936.9	15,045.2	13,704.5	13,816.1	13,759.8	14,186.9	14,116.6	14,395.0
Enterprise Funds	3,859.5	3,799.0	3,674.6	3,446.6	3,363.7	3,319.4	3,663.8	3,304.4	3,525.8
Other Funds	2,004.6	2,121.7	2,370.0	2,897.4	2,904.4	3,172.9	3,704.4	3,512.3	3,788.1
<b>Grand Total</b>	<b>21,672.0</b>	<b>21,857.6</b>	<b>21,089.8</b>	<b>20,048.5</b>	<b>20,084.2</b>	<b>20,252.1</b>	<b>21,555.1</b>	<b>20,933.3</b>	<b>21,708.9</b>

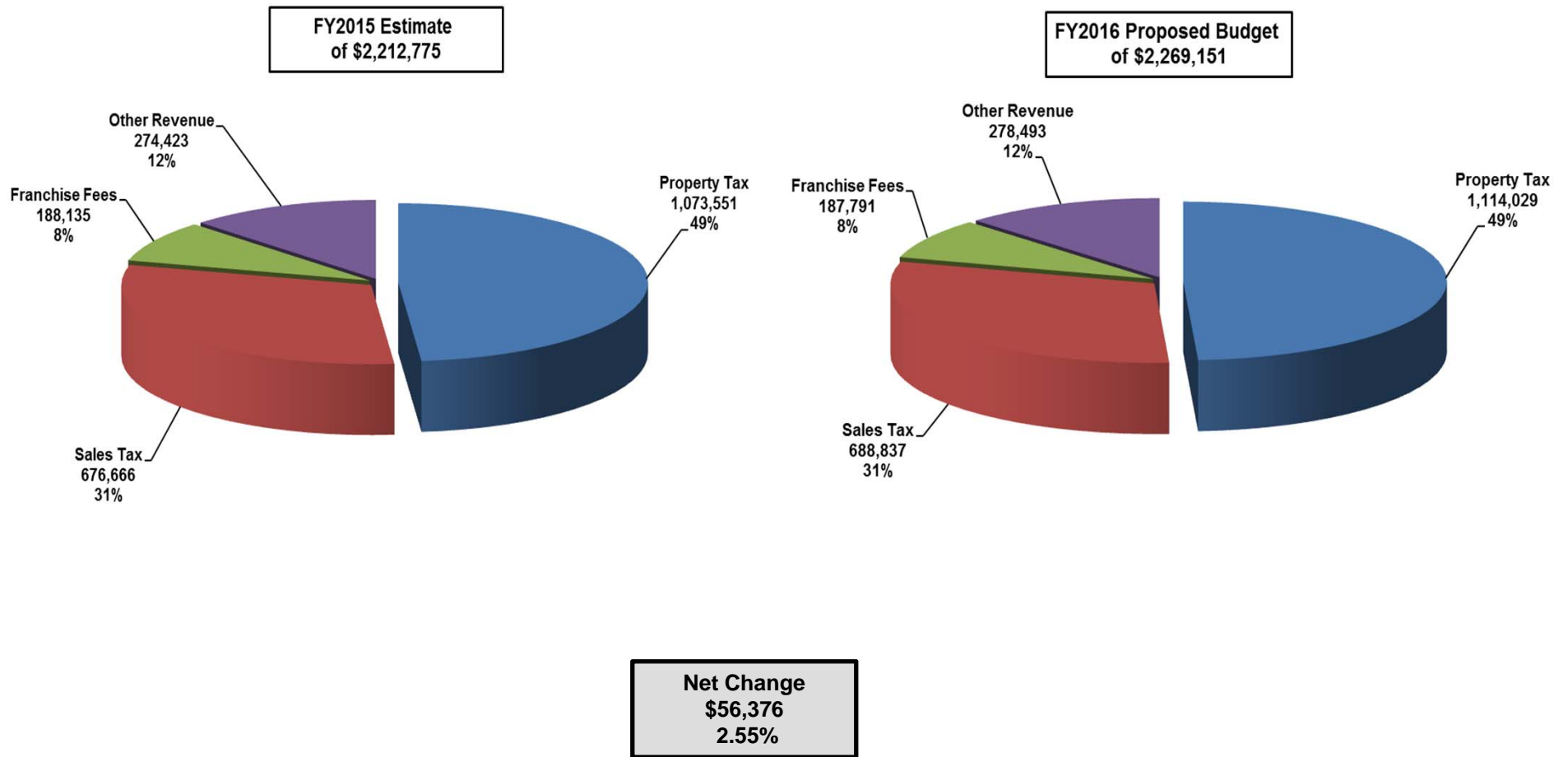
**Note:** Citywide FTEs include General Fund, Enterprise, Special, Internal Service/Service Chargeback Funds





# General Fund Revenues

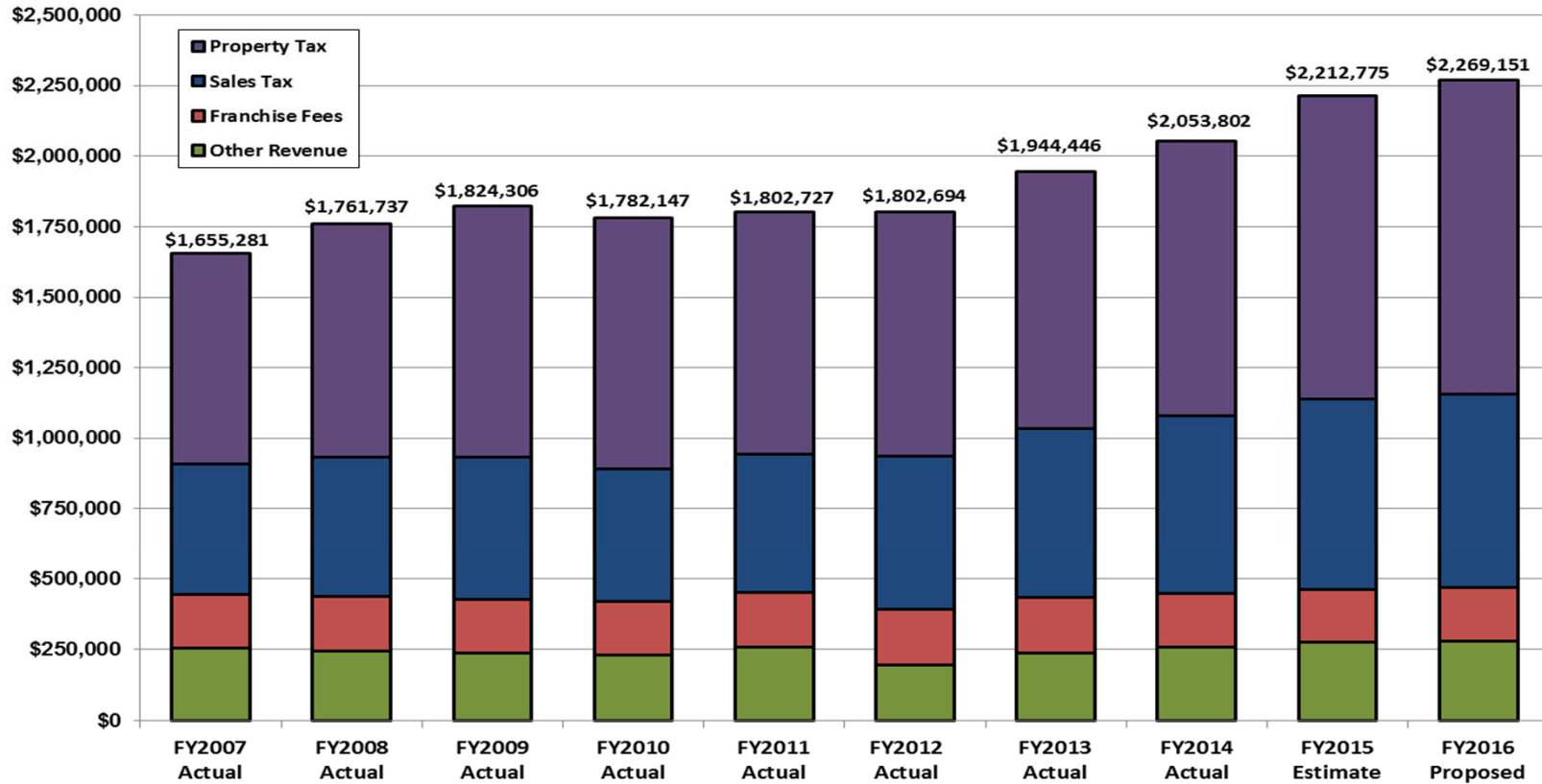
## Excluding Other Resources (\$ in Thousands)



**Note:** Other Resources include Sale of Capital Assets and Transfers from Other Funds



# General Fund Revenues Excluding Other Resources FY2007 - FY2016 (\$ in Thousands)



	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Estimate	FY2016 Proposed
Property Tax	\$ 748,792	\$ 830,889	\$ 890,088	\$ 892,865	\$ 859,413	\$ 866,141	\$ 910,034	\$ 976,240	\$ 1,073,551	\$ 1,114,029
Sales Tax	\$ 461,417	\$ 495,173	\$ 507,103	\$ 468,965	\$ 492,824	\$ 546,543	\$ 600,256	\$ 629,441	\$ 676,666	\$ 688,837
Franchise Fees	\$ 189,551	\$ 190,196	\$ 190,322	\$ 190,869	\$ 190,564	\$ 192,760	\$ 195,304	\$ 189,989	\$ 188,135	\$ 187,791
Other Revenue	\$ 255,522	\$ 245,480	\$ 236,794	\$ 229,448	\$ 259,926	\$ 197,250	\$ 238,852	\$ 258,133	\$ 274,423	\$ 278,493
<b>Total GF Revenues</b>	<b>\$ 1,655,281</b>	<b>\$ 1,761,737</b>	<b>\$ 1,824,306</b>	<b>\$ 1,782,147</b>	<b>\$ 1,802,727</b>	<b>\$ 1,802,694</b>	<b>\$ 1,944,446</b>	<b>\$ 2,053,802</b>	<b>\$ 2,212,775</b>	<b>\$ 2,269,151</b>
<b>Change YOY (\$)</b>	<b>\$ 101,433</b>	<b>\$ 106,456</b>	<b>\$ 62,569</b>	<b>\$ (42,159)</b>	<b>\$ 20,580</b>	<b>\$ (33)</b>	<b>\$ 141,752</b>	<b>\$ 109,356</b>	<b>\$ 158,973</b>	<b>\$ 56,376</b>
<b>Change YOY (%)</b>	<b>6.53%</b>	<b>6.43%</b>	<b>3.55%</b>	<b>-2.31%</b>	<b>1.15%</b>	<b>0.00%</b>	<b>7.86%</b>	<b>5.62%</b>	<b>7.74%</b>	<b>2.55%</b>

Note: Excludes Other Resources.



# FY2016 General Fund Revenue Including Other Resources Net Change vs. FY2015 Estimate (\$ in Thousands)

## Revenue Increases /(Decreases):

Property Tax <sup>(1)</sup>	40,478
Sales Tax <sup>(2)</sup>	12,171
Indirect Interfund Services	3,331
Industrial Assesment	2,200
Direct Interfund Services	1,702
Intergovernmental	1,547
Municipal Courts Fines & Forfeits	1,555
Other Tax	864
Franchise Fees	(344)
Charges for Services <sup>(3)</sup>	(5,564)
Sale of Capital Assets <sup>(4)</sup>	(22,538)
Others	(1,563)
<b>Net Change</b>	<b>33,838</b>

## **Note:**

- (1). Property Tax revenues based on limitation Prop 1 + H.
- (2). Sales Tax growth of 1.8% from FY15 Estimates.
- (3). Decrease mainly due to ambulance fees which includes Medicare recoupment.
- (4). Sale of Capital Assets in FY15 includes \$23M one time land sales.



# Property Tax Revenue

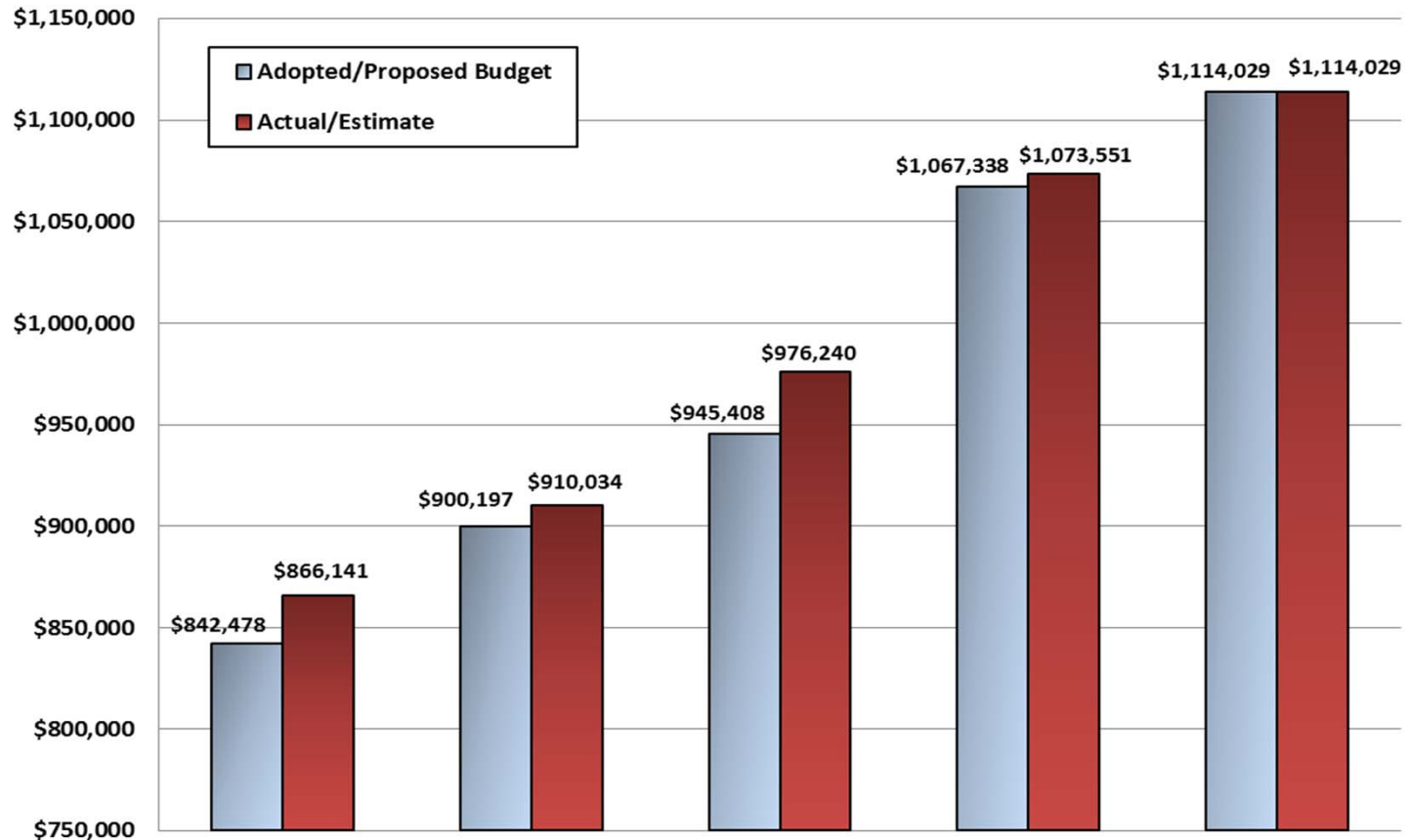
- Assumptions:

- Increase in property tax revenue of 3.8%, \$40.5 million higher than FY2015 Estimates.
- Lowering the current tax rate to comply with Prop 1+H limitations and raising the senior/disabled exemption from \$80,000 to \$160,000.
- Collection rate of 98.5%.
- Estimated taxable value of \$200 billion, increase of 6.7%.
- Taxable value net of tax increment agreements is \$177.0 billion.



# Trends in Property Tax Revenues

## FY2012 - FY2016 (\$ in Thousands)

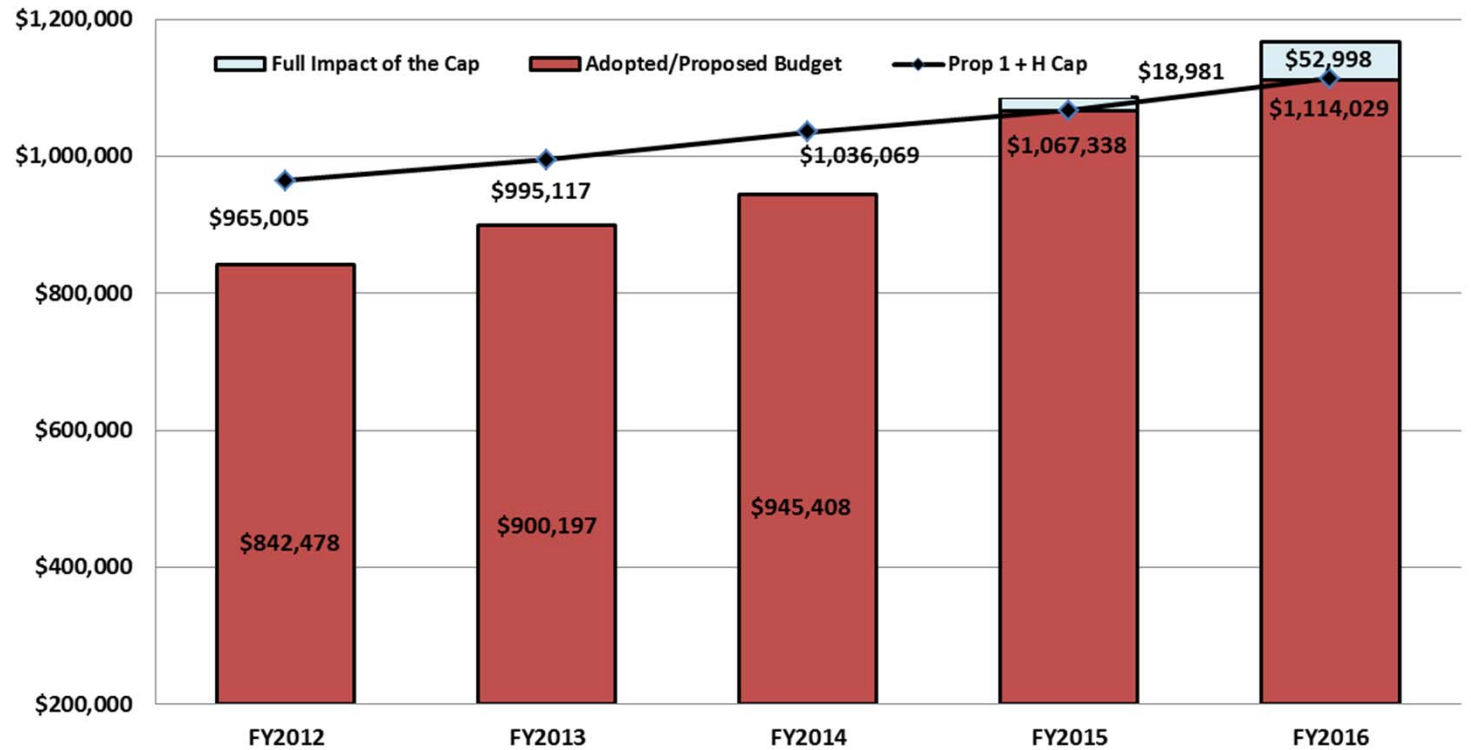


	<b>FY2012 Actual</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Estimate</b>	<b>FY2016 Proposed</b>
Adopted/Proposed Budget	\$ 842,478	\$ 900,197	\$ 945,408	\$ 1,067,338	\$ 1,114,029
Actual/Estimate	\$ 866,141	\$ 910,034	\$ 976,240	\$ 1,073,551	\$ 1,114,029
Variance: Over/(Under)	\$ 23,663	\$ 9,837	\$ 30,832	\$ 6,213	\$ -



# Adopted Budget vs. Charter Cap

## FY2012 - FY2016 (\$ in Thousands)



Property Tax Revenue	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Adopted/Proposed Budget</b>	\$ 842,478	\$ 900,197	\$ 945,408	\$ 1,067,338	\$ 1,114,029
<b>Prop 1 + H Cap</b>	\$ 965,005	\$ 995,117	\$ 1,036,069	\$ 1,067,338	\$ 1,114,029
<b>Full Impact of the Cap</b>	\$ -	\$ -	\$ -	\$ 18,981	\$ 52,998



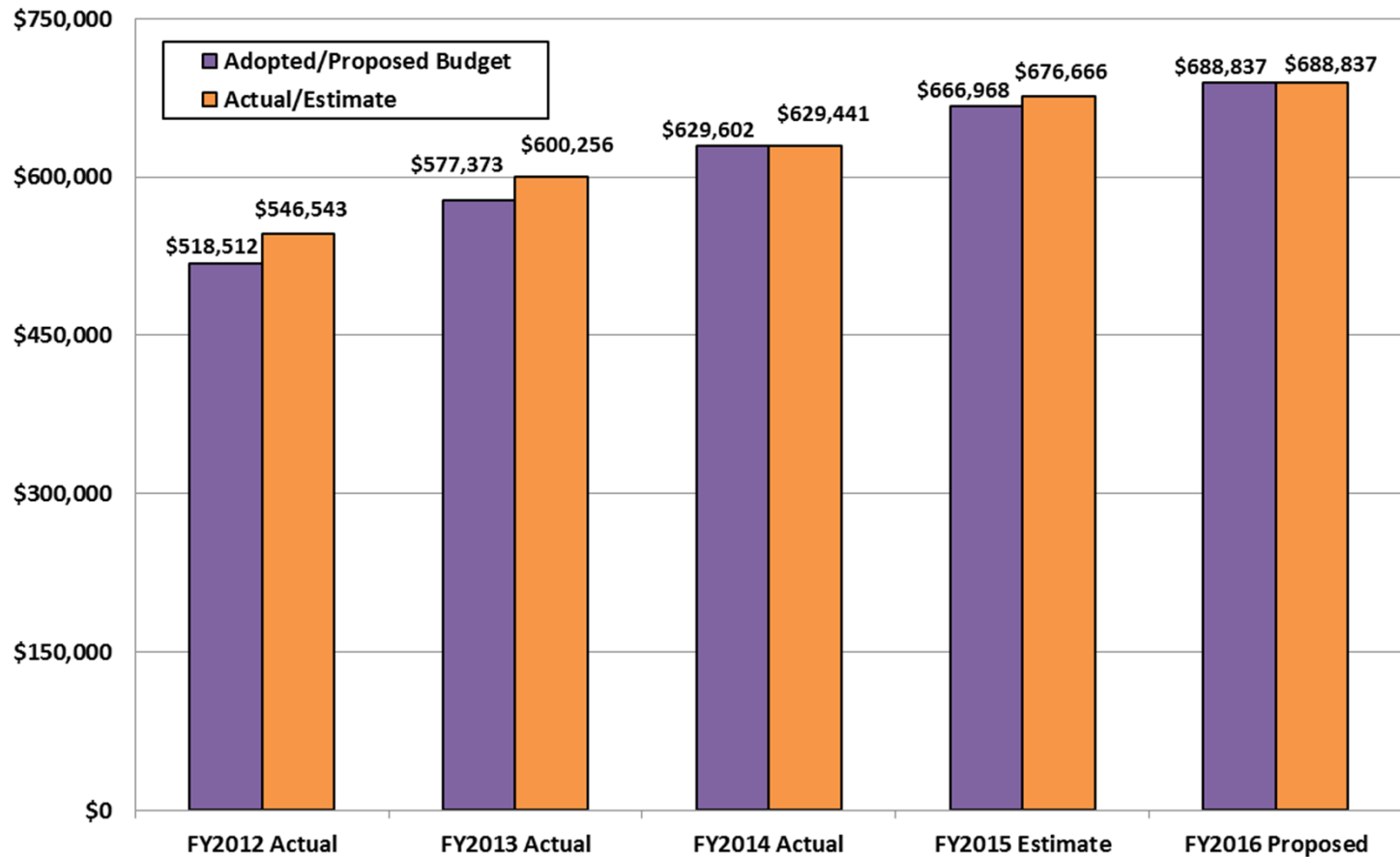
# Sales Tax Revenue

- Assumption:
  - Growth of 1.8%, \$12.2 million higher than FY2015 estimates, derived from econometric models which take into account the sectors of the Houston economy and estimates of income, prices, population, and Primary Metropolitan Statistical Area (PMSA) retail sales.



# Trends in Sales Tax Revenues

## FY2012 - FY2016 (\$ in Thousands)



	<b>FY2012 Actual</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Estimate</b>	<b>FY2016 Proposed</b>
Adopted/Proposed Budget	\$ 518,512	\$ 577,373	\$ 629,602	\$ 666,968	\$ 688,837
Actual/Estimate	\$ 546,543	\$ 600,256	\$ 629,441	\$ 676,666	\$ 688,837
Variance: Over/(Under)	\$ 28,031	\$ 22,883	\$ (161)	\$ 9,698	\$ -





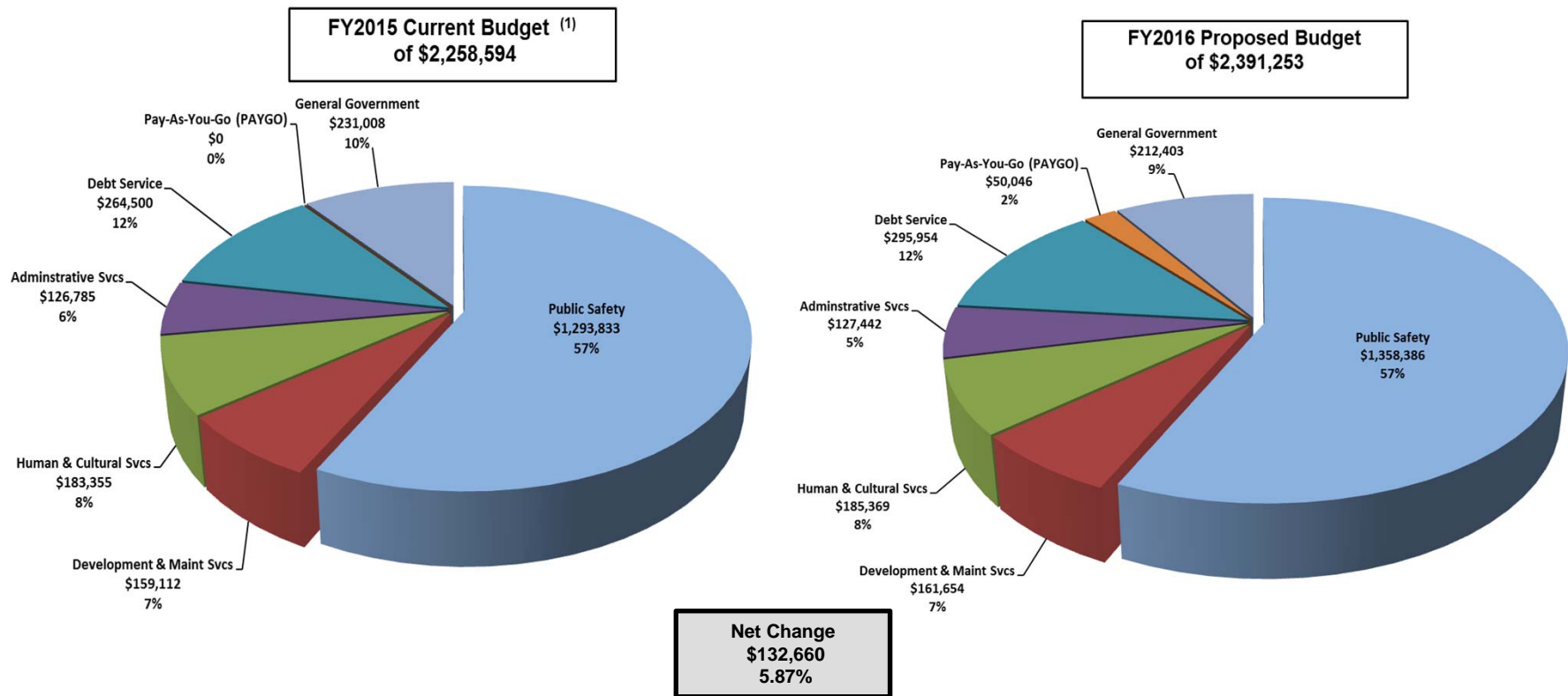
# Other Revenues and Sources of Funds

- Sale of Capital Assets of \$5.5 million:
  - Recurring land sales and right-of-way sales.
  - No major one-time land sales budgeted.
- Pass-Through Funding of \$19 million
  - \$19 million pass-through funding from Houston First, mainly for contractually obligated arts funding and annual contribution as stated in the Interlocal Agreement (Ordinance No. 2011-390).
- Ongoing Transfers of \$11.8 million, mainly due to:
  - \$1.4 million lease payment from Houston First.
  - \$1.5 million administrative payment from Houston Forensics Science LGC, Inc.
  - \$7.0 million from Parking Management Fund.
  - \$1.6 million from Police Auto Dealers Fund.



# General Fund Expenditures

## Including Debt Service & PAYGO (\$ in Thousands)



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

(1). PAYGO of \$41 million previously reported in General Government.



# FY2016 General Fund Expenditures

## Net Change vs. FY2015 Current (\$ in Thousands)

FY2015 Proposed Total Budget	\$	2,251,544
Council Service District Project Program	\$	5,000
Summer Jobs Program	\$	1,500
After School Program	\$	550
<b>FY2015 Current Budget</b>	<b>\$</b>	<b>2,258,594</b>
<b>FY2016 Proposed Budget</b>	<b>\$</b>	<b>2,391,253</b>
<b>Incremental Increase/(Decrease)</b>	<b>\$</b>	<b>132,660</b>

**Contractual or Mandated increases:**

**Compensation:**

Compensation Contingency	\$	7,000
Classified Pay	\$	17,600
Cadets		514

**Subtotal Compensation:** \$ 25,114

<b>Maintenance Renewals &amp; Replacement</b>	\$	<b>3,140</b>
<b>Election</b>	\$	<b>2,500</b>
<b>Pension</b>	\$	<b>17,037</b>
<b>HPOPS Deferred Payment</b>	\$	<b>25,500</b>
<b>Debt Service</b>	\$	<b>31,454</b>
<b>Pay-as-you-go Capital Projects to DDSRF</b>	\$	<b>9,115</b>

**Subtotal** \$ 113,860

**Transfers/Pass Through Increases (offset by corresponding revenues):** \$ 13,095

**Subtotal - Contractual/mandated & Transfers** \$ 126,955

Disparity Study	\$	1,500
Enterprise Risk Assessment/Management	\$	1,400
O&M Funding for New Facilities	\$	1,047
Support for Body Cameras	\$	585
Council Service District Project Program	\$	500
Others	\$	673

**Subtotal :** \$ 5,705

**Net Change of Expenditures** \$ 132,660



# FY2016 General Fund Revenue/Expenditure Alignment (\$ in Thousands)

<b>Total Expenditures</b>		<b>\$ 2,391,253</b>	(a)
<u>Non-Recurring Expenditures</u>			
HPOPS Deferred Pension Payment	\$ (25,500)		
Council Service District Service Fund	\$ (5,500)		
Election	\$ (2,500)		
Disparity Study	\$ (1,400)		
Enterprise Risk Assessment	\$ (1,500)		
	<b>Non-Recurring Expenditures</b>	<b>\$ (36,400)</b>	(b)
<b>Recurring Expenditures</b>		<b>\$ 2,354,853</b>	(c)=(a)+(b)
<b>Recurring Revenues</b>		<b>\$ 2,305,376</b>	(d)
<b>Recurring Expenditures over Recurring Revenues <sup>(1)</sup></b>		<b>\$ 49,477</b>	(c)-(d)

Notes:

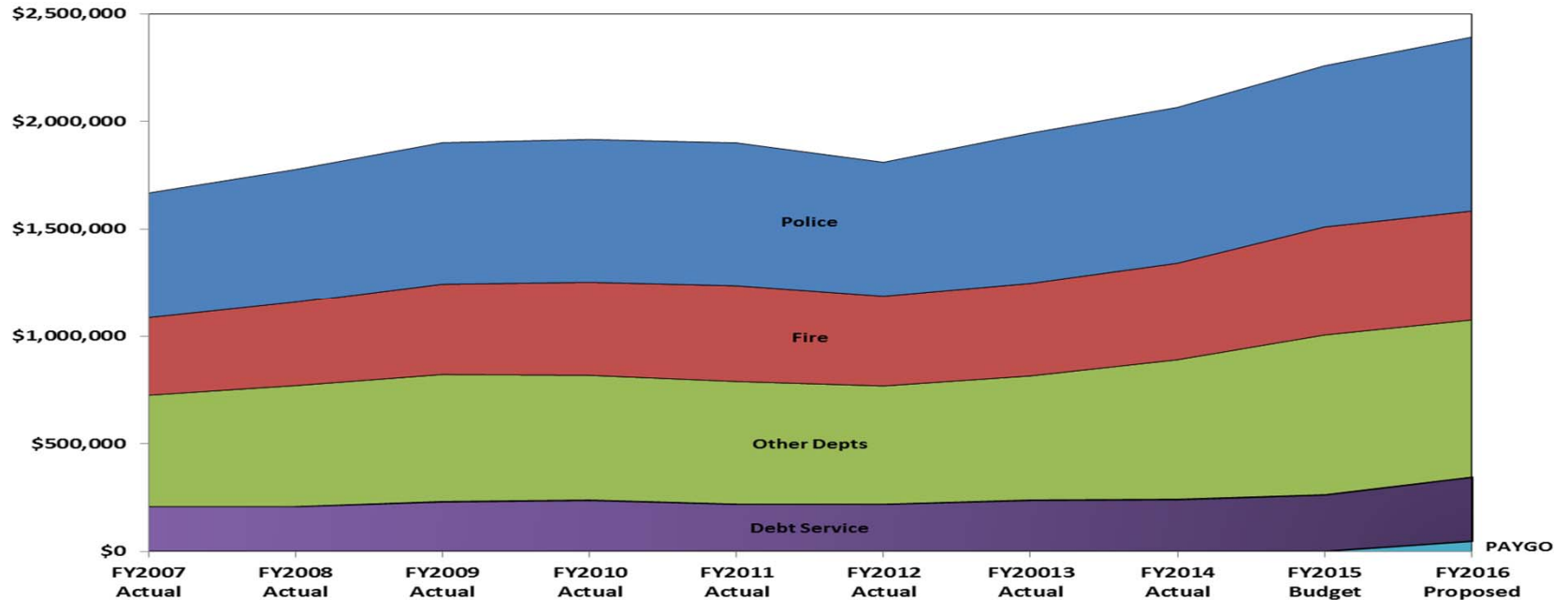
(1). The following contractual and mandated increases have driven recurring expenditures over recurring revenues:

- Debt Service of \$31.5M
- Compensation of \$25.1M
- Pension of \$17.0M



# General Fund Expenditures

## FY2007 - FY2016 (\$ in Thousands)



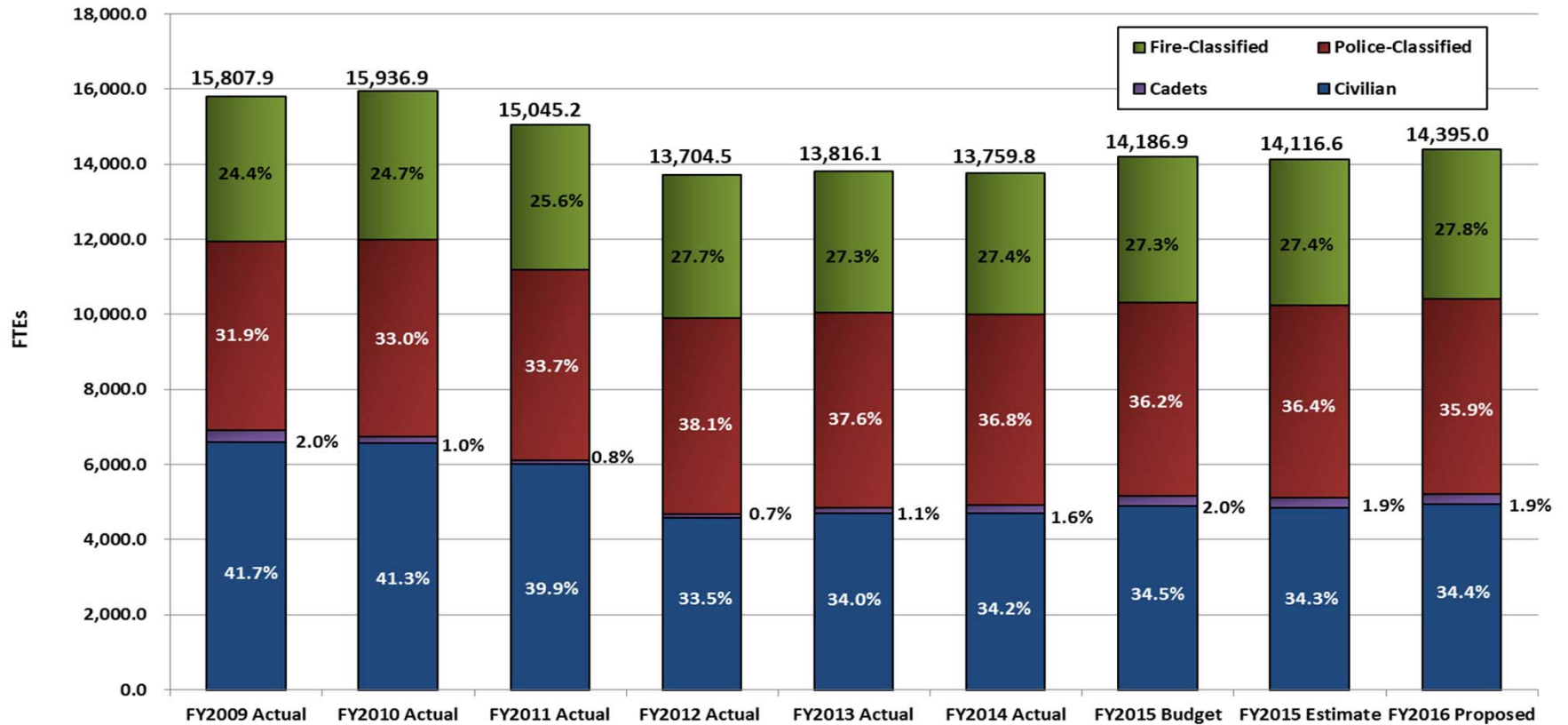
	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY20013 Actual	FY2014 Actual	FY2015 Budget	FY2016 Proposed
Police	\$ 581,787	\$ 618,304	\$ 657,225	\$ 662,766	\$ 663,420	\$ 621,739	\$ 697,417	\$ 723,066	\$ 748,020	\$ 806,992
Fire	\$ 360,542	\$ 388,352	\$ 422,718	\$ 435,852	\$ 448,175	\$ 420,198	\$ 433,176	\$ 452,316	\$ 505,365	\$ 509,590
Other Depts	\$ 516,747	\$ 560,828	\$ 588,757	\$ 577,750	\$ 568,443	\$ 548,106	\$ 574,856	\$ 646,205	\$ 740,708	\$ 728,672
Debt Service	\$ 209,000	\$ 209,350	\$ 232,948	\$ 240,020	\$ 220,837	\$ 220,507	\$ 240,203	\$ 243,813	\$ 264,500	\$ 295,954
PAYGO <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,046
<b>Total</b>	<b>\$ 1,668,076</b>	<b>\$ 1,776,834</b>	<b>\$ 1,901,648</b>	<b>\$ 1,916,388</b>	<b>\$ 1,900,875</b>	<b>\$ 1,810,550</b>	<b>\$ 1,945,652</b>	<b>\$ 2,065,400</b>	<b>\$ 2,258,594</b>	<b>\$ 2,391,253</b>
<b>Change YOY (\$)</b>	<b>\$ 104,330</b>	<b>\$ 108,758</b>	<b>\$ 124,814</b>	<b>\$ 14,740</b>	<b>\$ (15,513)</b>	<b>\$ (90,325)</b>	<b>\$ 135,102</b>	<b>\$ 119,748</b>	<b>\$ 193,194</b>	<b>\$ 132,660</b>
<b>Change YOY (%)</b>	<b>6.67%</b>	<b>6.52%</b>	<b>7.02%</b>	<b>0.78%</b>	<b>-0.81%</b>	<b>-4.75%</b>	<b>7.46%</b>	<b>6.15%</b>	<b>9.35%</b>	<b>5.87%</b>

Police	34.88%	34.80%	34.56%	34.58%	34.90%	34.34%	35.84%	35.01%	33.12%	33.75%
Fire	21.61%	21.86%	22.23%	22.74%	23.58%	23.21%	22.26%	21.90%	22.38%	21.31%
Other Depts	30.98%	31.56%	30.96%	30.15%	29.90%	30.27%	29.55%	31.29%	32.80%	30.47%
Debt Service	12.53%	11.78%	12.25%	12.52%	11.62%	12.18%	12.35%	11.80%	11.71%	12.38%
PAYGO <sup>(1)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.09%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

(1). PAYGO previously reported in General Government.



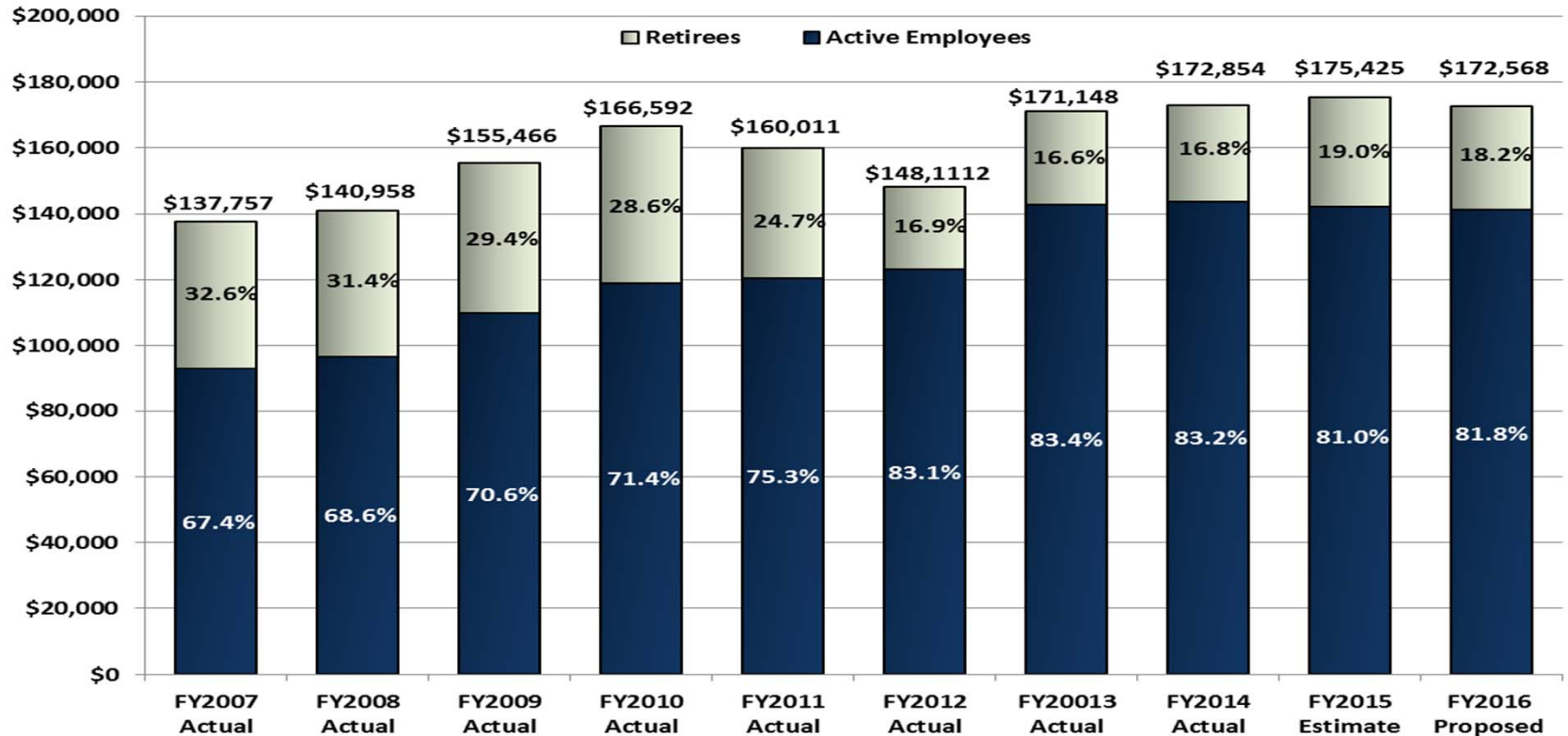
# General Fund Full-Time Equivalents



	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Budget	FY2015 Estimate	FY2016 Proposed
Civilian	6,587.0	6,572.7	6,003.4	4,588.9	4,704.5	4,701.4	4,888.8	4,836.3	4,948.4
Police-Classified	5,042.5	5,260.7	5,072.8	5,223.8	5,196.1	5,063.3	5,142.6	5,142.6	5,181.3
Police-Cadets	221.6	135.0	70.4	76.6	120.7	88.1	101.5	101.5	136.4
Fire-Classified	3,861.1	3,940.0	3,853.5	3,801.0	3,768.1	3,772.0	3,876.2	3,871.7	3,996.9
Fire-Cadets	95.7	28.5	45.1	14.2	26.7	135.0	177.8	164.5	132.0
<b>Total</b>	<b>15,807.9</b>	<b>15,936.9</b>	<b>15,045.2</b>	<b>13,704.5</b>	<b>13,816.1</b>	<b>13,759.8</b>	<b>14,186.9</b>	<b>14,116.6</b>	<b>14,395.0</b>
Change YOY (FTEs)		129.0	(891.7)	(1,340.7)	111.6	(56.3)	427.1	(70.3)	278.4
Change YOY (%)		0.82%	-5.60%	-8.91%	0.81%	-0.41%	3.10%	-0.50%	1.97%



# General Fund Health Benefits City Contributions FY2007 - FY2016 (\$ in Thousands)



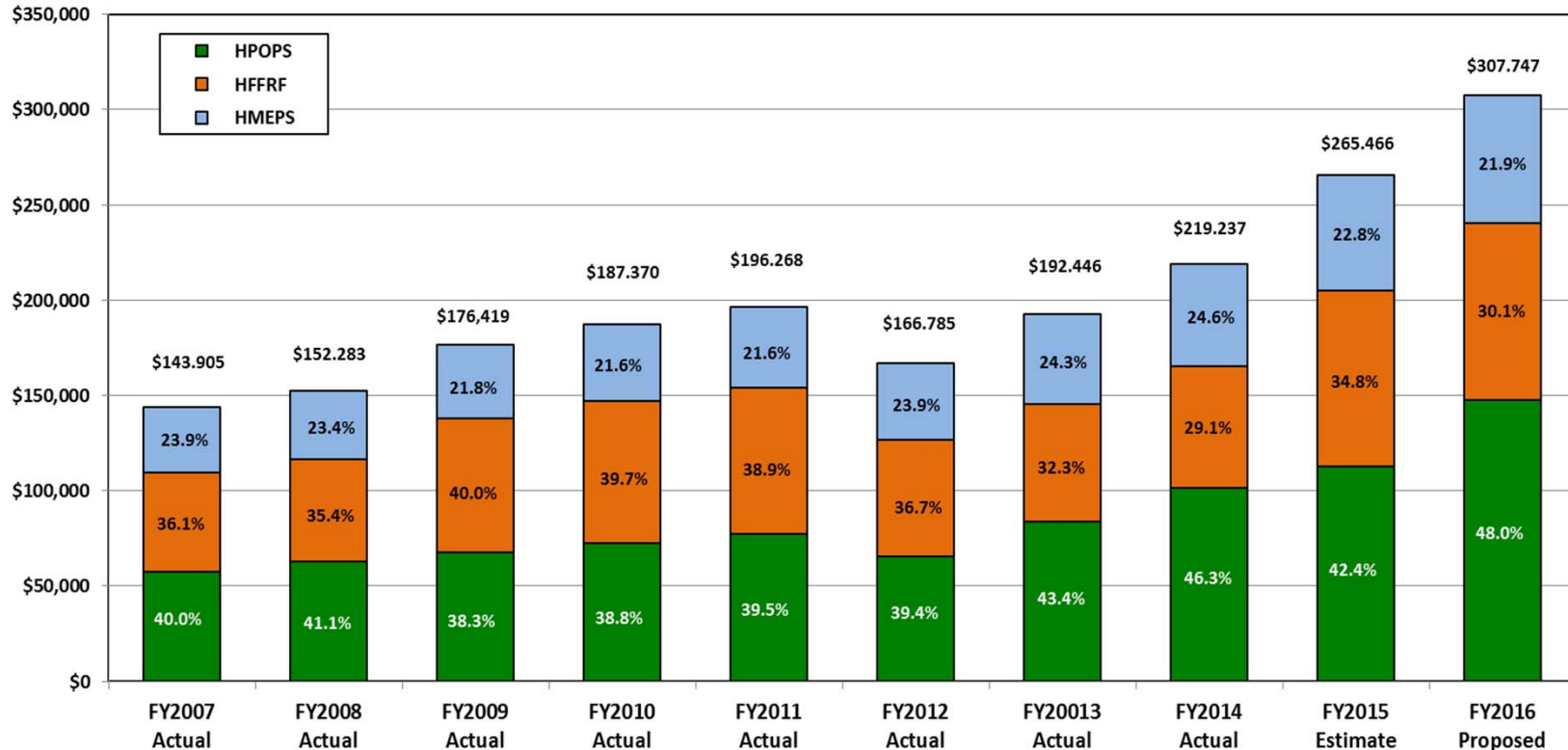
	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Estimate	FY2016 Proposed
<b>Active Employees</b>	\$ 92,917	\$ 96,698	\$ 109,780	\$ 118,980	\$ 120,426	\$ 123,121	\$ 142,713	\$ 143,763	\$ 142,076	\$ 141,203
<b>Retirees</b>	\$ 44,840	\$ 44,260	\$ 45,686	\$ 47,612	\$ 39,585	\$ 24,991	\$ 28,435	\$ 29,091	\$ 33,349	\$ 31,365
<b>Total Health Benefits</b>	\$ 137,757	\$ 140,958	\$ 155,466	\$ 166,592	\$ 160,011	\$ 148,112	\$ 171,148	\$ 172,854	\$ 175,425	\$ 172,568
<b>Change YOY</b>	<b>7.86%</b>	<b>2.32%</b>	<b>10.29%</b>	<b>7.16%</b>	<b>-3.95%</b>	<b>-7.44%</b>	<b>15.55%</b>	<b>1.00%</b>	<b>1.49%</b>	<b>-1.63%</b>

**Notes:**

- Health Expense includes only City contributions for HMO, PPO, and Medicare Advantage Health Care Plans.
- This chart also includes health benefits funding for employees in Forensic Transition Special Fund, BARC, HEC, Houston Civic Events Special Revenue Fund.
- Increase in FY2013 includes one time funding for prior year's deficit.



# General Fund Pension Contributions FY2007 - FY2016 (\$ in Thousands)



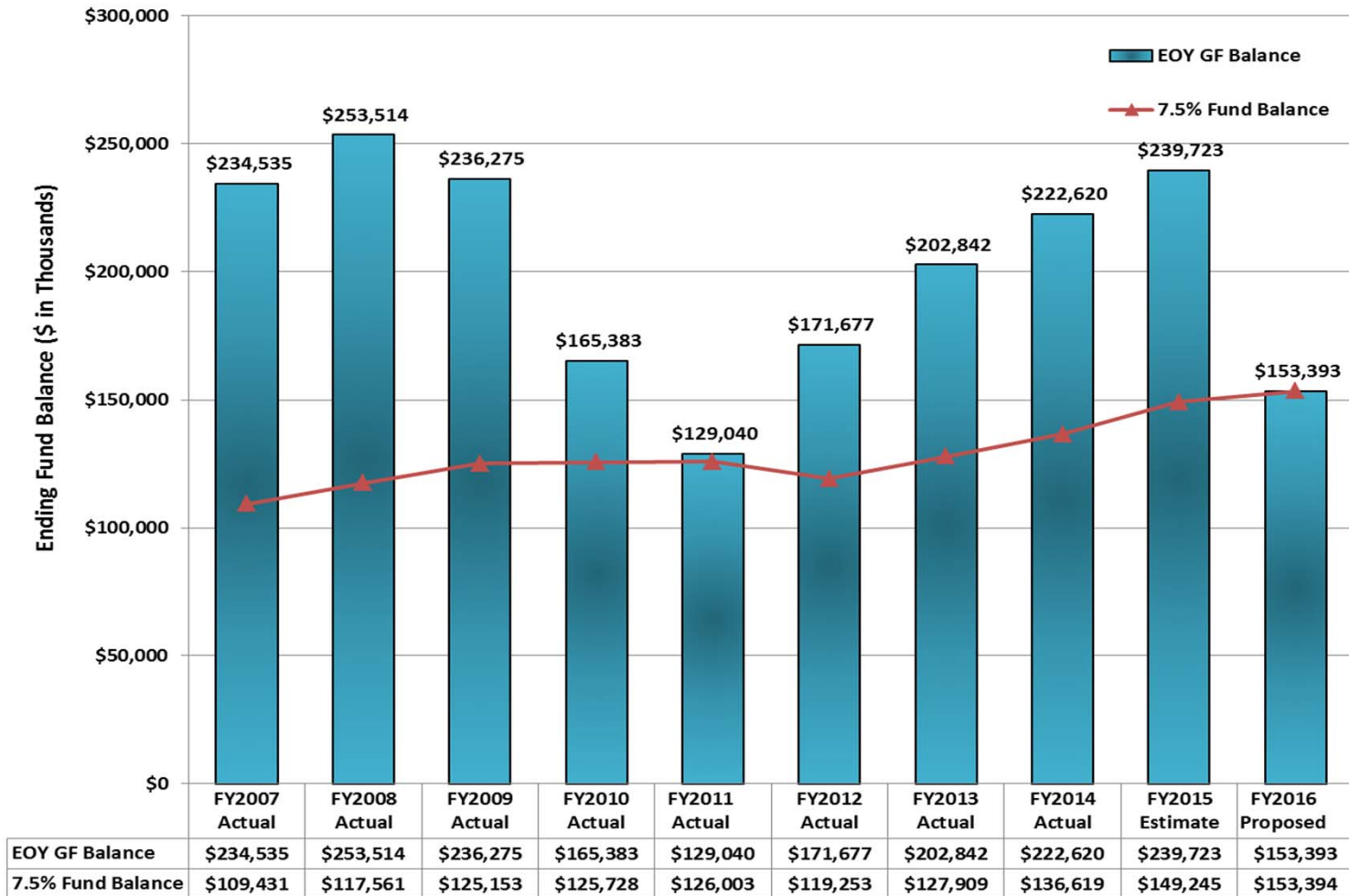
	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Estimate	FY2016 Proposed
HMEPS <sup>(1)</sup>	\$ 34,324	\$ 35,675	\$ 38,418	\$ 40,403	\$ 42,382	\$ 39,881	\$ 46,779	\$ 53,903	\$ 60,523	\$ 67,272
HFFRF	\$ 51,984	\$ 53,981	\$ 70,506	\$ 74,299	\$ 76,352	\$ 61,204	\$ 62,141	\$ 63,758	\$ 92,436	\$ 92,625
HPOPS <sup>(2)</sup>	\$ 57,597	\$ 62,627	\$ 67,495	\$ 72,669	\$ 77,534	\$ 65,701	\$ 83,526	\$ 101,576	\$ 112,507	\$ 147,850
<b>Pension Contributions</b>	<b>\$ 143,905</b>	<b>\$ 152,283</b>	<b>\$ 176,419</b>	<b>\$ 187,370</b>	<b>\$ 196,268</b>	<b>\$ 166,785</b>	<b>\$ 192,446</b>	<b>\$ 219,237</b>	<b>\$ 265,466</b>	<b>\$ 307,747</b>
Change YOY (\$)	\$ 9,969	\$ 8,378	\$ 24,136	\$ 10,951	\$ 8,898	\$ (29,483)	\$ 25,661	\$ 26,791	\$ 46,229	\$ 42,281
Change YOY (%)	7.44%	5.82%	15.85%	6.21%	4.75%	-15.02%	15.39%	13.92%	21.09%	15.93%
<b>Pension as % of Payroll</b>	<b>21%</b>	<b>21%</b>	<b>23%</b>	<b>24%</b>	<b>24%</b>	<b>23%</b>	<b>26%</b>	<b>28%</b>	<b>33%</b>	<b>37%</b>

- (1). - This chart also includes pension funding for employees in BARC, HEC, and Houston Civic Events Special Revenue Fund.  
 (2). - Beginning FY2014, HPOPS includes pension funding for Forensic Transition Special Fund which is budgeted in General Government.  
 - Decrease in FY2012 is mainly due to HPOPS deferral.  
 - FY2016 Proposed includes \$25.5 million HPOPS Deferred Payment.





# General Fund Unassigned Ending Fund Balance FY2007 - FY2016



Note: FY2015 EOY Fund Balance is above the City's required minimum assigned fund balance 7.5% mainly due to one-time land sales, health benefit savings, vacancy savings, increase in sales tax, increase in property taxes for higher taxable value, increase in charges for services, and miscellaneous/other.



Finance Department

# General Fund Five Year Forecast FY2016 – FY2020



# Overview

- Expenditures include legal mandates, staffing for new facilities, and contractual escalators.
- The capital budget for facilities, rolling stock, and information technology is not included.
- Includes debt service for capital projects.



# Key Assumptions – Revenue

Revenue Category	FY2016 Proposed Budget	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast	FY2020 Forecast	Comments
Property Tax Revenues Growth %	3.8%	3.0%	3.0%	3.0%	3.1%	FY2017-2020 estimate is based on the maximum allowed revenue by 2004 Proposition 1 and modified by 2006 Proposition H.
Sales Tax Growth %	1.8%	2.5%	4.4%	3.7%	2.5%	FY2017-2020 estimate derived from econometric models which take into account the sectors of the Houston economy and estimates of income, prices, populations, and Primary Metropolitan Statistical Area (PMSA) retail sales.
Franchise Revenue Growth %	-0.2%	-0.1%	-0.1%	0.0%	0.0%	FY2017-2020 estimate based on historical growth.
Other Revenues Growth % <sup>(1)</sup>	1.5%	4.0%	4.4%	4.7%	5.1%	FY2017-2020 estimate based on historical growth.
One Time - Sale of Capital Assets (\$mm)	-	-	-	-	-	

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



# Key Assumptions – Expenditure Changes

Expenditure Category	FY2016 Proposed	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast	FY2020 Forecast	Comments
<b>Personnel:</b>						
Civilian - Base Pay	0.00%	0.00%	0.00%	0.00%	0.00%	Based on HOPE Meet & Confer
Classified - Police Base Pay	4.00%	\$15.0M	\$17.0M	\$12.0M	\$0.0	Based on HPOU Meet & Confer
Classified - Fire Base Pay	0.00%	0.00%	0.00%	0.00%	0.00%	Based on HPFFA
<b>Pension Contribution Rate:</b>						
HMEPS	27.4%	27.2%	27.6%	27.6%	27.7%	FY2017-FY2020 based on Actuarial Required Contribution (ARC)
HFRRF	33.2%	33.2%	33.2%	33.2%	33.2%	Based on Actuarial Required Contribution (ARC)
HPOPS Annual \$ Increase (\$M)	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	Based on HPOPS Meet & Confer.
HPOPS Deferral Payment (\$M)	\$25.5	(\$25.5)	\$0.0	\$0.0	\$0.0	HPOPS Deferral Payment
HPOPS Pension adjustment (\$M)	\$0.0	\$50.0	\$0.0	(\$50.0)	\$0.0	Estimated additional contribution to maintain a minimum 80% funded ratio in accordance with the Meet & Confer Agreement
<b>Health Benefits:</b>						
Growth %	-1.6%	3.9%	3.9%	3.9%	3.9%	Assumes reserved fund balance in Health Benefits Fund is maintained and average expenditure growth rate.
<b>Total Debt Service (\$M)</b>	\$296.0	\$314.4	\$320.6	\$309.5	\$321.0	
<b>Total Pay-As-You-Go (PAYGO) Transfer (\$M)</b>	\$50.0	\$47.6	\$59.4	\$85.5	\$90.0	PAYGO previously reported in General Government



# Revenue & Expenditure Summary

(\$ in Thousands)

Five Year Forecast	FY2015 Estimate	FY2016 Proposed	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast	FY2020 Forecast
Property Tax (1)	1,073,552	1,114,029	1,147,811	1,182,707	1,218,755	1,255,991
Sales Tax	676,666	688,837	706,265	736,987	764,108	783,364
Franchise Revenue	188,135	187,792	187,551	187,409	187,363	187,411
Other Revenues	274,425	278,492	289,724	302,545	316,895	332,902
Transfers from Other Funds - Ongoing	30,343	30,725	30,725	30,725	30,725	30,725
Sale of Land - Ongoing	4,919	5,500	2,500	2,500	2,500	2,500
Sale of Land - One Time	23,500	0	0	0	0	0
<b>Total Revenues and Other Sources</b>	<b>2,271,540</b>	<b>2,305,374</b>	<b>2,364,576</b>	<b>2,442,873</b>	<b>2,520,346</b>	<b>2,592,892</b>
<i>Growth %</i>	9%	1%	3%	3%	3%	3%
Total Operating Expenditures	1,989,934	2,045,253	2,128,496	2,211,480	2,228,426	2,288,894
<b>Total Operating Expenditures</b>	<b>1,989,934</b>	<b>2,045,253</b>	<b>2,128,496</b>	<b>2,211,480</b>	<b>2,228,426</b>	<b>2,288,894</b>
Transfers for Debt Service	264,500	295,954	314,383	320,563	309,466	321,000
Pay-As-You Go (PAYGO) Capital Projects	0	50,046	47,617	59,437	85,534	90,000
<b>Total Expenditures Including Debt and PAYGO</b>	<b>2,254,434</b>	<b>2,391,253</b>	<b>2,490,496</b>	<b>2,591,480</b>	<b>2,623,426</b>	<b>2,699,894</b>
<i>Growth %</i>	9%	6%	4%	4%	1%	3%
<b>Net Revenues Less Expenditures</b>	<b>17,105</b>	<b>(85,879)</b>	<b>(125,920)</b>	<b>(148,607)</b>	<b>(103,080)</b>	<b>(107,002)</b>
Change in Inventory/Prepaid Items	0	0	0	0	0	0
Use of Fund Balance	(17,105)	85,879	0	0	0	0
<b>Other Sources and Uses</b>	<b>(17,105)</b>	<b>85,879</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Surplus/(Deficit) - the Gap</b>	<b>0</b>	<b>0</b>	<b>(125,920)</b>	<b>(148,607)</b>	<b>(103,080)</b>	<b>(107,002)</b>
<b>Beginning Fund Balance</b>	<b>222,622</b>	<b>239,727</b>	<b>153,395</b>	<b>152,563</b>	<b>151,733</b>	<b>151,563</b>
<b>Ending Fund Balance</b>	<b>239,727</b>	<b>153,848</b>	<b>153,395</b>	<b>152,563</b>	<b>151,733</b>	<b>151,563</b>
Assigned Fund Balance for Stabilization Fund (2)	0	453	832	830	169	605
<b>Ending Unrestricted Fund Balance (3)</b>	<b>239,727</b>	<b>153,395</b>	<b>152,563</b>	<b>151,733</b>	<b>151,563</b>	<b>150,959</b>
<b>Budget Stabilization Fund (2)</b>	<b>20,000</b>	<b>20,453</b>	<b>21,285</b>	<b>22,115</b>	<b>22,284</b>	<b>22,889</b>
<b>Budget Stabilization Fund Percent of Expenditure</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Fund Balance Percent of Expenditures (less debt) (4)</b>	<b>12.0%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.5%</b>

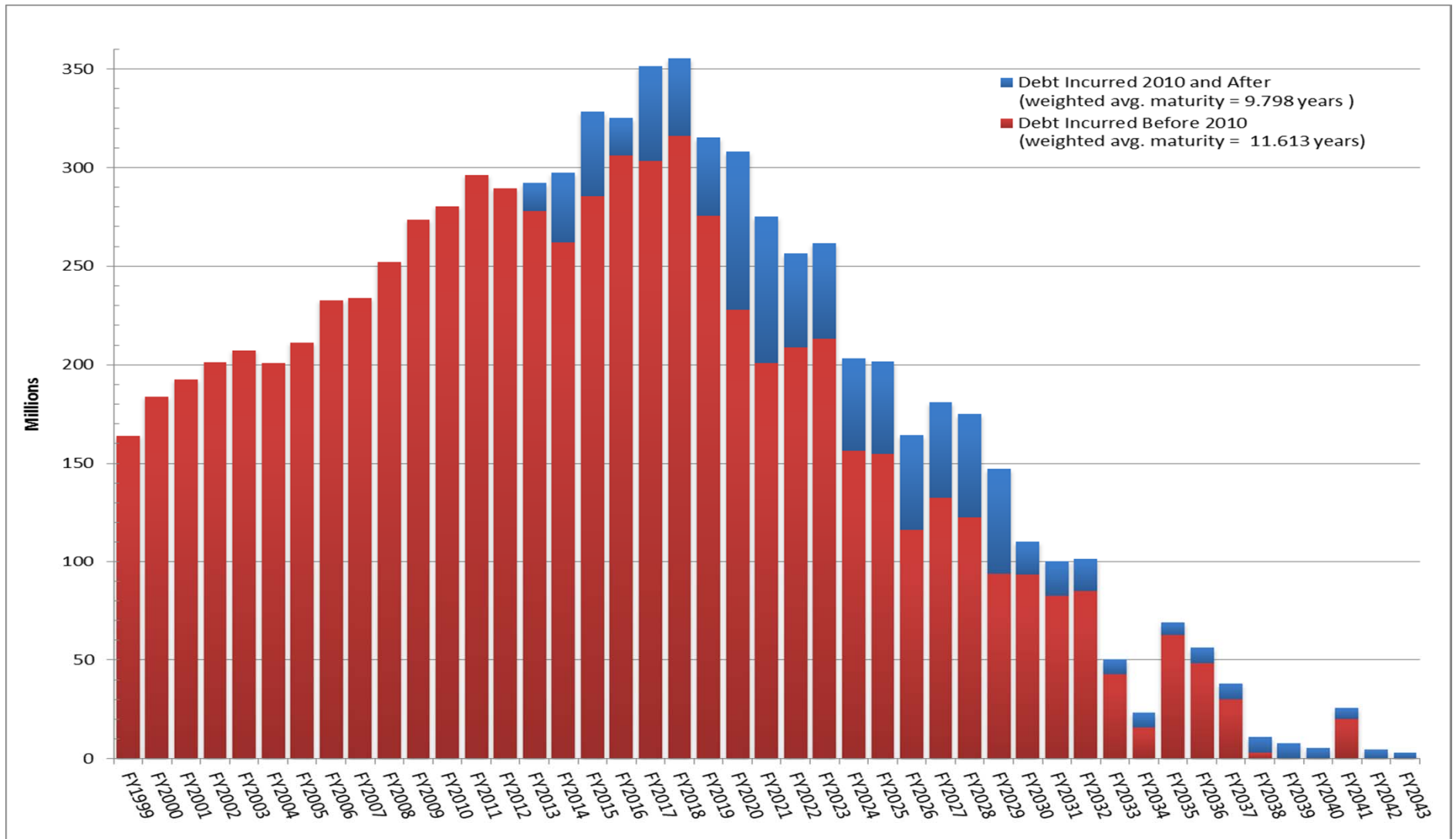
**Notes:**

- (1) Property Tax Estimate for FY2016 – 2020 is based on the maximum allowed by charter cap.
- (2) Budget Stabilization Fund of the greater of 1% of total expenditures less debt service payment and transfers for pay-as-you-go (PAYGO) capital expenditures or \$20 million in any given year.
- (3) Assumes gap is eliminated in each fiscal year.
- (4) Ending Unrestricted Fund Balance figure is set at 7.5 percent of total expenditures less debt and PAYGO.



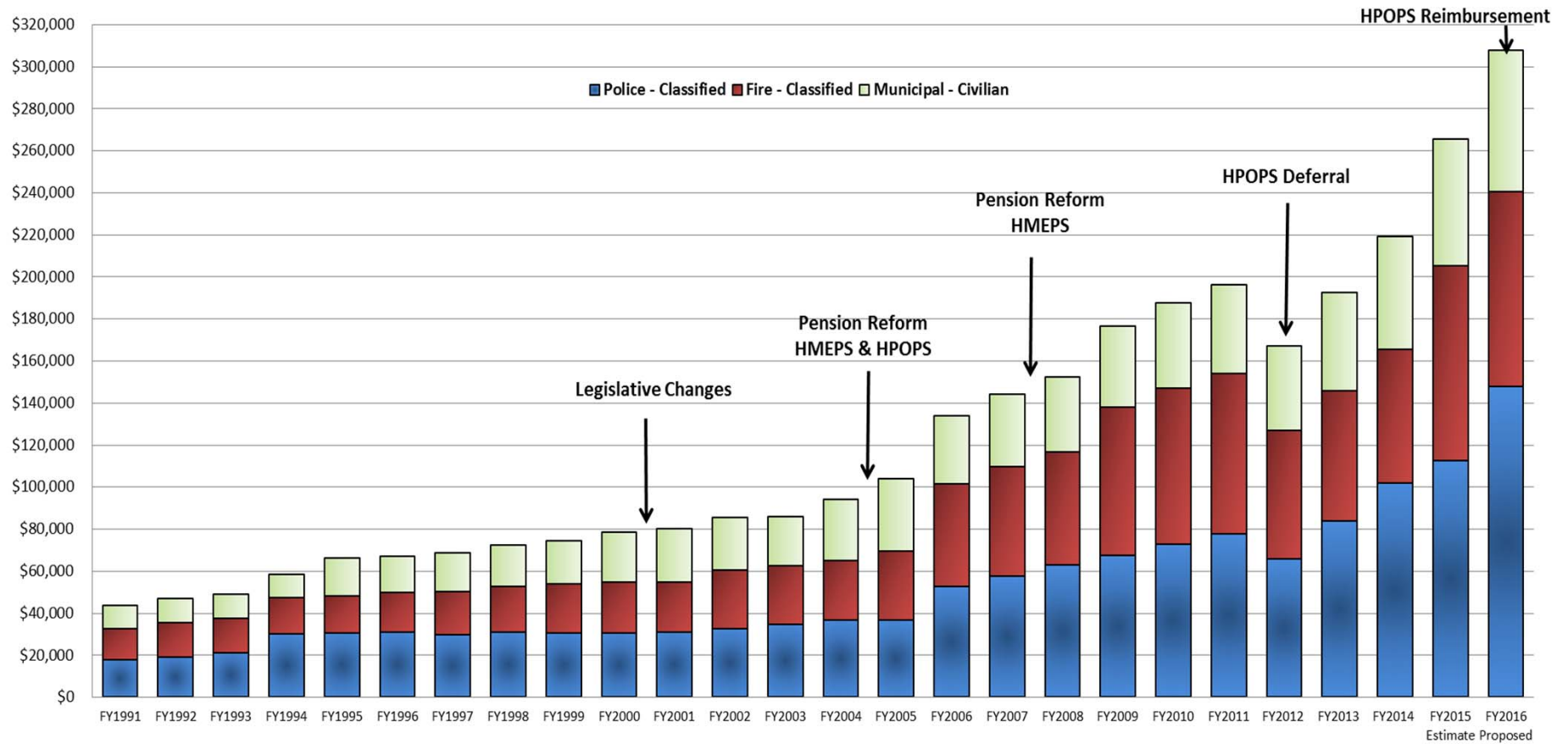
# General Obligation Debt Service

(existing debt)





# 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	FY2013	FY2014	FY2015 Estimate	FY2016 Proposed
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	\$77,534	\$65,701	\$83,526	\$101,576	\$112,507	\$147,850
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	\$61,204	\$62,141	\$63,758	\$92,436	\$92,625
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	\$34,324	\$35,675	\$38,418	\$40,403	\$42,382	\$39,881	\$46,779	\$53,903	\$60,523	\$67,272
<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>\$143,905</b>	<b>\$152,283</b>	<b>\$176,419</b>	<b>\$187,370</b>	<b>\$196,268</b>	<b>\$166,785</b>	<b>\$192,446</b>	<b>\$219,237</b>	<b>\$265,466</b>	<b>\$307,747</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%	7.44%	5.82%	15.85%	6.21%	4.75%	-15.02%	15.39%	13.92%	21.09%	15.93%





# Five Year Management Strategies

- Limitations
  - Property tax cap in City Charter
  - Existing debt service increases
  - No excess fund balance
  - Pensions controlled by the State
  - Personnel costs make up majority of General Fund spend
- Plan
  - Performance improvement
  - Cost containment
  - Re-evaluate service delivery models
- Additional Options
  - Reduction in services
  - Petition voters to remove or modify revenue limitation
  - New revenue sources
  - Pension reform

The top section of the slide features a blue background. On the left, there is a close-up of a calculator's keypad with numbers 5, 6, 7, 8, 9, and 0 visible. The background is filled with a grid pattern and faint, glowing numbers, suggesting a financial or data-related theme.

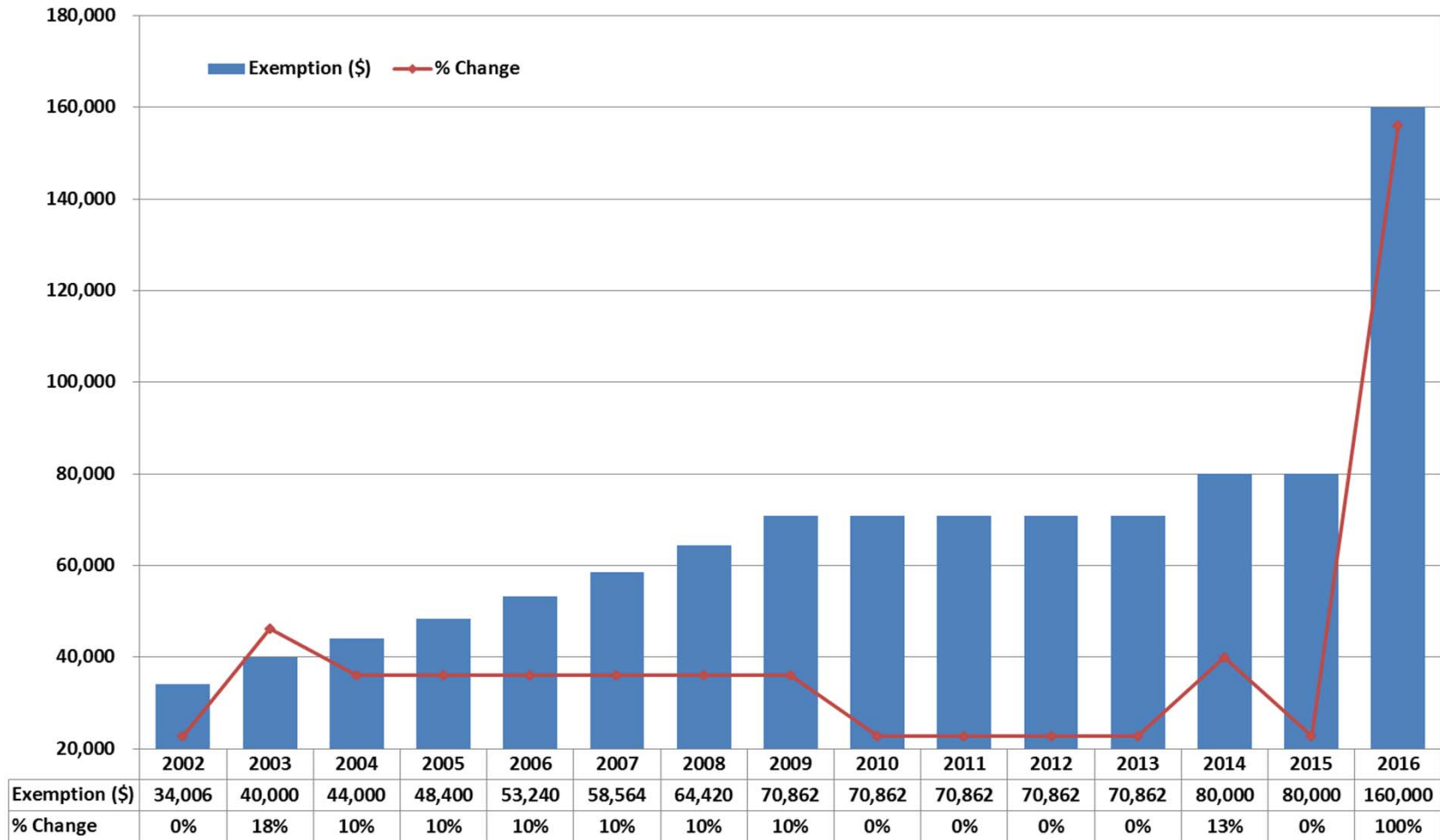
# Finance Department

The bottom section of the slide has a light gray background. It features a faint, large-scale grid pattern that resembles a window pane or a data table, with several rectangular frames visible.

# Appendix



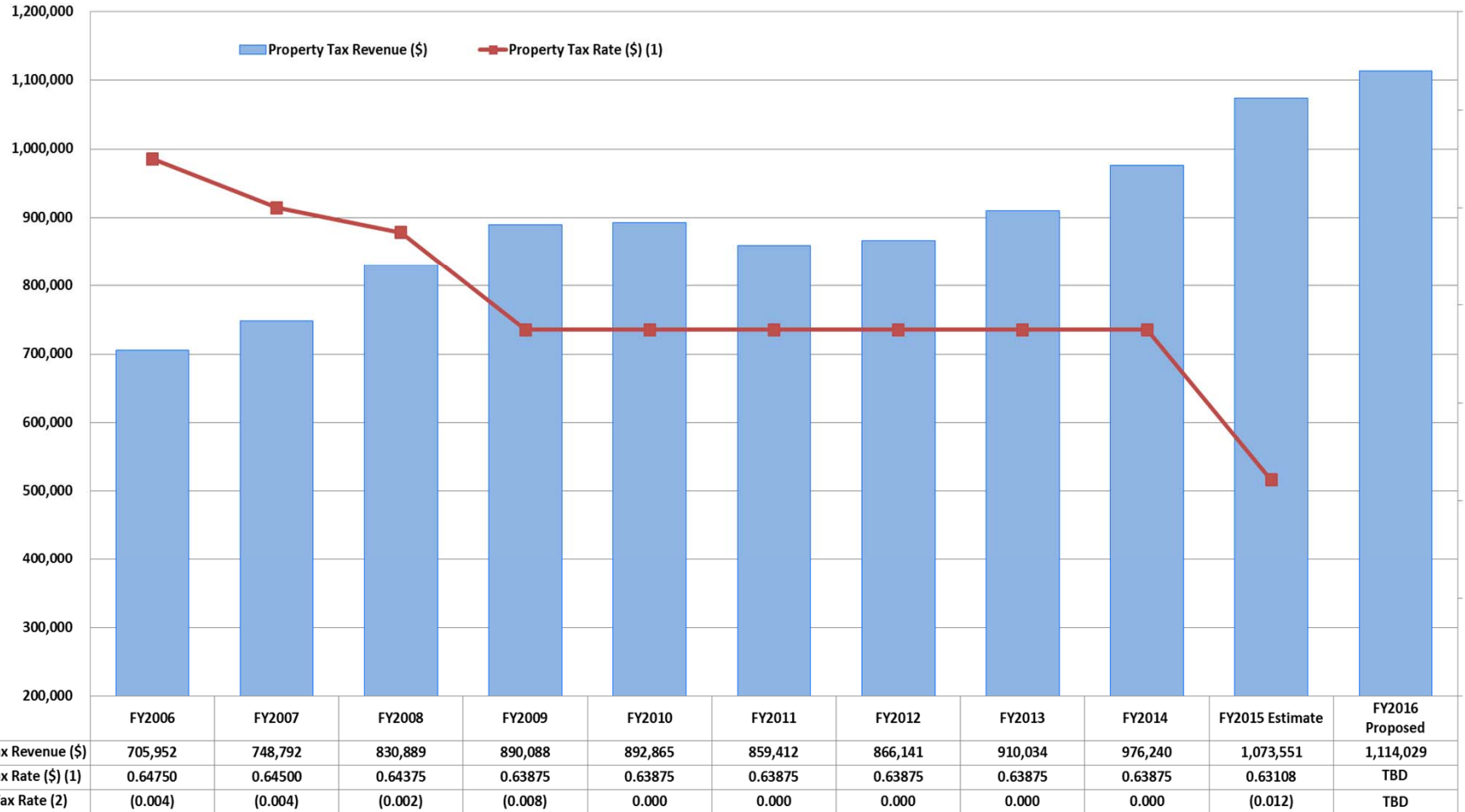
# Senior and Disabled Property Tax Exemption





# Property Tax Revenue & Tax Rate

(\$ in Thousands)



- (1). Property Tax Rate per \$100 of taxable value.
- (2). Property Tax Rate reduction to be determined.



# Propositions 1 & 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 allowed City officials to raise an additional \$90 million of revenues above the limit level for public safety issues



# Tax Increment Reinvestment Zones (TIRZ)

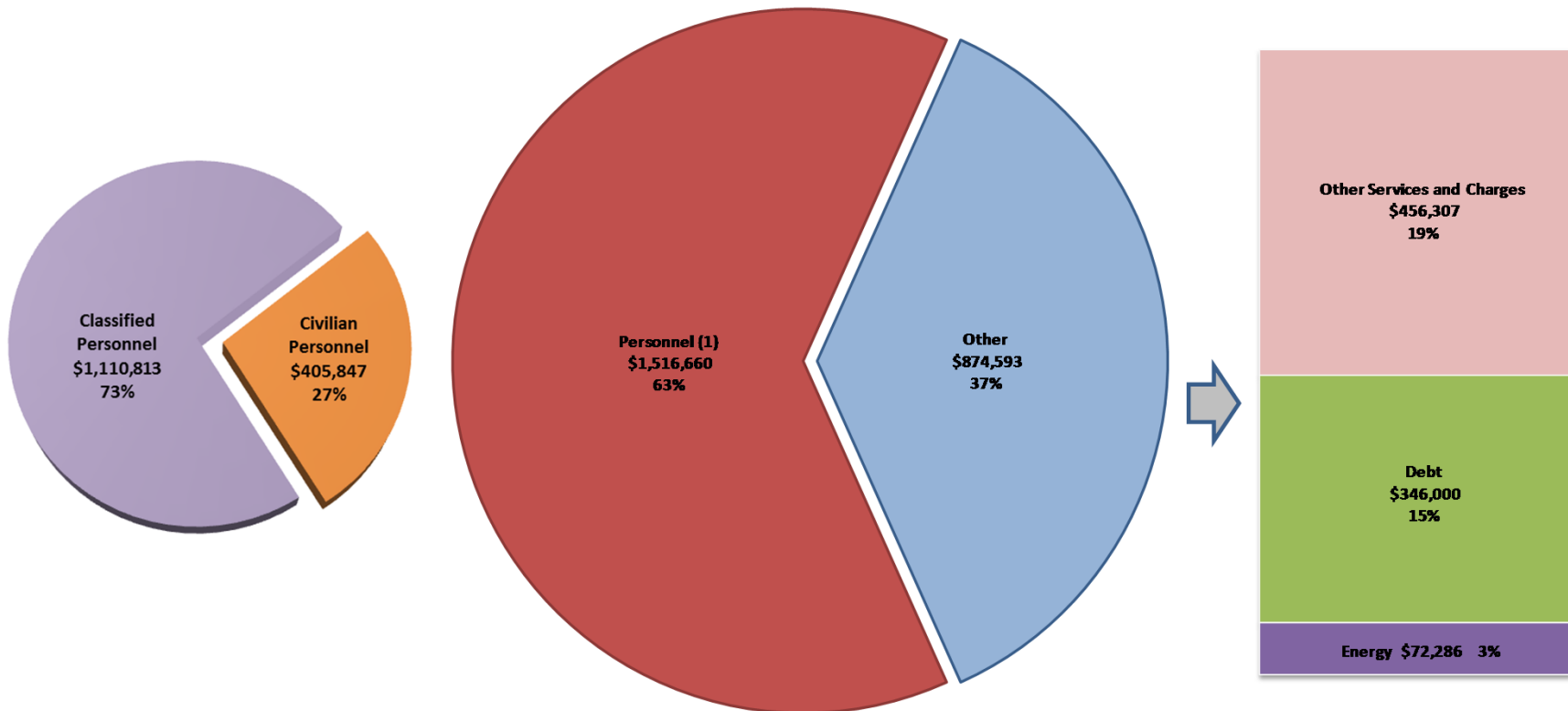
- City of Houston's Property Tax revenue is net of TIRZ
- Currently there are 25 TIRZ
- Local jurisdictions typically participate in TIRZ:
  - City, County, ISD
- Taxable Base Value remains in City of Houston
- The increment taxable value from properties within the zone goes to TIRZ for the development of the zones
  - As a result, TIRZ typically has a higher growth rate than City of Houston.
- Limit of total value amount included in TIRZ is 25% of COH property taxable value
- City funding received from TIRZ:
  - (a) Admin Fees (5%), (b) Municipal Service Fees, (c) Affordable Housing and (d) Source of funding for CIP.



# FY2016 General Fund Expenditures Personnel vs. Non Personnel

(\$ in Thousands)

**Proposed Budget  
\$2,391,253**



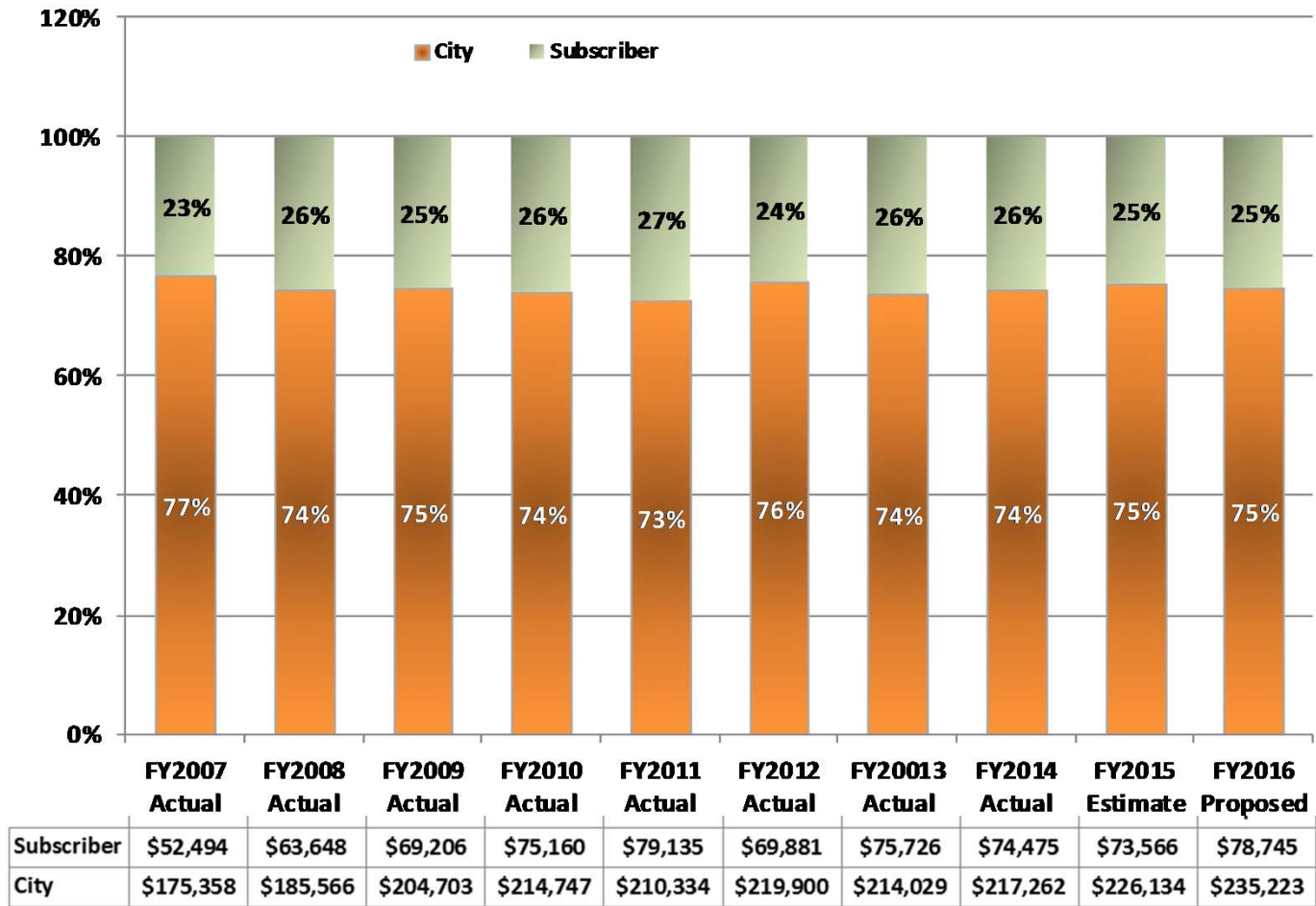
(1) Includes Items such as Salary, FICA, Pension, Health Benefits, Overtime, Workers Comp, Other Pays, Temporary Personnel Services, etc.



# Health Benefits Fund

## Annual Aggregate Contribution Ratio

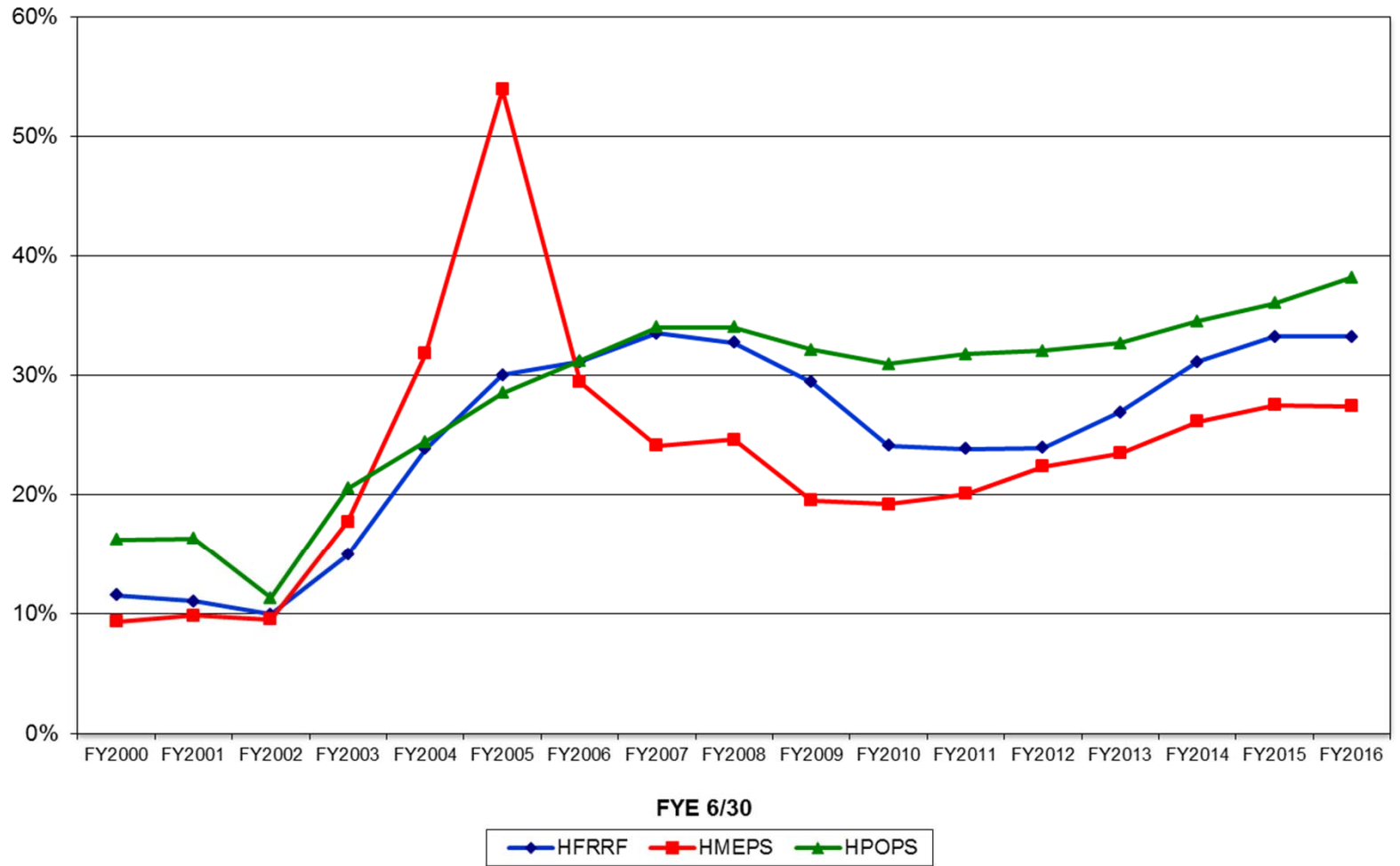
(\$ in Thousands)







# Actuarial City Contribution as a Percent of Payroll Increased Dramatically from FY2002 to FY2005





# Impact of Proposed Amendment on City Reserves

(\$ in Thousands)

Proposed FY16 Budget	Current policy	Policy as proposed	Variance
Total GF Expenditures and Other Uses (Proposed Budget page II-3)	\$2,391,253	\$2,391,253	\$0
Less debt service	\$295,954	\$295,954	\$0
Less PAYGO	N/A	\$50,046	\$50,046
Total GF Expenditures Other than Debt/PAYGO (Proposed Budget page II-3)	\$2,095,299	\$2,045,253	\$50,046
7.5 percent for GF fund balance	\$157,147	\$153,394	\$3,753
1 percent for Budget Stabilization Fund	\$20,953	\$20,453	\$500
<b>Total required reserve per policy (8.5 percent of Total GF Expenditures other than Debt/PAYGO)</b>	<b>\$178,100</b>	<b>\$173,847</b>	<b>\$4,254</b>