CITY OF HOUSTON

Annise D. Parker
Mayor

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To: Citizens, Honorable Members of City Council and the Honorable City Controller

I am pleased to submit the proposed budget for the fiscal year which begins July 1, 2015, and ends June 30, 2016 (FY2016).

Putting a budget together always requires hard choices, but we have come so far from that first year in office when we had to lay off 776 City employees. Today, we are leaner and more efficient. There's a honed focus on performance improvement and data-driven management. We have new financial policies that require strengthened financial reserves, greater emphasis on maintenance of physical assets, increased long-term forecasting and planning, improved internal controls, and more transparency for taxpayers and elected officials.

Certain business sectors have slowed somewhat due to the decline in energy prices, but the overall Houston economy continues to expand. This growth is generating increased revenues for the City. Unfortunately, tax revenue limitations approved by Houston voters in 2004 limit our ability to utilize all of this additional revenue to meet the increased needs for services that naturally accompany the population growth that is the byproduct of our positive economic position.

FY2016 Budget Highlights

This is a no-growth General Fund budget for programs and services because increased contractual obligations for employee compensation, health benefits and pension contributions are consuming nearly all available new income.

Due to the revenue limitations, Property Tax revenue is capped at $1.1 billion. In order to keep incoming revenues in line with these limitations, I am proposing doubling the property tax exemption for seniors and the disabled from $80,000 to $160,000. This will provide $251 of tax relief for the average senior household. Additionally, I anticipate a reduction in the overall City property tax rate. We will have a better idea of the magnitude of this decrease in the fall when it is time to formally set the rate for the 2015 tax year. Sales taxes are expected to continue to

Council Members: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Richard Nguyen Oliver Pennington Edward Gonzalez
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Controller: Ronald C. Green

grow but only by a modest 1.8 percent. This is a cautionary prediction based on the drop in oil prices.

In keeping with the new financial policies recently adopted by City Council, we will maintain an ending fund balance of 7.5% (fund balance divided by operating expenditures before debt service and pay-as-you-go capital projects) and will increase the Budget Stabilization Fund, formerly known as the Rainy Day Fund, by about half a million dollars to $20.426 million.

The taxpayer-supported General Fund portion of the budget is increasing about $130 million. More than 90 percent of this increase is attributed to contractually-mandated obligations and required transfers. The total budget including the General, Special and Enterprise Funds, amounts to $5.1 billion. This includes a $52 million increase in our required contributions to the various employee pension systems.

This budget will allow the Houston Police Department to spend $2.8 million on the first phase of its body camera program, completion of a work demands analysis at the fire department, additional funding for the Maintenance Renewal and Replacement Fund, continuation of the City Council District Service Fund program started in FY2015 and a $3.6 million increase in funding for pothole and skin patch repairs.

The budget also includes funding for the contractually-obligated pay increases in the new contract between the City and the Houston Police Officers Union. Negotiations are ongoing on a new contract that could provide pay increases for civilian city employees and I am open to discussing compensation issues with the firefighters union.

We have spent the last five years rebuilding our infrastructure and putting Houstonians to work. We've worked hard to create a safer, greener, healthier, more sustainable, efficient, fiscally-responsible Houston. Of course, we couldn't achieve every goal. But there's not a single problem that isn't better now than it was five years ago because we worked on it. This budget represents my commitment to continue the hard work up until my very last day in office.

Sincerely,

Annise D. Parker
Mayor