



CITY OF HOUSTON

Sylvester Turner

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, 2016 and ends June 30, 2017 (FY2017). The proposed General Fund budget of \$2.31 billion reduces spending by \$82.3 million or 3.4 percent from the FY16 current General Fund budget of \$2.39 billion. The total proposed budget includes expenditures for all funds of \$5.07 billion, down \$50.3 million or about 1 percent from the FY2016 current budget of \$5.12 billion. These reductions have been made despite existing commitments requiring expenditure increases; if not for those requirements, our cuts would show even greater impact. This budget proposal emphasizes sustainable changes for increased fiscal stability, and positions us for success in addressing our economic and financial challenges.

Contractual cost increases, voter imposed revenue limitations, a broken appraisal system and the economic downturn combined to create a \$160 million budget shortfall in the General Fund – the City's largest fiscal challenge since before the Great Recession. By bringing all parties to the table to engage in shared sacrifice, we have closed this gap and started building the foundation for change that will address the City's structural budget problems. Each City department, the employee unions and pension systems, the Tax Increment Reinvestment Zones, City Council and other parties have worked together to identify cost savings and efficiencies while preserving a healthy fund balance, minimizing employee layoffs and maintaining critical city services.

This budget reflects significant reductions in the General Fund, including layoffs and elimination of vacant positions. However, I made a decision that there would be no significant reductions to park and library operations because they have been hit hard in the past. These departments provide critical services to our most vulnerable populations, especially during hard economic times. It makes no sense to cut them further.

Although there have been cost reductions identified within the police and fire departments, there will be no layoffs of police officers or fire fighters. In fact, we are including funding for an additional police cadet class, for a total of five classes, and looking at ways to streamline operations to get more officers back on the street. The new Turnaround Houston program to help the hard to employ will continue in FY2017, and we are putting together an expanded summer jobs program for our youth that includes some of our city's major employers.

This budget was balanced using both recurring and non-recurring initiatives. If non-recurring items had been taken off the table, there would have been drastic cuts in City services and another 1,235 City employees would have lost their jobs. I was not prepared to do that to the residents of this great City or our municipal workforce. The recurring initiatives mark the start of institutionalizing a new way of running City government. We have streamlined operations, eliminated redundancies and forced greater efficiencies for recurring annual General Fund savings of \$36.2 million. The TIRZs have agreed to contribute an additional \$19.6 million to the General Fund for FY2017 and an equal or larger amount in subsequent years.

In the past, there has been a desire to tinker with the mayor's budget proposal. I strongly urge that not be the case this year. Even one small change will upset the delicate balance we've achieved as a result of shared sacrifice and put the City at risk for a credit rating downgrade. This budget allows us to keep our path of financial stability and provides Houston's taxpayers the quality services they count on, and deserve.

Sincerely,

Sylvester Turner
Mayor

Council Members: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Steve Le Greg Travis Karla Cisneros
Robert Gallegos Mike Laster Larry V. Green Mike Knox David W. Robinson Michael Kubosh Amanda Edwards Jack Christie

Controller: Chris Brown