



CITY OF HOUSTON

Annise D. Parker

Mayor

P.O. Box 1562
Houston, Texas 77251-1562

Telephone – Dial 311
www.houstontx.gov

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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, 2013 and ends June 30, 2014 (FY2014).

Due to prudent management, we've been able to put in place a solid financial foundation for the city. We've cut waste, made city departments more efficient and balanced every budget without raising taxes. This budget proposal continues to build upon the progress of the last 3.5 years.

The budget will complete the restoration of services cut two years ago during the economic downturn. We have included funding for increased costs associated with employee pension and health benefits, as well as the pay increases mandated by the contracts with the City's three employee unions. Our work to achieve more affordable health care and pension benefits continues.

The budget maintains the existing property tax rate of 63.875 cents per \$100 of taxable value. Property tax revenue is expected to increase 4.5% in FY2014 now that the local housing market has more than surpassed losses experienced in the recession. Sales tax revenues are predicted to increase 5.8% as the city's overall economic condition continues improving.

We will maintain an ending fund balance at the preferred 7.5% level (fund balance divided by operating expenditures before debt service). As has been the case in previous years, we will absorb reserves above that level into the operating budget. We are able to do this while maintaining full funding of the City's \$20 million Rainy Day Fund, which was achieved in FY2013.

Jobs and Sustainable Development

Hire Houston First will continue to play a role as we strive to keep our tax dollars in Houston and build our local economy. In the program's first year of existence, more than \$139 million of city business was awarded to certified firms, sustaining more than 6,000 jobs. With aggressive pro-growth policies, city government has helped attract more than \$2.2 billion of economic development since 2010. Overall, the Houston region has generated 250,000 jobs, exported approximately \$300 billion in locally-produced goods and services and issued permits for the construction of nearly 74,000 single-family homes in the last three years. Every economic indicator points to more of the same moving forward.

Public Safety

Over two-thirds of the General Fund budget is devoted to public safety. More than \$2.2 million is included in this budget proposal to fund operations of the City's new public safety radio project, which is improving the City's capability to communicate with Harris County and surrounding jurisdictions when fighting crime or responding to natural disaster. This budget also includes the creation of the 'Forensic Transition Special Fund' to keep separate and account for costs related to the Houston Forensic Science LGC and its ongoing effort to establish an independent crime lab. And thanks to voter approval of our bond program, we will continue to make progress on removal of dangerous buildings from our neighborhoods. The elimination of the DNA backlog, an FY13 priority, will be completed this fiscal year.

Infrastructure

Through Rebuild Houston we have already invested more than \$180 million in drainage and street improvements. This is just the beginning of our pay-as-you-go comprehensive infrastructure modernization program – a program that will transform our City over time. FY2014 will also include additional progress on replacement of our information technology and fleet infrastructure, which has been underfunded for years.

Quality of Life

To ensure continued progress on improvements made in recent years and to prepare for completion of the new adoption center, the Bureau of Animal Regulation and Control (BARC) will see increased funding of approximately \$693,683. The number of Houston households with single-stream recycling will double in FY14 from about 100,000 to more than 200,000. Major progress will be made on the Bayou Greenways initiative and our work will continue to house Houston's homeless. Our attention remains focused on making Houston the best city in which to live, work and raise family.

Fiscal Responsibility

As part of my continuing commitment to financial transparency, we are working to put in place improved management and oversight of taxpayer funds. To this end, \$676,000 has been included in the budget for enhanced financial controls and audit capabilities. Most of this funding will go to the City's Finance Department, but some is also allocated to the Office of the City Controller. The budget also reports several funds that were previously categorized as non-budgeted funds.

The FY2014 – 2018 Capital Improvement Plan (CIP), which will be proposed shortly, complements this proposed budget in its support of growth and investment in the City's future by focusing on Infrastructure and Public Safety. In FY2012 the city conducted a facilities conditions assessment. This assessment is driving many projects throughout the CIP that address poor facility conditions faced by both citizens and employees, including renovations of Sunnyside Multi-Service Center, fire stations, and many neighborhood libraries. The Bayou Greenways Initiative, a project to connect green corridors with hike and bike trails, will support Jobs and Sustainable Development by making Houston an attractive place to live and work. A project to build permanent supportive housing to eliminate chronic homelessness will enhance Quality of Life for persons across the city. This project also promotes Fiscal Responsibility by reducing the costs of public services associated with chronic homelessness.

With Fiscal Responsibility in mind, the city continues the conservative use of debt to fund projects, ensuring that these projects will not require an increase of tax rates. The CIP will also continue to support the demolition of dangerous buildings, swimming pool upgrades and replacements, and playground replacements.

We have gone from necessary budget cutbacks and staff layoffs to having one of the hottest economies in the nation. This budget reflects sound fiscal policies to fund city services necessary to support that growth, while also allowing for investment in the future of our city. In making those decisions about our future, we will utilize the same strong fiscal management that safely guided us through the economic downturn. The best can always better!

Sincerely,

A handwritten signature in cursive script that reads "Annise D. Parker".

Annise D. Parker
Mayor