



Finance Department

**Presentation to the City of Houston  
Budget and Fiscal Affairs Committee**

**General Fund  
Five Year Forecast FY2015 - FY2019**

**March 3, 2015**

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# Overview – as presented 12/9/2014

## FY2015-2019 General Fund Forecast (\$ in thousands)

Five Year Forecast	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast
Property Tax (1)	1,067,338	1,104,762	1,143,608	1,184,992	1,227,989
Sales Tax	666,968	701,300	732,000	768,100	805,980
Franchise Revenue	186,267	183,793	181,575	179,590	177,813
Other Revenues	260,688	266,563	272,781	279,366	286,350
Transfers from Other Funds - Ongoing	30,139	30,139	30,139	30,139	30,139
Sale of Land - Ongoing	2,500	2,500	2,500	2,500	2,500
One Time Revenue	20,000	0	0	0	0
<b>Total Revenues and Other Sources</b>	<b>2,233,899</b>	<b>2,289,057</b>	<b>2,362,603</b>	<b>2,444,686</b>	<b>2,530,771</b>
<i>Growth %</i>	<i>7%</i>	<i>2%</i>	<i>3%</i>	<i>3%</i>	<i>4%</i>
Total Operating Expenditures Net of Pension	1,698,816	1,725,012	1,784,458	1,848,646	1,909,473
Pension	263,613	280,977	297,626	319,497	340,652
Transfers for Debt Service	273,000	345,844	358,197	388,316	364,305
<b>Total Expenditures Including Debt</b>	<b>2,235,430</b>	<b>2,351,834</b>	<b>2,440,281</b>	<b>2,556,458</b>	<b>2,614,431</b>
<i>Growth %</i>	<i>8%</i>	<i>5%</i>	<i>4%</i>	<i>5%</i>	<i>2%</i>
<b>Net Revenues Less Expenditures</b>	<b>(1,530)</b>	<b>(62,777)</b>	<b>(77,678)</b>	<b>(111,772)</b>	<b>(83,660)</b>
Use of Fund Balance	1,530	0	0	0	0
<b>Other Sources and Uses</b>	<b>1,530</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Surplus/(Deficit) - the Gap</b>	<b>(0)</b>	<b>(62,777)</b>	<b>(77,678)</b>	<b>(111,772)</b>	<b>(83,660)</b>
<b>Beginning Fund Balance</b>	<b>222,622</b>	<b>221,092</b>	<b>221,032</b>	<b>220,271</b>	<b>219,410</b>
<b>Ending Fund Balance</b>	<b>221,092</b>	<b>221,092</b>	<b>221,032</b>	<b>220,271</b>	<b>219,410</b>
Assigned Fund Balance for Stabilization Fund (2)	0	60	761	861	820
<b>Ending Unrestricted Fund Balance (3)</b>	<b>221,092</b>	<b>221,032</b>	<b>220,271</b>	<b>219,410</b>	<b>218,590</b>
<b>Budget Stabilization Fund (2)</b>	<b>20,000</b>	<b>20,060</b>	<b>20,821</b>	<b>21,681</b>	<b>22,501</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>Fund Balance Percent of Expenditures (less debt) (4)</b>	<b>11.3%</b>	<b>11.0%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.5%</b>

**Notes:**

- (1) Property Tax Estimate for FY2016 – 2019 is based on the maximum allowed by charter cap.
- (2) Budget Stabilization Fund of the greater of 1% of total expenditures less debt 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.



# FY2016 Preliminary Gap Analysis

(\$ in Thousands)

Projected gap as of December 9, 2014 ..... \$ (62,777)

## Requested Additional Annual Operating Expenditures

## Approx. Amount

HPOPS Payment .....	\$	(25,000)
FY16 Fully Funded Actuarially Determined Pension Contribution Rate ..	\$	(11,313)
Council District Service Fund.....	\$	(5,000)
Unmet Service Needs		
- Additional Facility and Other Maintenance.....	\$	(40,000)
- After School Programs .....	\$	(1,500)
- Illegal Dumping .....	\$	(1,000)
- HPD Full Staffing .....		TBD
- Body Cameras Operational Impact .....		TBD

**Total Requested Impact** ..... \$ **(83,813)**

*Note: As of June 30, 2014 the total unfunded citywide liability of OPEB and Compensated Absences is \$2.8 Billion*



# 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.