

# Houston, Texas FY 2012 budget analysis; themes of consolidation and cuts reign

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Houston, Texas is the fourth largest city in the United States, with a population of 2.1 million and a broad industrial base in energy, manufacturing, aeronautics and transportation. After being elected in late 2009, Houston Mayor Annise Parker declared her administration would focus on balancing the city's budget and selecting a new police chief, and Houston's fiscal year (FY) 2012 proposed budget rings of the same ideals.

In order to combat a \$140 million shortfall for FY 2011, Parker's City Council raised water and sewer rates by nearly 30 percent on an average single-family household, which is a higher rate than many major U.S. municipalities. In the newly-proposed budget, Parker mentions public safety several times and calls it "our [main] priority." Mayor Parker writes, "Developing this budget has not been without difficulty, challenges and tough decisions. The long-term forecast is for better economic times ahead, but we are not there yet." Indeed, Houston's Proposed 2012 Budget reflects just that – a city dedicated to improving financial conditions despite tough economic times.

Houston has had to overcome financial, personnel and legal stresses this past year. In order to balance the city's budget, departmental general-fund budgets were reduced between 4 and 27 percent compared to FY 2011 spending levels. Most of these cuts were accomplished through full-time employee (FTE) layoffs; FTE's were reduced by 8.61 percent from FY 2011. Houston is also currently involved in a lawsuit and countersuit with American Traffic Systems (ATS), the city's red-light camera vendor. Last November, an election was held in which voters rejected the use of red-light cameras. The city subsequently filed a federal suit for a ruling on the legitimacy of the election and the city's "rights and obligations" in terminating its contract with ATS to run the cameras through May 2014. In June, the election was deemed invalid because the citizens' challenge to the red-light camera ordinance came too late. ATS countersued the city for breach of contract, which could potentially cost Houston \$25 million. Leaving contracts up to public approval could result in hesitation from other government contractors when choosing whether to engage in business with the city or not.

Despite these troubles, spending cuts, layoffs and increasing revenues have greatly improved the city's financial situation, and the FY 2012 budget is an optimistic one. The overall budget is \$100 million less than current appropriations, and Houston is looking at a surplus of \$250.8 million. Additionally, tax projections are \$518.9 million (5.7 percent more than FY 2011), which indicates an improvement in household spending. The extra money is being put to good use: increasing Houston's fund balance reserve in an effort to meet the "7.5 percent level maintained during better economic times."

|  | FY11          | FY12          |  | FY11          | % Δ FY11 to FY12 |   | FY11          | % Δ FY11 to FY12 |
|--|---------------|---------------|--|---------------|------------------|---|---------------|------------------|
| Revenue  | 3,620,376,125 | 3,822,665,395 |  | 3,822,665,395 | ↑ 5.28%          | Revenue   | 4,238,207,374 | ↑ 15.44%         |
| Budget   | 3,725,620,044 | 3,696,620,968 |  | 3,696,620,968 | ↓ 1.59%          | Budget  | 4,018,414,938 | ↓ 3.02%          |
| Surplus/Deficit  | -104,243,919  | -87,955,573   |  | -87,955,573   | ↓ -9.72%         | Surplus/Deficit                                     | -280,207,564  | ↓ -268.02%       |
| Estimated FY Budget  | 9,172,575     | 9,377,501     |  | 9,377,501     | ↑ 107%           | Estimated FY Budget                                 | 17,162,057    | ↓ -6.63%         |
| FTE  | 21,693        | 21,986        |  | 21,986        | ↑ 0.62%          | FTE   | 20,301        | ↓ -8.61%         |
| Administrative Services (Vert. w/Most Gain)                  | 16,540,321    | 15,951,712    |  | 15,951,712    | ↓ 3.56%          | Administrative Services Vertical (Largest Increase) | 162,051,633   | ↑ 11.79%         |
| Development & Maintenance Services (Vert. w/Most Loss)       | 1,271,692,431 | 1,243,102,274 |  | 1,243,102,274 | ↓ -2.25%         | Public Safety Vertical (Largest Decrease)           | 1,070,620,868 | ↓ -4.76%         |
| Administrative & Regulatory Affairs (Department w/Most Gain) | 46,392,791    | 55,063,174    |  | 55,063,174    | ↑ 18.52%         | Finance (Largest Increase)                          | 22,419,443    | ↑ 103.60%        |
| Health & Human Services (Department w/Most Loss)             | 40,541,028    | 235,145,000   |  | 235,145,000   | ↓ -7.26%         | Housing & Community Development (Largest Decrease)  | 618,779       | ↓ -20,992%       |

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To learn more about the city of Houston's FY 2012 budget, read GovWin's AP [here](#).