



# CITY OF HOUSTON

Office of the Mayor

## Interoffice

Correspondence

**To:** City Council Members  
City Controller

**From:** Annise Parker, Mayor

**Date:** November 7, 2010

**cc:** Michelle Mitchell

**Subject:** Financial Outlook and Budgetary Presentations

It is clear that general economic circumstances in Houston have not improved as much as we had hoped when we passed the FY11 budget. On Monday, November 8, 2010, Michelle Mitchell will present to Council our 5-year plan and a preview of projections for FY12, in addition to the MFOR. I would label this 5-year planning scenario as pessimistic, but want everyone to be prepared for a worst case situation.

We all understood that the budget was passed with estimates for management initiatives, subject to revision. Proposed management initiatives included \$15 million in revenue for cost of services fee increases and collections improvements, including EMS costs, and \$22 million in savings from consolidations and various process improvements. Ms. Mitchell will update Council on these initiatives at the time she delivers the 5-year plan.

We have taken care in the cost of services review to try to capture the actual costs to provide each particular service, and not attempt revenue enhancement. We have had to revise our estimate of the speed at which collections could be improved. Even if Council passes the plan as presented, the budgeted revenue goal will not be met.

We are making progress on consolidations and have had excellent support within effected departments. We have, however, slowed the progress of some planned consolidations to avoid any potential for service impacts that could cause long-term harm. It is clear to me that the savings goals will also not be met, and I am unwilling to wait to begin to bring the budget into alignment.

This has already been a year of belt tightening for our city. In March of FY2010, I requested the departments cut .7% of their FY2010 budget for a savings of \$4.7 million. During the FY2011 budget process I reduced most department budgets by 3%, cut 1.8% for Police, 1.5% for Fire and City Council, and City Secretary by 1% for a total of \$24.4 million.

I recently requested all general fund departments to make even more reductions. As of today, all vacancies are to be removed from department budgets and an attrition plan is to be implemented. Departments are authorized to reorganize as necessary to cover the workload. This will result in an \$11 million spending reduction. This is still insufficient to balance the budget and various options will be presented to you in Ms. Mitchell's report.

At the same time, we will begin establishing reduction targets for FY2012. These targets will include a 3% reduction in spending compared with FY2011. We have particular problems absorbing the rapidly rising pension and health care costs.

I salute Council Members Bradford and Noriega who have stepped up and already reduced their budgets. I welcome your ideas and ask for your help to address the issues we are facing.

Sincerely,

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

Annise D. Parker  
Mayor