



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

## **Overview - Proposition B**

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# Disclaimer

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Parts of this presentation are based on assumptions about the operation and fiscal impact of the Proposition B Charter Amendment that is unclear on pay “parity” for Houston Firefighters whose pay classifications or titles, but not job duties, are the same or like those of Houston police officers with the same or a similar pay classifications or titles.

The estimated magnitude of the fiscal impact on the City’s budget and solvency may change if uncertainties about the operation of the proposed Charter Amendment are clarified.

# Overview

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- In May 2018, petition from Houston Professional Fire Fighters Association (HPFFA) validated by City Secretary
- In August 2018, City Council approved Proposition B to be placed on the November ballot
- In November 2018, voters authorized Proposition B
- Proposition B does not define parity
- **Proposition B does not come with funding sources**



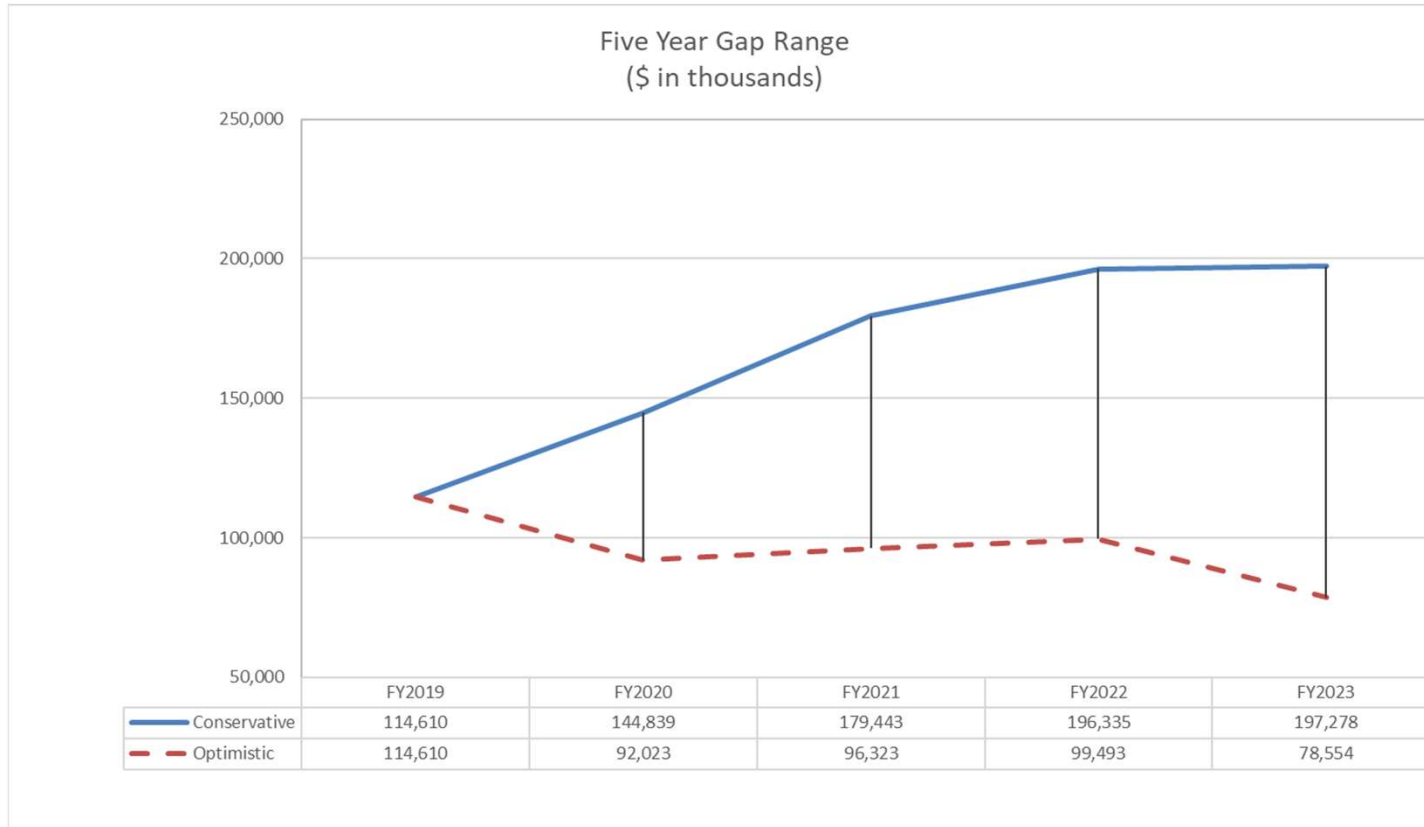
# Cost of Proposition B

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- In October 2018, City Council approved the 2018 Police Meet and Confer Agreement. Major items in this agreement include:
  - Additional 4% increase in base pay starting July 1, 2019 (FY2020)
  - Additional 3% increase in base pay starting July 1, 2020 (FY2021)
- Assumptions on the financial impact are based on:
  - Base pay (defined as rank and seniority only) and special pay comparison - as indicated on the petition for Charter Amendment
  - Cost is estimated at approx. \$100 million annually
  - Includes cost for pension, FICA, overtime and higher class pay

# Current Budgetary Gap

as presented to Budget and Fiscal Affairs Committee  
on May 9, 2018





# Revised Gap with Proposition B



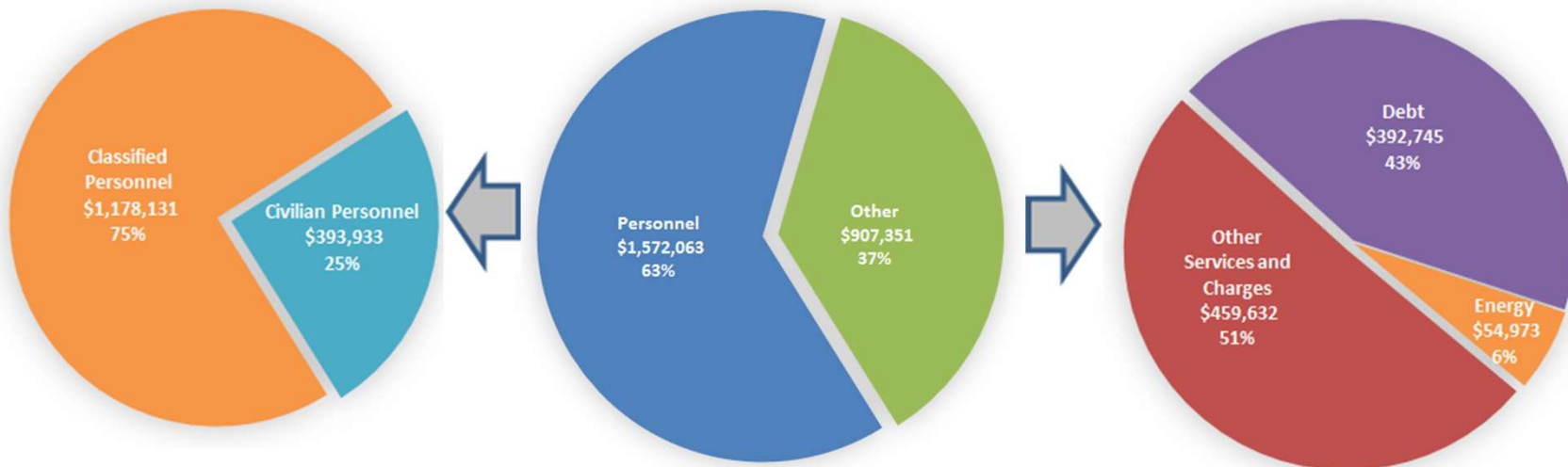


# FY2019 General Fund Expenditures

## THE BREAKDOWN OF THE GENERAL FUND OPERATING BUDGET

The FY2019 Adopted General Fund Budget is \$2.5 Billion. Sixty-three percent of the General Fund Operating is earmarked for personnel costs, with three quarters of all personnel costs related to classified employees, meaning they are first responders and other public safety workers.

**FY2019 Adopted Budget = \$2,479,414**  
**\$ in Thousands**





# How can we pay for it?

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## Options:

1. Through agreement with Fire Union to reduce cost within City's ability to pay,
2. Phase-in cost for pay-parity over multiple years,
3. The City to reduce overall spending,
4. Additional revenue sources to pay for Proposition B.





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# Appendix

# Proposed Charter Amendment - HFD



## PETITION FOR A CITY OF HOUSTON CHARTER AMENDMENT TO REQUIRE PARITY IN THE COMPENSATION PROVIDED TO HOUSTON FIREFIGHTERS COMPARED TO THE COMPENSATION PROVIDED TO HOUSTON POLICE OFFICERS

To the Mayor and City Council of the City of Houston ("City"): We, the undersigned registered voters of the City of Houston, Texas, under Section 9.004 of the Texas Local Government Code, hereby petition for an election to amend the Charter of the City of Houston to add the following as a separate section of our Charter, to read as follows:

The City of Houston shall compensate City firefighters in a manner and amount that is at least equal and comparable by rank and seniority with the compensation provided City police officers including:

- a. Persons employed in the following firefighter classifications shall receive the same base pay as persons of like seniority employed in the following, similarly numbered police officer classifications:

<u>Firefighters</u>	<u>Police Officers</u>
1. Probationary Firefighter	1. Probationary Police Officer
2. Firefighter	2. Police Officer
3. Engineer/Operator	3. Senior Police Officer
4. Captain, Inspector, Investigator, Communications Captain, Mechanic	4. Sergeant
5. Senior Captain, Senior Inspector, Senior Investigator, Communications Senior Captain, Shop Supervisor	5. Lieutenant
6. District Chief, Assistant Arson Investigator, Chief Inspector, Chief Communications Officer, Master Mechanic	6. Captain
7. Deputy Chief, Arson Investigator, Assistant Fire Marshal, Deputy Chief Communications Officer	7. Captain (with an additional 15% for parity)
8. Assistant Fire Chief, Fire Marshal	8. Assistant Police Chief
9. Executive Assistant Fire Chief	9. Executive Assistant Police Chief

- In the event the title of any of the above classifications shall be changed, the new classification most similar in terms of qualifications and duties to the old shall be substituted therefore, to achieve pay parity.
- b. Firefighters employed in fire suppression shall receive the same incentive pay as police officers, of like seniority, employed as patrol officers.
- c. Firefighters shall receive the same training pay as police officers of like seniority.
- d. Firefighters employed as arson investigators shall receive the same investigative incentive pay as police officer investigative personnel of like seniority and investigative experience.
- e. Firefighters who serve as Field Training Officers shall receive the same Field Training Officer training pay as police officers who serve as Field Training Officers.
- f. Firefighters shall receive mentoring pay in the same amount and on the same basis as police officers.
- g. Firefighters classified as arson investigators, inspectors, communications captain, senior inspectors, senior investigators, communications senior captain, assistant arson investigator, chief inspector or chief communications officer shall receive the same weekend premium and shift differential pay in the same amount and on the same basis as police officers qualified to receive such pay.
- h. Firefighters shall receive educational incentive pay in the same amount and on the same basis as police officers entitled to receive such pay.
- i. Firefighters shall receive college tuition reimbursement in the same amount and on the same basis as police officers entitled to receive such reimbursement.
- j. Firefighters shall receive the same clothing allowance (or similar benefit) paid to police officers, in addition to any protective clothing and equipment provided by the City.
- k. Firefighters shall receive the same equipment allowance (or similar benefit) paid to police officers.
- l. The City shall make the same contribution to the Houston Professional Firefighters Association Medical Trust that it does to the Texas Police Trust.
- m. To the extent that the names of any of the forms of pay or benefits identified above are changed, the requirement of parity for firefighters to police officers shall continue to apply. In addition, if any new form of pay or benefit is provided to police officers, the same shall also be provided to firefighters.

# Q & A

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Q1. What amount of unrestricted special revenue funds are available to implement proposition b immediately for this one year?

*A: Currently, \$15M is budgeted in the FY2019 General Fund Revenue for the unrestricted special revenue fund balance as part of the PFM initiatives to balance the budget; therefore, these funds are not available to implement Proposition B.*

*As previously mentioned during BFA presentation (October 2, 2018), an ordinance will be brought forward for council action to establish a fund balance policy for certain non restricted special revenue funds.*

Q2. What would happen if the City of Houston used all reserve funds to implement proposition b immediately for this year?

*A: Financial Policy requires the City to maintain a minimum fund balance of 7.5% of expenditures less debt and pay-as-you-go. If all the reserve funds are used, the City will not be in compliance with Financial Policies and this action will impact credit ratings and future financial sustainability. Additionally, Proposition B is a recurring cost and the use of fund balance is a one-time funding source.*

Q3. What is our projected fund balance for FY 19?

*A: Based on November Financial Report, General Fund ending fund balance for FY19 is projected at \$231 million. Financial Policy requires the City to maintain a minimum fund balance of 7.5% of expenditures less debt and pay-as-you-go which leaves an ending fund balance of \$156 million.*

# Q & A

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Q4 A. Historically, the City of Houston has exceeded the 7.5% reserve requirement. In our last MOFR the City exceeded that requirement between \$71M (controller) and \$74M (finance) over that target reserve. Is it possible to use that reserve overage to implement proposition b immediately?

*A: As indicated in the five year presentation (May 9, 2018), the City is currently anticipating budgetary gap of \$92M to \$144M in FY2020. Similarly, the long range financial report from PFM also indicated an on-going budget deficit in excess of \$130M through FY27 . The use of fund balance does not solve budgetary gap going forward. Additionally, Proposition B is a recurring cost and the use of fund balance is a one-time funding source.*

Q4 B. Additionally, year over year the City starts the fiscal year with a large deficit and ends the year with a large surplus. Would it be possible to implement proposition b immediately by being more conservative during budget preparation?

*A: The Administration begins addressing the gap day one of the fiscal year by not filling vacant positions and delays in hiring process. Additionally, cost containment as well as Harvey impact that increased sales tax revenues also caused a surplus. Another factor to the surplus is delays purchase which is not a cost savings as well as one time land sales/settlements.*

# Q & A

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Q5. The Mayor has said consistently that the offer of 9.5% over three years is still on the table. How quickly could funding set aside for this pay raise be dispersed to implement proposition B and it what amount?

*A: It was anticipated that the 9.5% increase over three years is spread as 4% in first year (FY19), 3% in second year and 2.5% in third year. Currently, the FY19 budget includes funding for a 4% pay increase.*

Q6. Where can we find \$30M needed in budget cuts for this year needed to meet the obligation to meet proposition B?

*A: Personnel reductions and use of fund balance. Using fund balance will put us further behind in addressing the gap for FY20.*