

## **Policy Issues**

The following information is presented for consideration as part of the proposed FY 2013-14 budgets. A final report adjusted in accordance with court direction will be presented for adoption on February 26, 2013.

### **1. Financial Outlook**

#### ***General Fund***

The County's financial outlook has improved as property tax revenues have started to increase while expenditures have remained fairly constant following the economic downturn. The ending cash balance in the General Fund has increased to an estimated \$240 million, which represents 18% of the total expenditure budget, following two fiscal years where the balance was less than 15%.

Holding the line on General Fund expenditures as revenues start to recover has contributed to the increase in reserves. Continuing to control expenditures for FY 2013-14 is essential due to the added cost of the upcoming extra pay period which will be paid in February 2014.

A new policy adopted in March 2012 allows departments to roll over unspent funds. This policy has added an estimated \$40 million to ending reserves which will be added to department budgets during the first quarter of FY 2013-14. This policy should result in a 2-4% overall increase in department expenditure budgets for next year due to cost saving efforts this year.

#### ***Financial Policies***

Harris County will need to continue to focus on building reserves to maintain financial stability and the current high bond ratings. While the local economy is showing signs of growth there are still unresolved issues with the national economy that could threaten continued growth.

There are challenges on the horizon that require a continued effort to increase reserves. These challenges include the continuing reliance on short term borrowing, growing long term debt service obligations and the need to improve systems and technology to better serve the public.

Short term borrowing using tax anticipation notes dropped from \$450 million in 2011 to \$375 million in 2012. The improved financial outlook allowed for this reduction in short term borrowing and a similar reduction should be available in 2013. A recommendation will be provided to court during the first quarter of FY 2013-14 for the issuance of tax anticipation notes. Reducing the need to borrow in advance of tax collections is a key element in maintaining strong bond ratings.

Long term debt is used to fund capital improvements. Maintaining adequate reserves to meet debt service obligations is also an important factor in determining when to issue debt and how to fund necessary improvements. There are a number of technology and infrastructure projects in progress that will need to be funded through long term debt. Court will meet on June 25 for its annual review of capital projects and on September 24 for Mid Year Review.

### ***Population Growth***

Harris County continues to experience significant growth in population. Following a decade that saw the County grow from 3.4 million people in 2000 to 4.1 million in 2010, estimates are that the population has grown to 4.3 million by the end of 2012. Over 75% of the growth in population has occurred in the unincorporated area, for which the County has primary governing responsibility. An updated population report is included.

### ***Budgets and Positions***

The preliminary general fund budget allocations are included with the annual budget letter, based on the Auditor's preliminary estimate of available resources. These budget allocations will be finalized and balanced to the Auditor's final estimate and presented for approval on February 26, 2013.

An estimate of the amounts of unspent funds that departments will be able to roll over to next year will be made in March and finalized when the books are closed, resulting in budget adjustments that will be presented for approval on the regular court agenda.

Position lists for each department will be included in the final budget documents on February 26 and departments will have the opportunity to make additional changes to their positions after the roll over budget is added.

Proposed changes to a position maximum salary during the fiscal year will be brought to court for approval. In an effort to reduce paperwork and streamline operations, a new policy will be proposed to allow budget maximum changes to be reviewed and approved by the department head and Budget Management.

Budget Management will conduct a review of salaries including elected officials and appointed department heads and bring back recommendations by Mid Year Review.

### ***Benefits***

The overall cost of benefits is projected to remain flat for the upcoming budget year but there are a number of new procedures and expenses upcoming related to changes in health care laws at the Federal level that will likely affect the benefits and cost of providing these benefits.

The cost of the retirement plan is increasing but the cost of other benefits is declining allowing for the same overall percentage rate to be applied next year. An update will also be provided at Mid Year Review.

A letter from the director of Human Resources addressing all these issues is included.

### ***Coordination of Health Services***

Budget Management will propose a new Council to address the coordination of health services and allocation of resources to mental health, public health, incarcerated health and the hospital district.

## **2. Departments**

### **Law Enforcement**

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Law enforcement represents approximately 41% of the County's general fund spending.

#### ***Sheriff***

The Sheriff's Office operated under a flat budget of \$392 million down from a peak of \$424 million in FY 2009-10. The Sheriff's Office operates in three areas. The law enforcement operations budget is \$166 million, the jail system budget is \$178 million and inmate medical care is \$47 million.

Jail population has remained within the capacity of the jail system and there has not been the need to send inmates to out-of-county jails this year. A stable jail population is essential in continuing to keep expenditures under control.

The Criminal Justice Coordinating Council monitors jail population and works to continue improving the process involving many aspects of law enforcement and the justice system.

#### ***Joint Processing Center***

Budget Management will work on a project with representatives from county departments and the City of Houston to develop recommendations for a new joint processing center to improve the processing of inbound and outbound individuals to better match needs with available resources or services.

#### ***Constables***

The 8 Constable Offices have combined general fund budgets of \$120 million. Contract patrol revenue provides an important resource for constables to serve the public.

Funds have been allocated this year to provide additional resources to constables for park patrols.

#### ***Contract Patrol & Fleet Services***

The contract patrol program is an important aspect of crime prevention allowing the Sheriff and Constables to provide services directly to school districts, subdivisions, utility districts and other organizations to increase law enforcement coverage. These contracts have been adjusted to match the county's fiscal year with no increase in rates for the upcoming fiscal year 2013-14.

Fleet Services, a division of Purchasing, provides vehicles, gasoline and maintenance primarily to law enforcement agencies in the county. Budget Management and the Purchasing Agent are in the process of reviewing suggestions and recommendations as a result of a recent study to enhance the fleet services program and will bring back recommended changes in policy.

## **Administration of Justice**

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The administration of justice includes the court system and related departments along with the District Attorney, the Public Defender's Office, the County Attorney, the Fire Marshal and Institute of Forensic Sciences. These departments make up 21% of general fund expenditures.

### ***District and County Courts***

A policy was adopted in March 2012 to break out the cost of court appointed attorneys into separate cost centers for both the District Courts and County Courts. This policy will be implemented beginning with the upcoming budget year.

### ***District Attorney***

The District Attorney's office has received additional funding to address the key areas of mental health and human trafficking.

### ***Public Defender & Court Appointed Attorneys***

The Public Defender's Office was established in FY 2010-11 with grant funds from the Texas Indigent Defense Commission. The grant funding drops from 80% of the cost to 20% of the cost this year resulting in an additional \$6 million of expenditures in the General Fund.

The caseload for the Public Defender has increased and there has been a leveling off of court-appointed attorney spending but the overall cost of providing indigent defense is up by approximately 3% compared to last year.

### ***County Attorney***

The County Attorney's budget is supplemented during the fiscal year to cover the cost of tort claim settlements and certain legal fees that can't be estimated in the initial budget. A policy will be presented to restructure how tort claims are allocated where claims related to a specific department are allocated directly to that department along with the necessary funding.

### ***Fire Marshal***

The Fire Marshal's office has been allocated additional funding to support providing additional training courses that should result in enhanced revenue that will pay for the added cost.

### ***Institute of Forensic Sciences***

The Institute of Forensic Sciences has an agreement with the Sheriff's office to transition the ballistics laboratory to IFS at the beginning of next fiscal year. IFS has received additional funding related to DNA laboratory testing and the design and construction of the new Forensic Sciences Center is in progress and will be covered in a report at the CIP.

### ***Justice of the Peace Courts***

A review of the workload of justice of the peace courts will be conducted to find technology solutions to improve the balance in workloads between courts. Recommendations will be brought back to court as necessary.

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## **Infrastructure & Systems**

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Infrastructure & Systems includes all of the Public Infrastructure departments, Facilities & Property Management and Information Technology which total 10% of the general fund allocation.

### ***Public Infrastructure***

A new division of PID has been established to help in the planning and allocation of shared expenditures between the different PID divisions. Funding will be provided in the first quarter for this department using the roll over funds from other PID departments.

### ***Facilities & Property Management***

A new division of FPM has been established to provide a repair and replacement fund to better provide for projects related to existing space in county facilities. FPM will work with PID and Budget Management to make recommendations on the use of these funds.

### ***Information Technology***

The Information Technology Center (ITC) is working on a number of projects to improve the delivery of technology services. Budget Management, Purchasing and ITC will work with departments to develop procedures to enhance the purchase and deployment of new and replacement technology to departments to reduce expenses.

ITC also has a number of capital projects in various stages of development that should greatly improve both the justice and accounting systems. A progress report on the systems either under development or being purchased will be provided at the CIP in June.

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## **County Services**

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County services include Public Health, Youth and Family Services, Community Services, the County Library, Pollution Control and Legislative Relations. These departments are allocated \$173 million or 14% of the general fund budget.

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## **Fiscal Services & Purchasing**

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Fiscal Services & Purchasing includes the County Auditor, Tax Assessor-Collector, Treasurer and Purchasing Agent which have combined budgets of \$54 million or 5% of the general fund budget.

## **Harris County Sports & Convention Corporation**

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The Harris County Sports & Convention Corporation (HCSCC) manages all of the facilities at Reliant Park and the cost of operations including insurance, utilities and debt service for these facilities are generally funded through the Hotel Occupancy Tax and motor vehicle rental taxes. A long term funding strategy is being developed to provide appropriate resources to fund expenses related to Reliant Stadium and all of the other Reliant Park facilities.

### **Conclusion**

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The preliminary allocation provides increased funding for county departments while also funding reserves necessary to address upcoming systems and infrastructure needs as well as providing for reduced dependence on short term borrowing.

Budget adjustments will be made in the first quarter of FY 2013-14 to increase department budgets for the amount of funds they roll over from FY 2012-13.

The final budget, based on the final Auditor's Estimate of Available Resources, will be presented to Court on February 26, 2013 for public hearing and adoption. A list of policy issues for Court approval will be included.

## Budget Presentation - February 12, 2013

### Summary of the Auditor's Preliminary Estimate of Available Resources General Fund

In Thousands	Prior Year Actual FY 2011-12	Current Year Estimated FY 2012-13	Preliminary Estimate FY 2013-14
Estimated Beginning Cash Available	47,611	148,954	240,000
<b>Revenues</b>			
Taxes	927,692	964,787	988,781
Intergovernmental	41,301	36,449	34,357
Charges for Services	199,320	198,594	198,803
Fines & Fees	18,437	18,577	18,173
Leases	3,613	5,891	5,608
Interest	1,415	1,313	1,142
Misc.	50,627	41,597	40,192
Transfers In	60,168	12,411	-
<b>Total Revenues</b>	<b>1,302,573</b>	<b>1,279,619</b>	<b>1,287,056</b>
<b>Available Resources- General Fund</b>			<b>1,527,056</b>

**Notes:**

Assumes tax levy increase of 3.75%

Expenditures (In Thousands)	Actual FY 12	Est Act FY 13	Proposed Budget FY 14
Infrastructure & Systems	118,073	118,422	131,219
County Services	164,052	163,090	173,450
Fiscal Svcs & Purchasing	50,868	51,639	57,707
Law Enforcement	503,872	496,674	512,139
Administration of Justice	242,933	251,936	258,982
Subtotal	1,079,798	1,081,761	1,133,497
Court, Budget, Reserves	115,891	116,214	393,559
<b>Total General Fund</b>	<b>1,195,689</b>	<b>1,197,975</b>	<b>1,527,056</b>

**PRELIMINARY GENERAL FUND ALLOCATION - BEFORE ROLLOVER**

ORG	DEPARTMENT	FY 2011-12	FY 2012-13		FY 2013-14
		Actual Expenditures	Adopted Budget	Estimated Expenditures	Proposed Budget
<b>Infrastructure &amp; Systems</b>					
30	Public Infrastructure	2,630,000	3,707,000	2,569,000	3,707,000
35	Shared PID Projects	-	-	-	-
40	Right of Way	1,680,000	1,985,000	1,659,000	1,985,000
45	Construction Programs	5,753,000	6,741,000	5,758,000	6,741,000
208	Architecture & Engineering	24,140,000	25,300,000	22,570,000	25,300,000
<b>Total Public Infrastructure</b>		<b>34,203,000</b>	<b>37,733,000</b>	<b>32,556,000</b>	<b>37,733,000</b>
299	Facilities & Property Mgmt.	29,638,000	29,856,000	26,908,000	29,856,000
297	FPM - Repair & Replacmt	-	-	-	-
298	FPM - Utilities & Leases	24,500,000	25,600,000	24,710,000	28,100,000
<b>Total Facilities &amp; Property Management</b>		<b>54,138,000</b>	<b>55,456,000</b>	<b>51,618,000</b>	<b>57,956,000</b>
292	Information Technology	29,732,000	33,000,000	34,248,000	35,530,000
<b>Total Infrastructure &amp; Systems</b>		<b>118,073,000</b>	<b>126,189,000</b>	<b>118,422,000</b>	<b>131,219,000</b>
<b>County Services</b>					
204	Legislative Relations	1,308,000	1,395,000	1,176,000	1,400,000
272	Pollution Control Dept	3,200,000	3,576,000	3,540,000	3,650,000
275	Public Health Services	20,458,000	20,164,000	19,283,000	20,200,000
285	Library	22,256,000	23,400,000	23,271,000	23,800,000
286	Domestic Relations	2,342,000	2,700,000	2,543,000	2,700,000
289	Community Services Dept	8,281,000	8,777,000	8,075,000	8,800,000
296	M.H.M.R.A.	20,062,000	20,400,000	20,248,000	20,600,000
821	Texas A&M Agrilife	668,000	745,000	608,000	750,000
840	Juvenile Probation	61,063,000	67,001,000	60,340,000	67,000,000
880	Protective Services	19,968,000	19,525,000	19,375,000	19,700,000
885	Children's Assessment	4,446,000	4,801,000	4,631,000	4,850,000
<b>Total County Services</b>		<b>164,052,000</b>	<b>172,484,000</b>	<b>163,090,000</b>	<b>173,450,000</b>
<b>Law Enforcement</b>					
301	Constable, Precinct 1	21,918,000	23,050,000	21,571,000	22,456,000
302	Constable, Precinct 2	5,613,000	5,900,000	5,470,000	5,900,000
303	Constable, Precinct 3	10,401,000	10,800,000	11,022,000	11,076,000
304	Constable, Precinct 4	30,742,000	31,800,000	30,978,000	31,900,000
305	Constable, Precinct 5	26,176,000	28,175,000	27,085,000	29,111,000
306	Constable, Precinct 6	6,681,000	7,050,000	6,881,000	7,150,000
307	Constable, Precinct 7	7,086,000	7,415,000	7,573,000	7,591,000
308	Constable, Precinct 8	5,442,000	5,710,000	5,469,000	5,820,000
<b>Total Constables</b>		<b>114,059,000</b>	<b>119,900,000</b>	<b>116,049,000</b>	<b>121,004,000</b>
540	Sheriff - Law Enforcement	154,768,000	166,049,000	161,270,000	166,100,000
	Sheriff - Detention	190,447,000	182,310,000	174,904,000	178,230,000
	Sheriff - Medical	44,402,000	44,191,000	44,256,000	46,600,000
		<b>389,617,000</b>	<b>392,550,000</b>	<b>380,430,000</b>	<b>390,930,000</b>
845	Sheriff's Civil Service	196,000	205,000	195,000	205,000
<b>Total Law Enforcement</b>		<b>503,872,000</b>	<b>512,655,000</b>	<b>496,674,000</b>	<b>512,139,000</b>



**PRELIMINARY GENERAL FUND ALLOCATION - BEFORE ROLLOVER**

ORG	DEPARTMENT	FY 2011-12	FY 2012-13		FY 2013-14
		Actual Expenditures	Adopted Budget	Estimated Expenditures	Proposed Budget
<b>Administration of Justice</b>					
311	Justice of the Peace, 1-1	1,399,000	1,588,000	1,482,000	1,643,000
312	Justice of the Peace, 1-2	1,967,000	2,019,000	1,961,000	2,024,000
321	Justice of the Peace, 2-1	769,000	818,000	784,000	823,000
322	Justice of the Peace, 2-2	762,000	771,000	754,000	780,000
331	Justice of the Peace, 3-1	1,392,000	1,488,000	1,358,000	1,493,000
332	Justice of the Peace, 3-2	1,022,000	1,028,000	1,037,000	1,033,000
341	Justice of the Peace, 4-1	2,188,000	2,359,000	2,174,000	2,360,000
342	Justice of the Peace, 4-2	1,182,000	1,255,000	1,229,000	1,280,000
351	Justice of the Peace, 5-1	1,719,000	1,815,000	1,736,000	1,820,000
352	Justice of the Peace, 5-2	2,308,000	2,662,000	2,530,000	2,667,000
361	Justice of the Peace, 6-1	517,000	565,000	556,000	605,000
362	Justice of the Peace, 6-2	604,000	635,000	646,000	705,000
371	Justice of the Peace, 7-1	606,000	850,000	719,000	880,000
372	Justice of the Peace, 7-2	778,000	835,000	811,000	840,000
381	Justice of the Peace, 8-1	932,000	1,028,000	978,000	1,055,000
382	Justice of the Peace, 8-2	858,000	930,000	902,000	940,000
<b>Total JPs</b>		<b>19,003,000</b>	<b>20,646,000</b>	<b>19,657,000</b>	<b>20,948,000</b>
213	Fire Marshal	5,992,000	5,150,000	4,824,000	5,250,000
270	Institute of Forensic Sciences	18,037,000	20,800,000	19,897,000	22,556,000
510	County Attorney	18,783,000	17,550,000	17,420,000	17,750,000
515	County Clerk	22,007,000	24,110,000	25,362,000	24,110,000
545	District Attorney	52,855,000	57,500,000	55,896,000	58,700,000
550	District Clerk	24,702,000	27,300,000	26,050,000	27,350,000
560	Public Defender	675,000	1,621,000	4,065,000	6,250,000
601	Community Supervision	688,000	690,000	629,000	690,000
605	Pre-Trial Services	6,339,000	6,632,000	6,506,000	6,632,000
700	District Courts Admin	18,326,000	19,206,000	19,000,000	19,206,000
701	DC Court Appointed Attorneys	34,324,000	27,920,000	31,476,000	27,920,000
941	CC Court Appointed Attorneys	3,053,000	2,800,000	3,000,000	2,800,000
940	County Courts Admin	12,331,000	12,450,000	11,808,000	12,450,000
930	1st Court of Appeals	46,000	85,000	80,000	85,000
931	14th Court of Appeals	70,000	85,000	80,000	85,000
991	Probate Court No. 1	982,000	1,050,000	1,057,000	1,100,000
992	Probate Court No. 2	981,000	1,050,000	1,055,000	1,100,000
993	Probate Court No. 3	2,825,000	2,850,000	3,043,000	2,900,000
994	Probate Court No. 4	914,000	1,050,000	1,031,000	1,100,000
<b>Total Administration of Justice</b>		<b>242,933,000</b>	<b>250,545,000</b>	<b>251,936,000</b>	<b>258,982,000</b>

**PRELIMINARY GENERAL FUND ALLOCATION - BEFORE ROLLOVER**

ORG	DEPARTMENT	FY 2011-12	FY 2012-13		FY 2013-14
		Actual Expenditures	Adopted Budget	Estimated Expenditures	Proposed Budget
<b><i>Fiscal Services &amp; Purchasing</i></b>					
91	Appraisal District	8,833,000	8,850,000	8,854,000	8,850,000
517	County Treasurer	1,022,000	1,025,000	940,000	1,025,000
530	Tax Assessor-Collector	22,171,000	22,850,000	22,296,000	22,850,000
610	County Auditor	12,640,000	14,685,703	13,090,000	18,116,226
615	Purchasing Agent	6,202,000	6,866,000	6,459,000	6,866,000
<b>Total Fiscal Services &amp; Purchasing</b>		<b>50,868,000</b>	<b>54,276,703</b>	<b>51,639,000</b>	<b>57,707,226</b>
<b>Total General Fund-Departments</b>		<b>1,079,798,000</b>	<b>1,116,149,703</b>	<b>1,081,761,000</b>	<b>1,133,497,226</b>
100	County Judge	4,117,000	4,595,000	3,953,000	4,920,000
101	Commissioner, Pct 1	23,218,000	43,063,720	24,450,000	39,653,742
102	Commissioner, Pct 2	16,867,000	34,715,799	17,053,000	42,894,899
103	Commissioner, Pct 3	26,498,000	31,741,644	27,144,000	36,734,005
104	Commissioner, Pct 4	13,648,000	26,138,315	14,638,000	40,766,067
105	Tunnel & Ferry	3,787,000	4,653,000	3,818,000	4,700,000
		88,135,000	144,907,478	91,056,000	169,668,713
201	Budget Management	6,823,000	6,050,000	5,095,000	6,050,000
202	General Admin & Reserves	20,933,000	72,412,387	20,063,000	217,840,061
		115,891,000	223,369,865	116,214,000	393,558,774
<b>Total General Fund</b>		<b>1,195,689,000</b>	<b>1,339,519,568</b>	<b>1,197,975,000</b>	<b>1,527,056,000</b>

*Note: The allocation of funds between Commissioner precincts in the General Fund is based on the same formulas as last year. The Mobility Fund allocation will be presented on February 26 including a change to allocate \$40 million of current year funding to pay road bond debt service.*

General Fund for Court Precincts	Rollover	R&B/Child Saf	Allocation	Total
Commissioner, Pct 1	18,598,241	8,815,501	12,240,000	39,653,742
Commissioner, Pct 2	20,199,398	8,815,501	13,880,000	42,894,899
Commissioner, Pct 3	12,414,504	8,815,501	15,504,000	36,734,005
Commissioner, Pct 4	11,574,566	8,815,501	20,376,000	40,766,067
<b>Total</b>	<b>62,786,709</b>	<b>35,262,004</b>	<b>62,000,000</b>	<b>160,048,713</b>

**Note re. Budget Roll Over:**

A budget adjustment will be made in March to add budget to departments based on the final funds available that are unspent or unencumbered in FY 2012-13. Certain departments and cost centers that either have budgets approved by other boards or were established to track variable expenses like utilities or court appointed attorney costs will not be allocated additional roll over funds.