



HARRIS COUNTY, TEXAS

COMMISSIONERS COURT

1001 Preston, Suite 938 • Houston, Texas 77002-1817 • (713) 755-5113

Ed Emmett
County Judge

El Franco Lee
Commissioner, Precinct 1

Jack Morman
Commissioner, Precinct 2

Steve Radack
Commissioner, Precinct 3

R. Jack Cagle
Commissioner, Precinct 4

September 20, 2013

To: County Judge Emmett and
Commissioners Lee, Morman,
Radack and Cagle

Re. **Mid-Year Review**

1. Harris County General Fund
2. Property Tax Rates
3. Salaries & Benefits
4. Repair & Replacement Programs
5. Fleet and Contract Deputy Policies
6. Meetings & Holidays
7. Recommendations for Approval

1. Harris County General Fund

Harris County continues to recover from the effects of the economic downturn. The focus continues to be on rebuilding year-end cash balances to reduce the County's dependence on short term borrowing with Tax Anticipation Notes (TANs). The amount borrowed with TANs has been reduced from \$450 million two years ago to \$295 million in the current fiscal year. Continuing to reduce the need for TANs borrowing is a key element of the County's financial plan and helps the County maintain the existing high bond ratings.

Revenues

General Fund revenues were estimated to increase to \$1.307 billion for the current year up 2.6% from the \$1.274 billion last year. The Harris County Appraisal District (HCAD) is now projecting an 8.75% growth rate in the tax levy for Harris County, compared to the 3.75% increase used in the Auditor's revenue estimate for the budget. The additional revenue expected from this revised estimate will help reduce short term borrowing. The revenue growth for the upcoming budget year should provide funding for some of the challenges the County faces from increasing population and the expanding economy. Exhibit A shows a comparison of revenues for the first half of the current fiscal year.

Expenses

The General Fund budgets for expenditures for departments increased this year to \$1.181 billion, up 10% from the \$1.073 billion last year. The new rollover policy added over \$40 million of the \$108 million budget increase. Departments have spent 49% of the budget through the first 6 months of FY 13-14 as shown on page 2 of Exhibit B.

The General Fund budgets for Commissioners Court and Budget Management include reserves and current year spending is 13% of the budget so far. Overall, the County has spent 42% of the total adjusted budget of \$1.553 billion during the first 6 months as shown on page 3 of Exhibit B.

These budgets include funding for the 27th payroll, funds to address the growing cost of court appointed attorneys and the Public Defender's office as well as funds to address jail expenditures should the system exceed capacity. The amounts to cover the 27th payroll will be transferred to the departments in advance of the last payroll in February 2014.

Preliminary expenditure budgets for the upcoming fiscal year will be developed and distributed to departments in October. There will be increases in funding for salaries and benefits as well as for targeted programs such as the repair and replacement funds.

2. Property Tax Rates

HCAD projects that the taxable value of Harris County property will increase by about 8.75% over last year’s latest valuation. The proposed rates provide for tax revenue to pay existing debt service obligations and to fund the Hospital District budget approved by Court.

The following tax rates are proposed for Court approval today. Hearings will be held on October 3, 2013 and October 8, 2013 and the rates will be formally adopted on October 16, 2013.

	<u>2012</u>	<u>Proposed 2013</u>	<u>Change</u>
Harris County:			
General Fund	.32798	.34000	.01202
Public Contingency	.00473	.00547	.00074
Debt Service	<u>.06750</u>	<u>.06908</u>	<u>.00158</u>
Total County	.40021	.41455	.01434
Flood Control:			
General Fund	.02522	.02620	.00098
Debt Service	<u>.00287</u>	<u>.00207</u>	<u>(.00080)</u>
Total Flood Control	.02809	.02827	.00018
Port of Houston	.01952	.01716	(.00236)
Hospital District	<u>.18216</u>	<u>.17000</u>	<u>(.01216)</u>
Total	<u>.62998</u>	<u>.62998</u>	--

3. Salaries & Benefits

The County has not provided an across-the-board salary increase since the economic downturn. A majority of county employees have received salary increases over the last few years, paid for by improved efficiencies. There is a need at this time to address law enforcement and certain other employee compensation.

Budget Management has been working with law enforcement and other departments to provide a plan to address this need. Some recommendations are included as regular items on today’s Court agenda and others may be brought to Court in advance of the budget. Funding will be provided in the budget process so that increases can be implemented on March 1, 2014. Departments that have funding available may elect to increase salaries before the end of the current year.

The cost of health coverage is expected to remain the same annual amount of \$11,116 per employee per year. The cost of retirement is a percentage of payroll that is expected to increase from 11.67% to 12.43% starting January 1, 2014. All other benefit rates are expected to remain the same. Benefits are covered in a report from the Director of HRRM in the backup material.

4. Repair & Replacement Programs

Repair & replacement cost centers have been established for Public Infrastructure, Facilities & Property Management as well as Information Technology. These cost centers provide funding to maintain existing county facilities and assets at levels to provide good quality facilities for county operations.

Budget Management is working with the Sports & Convention Corporation and their primary tenants to identify repair and replacement needs, both on a current and long term basis, for both Reliant Park and for Reliant Stadium. Once the needs assessment is complete, funding plans will be developed and brought to Court for approval.

5. Fleet and Contract Deputy Programs

The County maintains a fleet of over 3,000 vehicles primarily for law enforcement agencies and departments that provide other services to the public. As a result of recent changes to the structure of fleet budgeting and financing, Budget Management recommends that Court approve the following new policies, which would take effect on March 1, 2014:

Policy 1—A Vehicle Control Number (VCN) system will be implemented for all county owned and leased vehicles. VCNs will be approved annually with the budget, and additions or changes to the approved list during the fiscal year will require Court approval.

Policy 2—Employees who use county vehicles for commuting in excess of 50 miles per work day are required to report the excess miles and reimburse the county at the IRS mileage rate. Departments are responsible for determining the number of reimbursable miles and may elect to adopt lower per day mileage limits for their employees.

These new policies are necessary to improve the planning and budgeting for vehicle purchases and to enhance departmental resources to manage their vehicle usage.

No changes are recommended at this time to car allowance policies, since allowances are a method for reimbursing employees for private vehicle use and are not part of the fleet systems. Any changes to car allowance policies will be addressed with the budget policies.

The Contract Deputy program provides law enforcement services in agreements where the contract organization pays for 70%, 80% or 100% of the cost for the equivalent number of hours of officer time. Contracts for less than 100% directly impact the general fund budgets to pay for the 20% or 30% of time used for non-contract law enforcement activities. The following policy is proposed to better align these contracts with the budget process:

Policy 3—Effective March 1, 2014, new Contract Patrol agreements for less than 100% of an officer's time or agreements involving a change in agency, can only be added during the budget process. Any new contracts added after the budget is adopted, either at CIP in June or MYR in September, are required to be 100% contracts.

Budget Management does not recommend a contract rate increase for the upcoming fiscal year starting March 1, 2014. A rate increase currently estimated to be 4-5% that would take effect on March 1, 2015, will likely be recommended in January 2014. This would provide more than a year's notice for a change in contract patrol rates.

6. Meetings and Holidays

The following calendar shows the recommended schedule for 2014 court meetings and holidays.

Calendar 2014~ 23 Meetings

January	February	March	April	May	June
S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S
1 2 3 4	1	1	1 2 3 4 5	1 2 3	1 2 3 4 5 6 7
5 6 7 8 9 10 11	2 3 4 5 6 7 8	2 3 4 5 6 7 8	6 7 8 9 10 11 12	4 5 6 7 8 9 10	8 9 10 11 12 13 14
12 13 14 15 16 17 18	9 10 11 12 13 14 15	9 10 11 12 13 14 15	13 14 15 16 17 18 19	11 12 13 14 15 16 17	15 16 17 18 19 20 21
19 20 21 22 23 24 25	16 17 18 19 20 21 22	16 17 18 19 20 21 22	20 21 22 23 24 25 26	18 19 20 21 22 23 24	22 23 24 25 26 27 28
26 27 28 29 30 31	23 24 25 26 27 28	23 24 25 26 27 28 29	27 28 29 30	25 26 27 28 29 30 31	29 30
30 31					

July	August	September	October	November	December
S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S
1 2 3 4 5	1 2	1 2 3 4 5 6	1 2 3 4	1	1 2 3 4 5 6
6 7 8 9 10 11 12	3 4 5 6 7 8 9	7 8 9 10 11 12 13	5 6 7 8 9 10 11	2 3 4 5 6 7 8	7 8 9 10 11 12 13
13 14 15 16 17 18 19	10 11 12 13 14 15 16	14 15 16 17 18 19 20	12 13 14 15 16 17 18	9 10 11 12 13 14 15	14 15 16 17 18 19 20
20 21 22 23 24 25 26	17 18 19 20 21 22 23	21 22 23 24 25 26 27	19 20 21 22 23 24 25	16 17 18 19 20 21 22	21 22 23 24 25 26 27
27 28 29 30 31	24 25 26 27 28 29 30	28 29 30	26 27 28 29 30 31	23 24 25 26 27 28 29	28 29 30 31
	31			30	

Holidays:

New Year's Day	Wednesday	January 1
MLK Day	Monday	January 20
Good Friday	Friday	April 18
Memorial Day	Monday	May 26
Independence Day	Friday	July 4
Labor Day	Monday	September 1
Thanksgiving	Thurs. & Fri.	November 27 & 28
Christmas	Thurs. & Fri.	Dec. 25 & 26
Floating Holiday	Employee's Choice	

7. Recommendations for Approval

The following policies are recommended for approval at this time.

Policy 1—A Vehicle Control Number (VCN) system will be implemented for all county owned and leased passenger vehicles. VCNs will be approved annually with the budget and additions or changes to the approved list during the fiscal year will require Court approval.

Policy 2—Employees who use county vehicles for commuting in excess of 50 miles per work day are required to report the excess miles and reimburse the county at the IRS mileage rate. Departments are responsible for determining the number of reimbursable miles and may elect to adopt lower per day mileage limits for their employees.

Policy 3—Effective March 1, 2014, new Contract Patrol agreements for less than 100% of an officer's time or all agreements involving a change in agency, can only be added during the budget process. Any new contracts added after the budget process, either at CIP in June or MYR in September, are required to be 100% contracts.

Contract Deputy Rates – No changes for Fiscal Year 2014-15.

Property Tax Rates – Rates presented on Page 2 are submitted for approval.