



# HARRIS COUNTY, TEXAS

## COMMISSIONERS COURT

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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 19, 2014

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. Courthouse and Downtown Building Security
5. Children's Assessment Center
6. Fleet Services
7. Meetings & Holidays
8. Recommendations for Approval

**1. Harris County General Fund**

Harris County government continues to face the unique challenge of steady population growth in the significant unincorporated areas of the county. The strong local economy and expanding tax base have provided resources to help meet the increased demand for services and infrastructure throughout the county. The latest Economic and Population Reports are included.

The county’s financial condition continues to strengthen with the ongoing focus on rebuilding year-end cash balances and reducing the county’s dependence on short-term borrowing using Tax Anticipation Notes (TANs). The amount borrowed on TANs has been reduced from \$450 million in FY 2012 to \$225 million for the current FY 2015. Continuing to reduce borrowing is a key element of the county’s financial plan and helps maintain the existing high bond ratings.

**Revenues**

The following chart shows a comparison of General Fund revenues:

In Thousands	Last Year	Current Fiscal Year 14-15		% Increase Last FY
		Certified Revenue	Estimated Actual	
Taxes	\$1,071,139	\$1,152,761	\$1,170,000	9.2%
Intergovernmental	42,286	39,270	43,000	1.7%
Charges for Services	216,945	214,186	220,000	1.4%
Other	81,919	68,946	82,000	0.1%
<b>Total GF Revenue</b>	<b>\$1,412,289</b>	<b>\$1,475,163</b>	<b>\$1,515,000</b>	<b>7.3%</b>

Tax levy information from the Harris County Appraisal District (HCAD) shows a 9.2% growth rate in the tax levy for Harris County, compared to the 5% increase used in the Auditor’s revenue estimate for the budget. The net effect is a 7.3% expected increase in revenue compared to last year’s amount.

**Expenses**

The following chart shows General Fund expenditures for the first half of the current fiscal year and the percentage of the current year budget spent through August:

In Thousands	Last Year	Current Fiscal Year 14-15		% Spent to Date
		Adjusted Budget	First Half Actual	
Infrastructure & Systems	\$ 128,021	\$ 154,165	\$ 69,100	45%
County Services	85,529	92,850	32,300	35%
Fiscal Services	61,291	73,324	31,300	43%
Law Enforcement	527,289	571,186	269,700	47%
Administration of Justice	356,948	398,908	185,400	46%
<b>Total Departments</b>	<b>\$1,159,078</b>	<b>\$1,290,433</b>	<b>\$ 587,800</b>	<b>46%</b>

At the halfway point last fiscal year, departments had spent 49% of their available budgets. The rollover policy has resulted in savings of \$39 million in FY 2013 and \$45 million in FY 2014, both representing about 4% of the budgets of those departments. The total rollover this year will exceed \$50 million should spending trends continue.

**1. Harris County General Fund (continued)**

Preliminary general fund expenditure budgets for the upcoming fiscal year are being developed and will be distributed in the first half of October. Proposals and recommendations presented in this review will impact budget allocations.

**Contract Deputy Program**

In January 2014, Court approved a 5% increase in contract deputy program rates, which will take effect with the start of the next budget year on March 1, 2015. A recommendation for the FY 2016-17 rates will be presented with the budget in January 2015, maintaining the approach of providing at least one year notice for any rate changes in this program. Law enforcement agency budgets for next year will include the impact of this rate increase.

**2. Property Tax Rates**

HCAD projects that the taxable value of Harris County property will increase by about 9% over last year's latest valuation. The proposed rates provide for tax revenue to pay existing debt service obligations and maintain the same tax rates for maintenance and operations.

The following tax rates are proposed for Court approval. Public hearings will be held on October 7, 2014 and October 14, 2014, and the rates will be formally adopted at a special meeting to be held on October 21, 2014.

	<u>2013</u>	<u>Proposed 2014</u>	<u>Change</u>
Harris County:			
General Fund	.34000	.34000	--
Public Contingency	.00547	.00547	--
Debt Service	<u>.06908</u>	<u>.07184</u>	<u>.00276</u>
Total County	.41455	.41731	.00276
Flood Control:			
General Fund	.02620	.02620	--
Debt Service	<u>.00207</u>	<u>.00116</u>	<u>(.00091)</u>
Total Flood Control	.02827	.02736	(.00091)
Port of Houston	.01716	.01531	(.00185)
Hospital District	<u>.17000</u>	<u>.17000</u>	<u>--</u>
Total	<u>.62998</u>	<u>.62998</u>	<u>--</u>

**3. Salaries & Benefits**

During the economic downturn, labor budgets were reduced and employee benefits were adjusted. The number of General Fund employees dropped from a peak of 13,673 in September 2008 to 11,306 three years later. Hiring and salary freezes were in place during part of that period. Since the end of FY 2012, the number of General & Mobility Fund employees has increased to 12,485.

**3. Salaries & Benefits (continued)**

As budgets have increased following the downturn, most salaries have been increased, but changes to the retirement plan made in response to the downturn have not been fully reinstated. A report from the Director of HRRM addressing benefit rates and other topics is included.

The net impact on benefit rates of the increases described below, less minor reductions in some of the other employee benefit rates, is estimated to be 3.3% of salaries next fiscal year.

***Retirement Plan***

Employee contributions to the retirement plan were reduced from 7% of payroll to 6% on January 1, 2011. Budget Management recommends that the rate be increased back to 7% effective January 1, 2015, combined with a 1% across-the-board increase in salaries for all regular and part-time employees except elected officials, whose salaries would be adjusted with the new budget for FY 2015-16.

If approved by Court, the increase to a mandatory 7% payroll deduction and 1% across-the-board increase in salaries, except as noted above, would both take effect with the first paycheck in January 2015. The salary increase would take effect on December 13, 2014, which corresponds with the first pay date of the calendar year on January 2, 2015.

***Health Benefits***

The cost of providing the same level of health insurance has been increasing since the county established the rate of \$11,116 per employee per year three years ago. The cost for dependent coverage has also increased without any increase in the cost to employees.

The rates charged to departments, as well as the rates charged to employees and retirees for dependent coverage, need to increase effective March 1, 2015. Budget Management recommends a 6.2% increase in the cost paid by the county and an increase of approximately 3% in the charges to employees and retirees who elect dependent coverage. This increase would raise the annual cost charged to departments for health coverage to \$11,800 per employee per year. The new rates for employee and retiree dependent coverage for the various plan options will be presented to Court as an agenda item in October.

**4. Courthouse and Downtown Building Security**

The Security Committee, formed in June 2014, is working on a plan that would address security concerns in and around the county buildings downtown. The Committee will bring plans back to court for consideration in October.

**5. Children's Assessment Center**

The Children's Assessment Center (CAC) has requested the involvement of the Architecture & Engineering Division in the design and construction of the CAC's new building. Once the building is complete, Facilities & Property Management will be involved in the maintenance and operation of the facility.

## 6. Fleet Services

The Fleet Services Division, which was part of Management Services through FY 2011, and has been part of Purchasing since then, could benefit from a reassignment to the Information Technology Center (ITC), which runs the Radio Shop and a 24/7 customer service operation. Technology enhancements in equipping the fleet and improvements in the management systems are also needed. Budget Management recommends moving this division to ITC effective October 4, 2014, along with positions, employees, and any accumulated time balances.

The policies approved last year to implement the VCN system and involve Budget Management personnel in the planning and budgeting for vehicle purchases will remain in effect with this change.

## 7. Meetings and Holidays

The following calendar shows the recommended schedule for 2015 court meetings and county holidays:

Calendar 2015 ~ 22 Meetings

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

  

May							June							July							August						
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	1	2	3	4	5	6				1	2	3	4							1	
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
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
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
24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31	23	24	25	26	27	28	29	
31																					30	31					

  

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
			1	2	3	4	5				1	2	3	1	2	3	4	5	6	7			1	2	3	4	5
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
27	28	29	30				25	26	27	28	29	30	31	29	30						27	28	29	30	31		

**Holidays:**

<i>New Year's Day</i>	<i>Thursday</i>	<i>January 1</i>
<i>MLK Day</i>	<i>Monday</i>	<i>January 19</i>
<i>Good Friday</i>	<i>Friday</i>	<i>April 3</i>
<i>Memorial Day</i>	<i>Monday</i>	<i>May 25</i>
<i>Independence Day</i>	<i>Friday</i>	<i>July 3</i>
<i>Labor Day</i>	<i>Monday</i>	<i>September 7</i>
<i>Thanksgiving</i>	<i>Thurs. &amp; Fri.</i>	<i>November 26 &amp; 27</i>
<i>Christmas</i>	<i>Thurs. &amp; Fri.</i>	<i>Dec. 24 &amp; 25</i>
<i>Floating Holiday</i>	<i>Employee's Choice</i>	

**8. Recommendations for Approval**

The following are recommended for approval at this time:

- A. Property Tax Rates (see page 2)
- B. Increase in the employee contribution rate to the retirement plan from 6% to 7% effective January 1, 2015.
- C. A 1% across-the-board salary increase for all employees, except elected officials, effective with the pay period starting December 13, 2014, which is paid on January 2, 2015. For employees paid on a monthly basis, the salary increase would take effect January 1, 2015.
- D. Authorization for the A&E division of PID to provide services to the Children's Assessment Center related to the design and construction of its new facility.
- E. Move the Fleet Services Division from Purchasing to ITC effective October 4, 2014. Positions, employees, and accumulated time balances will be transferred to ITC.
- F. Meetings and Holidays (see page 4)