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## Houston's Mayor Is Confident in City's Finances as Recession Looms.

- **Fourth-largest US city spending on pay raises, new building**
- **Sylvester Turner leaning toward imposing trash-collection fee**

Houston Mayor Sylvester Turner says a large budget surplus, surging tax revenues and federal stimulus aid put the fourth-largest US city on solid financial ground even as many economists brace for an economic slowdown.

Earlier this month, the city council approved a \$5.7 billion budget for the coming fiscal year which includes pay increases for all municipal employees and funding for new facilities.

"I think we are in pretty good shape," Turner said during an interview with Bloomberg News on Tuesday.

Despite the city's strong balance sheet, the two-term Democrat is considering imposition of a trash-collection fee to cover an annual expense that represents the biggest drain on the general budget after police and fire services.

For Turner, it's a stark turnabout from past years when he's been a staunch opponent of foisting garbage-disposal costs onto residents. In 2020, the city council required homeowners to start paying \$1.14 a year to lease trash bins but the \$93 million spent annually on collecting garbage comes out of the general fund.

"Solid waste, the way it is currently being financed, that is not a sustainable model," Turner said. "It's a changing city, it's a dynamic city and you can't just keep pulling from the fund balance. There needs to be a dedicated source or enterprise fund just for solid waste."

Turner didn't say how much he envisions charging residents or how much the fees would raise. Imposing such a levy would require city council approval and the mayor said he's confident he has the votes.

Meanwhile, the recently approved budget includes an ending fund balance of about \$311 million, more than the city's required minimum.

"I am pleased from a financial point of view on where we are and I don't see any financial problems with the city for the rest of this year or for the budget next year," Turner said. "My goal is to put the next mayor in a much, much better place than where it was financially when I came in seven years ago."

Houston's robust fiscal picture is echoed around the country with municipalities and states reporting record surpluses and cash balances, even as recessionary risk creeps in with equity markets plummeting and the Federal Reserve poised to raise interest rates further to combat soaring inflation.

Turner said that while in office he's taken a "conservative" budget approach, building up fund balances to prepare for a less rosy financial environment. "The way I operate is that you build up as big of a fund balance as you can, not knowing what is going to be around the corner and just put yourself in a much better position to move forward."

## **Bloomberg Markets**

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