

Ad Valorem Tax Obligations of the City

State law permits the City to incur total bonded indebtedness through the issuance of voter authorized ad valorem tax bonds in an amount not to exceed 10% of the total assessed valuation of property in the City. The schedule below shows an estimate for the current fiscal year of outstanding debt applicable to the statutory limitation.

(amounts expressed in thousands)

Assessed Value (1)		<u>\$112,592,660</u>
Debt Limit, 10% of Assessed Value		\$ 11,259,266
Debt applicable to limitation (2)		
Public Improvement Bonds	\$1,505,000	
Commercial Paper Notes	382,300	
Annexed District Bonds assumed	39,529	
Tax and Revenue Certificates of Obligation	<u>42,532</u>	
Total	1,969,361	
Less:		
Amount available for repayment of general obligation debt (2)	<u>(101,125)</u>	
Total debt applicable to limitation		<u>(1,868,236)</u>
Legal debt margin		<u>\$9,391,030</u>

(1) Assessed value for the 2002 tax year, as of May 9, 2003, based on the appraised value of property prior to any deductions.

(2) Estimated for fiscal year ending June 30, 2003.

Outstanding General Obligation Debt

(in thousands of dollars)	FY2001	FY2002	FY2003	FY2004
	Actual	Actual	Estimate	Budget
OUTSTANDING DEBT:				
Public Improvement Bonds	\$1,340,865	\$1,470,705	\$1,505,000	\$1,398,485
Commercial Paper Notes	376,300	319,300	382,300	517,000
Certificates of Obligation	42,703	34,528	39,529	37,088
Annexed Districts' Bonds	<u>106,176</u>	<u>97,401</u>	<u>42,532</u>	<u>37,560</u>
TOTAL OUTSTANDING DEBT	1,866,044	1,921,934	1,969,361	1,990,133

The strength of the City's general obligation debt is reflected in the statements of the ratings agencies:

"The stable outlook reflects **Standard & Poor's** expectation that Houston's financial picture will reflect the economic rebound that is taking place in the city." **(AA-)**.

Moody's (Aa3) - "The rating reflects the city's sizable tax base that continues to diversify, a moderate debt burden, narrowed, yet adequate, financial position."

Fitch - "The **'AA'** rating reflects the growth in tax base values, the diversifying economy, moderate direct debt burden, and improving financial margin of the general fund."