

**VOLUME ONE
INTRODUCTION**

The FY2003-2007 Capital Improvement Plan (CIP) is an update of the City's annual five-year capital improvement planning process. This five-year plan provides a schedule for capital project allocations and implementations. Volume One includes capital projects that are funded primarily from property tax supported public improvement bonds. Volume Two contains the Enterprise Fund capital programs that include capital projects funded primarily with revenue bonds supported by user fees. The Executive Summary offers a synopsis of all the capital programs from both Volumes One and Two.

Overview

The Capital Improvement Plan is vital to our City. It is a plan for physical improvements to public facilities and infrastructure, and additionally has a positive economic impact on the local economy. Recognition of this importance prompted City Council in November 1983 to establish the five-year capital improvement planning process. By resolution, it became City policy to engage in a continuous five-year capital improvement planning process that includes annual review, revision, and adoption of a five year Capital Improvement Plan. Public meetings are also held annually in each City Council District to provide citizens an opportunity to comment on the process and recommend projects to be included in the plan.

The five-year CIP is revised annually to include new projects, to reflect changes in priorities, and to extend the plan an additional year. The first year of the plan is the current year plan and is adjusted throughout the year as needs dictate or when changes are made to existing approved projects. This year's CIP continues the Administration's priorities of rehabilitation and replacement of the City's existing facilities.

The Adopted FY2003-2007 CIP: Two Major Parts

The Adopted FY2003-2007 CIP calls for the appropriation of \$4.10 billion during the five-year period for two major categories of programs: enterprise and property tax supported programs. Of the total planned appropriations, \$2.54 billion is for projects in the enterprise fund programs (Airport, Convention & Entertainment, Wastewater, and Water). The Aviation and Convention and Entertainment programs are supported by system revenue bonds paid with income from the air travel and tourism industries. Water and Wastewater revenue bonds are retired using income from commercial and residential customers.

The remaining \$1.56 billion addresses a full range of capital facility and infrastructure improvements, most of which will be financed with Public Improvement Bonds (PIBs). These programs include Fire, Library, Parks, Police, Public Health, Solid Waste Management, General Government, Storm Drainage, Streets and Traffic Control, and Housing.

Tax supported PIBs are the primary funding source for Volume One programs as a result of the \$776 million bond election approved by the Citizens of Houston in November 2001.

As these new bond funds are expended, future analysis will determine strategies for additional funding to implement the various Master Plans and identified needs. Strategies may include placing items before the voters. Such a separate bond authorization may require additional property tax financing beyond that provided at the current tax rate for the recently approved \$776 million bond issue.

2003-2007 CAPITAL IMPROVEMENT PLAN

CITY OF HOUSTON

Program amounts authorized by the voters in November 2001 are broken down as follows:

Street and Drainage Improvement Bonds	474 Million
Police and Fire Facilities Improvement Bonds	82 Million
Parks and Recreation Facility Improvement Bonds	80 Million
General Public Improvement Bonds	80 Million
Library Improvement Bonds	40 Million
Affordable Housing Bonds	<u>20 Million</u>
	\$ 776 Million

Transportation funds from METRO (\$342 million) and the Texas Department of Transportation (\$191 million) provide the next largest funding source for the general purpose PIB program. This total of \$533 million in state and METRO assistance is programmed for street and mobility improvements.

The remaining \$253 million will be funded through a variety of other funding sources ranging from county support to private donations. Over the past few years, significant efforts have been made to leverage PIB funds with new, non-traditional sources of funds.

Financing the FY2003-2007 CIP

Bond funds available from the 2001 voter authorization will begin to be exhausted in FY2007. This is illustrated by the table showing "Planned Appropriations by Fiscal Year" for PIB funded projects (see page v). Consequently, new bond funds will be required for some projects in the PIB program by FY2008.

The City's general obligation debt is serviced through the General Debt Service Fund. All interest and principal payments due on tax supported debt including certificates of obligation, public improvement/general obligation refunding bonds, assumed bonds (from annexed districts), claims and judgment bonds, and general obligation commercial paper notes are provided for from this fund.

The Public Improvement Programs in the Adopted FY2003-2007 CIP totals \$797 million which includes \$21 million in previously approved voter authorized bonds.

General Debt Service - Financial Policies

Until FY1994, the City issued long term debt to appropriate and fund this portion of the CIP. However, beginning in FY1994, an alternate method of issuing debt and providing project financing was implemented. At that time, City Council approved the issuance of up to \$572 million in General Obligation Commercial Paper.

Unlike bonds which must be sold in large sums and encumbered by contracts with actual expenditures occurring months or years later, commercial paper is authorized for encumbrances and issued as needed to make cash payments to contractors. This is a much more efficient funding mechanism.

The outstanding commercial paper is then replaced periodically with Public Improvement Refunding Bonds. The forecast used for this Adopted CIP anticipates ongoing balances of Commercial Paper averaging approximately \$300 million and average annual refunding bond issues of \$160 million per year.

The two largest revenue sources for the fixed rate Public Improvement Debt Service portion of the General Debt Service Fund are ad valorem taxes levied for debt service and discretionary transfers from Water and Wastewater funds. Transfers from the Water and Wastewater funds pay debt on bonds assumed from previously annexed municipal utility districts related to water/sewer assets.

The City provides for a seven-month cash reserve on Fixed Rate Public Improvement Bonds. This reserve covers principal and interest payable in the first seven months of the following fiscal year for those bond issues which are funded from ad valorem taxes. The reserve was implemented in 1983, at the same time that the current fiscal year (July 1 through June 30) and the tax collection payment date (January 31) were established.

The City also provides for an interest rate reserve on General Obligation Commercial Paper (notes). Sufficient funds will be maintained in these reserves to cover the maximum rates of interest (between 10% - 15% depending on the Series) that could be due on commercial paper notes in a given fiscal year.

Public Improvement Program Priorities

The Adopted FY2003-2007 CIP reflects the following priorities:

1. Mobility remains the number one issue in Houston. Accordingly, the funding for the Streets Program is the largest portion of the Tax Supported Public Improvement Program (\$875 million).
2. Funds for Storm Drainage improvements are increased over the FY02-06 Adopted CIP from \$113 to \$231 million in support of

projects identified in the Storm Water Management Program, which in turn is based on the Comprehensive Drainage Plan.

3. Existing facilities must be preserved and protected. Funds are included to replace roofs and HVAC systems to abate environmental hazards to meet ADA requirements, and to make other significant renovations at city facilities.
4. New and expanded facilities are included, such as the Downtown Super fire station, five new fire stations, three new multi-service centers, expansion of one multi-service center, the police and fire training academies, and funds for the Prisoner Processing Center.

Park and Library Master Plans

Phase I of the Park Master Plan is included in the Adopted CIP. During the FY2003-2007 period, the Parks Master Plan calls for expenditures of \$65.6 million in bond funds.

The Adopted CIP includes a recommended investment of \$54.8 million in bond funds to implement the Library Master Plan for the FY2003-2007 period.

Neighborhood Oriented Government

The FY2003-2007 CIP continues to support neighborhood oriented government and increased emphasis on transportation, infrastructure and economic development. This plan emphasizes the replacement, rehabilitation, and renewal of existing facilities as part of the neighborhood oriented government policy. This policy is designed to improve the quality of life in the inner city and make it more competitive with the outlying suburbs.

The City has undertaken specific initiatives that emphasize the importance of neighborhoods by targeting improvements and facilities to meet neighborhoods' needs. This includes:

- Super Neighborhoods and Super Neighborhood Action Plans.
- Schools to Standards.
- Master plans for parks, libraries, drainage and other neighborhood oriented services.

Beginning in FY 1992 and continuing to the present, the City has identified neighborhoods as the primary basis for delivering a number of important city services. Neighborhood councils have been formed in order to help determine program and project priorities. Capital improvement and budget hearings are held annually in each of the City's nine council districts. Project suggestions are made to City Departments in developing their capital plans, and requests that emanate from these hearings and Super Neighborhood Action Plans are considered by the respective City Departments.

Civic Art Program

City Council adopted an ordinance in December 1999 that mandates the inclusion of civic art in the Capital Improvement Plan. This ordinance requires that 1.75% of the amount spent for design and construction or renovation of certain facilities be set aside for civic art

MOTION NO. 2002 1282

MOTION by Council Member Robinson that the Proposed Fiscal Year 2003-2007 Capital Improvement Plan be amended to move project N-0644 from FY'06 to FY'04 and fund construction out of unspent funds from FY'03 under budget projects.

Seconded by Council Member Keller and carried.

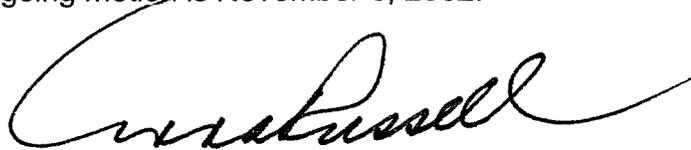
Mayor Pro Tem Quan, Council Members Tatro, Galloway, Goldberg, Edwards, Wiseman, Ellis, Keller, Vasquez, Alvarado, Parker, Sekula-Gibbs, Berry and Robinson voting aye
Nays none

Mayor Brown out of the City on City business

Mayor Pro Tem Quan presiding

PASSED AND ADOPTED this 30th day of October, 2002.

Pursuant to Article VI, Section 6 of the City Charter, the effective date of the foregoing motion is November 5, 2002.


City Secretary

Council Member Tatro presented the following written motion to amend the Proposed Fiscal Year 2003-2007 Capital Improvement Plan:

"The following are submitted as amendments to the Proposed FY 2003-2007 Capital Improvement Plan (CIP):

1) Pinemont Paving Phase I (N-0475 TC Jester to Ella.

<u>Proposed CIP-FY 2003/2007</u>	<u>Amendment to CIP-FY 2003/2007</u>
FY 2006 – Design - \$800,000	FY 2004 – Design - \$800,00
FY 2007 – Construction - \$4,000,00	FY 2006 – Construction - \$4,000,000

Note: Amendments is to move this project up 2 years from the proposed CIP. The FY2002 had scheduled this project for construction in FY2006, but the significant flooding in Ella Lee Forest subdivision warrants the advancement of this project. There is no change to the funding in this amendment, only the time frame is affected.

2) Afton Village Paving (N-0371) NSR 438 (Afton Village and Lakeview)

<u>Proposed CIP – FY 2003/2007</u>	<u>Amendment to CIP – FY 2003/2007</u>
FY2007 – Design - \$900,00	FY 2004 – Construction - \$5,8000,000 (add)

Note: Amendment is restore funding to NSR 438 as adopted to previous CIP Budgets, Letter dated 10/24/02 from Al Haines supports this amendment with source of funds, at this time, being designated as "Undetermined Funding".

Mayor Pro Tem Quan, Council Members Tatro,
Galloway, Goldberg, Edwards, Wiseman, Ellis,
Keller, Vasquez, Alvarado, Parker, Sekula-Gibbs,
Berry and Robinson voting aye
Nays none

Mayor Brown out of the City on City business

Mayor Pro Tem Quan presiding

PASSED AND ADOPTED this 30th day of October, 2002.

Pursuant to Article VI, Section 6 of the City Charter, the effective date of the foregoing motion is November 5, 2002.



City Secretary

MOTION NO. 2002 1285

MOTION by Council Member Quan that the recommendation of the Director of the Finance and Administration Department, for approval of the Proposed Fiscal Year 2003-2007 Capital Improvement Plan and to establish a charge for copies, be adopted, and the 2003-2007 Capital Improvement Plan as amended by Motion Nos. 2002-1282 and 2002-1283 and the attached recommended modifications are hereby approved by the City Council, and a charge of \$50.00, plus tax and postage, for the sale of Volume One, Volume Two and the Executive Summary, is hereby established for the sale of said documents.

Seconded by Council Member Vasquez and carried.

Mayor Pro Tem Quan, Council Members Galloway, Edwards, Wiseman, Ellis, Keller, Vasquez, Alvarado, Parker, Sekula-Gibbs and Robinson voting aye
Council Members Tatro and Goldberg voting no
Council Member Berry absent

Mayor Brown out of the City on City business

Mayor Pro Tem Quan presiding

PASSED AND ADOPTED this 30th day of October, 2002.

Pursuant to Article VI, Section 6 of the City Charter, the effective date of the foregoing motion is November 5, 2002.



City Secretary