2006-2010 CAPITAL IMPROVEMENT PLAN

Bill White, Mayor

Council Members

Toni Lawrence	District A
Carol M. Galloway	District B
Mark Goldberg	District C
Ada Edwards	District D
Addie Wiseman	District E
M.J. Kahn	District F
Pam Holm	District G
Adrian Garcia	District H
Carol Alvarado	District I
Mark Ellis	At-Large, Position 1
Gordon Quan	At-Large, Position 2
Shelley Sekula-Gibbs	At-Large, Position 3
Ronald C. Green	At-Large, Position 4
Michael Berry	At-Large, Position 5

Annise D. Parker, City Controller

Anthony Hall
Chief Administrative Officer

Judy Gray-Johnson
Director, Finance and Administration

MOTION NO. 2005 0659

MOTION by Council Member Khan that the recommendation of the Chief Administrative Officer of the Mayor's Office, for approval of the Proposed Fiscal Year 2006-2010 Capital Improvement Plan (FY 2006-2010 CIP) and to establish a charge for copies, be adopted, and the 2006-2010 Capital Improvement Plan is hereby approved by the City Council, as amended by Motion No. 2005-0654, and a charge of $50.00, plus tax and postage per set (Volume One, Volume Two and the Executive Summary), is hereby established for the purchase of the adopted CIP documents.

Seconded by Council Member Alvarado and carried.

Mayor White, Council Members Lawrence, Galloway, Goldberg, Edwards, Wiseman, Khan, Holm, Garcia, Alvarado, Ellis, Quan, Sekula-Gibbs, Green and Berry voting aye
Nays none

PASSED AND ADOPTED this 6th day of July, 2005.

Pursuant to Article VI, Section 6 of the City Charter, the effective date of the foregoing motion is July 12, 2005.

City Secretary

ACKNOWLEDGEMENTS

Mayor's Office
Anthony Hall, Chief Administrative Officer

Houston Airport System
Sara S. Culbreth, Deputy Director
Laura Grainger, Staff Analyst

Convention and Entertainment
John Silva, Executive Staff Analyst

Finance and Administration
Judy Gray-Johnson, Director
Michael W. Shannon, Senior Staff Analyst
James Clay, Financial Analyst IV
Don Tews, System Accountant IV

Public Works and Engineering
Lisa Preciado, Admin Analyst

Department Coordinators

Kent McLemore, Houston Airport System
Frank Antene, Building Services
Issa Dadoush, Building Services
Ben Mendez, Building Services
Richard Vella, Building Services
Vladimir Naranjo, Building Services
Bobby Rivers, Building Services
Carter Roper, Building Services
Russell Clark, Convention and Entertainment
Gracia Rosslow, Fire
Peter James, Fire
Ron Lucik, Health and Human Services
Jack Lippincott, Housing and Community Development
John Middleton, Library
Mark Ross, Parks and Recreation
Larry Yium, Police
Jun Chang, Public Works and Engineering
Daniel Krueger, Public Works and Engineering
Harish Jajoo, Public Works and Engineering
Mark Loethen, Public Works and Engineering
Jim Vanderwater, Public Works and Engineering
Leonard Washington, Public Works and Engineering
Gary Readore, Solid Waste

Printing

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Elnora Marsh
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VOLUME ONE

General Fund

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- General Government
- Storm Drainage System
- Street & Traffic Control
- Housing Improvements
- Tax Increment Reinvestment Zones

VOLUME ONE
INTRODUCTION

The FY2006-2010 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 capital programs that are funded primarily with revenue bonds supported by user fees. The Executive Summary offers a synopsis of all the capital programs from 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. 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 process that includes annual review, revision, and adoption of a five year Capital Improvement Plan. Public meetings are 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 plan is revised annually to include new projects and to reflect change in priorities.

The FY2006-2010 CIP Major Programs

The FY2006-2010 CIP calls for the appropriation of $4.2 billion during the five-year period for two major categories of programs: enterprise capital and public improvement programs.

Of the total planned appropriations, $2.50 billion is for projects in the enterprise capital programs (Houston Airport System, Convention and Entertainment, and the Combined Utility System, which is comprised of the Water and Wastewater Utility Systems). The Airport and Convention and Entertainment programs are supported by system revenue bonds paid with revenue from the air travel and tourism industries. Revenue bonds are retired using revenue from commercial and residential water/wastewater customers.

The remaining $1.68 billion Public Improvements Capital Program addresses a full range of capital facility and infrastructure improvements, most of which are 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. PIBs, supported by property taxes, are the primary funding source for these programs. The last bond authorization was approved by the Citizens of Houston in November 2001 and totaled $776 million. Program amounts authorized by the voters are 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	20 Million
	$ 776 Million

As these 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.

Transportation funds from METRO ($327 million) and the Texas Department of Transportation – TxDOT ($306 million approved and proposed) provide the next largest funding source for the Public Improvement Capital Program. This total of $633 million in state and METRO assistance is programmed for street and mobility improvements.

The remaining program will be funded through a variety of other funding sources ranging from county support to private donations. A significant new source of funds is the Series F Storm Sewer Construction Fund in the amount of $140 million. These funds will enable the City to undertake a number of drainage projects to reduce the risks of structural flooding. Over the past few years, significant efforts have been made to leverage PIB funds with new, non-traditional sources of funds.

Financing the FY2006-2010 CIP

Available bond funds from the 2001 voter authorization will be exhausted in some programs as early as FY2008. This is illustrated by the table labeled "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 FY2009.

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 Capital Program is partially financed by PIBs totaling $428.5 million.

General Debt Service - Financial Policies

Until FY1994, the City issued long term debt to appropriate and fund this portion of the CIP. 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 more cost effective funding method.

The outstanding commercial paper is then replaced periodically with Public Improvement Refunding Bonds. The forecast used for this CIP anticipates ongoing balances of Commercial Paper averaging approximately $325 million and average annual refunding bond issues of approximately $110 million per year.

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

The City provides for a seven-month cash reserve on Public Improvement Bonds. This reserve covers principal and interest payable in the first seven months of the following fiscal year bond 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 are maintained in these reserves to cover the maximum rates of interest (between 6% - 10% depending on the Series) that could be due on commercial paper notes in a given fiscal year.

Public Improvement Program Priorities

The FY2006-2010 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 FY2006-2010 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 Public Improvement Program, totaling $949 million.
2. Funds for Storm Drainage improvements program total $261 million in support of projects identified in the Storm Water Management program, which is based on the Comprehensive Drainage Plan.
3. Existing facilities are to 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, new multi-service centers, the police and fire training academies, and funds for the Prisoner Processing Center.

Parks and Library Master Plans

Parks Master Plan is included in the FY2006-2010 CIP. During this program period, the Parks Plan calls for expenditures of $96 million.

The library commissioned and completed the development of a Strategic Master Plan that resulted in the adoption of the facility recommendations in the Standards-of-Excellence. The FY2006-2010 CIP, totaling $62 million, proposes to complete eleven of the thirty-four remaining recommendations made for branch libraries.