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The FY2007-2011 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 Street and Traffic Control along with 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 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 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, reflect changes in priorities, and extend the plan an additional year. The first year of the plan is the current year fiscal year which runs from July 1, 2006 through June 30, 2007, 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 FY2007-2011 CIP: Two Major Parts

The FY2007-2011 CIP calls for the appropriation of \$4.51 billion during the five-year period for two major categories of programs: enterprise and property tax supported programs. Of the total planned appropriations, \$2.25 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 \$2.27 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.

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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

The FY2007-2011 Capital Improvement Plan (CIP) includes bond funds of \$162 million. Additionally, the City is set to receive significant amounts of transportation and mobility assistance from METRO (\$319 million) and the Texas Department of Transportation-TXDOT (\$265 million current and proposed). Other funding sources include, Army Corp. of Engineers (\$2.7 million), Harris County (\$41 million).

The remaining PIB Program 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 FY2007-2011 CIP

Bond funds available from the 2001 voter authorization will begin to be exhausted in FY2007. Consequently, new bond funds will be required for some projects in the PIB program by FY2008. Additional alternatives to issuing anew bonds are reducing project scope, combining projects, or finding new alternative sources for financing.

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 FY2007-2011 CIP totals \$293 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 CIP anticipates ongoing balances of Commercial Paper averaging approximately \$325 million and average annual refunding bond issues of \$110 million per year.

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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 6% - 10% depending on the Series) that could be due on commercial paper notes in a given fiscal year.

Public Improvement Program Priorities

The FY2007-2011 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 (\$1,052 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, seven new fire stations, new multi-service centers, 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 FY2007-2011 period, the Parks Master Plan calls for expenditures of \$155 million in bond funds.

The library commissioned and completed the development of a Strategic Master Plan that resulted in the adoption of the facility recommendation i the standards of excellence. The FY2007-2011 CIP proposes to complete eleven of the thirty-four remaining recommendations made for branch libraries.

Neighborhood Oriented Government

The FY2007-2011 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.