

Supplementary Information

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Financial Policies

The basic policies related to the City's financial and budgetary policies were formalized on November 10, 1987. These policies were expanded in subsequent years with the adoption of the Integrated Budgeting and Planning Resolution (88-87). New policies were adopted by Ordinance No. 2014-1078 in December 2014, and were subsequently amended to include provisions regarding pay-as-you-go funding in June 2015.

Below is a partial copy of the financial policies relevant to the CIP along with City's current compliance status for each individual policy.

A. Definitions

Asset Renewal and Replacement – Cyclic repair and replacement of an asset's components [e.g., roofs, electrical systems, heating, ventilation, and air conditioning (HVAC) equipment, paving, replacement vehicles, computer servers, computer networks, and telephony systems] that extends the useful life and/or retains the usable condition of facilities, fleet, and systems not normally contained in the annual operating budget. Included are major building and infrastructure systems and components that have a maintenance cycle in excess of one year.

BFA – Budget and Fiscal Affairs Committee of City Council.

Component Units – As defined by the Governmental Accounting Standards Board (GASB), component units are legally separate organizations that the City must include as part of its financial reporting entity for fair presentation.

Current Replacement Value - The standard industry cost and/or engineering estimate of materials, supplies, and labor required to replace a facility or item of equipment at its existing size and functional capability, and to meet applicable regulatory codes. When estimating Current Replacement Value, it should be assumed that code-compliant materials and systems will be used to replace the existing asset. Current Replacement Value is to be estimated for reconstructing an asset as it currently exists, without further modifications or improvements.

Fiscal Note – Brief, high-level written estimate of the budgetary and fiscal impacts that may result from implementation of an ordinance, motion or resolution.

Major Renovation – Projects for the substantial rehabilitation or replacement of more than one building or building systems.

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B. General Policies

3. The proposed operating budget and proposed five-year Capital Improvement Plan (CIP) for each year shall include statements indicating whether they are in compliance with each relevant adopted financial policy. The adopted budget shall include a comprehensive listing of all adopted financial policies indicating whether the City is in compliance with each policy; for each policy not in compliance, there shall be a statement explaining why the City is not in compliance with said policy and a plan for how the City will achieve compliance.

G. Capital Asset Management Policies

As part of the financial policies for the City of Houston (adopted on December 3, 2014 Ordinance 2014-1078), this section provides details for the Capital Asset Management policies as follows:

1. The five-year CIP shall be presented to and passed by City Council annually before the end of the preceding fiscal year. ***Not In Compliance***

The Fiscal Year 2018 – 2022 Capital Improvement Plan was placed on City Council agenda on June 28, 2017. The item was delayed two weeks and passed on July 19, 2017. It is the City's goal to achieve compliance by placing the item on agenda earlier for the Fiscal Year 2019 – 2023 Capital Improvement Plan.

2. Capital projects may not be included in the CIP without identified funding. Identified funding includes funds that are reasonably anticipated such as grants that have been awarded but not yet funded. Identified funding may also include proceeds from an anticipated future bond election. ***In Compliance***
3. A five-year operating budget impact projection for all projects shall be reported in the CIP. ***Not in Compliance***

The Fiscal Year 2018 – 2022 Capital Improvement Plan includes the General Fund departments' operational impacts referring to the personnel, supplies, services, equipment, and non-capital cost identified as a required need within a capital project. See the Operational & Maintenance Section. Efforts are being made to include Enterprise departments' operational impacts in future Capital Improvement Plans.

4. The City shall prioritize Asset Renewal and Replacement of existing facilities over new facilities. ***In Compliance***

The City prioritizes the renovation of existing general government infrastructure over new facilities.

Table 1. New City Facilities vs. Capital Maintenance
All General Government Funding Sources
(\$ Thousands)

	FY 2018-2022 Planned Appropriations
New City Facilities*	36,127
Capital Maintenance Projects**	235,151

*See Table 2 for further details.

**See Table 5 for further details

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Table 2. New General Government City Facilities
All Funding Sources
2018 - 2022 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)

CIP No.	Project	Fiscal Year Planned Appropriations					2018-2022
		2018	2019	2020	2021	2022	
C-000205	Fire Station 26 Renovation and Expansion	-	-	-	50	978	1,028
C-000213	Training Academy Gear and Cadet Lockers	-	-	654	-	-	654
F-000704	Sylvan Rodriguez Community Center					916	916
F-000869	New Community Center					916	916
G-000165	New Greenspoint Police Station	-	1,347	12,153	6,851	-	20,351
G-000172	New Police Academy Rifle Range	-	-	-	1,457	-	1,457
H-000117	Commerce Warehouse - Expansion	-	-	107	714	-	821
L-000078	New Multi-Use SWD Facility	826	9,158	-	-	-	9,984
	Total Appropriations:	826	10,505	12,914	9,072	2,810	36,127

5. All CIP-related Requests for Council Action must include a Fiscal Note that includes design and construction costs of the program/project and the projected operating and maintenance costs for a minimum of five years, as well as a reference to the item in the CIP where funding for the request is designated. ***In Compliance***

Effective with the first City Council meeting of Fiscal Year 2017, all CIP-related Requests for Council Action coming before City Council for consideration include a Fiscal Note.

6. For each new General Fund facility (i.e., not part of an enterprise fund) or Major Renovation of a General Fund facility, beginning in FY2016, 2% of the Current Replacement Value shall be included for capital maintenance in each fiscal year of the immediately following CIP and every CIP thereafter until that facility is sold or otherwise disposed of. Such funds may be used on any owned General Fund facility. ***In Compliance***

Table 3. FY2017 Completed General Government Facilities
Current Replacement Value (CRV)
All Funding Sources

Project	Total Cost (\$ Thousands)
Health Administration Cochran Building	1,184
Fire Station #67 Renovation and Expansion	6,293
Jones' Library 5th Floor Build Out	1,165
Young Library Replacement	11,465
Total Subject to Financial Policy	20,107
Total Estimated CRV*	2,156,246

*2017 Property Insurance Schedule plus 20% for utility and dirt work not included in asset values for insurance purposes.

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Table 4. Capital Maintenance and CRV

Capital Maintenance Projects	(\$ Thousands)	% of CRV Per Financial Policy	% of Total CRV **
FY2018*	36,446	181%	1.7%
FY2019*	108,510	540%	5.0%
FY2020*	26,372	131%	1.2%
FY2021*	37,708	188%	1.7%
FY2022*	26,115	130%	1.2%

*See Table 5 for further details.

**Planned appropriations on capital maintenance projects above 2.0% will help reduce existing deferred maintenance.

Table 5. General Government Capital Maintenance Projects
All Funding Sources
2018 - 2022 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)

CIP No.	Project	Fiscal Year Planned Appropriations					2018-2022
		2018	2019	2020	2021	2022	
C-000181	Fire Station 40 Replacement	1,706	8,055	-	-	-	9,761
C-000185	Environmental Remediation	83	122	100	100	200	605
C-000190	Renovation of Fire Station 68	335	-	-	-	-	335
C-000193	Facility Assessment Items - Priority 1&2	500	500	500	500	500	2,500
C-000195	Fire Station 31 Renovation	1,681	-	-	-	-	1,681
C-000196	Fire Station 16 Renovation	-	50	1,450	-	-	1,500
C-000200	Fire Station 64 Renovation	-	51	1,712	-	-	1,763
C-000201	Fire Station 70 Renovation	-	-	50	1,350	-	1,400
C-000203	Fire Station 19 Renovation	51	1,463	-	-	-	1,514
C-000210	Fire Station 43 Renovation	1,495	-	-	-	-	1,495
C-000211	Fire Station 17 Renovation	50	1,357	-	-	-	1,407
C-000217	HVAC Replacements	-	-	-	-	300	300
C-000219	Fire Station 80 Foundation	-	-	676	-	-	676
C-000220	Fire Facilities Roof Replacements	-	-	-	-	1,000	1,000
C-000221	Fire Station 65 Renovation	-	-	-	51	1,582	1,633
C-000222	Fire Station 80 Renovation	-	-	51	1,573	-	1,624
D-000073	Environmental Remediation	50	50	50	50	50	250
D-000166	City Hall Annex - Garage Waterproofing	-	700	-	-	-	700
D-000167	City Hall Annex - Garage Storm Drainage	30	-	-	-	-	30
D-000174	City Hall - Drinking Fountains	-	292	-	-	-	292
D-000180	Alief MSC, Community Center and Library	5,370	51,630	-	-	-	57,000
D-000181	City Hall - Structure Repairs	-	300	350	-	-	650
D-000184	City Hall - Replacement of Roof	823	-	-	-	-	823
D-000191	City Hall - Restore Elevator Cabs	-	440	-	-	-	440
D-000193	City Hall- Replace TV Lights and Ceiling	-	-	-	-	277	277
D-000198	City Hall Annex - Restroom Renovations	650	-	-	-	-	650
D-000203	City Hall and Annex - Elec Switchgear	500	-	-	-	-	500
D-000205	Citywide Warehouse	-	-	-	-	200	200
D-000206	City Hall - Exterior Waterproofing	-	-	-	-	150	150
D-000210	City Wide - Code Compliance	500	-	-	-	-	500

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Table 5. General Government Capital Maintenance Projects
All Funding Sources
2018 - 2022 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)

CIP No.	Project	Fiscal Year Planned Appropriations					2018-2022
		2018	2019	2020	2021	2022	
D-000214	City Hall Annex - Renovate Water System	-	-	-	755	54	809
D-000215	City Hall Annex - Replace Sanitary Line	-	-	-	955	21	976
D-000216	City Hall - Replace Sanitary Line	-	-	-	100	877	977
D-000218	City Hall - Fire Alarm and PA System	-	-	-	1,130	-	1,130
D-000219	City Hall - Renovate Water System	-	-	-	1,155	54	1,209
D-000220	City Hall Annex - Fire Alarm and PA Sys	-	-	-	1,452	-	1,452
D-000223	HVAC Replacements	150	150	367	367	367	1,401
D-000224	Roof Replacements	-	420	-	1,708	700	2,828
D-160003	Renovation of MCD space	845	338	-	100	1,209	2,492
D-650006	BARC Sanitary Line Replacement	-	-	-	-	615	615
D-650007	BARC Warehouse Replacement	-	-	-	-	100	100
E-000098	Moody Neighborhood Library - Replacement	1,510	8,049	-	-	-	9,559
E-000125	Meyer Neighborhood Library - Replacement	-	-	-	-	1,886	1,886
E-000163	Environmental Remediation	50	50	50	50	-	200
E-000172	Flores Roof & Exterior Rehabilitation	439	-	-	-	-	439
E-000173	Mancuso Roof & Exterior Rehabilitation	427	-	-	-	-	427
E-000174	Blue Ridge Roof & Exterior Rehab	-	-	525	-	-	525
E-000182	Walter Roof & Exterior Rehabilitation	-	499	-	-	-	499
E-000210	Ring Roof & Exterior Rehabilitation	-	-	-	558	-	558
E-000211	Kashmere Roof & Exterior Rehabilitation	-	-	-	555	-	555
E-000213	Heights Roof & Exterior Rehabilitation	-	-	1,772	-	-	1,772
E-000224	Johnson Roof & Exterior Rehabilitation	-	-	550	-	-	550
E-000225	Smith Roof & Exterior Rehabilitation	-	-	525	-	-	525
E-000230	Mancuso HVAC Upgrades	-	-	-	333	-	333
E-000231	Melcher HVAC Upgrades	-	-	-	322	-	322
E-000232	Jones HVAC Upgrades	-	-	187	-	-	187
E-000233	JIB Archival HVAC Upgrades	-	-	-	95	-	95
F-000509	Environmental Projects	250	350	350	325	400	1,675
F-000710	Parks Facilities Roof Replacements	70	211	599	311	311	1,502
F-000783	Sharpstown Pool Replacement and Bldg Imp	2,196	-	1,000	1,000	-	4,196
F-000784	Lee LeClear Tennis Center Improvement	-	580	2,000	3,000	-	5,580
F-000785	Edgewood Park Community Center	956	-	-	816	5,769	7,541
F-000825	Inwood Maintenance Facility	731	-	-	-	-	731
F-000849	Restroom Building Upgrades	300	100	350	-	-	750
F-000850	Sagemont Park CC Gym Floor	-	-	-	275	-	275
F-000864	Beechnut Maintenance Facility	-	-	50	306	2,526	2,882
G-000143	Facility Conditions Assessment Items 1&2	1,000	1,000	1,000	1,000	-	4,000
G-000144	Environmental Services	200	211	533	533	333	1,810
G-000147	Riesner Facility/Site Improvements	100	2,096	-	443	-	2,639
G-000150	Police Academy Improvements	185	-	-	1,076	784	2,045
G-000153	Facility Paving Improvements	-	-	667	667	667	2,001
G-000158	Air Support - ADA & MEP Renovation	-	596	-	-	-	596

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Table 5. General Government Capital Maintenance Projects
All Funding Sources
2018 - 2022 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)

CIP No.	Project	Fiscal Year Planned Appropriations					2018-2022
		2018	2019	2020	2021	2022	
G-000162	Mounted Patrol Site Improvements	-	-	-	-	759	759
G-000164	Westside Command Station Improvements	956	-	699	48	241	1,944
G-000174	Police Headquarters Elevator Renovations	500	-	-	-	-	500
G-000176	HVAC Replacements	500	500	833	833	1,333	3,999
G-000180	Police Headquarters Fire Safety System	937	631	-	-	-	1,568
G-000184	Office Renovations	-	-	-	-	689	689
H-000010	Northside Health Center Renovation	2,944	-	-	-	-	2,944
H-000012	John Peavy - Foundation Renovation	3,246	-	-	-	-	3,246
H-000018	Roof Replacement - Reconstruction	-	420	-	420	-	840
H-000063	HVAC & MEP Improvement Project	-	304	-	304	-	607
H-000080	Southwest MSC - Renovation	-	-	166	1,106	-	1,272
H-000084	Northeast MSC Renovation	-	221	1,475	-	-	1,696
H-000086	Kashmere MSC Renovation	137	912	-	-	-	1,048
H-000091	Sunnyside MSC/HC	1,846	23,069	-	-	-	24,915
H-000093	Third Ward MSC & HC - Renovation	-	-	385	2,570	-	2,955
H-000094	West End HC - Renovation	-	-	228	2,696	-	2,924
H-000095	West End MSC - Renovation	-	-	316	3,757	-	4,073
H-000101	Denver Harbor MSC - Rehab	177	1,180	-	-	-	1,357
H-000104	Acres Homes MSC - Various Updates	1,730	-	-	-	-	1,730
H-000106	La Nueva Casa HC - Renovation	-	362	2,411	-	-	2,773
H-000111	Environmental Services	100	100	100	100	100	500
H-000122	Riverside HC - Renovation	-	456	3,043	-	-	3,500
H-000123	Denver Harbor MSC - Renovation	-	-	123	2,452	-	2,575
H-000124	Vital Statistics Redesign	-	84	558	-	-	642
H-000423	Hiram Clarke MSC - Renovation	-	-	-	-	820	820
H-000424	Magnolia MSCC - Renovation	-	-	-	-	1,075	1,075
L-000052	Environmental Services	100	100	267	267	167	901
L-000104	Occupancy Code Compliance	-	311	104	104	-	519
L-000105	Locker Room Upgrades - Svc Centers	40	200	200	40	-	480
Total Appropriations:		36,446	108,510	26,372	37,708	26,115	235,151

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I. Debt Management Policies

6. Each fiscal year, the City will use that year's General Obligation (GO) debt service payment as a baseline to establish an index reflecting 4% annual growth in the City's GO debt service (i.e., if the current fiscal year's debt service is \$100, then the debt service index for subsequent years would be \$104, \$108.16, \$112.49, \$116.99, etc.). If any proposed action by the City (e.g., adoption of the CIP, or Council authorization of debt issuance) is to cause the GO debt service schedule as projected by the City's Financial Advisor to exceed the index in FY2019 and/or any subsequent year(s), a funding mechanism (e.g., reduced expenditures or increased revenue) must be identified to offset the amount(s) by which the proposed debt service payment(s) exceed the index. For purposes of this section, "identification" of a funding mechanism is satisfied by presentation to BFA and/or City Council prior to any action that would incur GO debt. ***In Compliance***

<u>Fiscal Year</u>	<u>GO Debt Service Index</u>	<u>GO Projected Debt Service⁽¹⁾⁽²⁾</u>
2017	337,964,202	337,964,202
2018	351,482,770	359,873,367
2019	365,542,081	361,745,876
2020	380,163,764	361,418,417
2021	395,370,314	334,212,818
2022	411,185,127	326,745,908
2023	427,632,532	339,171,855
2024	444,737,833	289,401,371
2025	462,527,347	297,839,936
2026	481,028,441	289,761,957
2027	500,269,578	308,746,524
2028	520,280,361	307,169,032
2029	541,091,576	292,599,924
2030	562,735,239	261,166,923
2031	585,244,648	262,430,775
2032	608,654,434	253,685,361
2033	633,000,612	213,391,764
2034	658,320,636	196,524,588
2035	684,653,462	238,944,060
2036	712,039,600	235,872,718
2037	740,521,184	227,885,043
2038	770,142,031	211,108,482
2039	800,947,713	218,636,547
2040	832,985,621	226,736,405
2041	866,305,046	253,244,141
2042	900,957,248	234,700,365
2043	936,995,538	238,158,351
2044	974,475,359	238,966,982
2045	1,013,454,374	243,103,608

- (1) The schedule included in the Proposed / Adopted Operating Budget reflects debt service due only on existing outstanding debt. The schedule provided above includes additional projected debt service due as a result of this CIP and assumes continued capital improvements at the same funding level plus inflation beyond Fiscal Year 2022.
- (2) Schedule provided by the City's financial advisor, First Southwest, a Division of Hilltop Securities Inc., on June 22, 2017.

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Index of Funds

Program Group	Source of Funds
A-AVIATION FACILITIES	8011 - HAS - Airports Improvement
	FAA/AIP - Federal Aviation Administration/Airport Improvement Plan
	REV BONDS/CP - Revenue Bonds
	R&R - Renewable and Replacement Fund
C-FIRE PROTECTION FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4500 - Fire Consolidated Construction Fund
	Future Bond Election
D-GENERAL GOVERNMENT FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	1801 - Dangerous Building Consolidated Fund
	1850 - Reimbursement of Equipment/Projects Fund
	4502 - Parks Consolidated Construction Fund
	4507 - Public Library Consolidated Construction Fund
	4508 - Public Health Consolidated Construction Fund
	4509 - General Improvement Consolidated Construction Fund
	Future Bond Election
E-LIBRARY FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	Future Bond Election
F-PARKS AND RECREATION FACILITIES	4035 - Parks & Recreation Dedication Fund
	4502 - Parks Consolidated Construction Fund
	Frds Of Lee LeClear – Friends of Lee LeClear
	Future Bond Election
	Grants
	HPB Fundraising - Houston Parks Board Fundraising
	Private Funding
	TIRZ - Tax Increment Reinvestment Zone
G-POLICE FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4504 - Police Consolidated Construction Fund
	Future Bond Election
	Grants
	TIRZ - Tax Increment Reinvestment Zone
H-PUBLIC HEALTH FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4508 - Public Health Consolidated Constr Fund
	Future Bond Election
L-SOLID WASTE FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4503 - Solid Waste Consolidated Construction Fd
	Future Bond Election
M-STORM DRAINAGE SYSTEM	4042 - Street & Trfc Control & Strm Drain DDSRF
	5430 - Proposed HUD
	8500 - PWE-W&S Syst Consolidated Construction Fund

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N-STREET & TRAFFIC CONTROL	4040A - Metro Construction - Other
	4040 - METRO Projects Construction - DDSRF
	4042 - Street & Trfc Control & Strm Drain DDSRF
	5430 - Federal State Local -PWE Pass thru DDSR
	8500 - PWE-W&S Syst Consolidated Constr Fd
	Ft Bend Participate
	Harris County Part.
	Prop. Harris County
	TXDOT-5430
	TXDOT-9999
P-HOMELESS & HOUSING FACILITIES	4501 - Homeless & Housing Consolidated Fund
R-WASTEWATER TREATMENT FACILITIES	8500 - PWE-W&S Syst Consolidated Constr Fd
S-WATER UTILITY SYSTEM FACILITIES	8500 - PWE-W&S Syst Consolidated Constr Fd
	8505 Prop W&S Cont.
	8506 Proposed TWDB
	8507 Water Auth NETL
	8508 Proposed TWDB
	8509 Water Auth SETL
	8510 PWE SETL Constr
T-TIRZ - TAX INCREMENT REINVESTMENT	Bond Proceeds
	Grants
	Other
	Spring ISD Increment
	TIRZ - Tax Increment Reinvestment Zone
W-FLEET	1001 - Project Cost Recovery
	1800 - Equipment Acquisition Consolidated Fund
	2002 - Health Special Revenue
	2009 - Swimming Pool Safety
	2104 - Parks Golf Special
	2106 - Bayou Greenway 2020
	2301 - Building Inspection Fund
	2302 - Stormwater Fund
	2310 - Dedicated Drainage & Street Renewal
	2423 - Special Waste Transportation & Inspect
	5030 - Federal State Local - Pass Through Fund
	8012 - HAS-AIF Capital Outlay
	8305 - PWE-Combined Utility System Gen Pur Fund
	8700 - Parking Management Operating Fund
X-INFORMATION TECHNOLOGY	1800 - Equipment Acquisition Consolidated Fund
	2207 - Municipal Court Technology Fund