

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 by Ordinance No. 2015-0514 to include provisions regarding pay-as-you-go funding in June 2015. In May 2018, the policies were amended by Ordinance No. 2018-390 to revise and update the amended and restated financial policies as a result of the two-year review requirement. The most recent update was amended, by Ordinance no. 2020-999, in November 2020.

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.

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; beginning in FY2020, there shall be a statement explaining why the City is, or is not, in compliance with said policy. Where the City is not in compliance, the statement shall also include a plan for how the City will achieve compliance.

In Compliance

The FY2022 Adopted Budget and the FY2022-2026 CIP include a comprehensive listing of all financial policies and a statement to explain whether each policy is or is not in compliance as well as a plan for how the City will achieve compliance.

H. Capital Asset Management Policies

As part of the financial policies for the City of Houston (adopted in December 2014 with Ordinance 2014-1078 and amended in May 2018 by Ordinance 2018-0390), 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. ***In Compliance***

The Fiscal Year 2022-2026 Capital Improvement Plan was adopted by City Council on June 23, 2021.

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***

All listed capital projects have an identified funding source.

3. A five-year operating budget impact projection for all projects shall be reported in the CIP. ***In Compliance***

The Fiscal Year 2022-2026 Adopted Capital Improvement Plan includes all 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.

4. 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***

All CIP-related Requests for Council Action coming before City Council for consideration include a Fiscal Note.

FISCAL YEAR 2022-2026
ADOPTED CAPITAL IMPROVEMENT PLAN

5. Beginning in FY2019, over the five-year CIP, an average of 2% of the Current Replacement Value of all General Fund facilities shall be included for capital maintenance in each fiscal year of the CIP and every CIP thereafter. Such funds may be used on any owned General Fund facility. ***In Compliance***

Table 1. Capital Maintenance and Current Replacement Value (CRV)

Capital Maintenance Projects	(\$ Thousands)	% of Total CRV **
FY2022*	84,688	3.3%
FY2023*	119,952	4.7%
FY2024*	53,537	2.1%
FY2025*	19,078	0.8%
FY2026*	32,074	1.3%
Annual Average	61,866	2.4%

*See Table 2 for further details.

**Planned appropriations on capital maintenance projects above 2.0% will help reduce existing deferred maintenance. CRV is \$2,540,024,794 and is based on 2021 Property Insurance Schedule plus 20% for utility and dirt work not included in asset values for insurance purposes.

**Table 2. General Government Capital Maintenance Projects
All Funding Sources
FISCAL YEAR 2022-2026 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)**

CIP No.	Project	Fiscal Year Planned Appropriations					2022-2026
		2022	2023	2024	2025	2026	
C-000181	Fire Station 40 Replacement	-	-	929	1,433	11,328	13,690
C-000185	Environmental Remediation	200	200	200	200	200	1,000
C-000195	Fire Station 31 Renovation	5,176	-	-	-	-	5,176
C-000196	Fire Station 16 Renovation	3,939	-	-	-	-	3,939
C-000200	Fire Station 64 Renovation	-	-	-	363	4,433	4,796
C-000203	Fire Station 19 Renovation	2,285	-	-	-	-	2,285
C-000211	Fire Station 17 Renovation	2,314	-	-	-	-	2,314
C-000217	HVAC Replacements	550	550	550	550	550	2,750
C-000220	Fire Facilities Roof Replacements	1,118	1,000	1,000	1,000	1,000	5,118
C-000222	Fire Station 80 Renovation	-	-	-	293	2,700	2,993
C-000234	Fire Station 102 Renovation & Addition	-	-	-	-	545	545
C-000SAL	Salary Recovery	941	941	941	941	941	4,707
C-HARVEY	HFD HARVEY Restoration Projects	2,650	10,678	-	-	-	13,328
D-000073	Environmental Remediation	50	50	50	50	50	250
D-000174	City Hall - Drinking Fountains	319	-	-	-	-	319
D-000206	City Hall - Exterior Waterproofing	-	155	1,200	-	-	1,355
D-000214	City Hall Annex - Renovate Water System	777	56	-	-	-	833
D-000215	City Hall Annex - Replace Sanitary Line	983	22	-	-	-	1,005
D-000216	City Hall - Replace Sanitary Line	-	106	-	-	-	106
D-000218	City Hall - Fire Alarm and PA System	-	1,199	-	-	-	1,199
D-000219	City Hall - Renovate Water System	1,189	56	-	-	-	1,245
D-000220	City Hall Annex - Fire Alarm and PA Sys	-	1,540	-	-	-	1,540
D-000223	HVAC Replacements	600	870	500	500	500	2,970

FISCAL YEAR 2022-2026
ADOPTED CAPITAL IMPROVEMENT PLAN

Table 2. General Government Capital Maintenance Projects
All Funding Sources
FISCAL YEAR 2022-2026 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)

CIP No.	Project	Fiscal Year Planned Appropriations					2022-2026
		2022	2023	2024	2025	2026	
D-000224	Roof Replacements	2,800	721	-	-	-	3,521
D-000SAL	Salary Recovery	816	816	816	816	816	4,080
D-160010	MCD - Replacement Facility	20,105	79,365	-	-	-	99,470
D-650007	BARC Warehouse Replacement	-	103	1,693	-	-	1,796
D-HARVEY	GG HARVEY Restoration Projects	5,450	-	-	-	-	5,450
E-000163	Environmental Remediation	50	50	50	50	50	250
E-000236	HVAC Replacements	-	-	350	-	-	350
E-000240	Pleasantville HPL Express	251	-	-	-	-	251
E-000242	Roof Replacements & Envelope	563	500	500	500	-	2,063
E-000SAL	Salary Recovery	816	816	816	816	816	4,080
E-HARVEY	HPL HARVEY Restoration Projects	2,703	-	-	-	-	2,703
F-000509	Environmental Remediation	375	350	350	200	250	1,525
F-000640	Pavilion Replacements	-	42	1,760	1,867	710	4,379
F-000710	Parks Facilities Roof Replacements	320	320	320	500	500	1,961
F-000785	Edgewood Park Community Center	-	866	6,100	-	-	6,966
F-000848	Friendship Pavilion	682	-	-	-	-	682
F-000849	Restroom Building Upgrades	371	-	-	-	-	371
F-000856	Independence Heights Park and Comm	-	773	-	-	-	773
F-000861	Delce Pavilion Replacement	-	134	1,197	-	-	1,331
F-000862	Lift Station Renovations	-	228	-	-	-	228
F-000863	Bricker Pavilion Renovation	-	110	1,300	-	-	1,410
F-000864	Bissonnet Maintenance Facility	53	325	2,000	-	-	2,378
F-000865	Finnigan Pavilion Replacement	-	164	2,000	-	-	2,164
F-000866	Agnes Moffitt Park Pavilion Renovation	-	176	1,525	-	-	1,701
F-000880	Mason Park Roof Replacement	-	-	586	3,017	-	3,603
F-000896	Blueridge Park	-	-	-	-	65	65
F-000898	Hager Park	-	-	-	45	448	493
F-000902	Waldemar Park	-	-	-	-	135	135
F-000SAL	Salary Recovery	1,506	1,506	1,506	1,506	1,506	7,532
F-HARVEY	PRD HARVEY Restoration Projects	9,220	-	-	-	-	9,220
G-000128	Roof Replacement-Variou HPD Facilities	2,620	2,000	2,000	1,000	1,000	8,620
G-000144	Environmental Remediation	225	225	234	234	234	1,152
G-000150	Police Academy Improvements	608	808	-	-	-	1,416
G-000162	Mounted Patrol Site Improvements	-	432	-	-	-	432
G-000176	HVAC Replacements	789	800	800	700	800	3,889
G-000SAL	Salary Recovery	1,130	1,130	1,130	1,130	1,130	5,649
G-HARVEY	HPD HARVEY Restoration Projects	3,317	4,443	6,510	-	-	14,269
H-000018	Roof Replacement - Reconstruction	432	-	-	-	-	432
H-000063	HVAC & MEP Improvement Project	313	-	-	-	-	313
H-000080	Southwest MSC - Renovation	1,139	-	-	-	-	1,139
H-000093	Third Ward MSC & HC - Renovation	-	421	2,808	-	-	3,229
H-000094	West End HC - Renovation	2,777	-	-	-	-	2,777

FISCAL YEAR 2022-2026
ADOPTED CAPITAL IMPROVEMENT PLAN

Table 2. General Government Capital Maintenance Projects
All Funding Sources
FISCAL YEAR 2022-2026 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)

CIP No.	Project	Fiscal Year Planned Appropriations					2022-2026
		2022	2023	2024	2025	2026	
H-000095	West End MSC - Renovation	-	345	4,173	-	-	4,518
H-000106	La Nueva Casa HC - Renovation	-	407	2,774	-	-	3,181
H-000111	Environmental Remediation	100	100	100	100	100	500
H-000122	Riverside HC - Renovation	-	514	3,501	-	-	4,015
H-000423	Hiram Clarke MSC - Renovation	-	845	-	-	-	845
H-000424	Magnolia MSC - Renovation	-	1,107	-	-	-	1,107
H-000SAL	Salary Recovery	753	753	753	753	753	3,766
L-000048	Roof Replacements	240	268	-	-	-	508
L-000052	Environmental Services	434	100	200	200	200	1,134
L-000104	Occupancy Code Compliance	110	110	-	-	-	221
L-000105	Locker Room Upgrades - Svc Centers	212	42	-	-	-	255
L-000SAL	Salary Recovery	314	314	314	314	314	1,569
Total Appropriations:		84,688	119,952	53,537	19,078	32,074	309,330

6. Except as required by law or legal agreements, proceeds from the sale of land or other assets shall be designated to the General Fund; and except as required by law or legal agreements, no City bond covenants or similar agreements shall prohibit such designation or limit the use of such proceeds.

In Compliance

In Fiscal Year 2021 no major land sales occurred.

FISCAL YEAR 2022-2026
ADOPTED CAPITAL IMPROVEMENT PLAN

J. Debt Management Policies

5. 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***

GO debt service due does not exceed the GO debt service index.

<u>Fiscal Year</u>	<u>GO Debt Service Index</u>	<u>GO Projected Debt Service</u> ⁽¹⁾⁽²⁾
2021	394,341,482	394,341,482
2022	410,115,141	399,566,881
2023	426,519,747	409,457,248
2024	443,580,537	390,396,061
2025	461,323,758	353,109,808
2026	479,776,709	329,111,741
2027	498,967,777	329,789,844
2028	518,926,488	342,139,399
2029	539,683,548	338,418,907
2030	561,270,889	320,774,118
2031	583,721,725	328,059,692
2032	607,070,594	312,613,643
2033	631,353,418	263,903,297
2034	656,607,555	235,288,199
2035	682,871,857	276,121,552
2036	710,186,731	276,454,286
2037	738,594,200	272,594,622
2038	768,137,968	241,600,821
2039	798,863,487	250,888,298
2040	830,818,026	259,678,287
2041	864,050,747	292,413,493
2042	898,612,777	282,113,890
2043	934,557,288	294,342,314
2044	971,939,580	304,925,097
2045	1,010,817,163	314,228,221
2046	1,051,249,850	326,418,309
2047	1,093,299,844	336,856,250
2048	1,137,031,837	253,960,223
2049	1,182,513,111	259,504,426

(1) The schedule included in the 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 2026.

(2) Schedule provided by the City's financial advisor, Masterson Advisors LLC, on June 9, 2021.

FISCAL YEAR 2022-2026
ADOPTED CAPITAL IMPROVEMENT PLAN

Index of Funds

Program Group	Source of Funds
A-AVIATION FACILITIES	8000 - HAS-Grants
	8010 - HAS-Renewal & Replacement
	8011 - HAS-Airports Improvement
	REV BONDS/CP
C-FIRE PROTECTION FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4500 - Fire Consolidated Construction Fund
	Future Bond Election
D-GENERAL GOVERNMENT FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	1801 - Dangerous Building Consolidated Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4509 - General Improvement Consol Constr Fd
	Future Bond Election
E-LIBRARY FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4507 - Public Library Consolidated Constr Fund
F-PARKS AND RECREATION FACILITIES	2425 - Woodlands Regional Participation
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4502 - Parks Consolidated Construction Fund
G-POLICE FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4504 - Police Consolidated Construction Fund
	Future Bond Election
	TIRZ11
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 - DDSRF CAPITAL FUND-DRAINAGE CHARGE
	4046 - DDSRF CAPITAL FUND-AD VALOREM TAX
	4510 - Contribution for Capital Projects
	5000 - Federal Government - Grant Funded
	5430 - Federal State Local - HPW Pass thru DDSR
	8500 - HPW-W&S Syst Consolidated Constr Fd
N-STREET & TRAFFIC CONTROL	4040 - METRO Projects Construction - DDSRF
	4042 - DDSRF CAPITAL FUND-DRAINAGE CHARGE

FISCAL YEAR 2022-2026
ADOPTED CAPITAL IMPROVEMENT PLAN

	4046 - DDSRF CAPITAL FUND-AD VALOREM TAX
	4510 - Contribution for Capital Projects
	5430 - Federal State Local - HPW Pass thru DDSR
	8500 - HPW-W&S Syst Consolidated Constr Fd
P-HOMELESS & HOUSING FACILITIES	4501 - Homeless & Housing Consolidated Fund
R-WASTEWATER TREATMENT FACILITIES	8500 - HPW-W&S Syst Consolidated Constr Fd
S-WATER UTILITY SYSTEM FACILITIES	4042 - DDSRF CAPITAL FUND-DRAINAGE CHARGE
	5430 - Federal State Local - HPW Pass thru DDSR
	8500 - HPW-W&S Syst Consolidated Constr Fd
	8505 - Water Authorities Capital Contrib-NEWPP
	8509 - HPW-SETL Capital Contribution
	8510 - HPW-SETL Construction Fund
T-TIRZ - TAX INCREMENT REINVESTMENT ZONES	TIRZ01
	TIRZ01 COH Contrib.
	TIRZ02
	TIRZ02 Bonds
	TIRZ02 Grants
	TIRZ02 Other
	TIRZ03
	TIRZ03 COH Contrib.
	TIRZ05
	TIRZ05 COH Contrib.
	TIRZ05 Grants
	TIRZ07
	TIRZ07 Bonds
	TIRZ08
	TIRZ09
	TIRZ10
	TIRZ10 Grants
	TIRZ10 Other
	TIRZ11
	TIRZ11 Bonds
	TIRZ13
	TIRZ14
	TIRZ15
	TIRZ16
	TIRZ16 COH Contrib.
	TIRZ16 Other
	TIRZ17
	TIRZ17 COH Contrib.
	TIRZ17 Grants

FISCAL YEAR 2022-2026
ADOPTED CAPITAL IMPROVEMENT PLAN

	TIRZ18
	TIRZ19
	TIRZ19 Grants
	TIRZ19 Other
	TIRZ20
	TIRZ20 Grants
	TIRZ21
	TIRZ23
	TIRZ25
	TIRZ26
	TIRZ26 Other
	TIRZ27
	TIRZ27 Grants
W-FLEET	1800 - Equipment Acquisition Consolidated Fund
	2002 - Health Special Revenue
	2009 - Swimming Pool Safety
	2100 - Park Special Revenue Fund
	2302 - Stormwater Fund
	2311 - DDSRF-Ad Valorem Tax
	2423 - Special Waste Transportation & Inspect
	4500 - Fire Consolidated Construction Fund
	4504 - Police Consolidated Construction Fund
	8012 - HAS-AIF Capital Outlay
	8305 - HPW-Combined Utility System Gen Pur Fund
	8700 - ParkHouston
	Future Bond Election
X-INFORMATION TECHNOLOGY IMPROVEMENTS	1800 - Equipment Acquisition Consolidated Fund