

CAPITAL IMPROVEMENT PLAN SUMMARY

In November 1983, the City Council established a five-year capital improvement planning process for physical improvements to public facilities and infrastructure. 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 (CIP). 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 Capital Budget, and it is revised throughout the year as needs dictate or when changes are made to existing approved capital projects.

Presented in separate documents, the three-volume CIP provides a schedule for capital project implementation and anticipated project allocations. The CIP Executive Summary provides an overall summary of the five-year plan. Volume One includes details on capital projects that are funded primarily from public improvement bonds. Volume Two contains the enterprise fund capital programs which include capital projects primarily funded with user-fee supported revenue bonds.

Presented below is a summary of the planned appropriations for the FY2008-2012 CIP:

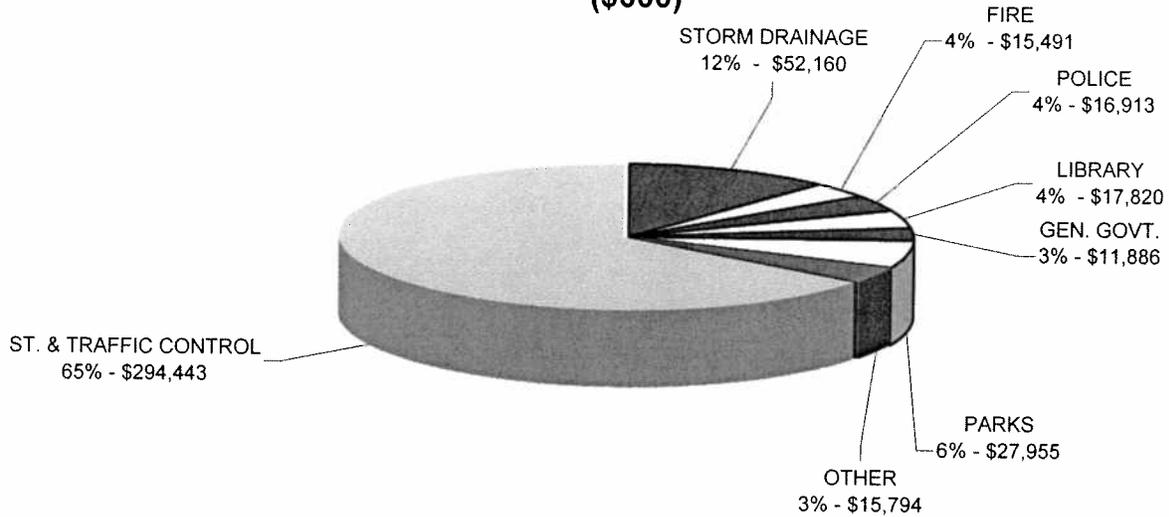
| | (Thousands) | | | | | |
|------------------------------------|------------------|----------------|----------------|------------------|----------------|------------------|
| <u>Public Improvement Programs</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>TOTAL</u> |
| Fire | 15,491 | 9,471 | 9,548 | 5,703 | 8,800 | 49,013 |
| Library | 17,820 | 21,278 | 12,252 | 9,500 | 7,544 | 68,394 |
| Parks | 27,955 | 31,741 | 13,437 | 15,500 | 10,000 | 98,633 |
| Police | 16,913 | 31,105 | 31,108 | 32,388 | 2,724 | 114,238 |
| Health | 4,503 | 3,480 | 2,965 | 6,875 | 2,800 | 20,623 |
| Solid Waste | 1,923 | 4,637 | 8,678 | 1,225 | 1,225 | 17,688 |
| General Government | 11,886 | 9,580 | 4,030 | 3,205 | 2,005 | 30,706 |
| Storm Drainage | 52,160 | 49,850 | 52,300 | 55,477 | 50,000 | 259,787 |
| Street & Traffic | 294,443 | 211,875 | 180,330 | 191,431 | 162,730 | 1,040,809 |
| Housing | <u>9,368</u> | <u>10,000</u> | <u>9,800</u> | <u>9,800</u> | <u>9,800</u> | <u>48,768</u> |
| SUB TOTAL | 452,462 | 383,017 | 324,448 | 331,104 | 257,628 | 1,748,659 |
| <u>Enterprise Programs</u> | | | | | | |
| Aviation | 411,991 | 219,290 | 267,009 | 562,220 | 274,018 | 1,734,528 |
| Convention & Ent. | 2,701 | 0 | 1,268 | 0 | 0 | 3,969 |
| Wastewater | 158,100 | 152,700 | 156,600 | 137,300 | 150,200 | 754,900 |
| Water | <u>165,900</u> | <u>113,850</u> | <u>98,800</u> | <u>116,000</u> | <u>123,350</u> | <u>617,900</u> |
| SUB TOTAL | 738,692 | 485,840 | 523,677 | 815,520 | 547,568 | 3,111,297 |
| TOTAL* | 1,191,154 | 868,857 | 848,125 | 1,146,624 | 805,196 | 4,859,956 |

* Tax Increment Reinvestment Zones (TIRZ) projects are not included.

The FY2008 Capital Budget calls for the appropriation of \$1,191 million in FY 2008. Of the total appropriations planned, \$739 million is for enterprise programs (Airport, Convention & Entertainment (C&E), Wastewater, and Water), and the remaining \$452 million addresses a full range of capital facility and infrastructure improvements that are primarily funded through the issuance of tax-supported Public Improvement Bonds (PIBs). The citizens of Houston approved a Bond Election for \$776 million in November 2001 and an additional \$625 million in November 2006. The public improvement programs include Fire, General Government, Library, Parks, Police, Health, Solid Waste Management, Storm Sewer, Streets and Traffic Control, and Housing projects.

Of the public improvement programs, the Streets and Traffic Control program is the largest with \$294 million of the planned appropriations in FY2008 (See Figure1) followed by the Storm Drainage with \$52 million and Parks with \$28 million of the FY2008 total.

FIGURE 1
FY2008 PUBLIC IMPROVEMENT PROGRAMS PLANNED APPROPRIATIONS
(\$'000)

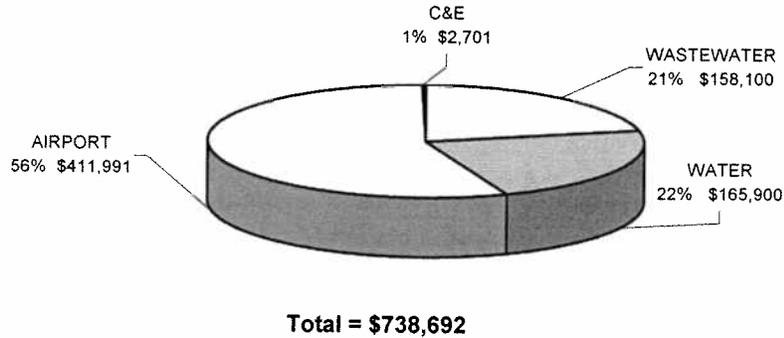


Total \$452,462

Significant projects in the public improvement programs include: continued rehabilitation and renovation of the branch library system through the "Libraries to Standard" program; continued implementation of the "Parks Master Plan" program; replacement of South Central Police station and design of the Prisoner Processing Center; replacement, rehabilitation and construction of fire stations; and replacement or upgrading of Solid Waste Facilities. In addition, the FY2008 plan calls for the renovation of the Health Department's laboratory, and the renovation of the Riverside Health Center. Emphasis is also placed on the construction of various drainage systems as well as neighborhood street reconstruction, paving and reconstruction of major thoroughfares and transit streets, bridge rehabilitation, street lighting improvements, railroad crossing improvements and continuation of the Safe School Sidewalk program.

The enterprise programs include projects that are primarily funded from user-fee supported revenue bonds (Airport, C&E, Wastewater, and Water). The enterprise capital programs for FY2008 totals \$739 million. This is distributed among the four programs as illustrated in Figure 2. Airport Facilities Improvements constitute the largest enterprise program and represents \$412 million of the planned appropriations. Wastewater Treatment Facilities represent \$158 million, Water System Improvements amount to \$166 million, while C&E projects comprise the remaining \$3 million.

**FIGURE 2
FY2008 ENTERPRISE PROGRAMS
PLANNED APPROPRIATIONS
(\$'000)**



The FY2008 Airport System Program continues to upgrade and expand the City's airports. It includes the continual upgrading and new construction of various facilities at Hobby, George Bush Intercontinental, and Ellington Field.

C&E anticipates a significant increase in convention business in the ensuing years. C&E plans include upgrading and maintaining some of the more prominent landmarks, creating attractions for clients and patrons, and alleviating safety concerns.

The major portion of the Wastewater Capital Improvement Program is planned for the Sewer Rehabilitation Program and improvements or renewal/replacement in Wastewater Treatment Plants. Consistent with this demand, the FY2008 CIP includes construction, rehabilitation, replacement and renewal of significant wastewater and enhancement related projects. The City's water system relies on both surface and groundwater supplies. Surface water is taken from Lake Conroe and Lake Houston in the San Jacinto River System and Lake Livingston in the Trinity River System. In aggregate, these supplies are sufficient to meet the City's expected water requirements well beyond the year 2035.

Water System Improvements include the construction phases of Surface Water Transmission, expansion and improvement of the East and Southeast Water Purification Plants, and the rehabilitation of groundwater facilities including wells, tanks, and pump stations to meet requirements of the Texas Commission on Environmental Quality.

Significant Enterprise capital projects to be undertaken in FY2008 include runway reconstruction at Hobby and upgrading airport security at all three airports. In addition, provisions are being made for the renewal/replacement of various components of Wastewater treatment and sludge processing facilities, citywide renewal/replacement of various deteriorated neighborhood sewer systems, and renewal/replacement of various pumps and lift stations.

Bond proceeds will provide most of the funding for these projects. Other funding sources which support the CIP include: Community Development Block Grants, Metropolitan Transit Authority funds, Harris County funds, Federal Aviation Administration funds, the Airport Improvement funds, Environmental Protection Agency funds, Texas Department of Transportation funds, and Airport, Wastewater, and Water Renewal and Replacement funds.

A Capital Improvement Plan Summary for FY2008 is presented in the following pages. It is a compilation of projects from the five-year CIP that have projects scheduled in FY2008 and the related operational cost planned for FY2009.

Capital improvement costs in this summary are classified into two categories: direct project costs and annual operational costs. FY2008 project costs are estimated and scheduled in the CIP. In light of current fiscal pressures, the impact of operating costs are being watched more closely. Purchases of land, facilities, construction, and initial equipment purchases to furnish new facilities are examples of project costs. Operating costs include staffing, maintenance costs and debt expenditures related to Tax Supported and Revenue bonds. The estimated FY2008 staffing and maintenance costs impact on the operating budget for newly opened City facilities are shown in the operating cost column of the summary. Projects that are completed in the current year may impact subsequent years' operational costs, which are reflected in the City's operating budget. Operating costs impact on the Operating Budget is viewed incrementally and displayed only in the year of startup of a facility (usually at the completion of a facility) and subsequently they become a normal cost of the Operating Budget unless there is an incremental increase above initial costs while the facility is included in the CIP.

The FY2008 debt service requirements (related to the CIP) are included in the operating budget. Tax Supported Bonds debt expenditures are budgeted for \$269,972,000 (page XIV-8). Revenue bonds debt expenditures are budgeted at \$144,864,838 for Aviation (page IX-3) \$20,048,458 for Convention and Entertainment (page IX-25) and \$287,058,100 for Combined Utilities System (page IX-53 and 86).

A number of projects in the current CIP have contributed to savings (reduced maintenance cost, improved efficiency & etc.) in the current and future budgets. An example of these projects are roof replacements and or other rehabilitations at various Fire, Library, Park, Health, Solid Waste, General Government, Storm Drainage, Street & Traffic Control, Aviation, Convention & Entertainment, Waste Water and Water Facilities.

Presented below are summarized operating costs (staffing & maintenance costs) related to the day-to-day operation of new facilities:

The Fire FY2008 Program additional operating costs of (\$5,488,000) are: (\$2,734,000) for a new fire station #24, (\$64,000) for a new replacement fire station #37, (\$1,399,000) for the new Down Town Fire Station and (\$1,291,000) for a new fire station in Summerwood. Operating costs (\$1,530,000) for the Library Program are planned for the Gregory School and Bracewell Neighborhood Libraries. Parks planned (\$423,000) operating costs (\$56,000) for Keith Wiess Park, (\$15,000) Memorial West Pocket Park, (\$220,000) Townwood Park, (\$112,000) Tony Marron Park, (\$145,000) the Hill at Sims Greenway, and (\$20,000) for Water Playgrounds. Police planned operating costs are (\$450,000) for the new Mounted Patrol Facility and (\$770,000) the new Property Room. The planned operating cost (\$910,000) for General Government Program is (\$80,000) for the Fifth Ward Multi Service Center Expansion, (\$551,000) for South Post Oak Multi-Service Center and (\$257,000) for Northeast Multi-Service Center and (\$22,000) for Denver Harbor Community Center.

| <u>Program</u> | <u>2008</u> |
|--------------------|---------------------|
| Fire | \$ 5,488,000 |
| Police | \$ 1,150,000 |
| Library | \$ 1,530,000 |
| General Government | \$ 910,000 |
| Parks | \$ 423,000 |
| Total | \$ 9,501,000 |

The Phase column (on the following pages) provides an indication of the type of project activity scheduled. Acquisition of land is represented with A, C indicates construction, D represents engineering or architectural design, E is for purchases of equipment, and O is for other activity. Civic Art projects are represented with R after the CIP number. For further information on these projects, please refer to the detailed five year CIP documents. In instances when multiple activities occur in the same year more than one code is shown in the phase column for example design and construction occurs in the same year for a project, the phase column would include a DC code.