



City of Houston

Long Range Financial Management Task Force

Debt and Capital Projects

December 12, 2011



Total Outstanding Debt

(\$ in Thousands)

	Sep. 30, 2011	Sep. 30, 2010	YOY Change
Payable from Property Taxes	3,455,225	3,398,925	56,300
Combined Utility System	5,998,492	5,871,790	126,702
Airport System	2,975,520	3,058,655	(83,135)
Hotel Occupancy Tax	646,467	621,403	25,064
	13,075,704	12,950,773	124,931



Credit Ratings

	S&P	Moody's	Fitch
Payable from Property Taxes	AA	Aa2	AA
Combined Utility System			
Junior Lien	AA+	Aa2	AA
First Lien	AA	Aa2	AA-
Airport System			
First Lien	AA-	Aa3	NR
Second Lien	A	A2	A+
Hotel Occupancy Tax	A-	A2	NR

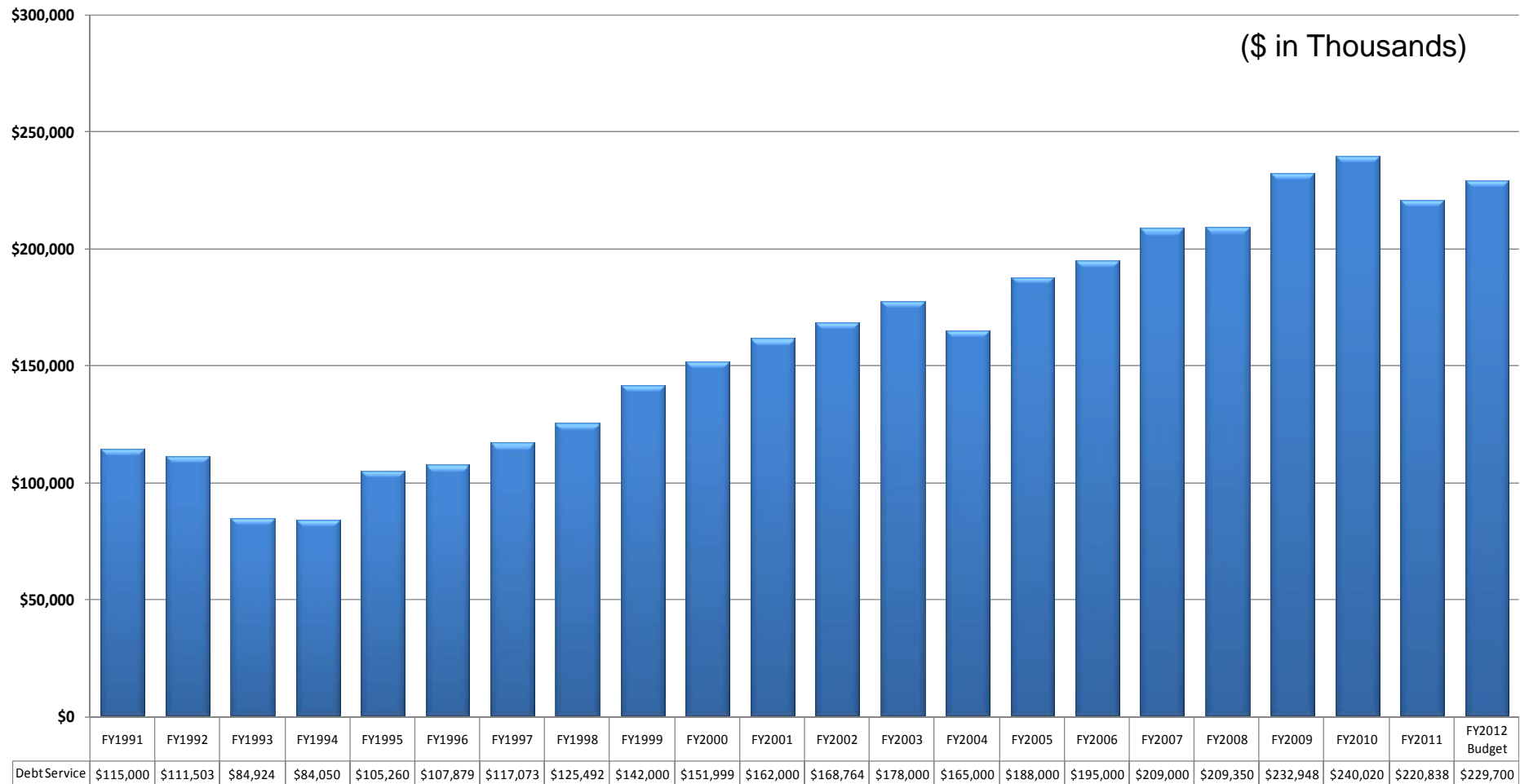


General Obligation Debt

	(\$ in Thousands)		
	Sep. 30, 2011	Sep. 30, 2010	YOY Change
Public Improvement Bonds	2,468,160	2,319,930	148,230
Pension Obligations	607,625	607,625	0
Certificates of Obligation	75,990	79,870	(3,880)
Commercial Paper Notes	303,450	391,500	(88,050)
	3,455,225	3,398,925	56,300



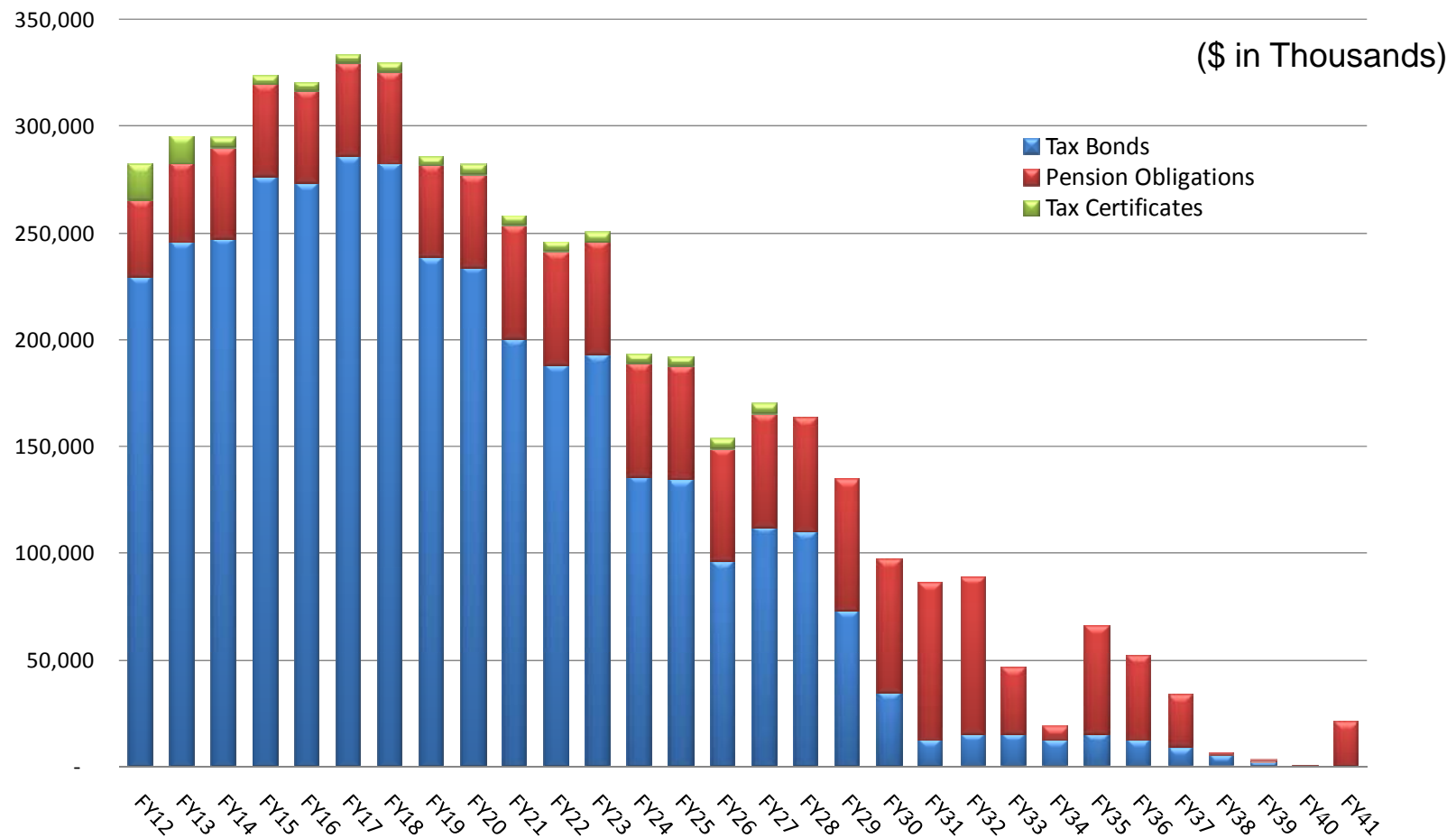
General Fund Debt Service Transfer History





General Obligation Debt Service

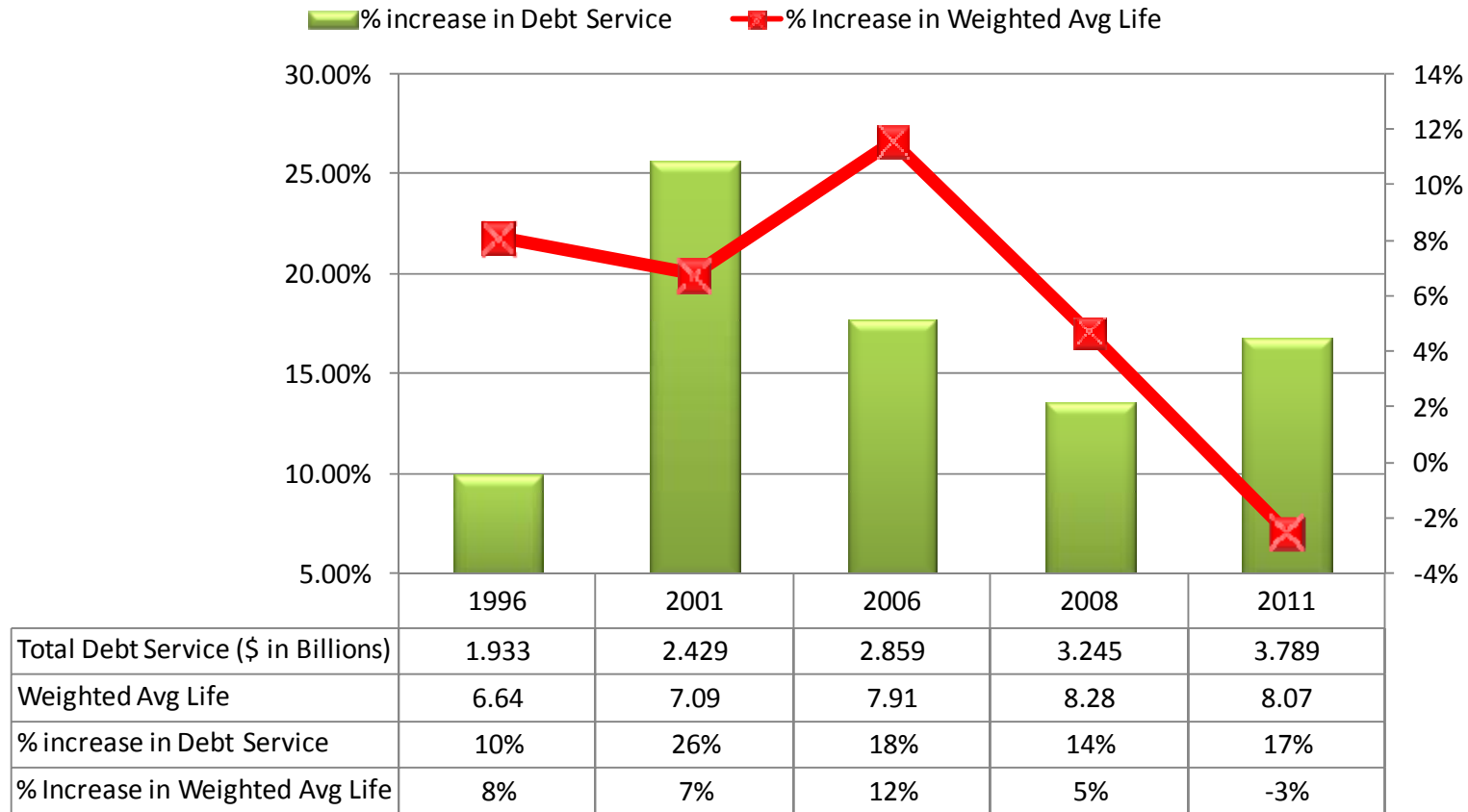
(existing debt)



• Tax Bond payments total \$3,699,124,480, Pension Obligation payments total \$1,241,346,828, Tax Certificate payments total \$89,958,840



Debt Service Payable from Ad Valorem Taxes



- Excluding Pension Obligation Bonds
- Note: Starting October 2011, the weighted average life of debt service has reduced as debt service increased.

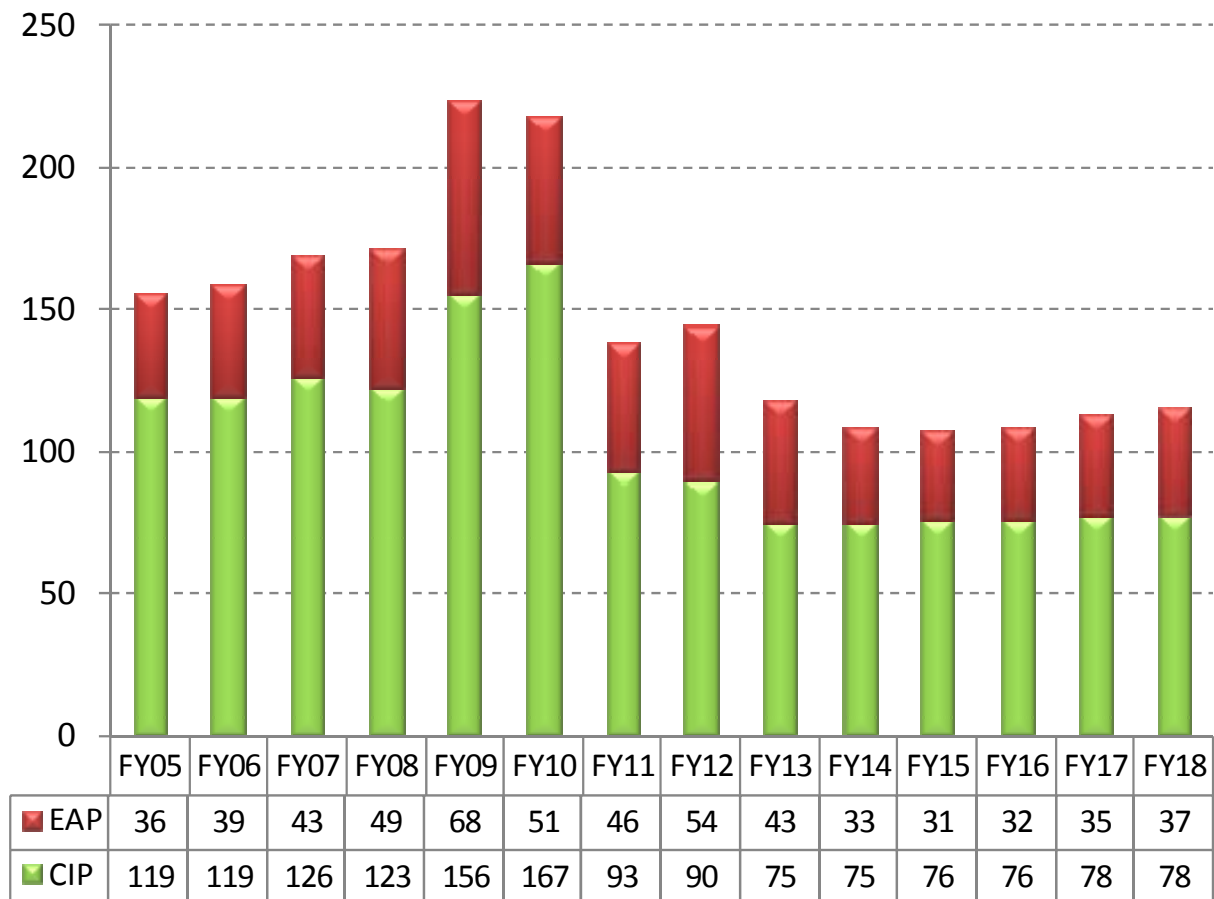


Debt Service Key Points

- The City's 2011 tax rate is \$0.63875 per \$100 assessed value, broken down as follows:
 - Operations and Maintenance = \$0.465635
 - Debt Service = \$0.173115
 - \$0.118 goes to pay for debt service associated to drainage and street projects
 - The remaining \$0.055115 will fund debt service for items such as:
 - Capital Improvement Plan
 - Equipment Acquisition Plan (IT and Rolling Stock)
 - Existing Debt (Tax Bonds, Certificates of Obligation, Commercial Paper, etc)



Capital Improvement Program & Equipment Acquisition Plan Spending



• Figures represent Public Improvement Bond funding only.



Bond Election History

(\$ in Thousands)

	1991	1997	2001	2006	2012**
Streets & Drainage	314,730	350,000	474,000	320,000	0
Parks & Recreation	20,300	30,000	80,000	55,000	?
Public Safety	40,750	53,160	82,000	135,000	?
General Improvement *	97,020	91,840	80,000	60,000	?
Public Libraries	7,200	0	40,000	37,000	?
Low Income Housing	20,000	20,000	20,000	18,000	?
TOTALS	500,000	545,000	776,000	625,000	?

* This designation includes Public Health & Solid Waste Management.

** To be determined



Bond Authorization Status

(\$ in Thousands)	
Category	Unappropriated Available Balance*
Streets, Bridges, Traffic Control Storm Sewers & Drainage	188,400
Parks & Recreation	18,563
Police and Fire	86,114
Permanent & General Improvement**	21,923
Public Libraries	9,296
Low Income Housing	21,808
Total	346,104

* Available balance as of 06/30/2011

** Includes Public Health & Solid Waste Management



Bond Authorization Status

Police

- Current projections have enough capacity to last until early FY2015.
- The Radio Project and Proposed Processing Center take up the majority of available capacity remaining of \$70 million.

Fire

- Current projections have enough capacity to last until the end FY2013, with a current capacity of \$16 million.
- Average fire station renovation or expansion cost about \$1-2 million per station.

Permanent & General Government

- Approximately \$22 million remaining and is allocated among 3 programs (Gen Govt, Health, and Solid Waste) over Fiscal Year 2012 and 2013.
- Average of \$3.5 million per program per year which will be nearly depleted by the end of FY2013 for all 3 programs.

Public Libraries

- Approximately \$9.2 million remaining, which is projected to be depleted by the end FY2013.
- Average cost to renovate a library is about \$6.7 million.

Parks and Recreation

- Approximately \$18.5 million remaining, which is projected to be depleted by the end FY2013.

Low Income Housing

- Approximately \$21 million remaining, which is in good standing at a rate of approximately \$3 million per year.



Current Capital Improvement Plan

(\$ in Thousands)

Department	FY2012	FY2013	FY2014	FY2015	FY2016	Total
Fire	5,137	10,575	11,725	10,725	10,825	48,987
Gen. Gov't.	4,972	2,645	2,125	2,275	2,250	14,267
Health	7,578	1,300	3,979	5,700	5,700	24,257
Housing	3,000	3,000	3,000	3,000	3,000	15,000
Library	2,220	7,350	7,791	8,150	8,570	34,081
Parks	7,810	15,075	13,512	10,200	10,225	56,822
Police	7,432	37,185	23,450	28,275	14,245	110,587
Solid Waste	3,363	1,134	3,766	2,100	2,975	13,338
Grand Total:	41,512	78,264	69,348	70,425	57,790	317,339

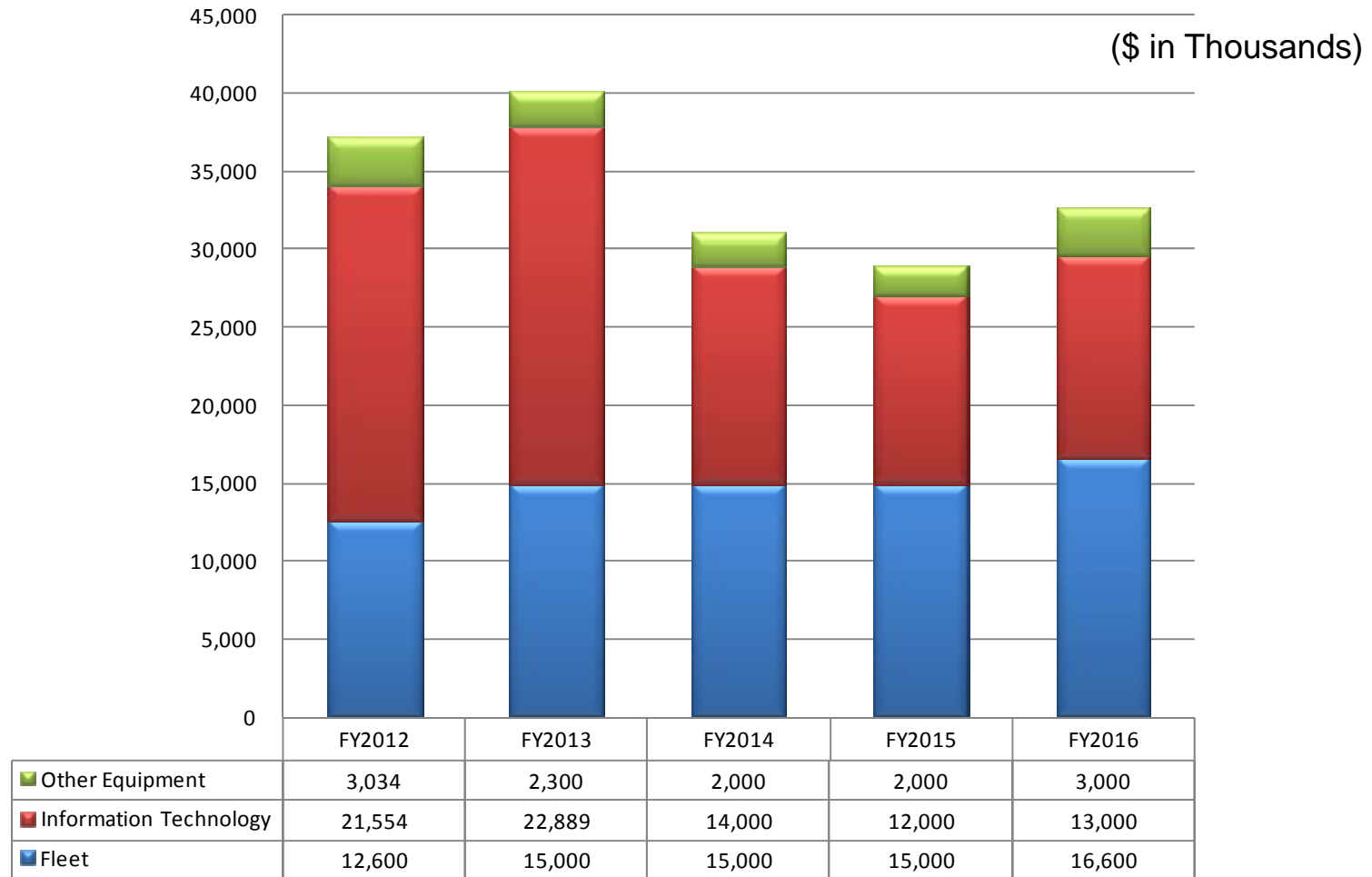
Some of the major Capital Improvements include:

- Citywide public safety radio communication upgrade , 1 police station replacement , 3 new fire stations, 11 fire station renovations, 3 fire station expansions, replacement of one health/multi service center, 1 new library, 4 major library renovations, and 9 major park renovations.

- Figures represent Public Improvement Bond funding only.
- Figures in red represent funding from future bond election.



Current Equipment Acquisition Plan



- Figures for FY2013 and forward represent projected funding.



DDSRF Captured Ad Valorem Tax Revenue

- The Dedicated Drainage and Street Renewal Fund (DDSRF) was established in FY2012 as a pay-as-you-go source of funding for the City's drainage and streets.
- DDSRF cannot be used to pay debt service and shall be funded annually by:
 - Developer impact fees
 - Drainage fees
 - Grants and proceeds from third party contracts
 - Captured ad valorem tax revenue (an amount equivalent to proceeds from \$0.118 of the City's ad valorem tax levy minus an amount equal to debt service for drainage and streets)
- On average, drainage and streets debt service amount has constituted approximately 68% of the total tax bond debt service.
 - The \$0.118 amount is the portion of the debt service tax rate (currently at \$0.158041) which is required to pay the associated debt service.
 - Over time as the debt is paid off, the increment will grow as captured ad valorem tax revenues, to be used for future drainage and street projects.



Key Points

- General Obligation debt ratings are good, but we need to demonstrate significant progress in FY2013 budget towards resolving structural financial issues. Funding issues must be solved in the near-term, not the long-term.
- Current capital, equipment, and technology spending plans are based on affordability and maintaining the status quo. Even with lower spending plans going forward, the City's ability to repay debt and afford that level of spending is an issue due to increasing expenditures and insufficient revenues.
- The financial forecast model may need to accommodate a higher level of capital spending once facilities, fleet, and information technology assessments are complete. This would further exacerbate the City's funding issues.