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**FISCAL YEAR 2019 - 2023**  
**ADOPTED CAPITAL IMPROVEMENT PLAN**

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## **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. The most recent update was adopted by City Council (Ordinance 2018-0390) in May 2018.

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; 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.

## **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 2019 – 2023 Capital Improvement Plan was adopted by City Council on June 27, 2018.**

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 2019 – 2023 Capital Improvement Plan includes the 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. For the first time, the Fiscal Year 2019 – 2023 Adopted CIP includes both Aviation and Houston Public Works operational impacts.**

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***

**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.**

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***

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

Capital Maintenance Projects	(\$ Thousands)	% of Total CRV **
FY2019*	100,666	4.5%
FY2020*	78,752	3.5%
FY2021*	29,264	1.3%
FY2022*	16,565	0.7%
FY2023*	18,670	0.8%
Annual Average	<b>48,783</b>	<b>2.2%</b>

\*See Table 2 for further details.

\*\*Planned appropriations on capital maintenance projects above 2.0% will help reduce existing deferred maintenance. CRV is \$2,254,593,000 and is based on 2018 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**

**2019 - 2023 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)**

CIP No.	Project	Fiscal Year Planned Appropriations					2019-2023
		2019	2020	2021	2022	2023	
C-000181	Fire Station 40 Replacement	-	-	-	-	-	901 901
C-000185	Environmental Remediation	122	100	100	200	200	722
C-000196	Fire Station 16 Renovation	-	52	1,494	-	-	1,546
C-000200	Fire Station 64 Renovation	-	53	1,763	-	-	1,816
C-000201	Fire Station 70 Renovation	-	-	-	-	55	55
C-000203	Fire Station 19 Renovation	1,463	-	-	-	-	1,463
C-000211	Fire Station 17 Renovation	1,808	-	-	-	-	1,808
C-000217	HVAC Replacements	550	-	550	-	550	1,650
C-000219	Fire Station 80 Foundation	-	-	696	-	-	696
C-000220	Fire Facilities Roof Replacements	1,000	1,000	1,000	1,000	1,000	5,000
C-000221	Fire Station 65 Renovation	-	-	-	-	54	54
C-000222	Fire Station 80 Renovation	-	-	-	-	56	56
C-HARVEY	HFD HARVEY Restoration Projects	1,787	9,885	-	-	-	11,672
D-000073	Environmental Remediation	50	50	50	50	50	250
D-000166	City Hall Annex - Garage Waterproofing	-	-	-	765	-	765
D-000174	City Hall - Drinking Fountains	-	-	-	319	-	319
D-000180	Alief MSC, Community Center and Library	51,630	-	-	-	-	51,630
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	-	-	-	481	-	481
D-000193	City Hall- Replace TV Lights and Ceiling	-	-	-	-	285	285
D-000198	City Hall Annex - Restroom Renovations	650	-	-	-	-	650
D-000206	City Hall - Exterior Waterproofing	-	-	-	-	155	155
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

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**Table 2. General Government Capital Maintenance Projects**  
**All Funding Sources**  
**2019 - 2023 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)**

CIP No.	Project	Fiscal Year Planned Appropriations					2019-2023
		2019	2020	2021	2022	2023	
D-000218	City Hall - Fire Alarm and PA System	0	-	-	-	-	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	-	154	378	379	378	1,289
D-000224	Roof Replacements	-	433	-	1,759	721	2,913
D-160003	Renovation of MCD space	445	-	-	-	1,030	1,475
D-650006	BARC Sanitary Line Replacement	-	-	-	-	633	633
D-650007	BARC Warehouse Replacement	-	-	-	-	103	103
D-HARVEY	GG HARVEY Restoration Projects	15,246	8,999	-	-	-	24,245
E-000163	Environmental Remediation	50	50	50	-	-	150
F-000509	Environmental Projects	350	350	350	325	350	1,725
F-000710	Parks Facilities Roof Replacements	690	327	1,407	320	320	3,065
F-000783	Sharpsburg Pool Replacement and Bldg	-	1,000	1,000	-	-	2,000
F-000784	Lee LeClear Tennis Center Improvement	376	2,000	3,000	-	-	5,376
F-000785	Edgewood Park Community Center	956	-	-	-	866	1,822
F-000849	Restroom Building Upgrades	300	-	106	371	-	777
F-000864	Bissonnet Maintenance Facility	-	-	-	53	325	378
F-HARVEY	PRD HARVEY Restoration Projects	4,573	1,000	-	-	-	5,573
G-000128	Roof Replacement-Various HPD Facilities	3,286	-	5,521	-	-	8,807
G-000144	Environmental Services	211	533	533	333	200	1,810
G-000150	Police Academy Improvements	-	-	-	1,108	808	1,916
G-000153	Facility Paving Improvements	300	440	100	100	100	1,040
G-000158	Air Support - ADA & MEP Renovation	-	614	-	-	-	614
G-000162	Mounted Patrol Site Improvements	-	-	-	-	782	782
G-000164	Westside Command Station Improvements	299	699	-	-	-	998
G-000176	HVAC Replacements	500	833	833	-	800	2,966
G-000180	Police Headquarters Fire Safety System	-	650	-	-	-	650
G-000184	Office Renovations	-	-	-	-	710	710
G-000186	McNair S. Central Station Roof	313	-	-	-	-	313
G-000188	HPD HQ Garage Waterproofing	59	659	-	-	-	718
G-000190	NE Police Station Renovation	1,350	-	-	-	-	1,350
G-HARVEY	HPD HARVEY Restoration Projects	6,906	22,900	690	560	-	31,056
H-000018	Roof Replacement - Reconstruction	-	432	-	432	-	865
H-000063	HVAC & MEP Improvement Project	-	313	-	313	-	625
H-000080	Southwest MSC - Renovation	-	-	171	1,139	-	1,310
H-000084	Northeast MSC Renovation	-	228	1,519	-	-	1,747
H-000086	Kashmere MSC Renovation	912	-	-	-	-	912
H-000091	Sunnyside MSC/HC	1,846	23,069	-	-	-	24,915
H-000093	Third Ward MSC & HC - Renovation	-	-	-	-	421	421
H-000094	West End HC - Renovation	-	-	235	2,777	-	3,012
H-000095	West End MSC - Renovation	-	-	-	-	345	345
H-000096	Fifth Ward MSC - Foundation, Roof	-	342	3,415	-	-	3,757

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**Table 2. General Government Capital Maintenance Projects**  
**All Funding Sources**  
**2019 - 2023 ADOPTED CAPITAL IMPROVEMENT PLAN (\$ Thousands)**

CIP No.	Project	Fiscal Year Planned Appropriations					2019-2023
		2019	2020	2021	2022	2023	
H-000101	Denver Harbor MSC - Rehab	1,180	-	-	-	-	1,180
H-000106	La Nueva Casa HC - Renovation	-	-	-	-	407	407
H-000111	Environmental Services	100	100	100	100	100	500
H-000122	Riverside HC - Renovation	-	-	-	-	514	514
H-000123	Denver Harbor MSC - Renovation	-	123	2,452	-	-	2,575
H-000124	Vital Statistics Redesign	-	86	575	-	-	661
H-000423	Hiram Clarke MSC - Renovation	-	-	-	-	845	845
H-000424	Magnolia MSCC - Renovation	-	-	-	-	1,107	1,107
L-000048	Roof Replacements	135	661	367	240	268	1,671
L-000052	Environmental Services	100	267	267	167	100	901
L-000104	Occupancy Code Compliance	-	-	330	110	110	551
L-000105	Locker Room Upgrades - Svc Centers	-	-	212	212	42	467
<b>Total Appropriations:</b>		<b>100,666</b>	<b>78,752</b>	<b>29,264</b>	<b>16,565</b>	<b>18,670</b>	<b>243,917</b>

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***

**No proceeds from the sale of land or other assets have been designated.**

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**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***

<u>Fiscal Year</u>	<u>GO Debt Service Index</u>	<u>GO Projected Debt Service</u> <sup>(1)(2)(3)</sup>
2018	364,956,625	364,956,625
2019	379,554,890	430,339,548
2020	394,737,085	405,215,549
2021	410,526,569	410,024,031
2022	426,947,632	392,997,815
2023	444,025,537	371,762,106
2024	461,786,558	361,124,020
2025	480,258,021	332,889,264
2026	499,468,342	328,061,249
2027	519,447,075	349,792,359
2028	540,224,958	357,452,368
2029	561,833,957	353,614,103
2030	584,307,315	334,133,708
2031	607,679,607	335,335,385
2032	631,986,792	323,881,181
2033	657,266,263	275,228,819
2034	683,556,914	249,593,095
2035	710,899,190	293,948,213
2036	739,335,158	292,766,164
2037	768,908,564	286,706,859
2038	799,664,907	256,215,962
2039	831,651,503	265,996,092
2040	864,917,563	276,052,311
2041	899,514,266	309,333,815
2042	935,494,836	301,592,392
2043	972,914,630	312,326,459
2044	1,011,831,215	319,628,391
2045	1,052,304,464	328,033,220
2046	1,094,396,642	334,332,924
2047	1,138,172,508	342,249,438

(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 2023.

(2) Schedule provided by the City's financial advisor, Hilltop Securities Inc., on June 14, 2018

(3) The FY2019 through FY2021 GO Debt Service Due exceeds the GO Debt Service Index due to the issuance of the Series 2017 Pension Obligation Bonds. FY2019 GO Debt Service Due includes the portion payable by the Houston Airport System for the system's share of the Series 2017 Pension Obligation Bonds in the amount of \$28.2 million, which was transferred to the General Obligation debt service reserve fund in December 2017. Even without that transfer, the amount due in excess of the index is more than offset by the costs avoided on the City's pension contribution as a percent of payroll that would have been owed without pension reform.

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**Index of Funds**

<b>Program Group</b>	<b>Source of Funds</b>
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
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4500 - Fire Consolidated Construction Fund
D-GENERAL GOVERNMENT FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	1801 - Dangerous Building Consolidated Fund
	1850 - Reimbursement of Equipment/Projects Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4502 - Parks Consolidated Construction Fund
	4507 - Public Library Consolidated Constr Fund
	4508 - Public Health Consolidated Constr Fund
	4509 - General Improvement Consol Constr Fd
E-LIBRARY FACILITIES	4507 - Public Library Consolidated Constr Fund
F-PARKS AND RECREATION FACILITIES	4035 - Parks & Recreation Dedication Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4502 - Parks Consolidated Construction Fund
	5010 State - Grant Funded
	Frds Of Lee LeClear - Friends of Lee LeClear
	HPB Fundraising - Houston Parks Board Fundraising
	Private Funding
	Proposed HGAC
	TIRZ - Tax Increment Reinvestment Zone
G-POLICE FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4504 - Police Consolidated Construction Fund
	Grants
	TIRZ - Tax Increment Reinvestment Zone
H-PUBLIC HEALTH FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4508 - Public Health Consolidated Constr Fund
L-SOLID WASTE FACILITIES	1800 - Equipment Acquisition Consolidated Fund
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4503 - Solid Waste Consolidated Construction Fd
M-STORM DRAINAGE SYSTEM	4042 - Street & Trfc Control & Strm Drain DDSRF
	5000 - Federal Government - Grant Funded
	5430 - Federal State Local - HPW Pass thru DDSR

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	8500 - HPW-W&S Syst Consolidated Constr Fd
N-STREET & TRAFFIC CONTROL	4040A - Metro Construction - Other
	4040 - METRO Projects Construction - DDSRF
	4042 - Street & Trfc Control & Strm Drain DDSRF
	4510 - Contribution for Capital Projects
	5430 - Federal State Local - HPW Pass thru DDSR
	8500 - HPW-W&S Syst Consolidated Constr Fd
	TXDOT - 9999
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	8319 - HPW-W & S Contributed CAP
	8500 - HPW-W&S Syst Consolidated Constr Fd
	8505 Prop W&S Cont.
	8506 Proposed TWDB
	8507 Water Auth NETL
	8508 HPW NETL Constr
	8509 Water Auth SETL
	8510 HPW SETL Constr
T-TIRZ - TAX INCREMENT REINVESTMENT	TIRZ01
	TIRZ02
	TIRZ02 Bonds
	TIRZ03
	TIRZ05
	TIRZ05 Grants
	TIRZ07
	TIRZ07 Grants
	TIRZ08
	TIRZ09
	TIRZ10
	TIRZ10 COH Contrib.
	TIRZ10 Grants
	TIRZ11
	TIRZ13
	TIRZ14
	TIRZ15
	TIRZ16
	TIRZ16 Grants
	TIRZ17
	TIRZ17 Grants
	TIRZ18
	TIRZ19
	TIRZ19 Grants

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	TIRZ19 Other
	TIRZ20
	TIRZ23
W-FLEET	1011 - Workers Compensation Admin Fund
	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
	4039 - Misc Cap. Projects/Acquisitions CP Ser E
	4500 - Fire Consolidated Construction Fund
	4504 - Police Consolidated Construction Fund
	8012 - HAS-AIF Capital Outlay
	8305 - HPW-Combined Utility System Gen Pur Fund
	8700 - Parking Management Operating Fund
	9002 - Fleet/Equipment Special Revenue
X-INFORMATION TECHNOLOGY	1800 - Equipment Acquisition Consolidated Fund