



# Finance Department

## **Presentation to the City of Houston Joint Budget and Fiscal Affairs and Labor Committee**

Houston Fire Settlement and CBA  
Financial Update

April 30, 2024

Presented by:

Melissa Dubowski – Chief Business Officer and Director of Finance



# Funding the Settlement Agreement



# Series 2024 Refunding Bonds

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System: General Obligation

New Money or Refunding?: Refunding of Obligation

Bond Proceeds: \$655 million

Use of the Debt Proceeds: Settlement with Local 341

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Revenue Source Securing Debt: Ad Valorem Property Taxes

Estimated Weighted Average Life of 2024 Bonds: 19.6 Years

Estimated Change to the Weighted Average Life of  
Debt Being Refunded : N/A

Estimated Net Present Value Savings: N/A

Estimated Percentage Savings: N/A

Estimated True Interest Cost (%): 4.25%

Anticipated Council Agenda Date: TBD

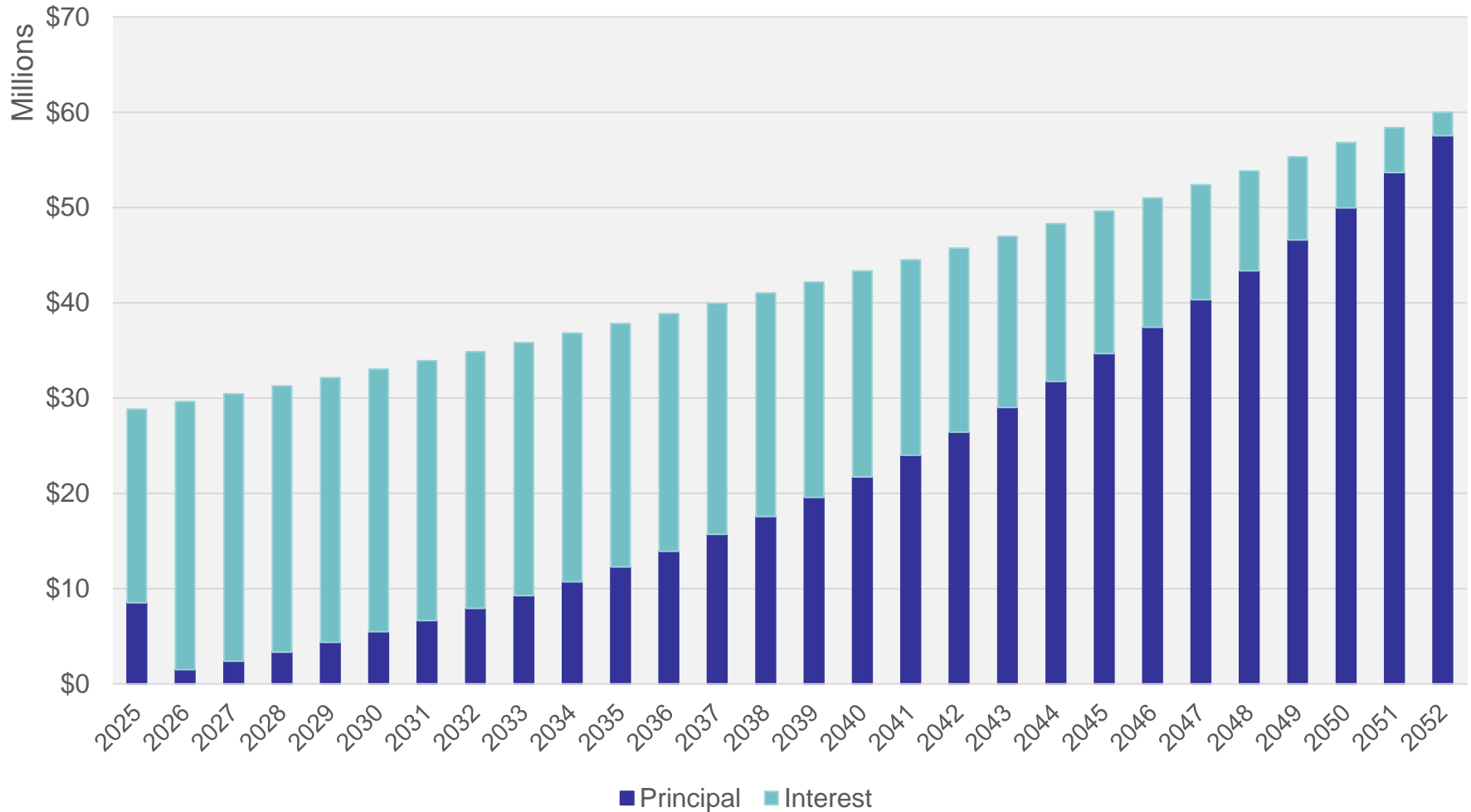
Anticipated Date of Pricing: TBD

Anticipated Date Closing: TBD

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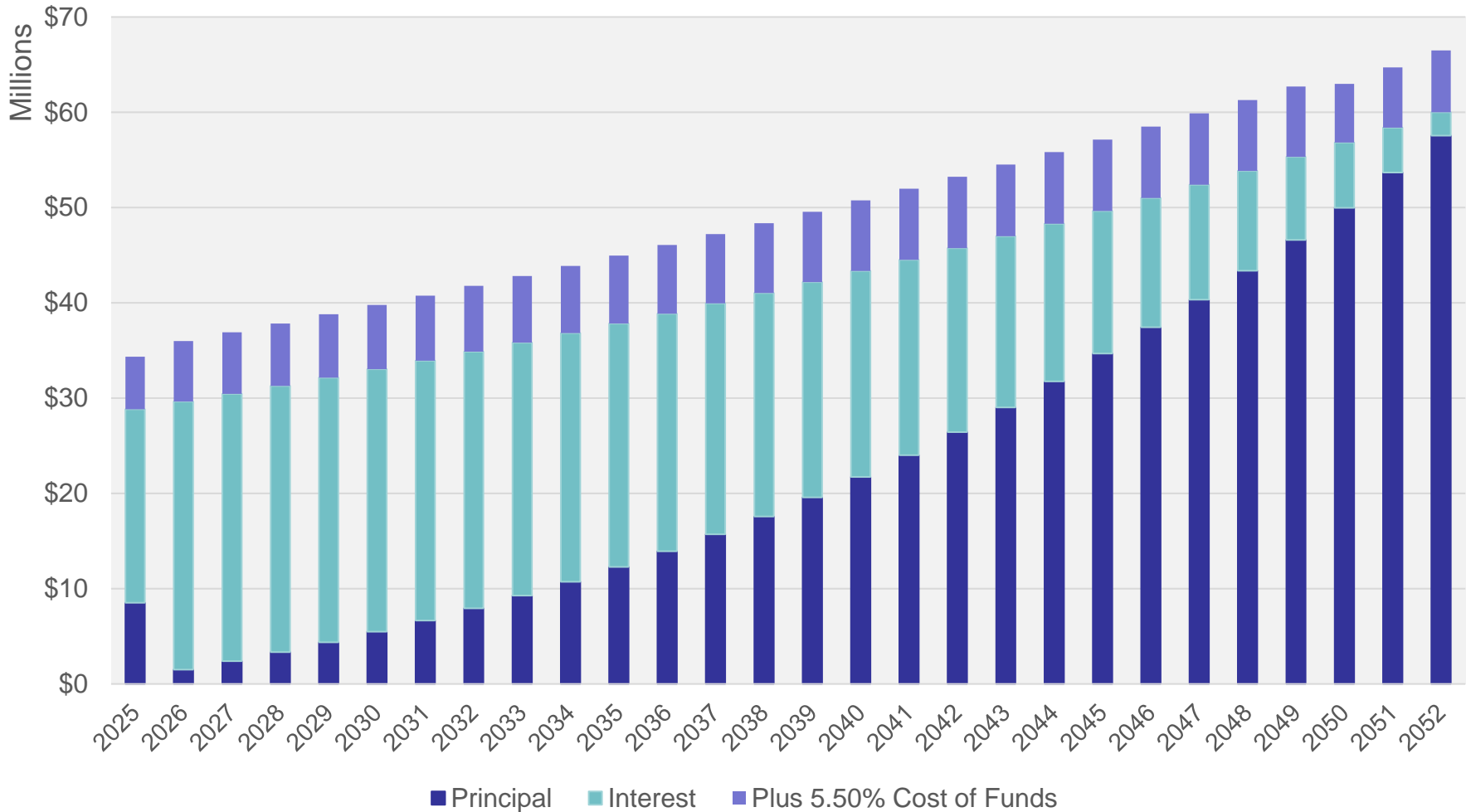
# 2024 Refunding Bond Debt Service - Baseline



All figures are subject to market adjustments. Market rates assume (Aa3/AA-/AA) ratings as of March 27, 2024.



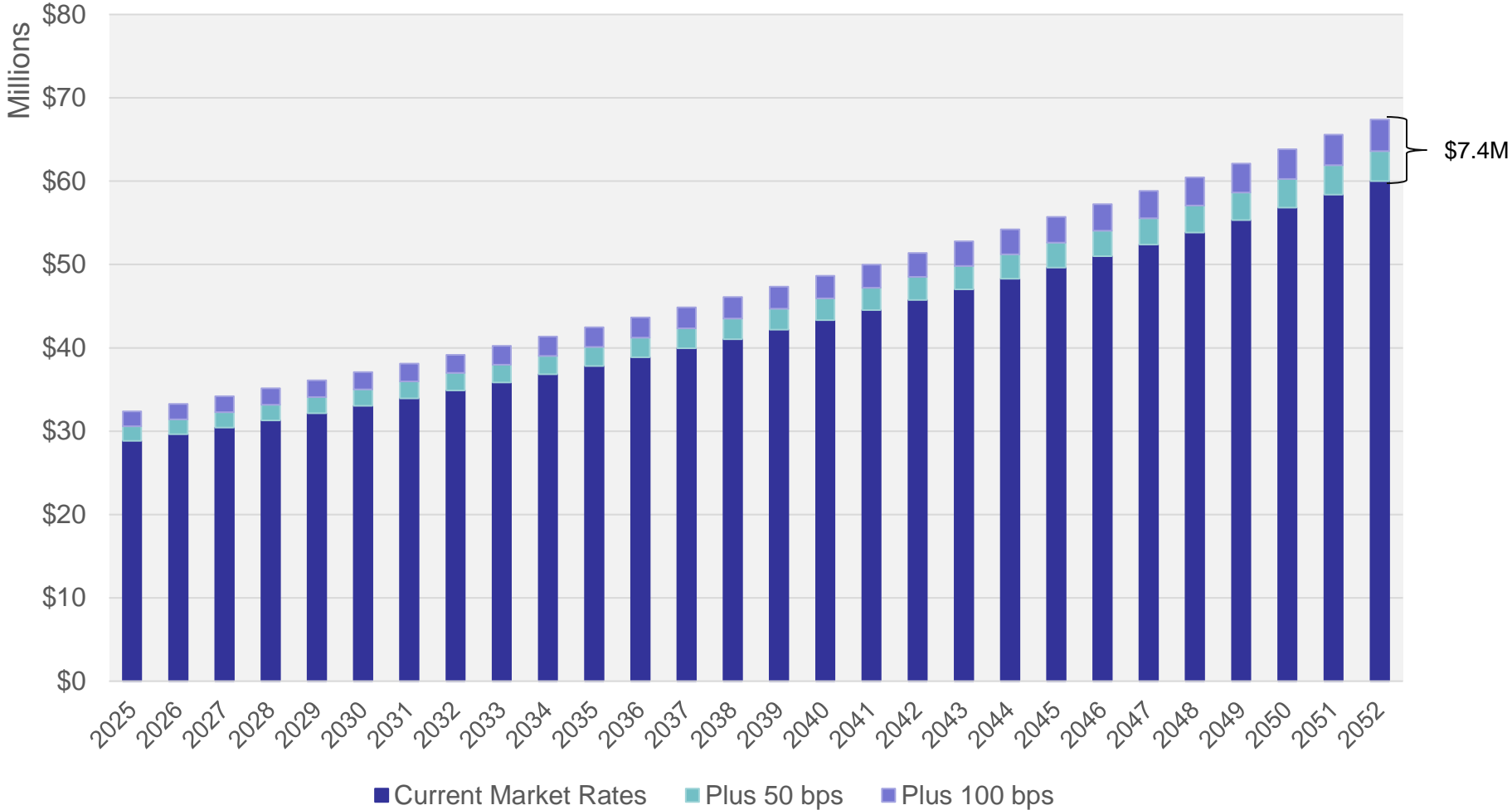
# 2024 Refunding Bond Debt Service – 5.50% Cost of Funds



All figures are subject to market adjustments. Market rates assume (Aa3/AA-/AA) ratings as of March 27, 2024.



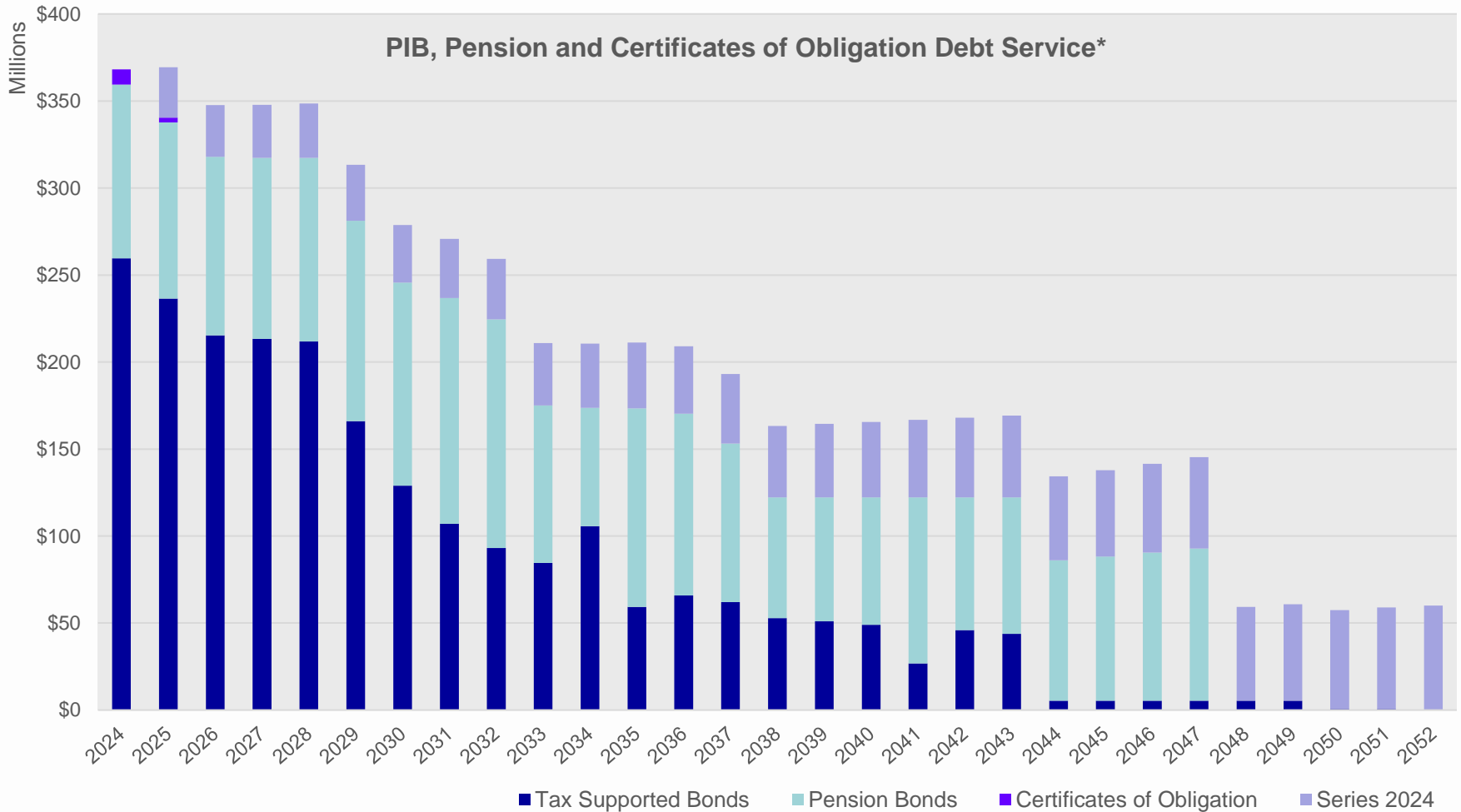
# 2024 Debt Service plus 50 & 100 bps



All figures are subject to market adjustments. Market rates assume (Aa3/AA-/AA) ratings as of March 27, 2024.



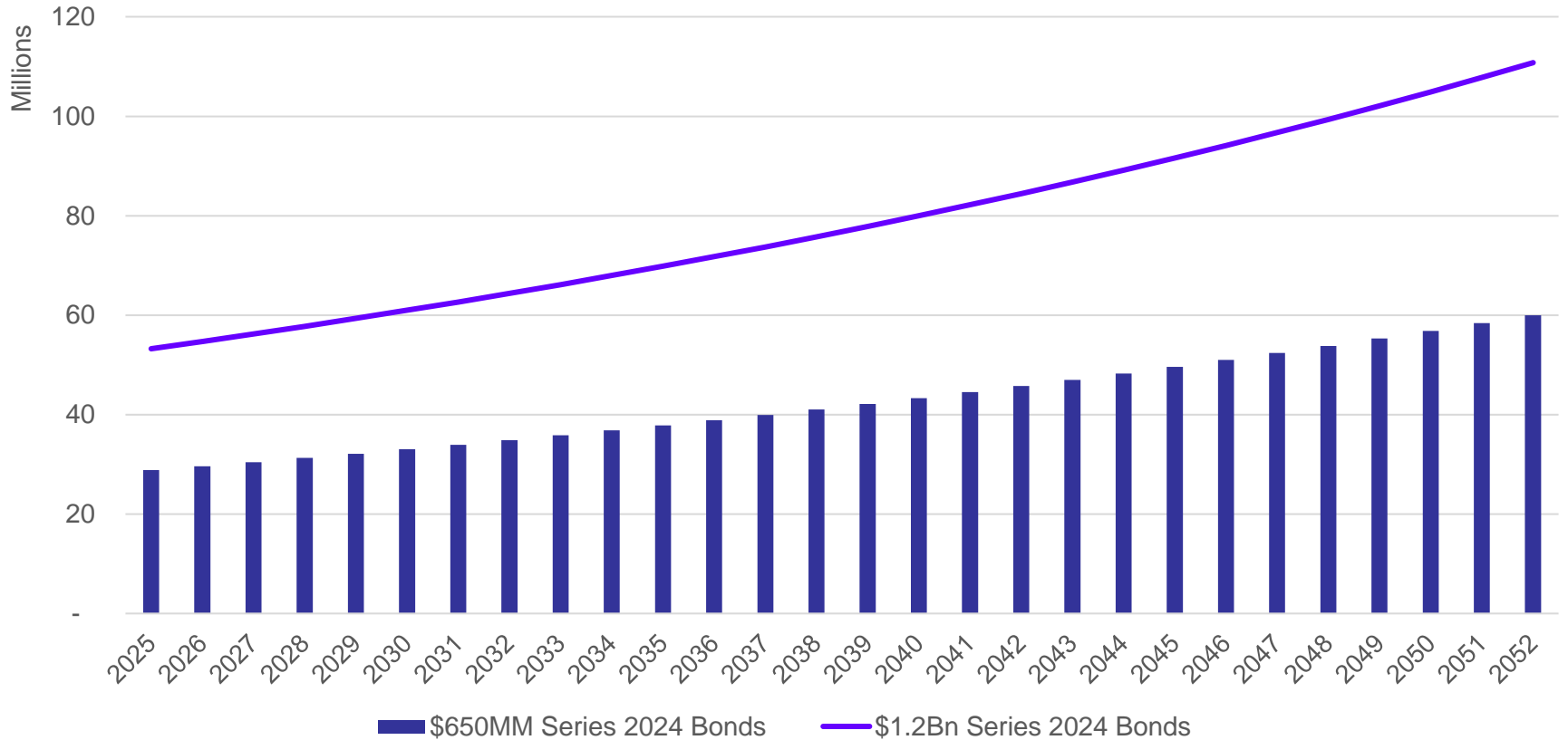
# Pro forma GO Debt Service – Post 2024 Refunding Bonds



- 2024 Bonds figures are subject to market adjustments. Assumes (Aa3/AA-/AA) ratings and market rates as of March 27, 2024. **DOES NOT include future issuances.**



# Cost Avoided







# Financial Policies

## Potential Impacts:

- Issuing over \$650 million in bonds could impact compliance with the City's financial policies related to debt
  - J.2. Debt Service Fund Balance: may need to increase debt service reserve amount
  - J.5. Debt Service Index: if exceed 4% annual growth in GO debt service, need to identify funding mechanism to offset difference
  - J.6. General Fund Transfer: Target to drive Maximum General Fund transfer for debt service from 20% of total revenues in FY2019 to 12% in FY34 and beyond.
  - J.7. Average Weighted Life of GO bonds: must be 12 years or less
  
- Next Steps: Evaluate Financial Policies with this issuance in mind



# 2024 FOMC Meetings

## The Federal Open Markets Committee (“FOMC”):

- The FOMC holds eight regularly schedule throughout the year
- Remaining meetings for 2024 are as follows:
  - April 30 – May 1
  - June 11-12\*
  - July 30 - 31
  - September 17-18\*
  - November 6 - 7
  - December 17- 18\*
- Currently, 9.8% and 56.9% probability of a rate decrease at May and June meetings, respectively
  - Rate decreases are theoretically already priced into the market

Date of FOMC Meeting	5/1/24	6/12/24	7/31/24	9/18/24	11/7/24	12/18/24
FED Funds Forecast (Bloomberg)	5.30%	5.15%	5.05%	4.85%	4.75%	4.60%

\*Meeting associated with a Summary of Economic Projections and a press conference by the Chair



# Funding the Collective Bargaining Agreement



# FY24 Pay Comparisons

- HFD has received an 18% increase in the last three fiscal years
- Base pay is up to 37% behind in some ranks when compared to Texas city with the highest pay
- Adjusting for hours worked, a gap in pay remains in comparison to benchmarked city

	Base Pay			Hourly Wage		
	FY24 COH Step One	FY24 Top of Market Step One	% Below Market	FY24 COH Step One	FY24 Top of Market Step One	% Below Market
Probationary Firefighter	\$ 1,840	\$ 2,530	<b>37%</b>	\$ 19.70	\$ 22.59	<b>15%</b>
Fire Fighter	\$ 1,994	\$ 2,655	33%	\$ 21.35	\$ 23.71	11%
Engineer/Operator	\$ 2,809	\$ 3,532	26%	\$ 30.07	\$ 31.54	5%
Captain	\$ 2,963	\$ 3,993	35%	\$ 31.72	\$ 35.65	12%
Senior Captain	\$ 3,287	\$ 4,240	29%	\$ 35.19	\$ 37.86	8%
District Chief	\$ 3,763	\$ 4,844	29%	\$ 40.29	\$ 43.25	7%
Deputy Chief	\$ 4,339	\$ 5,433	25%	\$ 46.46	\$ 48.51	<b>4%</b>
Assistant Fire Chief*	\$ 5,306	\$ 6,110	15%	\$ 66.33	\$ 76.37	15%
Executive Assistant Fire Chief*	\$ 5,837	\$ 6,676	<b>14%</b>	\$ 72.96	\$ 83.45	14%

\*80 hours bi-weekly

## NOTES

Captain Classification consist of Captains, Communication Captains, Inspector and Investigators.

Sr. Captain Classification consist of Sr. Captains, Communication Sr. Captains, Sr. Inspectors, Sr. Investigators and Shop Supervisor.

District Chief Classification consist of District Chiefs, Chief Communication Officers, Chief Inspectors, Chief Investigators and Master Mechanic.

Deputy Chief Classification consist of Deputy Chiefs, Assistant Fire Marshall, Deputy Communication Officer, and Deputy Chief Investigator.



# Proposed 5-Year Agreement

- Proposed CBA will increase the total budgeted base pay by 10% in year one
- The full six percent in the final four years are contingent upon revenue targets
- Goal in the first year is to get all ranks closer to the top of market
  - FY25 percentages are shown for illustrative purposes only. Specifics are still being negotiated with the Union.

	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>Total Increase</b>
Probationary Firefighter	12%	6%	6%	6%	6%	36%
Fire Fighter	12%	6%	6%	6%	6%	36%
Engineer/Operator	9%	6%	6%	6%	6%	33%
Captain	9%	6%	6%	6%	6%	33%
Senior Captain	8%	6%	6%	6%	6%	32%
District Chief	8%	6%	6%	6%	6%	32%
Deputy Chief	8%	6%	6%	6%	6%	32%
Assistant Fire Chief	6%	6%	6%	6%	6%	30%
Executive Assistant Fire Chief	6%	6%	6%	6%	6%	30%
<b>Incremental Cost</b>	<b>\$ 35,582,066</b>	<b>\$ 23,527,783</b>	<b>\$ 24,939,450</b>	<b>\$ 26,435,817</b>	<b>\$ 28,021,966</b>	
<b>Cumulative Cost</b>	<b>\$ 35,582,066</b>	<b>\$ 59,109,849</b>	<b>\$ 84,049,299</b>	<b>\$ 110,485,116</b>	<b>\$ 138,507,082</b>	<b>\$ 427,733,412</b>



# FY25 Pay Comparisons

- The illustration from the previous slide brings Houston closer to the benchmark city

	Base Pay			Hourly Wage		
	FY25 COH Step One	FY25 Top of Market Step One	% Below Market	FY25 COH Step One	FY25 Top of Market Step One	% Below Market
Probationary Firefighter	\$ 2,061	\$ 2,606	26%	\$ 22.07	\$ 23.27	5%
Fire Fighter	\$ 2,233	\$ 2,735	22%	\$ 23.91	\$ 24.42	2%
Engineer/Operator	\$ 3,061	\$ 3,465	13%	\$ 32.78	\$ 30.94	-6%
Captain	\$ 3,229	\$ 4,112	27%	\$ 34.57	\$ 36.71	6%
Senior Captain	\$ 3,550	\$ 4,367	23%	\$ 38.01	\$ 38.99	3%
District Chief	\$ 4,064	\$ 4,989	23%	\$ 43.52	\$ 44.54	2%
Deputy Chief	\$ 4,686	\$ 5,596	19%	\$ 50.17	\$ 49.96	0%
Assistant Fire Chief*	\$ 5,625	\$ 6,293	12%	\$ 70.31	\$ 78.66	12%
Executive Assistant Fire Chief*	\$ 6,187	\$ 6,877	11%	\$ 77.34	\$ 85.96	11%

\*80 hours bi-weekly

## NOTES

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# Incentives and Special Pays

- Potential Incentive and Special Pay Increases:
  - Focus is on increasing retention and recruitment into crucial areas
  - Capped at \$10M increase to include fringe
  - Increased incentive for Paramedic Assignment Pay by approximately 50%
  - New Incentive Pay for Education – Bachelor's, Master's and Doctorate programs
  - New Arson Investigator Incentive Pay – for members assigned to the HFD Arson Division based on years of service in the Division



# General Fund Proposals

## How will the City pay Fire Fighter Settlement

### ➤ Potential Revenue Discussions:

- Garbage Fee
- Fee Adjustments
- Combined Utility Right of Way Rental Fee
- Property Tax Public Safety Add-on

### ➤ Potential Expenditure Discussions:

- Contact Center Consolidations
- Corporate Function
- 5% Budget Reductions





# Finance Department

Questions?