



**City of Houston | Mayor Sylvester Turner**  
Investor Presentation: Kelly Dowe, Chief Business Officer



# Disclaimer

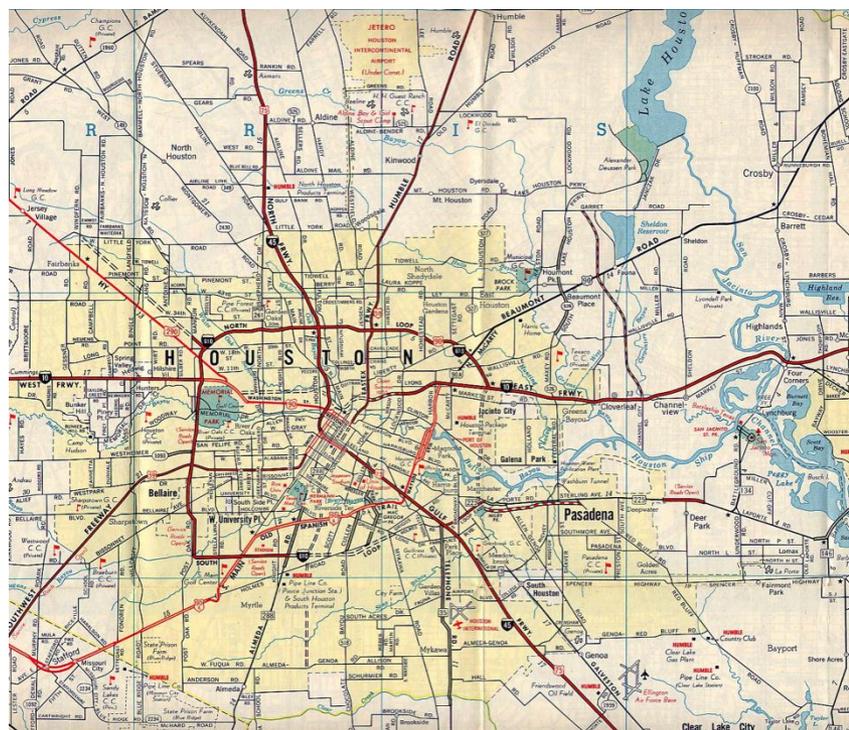
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# Houston Facts and Figures

- Houston is 655 square miles
- 4<sup>th</sup> Largest metro GDP in the nation
- 1<sup>st</sup> among cities where paychecks stretch the furthest (Forbes)
- Home to the 3<sup>rd</sup> largest concentration of Fortune 500 companies (Fortune)
- #1 city for young couples
- International trade supports 1/3 of jobs in Houston
- More than 145 languages are spoken in Houston
- 30% of Houstonians over 25 hold a bachelor's degree or higher



Old Mill, Sam Houston Park, Houston, Texas.



**1899: Houston's First City Park**



# Bayou Greenways 2020

Connecting 150 miles of Parks

# 1914: Port of Houston

Voters  
Approve  
\$1.25 Million  
in Bonds by a  
16 to 1  
Margin





## TEXAS MEDICAL CENTER

1943



# TEXAS MEDICAL CENTER

**2016**

Houston, the Eagle has landed.



**1969**

1969



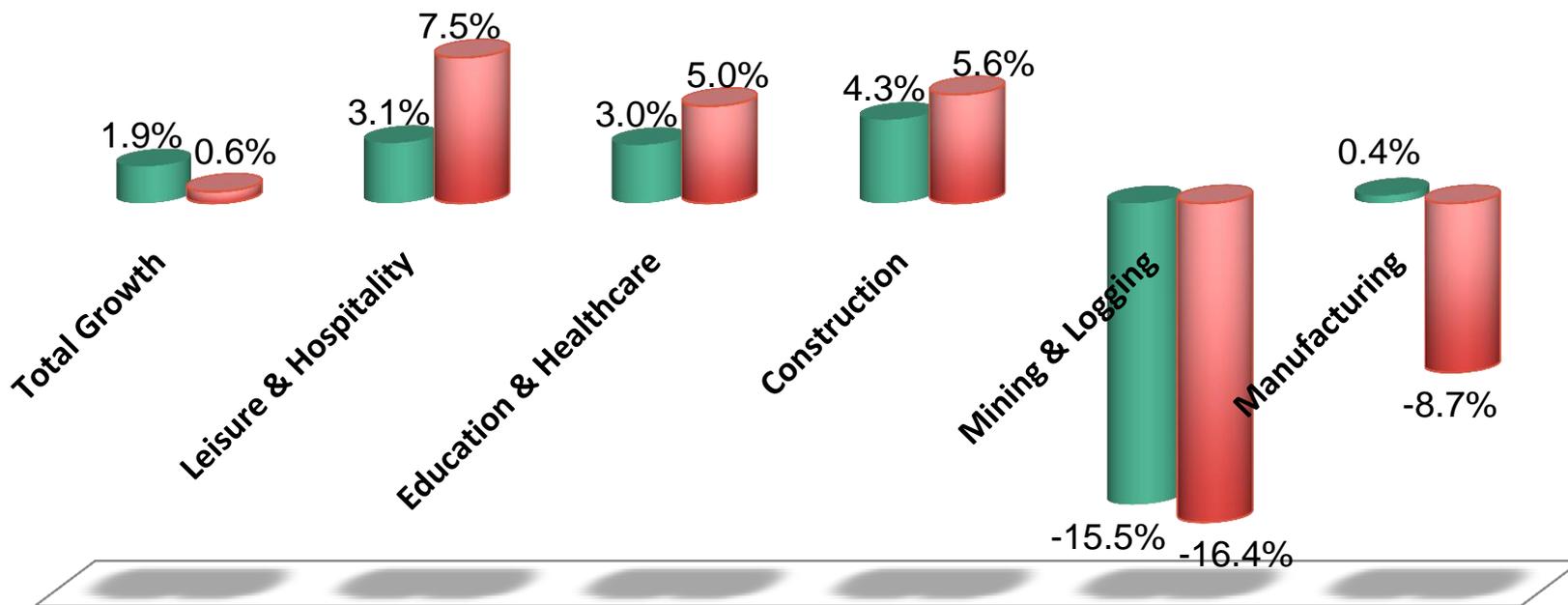
**Intercontinental Airport Opens for Business**



# Houston's Diversified Economy

## Change in Employment by Sector December 2014-December 2015

■ United States ■ Houston



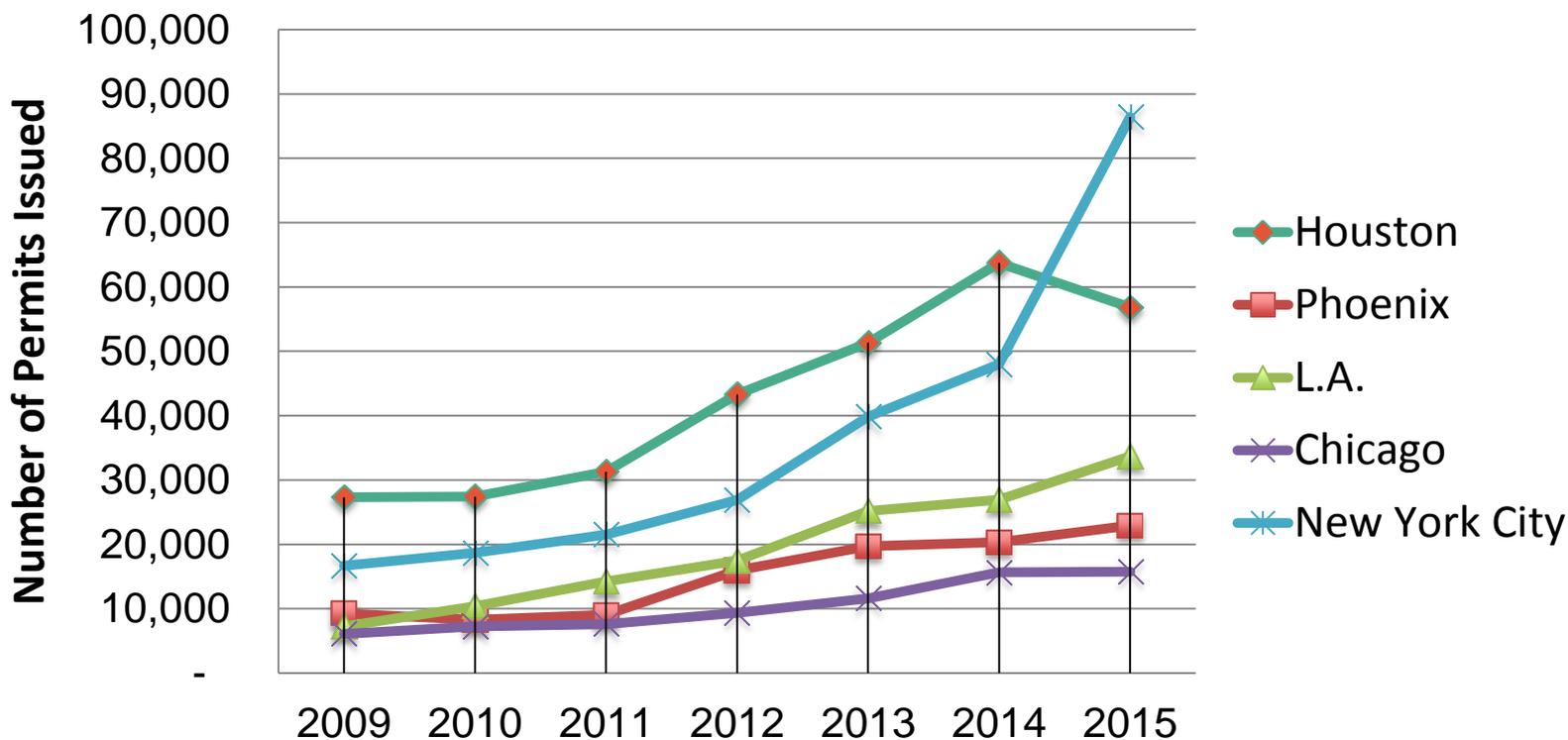
Source: Bureau of Labor Statistics

City of Houston



# Housing/Construction

## Permits Issued for Housing Units

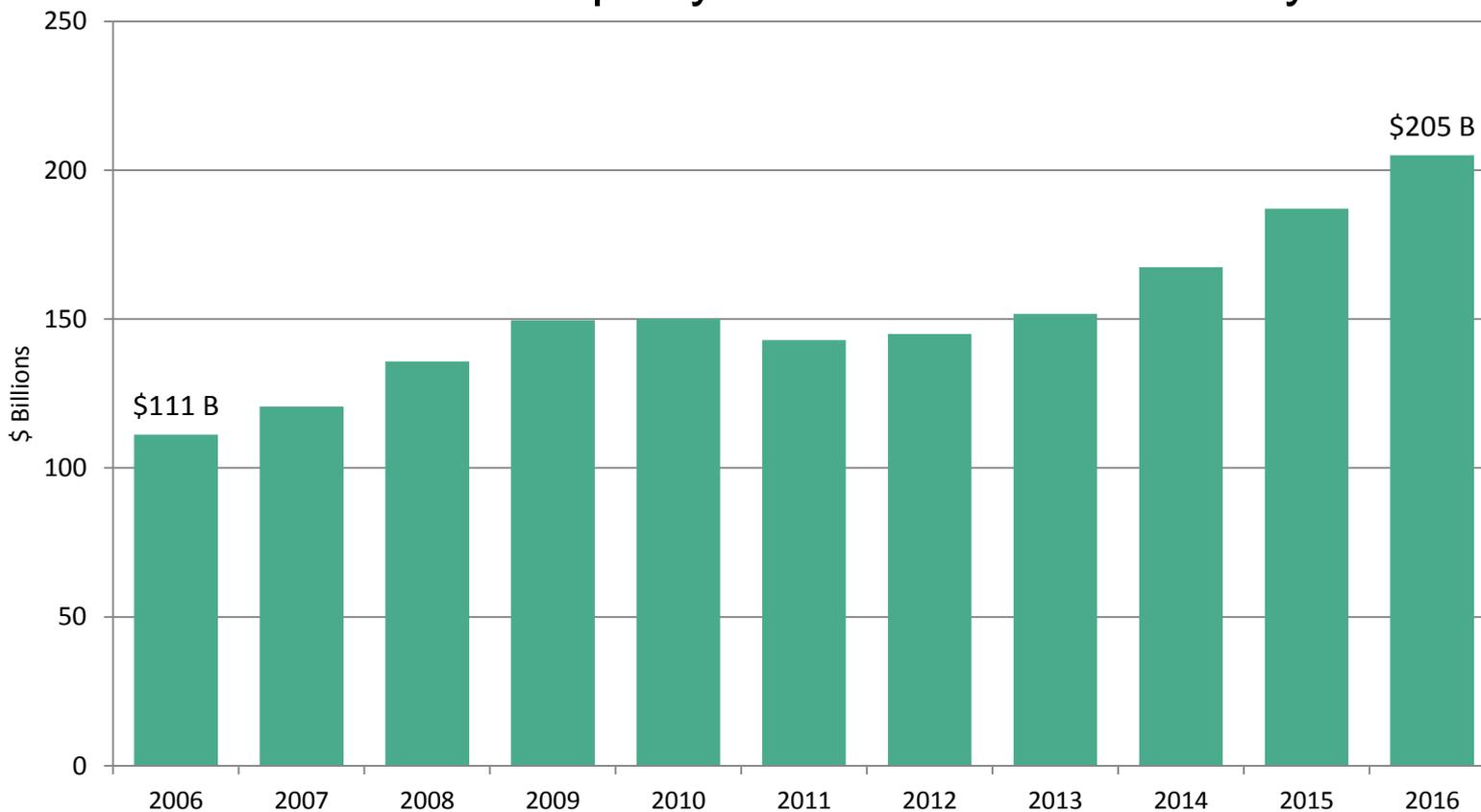


Source: U.S. Census Bureau



# Taxable Property Values

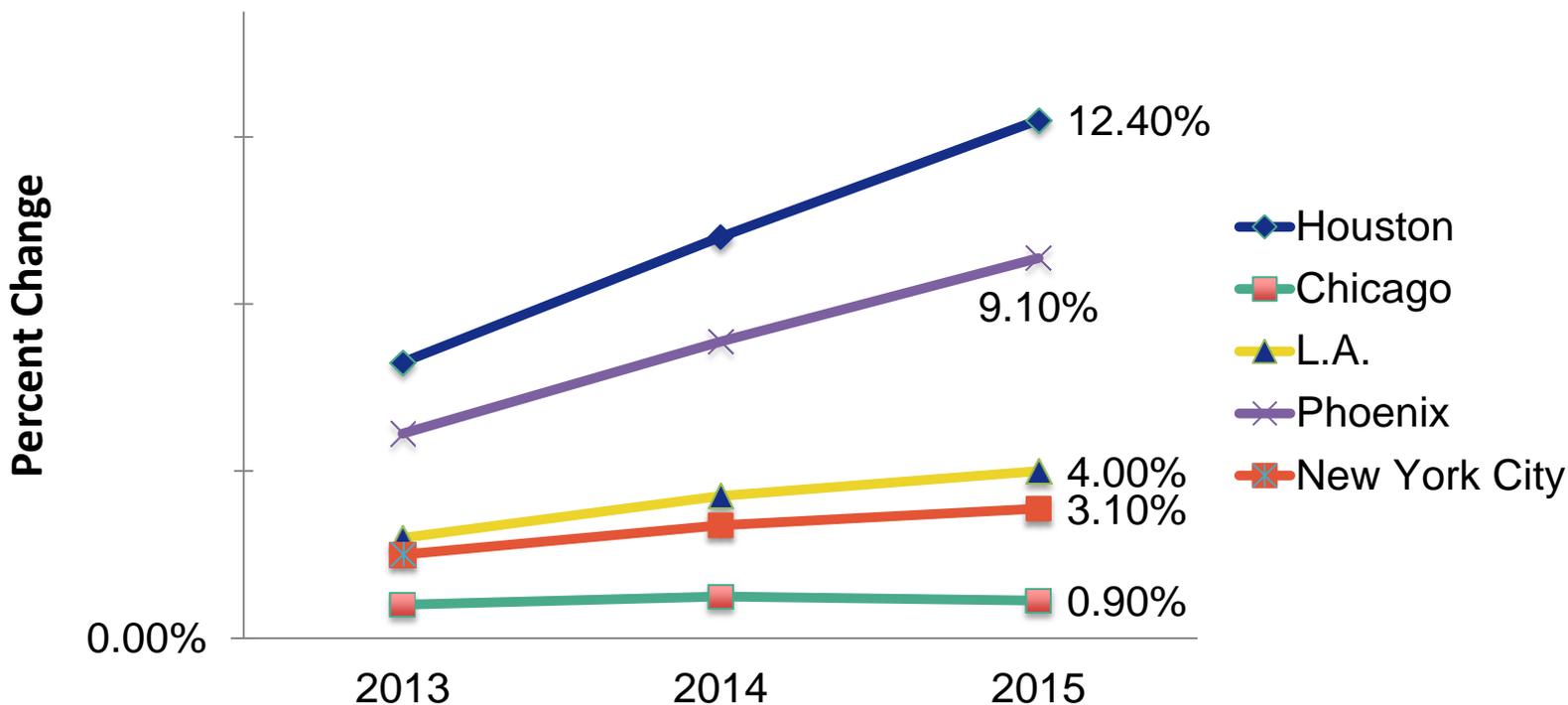
Taxable Property Values Doubled in 10 years





# Population Growth

## Population Change From 2010



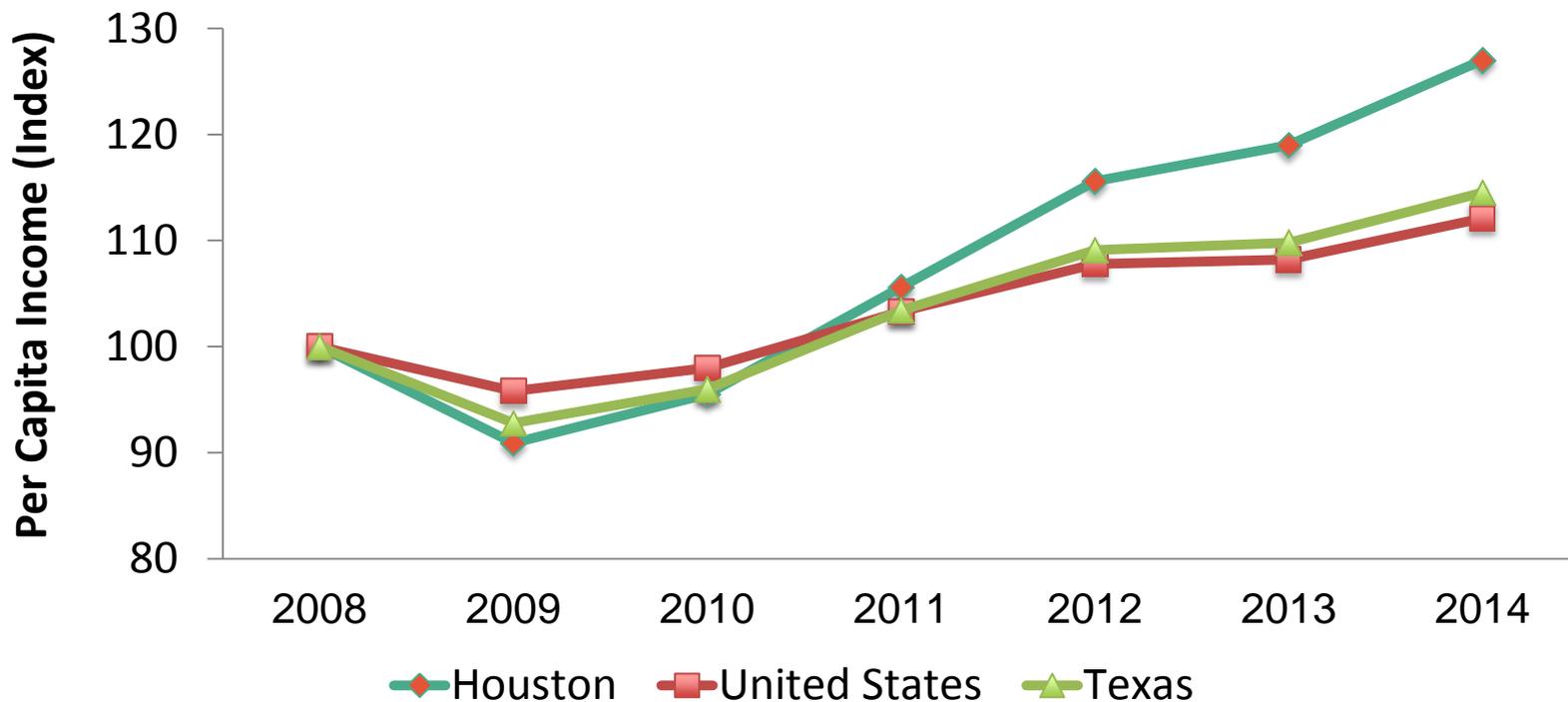
\*Metropolitan area includes cities like Sugarland & the Woodlands

Source: U.S. Census Bureau



# Personal Income

## Percentage Change in Per Capita Income Since 2008



Source: U.S. Census Bureau, Bureau of Economic Analysis



# Fiscal Governance



## Mayor Sylvester Turner

Alison Brock, Chief of Staff

Kelly Dowe, Chief Business Officer

Andy Icken, Chief Development Officer

Harry Hayes, Chief Operations Officer

Council Member Jack Christie, Chair, Budget & Fiscal Affairs

Council Member Amanda K. Edwards, Vice-Chair, Budget & Fiscal Affairs



## Controller Chris Brown



# Mayor's Vision

- Shared Sacrifice
- Detailed plan to fix pensions by the end of the year
- Committed to lifting the revenue cap
- Program-Performance based Budgeting
- Focus short-term objectives on fulfilling long-range goals
- Transparency, Accountability, Communication
- End the cycle of shortfalls



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# City Finances: Fund Balances, Revenue Estimates and Budgets



# Financial Policies

Present Five Year  
General Fund  
Forecast Annually

Maintain Fund  
Balance of 7.5%

Project Pension  
Costs Using an  
Independent Actuary

Increase  
Transparency  
Regarding Spending  
Decisions

Align Recurring  
Revenues with  
Recurring  
Expenditures

Review Debt  
Annually to Identify  
Refunding  
Opportunities

Regularly Review  
City Fees & Rates

Perform Regular  
Compensation  
Studies

Increase Operating  
Maintenance  
Funding/Prioritize  
Asset Renewal &  
Replacement



# Five Year Management Strategies

## Limitations

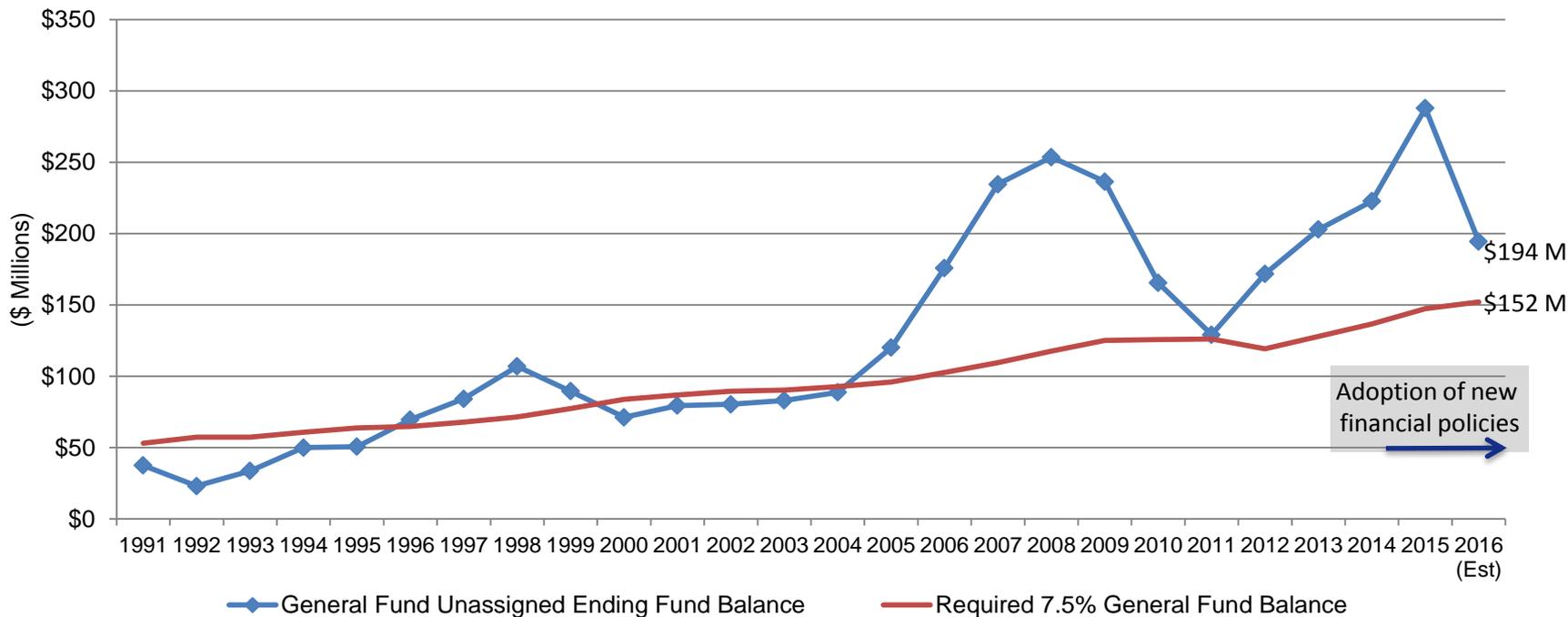
- Property tax cap in City Charter
- Pensions controlled by the State
- Personnel costs make up majority of General Fund spend
- Increasing debt service

## Strategies

- Petition voters to remove revenue limitation
- Pension reform
- Performance improvement
- Re-evaluate service delivery models
- Cost containment
- Increasing fund balance
- Debt savings through refunding and prepayment



# General Fund Balance and Bond Rating History



## General Obligation Bond Ratings

Fiscal Year	2005	2006	2007	2008	2009	2010 <sup>(1)</sup>	2011	2012	2013	2014	2015	2016 <sup>(2)</sup>
S&P	AA-	AA-	AA	AA	AA	AA	AA	AA	AA	AA+	AA+	AA <sup>(2)</sup>
Moody's	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2 <sup>(1)</sup>	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3 <sup>(2)</sup>
Fitch	AA-	AA-	AA-	AA-	AA-	AA <sup>(1)</sup>	AA	AA	AA	AA	AA	AA <sup>(3)</sup>

<sup>(1)</sup> Recalibration of rating based on migration to Global Scale Rating

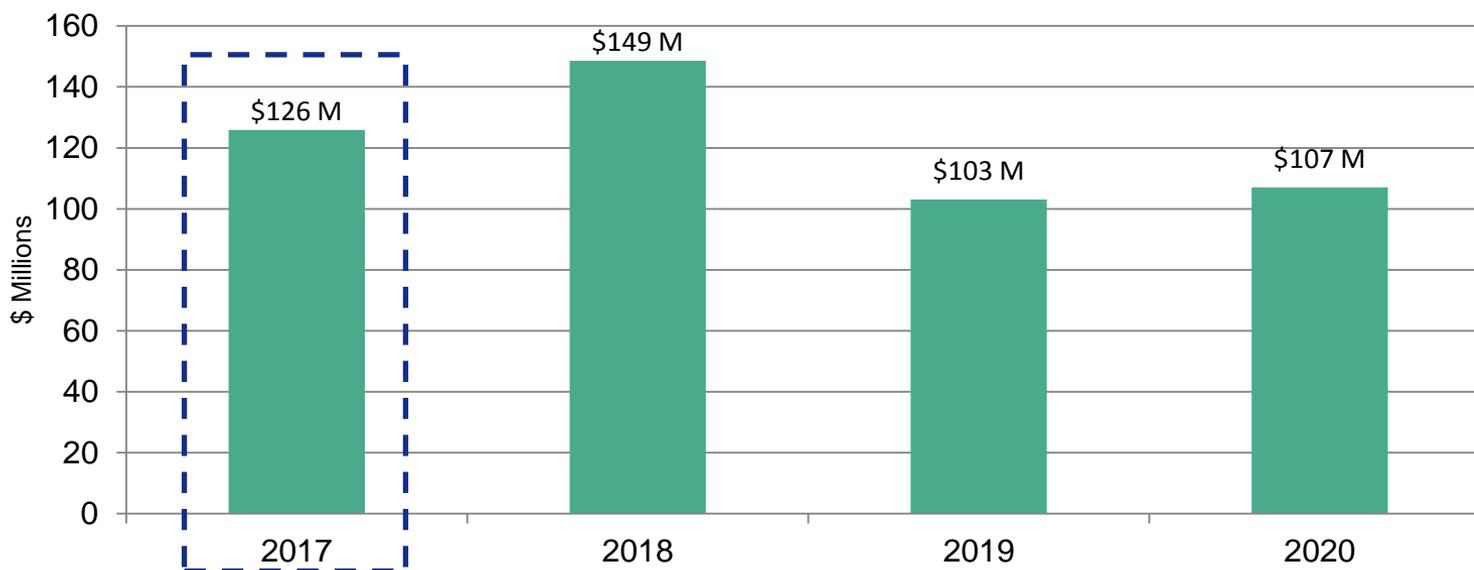
<sup>(2)</sup> Rating as of April 1, 2016.

<sup>(3)</sup> Fitch credit rating for the City has yet to be refreshed this year.



# General Fund Projections as of June 2015

## Budget Gaps (2017 – 2020)



- The budget gap in fiscal year 2017 is largely due to:
  - Declining revenues - tax cuts, lower sales tax projections and rev cap
  - Increasing expenditures due to pensions and debt payments
- Preliminary budget for fiscal year 2017 will be released on Friday, April 15<sup>th</sup> and will have the updated general fund projections



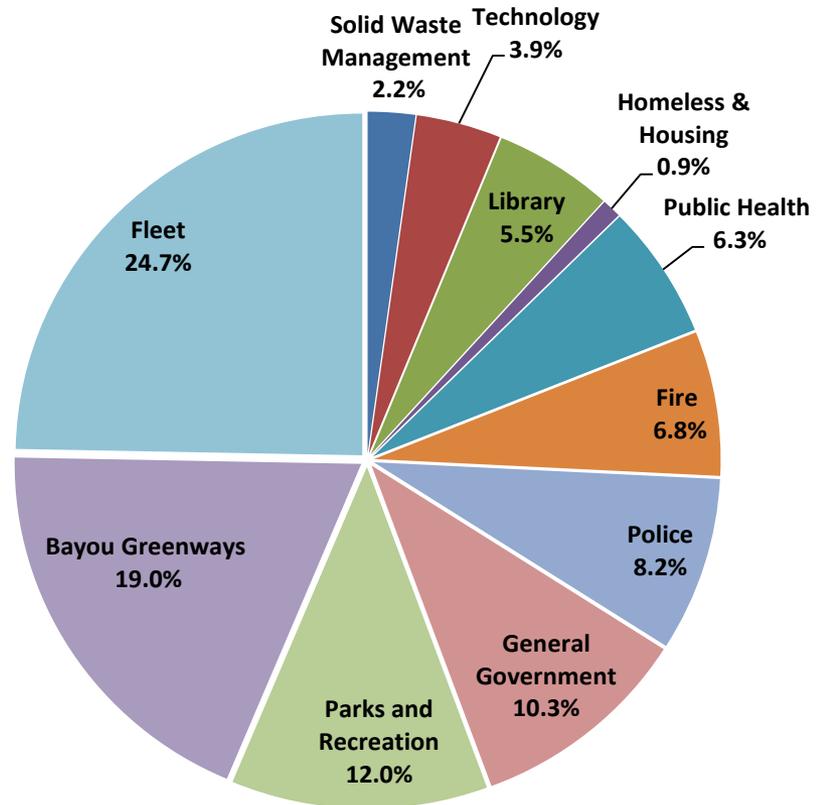
# Debt & Capital Improvement Plan



# FY 2016 – FY 2020: Capital Improvement Plan

CIP Projected Expenditures Total \$881 Million\*

Adopted Capital Improvement Plan (\$ Millions)	
	2016-2020
<b>Public Improvement Programs</b>	
Bayou Greenways	166.93
Fire	60.16
General Government	91.03
Homeless & Housing	7.95
Library	48.83
Parks and Recreation	105.39
Police	72.65
Public Health	55.92
Solid Waste Management	19.47
<b>Subtotal</b>	<b>\$628.32</b>
<b>Citywide Programs</b>	
Technology	34.77
Fleet	217.55
<b>Subtotal</b>	<b>\$252.32</b>
<b>City Programs Total</b>	<b>\$880.64</b>



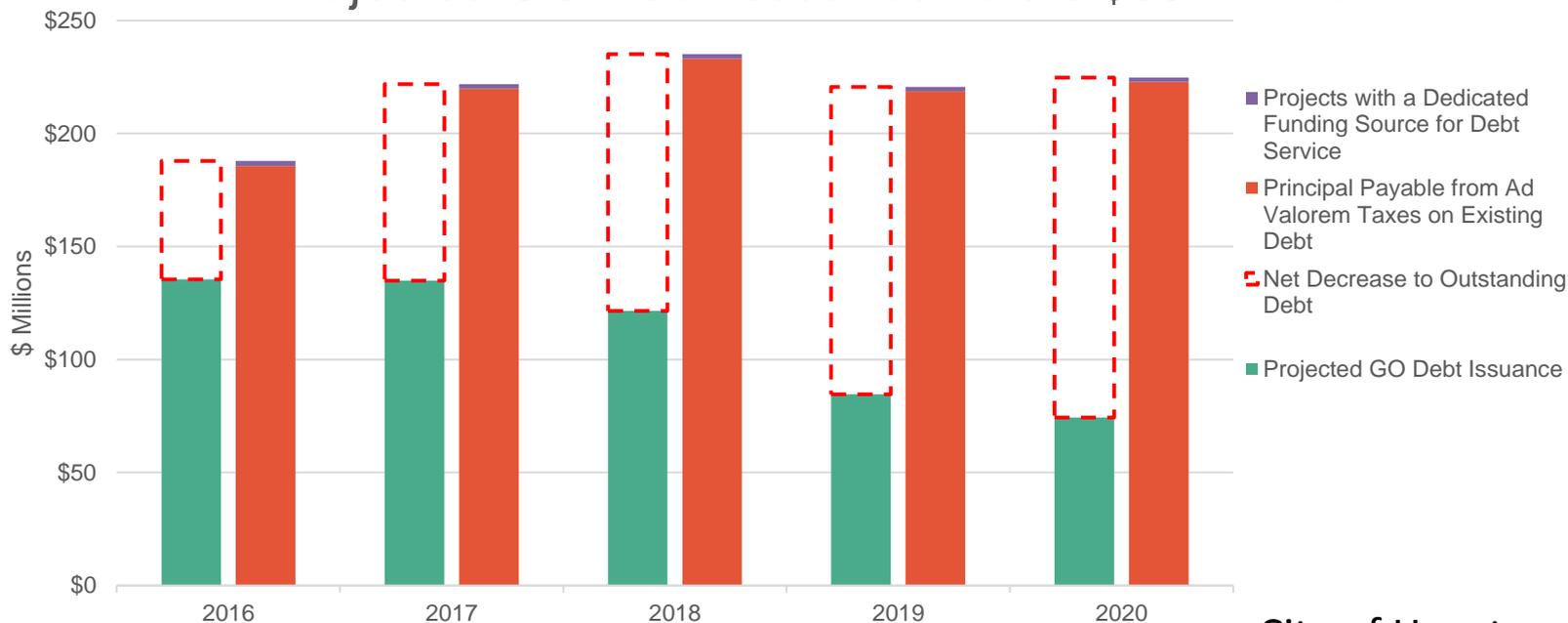
\* Excludes Enterprise Programs, Component Units and Overlap Between Component Units and Public Improvement Programs



# FY 2016 – FY 2020: Capital Improvement Plan

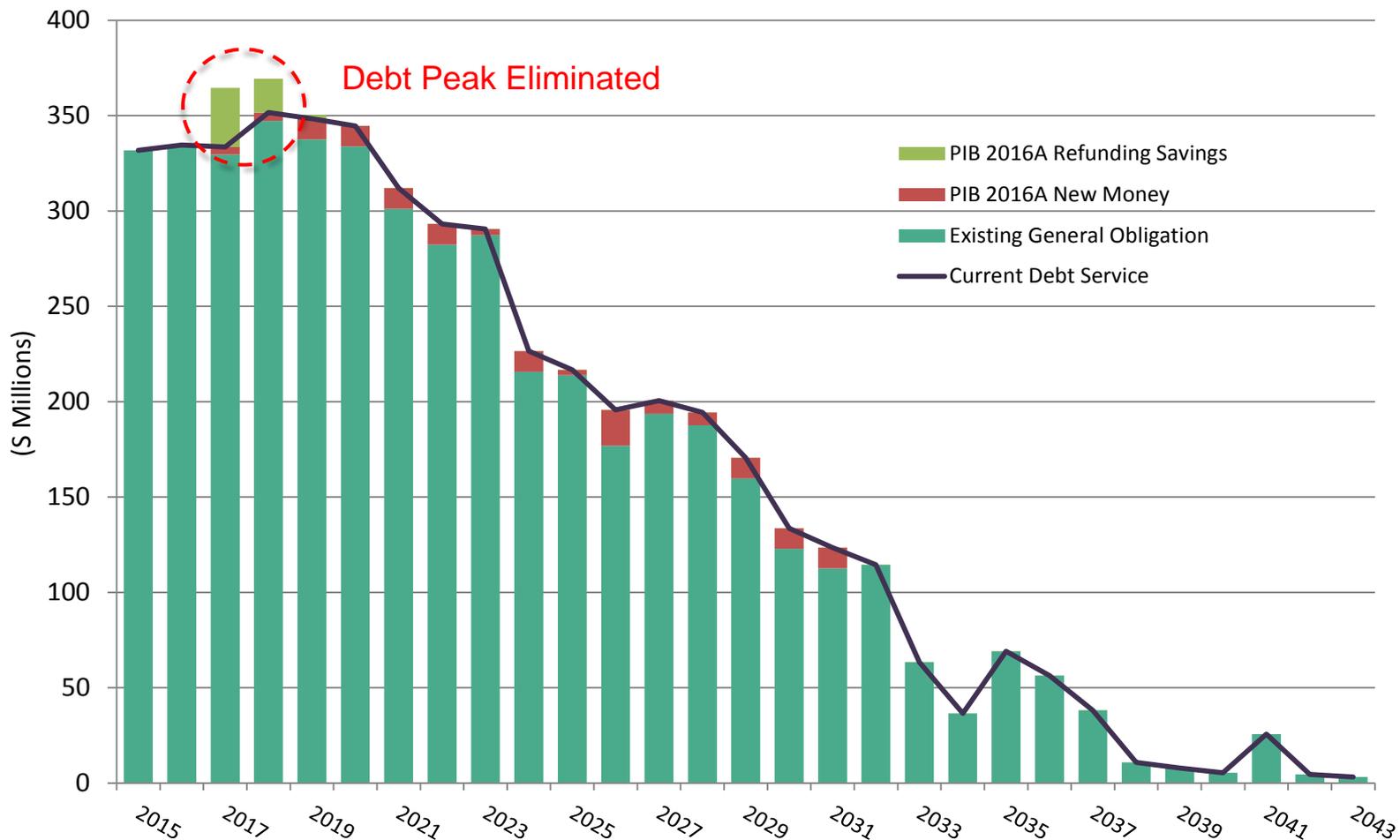
- **63% of the FY 2016 – FY 2020 CIP is expected to be funded with general obligation debt**
- **The remainder of the CIP is financed through grants, private fund raising, special revenue funds, county funds, TIRZ funding and donations**

## Projected GO Debt Issuance Totals \$551 Million





# General Obligation Debt Service





## Upcoming Financial Transactions

Credit	Series	Anticipated Size (\$ Million)	Type	Anticipated Closing Date
General Obligation	Tax and Revenue Anticipation Notes 2016	150-250	Competitive Auction	July 2016
	Annual Commercial Paper Refunding	N/A	Negotiated	FY 2017