



# City of Houston, Texas

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**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018**

**Chris B. Brown, City Controller**





OFFICE OF THE CITY CONTROLLER – 115 YEARS OF HOUSTON HISTORY



**CITY OF HOUSTON, TEXAS**

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018

**Prepared by:**

Chris B. Brown, City Controller

Beverly Riggans, Interim Deputy City Controller



**CITY OF HOUSTON, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2018**

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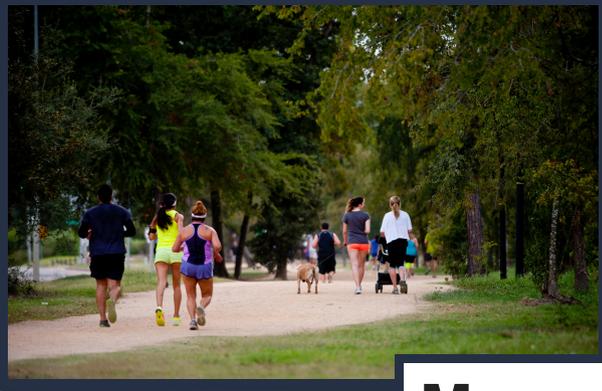
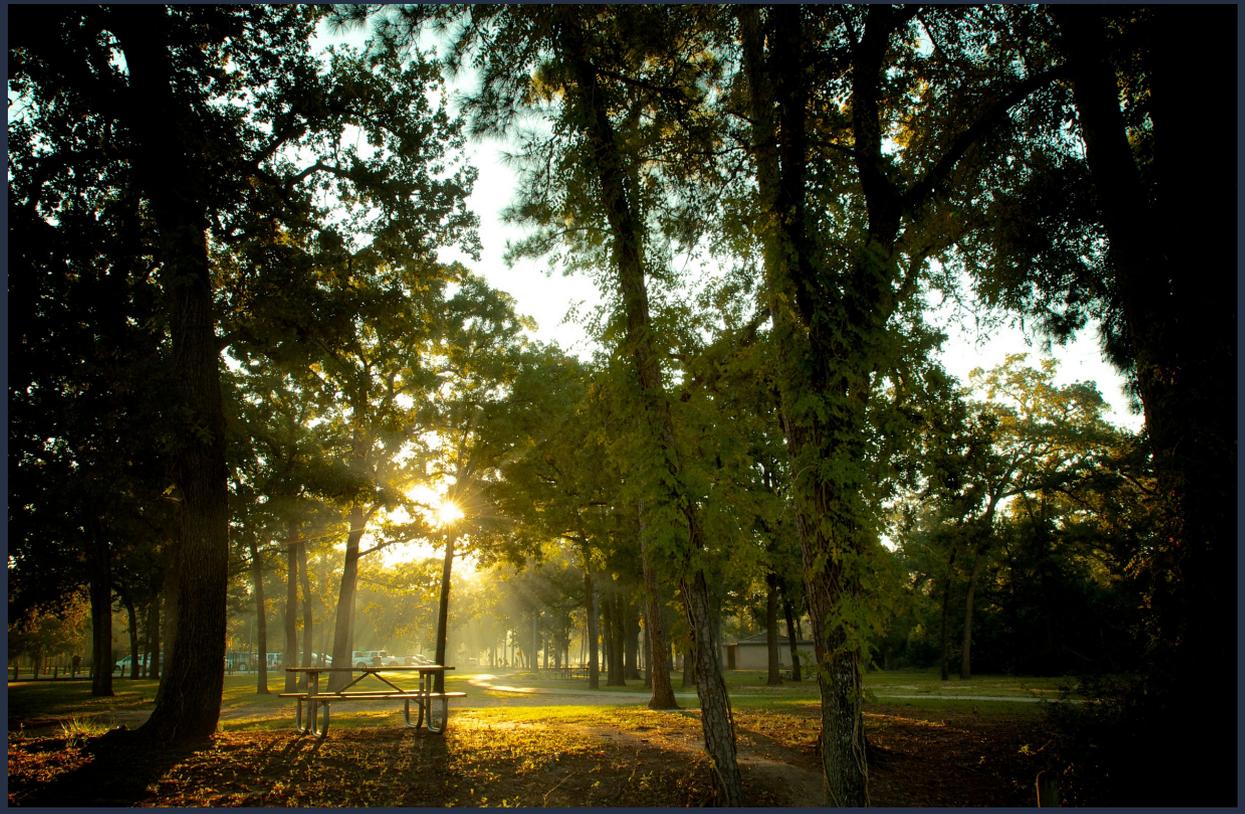
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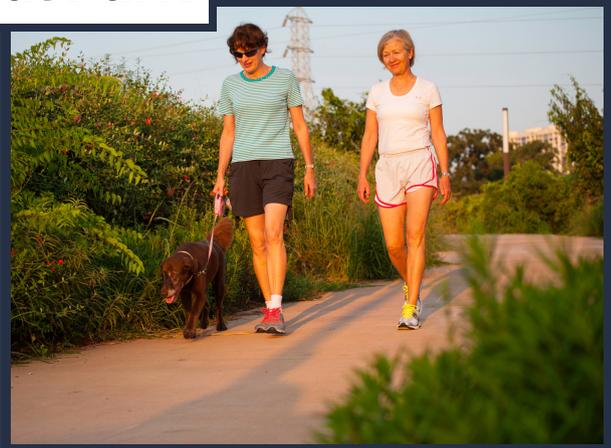
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CITY OF HOUSTON, TEXAS





**Memorial Park**







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## Office of the City Controller

Houston City Controller Chris B. Brown is the second highest elected official in Houston City Government (the “City”) and its Chief Financial Officer. The Office of the Houston City Controller superintends the fiscal affairs of the City. This includes conducting audits, managing investments and debt, preparing financial statements and providing leadership on policy issues pertaining to the City’s financial health. Controller Brown thus serves as an independently elected “financial watchdog” over City government’s fiscal affairs.

The Treasury Division is responsible for managing the City’s \$4 billion investment portfolio in accordance with state law and the City’s investment policy. Fitch has awarded the City’s general investment its highest portfolio rating, AAA. The Treasury Division is also responsible for overseeing a debt program of approximately \$12.5 billion. The City has multiple general obligation commercial paper programs with total authorization of \$975 million. The current issuance capacity of the commercial paper programs is \$975 million which is supported by credit facilities or lines of credit. Additionally, the City has an appropriation facility supported by a forward bond purchase agreement in the amount of \$200 million. The City has seven auction-rate security issues, six series of variable rate demand obligation bonds, and five interest rate swaps with a total notional amount of \$902 million. The City’s general obligation debt is rated Aa3 by Moody’s; AA- by Standard and Poor’s; and AA by Fitch Ratings.

The Audit Division adheres to recognized professional auditing standards (Government Auditing Standards and International Standards as issued by the Institute of Internal Auditors). During Fiscal Year 2018, the Audit Division engaged in 29 Audits and Special Projects that produced 11 Audit Reports as posted on the Controller’s website. The audits and projects performed focused on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, consideration of fraud, waste or abuse, and quality assurance. These efforts resulted in city-wide policy and procedure changes, improved processes, and millions in potential recoveries. The Audit Division also provided updates to the City Controller regarding compliance efforts, fraud, waste or abuse reports and quality assurance results. In the most recent peer review, the Association of Local Government Auditors (ALGA) concluded “the internal quality control system of the Office of the City Controller’s Audit Division within the City of Houston was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards”.

The Operations and Technical Services Division is responsible for funding certification for contracts, accounts payable (AP), vendor payments and cash disbursement, travel advances, monthly bank account reconciliation, review and approval of City-wide personnel action requests (PAR), payroll payments processing, City-wide contract review, financial and accounting records retention and imaging retrieval, City-wide vendor liaison, and the Controller’s Office information technology (IT) operations. In the coming year, the division’s goals are to continue to coordinate the City’s move to a paperless approval system for invoices and reducing the number of paper checks issued, replace current out of date document retrieval system with an efficient system, and introduce a high-speed engine for server operation.

The Financial Reporting Division is ultimately responsible for the preparation of both the Monthly Financial and Operations Report (MFOR) and the Comprehensive Annual Financial Report (CAFR), although every division of the City Controller’s Office contributes to the CAFR effort. The CAFR is available on the City Controller’s website: [www.houstoncontroller.org](http://www.houstoncontroller.org) and on a USB drive upon request. The division also produces the annual Trends Report.



## 2018 CITY OF HOUSTON Comprehensive Annual Financial Report

### **Chris B. Brown** **Houston City Controller**



Chris B. Brown is a lifelong Houstonian who was sworn into office as City Controller in January 2016. As the Controller of the nation's fourth largest city, Controller Brown oversees a \$5 billion budget, manages the city's \$4 billion investment portfolio, superintends its \$13 billion debt portfolio, and through the Controller's Office Audit Division, has generated more than \$10 million in savings via increased efficiencies. As Controller, Chris has also helped save city taxpayers more than \$225 million through refinancing the city's existing debt.

As Controller, Chris has led on the city's most pressing financial issues, playing an instrumental role in helping the city avert a pension crisis, addressing billions of dollars in unfunded Other Post-Employment Benefits (OPEB) liability, and championing the city's pursuit of adopting a structurally balanced budget every fiscal year.

Prior to being elected Controller in December 2015, Chris served as Chief Deputy City Controller, where he managed the day-to-day operations of the office and oversaw a staff of more than 65 employees. Before being appointed Chief Deputy City Controller in 2009, Chris worked as City Council Chief of Staff, spearheading community development initiatives and serving as a liaison to the Budget and Fiscal Affairs Committee.

Chris's career began in the private sector, where he worked as a trader for Coastal Securities, an investment bank. After several years, Chris co-founded an equity trading firm where he worked as the head of operations. This work gave him first-hand experience with leadership, risk management, compliance, reporting, building operations, and negotiating complex agreements.

In addition to his professional experience, Chris is actively involved with several organizations in a leadership capacity.

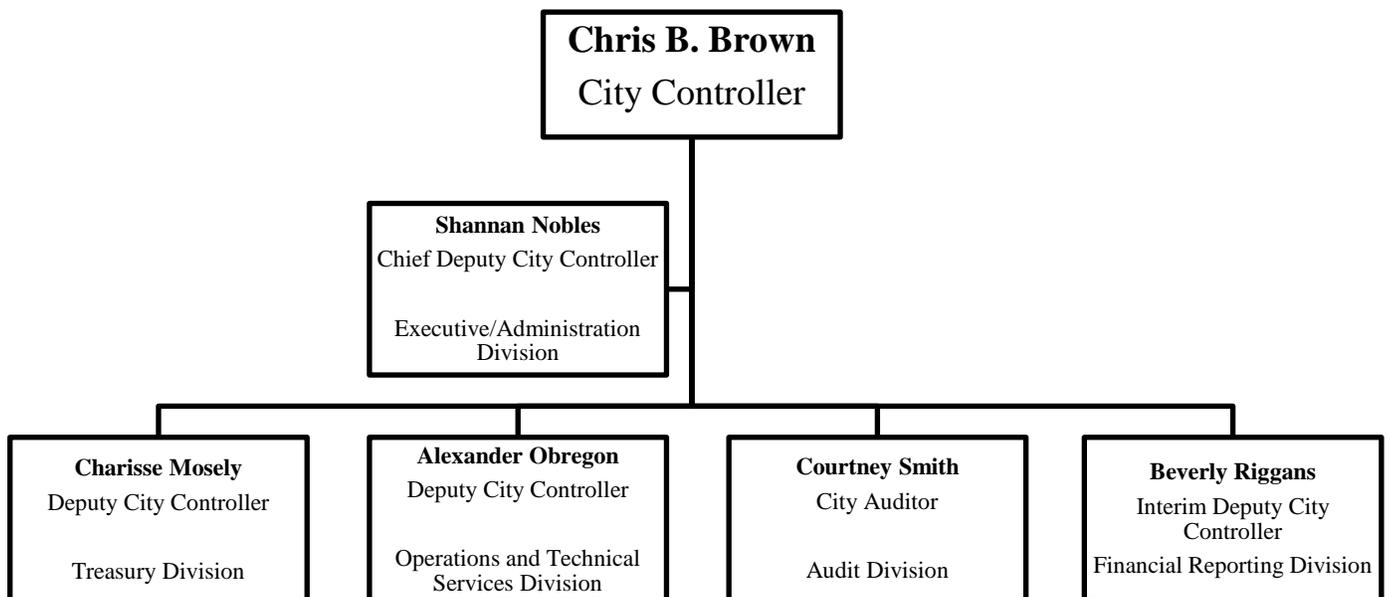
Controller Brown currently serves on the National League of Cities' Finance, Administration & Intergovernmental Relations (FAIR) Committee. He was appointed Vice Chairman of the FAIR committee in 2018, a role in which he plays a key role in developing the organization's policy positions on a range of issues. Chris also serves on the board of the William A. Lawson Institute for Peace & Prosperity (WALIPP), the Asia Society of Texas Advisory Board, and the Texan-French Alliance for the Arts. He is a past board member of the TCU National Alumni and SEARCH Homeless Services.

As a fourth-generation Houstonian, Chris has deep roots across the community. He attended Texas Christian University where he obtained a Bachelor of Business Administration in Finance, and later earned a Master's in Business Administration from the University of Houston. Chris and his wife Divya are involved in many philanthropic causes, and are proud parents to their daughter, Milana, and son, Britton.



# City of Houston

## The Office of the City Controller





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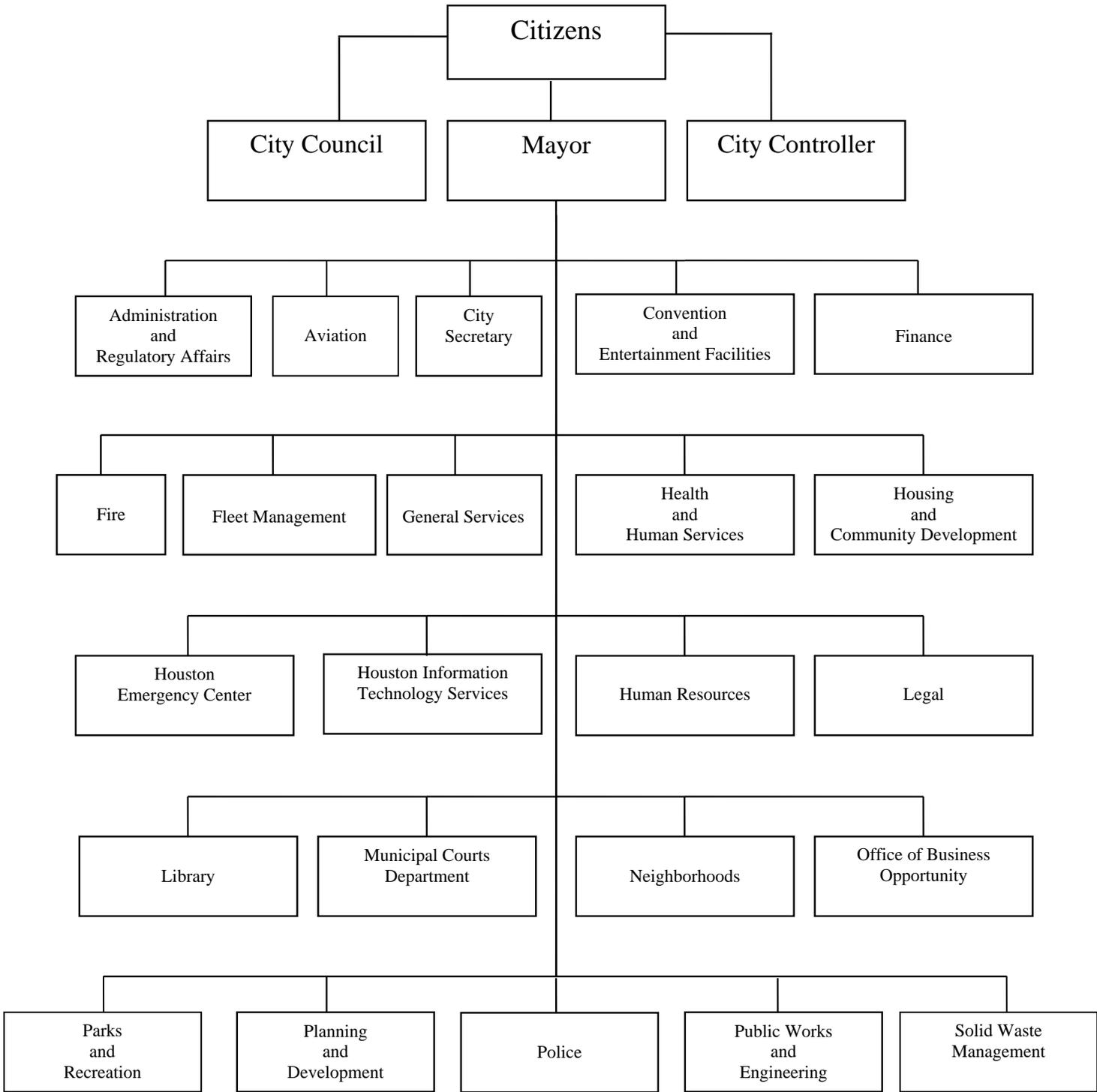
## **Elected Officials City of Houston, Texas**



**2018 Houston City Council, Front row, left to right: Mike Knox, At Large, Position 1; Karla Cisneros, District H; Mike Laster, District J; Dave Martin, District E; Ellen Cohen, District C; Sylvester Turner, Mayor; Chris Brown, Controller; Brenda Stardig, District A; Steve Le, District F; Amanda Edwards, At Large, Position 4; Michael Kubosh, At-Large, Position 3; Greg Travis, District G; back row, left to right: Jack Christie, At Large, Position 5; Jerry Davis, District B; Martha Castex-Tatum, District K; Dwight Boykins, District D; Robert Gallegos, District I; David Robinson, At Large, Position 2.**



# Organization Chart City Government



CITY OF HOUSTON, TEXAS



Office of the City Controller  
City of Houston, Texas



Chris B. Brown

November 29, 2018

Citizens of Houston, Honorable Mayor and City Council Members:

I am pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Houston, Texas, (the City) for the year ended June 30, 2018, including the independent auditor's report prepared by McConnell & Jones/Banks, Finley, White & Co. The CAFR was prepared by the City Controller's Office and satisfies my responsibilities under the City Charter and State law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and is organized in a manner which fairly sets forth the financial position and results of operations of the City as measured by the financial activity of its various funds.

The City's management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable, but not absolute, assurance that the assets of the City are protected from loss, theft or misuse, and for the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

The CAFR is presented in three sections. The Introductory Section includes this transmittal letter, a list of elected City officials, and organizational charts for the Office of City Controller and for City government. The Financial Section includes Management's Discussion and Analysis (MD&A), basic financial statements, combined and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. The Statistical Section includes selected financial and demographic information generally presented in a multi-year basis.

The Basic Financial Statements of the City include all government activities, organizations and functions, including those legally separate organizations for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by GASB.

### **The Reporting Entity and Its Services**

The Mayor serves as the Chief Executive Officer of the City. The City Controller is the second-highest elected official within City Government and serves as the Chief Financial Officer. The legislative body of the City is the City Council, which consists of the Mayor, eleven district members and five at-large members. In November 2015, voters approved a proposition changing the terms of Mayor, Controller and Council members to four years, with a limit of two terms, which became effective in January 2016.

The City provides a full range of municipal government services including police and fire protection, emergency medical services, pretrial detention services, traffic and municipal courts, water production and distribution, solid waste collection, sanitary code enforcement, wastewater treatment, health and human services, building and maintenance, parks and recreation, library, convention and cultural activities, and operation of three municipal airports, George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.

The City does not operate hospitals, schools, transportation, or higher education systems. Special districts and governmental entities with independent taxing authority administer these services.

## **History and Population**

Houston was founded on August 30, 1836, by New York real estate brokers John Kirby Allen and Augustus Chapman Allen. The Allen brothers paid \$9,428 for 6,642 acres of land at the headwaters of Buffalo Bayou. About a year later, General Sam Houston, the first president of the Republic of Texas, authorized Houston to incorporate. For the next four years Houston was the capital of the Republic. In the early years, cotton and the railroad were the key drivers of Houston's economy. That changed in 1901 with the discovery of oil at Spindletop in Beaumont, Texas. Energy is still king, but the area's economy is now also supported by other major drivers including the Port of Houston, the Texas Medical Center, NASA's Johnson Space Center, and a budding technology ecosystem bolstered by the city's startup infrastructure. Houston is also home to several world-class colleges and universities.

At the time of the first census in Texas in 1850, Houston had a population of 2,397 and Galveston, a bustling port 45 miles south of Houston, was the state's largest city. Today, Houston is the largest city in Texas and the fourth largest city in the U.S. In this first decade of the new century, a quarter million people from other U.S. cities and towns have relocated to Houston. Houston, with more than 2.2 million people, is a melting pot of ethnicities and remains the nation's most diverse metro area. The City is the seat of a burgeoning metropolitan area encompassing nine counties with a total population exceeding 6.5 million.

## **Budgetary Information**

In accordance with State law and the City Charter, Houston City Council shall, in collaboration with the Mayor and City departments, adopt balanced budgets each year for the General Fund, Debt Service Fund, Special Revenue Funds, Internal Service Funds, and Proprietary Funds. Exceptions are the Grant Revenue, Disaster Recovery, Health Special, and Housing Special Revenue Funds, for which City Council adopts separate operating or program budgets throughout the year. The City also does not budget capital projects and other capital expenditures related to the General Fund. Instead, City Council authorizes these expenditures through individual appropriation ordinances.

Proprietary Fund budgets, also called Enterprise Funds, exclude depreciation and amortization expenses. These Proprietary Fund budgets include debt service and capital equipment costs, but exclude buildings and improvements, with the exception of Aviation, which budgets its current year expenses for these projects. As with the General Fund capital projects, approval of each Proprietary Fund capital project is accomplished through individual appropriation ordinances. No City expenditures may be made without an appropriation. City Council can legally appropriate only those amounts of money that the City Controller has previously certified are, or will be, in the City treasury.

Although the legal level of budgetary control is at the departmental level within a fund, the City maintains internal budgetary control at the expenditure category (i.e., Personnel Services, Supplies, Other Services and Capital Outlay). Budget control is primarily managed using an automated encumbrance and accounts payable system.

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments

and Non-profit Organizations,” and the State of Texas Uniform Grant Management Standards. These audits are conducted simultaneously with the City’s annual financial statement audit. Information related to these Single Audits, including the schedules of federal and state financial assistance, findings and recommendations, and auditors’ reports on the internal control structure and compliance with applicable laws and regulations is included in separate Single Audit reports.

### **The Area’s Economy**

Houston experienced significant economic growth in the early ‘10s as the United States climbed out of the Great Recession. With rising energy prices as its catalyst, the local economy became one of the most rapidly-growing in the nation, resulting in thousands of new jobs and a population influx that has continued until present day. In 2015, energy prices began to slide and the region’s economy began to slow, as energy firms began to reduce workforces and cut costs.

The downturn in oil prices from a high of \$100 per barrel began in early 2015 and was more rapid than the fall of oil prices seen in the 1980s. Per barrel oil prices hit a low of \$26 in February 2016, rose to the mid \$50s in 2017, and have eclipsed \$75 per barrel at the close of Fiscal Year 18. The rig count has risen from historical lows in early 2016 to 1,059 at the end of Fiscal Year 18.

The Houston metro area’s 2017 GDP of \$490.1 billion represents a 3.7 percent increase from the year prior and moves Houston to the seventh largest metro economy in the United States. If the Houston Metropolitan Statistical Area (MSA) were an independent nation, it would rank as the world’s 24th largest economy, behind Sweden (\$514.5 billion) and ahead of Poland (\$471.2 billion) and Belgium (\$468.1 billion), per the International Monetary Fund.

Despite significant diversification since the last downturn, the energy sector continues to drive Houston’s overall economic health. With a rig count increase of 12.8% year over year and a 48.6% increase in the spot crude oil price from last year, the economic momentum gained during FY 18 is welcomed news.

Also significant in Houston’s current recovery is the resiliency the area economy has shown through the energy downturn. Despite recent years that saw declining rig counts, falling oil prices, and workforce reductions, the region’s economy was buoyed by a booming Port of Houston, an international airport system that services a record number of travelers every year, and a world-class medical center that is generating medical breakthroughs daily.

Despite uncertain market conditions and an energy sector that is still regaining its footing, optimism exists that the region’s economy will continue to gain momentum into FY 2019.

**Employment:** As mentioned in last year’s report, the regional economy has proven to be far better equipped to weather the downturn today than it was in the 1980s. Houston’s economy at the end of FY 2018 is more than double what it was in the mid-1980s; over 13 percent of the entire work force was lost in the 1980s, while the job losses attributed to the recent downtrend crested at roughly 1.5 percent of the workforce.

The region’s employment rate is closely tied to the oil industry. Energy employment in Houston peaked at 300,100 jobs in November 2014. Over the next two years, the industry shed 86,400 jobs, or 28.8 percent of its local workforce. Only after exploration activity picked up in late 2016 did hiring resume, and only in services and equipment manufacturing. A survey of employers conducted at the end of FY 2018 demonstrated that employment has stabilized, with 51% of respondents indicating that they anticipate hiring to grow in the coming year.

The Houston metro area created more than 80,000 jobs during FY 2018, representing a more than 35% increase in job gains from FY 2017. That’s the strongest 12-month pace since January ’15, when the economy was riding forward momentum from four years of robust growth.

At the end of FY 2018, the Houston metro area has officially “turned the corner” on the downturn of the energy sector, and is seeing steady growth again. With the region’s more diversified economy playing an increasingly stabilizing role in the overall economic success of the region, projections demonstrate that continued economic growth could be on the horizon.

**Population growth:** The Houston MSA has seen a loss of population only once in the past 40 years, in 1988 following the loss of 220,000 jobs during that recession. Typically, Houston has expected to see a population growth of about 125,000 annually, half of that through migration and half through the natural attrition of births over deaths. Initial U.S. Census Bureau estimates demonstrate a population growth of roughly 9,200 in calendar year 2017, which represents a significant departure from recent trends. The effects of Hurricane Harvey had an undeniable role in the slowing of population growth in 2017.

**Housing and real estate:** At the end of FY 2018, the City’s real estate market continues to hit all-time highs, as buyers closed on more homes in history at sales prices previously unseen in the last month of the Fiscal Year.

At the close of FY 2018, sales of single family homes (SFH) were up nearly two percent over June 2017 (a previous high), with a total of 8,518 single-family homes sold. Additionally, total dollar volume, total property sales, and single-family pending sales were up over the same period in the previous year. As in last year’s CAFR, sales volume has increased for homes at all price levels, with the high-end market seeing the most gains in FY 2018. Both the median and SFH average sales price of homes (\$245,000 and \$316,463, respectively) remain at record levels.

Several factors can be attributed to the record numbers seen in FY 2018. First, the impact of Hurricane Harvey left many homes damaged or destroyed, and many Houstonians either put their lots on the market, or sought to purchase a new home. A rebounding energy sector that began to hit its stride in FY 2018 can also be credited with driving real estate activity across the region. With relatively low housing costs and a strong economy that continues to gain steam, it’s likely that current market trends will continue into the next fiscal year.

With its continued growth, the Houston MSA has seen a slow rise in the cost of living. While most of those costs remain below the national average – particularly as compared to other major metropolitan regions – that trend is expected to continue. With that, Houston is not as affordable as it once was. Per the Council for Community and Economic Research (C2ER), the cost of living in Houston was 12.3 percent below the national average in ’07 but only 1.8 percent below at the end of FY 18. Again, how the region manages the demands of a growing population – and the rising costs associated with that – will play a pivotal role in future growth.

How the city addresses the rising cost of living and a tightening supply of affordable housing will determine the rate at which future growth happens across the region.

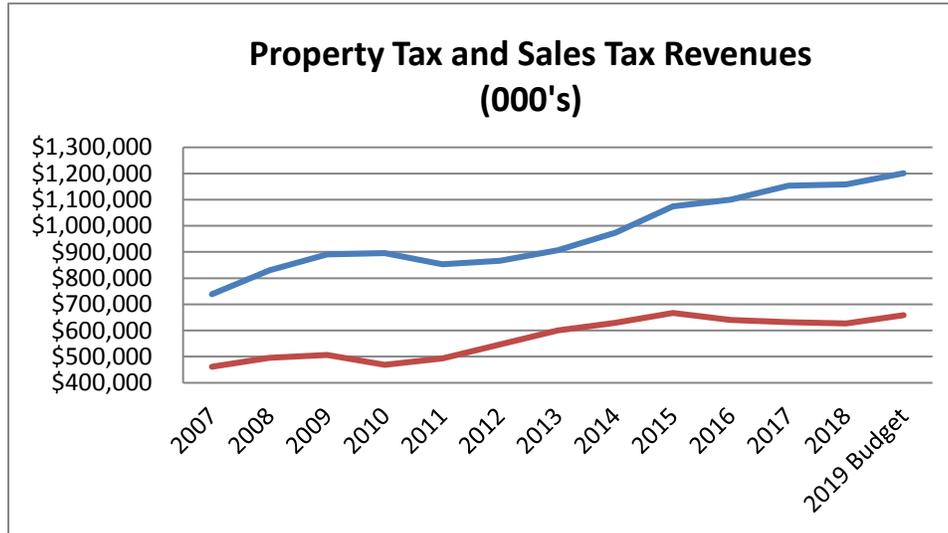
**Purchasing and income:** The Houston Purchasing Managers Index (PMI), a short-term indicator for regional production, registered in the high 50s at the end of FY 2018. This is a positive sign for the regional economy, as readings above 50 signal economic expansion for the next three to four months.

Vehicle sales at the end of FY 2018 were up 16 percent from the year prior, continuing a trend that began in August 2017 following Hurricane Harvey.

Although the purchase price of a single-family home in metro Houston has risen 59 percent over the past decade, wages have risen only 27 percent over the same period. This disparity could place a strain on the region’s continued growth, as costs continue to trend upward.

**How does the area economy affect City of Houston service delivery?** The graph below illustrates a rebounding economy. Property tax revenue for the City, represented by the top line, has seen sustained growth following the recession of the late 2000s. Sales tax, the lower line, experienced a slowdown during the downturn, but has gained positive momentum in recent months. The city’s sales tax collections saw a notable

uptick in the aftermath of Hurricane Harvey, as Houstonians purchased goods and supplies to help recover from the storm.



**Property and Sales Taxes:** Property tax is the City’s single largest source of revenue. FY 2018 was the fourth year the City was affected by the Proposition One revenue cap, which resulted in a lowering of the tax rate.

As we ended FY 2015, we had our first month (April 2015) of declining sales tax – a trend that continued into the beginning of FY 2018. The city’s sales tax revenue has recently picked up in-line with the rising prices of oil. Optimism exists that sales tax revenues will continue to trend upward into FY 2019.

**Financial Policies and Planning**

The City has had formal financial and budgetary procedures in place since 1987. They require, among other things, a balanced budget, annual review of all fees and charges, funding of employee pensions and other benefits in a manner that systematically funds liabilities and maintenance of an Unassigned Fund Balance in its General Fund of a minimum of 7.5 percent of total expenses less debt service. Any funds in excess of 7.5 percent of total expenses less debt service are available for non-recurring expenses.

A 1983 resolution adopted by City Council requires the Mayor to develop and submit annually to the City Council for approval a continuous five-year Capital Improvement Plan (CIP). Each year, the Mayor must review the CIP, revise it as necessary, and obtain approval and adoption by City Council. The 2018 – 2022 CIP calls for the appropriation of \$8.3 billion over the five-year period for both enterprise and property tax supported projects. About \$6.7 billion of this total will be paid for with income generated by the self-supporting enterprise funds. The rest will be funded with tax-supported public improvement bonds approved by Houston voters.

The City’s financial policies further require that capital projects or equipment purchases funded through the issuance of bonds or other obligations will be financed for a period not to exceed the expected life of the project or equipment. Annual contributions for debt service from the General Fund are limited to 20 percent of total General Fund revenues, excluding state and federal grants. In addition, Texas law mandates that the City’s total tax supported indebtedness shall not exceed 10 percent of the total assessed valuation of property in the City.

As of June 30, 2018, the City’s outstanding debt payable from taxes and other revenue sources totaled \$13 billion. This is in compliance with all applicable financial policies and considered manageable.

The City has investments totaling approximately \$4.0 billion. The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investment. The success of this deliberate

approach is evident in the ‘AAA’ credit quality rating and “V1” volatility rating assigned to the City’s General Investment Portfolio by Fitch Rating Services.

### **Long-term Financial Forecast and Major Initiatives**

The most recent five-year planning scenario available from the City’s Finance Department indicates known cost increases continue to put stress on the City budget. The main factors driving increased expenditures are increased costs for employee health insurance benefits and operating costs for new facilities. Various strategies are being used to ensure balanced budgets including cost cutting and productivity improvements, a strong commitment to an affordable CIP, and strict management of employee health care benefits.

A key initiative for a stronger financial future for the City of Houston is to work toward passing a structurally balanced budget every fiscal year. A structurally balanced budget is achieved when recurring revenues match recurring expenditures, and will require the City to take a new approach to its budgeting process. Adopting a structurally balanced budget will require increased transparency in the City’s financial reporting to help identify the source of the structural deficiencies in the budget. The curtailing of utilizing one-time, non-recurring funding sources to fill budget “holes” will also be an important step toward this goal. These funding sources are finite – and are often tangible city assets – so are not reliable, structurally sound budgeting tools. Another important note: the indicator that most reflects the city’s structural balance is net current activity. However, net current activity is not inclusive of all city obligations because deferred OPEB or deferred maintenance is not reported. A City Council budget amendment was passed in FY 18 to include reporting of the city’s true structural deficit beginning in FY 19. As it relates to the city’s budgeting process, net current activity is calculated by subtracting the city’s total expenditures from its total revenue.

Achieving true structural balance is a lofty long-term goal, but is one that could have significant positive financial implications for the City of Houston.

### **Retiree & Other-Post Employment Benefits (OPEB)**

The City also provides certain health care benefits for its retired employees, their spouses and survivors. Beginning with Fiscal Year 2018, the City is required by the Government Accounting Standards Board Statement No. 75 (GASB 75) to recognize the full other post-employment benefits (OPEB) liability on the city’s balance sheet. The OPEB plan deals with benefits such as health and life insurance for current and future retirees. Almost all city employees become eligible for these benefits after they reach normal retirement age.

As of the last CAFR, the city’s unfunded OPEB liability sits at \$2.153 billion. It has been the City’s practice to fund the cost of OPEBs on an annual pay-as-you-go (PAYGO) basis and account for OPEB costs as a current operating expense in the fiscal year in which the OPEB cost is paid. This practice satisfies the obligation to the debt, but does not structurally reduce the accrued liability. Based on the five year-average, the city is adding more than \$160 million to the unfunded liability per year. In addition to making only minimum payments – the PAYGO amount – on the debt, it’s clear that the approach to addressing the unfunded liability is unsustainable.

The administration has indicated that it has begun examining this issue and will look to present a solution that will address the OPEB liability in calendar year 2019.

### **Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Houston for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 21<sup>st</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is

valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of this report on a timely basis could not have been accomplished without the dedicated services and hard work of a highly qualified staff. The City of Houston has such a staff in the City Controller's Office. Although much time and effort in preparation of this report lies in the Financial Reporting Division, there was support from the other divisions of the Office: Administration, Executive, Operations and Technical Services, and Treasury. I would like to express my appreciation to the entire staff of the City Controller's Office, and to the staffs of the Finance and Administration, Aviation, Houston First (formerly, Convention and Entertainment Facilities), and Public Works and Engineering departments who assisted and contributed to the preparation of this report.

The City Controller's Office also received invaluable assistance and support from many others outside its immediate organization. Within the City of Houston, the accounting staffs of the operating departments and the technical staff of the Information Services Division all played key roles in producing this report. McConnell & Jones/Banks, Finley, White & Co was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way City finances are reported.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Houston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, 901 Bagby Street, 8<sup>th</sup> Floor, Houston, Texas 77002. The CAFR is accessible on the City's web site and is also available in USB drive format.



Chris B. Brown  
City Controller

#### **Sources:**

*COH 2018 Operating Budget*  
*COH 2018-2022 Capital Improvement Plan*  
*UH Hobby Center for Public Policy*  
*Texas Workforce Commission*  
*The Perryman Group*

*Greater Houston Partnership*  
*Houston Association of Realtors*  
*UH Institute for Regional Forecasting*  
*Rice University Institute for Urban Research*  
*Center for State and Local Government Excellence*



Government Finance Officers Association

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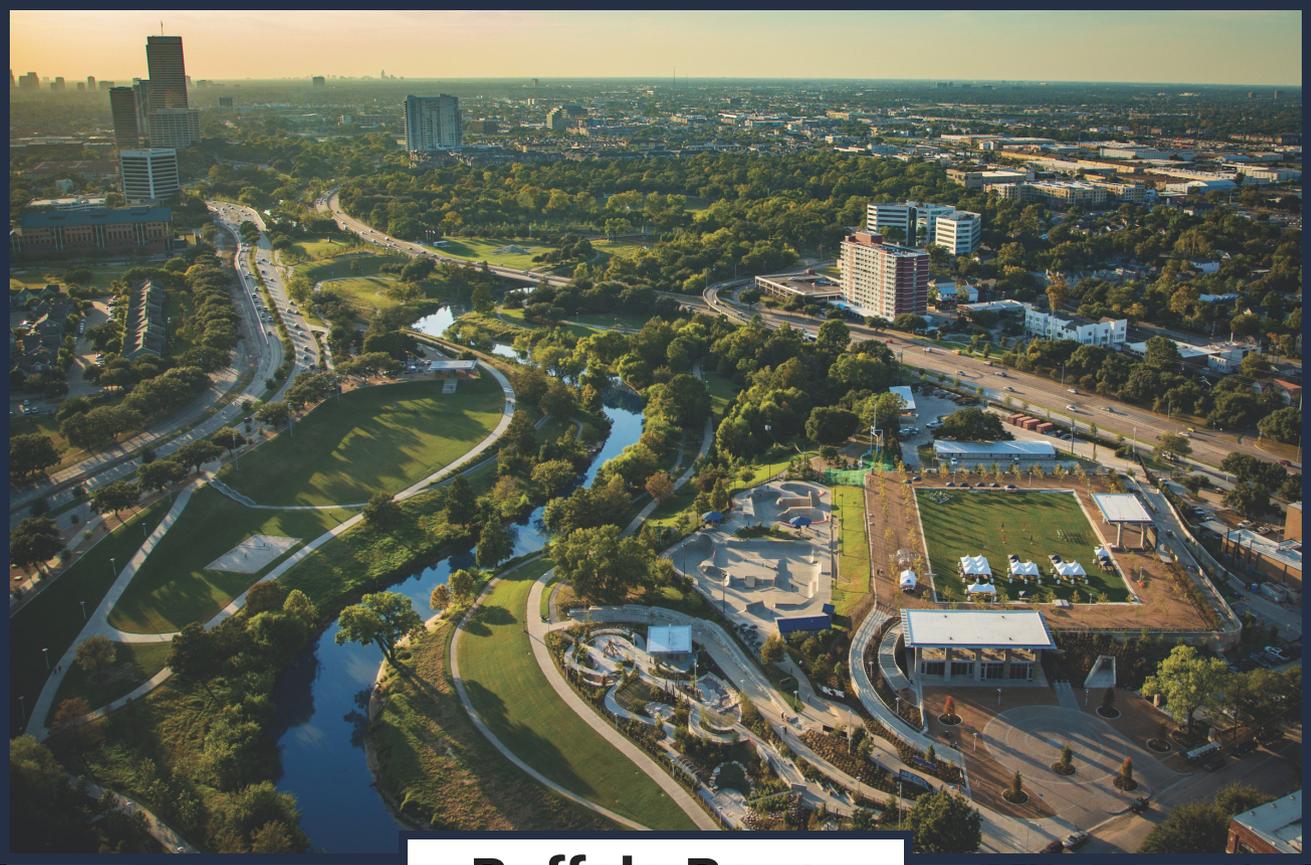
**City of Houston  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



**Buffalo Bayou**





## **Independent Auditor's Report**

To the Honorable Mayor, Members of City Council, and  
City Controller of the City of Houston, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund, and the Police Officer's Pension Trust Fund, blended component units of the City, which, in the aggregate, represent 100% of the assets and net position of the pension trust funds, within the fiduciary funds. Except for Houston Area Library Automated Network, and Lamar Terrace Public Improvement District, we did not audit the financial statements of any governmental discretely presented component units which represent 6.4%, (7.6%) and 7.9%, respectively, of the assets, net position (deficit), and revenues of the governmental activities or any business-type discretely presented component units which represents 5.7%, 14.9% and 12.5% respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such pension trust funds, governmental discretely presented component units, and business-type discretely presented component units, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As explained in Notes 1L to the financial statements, in 2018, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5 through 15), Schedule of Budgeted and Actual Revenues and Expenditures of the General Operating Fund (pages 124 through 129), Pension System Supplementary Information (pages 130 through 131), and Other Post-Employment Benefits Supplementary Information (pages 131 and 132) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houston's basic financial statements. The Individual Fund Statements and Schedules, and the Introductory Section and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Individual Fund Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

based on our audit and the procedures performed as described above, the Individual Fund Statements and Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the City of Houston, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Houston, Texas's internal control over financial reporting and compliance.

McConnell & Jones LLP      Banks, Finley, White & Co.

November 29, 2018

**CITY OF HOUSTON, TEXAS**

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**City of Houston, Texas**  
**Management's Discussion and Analysis**  
**June 30, 2018**  
**(Unaudited)**

As management of the City of Houston, we offer readers of the City of Houston's financial statements this narrative overview and analysis of the financial activities of the City of Houston for the fiscal year ended June 30, 2018. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2017. All amounts, unless otherwise indicated, are expressed in millions of dollars.

**Financial Highlights**

Some of the City's financial highlights for the fiscal year ending June 30, 2018 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$792 million.
- The City's total net position decreased during the year by \$299 million. Implementation of GASB No.75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" further decreased net position by \$764 million. This resulted in a net decrease from the prior year of \$1.06 billion.
- The City's unrestricted net position is a deficit of \$6.454 billion.
- The City of Houston's total expenses were \$5.41 billion.
- Both the City's Program revenues of \$2.631 billion and the City's general revenues of \$2.479 billion were needed to offset the net cost of the City's functions.

During fiscal year 2018, the effects of Hurricane Harvey also played a role in the city's financial position. The demands of the ongoing recovery have put a strain on the city's finances as we rebuild Houston. To assist with the recovery, the City received \$163 million in advanced funding from the Federal Emergency Management Agency (FEMA), \$50 million from the Office of the Governor and \$100 million in flood and interruption insurance. The City has worked with the Texas Division of Emergency Management (TDEM) and FEMA to seek assurance of compliance during the process of allocating those funds to City departments. Hurricane Harvey resulted in the City incurring expenses over \$250.8 million as of the date of this report. Capital repairs are expected to cost approximately \$1.8 billion. The City will be seeking reimbursement and expects to recover 90 percent of the cost of capital repairs from FEMA.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Houston's basic financial statements. The City of Houston's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Houston's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Houston's assets and liabilities, with the difference between the assets and liabilities reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Houston is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish between functions of the City of Houston that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Houston include general government, public safety, public works, health, housing and community development, parks and recreation, and library. The business-type activities of the City of Houston include the airport system, combined utility system and convention & entertainment facilities.

The government-wide financial statements include not only the City of Houston itself (known as the primary government), but also legally separate component units for which the City of Houston is financially accountable. With the exception of the three pension systems, financial information for the component units is reported separately from the financial information presented for the primary government itself. The pension systems, although also legally separate, function for all practical purposes as departments of the City of Houston, and therefore have been included as an integral part of the primary government.

**Fund financial statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Houston, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Houston can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet displays a reconciliation to facilitate this comparison between governmental funds. The reconciliation between the governmental fund statement of revenues, expenditures, and changes in fund balances and governmental activities is provided on a separate schedule.

The City of Houston maintains nine individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund and the grants fund, all of which are considered to be major funds. Data from the other funds is combined in the column labeled "Nonmajor Governmental Funds" on both of these statements (see the separate tab labeled "Governmental Funds" for more information on these funds).

**Proprietary funds.** The City of Houston maintains two different types of proprietary funds: Enterprise funds (see separate tab of same name) and internal service funds (see separate tab of same name). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Houston uses enterprise funds to account for its aviation system, combined utility system and the convention and entertainment facilities. The City of Houston uses internal service funds to account for health and benefits and long-term disability activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the aviation system, combined utility system and convention and entertainment facilities, all of which are considered to be major funds for the City of Houston. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds (see separate tab of same name) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Houston’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes (see separate tab of same name) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning: General fund – budget vs. actual; the City of Houston’s progress in funding its obligation to provide pension benefits to its employees; and other post employment benefits.

**Net Position**  
**June 30, 2018**  
**(With comparative totals for 2017)**  
**(in millions)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,766	\$ 1,569	\$ 3,782	\$ 3,286	\$ 5,548	\$ 4,855
Capital assets	7,329	7,247	10,272	10,071	17,601	17,318
Total assets	9,095	8,816	14,054	13,357	23,149	22,173
Deferred outflows of resources	2,027	2,561	442	559	2,469	3,120
Long-term liabilities	9,797	9,234	11,735	11,466	21,532	20,700
Other liabilities	1,082	1,034	1,013	779	2,095	1,813
Total liabilities	10,879	10,268	12,748	12,245	23,627	22,513
Deferred inflows of resources	1,158	906	41	19	1,199	925
Net position						
Net investment in capital assets,	4,865	4,593	824	742	5,689	5,335
Restricted	187	44	1,370	1,264	1,557	1,308
Unrestricted (deficit)	(5,967)	(4,434)	(487)	(354)	(6,454)	(4,788)
Total net position (deficit)	\$ (915)	\$ 203	\$ 1,707	\$ 1,652	\$ 792	\$ 1,855

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Houston, on a government-wide basis, assets and deferred outflows were higher than liabilities and deferred inflows by \$792 million at the close of the most recent fiscal year.

By far the largest portion of the City of Houston’s net position of 719% reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Houston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Houston’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Houston’s net position 197% represents resources that are subject to external restrictions on how they may be used.

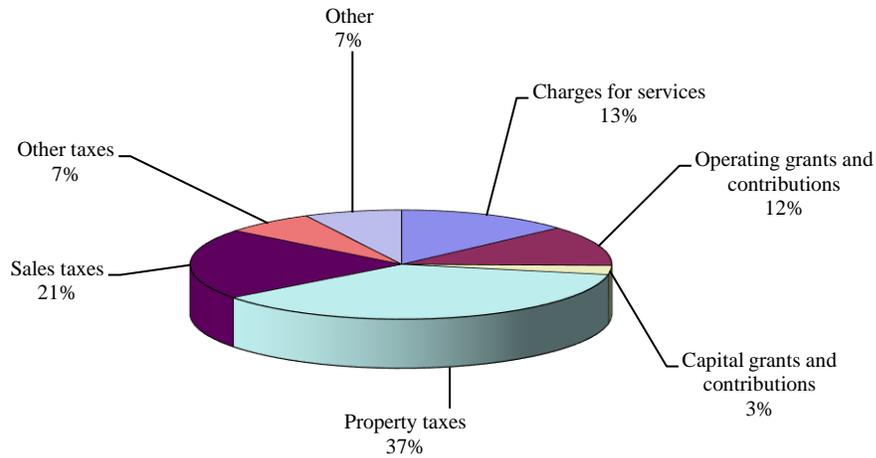
**Change in Net Position**  
**For the Fiscal Year Ended June 30, 2018**  
With comparative totals for 2017  
(in millions)

	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for services	\$ 427	\$ 461	\$ 1,698	\$ 1,647	\$ 2,125	\$ 2,108
Operating grants and contributions	380	346	19	20	399	366
Capital grants and contributions	84	99	24	53	108	152
General revenues:						
Property taxes	1,172	1,152	-	-	1,172	1,152
Sales taxes	674	632	-	-	674	632
Other taxes	221	227	89	83	310	310
Other	240	119	71	59	311	178
Gain on sale of asset	-	2	12	2	12	4
Total revenues	<u>3,198</u>	<u>3,038</u>	<u>1,913</u>	<u>1,864</u>	<u>5,111</u>	<u>4,902</u>
Expenses:						
General government	421	298	-	-	421	298
Public safety	2,138	230	-	-	2,138	230
Public works	423	341	-	-	423	341
Health	172	149	-	-	172	149
Housing and community development	54	62	-	-	54	62
Parks and recreation	126	89	-	-	126	89
Library	51	35	-	-	51	35
Interest on Long-term Debt	160	142	-	-	160	142
Depreciation and amortization	153	150	-	-	153	150
Airport System	-	-	606	527	606	527
Convention & Entertainment Facilities	-	-	115	111	115	111
Combined Utility System	-	-	991	850	991	850
Total expenses	<u>3,698</u>	<u>1,496</u>	<u>1,712</u>	<u>1,488</u>	<u>5,410</u>	<u>2,984</u>
Change in net position before contributions, special items and transfers	(500)	1,542	201	376	(299)	1,918
Transfers	65	63	(65)	(63)	-	-
Change in net position	(435)	1,605	136	313	(299)	1,918
Net assets, July 1 as previously reported	203	(1,434)	1,652	1,339	1,855	(95)
Cumulative effect of the implementation of a new accounting principle	(683)	32	(81)	-	(764)	32
Beginning net position July 1	<u>(480)</u>	<u>(1,402)</u>	<u>1,571</u>	<u>1,339</u>	<u>1,091</u>	<u>(63)</u>
Net position (deficit) June 30	<u>\$ (915)</u>	<u>\$ 203</u>	<u>\$ 1,707</u>	<u>\$ 1,652</u>	<u>\$ 792</u>	<u>\$ 1,855</u>

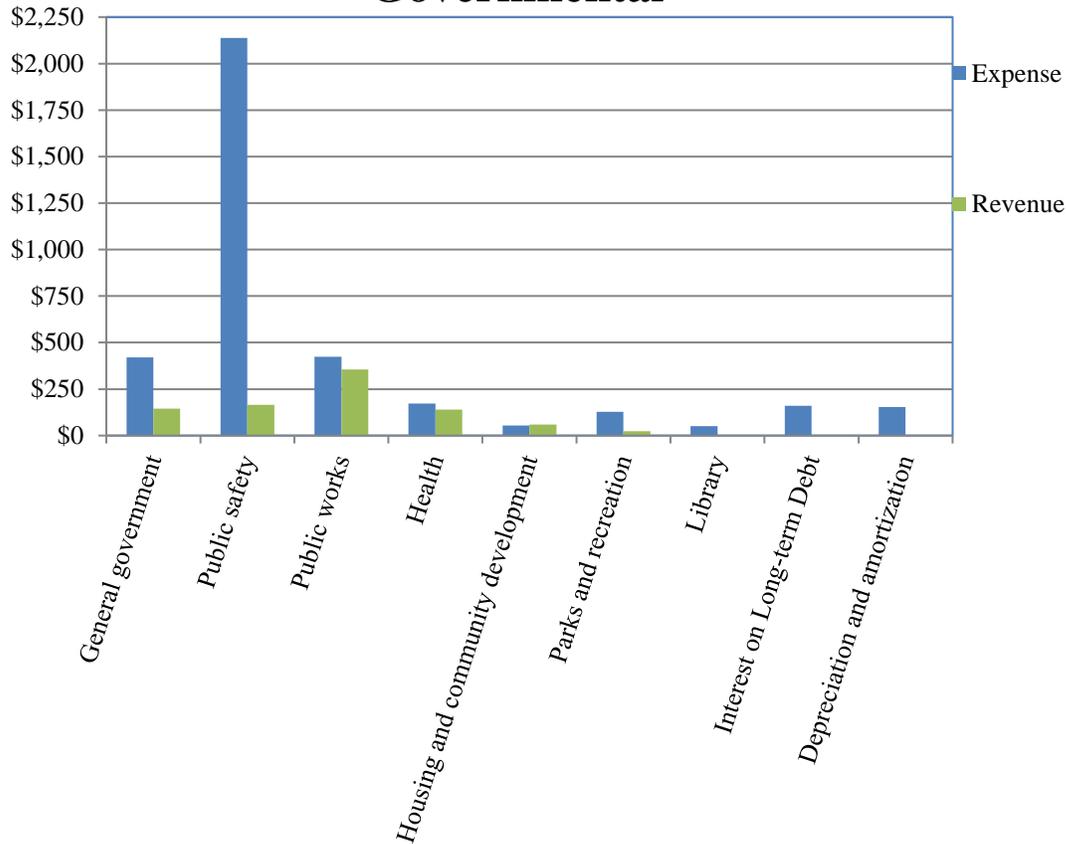
**Governmental activities.** Governmental activities decreased the City of Houston’s net position from Fiscal Year 2017 by \$1.118 billion. The key elements of this change are as follows:

- The City changed its accounting method for other postemployment benefits to conform to the newly issued Governmental Accounting Standards Board Statement, GASB 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*” The provisions of GASB 75 requires the presentation of the Net OPEB Liability in the government-wide statement of net position. The financial impact of implementing GASB 75 was an increase in liabilities for the OPEB liability and a decrease in net position by \$683 million, reducing beginning net position from a surplus of \$203 million to a deficit of \$480 million.
- Sales tax revenue increased during fiscal year 2018 by 6.23 %, from \$632 million to \$674 million.
- The City received a Legal Settlement of \$40 million.
- The City received \$100 million in insurance proceeds related to the Hurricane Harvey disaster. Of that amount, \$94 million was recognized in government funds and \$6 million in enterprise funds.
- Public safety expenditures increased by \$1.908 billion, primarily the result of pension and OPEB expenses and costs related to the Hurricane Harvey Disaster.

Revenue by Source - Governmental Activities



## Program Revenue and Expense Governmental

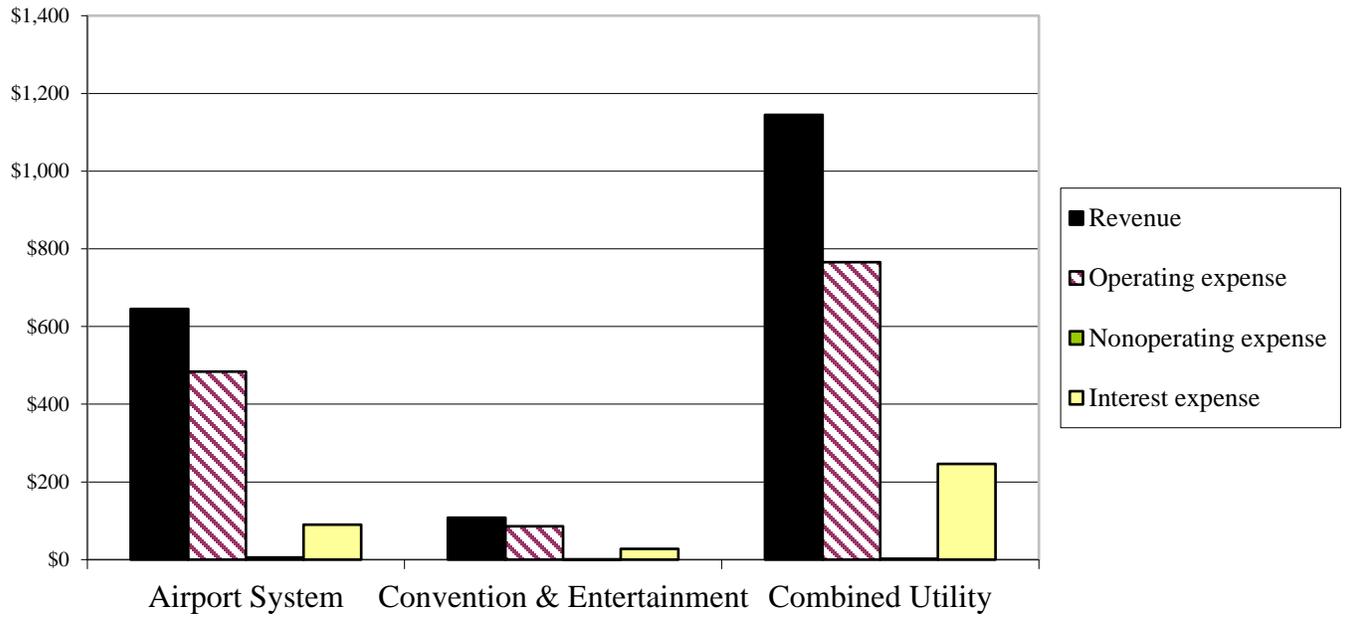


**Business-type activities.** Business-type activities increased the City of Houston’s net position during the year by \$135 million. The cumulative effect of the implementation of a new accounting principle decreased net position by \$81 million, resulting in a net increase from the prior year of \$54 million.

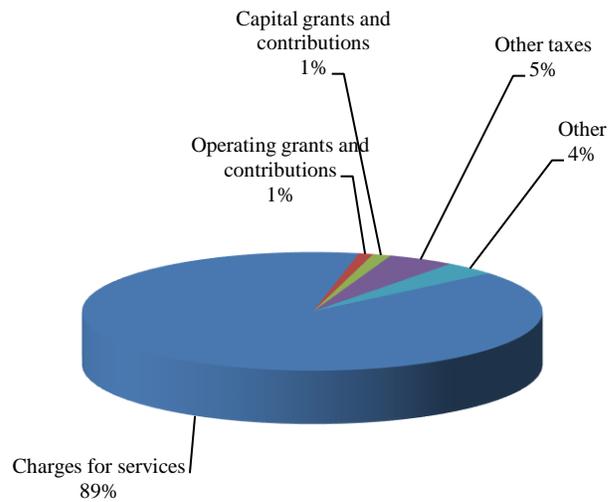
Key elements of this change are as follows:

- Airport systems operating expenses were up by 16.5%, from \$439 million to \$511 million. This is primarily due to the benefit received from Pension Reform in fiscal year 2017 that was not repeated in fiscal year 2018. Operating revenues for these facilities were up by 3.4%, from \$494 million to \$511 million predominantly due to increases in landing area fees, parking, concessions, and other revenues.
- Convention & Entertainment operating expenses were up 5% from \$83 million to \$87 million. Operating revenues were down 36% from \$12 million to \$8 million due to reduced parking revenues related to garage closures as a result of damage from Hurricane Harvey. Conversely, non-operating revenues from hotel occupancy taxes increased by 7.9%, from \$83 million to \$89 million, due to increased hotel occupancy related to the housing of various agency employees and storm victims.
- The Combined Utility System operating expenses increased by 23.8% from \$601 million to \$744 million primarily due to Pension Reform’s effect as noted in the Airport System. Operating revenues increased by 2.6% from \$1.026 billion to \$1.053 billion primarily due to increased net metered water and surface water revenues and net sewer system user charges.

## Program Revenue & Expense Business-type



## Revenue by Source - Business-type



## Financial Analysis of the Government's Funds

As noted earlier, the City of Houston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds (see separate tab of same name).** The focus of the City of Houston's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Houston's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Houston's governmental funds reported combined ending fund balances of \$920 million. Unassigned fund balance was \$358 million, or approximately 39.0% of fund balance and is available for spending at the government's discretion. The remainder of fund balance is set aside to indicate that it is not available for new spending because it has already been assigned for capital expenditures, \$81 million, restricted to pay debt service, \$133 million, or a variety of other restricted purposes, \$348 million.

The general fund is the chief operating fund of the City of Houston. At the end of the current fiscal year, unassigned fund balance of the general fund was \$358 million, while the total fund balance reached \$394 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.9% of total general fund expenditures, while total fund balance represents 13.1% of that same amount.

Key differences between last year's general fund activity and this year's include:

- \$77.5 million increase in total revenues – primarily increased Property Tax, \$19 million and Sales Tax revenues, \$42 million
- \$956 million increase in expenditures – additional General Government, Public Safety and Retiree Benefit costs, primarily for police and civilian pension costs
- \$885 million increase in proceeds from issuance of debt

Debt service expenditures for the debt service fund increased by \$297 million. The net increase in fund balance was \$5 million.

The capital projects fund, which is used for the acquisition and/or construction of capital facilities by the City (except those financed by Enterprise Funds), has a fund balance of \$103 million. The net increase in fund balance during the current fiscal year was 3.9%.

**Proprietary funds (see tabs labeled "Enterprise Funds" and "Internal Services Funds").** The City of Houston proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, the Airport System had an unrestricted net deficit of \$143 million, Convention and Entertainment had a net position of \$24 million and the Combined Utility System had a net deficit of \$367 million. The increase in net position for the Airport System for the fiscal year was \$53 million. The Convention and Entertainment fund experienced a decrease in net position during the fiscal year of \$9 million. The Combined Utility System fund experienced an increase of \$89 million in net position during the fiscal year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Houston's business-type activities.

## General Fund Budgetary Highlights

Total revenues were above budget by \$109 million. The details of the more significant variances are highlighted below:

- \$14 million above budget in property taxes
- \$47 million above budget in sales tax
- \$39 million above budget in other revenues

Total expenditures for the General Fund were \$24 million below the final expenditure budget. The details of the more significant variances are highlighted below:

- \$9.8 million under budget in general government
- \$6.6 million under budget in public works
- \$10.3 million under budget in retiree benefits

## Capital Asset and Debt Administration

**Capital assets.** The City of Houston's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$17.6 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges. The City of Houston's net investment in capital assets was relatively stable.

### Capital Assets

June 30, 2018

(With comparative totals for 2017)

(net of accumulated depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and right of way	\$ 2,219	\$ 2,189	\$ 469	\$ 459	\$ 2,688	\$ 2,648
Buildings, improvements and equipment	2,582	2,525	5,781	5,729	8,363	8,254
Construction in progress	400	363	840	615	1,240	978
Water rights	-	-	846	749	846	749
Runway rights	-	-	17	15	17	15
Garage rights	-	-	13	13	13	13
Infrastructure Assets	6,959	6,770	11,349	11,131	18,308	17,901
Less accumulated depreciation	(4,831)	(4,601)	(9,044)	(8,640)	(13,875)	(13,241)
Total	\$ 7,329	\$ 7,246	\$ 10,271	\$ 10,071	\$ 17,600	\$ 17,317

More detailed information regarding capital assets can be found in Note 6 to the financial statements.

Major capital asset events during the current fiscal year included the following:

- Business-type activities - construction in process balance reflects a \$225 million increase
- Business-type activities - water rights reflect a \$97 million increase
- Business-type activities - infrastructure assets reflect a \$218 million increase
- Governmental-type activities - infrastructure assets reflect a \$189 million increase

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

**Long-term debt** At the end of the current fiscal year, the City of Houston had total bonded debt outstanding of \$14 billion. The two largest portions of this total are made up of \$2.8 billion comprising debt backed by the full faith and credit of the government and \$10 billion comprising various enterprise fund revenue bonds which are payable from future revenues of the various operations of those enterprise funds. The remainder of the City of Houston's debt represents various long-term contracts.

**Outstanding Debt**

**June 30, 2018**

(With comparative totals for 2017)

(in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds and commercial paper	\$ 2,541	\$ 2,651	\$ 241	\$ 107	\$ 2,782	\$ 2,758
Pension bonds	1,444	523	132	63	1,576	586
Inferior lien contract	-	-	-	6	-	6
Special facility bonds	-	-	86	91	86	91
Revenue bonds	-	-	9,444	9,506	9,444	9,506
Other borrowings	9	4	750	533	759	537
Total	<u>\$ 3,994</u>	<u>\$ 3,178</u>	<u>\$ 10,653</u>	<u>\$ 10,306</u>	<u>\$ 14,647</u>	<u>\$ 13,484</u>

The City's total debt increased by \$1.2 billion or 8.6% during the current fiscal year. The primary increase was \$1 billion in pension bonds that were issued to assist in reducing the net pension liability.

More detailed information on long-term debt can be found in Note 8 to the financial statements.

Standard & Poor's, Moody's and Fitch's underlying ratings of the City's obligations as of June 30, 2018 are as follows:

	<u>Std &amp; Poor's</u>	<u>Moody's</u>	<u>Fitch's</u>
General Obligation	AA	Aa3	AA
Water & Sewer System Junior Lien	AA+	Aa1	AA+
Combined Utility System First Lien	AA	Aa2	AA
Houston Airport System-Senior Lien	AA-	Aa3	N/R
Houston Airport System-Subordinate Lien	A+	A1	A
Houston Airport System-CRCF Lien	A-	A3	A-
Convention & Entertainment - Senior Lien	A-	A2	N/R

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Houston is \$25.2 billion, which is significantly in excess of the City of Houston's outstanding general obligation debt.

### **Next Year's Budget and Rates**

Highlights of the fiscal year 2019 budget are as follows:

- The property tax rate was increased to 58.831 cents per \$100 of valuation.
- The public safety budget included funding to primarily provide resources for five police cadet classes and three fire cadet classes.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Houston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, 901 Bagby, 8<sup>th</sup> Floor, Houston, Texas 77002.

**CITY OF HOUSTON, TEXAS  
STATEMENT OF NET POSITION**

**June 30, 2018**  
*(amounts expressed in thousands)*

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents (Note 3A)	\$ 290,583	318,342	\$ 608,925	\$ 230,807	\$ 81,190
Investments (Note 3A)	955,991	1,570,460	2,526,451	172,172	20,132
Receivables, net of allowances					
Accounts receivable	211,426	191,752	403,178	14,277	18,795
Hotel occupancy tax receivable	-	22,831	22,831	-	-
Property taxes receivable	25,581	-	25,581	5,987	-
Sales taxes receivable	119,470	-	119,470	-	-
Mixed beverage taxes receivable	4,879	-	4,879	-	-
Franchise taxes receivable	16,697	-	16,697	-	-
Special assessments receivable	8,725	93	8,818	26	-
Accrued interest and other	-	-	-	-	529
Due from component units	-	33,984	33,984	-	-
Internal balances	1,939	(1,939)	-	-	-
Due from other governments	108,081	26,139	134,220	5,597	1,923
Inventory	18,614	16,754	35,368	-	-
Prepaid items	3,405	15,117	18,522	1,546	7,213
Other receivables	-	-	-	1,680	22,299
Due from primary government	-	-	-	2,700	-
Restricted					
Cash and cash equivalents (Note 3A)	-	6,342	6,342	-	-
Investments (Note 3A)	-	-	-	3,782	51,309
Noncurrent assets					
Cash and cash equivalents (Note 3A)	-	-	-	-	23,568
Investments (Note 3A)	-	1,074,635	1,074,635	-	18,756
Due from component units	-	341,883	341,883	-	-
Receivables and deposits	-	-	-	-	83,649
Due from other governments	-	117,308	117,308	-	-
Amounts held by other governments	-	10,973	10,973	-	-
Deferred charges for issuance cost	-	-	-	3,657	-
Other long-term receivables	-	-	-	51,858	-
Restricted assets					
Cash and cash equivalents (Note 3A)	-	37,753	37,753	-	-
Investments (Note 3A)	-	-	-	21,702	-
Capital Assets					
Land and right-of-way	2,210,026	469,284	2,679,310	130,807	23,480
Buildings	1,294,411	3,715,780	5,010,191	77,463	671,135
Improvements and equipment	1,287,748	2,065,007	3,352,755	-	-
Construction in progress	400,446	839,860	1,240,306	43,155	45,192
Runway rights	-	17,376	17,376	-	-
Water rights	-	845,975	845,975	-	-
Garage rights	-	13,144	13,144	-	-
Rights & Intangibles	8,625	-	8,625	-	-
Infrastructure assets	6,959,388	11,349,441	18,308,829	-	-
Less accumulated depreciation and amortization	(4,831,350)	(9,044,335)	(13,875,685)	(19,672)	(192,805)
<b>Total assets</b>	<b>\$ 9,094,685</b>	<b>14,053,959</b>	<b>\$ 23,148,644</b>	<b>\$ 747,544</b>	<b>\$ 876,365</b>
<b>Deferred outflows of resources</b>					
Deferred outflows of resources	2,027,482	442,090	2,469,572	-	4,456
<b>Total deferred outflows of resources</b>	<b>\$ 2,027,482</b>	<b>442,090</b>	<b>\$ 2,469,572</b>	<b>\$ -</b>	<b>\$ 4,456</b>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS  
STATEMENT OF NET POSITION**

**June 30, 2018**  
*(amounts expressed in thousands)*

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ 177,933	160,468	\$ 338,401	\$ 39,636	\$ 58,838
Accrued payroll liabilities	66,309	8,455	74,764	26	1,255
Accrued interest payable	57,461	107,031	164,492	7,006	2,925
Contracts and retainages payable	-	35,591	35,591	6,199	839
Due to component units	-	26,297	26,297	-	-
Due to other governments	8,396	3,322	11,718	15,101	-
Advances and deposits	6,069	52,302	58,371	33	-
Other liabilities	-	-	-	3,759	1,016
Special facility bonds payable	-	5,715	5,715	-	-
Unearned revenue	329,184	10,837	340,021	5,122	1,065
Cost of issuance	-	1,893	1,893	-	-
<b>Noncurrent liabilities</b>					
Due within one year					
Contracts payable - current maturities	-	9,053	9,053	-	-
Notes payable	672	-	672	11,976	12,258
Bonds payable	206,190	314,109	520,299	25,185	-
Claims and judgments	38,244	1,724	39,968	-	-
Compensated absences	151,179	16,758	167,937	-	-
Pension bonds payable	10,410	29,095	39,505	-	-
Commercial paper	30,000	220,000	250,000	-	-
Other liabilities	-	10,000	10,000	-	-
Due in more than one year					
Due to primary government	-	-	-	674	27,767
Notes payable	7,554	-	7,554	119,141	449,289
Bonds payable	2,264,610	9,130,005	11,394,615	449,968	-
Claims and judgments	111,813	2,611	114,424	-	-
Compensated absences	325,022	15,959	340,981	-	-
Special facility bonds payable	-	80,385	80,385	-	-
Contracts payable	-	741,074	741,074	-	-
Commercial paper	40,000	21,473	61,473	-	-
Arbitrage rebate liability	-	136	136	-	-
Municipal net pension liability	1,537,134	587,360	2,124,494	-	-
Police officers' net pension liability	1,258,827	-	1,258,827	-	-
Firefighter's net pension liability	644,700	-	644,700	-	-
SWAP liability	-	184,777	184,777	-	-
Unearned revenue	-	591,736	591,736	-	8,060
Other post employment benefits liability	2,172,678	276,934	2,449,612	-	-
Pension obligation bonds payable	1,434,480	102,451	1,536,931	-	-
Other long-term liabilities	-	-	-	141	-
<b>Total liabilities</b>	<b>\$ 10,878,865</b>	<b>12,747,551</b>	<b>\$ 23,626,416</b>	<b>\$ 683,967</b>	<b>\$ 563,312</b>
<b>Deferred inflows of resources</b>					
Deferred inflows of resources	1,158,146	41,633	1,199,779	-	19,203
<b>Total deferred inflows of resources</b>	<b>\$ 1,158,146</b>	<b>41,633</b>	<b>\$ 1,199,779</b>	<b>\$ -</b>	<b>\$ 19,203</b>
<b>Net position</b>					
Net investment in capital assets	4,865,143	823,404	5,688,547	188,307	83,497
<b>Restricted net position</b>					
Restricted for debt service	82,868	392,291	475,159	74,752	167
Restricted for renewal and replacement	-	10,005	10,005	-	-
Restricted for maintenance and operations	-	157,633	157,633	3,008	-
Restricted for others' capital improvement	-	153,357	153,357	71,272	-
Restricted for capital improvement	103,331	657,050	760,381	92,317	-
Other restricted	575	-	575	-	37,909
Unrestricted (deficit)	(5,966,761)	(486,875)	(6,453,636)	(366,079)	176,733
<b>Total net position (deficit)</b>	<b>\$ (914,844)</b>	<b>1,706,865</b>	<b>\$ 792,021</b>	<b>\$ 63,577</b>	<b>\$ 298,306</b>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS  
STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2018**  
*(amounts expressed in thousands)*

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	420,663	63,994	80,537	-
Public safety	2,137,632	120,104	45,763	184
Public works	423,137	212,743	67,951	73,976
Health	171,802	19,037	120,538	-
Housing and community development	53,965	-	59,924	-
Parks and recreation	126,416	9,033	5,249	9,567
Library	51,312	1,867	132	-
Interest on long-term debt	160,247	-	-	-
Unallocated Depreciation	153,092	-	-	-
Total governmental activities	<u>3,698,266</u>	<u>426,778</u>	<u>380,094</u>	<u>83,727</u>
Business-type activities				
Airport System	605,653	637,259	-	13,784
Convention & Entertainment facilities	115,255	7,883	-	-
Combined Utility System	991,167	1,052,549	19,346	9,624
Total business-type activities	<u>1,712,075</u>	<u>1,697,691</u>	<u>19,346</u>	<u>23,408</u>
<b>Total primary government</b>	<u><u>5,410,341</u></u>	<u><u>2,124,469</u></u>	<u><u>399,440</u></u>	<u><u>107,135</u></u>
<b>Component Units</b>				
Governmental	259,056	44,782	25,565	7,176
Business-type	318,293	156,635	100,351	-
<b>Total component units activities</b>	<u><u>577,349</u></u>	<u><u>201,417</u></u>	<u><u>125,916</u></u>	<u><u>7,176</u></u>

**General Revenues:**

Taxes
Property taxes levied for general purposes/tax increments
Property taxes levied for debt service
Industrial assessments tax
Sales tax
Franchise tax
Mixed beverage tax
Bingo tax
Hotel occupancy tax
Insurance proceeds
Investment earnings
Other
Gain on disposal of asset
Contributions
Transfers
Total general revenues and transfers
Change in net position
Net position beginning, as previously reported
Prior period adjustment
Cumulative effect of the implementation of a new accounting principle
Beginning net position, July 1
Net position ending

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Governmental	Business-type	
(276,132)	-	(276,132)	\$ -	\$ -	
(1,971,581)	-	(1,971,581)	-	-	
(68,467)	-	(68,467)	-	-	
(32,227)	-	(32,227)	-	-	
5,959	-	5,959	-	-	
(102,567)	-	(102,567)	-	-	
(49,313)	-	(49,313)	-	-	
(160,247)	-	(160,247)	-	-	
(153,092)	-	(153,092)	-	-	
<u>(2,807,667)</u>	<u>-</u>	<u>(2,807,667)</u>	<u>-</u>	<u>-</u>	
-	45,390	45,390	-	-	
-	(107,372)	(107,372)	-	-	
-	90,352	90,352	-	-	
<u>-</u>	<u>28,370</u>	<u>28,370</u>	<u>-</u>	<u>-</u>	
<u>(2,807,667)</u>	<u>28,370</u>	<u>(2,779,297)</u>	<u>-</u>	<u>-</u>	
-	-	-	(181,533)	-	
-	-	-	-	(61,307)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,533)</u>	<u>(61,307)</u>	
843,190	-	843,190	188,939	750	
329,123	-	329,123	-	-	
18,278	-	18,278	-	-	
674,279	-	674,279	-	-	
186,206	-	186,206	-	-	
17,296	-	17,296	-	-	
73	-	73	-	-	
-	89,417	89,417	4,966	-	
93,778	-	93,778	-	-	
12,004	26,388	38,392	5,000	3,324	
134,010	44,278	178,288	3,102	3,781	
-	11,533	11,533	-	-	
-	-	-	40	-	
64,507	(64,507)	-	-	-	
<u>2,372,744</u>	<u>107,109</u>	<u>2,479,853</u>	<u>202,047</u>	<u>7,855</u>	
(434,923)	135,479	(299,444)	20,514	(53,452)	
202,967	1,652,432	1,855,399	31,698	351,758	
-	-	-	11,365	-	
(682,888)	(81,046)	(763,934)	-	-	
<u>(479,921)</u>	<u>1,571,386</u>	<u>1,091,465</u>	<u>43,063</u>	<u>351,758</u>	
<u>(914,844)</u>	<u>1,706,865</u>	<u>792,021</u>	<u>\$ 63,577</u>	<u>\$ 298,306</u>	

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2018**  
*(amounts expressed in thousands)*

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 181,329	\$ 27,722	\$ 24,115
Investments	123,601	98,850	203,909
Receivables, net of allowances			
Accounts receivable	128,108	8	-
Property taxes receivable	25,581	-	-
Sales taxes receivable	119,470	-	-
Mixed beverage taxes receivable	4,879	-	-
Franchise taxes receivable	16,697	-	-
Special assessments receivable	8,725	-	-
Due from component units	-	-	-
Due from other funds	52,264	6,136	15,835
Due from other governments	479	-	11,716
Inventory	16,359	-	-
Prepaid items	2,522	-	405
Total assets	\$ 680,014	\$ 132,716	\$ 255,980
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	73,912	13	54,876
Accrued payroll liabilities	58,643	-	-
Due to other funds	18,325	-	9,543
Due to other governments	4,908	-	-
Advances and deposits	2,440	-	10
Claims and judgments	3,885	-	-
Compensated absences	7,264	-	-
Unearned revenue	-	-	88,220
Total liabilities	169,377	13	152,649
<b>Deferred inflows of resources</b>			
Deferred inflow of resources	116,162	-	-
Total deferred inflows of resources	116,162	-	-
<b>Fund balance</b>			
<b>Non-Spendable</b>			
Prepays	2,522	-	405
Inventory	16,359	-	-
Restricted	1,164	132,703	22,279
Committed	16,901	-	-
Assigned	-	-	80,647
Unassigned	357,529	-	-
Total fund balance	394,475	132,703	103,331
<b>Total liabilities and fund balance</b>	<b>\$ 680,014</b>	<b>\$ 132,716</b>	<b>\$ 255,980</b>

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Revenues earned but not available are not recognized as revenues on the fund financial statements

Deferred inflows and outflows related to pension and debt are not recognized on the fund financial statements

Internal service funds are used by management to charge the cost of health benefits and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.

Liabilities, including bonds payable, not due and payable in the current period are not reported in the funds.

Net position of governmental activities

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

	Grants	Nonmajor Governmental Funds	Total
\$	33,941	\$ 22,801	\$ 289,908
	180,128	269,407	875,895
	35,625	47,678	211,419
	-	-	25,581
	-	-	119,470
	-	-	4,879
	-	-	16,697
	-	-	8,725
	-	-	-
	1,682	17,778	93,695
	67,543	28,319	108,057
	461	1,794	18,614
	428	50	3,405
\$	319,808	\$ 387,827	\$ 1,776,345

	35,412	13,178	177,391
	1,946	5,592	66,181
	33,840	23,924	85,632
	2,577	911	8,396
	11	3,608	6,069
	-	-	3,885
	-	123	7,387
	237,821	14	326,055
	311,607	47,350	680,996

	-	60,140	176,302
	-	60,140	176,302

	428	50	3,405
	461	1,794	18,614
	7,312	199,788	363,246
	-	78,705	95,606
	-	-	80,647
	-	-	357,529
	8,201	280,337	919,047
\$	319,808	\$ 387,827	

7,329,050  
176,302  
869,336

26,746

(10,235,325)

(914,844)

\* The notes to the basic financial statements are an integral part of this statement \*

CITY OF HOUSTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES and CHANGES in FUND BALANCES  
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018

(amounts expressed in thousands)

	General	Debt Service	Capital Projects
<b>Revenues</b>			
Taxes and assessments	\$ 2,068,243	\$ -	\$ -
Licenses and permits	34,273	-	-
Charges for services	146,421	-	-
Intergovernmental - grants	76,585	-	58,138
Fines and forfeits	25,001	-	-
Investment income	6,092	1,051	1,199
Other	73,119	6,570	9,886
Total revenues	<u>2,429,734</u>	<u>7,621</u>	<u>69,223</u>
<b>Expenditures</b>			
Current Expenditures			
General government	291,676	-	-
Public safety	2,136,766	-	-
Public works	203,464	-	-
Health	66,396	-	-
Housing and community development	439	-	-
Parks and recreation	76,077	-	-
Library	39,883	-	-
Retiree benefits	167,372	-	-
Capital outlay	27,225	-	263,040
Debt Service			
Debt service principal	-	489,510	-
Debt service interest	2,221	146,533	-
Debt service fiscal agent & fees	4,709	5,967	-
Total expenditures	<u>3,016,228</u>	<u>642,010</u>	<u>263,040</u>
<b>Other financing sources (uses)</b>			
Proceeds from issuance of debt	943,051	537,270	77,000
Proceeds from capital lease	-	-	-
Debt service fiscal agent & fees	-	-	-
Premium on refunding debt	-	76,336	-
Sale of capital assets	4,892	-	-
Transfers in	73,036	361,605	120,684
Transfers out	(391,895)	-	-
Payment to escrow agent for refunded bonds	-	(336,191)	-
Insurance proceeds	-	-	-
Total other financing sources (uses)	<u>629,084</u>	<u>639,020</u>	<u>197,684</u>
Changes in fund balance	42,590	4,631	3,867
Fund balances, July 1	351,885	128,072	99,464
<b>Fund balances, June 30</b>	<u>\$ 394,475</u>	<u>\$ 132,703</u>	<u>\$ 103,331</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

Grants	Nonmajor Governmental Funds	Total
\$ -	\$ 432	\$ 2,068,675
-	79,645	113,918
-	158,204	304,625
209,899	98,819	443,441
-	9,733	34,734
865	2,372	11,579
-	43,935	133,510
<u>210,764</u>	<u>393,140</u>	<u>3,110,482</u>
36,516	29,469	357,661
58,459	53,726	2,248,951
57,761	140,416	401,641
63,694	30,429	160,519
52,810	-	53,249
17,810	8,350	102,237
182	-	40,065
-	-	167,372
32,979	35,143	358,387
-	-	489,510
-	-	148,754
-	898	11,574
<u>320,211</u>	<u>298,431</u>	<u>4,539,920</u>
-	20,031	1,577,352
-	-	-
-	-	-
-	-	76,336
-	1,066	5,958
-	49,929	605,254
(6)	(148,846)	(540,747)
-	-	(336,191)
<u>93,778</u>	<u>-</u>	<u>93,778</u>
<u>93,772</u>	<u>(77,820)</u>	<u>1,481,740</u>
(15,675)	16,889	52,302
23,876	263,448	866,745
<u>\$ 8,201</u>	<u>\$ 280,337</u>	<u>\$ 919,047</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2018  
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	52,302
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation (\$270,581) and net disposal of assets (\$6,600) was less than the increase in capital assets, \$359,939 in the current period. For capital outlay, the Statement of Revenues, Expenditures and Changes in Fund Balance is \$358,387. Capital assets of \$1,553 are recorded in functional expenses in general government.</p>		82,749
<p>Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.</p>		176,302
<p>Generally, governmental funds report revenue when cash is actually received, or is expected 60 days after the close of the fiscal year. Cash received during the period relates to prior periods.</p>		(202,678)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, as expenditures, the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		(821,473)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Governmental funds report payments as expenditures in the period of disbursement. The liquidation of long-term liabilities previously accrued should not be reported in the statement of activities.</p>		266,557
<p>Internal service funds are used by management to charge the costs of certain activities, such as the cost of health benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.</p>		11,318
Change in net position of governmental activities	\$	(434,923)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
**June 30, 2018**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 134,358	\$ 5,821	\$ 178,163
Investments	259,813	46,016	1,264,631
Receivables, net of allowances			
Accounts receivable	50,114	-	140,194
Hotel occupancy tax receivable	-	22,831	-
Special assessments receivable	-	-	93
Due from component units	-	33,984	-
Due from other funds	276	2	2,972
Due from other governments	22,397	-	3,742
Inventory	1,881	-	14,873
Prepaid items	4,495	-	4,611
Restricted assets			
Cash and cash equivalents	6,125	189	28
Restricted accounts receivable	1,444	-	-
Total current assets	480,903	108,843	1,609,307
<b>Noncurrent Assets</b>			
Investments	924,410	34,703	115,522
Due from component units	-	341,883	-
Prepaid items	929	-	5,082
Due from other governments	-	-	117,308
Amounts held by other governments	-	-	10,973
Restricted assets			
Cash and cash equivalents	37,753	-	-
Total noncurrent restricted assets	963,092	376,586	248,885
<b>Capital assets</b>			
Land	216,107	95,687	157,490
Buildings	2,985,527	577,527	152,726
Improvements and equipment	1,885,075	8,880	171,052
Infrastructure	565,067	334	10,784,040
Construction in progress	182,844	-	657,016
Intangibles	17,376	-	-
Water rights	-	-	845,975
Garage rights	-	13,144	-
Less accumulated depreciation and amortization	(3,035,952)	(297,513)	(5,710,870)
Net capital assets	2,816,044	398,059	7,057,429
Total noncurrent assets	3,779,136	774,645	7,306,314
<b>Total assets</b>	<b>4,260,039</b>	<b>883,488</b>	<b>8,915,621</b>
<b>Deferred outflows of resources</b>			
Deferred outflows	51,334	582	390,174
Total deferred outflows of resources	\$ 51,334	\$ 582	\$ 390,174

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<u>Business-type Activities-Enterprise</u>	<u>Governmental Activities Internal Service Funds</u>
<u>Total</u>	
\$ 318,342	\$ 675
1,570,460	80,096
190,308	7
22,831	-
93	-
33,984	-
3,250	-
26,139	24
16,754	-
9,106	-
6,342	-
1,444	-
<u>2,199,053</u>	<u>80,802</u>
1,074,635	-
341,883	-
6,011	-
117,308	-
10,973	-
37,753	-
<u>1,588,563</u>	<u>-</u>
469,284	-
3,715,780	746
2,065,007	-
11,349,441	-
839,860	-
17,376	-
845,975	-
13,144	-
<u>(9,044,335)</u>	<u>(502)</u>
<u>10,271,532</u>	<u>244</u>
<u>11,860,095</u>	<u>244</u>
<u>14,059,148</u>	<u>81,046</u>
442,090	-
<u>\$ 442,090</u>	<u>\$ -</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
**June 30, 2018**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 16,774	\$ 43	\$ 143,651
Accrued payroll liabilities	3,026	8	5,421
Accrued interest payable	43,464	4,897	58,670
Commercial paper	-	-	220,000
Contracts and retainages payable	35,591	-	-
Due to other funds	394	-	10,905
Due to component units	-	22,816	3,481
Due to other governments	1,800	-	1,522
Special facility bonds payable	5,715	-	-
Advances and deposits	2,176	-	50,126
Contracts payable - current maturities	-	-	9,053
Cost of issuance payable	180	449	1,264
Claims and judgments	881	-	843
Compensated absences	6,127	35	10,596
Pension obligation bonds payable	27,610	80	1,405
Other liabilities	10,000	-	-
Revenue bonds payable	78,520	21,779	213,810
Unearned revenue	10,837	-	-
<b>Total current liabilities</b>	<b>243,095</b>	<b>50,107</b>	<b>730,747</b>
<b>Noncurrent liabilities</b>			
Revenue bonds payable	2,118,415	677,906	6,333,684
Special facility bonds payable	80,385	-	-
Claims and judgments	1,395	-	1,216
Compensated absences	6,932	-	9,027
Contracts payable	-	-	741,074
Commercial paper	21,473	-	-
Arbitrage rebate liability	-	111	25
Municipal pension trust liability	230,999	6,084	350,277
Other post employment benefits	89,907	2,856	184,171
Due to other funds	-	-	-
SWAP liability	-	-	184,777
Unearned revenue	-	6,608	585,128
Pension obligation bonds payable	2,006	3,469	96,976
<b>Total noncurrent liabilities</b>	<b>2,551,512</b>	<b>697,034</b>	<b>8,486,355</b>
<b>Total liabilities</b>	<b>2,794,607</b>	<b>747,141</b>	<b>9,217,102</b>
<b>Deferred inflows of resources</b>			
Deferred inflows	11,253	8,046	22,334
<b>Total deferred inflows of resources</b>	<b>11,253</b>	<b>8,046</b>	<b>22,334</b>
<b>Net position (deficit)</b>			
Net investment in capital assets	531,232	54,522	237,650
Restricted net position			
Restricted for debt service	357,588	34,703	-
Restricted for renewal and replacement	10,000	5	-
Restricted for maintenance and operations	56,891	16,135	78,497
Restricted for others' capital improvement	36,049	-	117,308
Restricted for capital improvements	657,050	-	-
Unrestricted	(143,297)	23,518	(367,096)
<b>Total net position (deficit)</b>	<b>\$ 1,505,513</b>	<b>\$ 128,883</b>	<b>\$ 66,359</b>

Cumulative asset resulting from internal service funds overcharging proprietary funds  
Net position of business-type activities

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<b>Business-type Activities-Enterprise</b>		<b>Governmental Activities Internal Service Funds</b>	
<b>Total</b>			
\$	160,468	\$	542
	8,455		128
	107,031		-
	220,000		-
	35,591		-
	11,299		14
	26,297		-
	3,322		-
	5,715		-
	52,302		-
	9,053		-
	1,893		-
	1,724		23,070
	16,758		271
	29,095		-
	10,000		-
	314,109		-
	10,837		3,129
	<u>1,023,949</u>		<u>27,154</u>
	9,130,005		-
	80,385		-
	2,611		20,990
	15,959		46
	741,074		-
	21,473		-
	136		-
	587,360		-
	276,934		-
	-		-
	184,777		-
	591,736		-
	102,451		-
	<u>11,734,901</u>		<u>21,036</u>
	<u>12,758,850</u>		<u>48,190</u>
	41,633		-
	<u>41,633</u>		<u>-</u>
	823,404		244
	392,291		-
	10,005		-
	151,523		-
	153,357		-
	657,050		-
	(486,875)		32,612
	<u>1,700,755</u>		<u>\$ 32,856</u>
	6,110		
\$	<u>1,706,865</u>		

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2018**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Operating Revenues</b>			
Landing area fees	\$ 95,779	\$ -	\$ -
Terminal space rentals	220,214	-	-
Parking	103,961	6,434	-
Concession	81,074	-	-
Other	9,836	-	-
Rental	-	1,449	-
Water/Sewer Billing	-	-	1,052,549
Health benefit premiums	-	-	-
Total operating revenue	<u>510,864</u>	<u>7,883</u>	<u>1,052,549</u>
<b>Operating Expenses</b>			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	335,104	73,725	492,391
Depreciation and amortization	176,053	13,599	252,093
Total operating expenses	<u>511,157</u>	<u>87,324</u>	<u>744,484</u>
Operating income (loss)	<u>(293)</u>	<u>(79,441)</u>	<u>308,065</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	8,591	9,723	8,074
Hotel occupancy tax	-	89,417	-
Other revenue	-	989	43,289
Gain (loss) on disposal of assets	(176)	(251)	11,960
Other expenses	(1,420)	-	-
Cost of issuance	(3,647)	(370)	(1,979)
Passenger facility charges	109,021	-	-
Interest expense on long-term debt	(89,944)	(27,575)	(246,305)
Contributions	-	-	19,346
Customer facility charges	17,374	-	-
Special facility cost	(294)	-	-
Total nonoperating revenues (expenses)	<u>39,505</u>	<u>71,933</u>	<u>(165,615)</u>
Income (loss) before capital contributions and transfers	<u>39,212</u>	<u>(7,508)</u>	<u>142,450</u>
Capital contributions	<u>13,784</u>	<u>-</u>	<u>9,624</u>
Transfers out	-	(1,449)	(63,058)
Total transfers	<u>-</u>	<u>(1,449)</u>	<u>(63,058)</u>
Change in net position	52,996	(8,957)	89,016
Beginning Net Position as previously reported	1,473,817	136,544	38,385
Cumulative effect of the implementation of a new accounting principle	(21,300)	1,296	(61,042)
Total net position (deficit), July 1,	<u>1,452,517</u>	<u>137,840</u>	<u>(22,657)</u>
<b>Total net position (deficit), June 30</b>	<u>\$ 1,505,513</u>	<u>\$ 128,883</u>	<u>\$ 66,359</u>

Internal service fund activity is reported with governmental activities. The amount shown represents the net expense allocated to business-type activities.

Total change in net position business-type activities

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
<u>Total</u>	
\$ 95,779	\$ -
220,214	-
110,395	-
81,074	-
9,836	895
1,449	-
1,052,549	-
-	386,979
<u>1,571,296</u>	<u>387,874</u>
-	6,629
-	367,877
901,220	-
441,745	51
<u>1,342,965</u>	<u>374,557</u>
<u>228,331</u>	<u>13,317</u>
26,388	425
89,417	-
44,278	-
11,533	-
(1,420)	-
(5,996)	-
109,021	-
(363,824)	-
19,346	-
17,374	-
(294)	-
<u>(54,177)</u>	<u>425</u>
<u>174,154</u>	<u>13,742</u>
<u>23,408</u>	<u>-</u>
<u>(64,507)</u>	<u>-</u>
<u>(64,507)</u>	<u>-</u>
133,055	13,742
1,648,746	
(81,046)	
	19,114
	<u>\$ 32,856</u>
<u>2,424</u>	
<u>\$ 135,479</u>	

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2018**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 509,538	\$ 6,434	\$ 1,041,264
Payments to employees	(131,160)	(213)	(225,128)
Payments to suppliers	(127,244)	(89)	(247,385)
Internal activity-payments (to) from other funds	(67,604)	(2)	(33,945)
Claims paid	(881)	-	(1,247)
Due to(from) other governments	-	-	-
Other receipts (payments)	(1,420)	698	43,328
Other payments	-	(74,795)	-
Receipts from component units	-	1,449	-
Receipts from other governments	-	-	133
Net cash provided by (used in) operating activities	<u>181,229</u>	<u>(66,518)</u>	<u>577,020</u>
<b>Cash flows from investing activities</b>			
Interest income on investments	8,591	9,723	8,074
Purchases of investments	(1,851,068)	(110,472)	(2,103,297)
Sales of investments	<u>1,711,524</u>	<u>115,688</u>	<u>1,837,717</u>
Net cash provided by (used in) investing activities	<u>(130,953)</u>	<u>14,939</u>	<u>(257,506)</u>
<b>Cash flows from capital and related financing activities</b>			
Retirement of revenue bonds	(336,809)	(32,070)	(200,505)
Retirement of special facility bonds	(5,490)	-	-
Refunding of revenue bonds	-	62	-
Retirement of commercial paper	(83,527)	-	-
Proceeds (uses of cash) from issuance of revenue bonds	475,472	-	64,680
Proceeds from issuance of commercial paper	18,000	-	200,000
Passenger facilities charges	108,220	-	-
Customer facilities charges	17,232	-	-
Proceeds from contracts payable	-	-	190,080
Interest expense on debt	(103,296)	(15,114)	(261,020)
Retirement of inferior lien contract	(6,240)	-	-
Proceeds from disposition of assets	-	-	14,607
Grant receipts	27,680	-	-
Retirement of contracts payable	-	-	(6,468)
Acquisition of property, plant and equipment	(106,263)	-	(404,478)
Due from other governments	-	-	113,028
Cost of issuance on debt	(3,365)	(250)	(3,234)
Retirement of note payable	<u>(115,882)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(114,268)</u>	<u>(47,372)</u>	<u>(293,310)</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<b>Business-type Activities Enterprise Funds</b>		<b>Governmental Activities Internal Service Funds</b>	
<b>Total</b>			
\$	1,557,236	\$	389,052
	(356,501)		(4,548)
	(374,718)		(2,105)
	(101,551)		(93)
	(2,128)		(366,251)
	-		(14)
	42,606		895
	(74,795)		-
	1,449		-
	133		-
	<u>691,731</u>		<u>16,936</u>
	26,388		(2,995)
	(4,064,837)		-
	<u>3,664,929</u>		<u>-</u>
	<u>(373,520)</u>		<u>(2,995)</u>
	(569,384)		-
	(5,490)		-
	62		-
	(83,527)		-
	540,152		-
	218,000		-
	108,220		-
	17,232		-
	190,080		-
	(379,430)		-
	(6,240)		-
	14,607		-
	27,680		-
	(6,468)		-
	(510,741)		(54)
	113,028		-
	(6,849)		-
	(115,882)		-
	<u>(454,950)</u>		<u>(54)</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2018**  
*(amounts expressed in thousands)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport System</b>	<b>Convention &amp; Entertainment</b>	<b>Combined Utility</b>
<b>Cash flows from noncapital financing activities</b>			
Interest expense on pension obligation bonds	(223)	(221)	(3,841)
Cost of issuance on pension bonds	(102)	-	-
Retirement of Pension bonds	-	(75)	(1,190)
Payments from component unit	-	4,325	-
Hotel occupancy tax revenue	-	87,113	-
Proceeds from pension bonds	27,610	-	42,453
Transfers to debt service fund	-	-	(9,080)
Transfers to other funds	-	-	(53,978)
Net cash provided by (used in) noncapital financing activities	<u>27,285</u>	<u>91,142</u>	<u>(25,636)</u>
Net increase (decrease) in cash and cash equivalents	(36,707)	(7,809)	568
Cash and cash equivalents, July 1	<u>214,943</u>	<u>13,819</u>	<u>177,623</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 178,236</u>	<u>\$ 6,010</u>	<u>\$ 178,191</u>
<b>Cash and cash equivalents</b>			
Pooled cash and cash equivalents (Note 3A)	\$ 134,353	\$ 5,821	\$ 178,163
Non-pooled cash and cash equivalents (Note 3A)	43,883	189	28
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 178,236</u>	<u>\$ 6,010</u>	<u>\$ 178,191</u>
<b>Non cash transactions</b>			
Capital additions included in notes payable	\$ (115,882)	\$ -	\$ 96,975
Receivable from component unit	-	(75,000)	-
Addition of Subordinate Lien Flexible Rate Notes	-	75,000	-
Addition of HOT and Special Revenue Bond Series 2017	-	13,796	-
Refunding of HOT And Special Revenue Bond Series 2011B	-	(13,735)	-
Bond amortization expense	3,438	-	-
Grants included in receivables	(13,895)	-	-
Unrealized gain on investments	-	528	-
Capital additions included in liabilities	1,069	-	-
Donated capital	-	-	(9,612)
Capitalized interest expense	8,832	-	16,863
CAB accretion interest	-	-	8,918
Gain (loss) on disposal of assets	(183)	-	(12)
Total non cash transactions	<u>\$ (116,621)</u>	<u>\$ 589</u>	<u>\$ 113,132</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (293)	\$ (79,441)	\$ 308,065
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	176,053	13,599	252,093
Other post employment benefits	4,103	121	8,443
Other revenues (expenses)	(1,420)	990	43,328
Terminal space revenue bond	(461)	(1,449)	-
Capital improvement plan expense	7,027	-	-
Changes in assets and liabilities			
Accounts receivable	(6,388)	-	(19,644)
Due from other funds	(75)	-	(1,056)
Inventory and prepaid insurance	(1,563)	-	(4,407)
Accounts payable	1,881	(17)	(11,730)
Accrued payroll liabilities	(341)	(5)	(408)
Due to other funds	(319)	(2)	(2,171)
Due to other governments	-	-	207
Advances and deposits	5,525	-	(3,529)
Due from other governments	-	-	-
Claims and judgments-workers' compensation	857	-	351
Compensated absences	438	(12)	(353)
Pension obligation payable	(3,795)	(11)	(6,474)
Deferred revenue	-	(291)	-
Other long-term liabilities	-	-	14,305
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 181,229</u>	<u>\$ (66,518)</u>	<u>\$ 577,020</u>

(Continued)

\* The notes to the basic financial statements are an integral part of this statement \*

<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Total</b>	
(4,285)	-
(102)	-
(1,265)	-
4,325	-
87,113	-
70,063	-
(9,080)	-
<u>(53,978)</u>	<u>-</u>
92,791	-
<u>(43,948)</u>	<u>13,887</u>
<u>406,385</u>	<u>(13,212)</u>
<u>\$ 362,437</u>	<u>\$ 675</u>
\$ 318,337	\$ 675
44,100	-
<u>\$ 362,437</u>	<u>\$ 675</u>
\$ (18,907)	\$ -
(75,000)	-
75,000	-
13,796	-
(13,735)	-
3,438	-
(13,895)	-
528	-
1,069	-
(9,612)	-
25,695	-
8,918	-
(195)	-
<u>\$ (2,900)</u>	<u>\$ -</u>
\$ 228,331	\$ 10,617
441,745	45
12,667	-
42,898	-
(1,910)	-
7,027	-
(26,032)	2,074
(1,131)	-
(5,970)	3
(9,866)	(249)
(754)	(32)
(2,492)	(4)
207	-
1,996	-
-	(15)
1,208	4,360
73	(39)
(10,280)	-
(291)	176
14,305	-
<u>\$ 691,731</u>	<u>\$ 16,936</u>

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2018**  
*(amounts expressed in thousands)*

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 42,297	\$ 15,508
Investments		
U.S. government and agency securities	69,615	-
Corporate bonds	198,328	-
Other fixed income securities	1,538,551	-
Commingled equity funds	787,745	-
Common and preferred stock	4,629,274	-
Real estate, partnerships and alternatives	4,115,253	-
Short-term investment funds	1,219,328	29,536
Invested securities lending collateral	236,181	-
Receivables, net of allowances		
Accounts receivable	27,709	8,150
Contributions	14,704	-
Accrued interest and other	13,397	-
Due from other funds	-	-
Other	16,830	-
Other Assets	6,725	-
Land	483	-
Building	4,351	-
Total assets	12,920,771	53,194
<b>Liabilities</b>		
Accounts payable	24,449	53,064
Advances and deposits	-	130
Security lending collateral	236,181	-
Foreign funds contracts payable	2,098	-
Other liabilities	12,136	-
Total liabilities	274,864	\$ 53,194
<b>Deferred inflows of resources</b>		
Deferred inflow of resources	75	-
<b>Total deferred inflows of resources</b>	75	-
<b>Net position restricted for pensions</b>	<b>\$ 12,645,832</b>	

\* The notes to the basic financial statements are an integral part of this statement \*

**CITY OF HOUSTON, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**PENSION TRUST FUNDS**  
**For the Year Ended June 30, 2018**  
*(amounts expressed in thousands)*

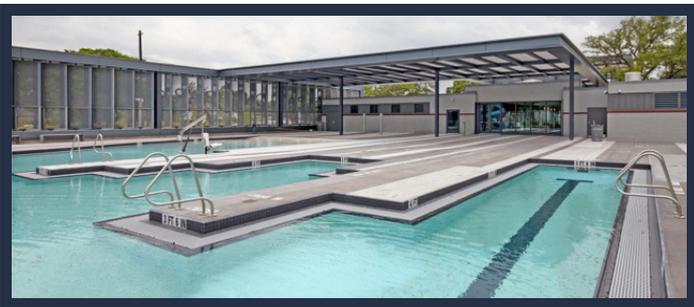
	<b>2018</b>
<b>Additions</b>	
Contributions:	
City of Houston	\$ 1,391,715
Plan members	108,781
Total Contributions	1,500,496
Investment earnings	
Interest and dividends	127,823
Net increase in the fair value of investments	919,629
Total investment income	1,047,452
Less investment expense	(29,551)
Net investment income	1,017,901
Total additions	2,518,397
 <b>Deductions</b>	
Benefits	932,460
Refund of contributions	3,743
Administrative expense	16,688
Total deductions	952,891
Change in net position	1,565,506
Total net position restricted for pensions, July 1	11,080,326
Total net position restricted for pensions, June 30	\$ 12,645,832

\* The notes to the basic financial statements are an integral part of this statement \*





# Emancipation Park





**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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CITY OF HOUSTON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018



**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Houston, Texas (City) was incorporated under the laws of the Republic of Texas in 1837 and again under the laws of the State of Texas in 1905. The City operates under a Home Rule Charter with a Mayor-Council form of government and provides the following services as authorized or required by its charter: public safety (police and fire), highways and streets, sanitation, water, airports, health services, culture-recreation, storm drainage, solid waste disposal, planning and inspection, civil defense, public improvements, and general administrative services, including pension and other benefits for its employees.

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board (GASB), which establishes combined statements at the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles.

The significant accounting policies of the City are as follows:

**A. Principles Used in Determining the Reporting Entity for Financial Reporting Purposes**

The accompanying financial statements include financial statements for related organizations in accordance with generally accepted accounting principles. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

Component units are related organizations to the primary government. They are legally separate, independently audited, and are incorporated into the Comprehensive Annual Financial Report. Factors for determining if an entity should be treated as a component unit of a primary government are as follows:

- Fiscal dependency: does the primary government appoint a voting majority of the governing body
- Financial benefit or burden relationship or the ability for the primary government to impose its will
- Financial presentation: the potential that exclusion would result in misleading financial reporting

There are 2 classifications of component units: blended and discretely presented.

A blended component unit functions, for all practical purposes, as an integral part of the primary government, much like a department. The following criteria is utilized to determine if a component unit is blended:

- Substantively the same governing body and a financial benefit or burden relationship exists
- Substantively the same governing body and operational responsibility falls with the primary government
- (Almost) exclusive service or benefit to the primary government itself rather than its citizens
- Total debt of the component unit repayable (almost) entirely from resources of the primary government

If a component unit does not function as an integral part of the primary government, it is reported as a discretely presented component unit.

**B. Basis of Presentation - Financial Reporting Entity**

**1. Component Units**

Most Component Units of the City issue separately audited financial statements and are reported in the CAFR. Additional information is available by contacting the entities at the addresses shown herein.

Blended Component Units are incorporated into the financial reports of the City.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Following are the City's blended component units:

**Blended Component Units Reported with  
the Primary Government**

**Brief Description of Activities, Relationship to the City and Key Inclusion Criteria**

*Houston Firefighters' Relief & Retirement  
Fund  
4225 Interwood North Parkway  
Houston, TX 77032*

Responsible for administration, management, and operation of the pension system solely for active and retired City of Houston firefighters. One member of the Board is either the Mayor or an appointed representative, five members are elected by active firefighters, one member is elected by retired firefighters, two members are citizen representatives, and one member is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.

**Reporting Fund:** Houston Firefighters' Relief and Retirement Pension Trust Fund.

*Houston Municipal Employees  
Pension System  
1201 Louisiana, Suite 900  
Houston, TX 77002*

Responsible for administration, management, and operation of the pension system solely for active and retired municipal (non-classified) employees of the City. One member of the Board is appointed by the Mayor, one member of the Board is appointed by the City Controller, four are elected by active employees, two are elected by retirees, one is appointed by the elected trustees and two are appointed by the governing body of the City. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.

**Reporting Fund:** Houston Municipal Employee's Pension Trust Fund.

*Houston Police Officers' Pension  
System  
602 Sawyer, Suite 300  
Houston, TX 77007*

Responsible for administration, management, and operation of the pension system solely for active and retired police officers of the City. One member of the Board is appointed by the Mayor, three are elected by employees, two are elected by retirees, and one is the City Treasurer. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting.

**Reporting Fund:** Houston Police Officer's Pension Trust Fund.

Discretely presented component units, both business-type and governmental, are reported in separate columns in the government-wide financial statements of the City. Discretely presented component units are classified as major and minor component units. Whether a given component unit is major depends on the nature and significance of its relationship to the primary government as follows:

- It is essential that financial statement users have separate information on the component unit because of the type of services it provides to citizens.
- The component unit is engaged in significant transactions with the primary government.
- There is a significant financial benefit or burden relationship with the primary government.

Major discretely presented component units, both business-type and governmental, are reported in detail within combining statements included as part of the basic financial statements. Non-major discretely presented component units are summarized in one column within said combining statements.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Following are the City's discretely presented business-type component units: (\* indicates a major designation)

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<i>*Houston First Corporation</i> <i>701 Avenida de las Americas</i> <i>Houston, TX 77010</i>	On June 1, 2011, City of Houston City Council approved the consolidation of the City's Convention & Entertainment Facilities Department (Department) operations into the Hotel Corporation (Consolidation), effective July 1, 2011, in order to bring various entities responsible for generating and spending City hotel occupancy tax (HOT) revenues under one governing body. In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as "Houston First Corporation," and Houston First Corporation (HFC) assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. The City appoints a voting majority of HFC's board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.
<i>*Houston Housing Finance Corporation</i> <i>9545 Katy Freeway, Suite 105</i> <i>Houston, TX 77024</i>	Non-profit corporation incorporated by the City in accordance with the Texas Housing Finance Corporation Act to finance residential mortgage loans to low or moderate-income persons through the sale of revenue bonds collateralized by the mortgage loans. The Board is nominated by the Mayor and confirmed by City Council. The City has financial accountability because it appoints a voting majority of the Board and a financial benefit/burden relationship exists, allowing the City to impose its will.
<i>*Houston Zoo, Inc</i> <i>1513 Cambridge Street</i> <i>Houston, TX 77030</i>	Houston Zoo, Inc. (HZI) is a 501(c)(3) non-profit corporation and has a contract with Houston Zoo Development Corporation to operate the Zoo. The Mayor may appoint up to 20% of the Board of Directors of HZI. Houston Zoo Development Corporation (HZDC) is a local government corporation that leases the zoo from the City. The lease provides for the City to make payments in support of capital and operating expenses over the lease term, which it makes available to HZI. The City appoints a voting majority to the HZI board. There is a fiscal dependency on the City, as well as a financial burden on the City, and there is the potential that exclusion would result in misleading financial reporting.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Following are the City's discretely presented governmental fund component units: (\* indicates a major designation)

**Discretely Reported Component Units**

**Brief Description of Activities, Relationship to City, and Key Inclusion Criteria**

*City Park Redevelopment Authority  
c/o City of Houston, Mayor's Office  
of Economic Development  
901 Bagby Street, 4<sup>th</sup> Floor  
Houston, TX 77002*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the City Park Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood northwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.

*East Downtown Redevelopment Authority  
c/o Bracewell & Giuliani, LLP  
711 Louisiana Street, Suite 2300  
Houston, TX 77002*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the East Downtown Tax Increment Zone Board in the redevelopment of a blighted neighborhood east of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City.

*Fifth Ward Redevelopment Authority  
c/o Fifth Ward Community  
Redevelopment Corporation  
4300 Lyons Avenue, Suite 300  
Houston, TX 77020*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fifth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.

*Fourth Ward Redevelopment Authority  
410 Pierce Street, Suite 355  
Houston, TX 77002*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Fourth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. The City has investment authority for the Zone's assets.

*\*Greater Greenspoint Redevelopment Authority  
16800 Greenspoint Park Drive, #160S  
Houston, TX 77060*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Greater Greenspoint Tax Increment Reinvestment Zone Board in the redevelopment of the Greenspoint Mall and a blighted adjacent neighborhood in North Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.

*Greater Houston Convention and Visitors Bureau  
701 Avenida De Las Americas  
Houston, TX 77010*

A non-profit organization established in 1963. Prior to July 1, 2014 the organization was funded by both private sector memberships and a portion of the hotel occupancy tax. Subsequent to July 1, 2014 it is funded by only private sector memberships. Their mission is to improve the economy of Greater Houston by attracting conventions, tourists and film projects to the area through sales and marketing efforts. The City has financial accountability because there is a fiscal dependence on the City and a financial benefit/burden relationship exists, allowing the City to impose its will.

*Gulfgate Redevelopment Authority  
c/o Bracewell & Giuliani, LLP  
711 Louisiana Street, Suite 2300  
Houston, TX 77002*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Gulfgate Tax Increment Reinvestment Zone Board in the redevelopment of the Gulfgate Mall and a blighted adjacent neighborhood southeast of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**Discretely Reported Component Units**

**Brief Description of Activities, Relationship to City, and Key Inclusion Criteria**

***Hardy/Near Northside Redevelopment Authority***  
*c/o Bracewell & Giuliani, LLP*  
*711 Louisiana Street, Suite 2300*  
*Houston, TX 77002*

A local government corporation established by the City of Houston in 2009 in accordance with Chapter 311 of the Texas Tax Code. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

***Harrisburg Redevelopment Authority***  
*14083 South Main Street*  
*Houston, TX 77035*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Harrisburg Tax Increment Reinvestment Zone Board in the redevelopment of the East End area of Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

***Hiram Clarke/Fort Bend Redevelopment Authority***  
*14083 South Main Street*  
*Houston, TX 77035*

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Hiram Clarke/Fort Bend Tax Increment Reinvestment Zone Board in the redevelopment of the Hiram Clarke area of Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists allowing the City to impose its will.

***Houston Area Library Automated Network***  
*Houston Central Library*  
*500 McKinney Street*  
*Houston, TX 77002*

Provides review and guidance to the operation, funding and development of the Houston Area Library Automated Network, which provides library services to Houston and surrounding communities. Three members are appointed by City Council, two by the County, and one elected by the smaller libraries. The City does appoint a voting majority, and is financially accountable for this organization because HALAN is fiscally dependent on the City for revenues, allowing the City the ability to impose its will.

***Houston Arts Alliance***  
*3201 Allen Parkway, Suite 250*  
*Houston, TX 77019*

A 501(c)(3) non-profit corporation with a mission to enhance the city's quality of life through advancing and investing in the arts and diverse cultural programming. The Alliance awards grants, provides arts-related services and manages portions of the City's Civic Art Program. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.

***Houston BARC Foundation***  
*c/o City of Houston, Administration and Regulatory Affairs Department*  
*611 Walker Street, 13<sup>th</sup> Floor*  
*Houston, TX 77002*

A 501(c)(3) non-profit corporation with a mission to enhance the city's quality of life through advancing and investing in the care and humane treatment of animals. The Foundation solicits funds, gifts, and bequests for use at BARC. It promotes awareness to Houston area residents on responsible pet ownership, and the humane treatment of all animals. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will.

***Houston Civic Events, Inc***  
*c/o City of Houston, Mayor's Office of Special Events*  
*901 Bagby Street, 1<sup>st</sup> Floor*  
*Houston, TX 77002*

A 501(c)(3) non-profit, local government corporation and component unit created specifically to support the City's Civic Celebration Program. Under the existing structure, donations and sponsorship revenues received by the Mayor's Office of Special Events are currently housed with two component units, Houston Parks Board, Inc. and Central Houston Civic Improvement, Inc. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**Discretely Reported Component Units**

***Houston Downtown Park Corporation***  
***1500 McKinney Street***  
***Houston, TX 77010***

**Brief Description of Activities, Relationship to City, and Key Inclusion Criteria**

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to aid and act on behalf of the City to accomplish the City's governmental purpose of providing for the acquisition, development, operation, and maintenance of a new public park, open space and related amenities and facilities to provide recreational, educational and tourism opportunities within, and beautification of the Central Business District of the City. Additionally, the corporation maintains an enterprise fund to account for the activities of the Discovery Green Parking Garage. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

***\*Houston Forensic Science Center, Inc***  
***1301 Fannin Street, Suite 170***  
***Houston, TX 77002***

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide forensic science services previously provided by the Houston Police Department. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

***Houston Media Source***  
***410 Roberts Street***  
***Houston, TX 77003***

A non-profit organization organized to coordinate and develop all public and educational cable access activities within the City of Houston. Funding is provided by Public and Educational and Government Access (PEG) payments made to the city by cable operators under the City's cable franchises with respect to the annual support of the PEG Channels for the support of public, educational, and governmental access programming. Board members are appointed by the City and a financial benefit/burden relationship exists, allowing the City to impose its will. There is the potential that exclusion would result in misleading financial reporting.

***Houston Museum District***  
***Association***  
***1300 McGowen Street, Suite 120***  
***Houston, TX 77004***

A 501(c)(3) non-profit corporation with a mission to making cultural arts accessible to all and creating unparalleled opportunities for education, inspiration and recreation. The Association allocates funding, holds free events and conducts marketing. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.

***Houston Parks Board LGC, Inc***  
***300 N. Post Oak Lane***  
***Houston, TX 77024***

Acquires land for and develops and improves new and existing public parks and open spaces, and advises the Mayor and City Council on park acquisitions and improvements. These activities provide a direct benefit to the City. The Houston Parks Board administers and manages the LGC's business operations and grants privately raised funds to the LGC in support of its purpose. LGC board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. Upon dissolution, the LGC's assets revert to the City. There is a potential that exclusion of the LGC would result in misleading financial reporting.

***Houston Public Library Foundation***  
***Houston Central Library***  
***550 McKinney Street***  
***Houston, TX 77002***

A 501(c)(3) non-profit corporation that solicits and manages funds raised privately for library improvements and advises the Mayor and City Council on additions and improvements to the library system that provide a direct benefit to the City. Board members are nominated by the Mayor and confirmed by City Council, allowing the City to impose its will. There is a potential that exclusion would result in misleading financial reporting.

***Houston Recovery Center, LGC***  
***150 North Chenevert Street, Suite 100***  
***Houston, TX 77002***

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to provide management of the Houston Center for Sobriety. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial burden to the City, allowing the City to impose its will.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>*Lake Houston Redevelopment Authority</i>  <i>c/o TIFWorks, LLC</i>  <i>P.O. Box 10330</i>  <i>Houston, TX 77206</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist Tax Increment Reinvestment Zone 10 Board in the redevelopment of the Lake Houston area. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>Lamar Terrace Public Improvement District</i>  <i>City of Houston</i>  <i>P. O. Box 1562</i>  <i>Houston, TX 77251</i></p>	<p>Special tax district organized under state statute to redevelop a blighted neighborhood in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City, allowing the City to impose its will.</p>
<p><i>Land Assemblage Redevelopment Authority</i>  <i>c/o City of Houston, Housing and Community Department</i>  <i>601 Sawyer, 4<sup>th</sup> Floor</i>  <i>Houston, TX 77007</i></p>	<p>The Land Assemblage Redevelopment Authority (LARA) is a 13-member board appointed by the Mayor, City Council, Harris County and the Houston Independent School District. The LARA is organized for the purpose of aiding, assisting and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City and in undertaking and completing one or more projects, as may be defined or determined by the City Council. The City has financial accountability because the voting majority of the board members are nominated by City Council, allowing the City to impose its will, and the operations provide financial benefits to the City.</p>
<p><i>Leland Woods Redevelopment Authority I</i>  <i>c/o Bracewell &amp; Giuliani, LLP</i>  <i>711 Louisiana Street, Suite 2300</i>  <i>Houston, TX 77002-2770</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local Government Code to assist the City and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>Leland Woods Redevelopment Authority II</i>  <i>c/o Bracewell &amp; Giuliani, LLP</i>  <i>711 Louisiana, Suite 2300</i>  <i>Houston, TX 77002-2770</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act and Chapter 394 of the Texas Local government Code to assist the City, Leland Woods Redevelopment Authority and Tax Increment Reinvestment Zone Number 22 in the redevelopment of a blighted neighborhood. The City has financial accountability because the voting majority of the board members are nominated by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will.</p>
<p><i>*Main Street Market Square Redevelopment Authority</i>  <i>909 Fannin, Suite 1650</i>  <i>Houston, TX 77010</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Main St./Market Square Tax Increment Reinvestment Zone Board in the redevelopment of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><i>*Memorial City Redevelopment Authority</i>  <i>c/o Hawes Hill &amp; Associates, LLP</i>  <i>P.O. Box 22167</i>  <i>Houston, TX 77227-2167</i></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial City Tax Increment Reinvestment Zone Board in the redevelopment of the Memorial City Mall and the Town &amp; Country Mall areas west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><b><i>Memorial-Heights Redevelopment Authority</i></b>  <i>c/o John Kuhl, Attorney</i>  <b><i>SKLaw</i></b>  <b><i>1980 Post Oak Boulevard, Suite 1380</i></b>  <b><i>Houston, TX 77056</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Memorial Heights Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b><i>*Midtown Redevelopment Authority</i></b>  <b><i>410 Pierce Street, Suite 355</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Midtown Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b><i>Miller Theatre Advisory Board, Inc</i></b>  <b><i>6000 Hermann Park Drive</i></b>  <b><i>Houston, TX 77030-1702</i></b></p>	<p>A 501(c)(3) non-profit corporation with a mission to act as a steward of public and private funds to provide professional-caliber performances, free to the public, at the Miller Outdoor Theatre for the cultural enrichment of Houston's diverse communities and visitors to this great city. Miller Outdoor Theatre is owned by the City and the Board awards grants to various artistic and performing groups for performances at Miller Outdoor Theater. The City has financial accountability because the directors are appointed by the Mayor and approved by City Council and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.</p>
<p><b><i>Old Sixth Ward Redevelopment Authority</i></b>  <b><i>c/o City of Houston, Mayor's Office</i></b>  <b><i>of Economic Development</i></b>  <b><i>901 Bagby Street, 4<sup>th</sup> Floor</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Old Sixth Ward Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood adjacent to Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, the operations provide financial benefits to the City, and the City has investment authority for the Authority's assets.</p>
<p><b><i>*OST/Alameda Corridors Redevelopment Authority</i></b>  <b><i>5445 Alameda Road, Suite 545</i></b>  <b><i>Houston, TX 77004</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the OST/Alameda Corridors Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood south of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.</p>
<p><b><i>Saint George Place Redevelopment Authority</i></b>  <b><i>c/o Hawes Hill &amp; Associates, LLP</i></b>  <b><i>P.O. Box 22167</i></b>  <b><i>Houston, TX 77227-2167</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the St. George Place Tax Increment Reinvestment Zone Board in the redevelopment of a blighted neighborhood in southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council. The operations provide financial benefits to the City and the City has investment authority for the Authority's assets.</p>
<p><b><i>South Post Oak Redevelopment Authority</i></b>  <b><i>c/o City of Houston, Mayor's Office</i></b>  <b><i>of Economic Development</i></b>  <b><i>901 Bagby Street, 4<sup>th</sup> Floor</i></b>  <b><i>Houston, TX 77002</i></b></p>	<p>Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the South Post Oak Tax Increment Reinvestment Zone Board in the development of an affordable housing project in Southwest Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council, and the operations provide financial benefits to the City.</p>

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**Discretely Reported Component Units**

**Brief Description of Activities, Relationship to City, and Key Inclusion Criteria**

***\*Southwest Houston Redevelopment Authority***  
***c/o Hawes Hill & Associates, LLP***  
***P.O. Box 22167***  
***Houston, TX 77227-2167***

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Southwest Houston Tax Increment Reinvestment Zone Board (TIRZ 20) in the redevelopment of the Sharpstown Mall and adjacent neighborhoods southwest of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

***Stadium Park Redevelopment Authority***  
***c/o Hawes Hill & Associates, LLP***  
***P.O. Box 22167***  
***Houston, TX 77227-2167***

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to enhance the various corridors around the NRG Reliant complex park with general improvements in the form of landscaping and street improvement such as lighting, signage, and way-finding graphics. Private funds will be actively sought and interlocal agreements entered into with other governmental agencies as needed. The Authority will serve as a catalyst to encourage adjacent property owners and/or institutions to improve their properties. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

***Theater District Improvement, Inc***  
***c/o Houston Downtown Alliance***  
***912 Prairie Street, Suite 250***  
***Houston, TX 77002***

A 501(c)(3) non-profit corporation with a mission to enhance the quality of life and tourism in the Houston region and beyond by supporting and promoting the Theater District programs, initiatives and communication efforts. Theater District Improvement distributes grants, holds an annual open house and conducts marketing. The City has financial accountability because it must approve the members of the board of directors and a financial benefit/burden relationship exists, allowing the City to impose its will. In addition, there is a fiscal dependence on the City for the revenues provided from a portion of hotel occupancy tax.

***\*Upper Kirby Redevelopment Authority***  
***3120 Southwest Freeway, Suite 102***  
***Houston, TX 77098***

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Upper Kirby Tax Increment Reinvestment Zone Board in the redevelopment of a neighborhood west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

***\*Uptown Development Authority***  
***1980 Post Oak Boulevard, Suite 1700***  
***Houston, TX 77056***

Local government corporation created by the City in accordance with Chapter 431 of the Texas Transportation Corporation Act to assist the Uptown Tax Increment Reinvestment Zone Board in the redevelopment of the Galleria Mall area, west of Downtown Houston. The City has financial accountability because the voting majority of the board members are nominated by City Council and the operations provide financial benefits to the City.

**2. Related Organizations**

The following entities are related organizations to which the City appoints board members but for which the City has no significant financial accountability. Some of these organizations are Access Houston Cable Corporation, Coastal Water Authority, Employees Deferred Compensation Plan, Harris County–Houston Sports Authority, Metropolitan Transit Authority of Harris County, Houston Clean City Commission, and the Miller Theater Advisory Council. All transactions with these related organizations are conducted in the ordinary course of business. Further financial information is available from the respective organizations.

**C. Basis of Presentation – Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity between governmental funds has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable and is a financial burden/benefit.

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The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized on the basis of funds, each of which is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balance/net position, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The type and purpose of funds is described below.

**Fund Accounting**

**1. The City reports the following major governmental funds:**

- (a) **General Fund** - is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.
- (b) **Debt Service Fund** - is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of tax supported debt.
- (c) **Capital Projects Fund** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of public improvement bonds and from special assessments.
- (d) **Grants Fund** - is used to account for grant resources received from various local, state and federal sources. The use of these resources is restricted to a particular function of the City by each grantor.

**2. The City reports the following major enterprise funds:**

- (a) **Airport System Fund** - is used to account for the operations of the City's Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport.
- (b) **Convention and Entertainment Facilities Fund** - is used to account for the operations of the City's major entertainment facilities, outdoor venues, and parking garages and surface lots. These assets include, but are not limited to, the following: George R. Brown Convention Center, Gus S. Wortham Center, Jesse H. Jones Hall, Houston Center for the Arts, Talento Bilingue de Houston, Jones Plaza, and Theater District parking garages.
- (c) **Combined Utility System Fund** - is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

**3. The City reports the following additional funds:**

- (a) **Nonmajor Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than identified major fund) that are legally restricted to expenditures for specific purposes.
- (b) **Internal Service Funds** - are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.
- (c) **Fiduciary Fund Types** - are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:
  - (1) **Pension Trust Funds** - are used to account for the assets held in trust for the members and beneficiaries of the City's three defined benefit pension plans.
  - (2) **Agency Funds** - are custodial in nature and do not involve measurement of results of operations. They are relative to the City's payroll revolving and deposit funds, and activity relating to receipt and disbursement of taxes collected for entities outside of the City government.

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**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements display information about the City as a whole. Government-wide statements exclude both fiduciary funds and fiduciary component units. The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with Statement of Government Accounting Standards No. 33, "Accounting and Financial Reporting for Non-exchange Transactions". Program revenues include (1) amounts received from those who purchase, use, or directly benefit from a program, (2) amounts received from parties outside the City of Houston's citizenry that are restricted to one or more specific programs and (3) earnings on investments that are legally restricted for a specific program. Program revenue is divided into three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current period. Expenditures are recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Claims, judgments and compensated absences are recognized when matured.

The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: property taxes, including delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; mixed beverage tax; franchise fees; fines and forfeits; ambulance receipts; and investment earnings. Intergovernmental revenue from reimbursable grants and capital projects is recognized when the related expenditure is incurred.

All governmental funds and certain component units, are accounted for using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheets of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables and reported as deferred inflow.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Proprietary funds and pension trust funds of the primary government and certain component units are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position.

All proprietary funds define operating revenues and expenses consistent with the precepts of Statement of Government Accounting Standards No. 9 paragraphs 16 – 19 and 31: cash receipts from customers, cash receipts from interfund services provided and used with other funds and other operating cash receipts. All other revenues or expenses recognized are non-operating.

All proprietary and pension trust funds use the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and compensated absences, are recognized when they are incurred.

When restricted and unrestricted resources are available to cover expenses, unrestricted resources are first applied. Administrative overhead charges are included in direct program expenses.

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**E. Assets and Liabilities**

**1. Deposits and Investments**

Substantially all cash, except for imprest accounts, is deposited with financial institutions in non-interest bearing accounts. The City's deposit account is considered as a non-interest bearing account. Instead of receiving interest on the accounts, the City receives the "Earnings Credit Rate". The majority of the City's cash and investments are administered using a pooled concept, which combines the monies of various funds for investment purposes. Interest earnings of the pool are apportioned to each fund, unless otherwise required by bond covenants, based on the fund's relative share of the investment pool. All cash and investments are displayed on the statement of net position as "Cash and cash equivalents" and "Investments" and in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

Investments are carried at fair value as defined in GASB Statement 72 "Fair Value Measurement and Application". Consistent with GASB Statement 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note 3 to the financial statements. Similar disclosure for debt held by the City at fair values is disclosed in Note 8.C.13 to the financial statements. The blended and discretely presented component units separately invest their funds and report investments pursuant to their respective investment policies described in their separately audited financial statements at their fair values.

"Cash and cash equivalents" and "Investments" are further split into current and non-current in accordance with GASB Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements".

The City considers all highly liquid debt securities with a maturity date of three months or less to be cash equivalents.

Investments authorized by the City's investment policy, which is guided by state laws and city ordinances, generally include: obligations of the United States of America or its agencies and instrumentalities; fully-collateralized Certificates of Deposit from City Council-approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions; no-load money market mutual funds registered and regulated by the Securities and Exchange Commission; corporate commercial paper; fully collateralized repurchase agreements; and reverse repurchase agreements within specific terms. Investments are carried at fair value based on quoted market prices.

**2. Inventories of Materials and Supplies**

With the exception of fuel, inventories are carried at the average cost in government-wide, proprietary and governmental funds. Inventories are presented under the consumption method. These inventories include: automobile parts, chemical and medical supplies, uniforms and their accessories, vaccines and office supplies. Fuel is carried at market/replacement cost.

**3. Capital Assets**

**a. Governmental Funds and Governmental Activities - Property, Plant, Equipment, and Infrastructure**

Capital assets are defined by the general government as assets with an initial cost of \$5,000 or more, and an estimated useful life in excess of one fiscal year. The costs of maintenance and repairs that do not significantly add to the utility of an asset, or materially extend its useful life beyond its initially estimated useful life are not capitalized.

Capital asset valuation is based on historical costs if purchased or constructed, or based on estimated historical costs if original costs are not available - such as for the costs of infrastructure acquired prior to fiscal year 1981. Donated capital assets are recorded at acquisition value on the dates of donation.

General governmental capital acquisition and construction charges for land; buildings and improvements; improvements other than buildings; machinery and equipment; construction in progress; and infrastructure (e.g., storm drainage, streets and bridges) are reflected as capital outlay expenditures in the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances. Capitalizable expenditures are reported also as capital assets in the Governmental Activities column of the government-wide Statement of Net Position.

During any construction phase, capitalizable outlays are reported as construction-in-progress on the government-wide Statement of Net Position. There is no depreciation expense for this class of capital assets.

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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Useful Life</b>
Buildings and improvements	Range from 20 to 45 years
Improvements other than buildings	Range from 15 to 30 years
Machinery	Range from 5 to 20 years
Equipment	Range from 3 to 15 years
Storm drainage	Range from 40 to 50 years
Streets	Range from 6 to 50 years
Bridges	Range from 20 to 50 years

**b. Enterprise Funds – Property, Plant and Equipment**

Property, plant, and equipment owned by the Enterprise Funds are stated at cost or estimated historical cost if original cost is not available. Construction costs (excluding land and equipment) are added to work-in-progress until the assets are substantially complete. At that point, the project is moved to the appropriate asset category and depreciation begins. Land and equipment costs are added to the capital asset base in the year of acquisition. Interest costs on funds borrowed to finance the construction of property, plant and equipment of the enterprise funds are capitalized when the interest costs materially exceed interest earnings on related revenue bond proceeds. For fiscal year 2018, the capitalized interest cost for the Airport System Facilities was \$8.8 million and Combined Utility System Fund was \$16.9 million. Depreciation on equipment begins in the year of acquisition.

Depreciation is computed using the straight-line method on the composite asset base over the estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Airport System Facilities	3-50
Convention & Entertainment Facilities	5-45
Combined Utility System Facilities	5-50

Water rights and conveyance system rights of the Combined Utility System Fund are not amortized. Garage rights of the Convention and Entertainment fund are amortized over the life of the related contracts. These rights are reported as capital assets. Land use and avigation easements of the Houston Airport System are not amortized.

**4. Bond Premiums, Discounts and Issuance Costs**

Bond premiums, discounts and prepaid bond insurance costs in Enterprise Funds are amortized over the term of the bonds using the effective interest or straight-line amortization method. Gains or losses on Enterprise Fund refundings are reported as deferred inflows or outflows and are amortized over the term of the lesser of the new bonds or the refunded bonds using the straight-line or effective interest method. Debt issuance costs are recognized as expenditures/expenses when incurred.

**5. Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**F. Deferred Outflows and Inflows of Resources**

In accordance with Government Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, the City reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

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The components of the deferred outflows of resources and deferred inflows of resources are as follows (in thousands):

	Governmental Activities	Business Type Activities		
		Aviation	Convention & Entertainment	Combined Utility System
Deferred Outflows of Resources				
Deferred outflows from pension activities	1,981,882	30,835	505	47,334
Unamortized deferred bond refunding costs/SWAP liability	45,600	20,499	77	342,840
Total Deferred Outflows of Resources	<u>2,027,482</u>	<u>51,334</u>	<u>582</u>	<u>390,174</u>
Deferred Inflows of Resources				
Deferred inflows from pension activities	908,974	1,100	45	1,440
Deferred inflows from OPEB activities	248,371	10,153	300	20,894
Deferred inflows from unearned revenues	801	-	7,701	-
Total Deferred Inflows of Resources	<u>\$ 1,158,146</u>	<u>\$ 11,253</u>	<u>\$ 8,046</u>	<u>\$ 22,334</u>

In the fund financials, revenues that have met the eligibility criteria for future years except for the time availability have been reclassified from liabilities to deferred inflows of resources. In the government wide financials, the unamortized loss on refunding has been reclassified from long-term debt to deferred outflows.

**G. Fund Balances and Budget Stabilization Arrangements**

**1. Fund Balance Descriptions**

- a. **Non-spendable** - indicates that portion of a fund balance that cannot be spent because they are either:
  - 1) not in spendable form (such as inventories and prepaid amounts); or
  - 2) legally or contractually required to be maintained intact.
- b. **Restricted** - indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either:
  - 1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
  - 2) imposed by law through constitutional provisions or enabling legislation.
- c. **Committed** – refers to that portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council. The same formal action is required to remove the limitation.
- d. **Assigned** – indicates that portion of a fund balance that are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations.
- e. **Unassigned** – residual net resources as a positive balance within the general fund only.

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**2. Fund Balance Summary**

A Summary of the nature and purpose of governmental fund balances at June 30, 2018 is as follows (in thousands):

	General	Debt Service	Capital Projects	Grant	Non-Major Special Revenue Funds					Total Nonmajor	Total
					Public Safety	Public Works	Health & Housing	Parks	Other		
<b>Fund balances:</b>											
<b>Non-spendable:</b>											
Inventory	16,359	-	-	461	-	1,794	-	-	-	1,794	18,614
Prepaid items	2,522	-	405	428	-	-	-	-	50	50	3,405
<b>Total non-spendable</b>	<b>18,881</b>	<b>-</b>	<b>405</b>	<b>889</b>	<b>-</b>	<b>1,794</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>1,844</b>	<b>22,019</b>
<b>Restricted for:</b>											
Grants and other purposes	-	-	-	-	-	-	-	-	7,090	7,090	7,090
Police special purpose	561	-	-	-	8,351	-	-	-	-	8,351	8,912
Public transit operations	-	-	-	-	-	-	-	-	1,649	1,649	1,649
Affordable housing programs	-	-	-	-	-	-	17,195	-	-	17,195	17,195
Health services	603	-	-	7,312	-	-	-	-	91,985	91,985	99,900
Community development	-	-	-	-	-	-	-	152	215	367	367
Capital construction	-	-	22,279	-	-	62,958	-	-	10,193	73,151	95,430
Debt service	-	132,703	-	-	-	-	-	-	-	-	132,703
<b>Total restricted</b>	<b>1,164</b>	<b>132,703</b>	<b>22,279</b>	<b>7,312</b>	<b>8,351</b>	<b>62,958</b>	<b>17,195</b>	<b>152</b>	<b>111,132</b>	<b>199,788</b>	<b>363,246</b>
<b>Committed to:</b>											
Community development	2,637	-	-	-	6	-	-	692	341	1,039	3,676
Economic development	-	-	-	-	-	-	-	-	3,110	3,110	3,110
Court operations	-	-	-	-	656	-	-	-	-	656	656
Police special purpose	-	-	-	-	7,538	(1)	-	-	-	7,537	7,537
Emergency services	-	-	-	-	5,179	-	-	-	-	5,179	5,179
Capital construction	7,190	-	-	-	-	-	-	-	-	-	7,190
Public parks and preserves	7,074	-	-	-	-	1,805	-	8,112	-	9,917	16,991
Recycling programs	-	-	-	-	-	1,514	-	-	-	1,514	1,514
Development services	-	-	-	-	-	37,379	-	-	-	37,379	37,379
Health services	-	-	-	-	-	-	10,209	-	-	10,209	10,209
Affordable housing programs	-	-	-	-	-	-	-	-	98	98	98
Public transit operations	-	-	-	-	-	-	-	-	2,067	2,067	2,067
<b>Total committed</b>	<b>16,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,379</b>	<b>40,697</b>	<b>10,209</b>	<b>8,804</b>	<b>5,616</b>	<b>78,705</b>	<b>95,606</b>
<b>Assigned:</b>											
Capital construction	-	-	80,647	-	-	-	-	-	-	-	80,647
Disaster recovery	-	-	-	-	-	-	-	-	-	-	-
<b>Total assigned</b>	<b>-</b>	<b>-</b>	<b>80,647</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,647</b>
<b>Unassigned:</b>	<b>357,529</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357,529</b>
<b>Total</b>	<b>394,475</b>	<b>132,703</b>	<b>103,331</b>	<b>8,201</b>	<b>21,730</b>	<b>105,449</b>	<b>27,404</b>	<b>8,956</b>	<b>116,798</b>	<b>280,337</b>	<b>919,047</b>

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

**3. Budget Stabilization Arrangements**

In accordance with City Ordinance 2014-1078, the City created a Budget Stabilization Fund in an amount not less than the greater of (a) 1% of General Fund expenditures (excluding debt service payments) or (b) \$20 million, which may be used in accordance with the definition of the fund. Any proposed use of the Budget Stabilization Fund shall be accompanied by a justification to City Council and shall require approval from two-thirds of the City Council present and voting. When an event causing use of the Budget Stabilization Fund has concluded, the City shall allocate sufficient funds by the end of the second subsequent full fiscal year to restore the Budget Stabilization Fund to at least minimum levels. On June 30, 2015 City Ordinance 2015-637 was passed, authorizing transfer of \$17 million to the 2015 Flood Disaster and Recovery Fund. During fiscal year 2016, in accordance with the provisions of the City Ordinance 2014-1078, \$17 million was transferred from the 2015 Flood Disaster and Recovery Fund back to the Budget Stabilization Fund. Also in accordance with City Ordinance 2014-1078, the City will maintain Fund Balance as additional insurance against disasters, emergencies, and economic instability revenue shortfalls. The City's desired minimum unassigned Fund Balance for any given fiscal year is 7.5% of General Fund expenditures for that fiscal year, excluding debt service payments. These amounts are included in the General Fund's Unassigned Fund balance. On August 30, 2017, Ordinance 2017-667 was passed authorizing the appropriation of \$20 million from the Budget Stabilization Fund to the Disaster Recovery Fund for immediate relief during the Hurricane Harvey disaster. According to the Ordinance, the \$20 million must be returned to the Budget Stabilization Fund by June 30, 2019.

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**H. Transfers, Revenues, Expenditures and Expenses**

**1. Interfund Transactions**

A description of the four basic types of interfund transactions and the related accounting policies are as follows:

- a. Loans are reported as receivables and payables as appropriate.
- b. Charges for services are reported as revenues for the performing fund and expenditures of the requesting fund.
- c. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund that is reimbursed.
- d. All other interfund transfers, such as legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, are transfers. Transfers are classified as other financing sources or uses (or transfers for proprietary funds) in the Statement of Revenues, Expenditures (or expenses) and Changes in Fund Balances (or net position). For reporting at the government-wide statements level, the City eliminates direct interfund charges for services and the balances created within the same fund categories (i.e. governmental vs. business-type). This process ensures neither business-type nor governmental funds report direct internal revenue/expenditures. Interfund activity and balances resulting from transactions with the fiduciary funds are not eliminated. Instead the fiduciary interfund activity and balances are treated as transactions with an external party. Interfund activity with discretely presented component units are handled in the same manner as fiduciary interfund activity balances. However, the discretely presented balances are reported on a separate line of the Statement of Net Position. The Internal Service Fund reports any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

**2. Compensated Absences**

Full-time civilian employees of the City are eligible for 10 days of vacation leave per year. After four years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees may accumulate up to 105 days of vacation leave (60 days for employees with a computation date after December 31, 1999). However, upon termination or retirement, full-time civilian employees are paid a maximum of 90 days of unused vacation leave (45 days for employees with a computation date after December 31, 1999) which is based on the average rate of pay during the employee's highest 60 days of employment. Part-time and temporary employees are not eligible for vacation or sick leave benefits. Firefighters accrue 15 to 22 days of vacation annually, based upon years of service. Police officers participate in a paid time off program that combines sick and vacation leave. Officers enter the program upon completion of their probationary period and then accrue 15 to 40 days annually, based upon years of service.

The majority of full-time civilian employees and firefighters are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses less than 16 hours of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave, but will not accumulate and will not be paid out at termination. The balance of full time civilian employees and firefighters are covered by a sick plan that was closed to employees in 1985. That plan accumulates a cash value for every sick day not used, which is payable upon resignation or retirement. As noted above, classified police officers are covered by a paid time off plan.

The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and also provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation and compensatory time benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

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**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Internal Service Funds**

The Internal Service Funds' purpose is to measure the full cost of providing health benefits and long-term disability to City employees and dependents for the purpose of fully recovering that cost through fees or charges – employee payroll deductions and expenditures in departmental personnel budgets. Any profit (loss) during a period is credited (charged) back to participating programs. All assets and liabilities are reported in the governmental activities column of the Statement of Net Position.

**K. New Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has implemented GASB No. 75 in this annual report.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations". This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain ARO's, including obligations that may not have been previously reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities". This statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017". This statement will enhance consistency in the application of accounting and financial reporting requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has implemented GASB No. 85 in this annual report.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has implemented GASB No. 86 in this annual report.

In June 2017, the GASB issued Statement No. 87, "Leases". This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. (FY2021) The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement will improve the information that is disclosed in notes of governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90, "Majority Equity Interests". This statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods

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beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**L. Effect of Implementation of New and Change in Accounting Standard**

As a result of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB), net position was restated at July 1, 2017. With the adoption of GASB 75, the City is reporting the difference between the Net OPEB Obligation calculation and the Net OPEB Liability calculation as a reduction/addition to the prior year net position.

	Governmental Activities	Business Type Activities		
		<u>Aviation</u>	<u>Convention &amp; Entertainment</u>	<u>Combined Utility System</u>
July 1, 2017, as previously reported	\$202,967	\$1,473,817	\$136,544	\$38,385
Adjustment for GASB 75	(682,888)	(21,300)	1,296	(61,042)
July 1, 2017, as restated	\$ (479,921)	\$ 1,452,517	\$ 137,840	\$ (22,657)

**M. Deficit Net Position**

At the end of fiscal year 2018, the City held a deficit net position of \$915 million in its governmental funds. This deficit is the result of implementing GASB 75 (OPEB liability) and the result of an increase in the city's pension expense. The administration has indicated its intention to reduce the current deficit as well as present a potential solution to address the unfunded OPEB liability in the coming fiscal year.

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Position**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental fund statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the government-wide statement of net position. Also, during the year the City refunded some of its existing debt. The amount borrowed is received in the governmental funds and increases fund balance. The amount that was sent to the paying agent to be escrowed for payment of the old debt as it comes due is paid out of governmental funds and reduces fund balance. The difference between those amounts will be amortized as an adjustment to interest expense in the government-wide statement of activities over the remaining life of the refunded bonds.

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Balances at June 30, 2018 were (in thousands):

Deferred outflows of resources	\$ 2,027,482
Deferred inflows of resources	<u>(1,158,146)</u>
	<u>\$ 869,336</u>
Internal Service Fund total assets	\$ 81,046
Internal Service Fund liabilities	(48,190)
Allocation to Proprietary Funds	<u>(6,110)</u>
	<u>\$ 26,746</u>
Bonds and notes payable	\$ (3,993,916)
Accrued interest	(57,461)
Compensated absences not reported at the fund level	(468,497)
Claims and judgments not reported at the fund level	(102,112)
Net pension liability	(3,440,661)
Other post employment benefits obligation	<u>(2,172,678)</u>
	<u>\$ (10,235,325)</u>

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statement of net position, however, issuing debt increases long-term liabilities and does not affect the government-wide statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the government-wide statement of net position.

Balances at June 30, 2018 were (in thousands):

Debt issued:	
Public Improvement Bonds	<u>\$ (1,582,414)</u>
	<u>\$ (1,582,414)</u>
Repayments:	
Principal payments	<u>\$ 804,307</u>
	<u>\$ 804,307</u>
Amortization of:	
Premium	\$ (37,474)
Deferred loss	<u>(5,892)</u>
Net adjustment	<u>\$ (43,366)</u>
Total	<u>\$ (821,473)</u>

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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment is a combination of the following items (in thousands):

Property taxes earned but not available	\$	20,014
Ambulance fees earned but not available		70,282
Fines and forfeits earned but not available		3,927
Other (primarily storm water drainage fees) earned but not available		<u>82,079</u>
Total revenue not reported at fund level	\$	<u>176,302</u>
Property taxes for prior periods	\$	(20,244)
Ambulance fees for prior periods		(102,716)
Fines and forfeits for prior periods		(3,449)
Other (primarily assessments) for prior periods		<u>(76,270)</u>
Total revenue for prior period transactions	\$	<u>(202,678)</u>
Accrued interest	\$	(10,625)
Municipal Employees pension		168,896
Police Officers' pension		792,118
Firefighters' pension		3,891
Claims and judgments		(29,510)
Deferred inflow from pensions		(3,615)
Deferred outflow from pensions		(775,711)
Compensated absences		(7,467)
Other post employment benefits		<u>128,580</u>
Total differences in accrued expenses	\$	<u>266,557</u>

**CITY OF HOUSTON, TEXAS**  
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**NOTE 3: DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City's investment policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities should have a fair value of not less than 102% of the amount of the deposits collateralized thereby, adjusted by the amount of applicable depository insurance. There were no deposits with custodial risk at year end.

**Cash and Cash Equivalents and Investments**

The City maintains a cash and investment pool (the Pool) that is available for use by all funds. On the Statement of Net Position, "Cash and Cash Equivalents" includes each fund's portion of the Pool and each fund's non-pooled cash; "Investments" represents each fund's portion of the Pool and non-pooled investment. Participation in the Pool is limited to normal operating activities of the fund and other funds that are restricted because of statutory or contractual considerations, but does not include cash on hand (petty cash and change funds) which is included in non-pooled cash. Earnings from the Pool are allocated to the funds based upon each fund's average daily balance in the Pool. A summary of balances in pooled and non-pooled accounts follows.

	Pooled Cash and Cash Equivalents	Pooled Investments	Total Pooled Cash and Investments	Non-Pooled Cash	Non-Pooled Investments	Total Cash and Investments
<b>Governmental Funds:</b>						
General	\$181,231,529	\$123,601,092	\$304,832,621	\$97,836	\$ -	\$304,930,457
Debt Service	27,684,351	95,491,477	123,175,828	38,027	3,357,920	126,571,775
Capital Projects	24,115,223	203,908,774	228,023,997	-	-	228,023,997
Grants	33,940,365	180,128,031	214,068,396	1,000	-	214,069,396
Non-major:						
Health and Housing	4,645,425	23,780,631	28,426,056	-	-	28,426,056
Other Special Revenue	9,835,720	92,852,630	102,688,350	202,430	3,962,732	106,853,512
Parks and Recreation	1,480,600	8,500,068	9,980,668	4,650	-	9,985,318
Public Safety	6,356,475	16,654,222	23,010,697	-	-	23,010,697
Public Works	274,409	123,656,025	123,930,434	2,100	-	123,932,534
<b>Enterprise Funds:</b>						
Airport System	134,352,929	1,184,222,647	1,318,575,576	43,883,483	-	1,362,459,059
Convention & Entertainment	5,820,866	80,719,699	86,540,565	188,912	-	86,729,477
Combined Utility	178,163,087	1,380,153,325	1,558,316,412	28,051	-	1,558,344,463
<b>Internal Service:</b>						
Health Benefits	-	70,721,822	70,721,822	-	-	70,721,822
Long-term Disability	674,703	9,374,339	10,049,042	-	-	10,049,042
<b>Agency:</b>						
City Deposits	11,254	118,254	129,508	-	-	129,508
Payroll Revolving	420,031	7,916,546	8,336,577	10	-	8,336,587
TIRZ Deposits	15,075,741	21,500,612	36,576,353	-	-	36,576,353
Total	<u>\$624,082,708</u>	<u>\$3,623,300,193</u>	<u>\$4,247,382,902</u>	<u>\$44,446,499</u>	<u>\$7,320,652</u>	<u>\$4,299,150,053</u>

**B. Investments and Risk Disclosures**

The following describes the investment positions of the City's operating funds as of June 30, 2018. The City held \$4.0 billion in high grade, fixed income investments in three separate investment pools, each serving a specific purpose as described below. All investments are governed by state law and the City's Investment Policy, which dictates the following objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investment
4. Legal Requirements

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These funds are managed internally by City personnel. The investments listed below do not include the City's three pension funds, which are described separately in this report.

**1. General Investment Pool**

The General Investment Pool consists of all working capital, construction, and debt service funds not subject to yield restriction under IRS arbitrage regulations. The funds of the City's enterprise systems, as well as the general fund, are commingled in this pool to gain operational efficiency. Approximately 98.5% of the City's total pooled investable funds are held in this portfolio.

<b>City of Houston Investments As of June 30, 2018</b>	<b>Credit Quality Ratings (1)(2)</b>	<b>Fair Value (\$ in millions)</b>	<b>WAM* (years)</b>
U.S. Treasury Securities	AAA	2,705.11	1.509
Govt. Agency Securities (3)	AAA	681.34	1.544
Govt. Agency Securities (State of Israel Bond)	A+	5.01	0.173
Govt. Mortgaged Backed Securities (3) (4)	Not rated	9.57	1.894
MMF - TexSTAR Cash Reserves	AAA Short Term	262.35	0.060
Commercial Paper	A-1+/P-1 Short Term	139.59	0.136
Municipal Securities	AAA Long Term	80.41	1.329
Municipal Securities	AA Long Term	121.94	1.215
Municipal Securities	A Long Term	5.71	1.391
<b>Total Investments</b>		<b>4,011.03</b>	<b>1.358</b>

\* Weighted Average Maturity (WAM) is computed using average life of mortgage backed securities and effective maturity of callable securities.

- (1) Fitch Ratings Inc. has assigned an AAA credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAA signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.
- (2) All credit ratings shown are either actual Fitch ratings, or if a Fitch credit rating is not available, the equivalent Fitch credit rating is shown to represent the actual Moody's or Standard & Poor's credit rating.
- (3) These are securities issued by government sponsored enterprises, including the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Corporation (Fannie Mae), and Federal Farm Credit Bank.
- (4) These securities were issued by the Federal Home Loan Bank, Freddie Mac, Fannie Mae, and Farmer Mac. While these individual issues were not rated, senior lien debt of these entities is rated AAA.

**Risk Disclosures:**

*Interest Rate Risk.* In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average maturity to 2.5 years maximum. As of June 30, 2018, this investment portfolio's dollar-weighted average maturity was 1.36 years. Modified duration was 1.33 years. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.33 years would experience approximately a 1.33% change in market price for every 100 basis point change in yield.

*Credit Risk – Investments.* The U.S. Treasury Securities and Housing and Urban Development Securities are direct obligations of the United States government. Government Agency Securities and Mortgage Backed Securities were issued by government sponsored enterprises but are not direct obligations of the U.S. Government. The Money Market Mutual Funds were rated AAA. Municipal Securities were rated at least A+. The City's investment policy limits investments in the General Investment Pool to high quality securities with maximum maturity of five years for all U.S. Treasuries, Government Agency, and Municipal Securities with the exception of Government Mortgaged Backed Securities which can have maximum maturity of 15 years. Certificates of Deposit maximum maturity is two years, and Commercial Paper maximum maturity is 270 days. The General Investment Pool maximum sector exposure are as follow: U.S. Treasuries up to 100%; Government Agency Securities up to 85% with maximum exposure to any one Agency issuer is 35%; Mortgage Backed

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Securities up to 20%; Municipal Securities up to 20% with a rating not less than A by a nationally recognized rating agency; Money Market Mutual Funds up to 25%; Certificates of Deposit up to 15%; and Commercial Paper up to 15%.

*Credit Risk – Securities Lending.* Under its securities lending program, the City receives 102% of fair value for its U.S. Treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. At June 30, 2018 there were no securities lending agreements outstanding.

*Custodial Credit Risk.* The custodial credit risk for investments is the risk that in the event of failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2018, none of the City's investments in the General Investment Pool 9900 were subject to custodial credit risk.

*Foreign Currency Risk.* Foreign currency risk is the risk that investments will change value due to changes in exchange rates between time of purchase and reporting or sale. The City's general pool investments are limited by policy to US dollar denominated investments and not subject to this risk.

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

	<b>Fair Value Measurements Using (\$ in millions)</b>			
	<b>6/30/18</b>	<b>Quoted prices (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Investments by fair value level</b>				
U.S. Treasury Securities	\$ 2,705.11	\$ 2,705.11	\$ -	\$ -
Govt. Agency Securities	681.34	-	681.34	-
Govt. Agency Securities (State of Israel Bd)	5.01	-	-	5.01
Govt. Mortgage Backed Securities	9.57	-	9.57	-
Municipal Securities	208.05	-	208.05	-
Commercial Paper	139.59	-	139.59	-
<b>Total Investment by Fair Value Level</b>	<b>\$ 3,748.67</b>	<b>\$ 2,705.11</b>	<b>\$ 1,038.55</b>	<b>\$ 5.01</b>
<b>Investments measured at the net asset value (NAV)</b>				
MMF - TexSTAR Cash Reserves	\$ 262.35	\$ -	\$ 262.35	\$ -
<b>Total investments measured at the net asset value (NAV)</b>	<b>\$ 262.35</b>	<b>\$ -</b>	<b>\$ 262.35</b>	<b>\$ -</b>
<b>Total investments measured at fair value and NAV</b>	<b>\$ 4,011.03</b>	<b>\$ 2,705.11</b>	<b>\$ 1,300.91</b>	<b>\$ 5.01</b>

**Security Valuation Disclosure:**

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 & 3 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing Sources: IDC for municipal securities and Reuters for all else.

TexSTAR uses the fair value method to report its investments. Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

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**2. Tax Exempt Pool**

The Tax Exempt Pool consists of those funds which are subject to yield restrictions and arbitrage regulation under the 1986 Tax Reform Act. All these investments were held in a tax-exempt municipal bonds and cash.

<b>City of Houston</b>	<b>Credit Quality</b>	<b>Fair Value</b>	
<b>Investments As of June 30, 2018</b>	<b>Ratings</b>	<b>(\$ in millions)</b>	<b>WAM</b>
Municipal Securities	AAA Long Term	\$ 4.10	497 days
Municipal Securities	AA+ Long Term	2.46	299 days
<b>Total Investments</b>		<b>\$ 6.56</b>	<b>422 days</b>

**Risk Disclosures:**

*Interest Rate Risk.* In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this pool's dollar-weighted average maturity to 1.5 years. As of June 30, 2018, the pool's dollar-weighted average maturity was 422 days or 1.16 years. Modified duration was 0.95 years.

*Credit Risk.* The City's investment policy limits investments in the Tax-Exempt Pool to high quality securities with a maturity of less than three years and a minimum rating of AA.

*Custodial Credit Risk.* As of June 30, 2018, none of the City's investments in this pool were subject to custodial credit risk.

*Foreign Currency Risk.* The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

	<b>Fair Value Measurements Using (\$ in millions)</b>			
	<b>6/30/18</b>	<b>Quoted prices (Level 1)</b>	<b>significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Investments by fair value level</b>				
Municipal Securities	\$ 6.56	\$ -	\$ 6.56	\$ -
<b>Total Investment by Fair Value Level</b>	<b>\$ 6.56</b>	<b>\$ -</b>	<b>\$ 6.56</b>	<b>\$ -</b>

**Security Valuation Disclosure:**

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing Sources: IDC for municipal securities and Reutoers for all else.

**3. Housing Department Section 108 Pool**

The Housing Department Pool was created to comply with rules of the US Department of Housing and Urban Development ("HUD"), which requires that funds provided by HUD must be held in a separate custodial account for HUD's benefit. The primary goal of this fund is to meet the cash flow and investment needs of the City's Housing and Community Development HUD program.

<b>City of Houston</b>	<b>Credit Quality</b>	<b>Fair Value</b>	
<b>Investments As of June 30, 2018</b>	<b>Ratings</b>	<b>(\$ in millions)</b>	<b>WAM</b>
U.S. Treasury Bills	N/A	\$ 7.19	29 days

**Risk Disclosures:**

*Interest Rate Risk.* In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average stated maturity to six months maximum. As of June 30, 2018, this investment portfolio's dollar-weighted average stated maturity was 29 days. Modified duration was 0.08 years.

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*Credit Risk.* The HUD Pool consists only of U.S. Treasury Bills with maturities less than six months. HUD requires that investment of these funds must be in direct obligations of the United States Government. The City's investment policy limits investments in the HUD Pool to high quality U.S. Treasury Bill Securities, with maximum maturity of six months.

*Custodial Credit Risk.* As of June 30, 2018, none of the City's investments in this pool were subject to custodial credit risk.

*Foreign Currency Risk.* The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

<b>Fair Value Measurements Using (\$ in millions)</b>				
	<u>6/30/18</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
	Quoted prices		significant observable inputs	Significant unobservable inputs
<b>Investments by fair value level</b>				
Debt securities				
U.S. Treasury Bills	\$ 7.19	\$ 7.19	\$ -	\$ -
<b>Total Investment by Fair Value Level</b>	<b>\$ 7.19</b>	<b>\$ 7.19</b>	<b>\$ -</b>	<b>\$ -</b>

**Security Valuation Disclosure:**

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing Sources: IDC for municipal securities and Reutoers for all else.

**4. Miscellaneous Money Market Accounts**

In addition to its investment pools, the City maintains several money market accounts for various purposes. These accounts are considered cash and cash equivalents on the Statements of Cash Flows because they maintain a weighted average maturity of less than three months. These accounts are described below:

<b>City of Houston</b>	<b>Credit Quality</b>	<b>Fair Value</b>	<b>WAM</b>
<b>Investments As of June 30, 2018</b>	<b>Ratings</b>	<b>(\$ in millions)</b>	
BlackRock Institutional Temporary Liquidity Fund: Balances held for Consolidated Rental Car Facility operations, improvements, debt service	AAA	\$ 43.218	34 days
JP Morgan US Treasury Securities Money Market Fund: Balances held for auction bonds debt service	AAA	0.842	45 days
First American US Treasury Money Market Fund: Balances held for commercial paper debt service	AAA	0.073	50 days
<b>Total Miscellaneous Money Market Funds</b>		<b>\$ 44.133</b>	<b>34 days</b>

**Risk Disclosures:**

*Interest Rate Risk.* These money market funds maintain an average maturity of less than 60 days and seek to maintain a stable net asset value of \$1.00. These funds are redeemable on a same day notice.

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*Credit Risk.* These funds hold only US dollar denominated securities that present minimal credit risk. They have the highest credit ratings.

*Custodial Credit Risk.* As of June 30, 2018, none of the City's investments in this pool were subject to custodial credit risk.

*Foreign Currency Risk.* The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

A summary of the investment under the fair value hierarchy follows:

	<b>Fair Value Measurements Using (\$ in millions)</b>			
	<b>6/30/18</b>	<b>Quoted prices (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Investments measured at the net asset value (NAV)				
BlackRock FedFund-Institutional	\$ 43.218	\$ -	\$ 43.218	\$ -
JP Morgan US Treasury Securities MMF	0.842	-	0.842	-
First American US Treasury MMF	0.073	-	0.073	-
Total investments measured at the net asset value (NAV)	<b>\$ 44.133</b>	<b>\$ -</b>	<b>\$ 44.133</b>	<b>\$ -</b>

**Security Valuation Disclosure:**

Security fair value levels are established on a security by security basis. Matrix pricing, market corroborated pricing inputs such as yield curve and indices; often includes fixed income bonds, over the counter swaps, and other derivatives. These can also include securities priced using quoted prices for similar assets or liabilities in active markets and quoted prices for similar assets or liabilities in markets that are not active.

**5. Houston Foundation**

The Houston Foundation consists of the Hill Trust. It is reported as an Nonmajor Other Special Revenue Fund; its investments are laid out below. The Hill Trust was established by will in the early 1900's as a general purpose charity trust. The trust is administered by an outside trustee. The City's Administration and Regulatory Affairs Department provides administrative support to the foundation and its board.

<b>City of Houston Investments As of June 30, 2018</b>	<b>Credit Quality Ratings</b>	<b>Fair Value (\$ in millions)</b>	<b>WAM (years)</b>
Cash and Equivalents	Not Rated	\$ 0.0940	n/a
Fixed Income	Not Rated	0.3155	7.70
Equities	N/A	2.7494	n/a
Hedge Funds	N/A	0.5397	n/a
Real Estate	N/A	-	n/a
Tangible Assets	N/A	0.2643	n/a
Total Assets		<b>\$ 3.9629</b>	<b>7.70</b>

**Risk Disclosures:**

*Interest Rate Risk.* The cash and equivalents portions of this portfolio are invested in money market mutual funds. The fixed income portfolio is invested in bond mutual funds with average maturities less than 8.2 years. The weighted average maturity for the fixed income portfolio is 7.7 years, and the weighted average duration is 5.5 years.

*Credit Risk.* The allocations of assets among various asset classes are set by the Foundation board. The fixed income portfolio consists of unrated mutual funds. The equities portion of this portfolio is invested in common stocks.

*Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City of Houston will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2018 all of the Foundation's holdings were subject to custodial credit risk.

*Foreign Currency Risk.* Foreign currency risk is the risk that investments will change value due to changes in exchange rates between times of purchase, reporting or sale. The equity investments of the Houston Foundation are subject to this risk to the extent that the corporations held have not fully hedged their foreign currency dealings.

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A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

	<b>Fair Value Measurements Using (\$ in millions)</b>			
	<b>6/30/18</b>	<b>Quoted prices (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Investments by fair value level</b>				
Cash and Equivalents	\$ 0.0940	\$ 0.0940	\$ -	\$ -
Fixed Income	0.3155	0.0789	0.2365	-
Equities	2.7494	1.2198	1.5296	-
Hedge Funds	0.5397	0.5397	-	-
Tangible Assets	0.2643	0.2088	-	0.0554
<b>Total Investment by Fair Value Level</b>	<b>\$ 3.9629</b>	<b>\$ 2.1412</b>	<b>\$ 1.7661</b>	<b>\$ 0.0554</b>

**Security Valuation Disclosure:**

Domestic equity securities and investment companies are valued at the last sale price on the principal exchange on which they trade, except for securities traded on the NASDAQ, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Foreign securities are generally valued at last price on the foreign exchange or market on which they trade. If any foreign share prices are not readily available as a result of limited share activity, the securities are valued at the last sale price of local shares in the principal market in which such securities are normally traded.

Securities, if any, for which market quotations are not readily available, or that have quotations which the Trustee believes are not reliable, are valued at fair value as determined in good faith by procedures approved by the Trustee. If a security is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, the Trustee may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

**6. Investments – Houston Municipal Employees Pension System (the System)**

The System's Board, in accordance with the power and authority conferred under the Texas Statutes, engaged State Street Bank and Trust Company (Custodian) as custodian of the assets of the System, and in said capacity, the Custodian is a fiduciary of the System's assets with respect to its discretionary duties including safekeeping of the System's assets.

The Custodian has established and maintains a custodial account to hold, or direct its agents to hold, for the account of the System all assets that the Board shall from time to time deposit with the Custodian. All rights, title and interest in and to the System's assets shall at all times be vested in the System.

The Board shall manage the investment program of the System in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The Board has adopted an Investment Policy Statement to set forth the factors involved in the management of investment assets for the System and which is made part of every investment management agreement.

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The fair values of the System's investments at June 30, 2018, are presented by type, as follows:

Short-term investment funds	\$ 61,456,739
Government securities	69,614,794
Corporate bonds	198,328,385
Capital stocks	683,339,878
Commingled funds	787,745,946
Real assets	230,983,496
Alternative investments	928,325,587
Total investments	<u>\$ 2,959,794,825</u>

*Custodial Credit Risk.* For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

*Concentration Risk.* The allocation of assets among various asset classes is set by the Board. For major asset classes (e.g., global equity, fixed income, real estate, private equity, inflation-linked, absolute return and private credit), the System will further diversify by employing managers with demonstrated skills in complementary areas of expertise.

The managers retained will utilize varied investment approaches, but, when combined will exhibit characteristics that are similar, but not identical, to the asset class proxy utilized in the strategic asset allocation plan. The Investment Policy Statement of the System provides that no public market investment manager shall have more than 20.0% (at fair value) of the System's assets.

Representative guidelines by type of investment are disclosed in the System's separately issued financial statements.

As of June 30, 2018, across all asset classes, the System held two securities with a market value over 5.0% of the System's fiduciary net position. The security, BlackRock MSCI ACWI Minimum Volatility Index, had a fair value of \$219 million, representing 7.3% of the System's portfolio as of June 30, 2018. In addition, the BlackRock ACWI Index had a fair market value of \$224 million, representing 7.5% of the System's portfolio as of June 30, 2018. These two investments also exceeded the 5% threshold last year.

At June 30, 2018, the following table shows the System's investments by type, amount and the effective duration rate.

	<u>Effective Duration</u>	<u>Domestic</u>	<u>International</u>	<u>Fair Value</u>
Collateralized mortgage obligations	4.25	\$ 9,351,951	\$ -	\$ 9,351,951
Convertible bonds	4.41	5,869,508	-	5,869,508
Corporate bonds	4.71	139,384,230	301,871	139,686,101
GNMA/FNMA/FHLMC	3.27	31,194,186	-	31,194,186
Municipal	7.50	1,586,994	-	1,586,994
Government issues	7.69	34,723,210	2,110,404	36,833,614
Misc. receivable (auto/credit card)	1.75	11,839,350	-	11,839,350
Other ABS	1.42	2,501,870	-	2,501,870
Bank Loan <sup>1</sup>	N/A	29,079,604	-	29,079,604
		<u>\$265,530,904</u>	<u>\$ 2,412,275</u>	<u>\$ 267,943,179</u>

<sup>1</sup> The bank loan market, or "leveraged loan" market as it is sometimes known, comprises debt with below investment grade credit ratings. Bank loans generally rank senior to the company's other debt, and offer higher credit ratings, and less risk than high yield bonds. Bank loans typically use floating rather than fixed interest rates. Companies often access this market to fund leveraged buyouts.

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*Credit Risk.* The quality ratings of investments in fixed income securities are set forth in the Investment Policy Statement.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2018 are as follows:

Quality Rating	Asset Backed Securities	Corp Bonds & Bank Loans	CMO	US Gov't Agencies	Government Issues	Municipals	Total	% of Holdings
AAA	\$ 6,536,369	\$ 322,467	\$ 1,201,286	-	-	\$ 683,505	\$ 8,743,627	0.30%
AA	2,007,069	1,250,204	-	-	435,842	903,489	4,596,604	0.15%
A	520,409	13,568,761	-	-	1,991,792	-	16,080,962	0.54%
BBB	270,224	34,518,460	-	-	-	-	34,788,684	1.18%
BB	-	21,093,900	-	-	-	-	21,093,900	0.71%
B	-	29,900,558	-	-	118,612	-	30,019,170	1.01%
CCC	-	31,854,902	-	-	-	-	31,854,902	1.08%
CC	-	964,700	-	-	-	-	964,700	0.03%
C	-	872,355	-	-	-	-	872,355	0.03%
D	-	-	-	-	-	-	-	0.00%
NA*	5,007,149	40,288,907	8,150,665	31,194,186	34,287,368	-	118,928,275	4.02%
Total Fixed Income Securities	<u>\$ 14,341,220</u>	<u>\$ 174,635,214</u>	<u>\$ 9,351,951</u>	<u>\$ 31,194,186</u>	<u>\$ 36,833,614</u>	<u>\$ 1,586,994</u>	<u>\$ 267,943,179</u>	<u>9.05%</u>
Other Investments							2,691,851,646	90.95%
<b>Total Investments</b>							<u><b>\$ 2,959,794,825</b></u>	<u><b>100.00%</b></u>

\*NA = Not Available

*Foreign Currency Risk.* International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using the System's Investment Policy.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

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The System has an indirect exposure to foreign currency fluctuation as of June 30, 2018 as follows:

	<u>Fair Value</u>
Australian Dollar	\$ 2,684,534
Brazilian Real	430,669
Canadian Dollar	5,683,507
Danish Krone	4,794,324
Euro Currency	74,994,092
Hong Kong Dollar	1,185,944
Japanese Yen	14,052,158
Malaysian Ringgit	-
Mexican Peso	1,991,792
New Israeli Shekel	-
New Zealand Dollar	-
Pound Sterling	18,078,959
South African Rand	1,806,020
South Korean Won	28
Swedish Krona	2,854,501
Swiss Franc	13,718,888
Thailand Baht	1,043,489
	\$ 143,318,906

The System has adopted the provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows:

Houston Municipal Employees Pension System had some of their short term investments measured at cost. For fiscal year 2018, the amount was \$61,456,000.00.

Level 1 inputs are quoted prices in active markets for identical assets	\$ 676,260
Level 2 inputs are significant other observable inputs	258,668
Level 3 inputs are significant unobservable inputs	16,411
Short Term Investments at cost	61,456
Investments measured at net asset value	1,947,000
<b>TOTAL INVESTMENTS</b>	<b>\$ 2,959,795</b>

*Alternative Investments* – As of June 30, 2018, the System was not invested in various partnerships, separate accounts, commingled funds, private equity funds, and hedge funds.

**7. Investments – Houston Firefighters’ Relief and Retirement Fund (the Fund)**

Statutes of the State of Texas authorize the Fund to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets as described in section 802.203 of the Government Code. The Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of the Fund given prevailing economic and capital market conditions. While the Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk-taking is justifiable.

The Board manages the investment program of the Fund in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The Board has adopted an Investment Policy Statement (Investment Policy) to set forth the factors involved in the management of investment assets for the Fund. The Board has established an Investment Committee to act on all matters related to investments.

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The fair values of the Fund's investments as of June 30, 2018 by type are as follows:

Short-Term Investment Funds	\$ 215,539,096
Fixed Income-Government Securities	258,931,345
Fixed Income-Corporate Bonds	630,462,579
Fixed Income-Convertibles	6,960,325
Common Equity	2,103,458,083
Preferred Equity	1,148,984
Hedge Funds:	
Global Macro Hedge Fund	191,532,810
Multi-Strategy FOHFs	6,441,770
Private Equity:	
Buyout Partnerships/Funds	205,959,590
Credit Partnerships/Funds	1,684,019
Distressed Debt Partnerships/Funds	81,867,123
Direct Investments	1,075,000
Secondary Partnerships/Funds	112,747,422
Special Situations Investments	54,102,189
Venture Capital Partnerships/Funds	82,790,105
Real Estate	<u>191,331,517</u>
Total Investments	<u>\$ 4,146,031,957</u>

*Custodial credit risk.* Portions of the Fund's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in companies, partnerships and real estate are investments that are evidenced by contracts rather than securities.

Custodial credit risk disclosures relate to securities. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are (i) uninsured, (ii) not registered in the name of the Fund, and (iii) are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. At June 30, 2018 and 2017 the Fund's security investments (excluding cash) that were not subject to custodial credit risk were the investments not registered on an exchange.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributable to the magnitude of the Fund's investment in a single issue. The allocation of assets among various asset classes is set by the Board with the objective of optimizing the investment return of the Fund within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, hedge funds, private equity and real estate), the Fund further diversifies by employing investment managers who implement the strategies selected by the Investment Committee. In addition, Exchange Traded Funds (ETFs) may be used.

Significant risk management asset allocation guidelines are disclosed in the Fund's separately issued financial statements.

As of June 30, 2018, more than 5% of the Fund's net assets are in the BlackRock Russell 3000 Fund (5.43%), MCM Broad Market Stock Index Fund (7.1%), MCM Dynamic U.S. Equity Fund (8.19%), and MCM ACWI Ex-U.S. Fund (16.81%). As of June 30, 2017, more than 5% of the Fund's net assets were in the MCM ACWI Ex-U.S. FUND (19.4%) and MCM Broad Market Stock Index Fund (16.71%).

*Interest rate risk.* The Fund invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or noninvestment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of external investment managers, subject to compliance with its investment management agreement and the Fund's Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment comes due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the external manager's investment management agreement.

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At June 30, 2018, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Commingled Funds	5.7	\$ 101,191,685
FNMA	29.51	34,761,602
Non-U.S. Collateralized	24.31	1,517,532
Non-U.S. Corporate	5.03	86,691,710
Non-U.S. Treasuries	3.24	9,439,603
Taxable Municipals	12.96	3,723,239
U.S. Collateralized	15.06	41,857,535
U.S. Convertibles	11.45	6,960,325
U.S. Corporate	7.71	395,480,878
U.S. Treasuries	11.59	214,730,140
Total Fixed Income Securities		<u>\$ 896,354,249</u>

*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund does not have a formal policy limiting investment credit risk, but rather mandates such limits within the investment management agreement of each manager as may be appropriate to strategy.

*Foreign currency risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation (depreciation) in fair value of investments. The Fund's policy allows external investment managers to decide what action to take regarding their respective portfolio's foreign currency exposures subject to compliance with its respective investment management agreement of each manager as may be appropriate to strategy the Fund's Investment Policy Statement.

The Fund's exposure to foreign currency fluctuation as of June 30, 2018 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Euro Currency Unit	\$ 28,208,743	0.68%
Mexican Peso	4,603,112	0.11%
New Zealand Dollar	3,517,964	0.08%
Norwegian Krone	2,317,990	0.06%
Canadian Dollar	2,076,066	0.05%
Brazil Real	1,079,223	0.03%
Pound Sterling	606,133	0.01%
Swiss Franc	91,037	0.00%
Czech Koruna	790	0.00%
Japanese Yen	230	0.00%
Australian Dollar	-	0.00%
Total securities subject to foreign currency risk	<u>\$ 42,501,288</u>	<u>1.02%</u>

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The Fund's exposure to investment credit risk in fixed income securities (which includes government securities, corporate bonds, convertibles) as of June 30, 2018 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
AAA	\$ 119,573,505	2.88%
AA1	8,435,736	0.20%
AA2	-	0.00%
AA3	12,552,706	0.30%
A1	22,396,497	0.54%
A2	52,607,587	1.27%
A3	46,337,256	1.11%
BAA1	97,006,023	2.33%
BAA2	67,604,498	1.63%
BAA3	45,078,394	1.08%
BA1	3,720,142	0.09%
BA2	3,658,343	0.09%
BA3	7,183,855	0.17%
B1	2,180,001	0.05%
B2	4,079,028	0.10%
B3	6,968,357	0.17%
B	101,191,685	2.43%
CAA1	5,779,773	0.14%
CAA2	3,157,923	0.08%
CAA3	1,539,294	0.04%
CA	2,666,750	0.06%
C	-	0.00%
D	-	0.00%
DEF	-	0.00%
Not rated	67,907,756	1.63%
Total credit risk debt securities*	<u>\$ 681,625,109</u>	<u>16.39%</u>

\*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, have not been included in this disclosure.

The provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows:

Level 1 inputs are quoted prices in active markets for identical assets	\$ 625,899,574
Level 2 inputs are significant other observable inputs	517,595,375
Level 3 inputs are significant unobservable inputs	5,003,125
Investments measured at net asset value	<u>2,997,533,883</u>
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 4,146,031,957</b></u>

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*Alternative Investments* – As of June 30, 2018, the System was invested in various private equity funds and hedge funds as detailed in the table below.

<b>Investment Type</b>	<b>Fair Value (\$000's)</b>
Private Equity	540,225
Hedge Funds	197,975
Total	\$ 738,200

**8. Investments – Houston Police Officers’ Pension (the System)**

**Summary of Significant Accounting Policies**

Statutes of the State of Texas authorize the System to invest surplus funds in a manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. These statutes stipulate that the governing body of the System is responsible for the management and administration of the funds of the System and shall determine the procedure it finds most efficient and beneficial for the management of the reserve fund of the System. The governing body may directly manage the investments of the System or may choose and contract for professional investment management services. Investments are reported at fair value in accordance with GASB 72, Fair Value Measurement and Application, which defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurements.

*Custodial Credit Risk for Deposits and Investments.* Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the System will not be able to recover the value of the investment or collateral in possession of the counterparty. The System does not have an investment policy regarding custodial credit risk. The System considers only demand deposits as cash. As of June 30, 2018 and June 30, 2017, the System had a balance of \$33 thousand and \$104 thousand, respectively, on deposit at a financial institution. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to \$250 thousand at this financial institution. Therefore, as of June 30, 2018, none of the System’s bank balance of \$33 thousand was exposed to custodial credit risk. At June 30, 2018, the System did not have any other investments with other financial institutions subject to custodial credit risk.

*Credit Risk.* As of June 30, 2018 and 2017, the System’s fixed income assets that are not U.S. government guaranteed represented 93.7% and 91.7%, respectively, of the System’s fixed income plus short term investments portfolio. The tables below and on the following page summarize the System’s fixed income portfolio and short term investment exposure levels and credit qualities as of June 30, 2018 and 2017.

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**Average Credit Quality and Exposure Levels of Non-U.S. Government  
Guaranteed Securities**

<u>Fixed Income Security Type</u>	<u>Fair Value (\$000's)</u>	<u>Percent of Total</u>	<u>Weighted Average Credit Quality</u>
Corporate Bonds	\$ 151,843	10.2 %	B
Mutual Bond Funds	490,353	33.0	Not Rated
Short Term Investment Funds	843,034	56.8	Not Rated
<b>Total</b>	<b>\$ 1,485,230</b>	<b>100.0 %</b>	

**Ratings Dispersion Detail  
(\$000's)**

<u>Credit Rating Level</u>	<u>Corporate Bonds</u>	<u>Mutual Bond Funds</u>	<u>Short Term Investment Funds</u>
BBB	\$ 6,432	\$ -	\$ -
BB	68,537	-	-
B	66,618	-	-
CCC	8,423	-	-
CC	119	-	-
NR	1,714	490,353	843,034
<b>Total</b>	<b>\$ 151,843</b>	<b>\$ 490,353</b>	<b>\$ 843,034</b>

The System's investment policy allows investment managers full discretion in adopting investment strategies to deal with these risks. Unless otherwise provided in the individual investment manager agreement, the average quality rating of each individual fixed income portfolio on a weighted value basis shall be A-rated or higher, and no issue should have a rating below investment grade (Baa or higher). Certain managers, such as high yield managers, may be exempted from these requirements as provided for in their contracts.

Credit risk for derivative instruments held by the System results from counterparty risk, which is essentially that the counterparty will be unable to fulfill its obligations, which are then assumed by the System. Information regarding the System's credit risk related to derivatives is found under the derivatives disclosures.

Policies regarding credit risk pertaining to credit risk associated with the System's securities lending program are found under the securities lending disclosures.

*Concentration of Credit Risk.* The System's investment policy for each specific portfolio limits investments in any one single equity issue to 15% of each portfolio at fair value and for any one single equity issue to 5% of the issued and outstanding shares in the issuer corporation. As of both June 30, 2018, the System did not have any single investment in any one organization which represented greater than 5% of plan net position.

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*Interest Rate Risk.* Interest rate risk is managed within the portfolio using the modified duration methodology. It is widely used in the management of fixed income portfolios and estimates the sensitivity of a bond's price to interest rate changes. The System's investment policy delegates the management of interest rate risk to the individual investment managers in accordance with each manager's designated strategy. Investment managers have full discretion in adopting investment strategies to deal with these risks, and all of the System's fixed income portfolios are managed in accordance with guidelines that are specific as to the degree of interest rate risk taken. The reporting of modified duration as of June 30, 2018, found in the tables below quantify the interest rate risk of the System's fixed income and short term investments.

**Modified Duration by Security Type**

Security Type	Fair Value (\$000's)	Percent of Total	Weighted Average Modified Duration (years)
Corporate Bonds	\$ 151,843	9.6%	4.3
Mutual Bond Funds	490,355	30.9	5.2
Short Term Investment Funds	942,332	59.5	0.1
<b>Total</b>	<b>\$ 1,584,530</b>	<b>100.0%</b>	<b>0.4</b>

**Modified Duration Analysis by Security Type**

	Fair Value (\$000's)	Average Modified Duration	Contribution to Modified Duration
<b>Corporate Bonds</b>			
Less than 1 year	\$ 2,112	0.6	0.0
1 to 5 years maturities	91,089	3.3	2.0
5 to 10 years maturities	55,129	5.7	2.1
Greater than 10 years maturities	3,513	10.1	0.2
<b>Total</b>	<b>\$ 151,843</b>		<b>4.3</b>
<b>Mutual Bond Funds</b>			
Less than 1 year	\$ 10,245	5.2	0.1
1 to 5 years maturities	183,630	5.2	1.9
5 to 10 years maturities	214,103	5.2	2.3
Greater than 10 years maturities	82,377	5.2	0.9
<b>Total</b>	<b>\$ 490,355</b>		<b>5.2</b>
<b>Short Term Investment Funds</b>			
Less than 1 year	\$ 902,753	0.1	0.1
1 to 5 years maturities	39,579	0.1	0.0
<b>Total</b>	<b>\$ 942,332</b>		<b>0.1</b>

*Foreign Currency Risk.* The books and records of the System are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation in fair value of investments. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the System and the amount actually received. International and global managers have the permission to use currency forward and futures contracts to hedge currency against the U.S. dollar. Currency forwards and futures used for the purpose of hedging currency shall be subject to the following guidelines: 1) net forward and futures sales of any currency may not exceed total fair value of the assets denominated in that currency. This limitation does not apply to global fixed income managers and currency overlay managers if provided for in their contracts, 2) foreign currency exchange contracts with a maturity exceeding 12 months are not permitted, 3) currency options may be entered into in lieu of or in conjunction with forwards sales of currencies with the same limitations as currency forwards and futures. Cross hedging, the selling of one foreign currency for another foreign currency, which may or may not be the base currency of the portfolio, is permitted.

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The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2018, is shown in the table below.

**Foreign Currency Exposure by Asset Class (\$000's)**

Currency	Short Term			Alternative	Total
	Investments	Fixed Income	Equities	Investments	
Euro	\$ (66,751)	\$ 84	\$ 271,267	\$ 6,260	\$ 210,860
Japanese yen	(48,965)	-	198,574	-	149,609
Chinese yuan renminbi	-	-	135,770	-	135,770
Canadian dollar	44,245	-	79,407	-	123,652
British pound sterling	(36,316)	-	148,524	-	112,208
Australian dollar	-	-	57,448	7,325	64,773
Swiss franc	-	-	64,424	-	64,424
South Korean won	-	-	60,539	-	60,539
New Taiwan dollar	-	-	48,293	-	48,293
Indian rupee	-	-	35,737	-	35,737
South African rand	-	5,926	26,296	-	32,222
Brazilian real	-	6,804	24,084	-	30,888
Hong Kong dollar	-	-	29,867	-	29,867
Swedish krona	-	-	21,265	-	21,265
Russian ruble	-	4,073	15,734	-	19,807
Mexican peso	-	7,390	12,054	-	19,444
Indonesian rupiah	-	6,632	7,922	-	14,554
Thai baht	-	4,784	9,031	-	13,815
Danish krone	-	-	13,703	-	13,703
Malaysian ringgit	-	2,958	9,700	-	12,658
Polish zloty	-	6,741	4,588	-	11,329
Singapore dollar	-	-	10,544	-	10,544
Chilean peso	-	2,167	4,611	-	6,778
Phill	-	2,278	3,906	-	6,184
Norwegian krone	-	-	6,125	-	6,125
Colombian peso	-	4,077	1,989	-	6,066
Turkish lira	-	1,749	3,140	-	4,889
New Israeli shekel	-	-	4,333	-	4,333
Peruvian nuevo sol	-	2,262	1,715	-	3,977
Hungarian forint	-	2,439	1,124	-	3,563
Czech koruna	-	2,414	743	-	3,157
United Arab Emirates dirham	-	-	2,650	-	2,650
Qatari riyal	-	-	2,291	-	2,291
New Romanian Leu	-	2,287	-	-	2,287
Dominican peso	-	2,242	-	-	2,242
Uruguayan peso uruguayo	-	2,106	-	-	2,106
New Zealand dollar	-	-	1,755	-	1,755
Argentine austral	-	1,542	-	-	1,542
Egyptian pound	-	-	559	-	559
Pakistan rupee	-	-	279	-	279
<b>Total</b>	<b>\$ (107,787)</b>	<b>\$ 70,955</b>	<b>\$ 1,319,991</b>	<b>\$ 13,585</b>	<b>\$ 1,296,744</b>

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*Securities Lending Program.* The System's Board of Trustees' policies permit the System to lend securities (domestic and international equities and fixed income) to securities firms on a temporary basis through its custodian bank. The System receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. Cash, letters of credit or various government securities having fair values equal to or exceeding 102% and 105% of the value of the loaned securities for domestic and international securities, respectively, collateralize all security loan agreements. Whenever the fair value of the securities on loan changes, the borrower must adjust the collateral accordingly. The System's bank pools all collateral received from securities lending transactions and invests any cash collateral. The System holds an undivided share of the collateral provided by the borrowers of the securities. At June 30, 2018 the weighted-average maturity of the collateral pool was 30 days. The relationship between the maturities of the collateral pool and the System's loans has not been determined. Cash collateral invested in the custodian bank collateral pool at June 30, 2018 and 2017, was \$109,070 thousand and \$25,778 thousand, respectively. The System also had non-cash collateral at June 30, 2018 and 2017, of \$14,284 thousand and \$10,173 thousand respectively, consisting of treasury securities and letters of credit. The System cannot sell or pledge the collateral unless the borrower fails to return the securities borrowed.

The fair value of securities on loan at June 30, 2018 and 2017 was \$120,404 thousand and \$35,189 thousand, respectively. At June 30, 2018, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$123,354 thousand, exceeds the amounts the borrowers owe the System, \$120,404 thousand.

*Derivatives.* The System's investment managers may invest in derivatives if permitted by the guidelines established by the System's Board of Trustees. The System's staff monitors guidelines and compliance. From time to time the System's investment managers will invest in equity, fixed income and short term futures contracts along with foreign currency forward contracts. No derivatives are purchased with borrowed funds.

The fair value balance of posted margin and collateral and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type, and the changes in fair value of such derivative instruments for the year then ended is shown in the table below. The Change in Fair Value figures are reported as a component of net appreciation (depreciation) in the Statement of Changes in Fiduciary Net Position.

<b><u>Fair Value (\$000's) at June 30, 2018</u></b>					
<b>(\$000's)</b>	<b>Year ending June 30, 2018</b>	<b>As of June 30, 2017</b>			
	<b>Changes in Fair Value</b>	<b>Posted Margin</b>	<b>Collateral Held at Custodian Bank</b>	<b>Collateral Held at Broker</b>	<b>Notional Value</b>
Equity Futures	\$ 77,436	\$ 66,351	\$ 707,144	\$ -	\$ 1,154,202
Currency Futures	(16,584)	(872)	27,856	-	(188,056)
Fixed Income Futu	810	-	2	-	-
Equity Options	14,434	-	19,815	39,504	(373,544)

Futures are used to obtain market exposure and to take advantage of mis-pricing opportunities. When a position is taken in a futures contract, a margin is posted and the contract is subject to daily mark-to-market adjustments. For options, no margin is posted. Instead, options are purchased at a premium, which is either forfeited or recouped, depending on the gain or loss on the contract. Foreign currency contracts are used to hedge against the currency risk in the System's investments in foreign equity and fixed income securities. To liquidate the contract prior to expiration an offsetting position in the same contract must be taken.

These derivative instruments are subject to the following risks:

- *Custodial Credit Risk* – Custodial credit risk for derivative instruments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of the derivative instruments or collateral securities that are in the possession of an outside party. Consistent with the System's investment policy, the System's derivative instruments were held by the counterparty that was acting as the System's agent.
- *Credit Risk* – Credit risk is the risk that the counterparty will not fulfill its obligations. The System does not have an investment policy specifically regarding credit risk for derivative instruments. The System's investment policy allows investment managers full discretion in adopting investment strategies to deal with this risk. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.
- *Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the System's derivative instruments.

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- *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of derivative instruments. The System’s exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments as outlined in the following schedule. The System has a currency hedging program in place that hedges fifty percent of the exposure to the Euro, Pound, and Yen exposure in these investment programs. This hedging program is disclosed elsewhere in this footnote. The System’s derivative instruments exposure to foreign currency risk in U.S. dollars as of June 30, 2018, is shown in the table below (\$000’s).

<u>Currency</u>	<u>Equity Derivatives</u>	<u>Currency Derivatives</u>	<u>Total</u>
Canadian dollar	\$ 43,645	\$ 41,507	\$ 85,152
Euro	150,048	(66,751)	83,297
Japanese yen	110,000	(48,965)	61,035
Chinese yuan renminbi	52,184	-	52,184
British pound sterling	82,275	(36,316)	45,959
Swiss franc	35,688	-	35,688
Australian dollar	31,823	-	31,823
South Korean won	23,269	-	23,269
New Taiwan dollar	18,562	-	18,562
Hong Kong dollar	16,545	-	16,545
Indian rupee	13,736	-	13,736
Swedish krona	11,780	-	11,780
South African rand	10,107	-	10,107
Brazilian real	9,257	-	9,257
Danish krone	7,591	-	7,591
Singapore dollar	5,841	-	5,841
Russian ruble	5,623	-	5,623
Mexican peso	4,633	-	4,633
Malaysian ringgit	3,728	-	3,728
Thai baht	3,471	-	3,471
Norwegian krone	3,393	-	3,393
Indonesian rupiah	3,045	-	3,045
New Israeli shekel	2,400	-	2,400
Chilean peso	1,772	-	1,772
Polish zloty	1,763	-	1,763
Philippine peso	1,501	-	1,501
Qatari riyal	1,305	-	1,305
Turkish lira	1,207	-	1,207
United Arab Emirates dirham	1,018	-	1,018
New Zealand dollar	972	-	972
Colombian peso	764	-	764
Peruvian nuevo sol	659	-	659
Hungarian forint	432	-	432
Czech koruna	286	-	286
Egyptian pound	215	-	215
Pakistan rupee	107	-	107
<b>Total</b>	<b>\$ 660,645</b>	<b>\$ (110,525)</b>	<b>\$ 550,120</b>

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*Alternative Investments* – As of June 30, 2018, the System was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the table below.

<u>Investment Type</u>	<u>Fair Value (\$000's)</u>
<i>Private Equity</i>	
Leveraged Buyouts	\$ 376,217
Energy	154,462
Special Situations	116,986
Private Equity Secondaries	80,499
Venture Capital	23,966
<i>Other Alternatives</i>	
Real Estate	333,411
Credit	189,105
<i>Hedge Funds</i>	
Portable alpha hedge funds	358,400
Global macro hedge funds	224,027
Multi-strategy hedge funds	119,615
Long/short credit hedge funds	24,439
Long/short equity hedge funds	25,285
<b>Total</b>	<b><u>\$ 2,026,412</u></b>

The provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. A summary of the hierarchy is as follows (in thousands):

Level 1 inputs are quoted prices in active markets for identical assets	\$ 98,453
Level 2 inputs are significant other observable inputs	1,446,431
Level 3 inputs are significant unobservable inputs	1,218,360
Investments measured at net asset value (NAV)	<u>2,689,023</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,452,267</u></b>

**NOTE 4: ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2018 (\$000's):

<u>Fund</u>	<u>Amount</u>
General	
Uncollectible general property taxes	\$ 38,689
Ambulance charges	401,044
Fines and forfeits	23,185
Demolition liens	141,143
Others	12,667
Grant revenue	26,728
Airport System	1,723
Convention and Entertainment Facilities	518
Combined Utility System	165,664
	<u>\$ 811,361</u>

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**NOTE 5: PROPERTY TAX**

The City's annual ad valorem property tax is required to be levied by October 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31 of the year following the year of the levy. A tax lien attaches to all property on January 1 of each year to secure the payment of all taxes, penalties and interest that is ultimately imposed on the property. The tax rate established by the City Council for the 2017 tax year was \$0.584210 per \$100 of assessed value with \$0.420227 for operations and \$0.163983 for debt service.

In 2004, Houston voters approved Proposition 1, which limits annual growth in property tax revenues to the lesser of the actual revenues in the preceding fiscal year, plus 4.5 percent, or the revenues received in the previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. The Texas Property Tax Code ("Code"), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for countywide appraisal districts.

**Tax Increment Reinvestment Zones (TIRZs)**

The City of Houston has 27 active Tax Increment Reinvestment Zones (TIRZs) currently, including 1 County-led TIRZ, as listed below.

TIRZ #	TIRZ Name	TIRZ #	TIRZ Name	TIRZ #	TIRZ Name
1	St. George Place	11	Greenspoint	20	Southwest
2	Midtown	12	City Park	21	Hardy/Near Northside
3	Main St/Market Square	13	Old Sixth Ward	22	Leland Woods
5	Memorial Heights	14	Fourth Ward	23	Harrisburg
6	Eastside	15	East Downtown	24	Greater Houston
7	OST/Almeda	16	Uptown	25	Hiram Clarke/Ft. Bend County
8	Gulfgate	17	Memorial City	26	Sunnyside
9	South Post Oak	18	Fifth Ward	27	Montrose
10	Lake Houston	19	Upper Kirby		

The TIRZ's were created pursuant to Chapter 311 of the Texas Tax Code to aid in financing the development or redevelopment of unproductive, underdeveloped or blighted areas.

The City of Houston, through its agreement with each individual TIRZ, contributes tax increment dollars to finance capital projects such as streets, drainage, water, parks and public facilities, streetscape (sidewalks, lighting, landscaping), parking facilities, and affordable housing to enhance economic growth. The amount of tax increment contributed by the City is based on the incremental taxable value generated by each individual TIRZ above its taxable value at creation.

Each TIRZ is required by Chapter 311 to create a project plan and reinvestment zone financing plan that reflects the Zone's goals and priorities for its term. The plan is subsequently approved by City Council for implementation. Annually, City Council reviews and approves each TIRZ budget for implementation of capital projects.

In fiscal year 2018, the City of Houston contributed \$139.6 million in tax increments to the City-led TIRZs. A summary of taxing units that participate in various TIRZs through interlocal agreements are listed below. These taxing units contributed a combined \$77 million to the TIRZs. The City-led TIRZ budgets totaled \$445.6 million in expenditures for fiscal year 2018.

<b>City of Houston TIRZ Interlocal Participation Agreements</b>	
<b>Taxing Jurisdiction</b>	<b>TIRZ Number</b>
Harris County <sup>1,2</sup>	1, 2, 3, 5, 7, 8, 9, 10, 11, 13, 15, 24
Harris County Flood Control District <sup>1</sup>	2, 3
Harris County Hospital District <sup>1</sup>	3
Harris County Port of Houston Authority <sup>1</sup>	3
Houston Community College District	2
Houston Independent School District	1, 2, 3, 4, 5, 7, 8, 9, 12, 13, 14, 15, 16, 18, 19
Humble Independent School District	10
Aldine and Spring Independent School Districts, Lone Star College District	11

<sup>1</sup>Included in the Harris County Interlocal Agreement

<sup>2</sup>Harris County no longer participates in TIRZ No. 5, 7, 8, 10, and 13

<sup>3</sup>Houston Independent School District no longer participates in TIRZ No. 5 and 19

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**Tax Abatements**

The City also enters into property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Chapter 312. These have investment and employment requirements that must be met to have a portion of their property taxes abated. In fiscal year 2018, the total amount abated was \$1,214,427 to seven businesses.

<b>Company Name</b>	<b>Abatement Project Information</b>	<b>Investment Requirement</b>	<b>City's Abatement Commitments</b>	<b>Amount Eligible for Abatement (HCAD Value)</b>	<b>Tax abatement for Tax Year 2018 (COH tax rate- 0.0058421)</b>
<b>BVSW Garden Oaks</b>	To renovate, develop, upgrade, and expand the existing 136 units of deteriorated, vacant apartment property into 166 units of upscale multi-family housing accommodations.	\$8,000,000	City agrees to grant the Owner a fifty percent (50%) of the ad valorem taxes levied on the Improvements in the Zone.	\$10,630,932.00	\$62,106.97
<b>Cullen SH Apartments</b>	To construct and operate a residential facility to be occupied and used as new student housing facility with 531 bed capacity, 440 parking spaces for cars, 175 bicycle rack spaces for student bicycles, and a site for a B-Cycle station.	\$22,000,000	City agrees to grant the Owner ninety percent(90%) of the ad valorem taxes levied on the Improvements in the Zone.	\$22,764,066.30	\$132,989.95
<b>CyrusOne</b>	CyrusOne will invest a minimum of \$10,000,000.00 in constructing and installing the improvements in the Zone by Effective date of Abatement and \$90,000,000.00 by the end of 2017. If, at the end of 2017, CyrusOne has not invested at least 70% of the \$90,000,000 investment commitment or \$63,000,000 the City will reduce the tax abatement percentage to 40%.	\$90,000,000	City agrees to grant CyrusOne a fifty percent (50%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. The tax abatement will apply to the appraised value up to \$72,000,000.00 and is capped at that value. Any value in excess of \$72,000,000.00 will not be subject to the abatement.	\$26,528,165.00	\$154,980.19
<b>Emerson Process LLLP</b>	Company will construct and install the Improvements in the Zone by the Effective Date of Abatement	\$13,850,000	City agrees to grant the Owner a 50% abatement of the ad valorem taxes on the improvements in the Zone.	\$7,664,479.00	\$44,776.65

(Continued)

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<b>Company Name</b>	<b>Abatement Project Information</b>	<b>Investment Requirement</b>	<b>City's Abatement Commitments</b>	<b>Amount Eligible for Abatement (HCAD Value)</b>	<b>Tax abatement for Tax Year 2018 (COH tax rate- 0.0058421)</b>
<b>Fairway Energy</b>	The proposed use of the Improvements/Abated Property is for an "Other basic industry facility" as defined in Section 44-121 of the Code. Fairway will store crude oil and condensate in existing salt caverns in the Pierce Junction area located south of NRG Stadium in Houston, Texas. The Improvements include drilling additional wells into the existing caverns and constructing brine ponds on the surrounding acreage, as well as constructing approximately 15.2 miles of dual pipelines to connect the Facility to two major crude oil hubs across the Houston area. The Improvements also include the construction of a central control facility with an electric pumping station, onsite piping, and a control room to handle the brine and crude oil.	\$119,000,000	The City agrees to grant a 50% abatement of the ad valorem taxes on the Improvements in the Zone during the Abatement Period.	\$97,613,780.00	\$570,269.46
<b>Halliburton</b>	The Owner represents that it will complete construction of the Facility on the Real Property no later than December 31,2015. The Owner represents and warrants that it will invest a minimum of \$145,000,000 in designing, construction, and installing the Improvements by the Effective Date of Abatement.	\$145,000,000	City agrees to grant Halliburton a fifty percent (50%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. Maximum abatement amount is \$1,500,000.	\$30,920,785.00	\$180,642.32
<b>Kroger</b>	The Company represents and warrants that it will invest approx. \$24M related to an upgrade of the Facility and approx. \$17M related to the expansion of the Facility in the Zone by the Effective Date of Abatement.	\$41,000,000	City agrees to grant Kroger a Seventy five percent (75%) abatement of the ad valorem taxes on the Improvements in the Zone during the abatement period. The real property improvements subjects to tax abatement are \$17M.	\$11,752,782.00	\$68,660.93

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**NOTE 6: CAPITAL ASSETS**

**A. Governmental Activities of the Primary Government**

A summary of changes in capital assets for the year ended June 30, 2018 follows (in thousands):

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 421,746	\$ 25,175	\$ (2,949)	\$ 2,041	\$ 446,013
Right of way	1,759,272	690	-	4,051	1,764,013
Construction Work in Progress	363,022	260,485	-	(223,061)	400,446
Total capital assets not being depreciated	<u>2,544,040</u>	<u>286,350</u>	<u>(2,949)</u>	<u>(216,969)</u>	<u>2,610,472</u>
Other capital assets:					
Buildings	1,263,570	513	(612)	30,940	1,294,411
Rights & Intangibles - Amortizable	8,232	20	-	373	8,625
Improvements and Equipment	1,261,401	33,708	(28,100)	20,739	1,287,748
Infrastructure	6,770,007	39,348	(14,884)	164,917	6,959,388
Total other capital assets	<u>9,303,210</u>	<u>73,589</u>	<u>(43,596)</u>	<u>216,969</u>	<u>9,550,172</u>
Less accumulated depreciation for:					
Buildings	(442,376)	(34,746)	394	17	(476,711)
Rights and Intangibles	(7,602)	(473)	-	-	(8,075)
Improvements and Equipment	(816,045)	(82,270)	26,614	(17)	(871,718)
Infrastructure	(3,334,691)	(153,092)	12,937	-	(3,474,846)
Total accumulated depreciation	<u>(4,600,714)</u>	<u>(270,581)</u>	<u>39,945</u>	<u>-</u>	<u>(4,831,350)</u>
Other capital assets, net	4,702,496	(196,992)	(3,651)	216,969	4,718,822
Governmental Activities capital assets, net	<u>\$ 7,246,536</u>	<u>\$ 89,358</u>	<u>\$ (6,600)</u>	<u>\$ -</u>	<u>\$ 7,329,294</u>

**B. Business-type Activities**

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2018</b>
<b>Airport System</b>					
Capital assets not being depreciated:					
Land	\$ 216,079	\$ -	\$ -	\$ 28	\$ 216,107
Rights & Intangibles- Non Amortizable	9,569	-	-	3,110	12,679
Construction Work in Progress	135,233	107,032	-	(59,421)	182,844
Total capital assets not being depreciated	<u>360,881</u>	<u>107,032</u>	<u>-</u>	<u>(56,283)</u>	<u>411,630</u>
Other capital assets:					
Buildings	2,970,950	-	(228)	14,805	2,985,527
Improvements and equipment	1,849,603	2,176	(177)	33,473	1,885,075
Infrastructure	557,062	-	-	8,005	565,067
Rights & Intangibles- Amortizable	5,035	(338)	-	-	4,697
Total other capital assets	<u>5,382,650</u>	<u>1,838</u>	<u>(405)</u>	<u>56,283</u>	<u>5,440,366</u>
Less accumulated depreciation for:					
Buildings	(1,328,716)	(96,707)	23	-	(1,425,400)
Improvements and equipment	(1,181,357)	(64,470)	177	-	(1,245,650)
Infrastructure	(346,950)	(14,183)	-	-	(361,133)
Rights & Intangibles	(3,076)	(693)	-	-	(3,769)
Total accumulated depreciation	<u>(2,860,099)</u>	<u>(176,053)</u>	<u>200</u>	<u>-</u>	<u>(3,035,952)</u>
Other capital assets, net	2,522,551	(174,215)	(205)	56,283	2,404,414
Airport System capital assets, net	<u>\$ 2,883,432</u>	<u>\$ (67,183)</u>	<u>\$ (205)</u>	<u>\$ -</u>	<u>\$ 2,816,044</u>

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	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2018</b>
<b>Convention and Entertainment Facilities</b>					
Capital assets not being depreciated:					
Land	\$ 95,687	\$ -	\$ -	\$ -	\$ 95,687
Construction Work in Progress	-	-	-	-	-
Total capital assets not being depreciated	<u>95,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,687</u>
Other capital assets:					
Buildings	577,528	-	-	-	577,528
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	11,865	-	(2,986)	-	8,879
Infrastructure	334	-	-	-	334
Total other capital assets	<u>602,871</u>	<u>-</u>	<u>(2,986)</u>	<u>-</u>	<u>599,885</u>
Less accumulated depreciation/amortization for:					
Buildings	(272,790)	(13,135)	-	-	(285,925)
Garage Rights	(4,734)	(343)	-	-	(5,077)
Improvements and equipment	(8,996)	(106)	2,734	-	(6,368)
Infrastructure	(128)	(15)	-	-	(143)
Total accumulated depreciation/amortization	<u>(286,648)</u>	<u>(13,599)</u>	<u>2,734</u>	<u>-</u>	<u>(297,513)</u>
Other capital assets, net	<u>316,223</u>	<u>(13,599)</u>	<u>(252)</u>	<u>-</u>	<u>302,372</u>
Convention and Entertainment Facilities capital assets, net	<u>\$ 411,910</u>	<u>\$ (13,599)</u>	<u>\$ (252)</u>	<u>\$ -</u>	<u>\$ 398,059</u>

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2018</b>
<b>Combined Utility System</b>					
Capital assets not being depreciated:					
Land	\$ 146,962	\$ 903	\$ (1,167)	\$ 10,366	\$ 157,064
Right of way	351	-	-	76	427
Rights & Intangibles - Non-depreciable	748,658	97,317	-	-	845,975
Construction Work in Progress	479,782	421,184	-	(243,950)	657,016
Total capital assets not being depreciated	<u>1,375,753</u>	<u>519,404</u>	<u>(1,167)</u>	<u>(233,508)</u>	<u>1,660,482</u>
Other capital assets:					
Buildings	148,158	71	(811)	5,307	152,725
Improvements and equipment	170,507	4,987	(4,443)	2	171,053
Infrastructure	10,573,930	12,448	(30,538)	228,199	10,784,039
Total other capital assets	<u>10,892,595</u>	<u>17,506</u>	<u>(35,792)</u>	<u>233,508</u>	<u>11,107,817</u>
Less accumulated depreciation/amortization for:					
Buildings	(77,142)	(4,336)	769	-	(80,709)
Improvements and equipment	(116,098)	(12,384)	4,206	-	(124,276)
Infrastructure	(5,299,839)	(235,334)	29,338	-	(5,505,835)
Water Rights	(10)	(39)	-	-	(49)
Total accumulated depreciation/amortization	<u>(5,493,089)</u>	<u>(252,093)</u>	<u>34,313</u>	<u>-</u>	<u>(5,710,869)</u>
Other capital assets, net	<u>5,399,506</u>	<u>(234,587)</u>	<u>(1,479)</u>	<u>233,508</u>	<u>5,396,948</u>
Combined Utility System capital assets, net	<u>6,775,259</u>	<u>284,817</u>	<u>(2,646)</u>	<u>-</u>	<u>7,057,430</u>
Business-type activities capital assets, net	<u>\$ 10,070,601</u>	<u>\$ 204,035</u>	<u>\$ (3,103)</u>	<u>\$ -</u>	<u>\$ 10,271,533</u>

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**C. Depreciation Expense**

Depreciation expense was charged to functions programs of the primary government as follows (in thousands):

<b>Governmental activities</b>	
General government	\$ 42,746
Public safety	30,925
Public works	15,067
Health	4,706
Housing	1,638
Parks and recreation	16,648
Library	5,759
Infrastructure	153,092
Total depreciation expense - governmental activities	\$ 270,581
<b>Business-type activities</b>	
Airport System	\$ 176,053
Convention & Entertainment Facilities	13,599
Combined Utility System	252,093
Total depreciation expense - business-type activities	\$ 441,745

**D. Pension Trust Funds**

In February 1998, the Firefighters' Relief and Retirement Fund purchased land in the amount of \$483,325 for use in the construction of a new office building for its operations and its members. In April of 2001, the construction of the new building was completed. The building's capitalized cost of \$9,847,715 is being depreciated over 30 years. The accumulated depreciation for the building as of June 30, 2018 amounted to \$5,496,401.

**NOTE 7: SHORT-TERM DEBT – TAX AND REVENUE ANTICIPATION NOTES**

Short-term debt activity for the year ended June 30, 2018, was as follows (in thousands):

	<b>Balance July 1, 2017</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance June 30, 2018</b>
Tax and Revenue				
Anticipation notes	\$ -	\$ 200,000	\$ 200,000	\$ -

On July 10, 2017, the City closed on the sale of \$200,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2017. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated rate was 3.06%, and the average yield .93%. The notes matured on June 30, 2018.

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**NOTE 8: LONG-TERM LIABILITIES**

**A. General Long-Term Liabilities**

Changes in General Long-Term Liabilities for the year ended June 30, 2018 are summarized as follows (in thousands):

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
Bonds and notes payable:					
General tax obligation debt	\$ 2,907,693	\$ 1,577,352	\$ (803,635)	\$ 3,681,410	\$ 246,600
HUD Section 108 Loans	3,836	5,062	(672)	8,226	672
Plus premium (discount) on bonds	266,806	76,336	(38,862)	304,280	-
Total bonds and notes payable	<u>3,178,335</u>	<u>1,658,750</u>	<u>(843,169)</u>	<u>3,993,916</u>	<u>247,272</u>
Other liabilities:					
Claims and judgments	118,519	332,621	(301,083)	150,057	38,244
Compensated absences	467,837	73,890	(65,526)	476,201	151,179
Other Post Employment Benefit obligation	1,618,370	2,307,343	(1,753,035)	2,172,678	-
Net Pension liability	4,405,566	1,346,084	(2,310,990)	3,440,660	-
Total other liabilities	<u>6,610,292</u>	<u>4,059,938</u>	<u>(4,430,634)</u>	<u>6,239,596</u>	<u>189,423</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 9,788,627</u>	<u>\$ 5,718,688</u>	<u>\$ (5,273,803)</u>	<u>\$ 10,233,512</u>	<u>\$ 436,695</u>
<b>Discretely Presented Component Units:</b>					
Notes payable	\$ 559,909	\$ 80,704	\$ (47,949)	\$ 592,664	\$ 24,233
Revenue bonds	435,066	71,913	(31,826)	475,153	25,185
<b>Discretely Presented Component Units Long-Term Liabilities</b>	<u>\$ 994,975</u>	<u>\$ 152,617</u>	<u>\$ (79,775)</u>	<u>\$ 1,067,817</u>	<u>\$ 49,418</u>

Within governmental funds, contributions toward the other post-employment benefit obligations and liquidation of the net pension liability are made from the general fund.

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due within One Year</u>
<b>Business-type activities</b>					
Bonds and notes payable:					
Airport System debt	\$ 2,312,667	\$ 463,319	\$ (551,802)	2,224,184	\$ 111,845
Convention and Entertainment debt	464,814	87,030	(33,590)	518,254	21,859
Combined Utility System debt	6,198,041	307,134	(201,695)	6,303,480	435,215
Long-term contracts - Combined Utility	460,068	287,882	(6,468)	741,482	9,053
Premiums, discounts amount	836,320	85,897	(56,191)	866,026	-
Total bonds and notes payable	<u>10,271,910</u>	<u>1,231,262</u>	<u>(849,746)</u>	<u>10,653,426</u>	<u>577,972</u>
Other liabilities:					
Claims and judgments	3,126	2,933	(1,724)	4,335	1,724
Compensated absences	32,644	16,985	(16,912)	32,717	16,758
Arbitrage rebate liability	145	25	(34)	136	-
Other Post Employment Benefit obligation	214,568	295,614	(233,248)	276,934	-
Net Pension liability	650,815	-	(63,455)	587,360	-
Total other liabilities	<u>901,298</u>	<u>315,557</u>	<u>(315,373)</u>	<u>901,482</u>	<u>18,482</u>
<b>Business-type activities Long-Term Liabilities</b>	<u>\$ 11,173,208</u>	<u>\$ 1,546,819</u>	<u>\$ (1,165,119)</u>	<u>\$ 11,554,908</u>	<u>\$ 596,454</u>
<b>Total Reporting Entity Long-Term Liabilities</b>	<u>\$ 21,956,810</u>	<u>\$ 7,418,124</u>	<u>\$ (6,518,697)</u>	<u>\$ 22,856,237</u>	<u>\$ 1,082,567</u>

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**B. Schedule of Changes in Bonds and Long-Term contracts (amounts expressed in thousands):**

	<u>Stated Interest Rate Range, %</u>	<u>Face Value Outstanding 6/30/2017</u>	<u>FY18 Issued/ Increased</u>
<b>General Tax Obligation Debt</b>			
Public improvement bonds	0.25 to 6.32	\$ 2,135,185	\$ 537,270
Pension obligations	5.31 to 6.29	516,858	935,082
Commercial paper	0.12 to 10.00	239,900	105,000
Tax and revenue certificates of obligation	4.00 to 5.00	15,750	-
<b>Total General Tax Obligation Debt</b>		<u>\$ 2,907,693</u>	<u>\$ 1,577,352</u>
<b>HUD Section 108 Loans</b>		<u>\$ 3,836</u>	<u>\$ 5,062</u>
<b>Revenue Bonded Debt</b>			
<b>Airport System Bonds</b>			
Senior Lien Revenue bonds	5.00 to 5.50	\$ 430,645	\$ -
Subordinate lien revenue and refunding bonds	0.93 to 5.70	1,579,765	415,770
Special facility bonds (Note 1K)	1.916 to 7.13	91,590	-
Inferior lien contractual obligation	5.50	6,240	-
Pension obligations	5.31	2,006	27,610
Note obligation	2.19	115,421	1,939
Commercial paper	0.92 to 0.94	87,000	18,000
		<u>\$ 2,312,667</u>	<u>\$ 463,319</u>
<b>Convention and Entertainment Facilities</b>			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	\$ 461,190	\$ 87,030
Pension obligations	5.31 to 6.29	3,624	-
		<u>\$ 464,814</u>	<u>\$ 87,030</u>
<b>Combined Utility System</b>			
Combined Utility System first lien bonds	0.02 to 6.00	\$ 6,063,585	\$ 64,680
Water and Sewer System junior lien revenue bond	1.25 to 6.90	57,339	-
Combined Utility System commercial paper	0.12 to 10.00	20,000	200,000
Pension obligations	5.31 to 6.29	57,117	42,454
		<u>\$ 6,198,041</u>	<u>\$ 307,134</u>
<b>Long-Term Contracts-Water and Sewer System</b>			
Coastal Water Authority	2.00 to 7.50	\$ 67,755	\$ -
Other long term contracts	3.22 to 5.85	392,313	287,882
		<u>\$ 460,068</u>	<u>\$ 287,882</u>
<b>Total Revenue Bonded Debt and Long-Term Contracts, Primary Government</b>		<u>\$ 9,435,590</u>	<u>\$ 1,145,365</u>
<b>Total Bonds and Long-Term Contracts Payable, Primary Government</b>		<u>\$ 12,347,119</u>	<u>\$ 2,727,779</u>

(Continued)

- (1) Adjustments consist of unamortized bond premiums, discounts, and capital appreciation bond accretions.
- (2) Amount of refunding general tax obligation debt paid to escrow agent included payment of premiums and accrued interest on refunded bonds. Loss on refunding is reported as deferred outflow of resources.

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<b>FY18 Redeemed/ Refunded (2)</b>	<b>Face Value Outstanding 6/30/2018</b>	<b>Adjustments (1)</b>	<b>Net Outstanding 6/30/2018</b>
\$ 520,605	\$ 2,151,850	\$ 303,504	\$ 2,455,354
7,050	1,444,890	-	1,444,890
274,900	70,000	-	70,000
1,080	14,670	776	15,446
<u>\$ 803,635</u>	<u>\$ 3,681,410</u>	<u>\$ 304,280</u>	<u>\$ 3,985,690</u>
<u>\$ 672</u>	<u>\$ 8,226</u>	<u>\$ -</u>	<u>\$ 8,226</u>
\$ 10,225	\$ 420,420	\$ (359)	\$ 420,061
328,960	1,666,575	110,299	1,776,874
5,490	86,100	-	86,100
6,240	-	-	-
-	29,616	-	29,616
117,360	-	-	-
83,527	21,473	-	21,473
<u>\$ 551,802</u>	<u>\$ 2,224,184</u>	<u>\$ 109,940</u>	<u>\$ 2,334,124</u>
33,515	514,705	184,980	699,685
75	3,549	-	3,549
<u>\$ 33,590</u>	<u>\$ 518,254</u>	<u>\$ 184,980</u>	<u>\$ 703,234</u>
\$ 200,505	\$ 5,927,760	\$ 449,802	\$ 6,377,562
-	57,339	112,593	169,932
-	220,000	-	220,000
1,190	98,381	-	98,381
<u>\$ 201,695</u>	<u>\$ 6,303,480</u>	<u>\$ 562,395</u>	<u>\$ 6,865,875</u>
\$ 3,455	\$ 64,300	\$ 5,282	\$ 69,582
3,013	677,182	3,429	680,611
<u>\$ 6,468</u>	<u>\$ 741,482</u>	<u>\$ 8,711</u>	<u>\$ 750,193</u>
<u>\$ 793,555</u>	<u>\$ 9,787,400</u>	<u>\$ 866,026</u>	<u>\$ 10,653,426</u>
<u>\$ 1,597,862</u>	<u>\$ 13,477,036</u>	<u>\$ 1,170,306</u>	<u>\$ 14,647,342</u>

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**C. Terms of Long-Term Debt**

**1. Public Improvement Bonds**

The City has issued Public Improvement Bonds on numerous occasions. The bonds are payable from ad valorem tax revenues. The proceeds are used for street and bridge improvements, traffic signals, municipal buildings, parks, and other capital improvements. Interest is payable semi-annually; principal is payable in various amounts annually through March 1, 2043.

**2. Pension Obligation Bonds**

The City has issued several series of General Obligation Taxable Pension Bonds. The proceeds were used to reduce the unfunded actuarial accrued liability of the Houston Municipal Employees Pension System and the Houston Police Officers Pension System. Interest is payable semi-annually, and principal is payable in varying amounts through 2047. Although these obligations have an ad valorem tax pledge, a portion of the liabilities is recorded in the enterprise funds because the liabilities are directly related and expected to be paid from those funds based on percentages of payroll.

**3. General Obligation Commercial Paper**

The City currently may issue Commercial Paper Notes (“Notes”) under its \$975 million General Obligation Commercial Paper, \$200 million Series E Program, \$200 million Series G Program, \$100 million Series H-2 Program, \$125 million Series J, \$200 million Series K-1 and \$100 million Series K-2 Program. The Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified term of the Notes, but not to exceed 10%. Principal on the Notes is payable from ad valorem tax revenue, the issuance of new commercial paper, bond proceeds and other funds provided under credit lines. Interest is payable from ad valorem tax revenue collected by the City. Proceeds from the Notes are used to finance various capital projects and public improvements for authorized City purposes. Upon maturity, the Notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

During fiscal year 2018, the average interest rate for the outstanding General Obligation Notes, including dealer and credit fees, was 1.464%. The average year-end rate for the outstanding notes, including fees, was 1.26%. This does not include Series K-1, K-2 and G-1 which was established mainly for appropriation purposes; therefore, there were no draws during the fiscal year 2017. The average fees related to Series K-1 is 0.175%, K-2 is 0.4% and G-1 is 0.26% without any notes outstanding during fiscal year 2018. The Credit Agreements expire on the following dates: Series E-1 on July 15, 2021, Series E-2 on April 25, 2019, Series G-1 on February 19, 2021, Series G-2 on November 28, 2021, Series H-2 on October 13, 2020, Series J on May 20, 2020, Series K-1 on February 22, 2022 and Series K-2 on December 27, 2018.

**4. Certificates of Obligation**

Since 1988, the City has issued Certificates of Obligation each year to provide for the purchase of equipment utilized in general City operations including, without limitation, police vehicles, maintenance vehicles and equipment, computer equipment, and costs associated with demolishing dangerous structures. Each year the City is obligated to levy, assess, and collect ad valorem taxes sufficient to pay principal and interest on the certificates payable semi-annually until maturity.

**5. HUD Section 108 Loan**

The City has borrowed money from the United States Department of Housing and Urban Development (“HUD”) and loaned it to the Houston Business Development Initiative (“HBDI”) and three hotels in the downtown business district. HBDI in turn makes small business loans to under-served areas of the community. The City has pledged only certain grant revenues and its receipts from the loans to repay HUD.

**6. Airport System Revenue Bonds**

The Houston Airport System has \$420,420,000 of senior lien bonds outstanding that mature in varying amounts from 2018 to 2039. Bonds issued on the senior lien require net revenues totaling 125% of the debt service requirements for such fiscal year. The Houston Airport System has also issued Subordinate Lien Bonds which are paid solely from a lien on the airport system’s net revenues, which must total 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. The bonds have a \$1,666,575,000 outstanding balance with a final maturity in the year 2048. Airport System Subordinate Lien Revenue Bonds, Series 2000P1 and 2000P2, 2002C, 2002D-1, and 2002D-2, have been issued as auction rate securities with current 7-day resets. In December 2010, the Airport System issued Variable Rate Demand Obligations (VRDOs) Series 2010, with a 7-day reset to refund its 2005A VRDOs which were subject to alternative minimum tax. These bonds may all be converted to other modes including fixed rate bonds.

The City has a liquidity facility with Barclays Bank PLC for the Series 2010 bonds, with a termination date of December 22, 2020. If the Remarketing Agent is unable to resell the VRDO bonds, then the liquidity facility will pay the principal to the bondholders and the bonds will become bank bonds, subject to the greater of several options for interest rates. The maximum interest rate permitted under the ordinance is 10%. After 60 days, the bank bonds become a term loan, where the Airport System must pay six semi-annual principal payments over three years to retire the loan. Because the Series 2010 Bonds were issued as multi-modal bonds, the City can elect to convert the Bonds into long-term fixed rate that would not require a letter of credit.

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The Fund presently has three outstanding Senior Lien Debt Service Reserve Fund Surety Policies issued by Financial Guaranty Insurance Corporation (FGIC) and reinsured by National Public Finance Guarantee Corporation for any outstanding Senior Lien Notes. These policies have an aggregate maximum amount of \$12,374,996 and terminate on October 25, 2023 and July 1, 2030. Using proceeds of the Series 2009A Bonds, the Fund has also deposited \$33,095,994 into the Senior Lien Bond Reserve Fund.

The Fund has purchased Subordinate Lien Debt Service Reserve Fund Surety Policies that unconditionally guarantee the payment of the current principal and interest on all outstanding Airport System subordinate lien issues. The surety policies have termination dates ranging from July 1, 2022 to July 1, 2032. Each of the draws made against the surety policies shall bear interest at the prime rate plus two percent, not to exceed a maximum interest rate of 12%. The repayment provisions require one-twelfth of the policy costs for each draw to be repaid monthly, beginning the first month following the date of each draw. The policies were issued by (1) FGIC in the aggregate maximum amount of \$102,949,865, reinsured by National Public Finance Guarantee Corporation; (2) Assured Guarantee Municipal Corporation in the aggregate maximum amount of \$31,921,384; and (3) Syncora Guarantee in the aggregate maximum amount of \$15,756,228. The Syncora policies will be active until the Airport System Subordinate Lien Revenue Bonds, Series 2002C, Series 2002D-1, and Series 2002D2 are redeemed. The Airport System Fund also has a cash reserve of \$35,864,010 in the Subordinate Lien Bond Reserve Fund.

On July 17, 2018, the City priced the Airport System Subordinate Lien Revenue Refunding Bonds, Series 2018C (AMT) \$212,820,000 and Series 2018D (Non-AMT) \$356,290,000, to refund the outstanding Airport System subordinate lien auction bonds and the fixed rate Senior Lien Revenue Bonds, Series 2009A. The new bonds were delivered on August 2, 2018. For more information, see Note 16, "Subsequent Events."

**7. Airport System Inferior Lien Contract**

On July 1, 2004, the City and United Airlines (formerly Continental Airlines, Inc) entered into a Sublease Agreement associated with the Special Facilities Lease for the Automated People Mover System and the City's Airport System Special Facilities Revenue Bonds (Automated People Mover Project) Series 1997A (1997A Special Facilities Bonds). The City assumed United Airlines' interest in the project upon completion of the expansion of the Automated People Mover System on January 25, 2005. As part of the sublease, the City agreed to make sublease payments that include amounts equal to the debt service on the 1997A Special Facilities Bonds. The payments were payable from Airport System net revenues on the same priority as inferior lien bonds and were recorded as an Inferior Lien Contract. The Series 1997A Bonds reached final maturity on July 15, 2017.

**8. Airport System Special Facility Bonds**

The Airport System Special Facilities Taxable Revenue Bonds, (Consolidated Rental Car Facility Project), Series 2001, and the Airport System Special Facilities Taxable Revenue Refunding Bonds (Consolidated Rental Car Facility Project), Series 2014, financed the design and construction at Intercontinental of a common car customer service building, a parking structure, maintenance, storage and administrative facilities for each car rental company lessee, a common bus fleet and maintenance facility, and related infrastructure. The City holds legal title to the completed Consolidated Rental Car Facility ("CRCF"), as it was constructed on airport property, but the facility is operated and maintained by IAH RACS, LLC, a limited liability company formed by various car rental companies. The bonds are payable from customer facility charges collected by the car rental companies from their customers and remitted to a trustee for payment of debt service and other uses allowable by a trust indenture. As of June 30, 2018, the daily usage charge per customer is set at \$4.00. The trust indenture determines when and how the City is responsible for changing the rate, which under the Bond covenants must be set to provide a debt service coverage ratio of at least 125%. The bonds are limited special obligations of the City, payable solely from and secured by pledged customer facility charges. These bonds do not constitute a debt or pledge of the faith or credit of the City or the Airport System Fund. At June 30, 2018, Special Facilities Taxable Revenue and Refunding Bonds (CRCF) outstanding totaled \$86,100,000.

**9. Airport System Commercial Paper**

On November 20, 2013, the Airport System Senior Lien Commercial Paper Notes Series A and B (the Notes) were re-authorized for \$150 million to establish, improve, enlarge, extend and repair the City's Airport System, acquire land, and pay interest and cost of issuance of the Notes. The notes were collateralized by a direct pay letter of credit issued by the Royal Bank of Canada on December 18, 2013, terminating on December 16, 2016. A new letter of credit was issued on December 15, 2016 by Sumitomo Mitsui Banking Corp. for \$150 million plus \$11.1 million in respect of 270 days accrued interest computed at 10%. This letter of credit will expire on December 15, 2021. There are \$21.47 million in outstanding commercial paper notes as of June 30, 2018.

**10. Airport System Inferior Lien Forward Delivery Bond Purchase Agreement**

On October 21, 2015, the City authorized the issuance of \$450 million in Airport System Inferior Lien Revenue Bonds in one or more series. The City also authorized the execution of a forward delivery bond purchase agreement. This authorization is valid until October 3, 2018 unless extended by a separate City Council action. On November 5, 2015, The City executed a forward delivery bond purchase agreement for the issuance of up to \$450 million of Airport System Inferior Lien Revenue Bonds with the Royal Bank of Canada. The agreement expires on November 5, 2022. No bonds have been issued as of June 30, 2018.

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**11. Airport System Note Obligation**

In February, 2013, the City entered a contract with Southwest Airlines Co. (“Southwest”) under which Southwest would construct five international gates, a Federal Inspection Service Facility, and associated enabling projects (the “Project”) at William P. Hobby Airport. Southwest was responsible for the initial funding of all costs of the Project including any related financing costs, but title to the Project was passed to the City at each point in construction. The new gates and facility opened on October 15, 2015.

At any time after completion of the Project, the City had the right to buy out Southwest’s investment for the unamortized costs of the Project, calculated at an annual amortization rate equal to 2.19% over a 25-year period, with final maturity at June 30, 2040. The Airport Fund recorded the initial note payable on October 15, 2015 as \$123,785,000. On November 15, 2017, the City Council authorized the issuance of Airport System Revenue Bonds to buy out Southwest’s investment, the unamortized value of which was calculated to be \$115,881,553. This amount was delivered to Southwest Airlines on March 20, 2018 from the proceeds of Airport System Subordinate Lien Revenue and Refunding Bonds, Series 2018A. After November 15, 2017, Southwest Airlines was billed for its use of International Terminal facility to recover both operating costs and the cost of capital for the City.

**12. Convention and Entertainment Facilities Bonds**

These bonds are special limited obligations of the City that are paid from a lien on the pledged receipts of the Hotel Occupancy Tax (HOT), and revenues collected from certain City-owned parking facilities. The pledged HOT receipts are equal to 5.65% of the cost of substantially all hotel room rentals in the City, plus related penalties and interest for delinquent payments. As long as any of the Senior Lien Bonds remain outstanding, the City is required to levy a Hotel Occupancy Tax at a rate not less than 7%. The City currently levies a Hotel Occupancy Tax at the rate of 7%. Final maturity of the bonds is September 1, 2044.

The City has obtained a debt service reserve insurance policy for the Senior Lien Hotel Occupancy Tax Revenue Bonds. The surety policy expires upon final maturity of the outstanding Bonds that are due through September 1, 2033. The City of Houston Convention Center Revenue Bonds, Series 2001C-1 and 2002C-2, have been issued as 7-day auction rate securities and are subject to conversion at the option of the City and subject to certain restrictions, to bonds that bear interest at rates other than auction rates. The maximum interest rate permitted under the ordinance is 10%.

On November 16, 2017 Convention & Entertainment closed on a Flexible Rate Note in the amount of \$75,000,000. As of June 30, 2018, all \$75,000,000 was outstanding.

**13. Combined Utility System First Lien Revenue Bonds**

City Council authorized creation of the Combined Utility System (“the System”) on September 3, 2003. The Combined Utility System currently consists of the City’s Water and Sewer System. In the future the City may elect to include other utility systems. Its bonds are special obligations of the City payable from Net Revenues of the System after payments for maintenance and operations and debt service on Water and Sewer Junior Lien bonds. Net Revenues must equal 110% of the First Lien Revenue Bonds debt service.

The Combined Utility System Revenue Refunding Bonds, Series 2004B and 2004C, were initially issued as Auction Rate Securities. All of the 2004B auction rate securities were converted to variable rate demand bonds in April 2008. The Combined Utility System Revenue Refunding bonds Series, 2012A, 2012B and 2012C were issued as SIFMA index floating rate. Series 2012A bonds refunded \$125M and Series 2012B bonds refunded \$100M of Series 2004B-1 bonds. The Series 2012C were used to refund \$249M bonds of Series 2010B.

**14. Combined Utility System Commercial Paper**

The Combined Utility System established a Commercial Paper Notes Program Series B which has been authorized for \$700 million to finance costs of eligible projects for the City’s combined utility system, including acquisition or construction of improvements and additions or extension for the system, and costs of issuance. The notes are issued as third lien obligations. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Principal on the Notes is payable from the issuance of new commercial paper, bond proceeds and other funds provided under separate letters of credit with Bank of America, Morgan Stanley, Sumitomo, State Street, and Royal Bank of Canada. The letters of credit with Bank of America expires on January 8, 2019, Morgan Stanley expires on March 13, 2022, and Sumitomo expires on January 15, 2021. The agreements with State Street and Bank of America expire on July 12, 2019. The agreement with RBC expires October 30, 2018. Interest on the Notes is payable from net revenues of the System and loans under the credit agreement.

**15. Combined Utility System SWAP Agreements**

The City has determined the Swap liability to be a Level 2 measurement under the fair value hierarchy disclosure standards. A summary of the fair value follows:

<u>Change in Fair Value</u>	<u>Fair Value at June 30, 2018</u>	<u>Notional Amount</u>
\$44,422,821	\$184,777,327	\$902,400,000
(Reported as Deferred Outflow of Resources)	(Reported in SWAP Liability)	

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**General Terms:**

*Objective:* The objective is to hedge against the potential of rising interest rates associated with the Bonds and to achieve a lower fixed rate than the market rate for traditional fixed rate debt at the time of issuance.

*Hedging Relationship.* Hedge accounting can be applied for derivatives that are found to be effective hedges under Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The City has determined that the swaps are effective hedges and the changes in the fair values are reported as deferred inflows/outflow on the statement of net position.

*Non-Performance Adjustments.* Paragraph 62 of Statement No. 72, *Fair Value Measurement and Application*, requires a government to consider nonperformance risk when measuring the fair value of a derivative in a liability position. The fair market value listed below includes consideration of the City's credit rating and an adjustment for nonperformance risk.

*Credit risk.* As of June 30, 2018, the City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the swap become positive, the City would be exposed to credit risk on the swap in the amount of its fair value. The City's swap policy generally requires that swap counterparties be rated double-A or better by at least one nationally recognized rating agency at inception. Under the agreements, if a counterparty's credit rating falls below AA, collateral may be required in varying amounts depending on the credit rating and fair market value to the City of the swaps. No collateral has been required to date.

*Basis risk.* The City is exposed to basis risk on the swap because the variable payment received is based on an index that is not tax-exempt. Should the relationship between LIBOR and SIFMA move to convergence (because of reductions in tax rates, for example), the expected cost savings may not be realized.

*Termination risk.* The City may terminate for any reason. A counterparty may terminate a swap if the City fails to perform under the terms of the contract. The City's on-going payment obligations under the swap (and, to a limited extent, its termination payment obligations) are insured, and counterparties cannot terminate so long as the insurer does not fail to perform. If a swap should be terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap has a negative market value, the City would be liable to the counterparty for a termination payment equal to the swap's market value, which may not include any adjustment for non-performance risk that is included in the swap's fair value measurement.

*Swap payments and associated debt.* As of June 30, 2017, debt service requirements for the swap agreements are reported in Note 8D as if the swap was in effect, assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net swap payments will vary. Expected debt service payments on the associated Combined Utility System 2008A bonds are included with other Combined Utility System Bonds on Note 8D.

**a. Combined Utility System Synthetic Fixed Rate Swap Agreements**

Combined Utility System synthetic fixed rate swaps. On June 10, 2004, the City entered into three identical pay-fixed, receive-variable rate swap agreements. The City pre-qualified six firms to submit competitive bids on the swap. The bidding took place on June 7, 2004. The three firms selected all matched the lowest fixed rate bid of 3.7784%.

Terms. The notional amount totals \$653,325,000, the principal amount of the associated 2004B Bonds. The City's swap agreements contain scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the 2004B Bonds in varying amounts during the years 2028 to 2034.

Under the terms of the swaps, the City will pay a fixed rate of 3.7784% and receive a floating rate equal to 57.6% of One-Month US Dollar LIBOR plus 37 basis points. All agreements were effective June 10, 2004, the date of issuance of the 2004B Bonds. The termination date is May 15, 2034.

At June 30, 2018, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

	<u>Terms</u>	<b>RATE (%)</b>
Variable rate payment from counterparties	LIBOR x 57.6%	0.8922
	+ Constant	<u>0.3700</u>
Swap receipt		1.2622
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(2.5162)
Average variable rate on 2004B bonds, year end		(1.1055)
Plus dealer and credit fees on 2004B bonds		<u>(0.6010)</u>
Effective rate of 2004B bonds		<u>(4.2226)</u>

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In contrast, the fixed rate the City paid on its Combined Utility System Series 2004A fixed rate bonds, which have a comparable maturity, was 5.08%.

*Fair value.* Because long-term interest rates have changed since inception of the swaps, the swaps had a negative fair value of \$124,365,911 on June 30, 2018. After adjustment for the refunded portion, the value reported in the financial statements is \$126,599,798. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

<u>Counterparty</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u> <u>(Moody's /S&amp;P /Fitch)</u>
Goldman Sachs Capital Markets	\$353,325,000	(67,258,387)	A3/BBB+A
JP Morgan Chase	150,000,000	(28,553,762)	Aa3/A+/AA-
Wells Fargo	<u>150,000,000</u>	<u>(28,553,762)</u>	Aa2/A+/AA-
Total	<u>\$653,325,000</u>	<u>(124,365,911)</u>	

**b. Combined Utility System Forward Interest Rate Swap**

*Combined Utility System Forward Starting Swap.* On November 1, 2005, the City entered into a forward interest rate swap transaction with Royal Bank of Canada ("RBC"). The transaction was conducted through a competitive bid process.

*Terms.* Under the terms of the contract, the City will pay a fixed rate of 3.761% on a par value of \$249,075,000, and it will receive variable payments based on 70% of one-month LIBOR. The City's scheduled net swap payments are insured by Ambac Assurance Corporation.

At June 30, 2018, the effective rate on the 2012C Bonds associated with the swap was computed as follows:

	<u>Terms</u>	<u>RATE (%)</u> <u>Received</u> <u>(Paid)</u>
Variable rate payment from counterparties (Swap Receipt)	LIBOR x 70%	1.0842
Fixed rate paid to counterparty	Fixed	<u>(3.7610)</u>
Net rate (paid)/received for swap		(2.6768)
Year-end variable rate on 2012C bonds		(1.6525)
Effective rate of 2012C bonds		<u>(4.3293)</u>

*Fair value.* The swap had a fair value of negative \$47,462,989 on June 30, 2018. After adjustment for the refunded portion, the value reported in the financial statements is \$58,177,529. The fair value is recorded on the balance sheet of the Combined Utility System in the SWAP liability. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

**16. Water and Sewer System Junior Lien Revenue Bonds**

These bonds are paid solely from a lien on the net water and sewer system revenues, which must total 110% of the current debt service requirements on the junior lien bonds. As part of the restructuring to the new Combined Utility System, the City refunded a substantial portion of the outstanding junior lien bonds on June 10, 2004 and reissued bonds as Combined Utility System bonds. Debt service payments on remaining Water and Sewer Junior Lien Revenue Bonds ("Junior Lien Bonds") will be made after payment of operating expenses and prior to any debt service payments on the Combined Utility System bonds. The final maturity date for the remaining junior lien bonds is December 1, 2028. No additional Junior Lien Bonds may be issued.

**17. Coastal Water Authority ("CWA")**

The contract payable relating to CWA represents the outstanding balance of \$64,300,000 at June 30, 2018 for Series 2010 and Series 2014 (both refunding) issued by CWA, a governmental agency of the State of Texas, to finance the construction of a water conveyance system. Pursuant to a series of exchange agreements with CWA, the City issued the Certificate and endorsed the

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bonds and is unconditionally obligated to pay from the gross revenues of the City's Combined Utility System all debt service payments on these Certificates and Bonds, as well as amounts necessary to restore deficiencies in funds required to be accumulated under the CWA bond resolutions. The outstanding bonds mature on December 15, 2025 and December 15, 2034, respectively.

**Luce Bayou**

In January 2009, the City entered into a contract with CWA for the project design, property acquisition, construction and financing of the Luce Bayou Interbasin Transfer Project. This would include the construction of infrastructure sized to transfer approximately 450,000 acre feet per year of the City's permitted surface water from Trinity River to Lake Houston. The funding for this project is to be financed and paid through the Texas Water Development Board (TWDB) financing program. The WIF Bonds are secured by the City's pledged revenues to pay Debt Service. The current contract payable out of the General Purpose Fund relating to Luce Bayou as of June 30, 2017 represents \$28,754,000 of State Participation Loan (maturing in 2047), \$28,000,000 of Series 2009 WIF Loan (maturing in 2029) and \$5,115,000 of Series 2010 WIF Loan (maturing in 2030) for a total of \$61,869,000. The annual debt service payments for the State Participation Loan started in FY2015 and for the Series 2009 and 2010 WIF Loan are deferred to 2019 and 2020, respectively. In FY 2017, two new State Water Implementation Revenue Fund for Texas (SWIRFT) bonds were issued in relation to Luce Bayou on November 2015 and December 2016 for \$66,565,000 and \$136,460,000, respectively. The annual debt service payments for these bonds are deferred to 2019 and their maturity is in 2050 and 2051, respectively. Additionally, in FY 2018, two new State Water Implementation Revenue Fund for Texas (SWIRFT) bonds were issued in relation to Luce Bayou on November 2017 for \$72,795,000 and \$24,180,000, respectively. The annual debt service payments for the \$72.795m bond is deferred to 2019. The annual debt service payments for the \$24.1 million bond started in FY18. These bonds mature in 2052 and 2047, respectively.

**Luce Bayou & Mitigation Costs-ROW**

Land and Mitigation Costs associated with the Luce Bayou Project relate to acquisition of land and costs of environmental mitigation. CWA advanced funds to pay for the City's share of Land and Mitigation costs from available CWA revenues in lump sums (\$6.4 million in 2009, \$3.2 million in 2010, \$3.2 million in 2012) for a total of \$12.8 million. Repayment of the loan is deferred until 2019 with the accrued interests during 2009-2019 rolled into principal to be amortized over the next 20 years. As of June 2018, interest has been accrued of \$4.2 million and the current principal balance is \$17.6 million.

**SWIFT TWDB Loans**

On December 2015 and December 2016, the City closed on a TWDB sub-ordinate lien State Water Implementation Fund for Texas (SWIFT) Loan of \$25,915,000 and \$63,020,000, respectively. These loans were issued to fund the Northeast Plant Expansion and Northeast Transmission Line. The loans are paid out from Fund #8305, Combined Utility System General Purpose Fund. The annual debt service payments began in May 2016 and May 2017, respectively. As of June 30, 2018, \$1,280,000 and \$1,665,000 of the principal has been paid from the 2015 Loan and the 2016 Loan respectively. These loans mature on November 15, 2045 and November 15, 2046, respectively. Additionally, two new SWIFT loans were issued in November 2017 and June 2018 for \$83,170,000 and \$106,910,000 respectively. These loans mature in 2047. These loans are in substance private placement bonds.

**18. Other Contracts**

Payments on the following contracts will be made only after the Combined Utility System has funded all maintenance and operation costs and debt service payments for the Combined Utility System, including required reserves.

On June 20, 1967, the City, TRA, and Chambers-Liberty Counties Navigation District contracted with the United States of America to have the U.S. Army Corps of Engineers build a salinity control barrier and recreation facilities at Wallisville Lake. Because of legal actions, construction was blocked for a long period, and the project was not completed until April 2003. The City's share of the project cost was \$10,580,707, which will be paid to the U.S. government over 50 years at 3.222% interest with final payment due January 1, 2053. Current principal balance as of June 30, 2018 is \$8.6 million.

In April 2000, the City, Brazos River Authority ("BRA"), and the Texas Water Development Board ("TWDB") entered into an agreement to develop the Allen's Creek water supply reservoir in Fort Bend County as a regional water supply. TWDB paid \$14,000,000, or 50% of funding, to provide for construction of the project, and the City agreed to purchase TWDB's share. Interest payments on the lease-purchase began in 2005 at an average rate of 5.85%. Interest costs over the first eight years were partially deferred to later years. Principal payments will begin in 2023, and the final principal payment will be made in 2037.

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**D. Schedule for Debt Service Requirements to Maturity:**

The following debt service schedules have been adjusted to include refundings that occurred subsequent to June 30, 2018.

**1. General Long-Term Tax Obligation Debt:**

Year Ending June 30	Public Improvement Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 205,055	\$ 104,813	\$10,410	\$66,473
2020	209,840	95,546	12,073	65,935
2021	207,825	85,370	22,279	65,333
2022	195,285	75,158	24,655	64,123
2023	181,010	65,506	27,154	62,800
2024-2028	683,615	211,643	179,410	289,410
2029-2033	314,985	71,762	312,876	227,015
2034-2038	133,210	19,572	279,106	152,683
2039-2043	21,025	2,772	285,258	93,461
2044-2048	-	-	291,669	29,866
Total	<u>\$ 2,151,850</u>	<u>\$ 732,142</u>	<u>\$ 1,444,890</u>	<u>\$ 1,117,099</u>

Year Ending June 30	General Obligation Commercial Paper		Tax and Revenue Certificates of Obligation	
	Principal	Interest	Principal	Interest
2019	\$ 30,000	\$ 711	\$ 1,135	\$ 676
2020	-	584	1,195	619
2021	15,000	451	1,255	559
2022	25,000	152	1,315	496
2023	-	-	1,380	430
2024-2028	-	-	8,390	181
2029-2033	-	-	-	-
2034-2038	-	-	-	-
2039-2043	-	-	-	-
2044-2048	-	-	-	-
Total	<u>\$ 70,000</u>	<u>\$ 1,898</u>	<u>\$ 14,670</u>	<u>\$ 2,961</u>

Year Ending June 30	Total Future Requirements		
	Principal	Interest	Total Future Requirements
2019	\$ 246,600	\$ 172,673	\$ 419,273
2020	223,108	162,684	385,792
2021	246,359	151,713	398,072
2022	246,255	139,929	386,184
2023	209,544	128,736	338,280
2024-2028	871,415	501,234	1,372,649
2029-2033	627,861	298,777	926,638
2034-2038	412,316	172,255	584,571
2039-2043	306,283	96,233	402,516
2044-2048	291,668	29,866	321,534
Total	<u>\$ 3,681,409</u>	<u>\$ 1,854,100</u>	<u>\$ 5,535,509</u>

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**2. HUD Section 108 Loans (in thousands):**

<b>June 30</b>	<b>HUD Section 108 Loans (in thousands)</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2019	\$ 672	\$ 288	\$ 960
2020	672	250	922
2021	480	217	697
2022	480	191	671
2023	860	153	1,013
2024-2028	976	573	1,549
2029-2033	1,148	436	1,584
2034-2038	2,938	239	3,177
2039-2043	-	-	-
2044-2048	-	-	-
Total	<u>\$ 8,226</u>	<u>\$ 2,347</u>	<u>\$ 10,573</u>

**3. Enterprise Funds:**

<b>Year Ending June 30</b>	<b>Airport System Senior Lien Revenue Bonds</b>		<b>Airport System Senior Lien Commercial Paper</b>		<b>Airport System Subordinate Lien Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 10,735	\$ 22,089	\$ -	\$ 1,012	\$ 67,785	\$ 72,631
2020	11,275	21,538	-	1,014	79,240	73,900
2021	11,835	20,961	-	1,012	71,645	70,079
2022	12,430	20,354	21,473	466	90,990	66,197
2023	13,050	19,717	-	-	92,000	61,876
2024-2028	75,725	87,846	-	-	517,145	238,788
2029-2033	97,295	65,555	-	-	637,520	106,486
2034-2038	126,970	35,009	-	-	44,165	22,257
2039-2043	61,105	3,406	-	-	46,680	9,992
2044-2048	-	-	-	-	15,765	2,957
2049-2053	-	-	-	-	3,640	91
Total	<u>\$ 420,420</u>	<u>\$ 296,475</u>	<u>\$ 21,473</u>	<u>\$ 3,504</u>	<u>\$ 1,666,575</u>	<u>\$ 725,254</u>

<b>Year Ending June 30</b>	<b>Airport System Inferior Lien Contract</b>		<b>Airport System Pension Obligations</b>		<b>Airport System Special Facility Bonds- Rental Car Facility</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ -	\$ -	\$ 27,610	\$ 715	\$ 5,715	\$ 5,170
2020	-	-	-	107	5,960	5,038
2021	-	-	-	107	6,240	4,877
2022	-	-	-	106	7,505	4,691
2023	-	-	-	106	8,165	4,175
2024-2028	-	-	-	532	52,515	11,421
2029-2033	-	-	1,627	369	-	-
2034-2038	-	-	379	40	-	-
2039-2043	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,616</u>	<u>\$ 2,082</u>	<u>\$ 86,100</u>	<u>\$ 35,372</u>

<b>Year Ending June 30</b>	<b>Airport System Note Southwest Airlines</b>		<b>Year Ending June 30</b>	<b>Airport System Total Future Requirements</b>		
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ -	\$ -	2019	\$ 111,845	\$ 101,617	\$ 213,462
2020	-	-	2020	96,475	101,597	198,072
2021	-	-	2021	89,720	97,036	186,756
2022	-	-	2022	132,398	91,814	224,212
2023	-	-	2023	113,215	85,874	199,089
2024-2028	-	-	2024-2028	645,385	338,587	983,972
2029-2033	-	-	2029-2033	736,442	172,410	908,852
2034-2038	-	-	2034-2038	171,514	57,306	228,820
2039-2043	-	-	2039-2043	107,785	13,398	121,183
2044-2048	-	-	2044-2048	15,765	2,957	18,722
2049-2053	-	-	2049-2053	3,640	91	3,731
Total	<u>\$ -</u>	<u>\$ -</u>	Total	<u>\$ 2,224,184</u>	<u>\$ 1,062,687</u>	<u>\$ 3,286,871</u>

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Year Ending June 30	Convention and Entertainment Facilities Revenue Bonds		Convention and Entertainment Pension Obligations	
	Principal	Interest	Principal	Interest
2019	\$ 21,779	\$ 26,388	\$ 80	\$ 221
2020	23,912	26,066	90	216
2021	24,363	25,368	185	211
2022	22,212	29,085	195	199
2023	22,231	29,361	210	187
2024-2028	193,879	145,432	1,260	719
2029-2033	128,213	147,587	1,493	252
2034-2038	46,590	36,111	36	2
2039-2043	23,035	3,997	-	-
2044-2048	8,491	343	-	-
Total	<u>\$ 514,705</u>	<u>\$ 469,738</u>	<u>\$ 3,549</u>	<u>\$ 2,007</u>

Year Ending June 30	Convention and Entertainment Total Future Requirements	
	Principal	Interest
2019	\$ 21,859	\$ 26,609
2020	24,002	26,282
2021	24,548	25,579
2022	22,407	29,284
2023	22,441	29,548
2024-2028	195,139	146,151
2029-2033	129,706	147,839
2034-2038	46,626	36,113
2039-2043	23,035	3,997
2044-2048	8,490	343
Total	<u>\$ 518,253</u>	<u>\$ 471,745</u>

Year Ending June 30	Combined Utility System Revenue Bonds		Combined Utility System Swap Agreement		Combined Utility System Commercial Paper	
	Principal	Interest	Net Swap Payment		Principal	Interest
2019	\$ 213,810	\$ 234,203	\$ 20,758	\$ 220,000	\$ -	\$ -
2020	198,195	226,845	19,208	-	-	-
2021	209,630	219,391	19,058	-	-	-
2022	224,820	211,101	19,058	-	-	-
2023	232,795	201,876	19,058	-	-	-
2024-2028	1,285,310	850,383	95,202	-	-	-
2029-2033	1,663,610	561,149	65,457	-	-	-
2034-2038	1,214,520	257,647	3,404	-	-	-
2039-2043	496,940	79,482	-	-	-	-
2044-2048	188,130	12,593	-	-	-	-
2049-2053	-	-	-	-	-	-
Total	<u>\$ 5,927,760</u>	<u>\$ 2,854,670</u>	<u>\$ 261,203</u>	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ -</u>

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Year Ending June 30	Water and Sewer Jr. Lien Revenue Bonds		Combined Utility System Pension Obligations	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ -	\$ 1,405	\$ 5,132
2020	7,390	16,130	1,547	5,049
2021	6,656	15,749	3,126	4,959
2022	4,347	11,133	3,370	4,771
2023	4,604	12,741	3,625	4,569
2024-2028	25,911	90,864	22,620	19,269
2029-2033	8,431	35,664	28,694	11,265
2034-2038	-	-	8,720	6,093
2039-2043	-	-	12,032	4,123
2044-2048	-	-	13,242	1,356
2049-2053	-	-	-	-
Total	<u>\$ 57,339</u>	<u>\$ 182,281</u>	<u>\$ 98,381</u>	<u>\$ 66,586</u>

Year Ending June 30	Combined Utility System Total Future Requirements			
	Principal	Interest	Net Swap Payment	Total Future Requirements
2019	\$ 435,215	\$ 239,335	\$ 20,758	\$ 695,308
2020	207,132	248,024	19,208	474,364
2021	219,412	240,099	19,058	478,569
2022	232,537	227,005	19,058	478,600
2023	241,024	219,186	19,058	479,268
2024-2028	1,333,841	960,516	95,202	2,389,559
2029-2033	1,700,735	608,078	65,457	2,374,270
2034-2038	1,223,240	263,740	3,404	1,490,384
2039-2043	508,972	83,605	-	592,577
2044-2048	201,372	13,949	-	215,321
Total	<u>\$ 6,303,480</u>	<u>\$ 3,103,537</u>	<u>\$ 261,203</u>	<u>\$ 9,668,220</u>

**4. Long-Term Contracts-Water and Sewer System (in thousands):**

Year Ending June 30	Coastal Water Authority Maintenance and Operation Lien		US Army Corps of Engineers		Texas Water Development Board		Swift Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,590	\$ 2,795	\$ 137	\$ 278	\$ -	\$ 1,497	\$ 4,440	\$ 6,619
2020	3,755	2,626	141	274	-	1,497	7,115	6,687
2021	3,960	2,438	146	269	-	1,497	7,185	6,610
2022	4,125	2,251	151	265	-	1,497	7,265	6,525
2023	4,300	2,056	155	260	610	819	7,350	6,432
2024-2028	23,770	6,458	855	1,221	3,620	3,520	38,390	30,437
2029-2033	14,305	2,664	1,002	1,074	4,805	2,335	42,280	26,474
2034-2038	6,495	262	1,175	902	4,965	750	48,045	20,696
2039-2043	-	-	1,376	700	-	-	55,390	13,283
2044-2048	-	-	1,613	464	-	-	58,610	4,277
2048-2052	-	-	1,890	187	-	-	-	-
2053-2057	-	-	-	-	-	-	-	-
Total	<u>\$ 64,300</u>	<u>\$ 21,550</u>	<u>\$ 8,641</u>	<u>\$ 5,894</u>	<u>\$ 14,000</u>	<u>\$ 13,412</u>	<u>\$ 276,070</u>	<u>\$ 128,040</u>

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Year Ending June 30	CWA Luce Bayou		CWA Luce Bayou ROW		CWA Luce Bayou SWIRFT		Other Contracts Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ -	\$ 857	\$ 261	\$ 440	\$ 625	\$ 2,318	\$ 5,463
2020	2,915	1,663	542	861	625	2,589	11,338	13,571
2021	2,975	1,805	570	833	635	3,741	11,511	14,755
2022	3,045	1,935	598	804	640	4,751	11,699	15,777
2023	3,120	1,958	629	774	645	6,345	12,509	16,588
2024-2028	16,875	12,223	3,655	3,359	3,360	53,104	66,755	103,864
2029-2033	5,560	10,463	4,678	2,335	3,695	102,002	62,020	144,683
2034-2038	7,860	5,502	5,988	1,025	31,410	85,394	99,443	114,269
2039-2043	9,845	3,464	684	17	84,580	45,978	151,875	63,442
2044-2048	9,674	933	-	-	102,900	26,666	172,797	32,340
2048-2052	-	-	-	-	69,882	5,388	71,772	5,575
2053-2057	-	-	-	-	-	-	-	-
Total	\$ 61,869	\$ 40,803	\$ 17,605	\$ 10,448	\$ 298,997	\$ 338,276	\$ 677,182	\$ 536,873

**E. Debt Issuances and Refundings**

Public Improvement and Refunding Bonds

On December 13, 2017, the City issued \$537,270,000 in Public Improvement Refunding Bonds, Series 2017A with coupons ranging from 4.00% to 5.00%. The proceeds were placed in Escrow for the purpose of generating resources for future debt service payments of the refunded portions of the CUS 2007A, 2009A, 2009B, 2010A, 2010B, 2011A and 2012A Bonds, to refund \$274,900,000 of General Obligation Commercial Paper Notes and to pay costs of issuance of the Bonds. The true interest cost of the 2017A Bonds was 2.91%. The Bonds mature in varying amounts from 2018 to 2037. Net present value savings related to the bonds totaled \$14,829,659.03 or 4.7% of the refunded bonds and reduced debt service by \$15,600,627.

On December 22, 2017, the City issued \$1,005,145,000 in Pension Obligation Bonds, Series 2017 (Taxable) with coupons ranging from 2.303% to 4.061%. The proceeds will be used to fund a portion of the unfunded liability of HMEPS and HPOPS and pay costs of issuance relating to the Bonds.

Combined Utility System Revenue and Refunding Bonds

On November 16, 2017, the City issued \$83,170,000 of Texas Water Development Board Bonds, Series 2017C with coupons ranging from 0.69% to 3.00%. The proceeds will be used to pay for projects and cost of issuance of the Bonds.

On April 11, 2018, the City issued \$64,680,000 of Texas Water Development Board Bonds, Series 2018A Bonds with coupons ranging from 0.01% to 1.71%. The proceeds will be used to pay for projects and cost of issuance of the Bonds.

On May 30, 2018, the City issued \$106,910,000 of Texas Water Development Board Bonds, Series 2018B Bonds with coupons ranging from 1.45% to 3.06%. The proceeds will be used to pay for projects and cost of issuance of the Bonds.

On June 27, 2018, the City remarketed \$100,000,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012B to floating rate notes.

Houston Airport System Revenue and Refunding Bonds

On March 20, 2018, the City issued Airport System Subordinate Lien Revenue and Refunding Bonds, Series 2018A (AMT), and Series 2018B (Non-AMT). Series 2018A was issued in the aggregate principal amount of \$130,550,000 with a final maturity date on July 1, 2041. Series 2018A was issued to buy out the unamortized portion of Southwest Airline's note for the Hobby International Terminal project for \$115,881,553, to refund \$21,112,000 in Commercial Paper Notes, to increase the Subordinate Lien Debt Reserve Fund, and to pay costs of issuance. Series 2018B was issued in the aggregate principal amount of \$285,220,000 with a final maturity date of July 1, 2048. Series 2018B was issued to refund \$62,415,000 in Commercial Paper Notes, to current refund \$261,330,000 of the Airport System Subordinate Lien Revenue Refunding Bonds, Series 2007B (Non-AMT), to increase the Subordinate Lien Debt Reserve Fund, and to pay costs of issuance. The Airport System Revenue and Refunding Bonds, Series 2018A and Series 2018B were issued with a stated rate of 5%, and a yield of 3.0526%. Net present value savings related to the refunding of Series 2007B totaled \$39,634,975, or 15.16% of the refunded bonds. Total debt service was reduced by \$49,510,272.

Convention and Entertainment

On November 16, 2017, the City issued \$12,030,000 Convention & Entertainment Hotel Occupancy Tax & Special Revenue Refunding Bonds, Series 2017 with coupons at 2.55%. The proceeds were used to refund C&E 2011B Bonds, and to pay costs of

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issuance. The Bonds mature in varying amounts from 2020 to 2033. Net present value savings related to the bond totaled \$1,930,595 or 16.5% of the refunded bonds and reduced debt service by \$2,006,780.

Prior Year Defeased Debt

In fiscal year 2016, the City defeased \$506,205,000 of the 2006B, 2006D, 2006E, 2006F, 2006G, 2007A, 2008A and 2009A Public Improvement Refunding Bonds by placing new bond proceeds in an escrow to provide for future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of June 30, 2018, \$177,185,000 of defeased bonds are still outstanding.

In fiscal 2017 the City defeased \$70,570,000 of the 2011D Combined Utility System First Lien Revenue Refunding Bonds by placing new bond proceeds in an escrow to provide for future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. At June 30, 2018, \$70,750,000 of defeased bonds are still outstanding.

In fiscal year 2018, the City defeased \$313,730,000 of the 2007A, 2009A, 2009B, 2010A, 2010B, 2011A and 2012A Public Improvement Refunding Bonds by placing new bond proceeds in an escrow to provide for future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of June 30, 2018, \$296,015,000 of defeased bonds are still outstanding.

**F. Bond Compliance Requirements**

The revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the revenue bonds and to account for the revenues (as defined), which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein.

The City is generally required to make a monthly transfer to debt service funds equal to one-sixth of the next interest payment and one-twelfth of the next principal payment. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 2%. During fiscal year 2018 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.

**G. Voter Authorized Obligations**

On November 4, 2001, voters of the City authorized the issuance of \$776,000,000 of Public Improvement Bonds. Since June 2002 City Council has authorized issuance of the entire amount as General Obligation Commercial Paper Series G, H-1 and H-2.

On November 7, 2006, voters of the City authorized the issuance of \$625,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$524,950,000 as General Obligation Commercial Paper Series G, H-1, H-2 and J.

On November 2012, voters authorized an additional \$410,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$371,646,000 as General Obligation Commercial Paper Series G1, G2, H-2 and J.

On November 2017, voters authorized an additional \$495,000,000 of Public Improvement Bonds. City Council has authorized issuance of \$9,628,000 as General Obligation Commercial Paper Series G, H-2 and J.

In addition, the City is authorized by the City Charter to issue \$100,000 annually in general improvement bonds without voter approval.

**H. Legal Debt Margin**

At June 30, 2018, the City's legal debt limit was 10% of assessed property valuation totaling \$292,225,672,000. The City's legal debt margin less applicable outstanding debt was \$25,236,877,000.

**NOTE 9: LEASES**

**Operating Leases**

**A. City as Lessee**

The City has obtained office space, data processing and other equipment through long-term operating leases. The total cost for such leases was \$13,292,422 for the year ended June 30, 2018. The cost is \$9,755,443 for the General Fund, \$1,515,870 for the Grant Funds, \$679,374 for the Non-Major Governmental Funds, \$971,156 for the Combined Utility System Funds, \$298,871 for the Airport System Funds, \$0 for the Convention and Entertainment Facilities Funds and \$71,708 for the Internal Service Funds.

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The future minimum payments under these agreements are as follows (in thousands):

<u>Year ended June 30</u>	<u>Operating Lease Payments</u>
2019	\$ 9,294
2020	7,904
2021	4,199
2022	4,361
2023	3,377
2024-2028	6,853
2029-2033	2,477
2034-2038	1,851
2039-2043	1,851
2044-2048	1,851
2049-2053	1,851
2054-2058	1,851
2059-2063	801
2064-2068	801
Total	<u>\$ 49,322</u>

**B. City as Lessor**

The Convention and Entertainment Facilities Department is the lessor of all of their capital assets to Houston First Corporation, a component unit. The agreement is a cancellable operating lease, and the capital assets have a cost of \$706,104,464, accumulated depreciation of \$303,500,823, and a carrying value of \$402,603,641. All the capital assets are used for performance and entertainment purposes.

The Airport System is the lessor of approximately ten percent of its land and substantially all of its buildings and improvements. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land with asset costs of \$21,610,698 to airlines, fixed base operators and various corporations for hangars, aircraft maintenance facilities, flight kitchens and cargo buildings; to auto rental companies for their service facilities and storage lots; and to a variety of other entities for buildings and other permanent improvements. Airlines and airport concessionaires lease various sections of City owned airport buildings and improvements for ticket counters, passenger hold rooms, baggage carousels, restaurants, retail stores and other facilities. Leased buildings, improvements and equipment have asset costs of \$5,435,669,142 and carrying costs of \$2,399,717,458. Accumulated depreciation on all these assets is \$3,035,951,684.

Minimum guaranteed income on all City non-cancelable operating leases is as follows (in thousands):

<u>Year ended June 30</u>	<u>Operating Leases Minimum Rental Income</u>
2019	\$ 72,508
2020	71,374
2021	60,813
2022	57,203
2023	57,454
2024-2028	197,063
2029-2033	60,563
2034-2038	51,688
2039-2043	50,513
2044-2048	39,195
2049-2053	37,419
2054-2058	4,878
Total	<u>\$ 760,671</u>

Contingent income associated with the Airport System non-cancelable operating leases was approximately \$13,083,404 for the year ended June 30, 2018. Contingent income is earned when a concessionaire's payment, based on a percentage of sales, is higher than the minimum amount guaranteed to the Airport System under the terms of the lease. In addition, income is earned from certain non-cancelable operating use and lease agreements for landing fees and terminal building rentals. Such income is adjusted annually based on a compensatory formula to recover certain operating and capital costs of the related facilities. Compensatory income for the year ended June 30, 2018 was \$287,096,650.

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**NOTE 10: PENSION PLANS**

**A. General Information**

Plan Descriptions

The City has three single employer defined benefit pension plans (Municipal Employees' Pension System, Firefighters' Relief and Retirement Fund, and the Police Officers' Pension System) which provides pension benefits for substantially all of its full-time employees. These pension plans were established under the authority of Texas statutes (Vernon's Texas Civil Statutes, Articles 6243.e2 (1), 6243g, 6243g-4, respectively), which establish the various benefit provisions. Independent Boards of Trustees administer each plan. The fiscal year of each pension fund ends June 30. The most recent available stand-alone financial statements of the pension funds are for the year ended June 30, 2017. The specific summary plan description for each Plan and the financial statements are available at the plan offices (see Note 1(B) (1)).

Benefits Provided

Houston Municipal Employees' Pension System (HMEPS). The plan includes three contributory groups and provides for service-connected disability and death benefits to eligible members and surviving spouse and/or dependents, with no age or service eligibility requirements. Pension benefits are based on a participant's average monthly salary and years of debited service, as defined in the Pension Statute. Pension benefits are adjusted annually for a fixed cost of living adjustment of 3% for eligible recipients. The maximum pension benefit is 90% of the participant's average monthly salary. A Deferred Retirement Option Plan (DROP) is available to eligible members.

Houston Firefighters' Relief and Retirement Fund (HRRFP). Retirement benefits for firefighters with 20 or more years of service retiring on or after November 1, 1997, are entitled to 50% of average monthly salary (defined as the monthly average of their highest individual 78 pay periods), plus 3% on the average monthly salary for each year of service in excess of 20 years until the member completes 30 years, for a total monthly pension not to exceed 80% of the average monthly salary for the highest 78 pay periods.

Pension benefits are adjusted annually for a fixed cost of living adjustment of 3% for eligible recipients. A Deferred Retirement Option Plan (DROP) is available to eligible members with 20 or more years of service.

Houston Police Officers' Pension System (HPOPS). Retirement benefits for police officers are equal to 2.75% of the member's pensionable pay for each of the member's first 20 years of service plus 2% of pensionable pay for each year in excess of 20 years with no maximum percentage. Members hired or rehired after October 9, 2004 accrue benefits equal to 2.25% of the member's pensionable pay for the first 20 years plus 2% of the member's pensionable pay for each year in excess of 20 subject to a maximum of 80%. Pension benefits are adjusted annually equal to 80% of the increase in Consumer Price Index subject to minimum and maximum increases of 2.4% and 8.0% respectively. A Deferred Retirement Option Plan (DROP) is available generally to members with at least 20 years of service.

Contributions

Employer and employee obligations to contribute, as well as employee contribution rates, are included in the enabling pension statutes, and for the Municipal Employees' Pension System and the Houston Police Officers' Pension System, some requirements are delineated in an amended and restated meet and confer agreement, effective July 1, 2011. Additionally, these laws provide that employer funding be based on periodic actuarial valuations, statutorily approved amounts or, in the cases of the Municipal Employees' Pension System and the Police Officers' Pension System, amounts agreed to in meet and confer agreements. There are three contributory pension plans. All pension plans provide service, disability, death, and survivor benefits. In addition, each pension plan recognizes participant and employer contributions as revenues in the period in which they are due pursuant to formal commitments and recognizes benefits and refunds when they are due and payable in accordance with the terms of the pension statutes.

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As of the most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	3,250	10,601	4,367
Former members entitled to benefits but not yet receiving	53	5,576	29
Active members:			
Vested	817	7,791	5,226
Non-vested	3,277	4,275	-
Total participants	<u>7,397</u>	<u>28,243</u>	<u>9,622</u>

On November 10, 2004, the City issued a \$300,000,000 collateralized note (The Collateralized Note) to HMEPS as part of the meet and confer agreement with HMEPS to fund part of the unfunded accrued actuarial liability of its pension plan. This note was paid in January 2009 with proceeds from City of Houston, Texas Taxable Pension Obligation Refunding Bonds, Series 2008. (See "Long-Term Liabilities" Note 8-C for further Pension Obligation Bond information.)

**B. Net Pension Liability**

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability" (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLA's are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans. The City's net pension liability, net pension liability and certain sensitivity information are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled forward from the valuation date to the measurements date of June 30, 2018 using generally accepted actuarial principles.

Net Pension Liability (in thousands)	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Measurement Date	June 30, 2018	June 30, 2018	June 30, 2018
Total Pension Liability	\$ 4,815,054	\$ 5,113,358	\$ 6,745,438
Less: Fiduciary Net Position	(4,170,354)	(2,988,864)	(5,486,613)
Net Pension Liability	<u>\$ 644,700</u>	<u>\$ 2,124,494</u>	<u>\$ 1,258,825</u>

A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information (beginning with FY 2015) and is presented in the Required Supplementary Information section on page 130.

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**C. Schedule of Changes in Net Pension Liability**

Changes in the City's net pension liability presented below are calculated on the same basis as each of the plans. The Change in Net Pension Liability for Fire, Municipal, and Police pension plans for the Fiscal Year ended June 30, 2018 are as follows:

**Houston Firefighters' Relief and Retirement Fund**

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 52,579	\$ -	\$ 52,579
Interest on the Total Pension Liability	332,357	-	332,357
Difference between Expected and Actual Experience	62,117	-	62,117
Employer Contributions	-	83,010	(83,010)
Employees Contributions	-	35,622	(35,622)
Pension Plan Net Investment Income	-	322,306	(322,306)
Assumptions Changes	(16,572)	-	(16,572)
Benefit Payments	(289,108)	(289,108)	-
Administrative Expense	-	(4,890)	4,890
Other	-	(1,676)	1,676
Net Change	141,373	145,264	(3,891)
Net Pension Liability Beginning	4,673,681	4,025,090	648,591
Net Pension Liability Ending	<u>\$ 4,815,054</u>	<u>\$ 4,170,354</u>	<u>\$ 644,700</u>

**Houston Municipal Employees' Pension System**

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 78,149	\$ -	\$ 78,149
Interest on the Total Pension Liability	341,276	-	341,276
Difference between Expected and Actual Experience	19,158	-	19,158
Employer Contributions	-	421,562	(421,562)
Employees Contributions	-	27,905	(27,905)
Pension Plan Net Investment Income	-	231,815	(231,815)
Benefit Payments	(283,928)	(283,929)	1
Refunds	(807)	(807)	-
Administrative Expense	-	(6,442)	6,442
Other	-	(3,905)	3,905
Net Change	153,848	386,199	(232,351)
Net Pension Liability Beginning	4,959,510	2,602,665	2,356,845
Net Pension Liability Ending	<u>\$ 5,113,358</u>	<u>\$ 2,988,864</u>	<u>\$ 2,124,494</u>

**Houston Police Officers' Pension System**

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 63,632	\$ -	\$ 63,632
Interest on the Total Pension Liability	445,113	-	445,113
Difference between Expected and Actual Experience	69,534	-	69,534
Employer Contributions	-	887,143	(887,143)
Employees Contributions	-	45,254	(45,254)
Pension Plan Net Investment Income	-	463,079	(463,079)
Assumptions Changes	21,399	-	21,399
Benefit Payments	(361,033)	(361,033)	-
Refunds	(1,329)	(1,329)	-
Administrative Expense	-	(3,679)	3,679
Net Change	237,316	1,029,435	(792,119)
Net Pension Liability Beginning	6,508,122	4,457,178	2,050,944
Net Pension Liability Ending	<u>\$ 6,745,438</u>	<u>\$ 5,486,613</u>	<u>\$ 1,258,825</u>

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**D. Pension Expense**

For the year ended June 30, 2018, the City recognized total pension expense of \$947,591,923. Pension expense recognized by plan is as follows (in thousands):

Amounts Recognized in Pension Expense	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston Police Officers' Pension
Changes for the year:			
Service Cost	\$ 52,579	\$ 78,149	\$ 63,633
Interest	332,357	341,276	445,113
Difference between Expected and Actual Experience	(11,405)	146,476	165,388
Differences between Projected and Actual Earnings on plan investments	89,217	23,166	52,546
Member Contributions	(35,622)	(27,905)	(45,254)
Net Investment Income	(285,639)	(187,590)	(331,825)
Administrative Expense	4,890	6,442	3,679
Assumption Changes	62,339	-	-
Benefit Changes (Note 17B)	1,676	-	-
Other	-	3,905	-
<b>Total Pension Expense</b>	<b>\$ 210,392</b>	<b>\$ 383,919</b>	<b>\$ 353,280</b>

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**E. Schedule of Deferred Outflows and Inflows of Resources**

Deferred outflows of resources and deferred inflows of resources by source reported by the City at June 30, 2018 for each plan are as follows (in thousands):

	HFRRF		HMEPS		HPOPS		Total
	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources	
Differences between expected actual experience	\$ 54,224	\$ 103,036	\$ 14,373	\$ 23,959	\$ 123,388	\$ -	\$ 64,990
Changes of assumptions	410,399	14,466	309,277	-	731,171	318,903	1,117,478
Net difference between projected and actual earnings on pension plan investments	74,876	-	90,314	110,979	252,534	340,216	(33,471)
Total	\$ 539,499	\$ 117,502	\$ 413,964	\$ 134,938	\$ 1,107,093	\$ 659,119	\$ 1,148,997

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2018 will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Houston Firefighters' Relief and Retirement Fund	Houston Municipal Employees' Pension	Houston Police Officers' Pension
	2019	\$ 140,149	\$ 175,223
2020	84,718	134,338	122,043
2021	10,146	(21,709)	(22,462)
2022	43,960	(8,826)	117,004
2023	54,427	-	13,454
Thereafter	88,597	-	-
Total	\$ 421,997	\$ 279,026	\$ 447,974

A single discount rate of 7.00% was used to measure the total pension liability for the HMEPS and the HPOPS. This single discount rate was based on the expected rate of return on the respective pension plan's investments of 7.00% and the current municipal bond rate was not applicable. The projection of cash flows used to determine this single discount rate assumed that respective plan member contributions will be made at the current contribution rate and that City contributions will be made at the rate determined actuarially in the annual Risk Sharing Valuation Study (RSVS) which would become effective in the fiscal year beginning one year after the study date. Additionally, the first year of contributions includes an expected \$750 million in Pension Obligation Bonds (POB) for the HPOPS and \$250 million for the HMEPS. Based on these assumptions, the respective pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, a single discount rate of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2017 measurement date, the single discount rate used was 7.00% for each of the plans.

The discount rate used to measure the HFRRF total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years. Therefore, a single discount rate of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability. For the June 30, 2018 measurement date, the single discount rate of 7.25% was used.

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**F. Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability for each of the City's plans, calculated using the discount rate, as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

<b>Sensitivity</b>	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Houston Firefighters' Pension - Net Pension Liability	\$ 1,145,879	\$ 644,700	\$ 234,690
Houston Municipal Employees' Pension	\$ 2,686,429	\$ 2,124,494	\$ 1,655,389
Houston Police Officers' Pension	\$ 2,006,435	\$ 1,258,825	\$ 648,429

**G. Assumptions**

<u>Schedule of Assumptions</u>	<u>Houston Firefighters' Pension</u>	<u>Houston Municipal Employees' Pension</u>	<u>Houston Police Officers' Pension</u>
Inflation	3%	2.25%	2.75%
Salary Changes	3%	3.00% to 5.25%	0% to 12%, plus a 2.75% inflation and productivity component
Investment Rate of Return	7.25%	7.00%	7.00%
Valuation Date	7/1/2017	7/1/2017	7/1/2018
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Ultimate Entry Age Normal Cost
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll, 30 year closed laddered bases
Amortization Period	30 Years	30 Years	30 Years
Asset Valuation Method	Market value	5 Year smoothed, direct offset of deferred gains and losses	Market value of assets less a five-year phase in of the excess(shortfall) between expected investment return and actual income.
Ad hoc OPEB and Ad hoc COLA	2.5% Annually	3% - 6%	2%
Mortality Assumption	RP-2014 Table Scale MP-2014	RP-2000 Table scaled by 125% for males and 112% for females	RP-2014 Table combined healthy mortality tables with blue collar adjustment for males and no collar adjustment for females.

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**NOTE 11: OTHER EMPLOYEE BENEFITS**

The City of Houston OPEB plan is a single-employer plan, and calculations are based on the OPEB benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The City provides certain health care benefits for retired employees as approved during the annual budget process. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. Contributions are recognized in the year paid. The cost of retiree health care premiums and claim liability incurred by the City (employer and subscriber) amounted to \$89,413,859 for the year ended June 30, 2018. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2018, there were 10,970 retirees including active survivors eligible to receive benefits. Effective August 1, 2011 all Medicare Eligible Retirees must enroll in an insured Medicare Advantage Program Plan.

**Actuarially Determined Contribution and Total OPEB Liability**

The Annual OPEB cost associated with the City's retiree health care costs for the current year is as follows (in thousands):

Actuarially Determined Contribution before Timing Adjustment	\$ 188,579
Timing Adjustment (3% payroll increase)	<u>5,657</u>
Actuarially Determined Contribution	<u>194,236</u>
 Contribution made	 (39,820)
 Net OPEB liability before Timing Adjustment	 1,832,938
Timing Adjustment	<u>758,974</u>
Net OPEB liability, after Timing Adjustment	<u>2,591,912</u>
Change in Net OPEB liability	<u>(153,340)</u>
Net OPEB liability, end of year	<u><u>\$ 2,438,572</u></u>

<u>Fiscal</u> <u>Year Ended</u> <u>30-Jun</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Liability</u>
2018	\$ 166,044	23.98%	\$ 2,438,572

**A. Post-Retirement Health Insurance Benefits**

1. Membership

As of the most recent actuarial valuation of the net OPEB liability, membership data is as follows:

Retirees and beneficiaries currently receiving	12,304
Active members:	<u>21,499</u>
Total participants	<u><u>33,803</u></u>

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2. Net OPEB Liability

The Net OPEB liability was measured as of June 30, 2017. The Total OPEB Liability was determined from an actuarial valuation as of July 1, 2016. The Net OPEB Liability is the Total OPEB Liability less the Plan Fiduciary Net Position. The Total OPEB Liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Net OPEB Liability (in thousands)	
Measurement Date	June 30, 2017
Reporting Date	June 30, 2018
Total OPEB Liability	\$ 2,438,572
Less: Fiduciary Net Position	-
Net OPEB Liability	\$ 2,438,572

A schedule of Net OPEB Liability, in addition to the information above, includes multi-year trend information (beginning with Fiscal year 2018) and is presented in the Required Supplementary Information section on page 131.

3. Schedule of Changes in Net OPEB Liability

Change in Net OPEB Liability (in thousands)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Service Cost	\$ 139,332	\$ 39,820	\$ 99,512
Interest	73,306	-	73,306
Difference between Expected and Actual Experience	(15,727)	-	(15,727)
Assumptions Changes	(310,431)	-	(310,431)
Benefit Payments	(39,820)	(39,820)	-
Net Change	(153,340)	-	(153,340)
Beginning Net OPEB Liability	2,591,912	-	2,591,912
Ending Net OPEB Liability	\$ 2,438,572	\$ -	\$ 2,438,572

4. OPEB Expense

For the reporting year ended June 30, 2018, the City recognized OPEB expense of \$166,044. OPEB expense recognized is as follows (in thousands):

Amounts Recognized in OPEB Expense	
<b>Components of OPEB Expense:</b>	
Service Cost	\$139,332
Interest	73,306
Difference between Expected and Actual Experience	(2,247)
Expensed Portion of Current Period Changes in	
Assumptions	(44,347)
OPEB Expense	\$166,044

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5. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are differences between actual and expected experience that are not reflected in the current year's expenses. Deferred inflows and outflows of resources related to OPEB reported by the City at June 30, 2018 is as follows (in thousands):

	OPEB Liability (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	-	\$266,084
Difference between expected and actual earnings in the Total OPEB Liability	-	13,480
Total	\$0	\$279,564

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Net OPEB Liability at June 30, 2018 will be recognized in OPEB expense as follows (in thousands):

	Deferred Outflows and Inflows of Resources	
Year ended June 30:		
	2018	N/A
	2019	(46,594)
	2020	(46,594)
	2021	(46,594)
	2022	(46,594)
	2023	(46,594)
	2024	(46,594)
	Total	(\$279,564)

6. Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate, as well as what the City's Net OPEB Liability would have been if it were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
\$ 2,878,365	\$ 2,438,572	\$ 2,090,457

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7. Schedule of Assumptions

The total OPEB liability was rolled forward from an actuarial valuation as of July 1, 2016 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Salary Increases	2.00% to 14.00%, varies by employee class and service/age
Discount Rate	3.58%
Measurement Date	June 30, 2017 and 2016
Healthcare costs trends rates	
Medicare	7.00% trending down to 4.5%
Other Medical	6.50% trending down to 4.5%
Prescription drug	10.00% trending down to 4.5%
Administrative costs	3.00%
Healthy Mortality Rates	RP-2000 Combined Healthy Mortality Table for males and females.

**B. Health Benefits Internal Service Fund**

Effective May 1, 2011, the City elected to be substantially self-insured and on May 1, 2014 once again awarded CIGNA a three year contract with two (2) one-year renewal options for 4 new health plans. All have a heavy emphasis on a wellness component, and include; 1) a limited network HMO-type plan, 2) an open access PPO -type plan with out-of-network coverage, 3) a consumer driven high deductible health plan, partnered with a health reimbursement account, and 4) a specific plan for retirees, mostly those under age 65, who live outside the limited network service area but who live in Texas. Effective May 1, 2013, the City will no longer purchase individual and aggregate stop-loss coverage. The City will assume the financial risk of catastrophic and overall claim liability.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaled \$253,198,575 for the year ended June 30, 2018.

	<b>CIGNA</b> <b>Schedule of Changes in Liability</b> <b>(in thousands)</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Beginning actuarial estimate of claims liability reserve, July 1	\$ 19,136	\$ 18,065
Catastrophic claims reserve, July 1	13,000	13,000
Additional increase to Catastrophic claims reserve, August 2018	2,000	
Incurred claims for fiscal year	295,713	294,001
Payments on claims - net of RX rebates and refunds	(296,573)	(293,995)
Actuarial adjustment	4,791	1,065
Ending actuarial estimate of claims liability including catastrophic claims liability, June 30	\$ 38,067	\$ 32,136

The City also provides 1 times the salary of basic life insurance, with a minimum of \$15,000, at no cost to the employee. The employee, at no cost to the City, may then obtain additional life insurance up to four times their annual salary. The current costs for active employees for both basic and voluntary life insurance totaled \$6,158,748 for the year ended June 30, 2018.

**C. Incurred for Catastrophic claims**

In addition to the IBNR, to mitigate claim volatility, the city has funded a catastrophic claim liability of \$15 million. This would increase the total liability to \$36 million and designated fund balance of \$29 million for claim volatility.

**D. Long-Term Disability Plan**

The long-term disability plan, accounted for as an internal service fund, is a part of the Income Protection Plan implemented effective September 1, 1985 (renamed the Compensable Sick Leave Plan (CSL) in October, 1996) and is provided at no cost to City employees who are members of CSL. Coverage is effective the later of September 1, 1985 or upon completion of one year of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity or 70%

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of base plus longevity when combined with income benefits available from other sources. Plan benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months absence from work. The plan is administered by Reed Group (Previously Hewitt Associates LLC), which is reimbursed from the fund for claims as they are paid along with a fee for administrative services. Effective September 1, 2001 the Meet and Confer Agreement establishes Paid Time Off (PTO) for police classified officers. This replaces their participation in the LTD plan.

	Schedule of Changes in Liability (in thousands)	
	June 30, 2018	June 30, 2017
Beginning actuarial estimate of claims liability, July 1	\$ 8,184	\$ 8,371
Incurred claims for fiscal year	1,481	1,331
Payments on claims	(976)	(1,074)
Actuarial adjustment	(2,699)	(444)
Ending actuarial estimate of claims liability, June 30	\$ 5,990	\$ 8,184

**Actuarially Determined Contribution and Total Claim Liability (in thousands)**

During fiscal year 2018, there was a decrease of \$2.194 million in the amount of disabled life reserves.

Total claim liability at beginning of period	\$ 8,184
Changes due to assumption changes	(488)
Decrease attributable to terminations	(1,128)
Change attributable to passage of time and adjustments	(578)
Net change	(2,193)
Total claim liability at end of period	\$ 5,990

Fiscal Year Ended 30-Jun	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2018	\$ 117	120.24%	\$ 11,040

1. Changes in Net OPEB Liability (in thousands)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (NPL)
Balance at 06/30/2017	\$ 11,078	\$ -	\$ 11,078
Changes for the year			
Service Cost	730	-	730
Interest	379	-	379
Experience	(14)	-	(14)
Employer Contributions	-	(975)	(975)
Benefit Payments	(975)	975	-
Assumption Changes	(158)	-	(158)
Net Changes	(38)	-	(38)
Balance at 06/30/2018	\$ 11,040	\$ -	\$ 11,040

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2. OPEB Expense Components (in thousands)

Service Cost	\$	730
Interest on TOL		379
Differences between expected and actual experience		(2)
Changes in Assumptions		(15)
Employer Contributions		(975)
Total OPEB Expense		\$ 117

For the year ended June 30, 2018, the City will recognize OPEB expense of \$1,092,095. At June 30, 2018, the City reports deferred outflows of resources and deferred inflows of resources related to OPEB expense from the following sources:

3. Deferred Outflows of Resources and Deferred Inflows of Resources (in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13
Changes in assumptions	-	143
	\$ -	\$ 156

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (in thousands) as follows:

Year Ended June 30:		
	2019	\$ (17)
	2020	(17)
	2021	(17)
	2022	(17)
	2023	(17)
	Thereafter	(71)
		\$ (156)

4. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (in thousands)

The following presents the net OPEB liability, calculated using the discount rate of 3.87%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage-point higher than the current rate:

	1% Decrease 2.87%	Current Discount Rate of 3.87%	1% Decrease 4.87%
City's Net OPEB Liability	\$ 11,642	\$ 11,040	\$ 10,460

**D. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan (Plan), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The Plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available until termination, retirement, death or unforeseeable emergency. However, the Plan now offers loans to participant employees. The maximum loan amount is the lesser of \$50,000 or 50% of the total account balance, less any outstanding loans. The minimum loan amount is \$1,000. Pursuant to tax law changes, the Plan's assets are no longer subject to the City's general creditors and are not included in these financial statements.

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**E. Workers' Compensation Self-Insurance Plan**

The City has established a Workers' Compensation Self-Insurance Plan, accounted for within the various operating funds. The plan is administered by TriStar Insurance Group, Inc. Funds are wire transferred to TriStar as needed to pay claims.

As of June 30, 2018, the City has an accumulated liability in the amount of \$88 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the government-wide Statement of Net Position and Enterprise Funds. The amount of liability is based on an actuarial study.

	<b>Schedule of Changes in Liability</b>	
	<b>(in thousands)</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Beginning actuarial estimate of claims liability, July 1	\$ 61,244	\$ 58,761
Incurring claims for fiscal year	13,220	10,002
Payments on claims	(16,832)	(16,135)
Actuarial adjustment	<u>29,870</u>	<u>8,616</u>
Ending actuarial estimate of claims liability, June 30	<u>\$ 87,502</u>	<u>\$ 61,244</u>

**NOTE 12: INTERFUND TRANSACTIONS**

**A. Transfers**

Transfers during the year ended June 30, 2018 were as follows (in thousands):

<b>Transferred from:</b>	<b>Transferred to:</b>				<b>Total Transfers Out</b>
	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
General Fund	\$ -	\$ 49,523	\$ 340,058	\$ 2,314	\$ 391,895
Grants Fund	-	6	-	-	6
Nonmajor Funds	17,609	400	12,467	118,370	148,846
Convention and Entertainment	1,449	-	-	-	1,449
Combined Utility System	53,978	-	9,080	-	63,058
Total transfers in	<u>\$ 73,036</u>	<u>\$ 49,929</u>	<u>\$ 361,605</u>	<u>\$ 120,684</u>	<u>\$ 605,254</u>

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) use unrestricted revenues in the Combined Utility System and non-major revenue fund to finance general fund programs.

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**B. Interfund Charges**

The General Fund charges the Airport System, Combined Utility System, Capital Project, Auto Dealer's and Cable Television Funds for services provided by the General Fund on behalf of these funds. Such charges totaled \$79,238,000 for the year ended June 30, 2018, and are recorded as revenue in the General Fund and as expense, expenditure or capital assets in the funds assessed.

Included in the Fiscal Year 2018 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	<u><b>Airport System</b></u>	<u><b>Combined Utility Sytem</b></u>	<u><b>Other Funds</b></u>	<u><b>Total</b></u>
General Services	\$ 3,211	\$ 10,877	\$ 9,667	\$ 23,755
Fire Services	20,145	-	-	20,145
Police Services	29,690	-	-	29,690
Legal	-	814	38	852
Other	263	2,933	1,600	4,796
Total	<u>\$ 53,309</u>	<u>\$ 14,624</u>	<u>\$ 11,305</u>	<u>\$ 79,238</u>

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**C. Schedule of Amounts Due To and Due From Other Funds**

The interfund balances are primarily due to charges for services between funds during the fiscal year and settled shortly after year-end. The composition of interfund balances as of June 30, 2018 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants revenue	\$ 30,759
	Combined Utility System	10,814
	Nonmajor Governmental Funds	2,666
	Capital Projects Fund	7,617
	Airport System	394
	Internal Service Fund	14
		<u>\$ 52,264</u>
Grants Revenue	General Fund	\$ 33
	Capital Projects Fund	1,637
	Nonmajor Governmental Funds	12
		<u>\$ 1,682</u>
Capital Projects Fund	General Fund	\$ 977
	Grants revenue	78
	Nonmajor Governmental Funds	14,780
		<u>\$ 15,835</u>
Airport System	General Fund	\$ 276
		<u>\$ 276</u>
Combined Utility System	Nonmajor Governmental Funds	\$ 442
	General Fund	2,530
		<u>\$ 2,972</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 138
	General Fund	14,259
	Grants revenue	3,003
	Combined Utility System	89
	Capital Projects Fund	289
		<u>\$ 17,778</u>
Convention and Entertainment Facilities	Combined Utility System	\$ 2
		<u>\$ 2</u>
Debt Service Fund	General Fund	\$ 250
	Nonmajor Governmental Funds	5,886
		<u>\$ 6,136</u>

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

**A. Litigation and Claims**

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits and claims alleging that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotional practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; and claims involving property tax assessments and various other liability claims. Alleged damages in the lawsuits are approximately \$33.6 million. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits. There is other threatened litigation for which an amount cannot be determined. The City typically utilizes the General Fund to liquidate claims and judgments. In the Statement of Net Position, the City has recognized a liability of \$23.7 million for potential litigation losses arising from various lawsuits.

In 2004, Houston voters approved two ballot propositions limiting City revenue growth. Proposition 1 generally limits annual growth in property tax revenues to the lesser of the actual revenues in the preceding fiscal year, plus 4.5 percent, or the revenues received in the

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previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. With the exception of grant monies, revenue received from other governmental entities and interfund transfers, Proposition 2 caps growth in all City revenues, including the General Fund, Special Revenue Funds and Enterprise Funds (combined revenues). Proposition 2 would require a 60 percent vote at a regular election before the City could increase combined revenues over the combined revenues for the preceding fiscal year as adjusted for rates of change in the consumer price index and population growth. Any combined revenues collected by the City in excess of the Proposition 2 restriction would be placed in a taxpayer relief fund. Although both propositions received a majority of votes in the 2004 election, the City declared that Proposition 2 was not effective because Proposition 1 received the higher number of favorable votes.

Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. The Texas Supreme Court vacated a judgment of the trial court in favor of the Proposition 2 supporters, and without reference to the merits dismissed the case for want of jurisdiction. The supporters refiled their lawsuit in the State District Court in April 2014. Trial court proceedings were stayed pending the resolution of the City's appeal of the trial court's denial of the City's plea to the jurisdiction. The City's appeal was subsequently denied, and the case has been remanded to the trial court.

In 2007, Houston voters approved several ballot propositions including Proposition G, which eliminated some of the most serious concerns created by the potential application of Proposition 2 by revising how the City's revenues limited by the Charter would be calculated (including the removal of the revenues of the City's Enterprise Funds from the revenues limited by the City Charter), and Proposition H, which allowed the City to raise revenues for police, fire, and emergency services in excess of the revenues allowed under any revenue limitations contained in the City Charter.

In fiscal year 2016, the City began performing additional maintenance and assessment to address the primary drivers of SSOs and prepare for the potential conclusion of ongoing negotiations with the EPA. The City's fiscal year 2019 budget includes an additional \$15 million for additional maintenance and assessment activities such as enhanced sewer cleaning, restaurant inspections, system inspections and investigations, SSO response, and public outreach and education.

In 2010, voters approved a proposition ("Proposition 1 (2010)") to amend the City Charter to provide for the improvement of the City's drainage and street system by imposing an assessment upon property owners that receive drainage services ("Drainage Utility Fee"). In December 2010, a lawsuit was filed in State district court seeking to have Proposition 1 (2010) declared unlawful. On May 24, 2011, the district court granted a motion for summary judgement in favor of the City, thereby disposing of all the plaintiffs' claims. On appeal, the Fourteenth Court of Appeals affirmed the district court's summary judgement decision. The Texas Supreme Court granted the plaintiffs' motion for review, and on June 12, 2015, reversed the judgement of the court of appeals. On remand to the district court for further proceedings, the court granted the plaintiffs' motion for summary judgment, finding the election approving the pay-as-you-go fund established pursuant to proposition 1 (2010) void and ordering a new election. The city's appeal of the district court's decision was denied, and the proposed charter amendment was put back on the ballot in November 2018, and approved by the voters.

A new proposition ("Proposition A (2018)") was placed on the November 2018 ballot. On November 6, 2018, City of Houston voters approved the proposition, which affirms the pay-as-you-go fund and keeps the dollars dedicated to street and drainage improvements. The proposition passed by a 74 – 26 margin.

An additional lawsuit was filed against the City seeking to reimburse residents who have paid the Drainage Utility Fee in prior years. The lawsuit purportedly seeks to certify such residents as a class. The City filed two dispositive motions and claims statutory and constitutional authority to assess and collect the Drainage Utility Fee. In preliminary proceedings, the trial court restricted the scope of potential relief to prospective injunctive relief against non-drainage related expenditures. The trial court subsequently dismissed the case and the plaintiff has appealed. The court of appeals issued a decision and both sides are seeking a rehearing.

**B. Environmental Liabilities**

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$21 million, to be used for: assessment and remediation of asbestos, lead and mold; Phase I and II environmental site assessments and remediation; and remediation of radioactive material.

**C. Commitments for Capital Facilities**

At June 30, 2018, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$1,519,005,000 for capital projects.

The City leased a tract of land to the Houston Music Hall Foundation for 30 years with a 30-year renewal option. On this site, the Houston Music Hall Foundation constructed the facility named the Hobby Center for the Performing Arts, which was donated to the City.

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Upon commencement of the lease, the City is obligated to pay from parking revenues \$1.1 million per year for 30 years. The City's annual obligation is secured by a pledge of the parking revenues from the Theater District and Tranquility Park Parking Garages equal to \$1.2 million per year for 30 years. This lease and the corresponding obligation has been assigned to Houston First Corporation.

**D. Risk Management**

The City purchases fidelity coverage to comply with City ordinance, boiler and machinery insurance with a per occurrence loss limit of \$100 million and commercial property insurance with a per occurrence loss limit of \$175 million. The commercial property insurance sublimit for flood is \$175 million. Property insurance provides deductibles as follows: \$2.5 million per occurrence for all perils except; 3% of the damaged insured value for windstorm or hail from a named storm, subject to a \$2.5 million minimum and a \$15 million maximum deductible; and 3% of the damaged insured value for flood, subject to a \$2.5 million minimum and a \$15 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is \$15 million.

Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on reported pending claims, estimates of claims incurred but not yet reported, actuarial reports and historical analysis. All claims are accounted for in the Government-wide Statement of Net Position.

Claims that are expected to be paid with expendable, available financial resources are accounted for in the General Fund and the appropriate Enterprise Funds.

For unemployment claims, the City pays claims as they are settled. Unemployment claim activity is as follows:

	<u>Unemployment Claim Activity</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$153,018	\$198,257
Incurred claims (including IBNRs)	654,107	687,143
Claim payments	<u>(647,197)</u>	<u>(732,382)</u>
Unpaid claims, end of fiscal year	<u>\$159,928</u>	<u>\$153,018</u>

**E. Purchase Commitments for Electricity**

At June 30, 2018, the City had entered into agreements to lock rates for part of the natural gas component of its expected electricity use from July 1, 2017 through June 30, 2018. The total committed price is approximately \$89 million for expected usage. The City may pay a different amount if actual electricity usage varies. This amount will be appropriated in future annual budgets.

**F. Purchase Commitment - Luce Bayou Inter-Basin Transfer Project**

In January 2009, the City entered into a contract with CWA for the project design, property acquisition, construction and financing of the Luce Bayou Interbasin Transfer Project. This would include the construction of infrastructure sized to transfer approximately 450,000 acre feet per year of the City's permitted surface water from Trinity River to Lake Houston. The funding for this project is to be financed and paid through the Texas Water Development Board (TWDB) financing program. The WIF Bonds are secured by the City's pledged revenues to pay Debt Service. The current contract payable out of the General Purpose Fund relating to Luce Bayou as of June 30, 2017 represents \$28,754,000 of State Participation Loan (maturing in 2047), \$28,000,000 of Series 2009 WIF Loan (maturing in 2029) and \$5,115,000 of Series 2010 WIF Loan (maturing in 2030) for a total of \$61,869,000. The annual debt service payments for the State Participation Loan started in FY2015 and for the Series 2009 and 2010 WIF Loan are deferred to 2019 and 2020, respectively. In FY 2017, two new State Water Implementation Revenue Fund for Texas (SWIRFT) bonds were issued in relation to Luce Bayou on November 2015 and December 2016 for \$66,565,000 and \$136,460,000, respectively. The annual debt service payments for these bonds are deferred to 2019 and their maturity is in 2050 and 2051, respectively. Additionally in FY 2018, two new State Water Implementation Revenue Fund for Texas (SWIRFT) bonds were issued in relation to Luce Bayou on November 2017 for \$72,795,000 and \$24,180,000, respectively. The annual debt service payments for the \$72.795m bond is deferred to 2019. The annual debt service payments for the \$24.1m bond started in FY18. These bonds mature in 2052 and 2047, respectively.

**G. Federal and State**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, could be a liability of the City.

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**H. Hurricane Harvey Disaster**

The City experienced a substantial natural disaster in August 2017 resulting from Hurricane Harvey, when up to 50 inches of rain in the Houston area caused flooding in portions of the City. All financial activity related to Hurricane Harvey is recorded in the Disaster Recovery Fund. The fund is used to account for disaster related expenditures, insurance proceeds, and Federal Emergency Management Agency (FEMA) grant distributions for presidentially declared disasters impacting Houston. The City continues to evaluate the storm's effects and anticipates submitting reimbursement requests to FEMA.

The Disaster Recovery Fund has reimbursed City departments for \$104 million in expenditures and expenses that have been documented and reviewed by Finance. Several additional expenditures and expenses are to be reimbursed as recovery costs are vetted for FEMA eligibility and submitted to Finance.

The City received in fiscal 2018 approximately \$163 million in advanced funding from FEMA for storm debris and emergency protective measure. Another \$50 million from an Office of the Governor grant was received for flood insurance reinstatement, deductible and non-Federal share of local match for debris. The City took benefit of \$30 million in the current fiscal year from the \$50 million Office of the Governor grant. The remainder of the \$50 million in revenue will be recognized in subsequent years as expenditures are incurred. This federal and state seed money has benefitted the City dramatically on its long road to recovery.

The City received net \$100 million in flood and business interruption insurance this fiscal year and has worked with the Texas Division of Emergency Management (TDEM) and FEMA to seek assurance of compliance during the process of allocating those funds to City departments.

Several capital fixed assets of the City incurred significant loss of service utility during the storm. Repairs and assessments regarding these structures are ongoing by City and FEMA engineers. Potentially, impairment calculations will be performed and recorded in fiscal 2019.

As the FEMA projects are obligated in subsequent years, the advances and additional inflows will be recognized as revenue as eligible expenditures are incurred.

**NOTE 14: RELATED ORGANIZATION TRANSACTIONS**

**A. Metropolitan Transit Authority (Metro)**

The City and Metro have an inter-local agreement covering shared costs of street maintenance/construction and traffic control during the fiscal year ended June 30, 2018. The City received \$115.405 million from Metro under this contract in the fiscal year ended June 30, 2018. The breakout was \$64.806 million to Capital Projects and \$50.599 million to Special Revenues. \$0 of payments were for the prior contract year. The City did not make any payments to Metro for transportation services during fiscal year 2018.

**B. Trinity River Authority (TRA)**

As described in Note 8C, the City and TRA have a long-term contract under which the City is obligated to pay debt service for certain bonds as well as certain maintenance and operating expenses for a TRA dam and reservoir. During the fiscal year ended June 30, 2008, all outstanding long term debt had been paid off. During fiscal year ended June 30, 2018 the City paid \$3.5 million for maintenance and operating expenses under the terms of the contract.

**C. Coastal Water Authority (CWA)**

The City has a long-term contract with Coastal Water Authority (CWA) for water conveyance. During the fiscal year ended June 2018, the City paid CWA \$6.4 million for debt services and \$22.5 million for maintenance and operating expenses.

**D. Component Units**

As described in Note 16, the City has a number of component units, most of which have fiscal years ended June 30, 2018. Eight discretely presented component units: Greater Houston Convention and Visitors Bureau, Houston Arts Alliance, Houston First Corporation, Houston Housing Finance Corporation, Houston Museum District Association, Houston Zoo, Inc., Miller Theatre Advisory Board, Inc., and Theater District Improvement, Inc. have fiscal years ended December 31, 2017. Subsequent to December 31, 2017, the City received interest payments of \$4,940 thousand from Houston First Corporation.

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**NOTE 15: CONDUIT DEBT OBLIGATIONS**

The City has authorized various issues of Special Facilities Bonds to enable United Airlines, Inc. (successor to Continental Airlines, Inc.) a private company, to construct facilities at Intercontinental that were deemed to be in the public interest (Special Facilities). These bonds are limited special obligations of the City, payable solely from and secured by a pledge of revenues generated from lease agreements with United Airlines. Collected pledged revenues are remitted directly to a trustee by United Airlines. Under the terms of the related lease agreements, United Airlines operates, maintains, and insures the terminal, and manages and retains revenues from all concessions operated in the Terminal B and E Special Facilities. The City operates, maintains, insures, and manages and retains revenues from all concessions operated in all other terminal facilities.

The City holds legal title to the completed facilities, as they are constructed on airport property, but the constructed facilities are operated and controlled by private companies through long-term leases, and the Airport System Fund will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the Airport System Fund accounts for the United Airlines' Special Facilities Bonds shown in the following table as conduit debt, and neither the debt nor the related assets have been recorded in the accompanying financial statements.

**Conduit debt outstanding at June 30, 2018 (in thousands):**

	<b>June 30, 2018</b>
Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), \$113,305,000 original principal, matures in 2038	\$ 113,305
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project), Series 2014 (AMT), \$308,660,000 original principal, matures in 2029	308,660
Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT), \$176,650,000 original principal, matures in 2035	176,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-2 (AMT), \$47,390,000 original principal, matures in 2020	47,390
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2015C (AMT), \$65,785,000 original principal, matures in 2020	65,785
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Technical Operations Center), Series 2018 (AMT), \$90,650,000 original principal, matures in 2028	90,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT), \$46,425,000 original principal, matures in 2028	46,425
<b>Total conduit debt outstanding</b>	<b>\$ 848,865</b>

On February 20, 2018, the City issued \$90,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Technical Operations Center Project), Series 2018 (AMT) on behalf of United Airlines, to finance the construction of a technical operations center and related facilities at the George Bush Intercontinental Airport. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On February 20, 2018, the City issued \$46,425,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT) on behalf of United Airlines, to finance the improvement, renovation, expansion and repair of certain special facilities at George Bush Intercontinental Airport, including improvements to an existing aircraft maintenance hangar facility, construction of an aircraft shops facility, and renovation of a maintenance and parts storage facility. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On March 16, 2015, the City issued \$176,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT) on behalf of United Airlines, to finance the construction of a new North Concourse building at Terminal B with jet bridge loading, and to make improvements to related facilities. The bonds were issued with a coupon rate of 5.00%, and a yield of 4.75%, to mature in varying amounts from 2026 to 2035.

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The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc., Terminal Improvement Projects) Series 1997B and 1998B financed various leasehold improvements for United Airlines in Terminals B, C and D. On March 16, 2015, the City issued \$47,390,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-2 (AMT) on behalf of United Airlines, with a 5.00% coupon rate, to mature on July 15, 2020. Proceeds of the bonds were used to refund the outstanding Airport System Special Facilities Revenue Bonds, Series 1997B and 1998B and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled \$12,049,244 or 18.36% of the refunded bonds and reduced total debt service by \$45,281,400.

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc., Airport Improvement Projects) Series 1997C and 1998C, financed the construction of an aircraft hangar, maintenance and parts storage facility, mail sort facility, flight simulator, and inflight training facility. On March 26, 2015, the City issued \$65,785,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2015C, on behalf of United Airlines, with a coupon rate of 5.00%, to mature on July 15, 2020. Proceeds of the bonds were used to refund the outstanding Airport System Special Facilities Revenue Bonds, Series 1997C and 1998C, and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled \$14,553,627 or 20.95% of the refunded bonds and reduced total debt service by \$40,135,502.

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc. Terminal E Project), Series 2001, financed the construction of international Terminal E and related airport facilities for the exclusive use of United Airlines (Terminal E Special Facilities). On May 8, 2014, the City issued \$308,660,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project) Series 2014 on behalf of United Airlines, at coupon rates ranging from 4.50% to 5.00%. The bonds mature in varying amounts from 2020 to 2029. Proceeds of the bonds were used to refund a portion of the City's outstanding Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal E project) Series 2001 and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled \$40,519,909 or 13.31% of the refunded bonds and reduced total debt service by \$58,675,823.

The Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT) financed the replacement of two flight stations at Terminal B with a new South Concourse building to serve United Airlines' regional jet operations (Terminal B Special Facilities). The Terminal B Special Facilities went into service in March, 2014.

**NOTE 16: SUBSEQUENT EVENTS**

**A. Tax and Revenue Anticipation Notes**

On July 11, 2018, the City closed the sale of \$225,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2018. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2019. The stated average coupon rate was 4.06%. The notes will mature on June 28, 2019.

**B. Combined Utility System First Lien Revenue Refunding Bonds Series 2018C**

On August 1, 2018, the City refunded \$249,075,000 of Combined Utility System First Lien Revenue Refunding Bonds to 70% of One Month LIBOR plus 0.36%.

**C. Combined Utility System First Lien Revenue Refunding Bonds Series 2018D (AMT) & E (NON-AMT)**

On August 21, 2018, the City issued \$529,220,000 in Combined Utility System First Lien, Series 2018D (AMT) and E (NON-AMT) with coupons ranging from 2.64% to 5.00%. The proceeds were placed in Escrow for the purpose of generating resources for future debt service payments of the refunded portions of the CUS 2007A, 2007B, 2008B, 2008E, 2009A, 2011A and to refund \$220,000,000 of Combined Utility System Commercial Paper Notes and to pay costs of issuance of the Bonds. The true interest cost of the 2018 D&E Bonds was 3.34%. The Bonds mature in varying amounts from 2020 to 2047. Net present value savings related to the bonds totaled \$27,432,955.03 and reduced debt service by \$38,638,866.40.

**D. Combined Utility System Subordinate Lien Bonds Series 2018F**

On November 16, 2018, the City issued \$170,265,000 of Texas Water Development Board Bonds, Series 2018F with coupons ranging from 1.48% - 3.42%. Proceeds will be used to pay for projects, debt service reserve fund and pay costs of issuance.

**E. Airport System Subordinate Lien Revenue Refunding Bonds Series 2018C (AMT) and D (NON-AMT)**

The Airport System Subordinate Lien Revenue Refunding Bonds, Series 2018C (AMT) and the Airport System Subordinate Lien Revenue Refunding Bonds, Series 2018D (Non-AMT) were priced on July 17, 2018 and delivered on August 2, 2018, with a combined par amount of \$569,110,000. The bonds have a coupon rate of 5.0%, a true interest cost of 3.34%, and an arbitrage yield of 2.86%. They mature in varying amounts from 2019 to 2039.

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Series 2018C was issued with a par amount of \$212,820,000 to current refund the following auction rate bonds: Airport System Subordinate Lien Revenue Bonds, Series 2000P-1 (AMT) \$32,275,000; Airport System Subordinate Lien Revenue Bonds, Series 2000P-2 (AMT) \$32,050,000; Airport System Subordinate Lien Revenue Bonds, Series 2002C (AMT) \$71,175,000; Airport System Subordinate Lien Revenue Bonds, Series 2002D-1 (AMT) \$55,800,000; and Airport System Subordinate Lien Revenue Bonds, Series 2002D-2 (AMT) \$50,975,000, and to pay for costs of issuance. Net present value savings on the refunding were \$12.9 million or 5.3%, with total debt service reduced by \$15.6 million. Series 2018C will reach final maturity on July 1, 2032.

Series 2018D was issued with a par amount of \$356,290,000 to current refund \$409,685,000 in outstanding Airport System Senior Lien Revenue and Refunding Bonds Series 2009A (Non-AMT) and to pay costs of issuance. Series 2018D will reach final maturity on July 1, 2039. Net present value savings on the refunding were \$77.4 million or 18.9% of the refunded bonds. Total debt service was reduced by \$107.0 million.

On September 25, 2018, the City extended its authorization of \$450 million in Inferior Lien Airport System Revenue Bonds through October 4, 2019, while confirming the forward delivery bond purchase agreement with the Royal Bank of Canada.

**F. General Obligation TWDB Clean Water (Project Brays) 2018**

On September 14, 2018, the City issued \$44,065,000 of General Obligation TWDB Bonds with 0.0% Coupons. The proceeds were placed in a project fund for Project Brays and to pay cost of issuance of the bonds. The Bonds mature in 2041.

**G. Proposition B Firefighter's Relief**

On November 6, 2018, City of Houston voters passed Proposition B on a 59 – 41 margin. Proposition B amends the City Charter and requires the City to provide a substantial pay increase to classified firefighters and to increase pay to firefighters in the future if and when the City increases pay to classified police officers. The anticipated date of implementation for Proposition B is January 1, 2019. Cost estimates demonstrate the financial impact of Proposition B, as calculated by the Controller's office, to potentially be \$41.96 million in FY 2019 (for the period January-June 2019), \$100.06 million in FY 2020 (July 2019-June 2020), and \$112.14 million in FY 2021 (July 2020-June 2021). Absorbing those costs in one fiscal year will put strain on the city's budget, and will require significant expenditure reductions city-wide. The administration has initiated efforts to identify areas where costs can be cut and efficiencies can be found. The administration has indicated that a significant share of the additional costs will be absorbed by the Houston Fire Department, and that a workforce reduction plan will be presented to Houston City Council at the beginning of calendar year 2019. The City is considering challenging Proposition B in court based on current state law pertaining to the City's Charter.

**H. SWAP Agreements**

On November 1, 2018, the City and its respective swap counterparties amended the floating rate payments that the City receives under the terms of the Combined Utility System synthetic fixed rate swaps described above. Prior to November 15, 2018, the City received payments indexed to 1-month LIBOR as per the original swap agreements. Effective November 15, 2018, the City will receive payments indexed to the 10-year swap rate. The fixed rates, notional amounts and maturity dates of the swaps remained unchanged.

**Required Supplementary Information - (unaudited)**

**CITY OF HOUSTON, TEXAS  
GENERAL OPERATING FUND  
Schedule of Budgeted and Actual Revenues and Expenditures  
For the Year Ended June 30, 2018  
amounts expressed in thousands  
(unaudited)**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
<b>Revenues</b>				
Taxes and assessments				
Property Taxes	\$ 1,158,297	\$ 1,158,297	\$ 1,172,543	\$ 14,246
Industrial Assessments	17,917	17,917	18,278	361
Sales Tax	627,000	627,000	674,279	47,279
Franchise Tax	180,082	180,082	185,774	5,692
Mixed Beverage Tax	17,188	17,188	17,296	108
Bingo Tax	226	226	73	(153)
<b>Total taxes and assessments</b>	<u>2,000,710</u>	<u>2,000,710</u>	<u>2,068,243</u>	<u>67,533</u>
Licenses and permits				
General	28,522	28,522	26,688	(1,834)
Health Permits	6,820	6,820	6,724	(96)
<b>Total licenses and permits</b>	<u>35,342</u>	<u>35,342</u>	<u>33,412</u>	<u>(1,930)</u>
Charges for services				
Ambulance service	46,200	46,200	42,296	(3,904)
Library fees	10	10	10	-
Parking	225	225	208	(17)
Services performed for other funds				
Direct	54,859	54,859	54,449	(410)
Indirect	29,001	29,001	28,910	(91)
Rents and royalties	1,651	1,651	1,484	(167)
Others	12,743	12,743	14,036	1,293
<b>Total charges for services</b>	<u>144,689</u>	<u>144,689</u>	<u>141,393</u>	<u>(3,296)</u>
Intergovernmental - grants	71,062	71,062	76,390	5,328
Fines and forfeits				
Municipal Courts	21,371	21,371	20,980	(391)
Others	4,083	4,083	4,021	(62)
<b>Total fines and forfeits</b>	<u>25,454</u>	<u>25,454</u>	<u>25,001</u>	<u>(453)</u>
Interest	3,011	3,011	5,713	2,702
Other				
Sale of Property	352	352	172	(180)
Other	14,855	14,855	53,993	39,138
Total Other	<u>15,207</u>	<u>15,207</u>	<u>54,165</u>	<u>38,958</u>
<b>Total revenues</b>	<u>2,295,475</u>	<u>2,295,475</u>	<u>2,404,317</u>	<u>108,842</u>
<b>Other financing sources (uses)</b>				
Transfers in	16,196	16,196	18,557	2,361
Sale of capital assets	14,540	14,540	4,090	(10,450)
Other financing sources (uses)	-	-	909,990	909,990
<b>Total other financing sources (uses)</b>	<u>30,736</u>	<u>30,736</u>	<u>932,637</u>	<u>901,901</u>
<b>Total revenues and other financing sources</b>	<u>\$ 2,326,211</u>	<u>\$ 2,326,211</u>	<u>\$ 3,336,954</u>	<u>\$ 1,010,743</u>

\* See Note to Required Supplementary Information \*

**CITY OF HOUSTON, TEXAS**  
**GENERAL OPERATING FUND**  
**Schedule of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
<b>General government</b>				
Legislative and executive				
Legislative - Council				
Personnel services	7,138	7,444	7,176	268
Other current expenditures	2,840	2,895	1,427	1,468
Equipment acquisition	-	72	210	(138)
Total legislative - council	9,978	10,411	8,813	1,598
Legislative - Mayor's Office				
Personnel services	5,256	5,256	5,234	22
Other current expenditures	505	508	519	(11)
Total executive - mayor's office	5,761	5,764	5,753	11
<b>Total legislative and executive</b>	15,739	16,175	14,566	1,609
Office of Business Opportunity				
Personnel services	2,645	2,737	2,579	158
Other current expenditures	405	595	496	99
<b>Total office of business opportunity</b>	3,050	3,332	3,075	257
Municipal Courts Administration				
Municipal Courts				
Personnel services	23,574	23,363	22,725	638
Other current expenditures	6,709	6,809	6,463	346
Equipment acquisition	20	33	30	3
<b>Total municipal courts</b>	30,303	30,205	29,218	987
Elections	1,500	1,500	734	766
Finance administration				
Controller				
Personnel services	7,538	7,730	7,931	(201)
Other current expenditures	1,083	1,075	863	212
Total controller	8,621	8,805	8,794	11
Finance				
Personnel services	13,641	13,548	12,677	871
Other current expenditures	5,410	5,476	4,838	638
Equipment acquisition	1	-	13	(13)
Total finance	19,052	19,024	17,528	1,496
Administrative and Regulatory Affairs				
Personnel services	15,895	15,804	15,263	541
Other current expenditures	4,224	4,250	3,297	953
Equipment acquisition	-	101	29	72
Total administrative and regulatory affairs	20,119	20,155	18,589	1,566
Information Technology				
Personnel services	12,130	12,130	11,680	450
Other current expenditures	4,938	5,024	4,453	571
Equipment acquisition	-	76	71	5
Total information technology	17,068	17,230	16,204	1,026
Bond and Legal	1,590	12,085	11,647	438
<b>Total finance administration</b>	66,450	77,299	72,762	4,537

\* See Note to Required Supplementary Information \*

**CITY OF HOUSTON, TEXAS**  
**GENERAL OPERATING FUND**  
**Schedule of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	14,939	14,939	14,003	936
Other current expenditures	1,147	1,122	987	135
Equipment acquisition	8	23	-	23
<b>Total legal</b>	<b>16,094</b>	<b>16,084</b>	<b>14,990</b>	<b>1,094</b>
City Secretary				
Personnel services	731	731	713	18
Other current expenditures	158	178	88	90
<b>Total city secretary</b>	<b>889</b>	<b>909</b>	<b>801</b>	<b>108</b>
Planning and Development				
Personnel services	3,199	3,092	2,919	173
Other current expenditures	309	553	453	100
<b>Total planning and development</b>	<b>3,508</b>	<b>3,645</b>	<b>3,372</b>	<b>273</b>
Human Resources				
Personnel services	2,627	2,626	2,499	127
Other current expenditures	543	557	513	44
Equipment acquisition	1	6	6	-
<b>Total human resources</b>	<b>3,171</b>	<b>3,189</b>	<b>3,018</b>	<b>171</b>
<b>Total general government</b>	<b>140,704</b>	<b>152,338</b>	<b>142,536</b>	<b>9,802</b>
Public safety				
Police				
Personnel services	781,720	1,534,486	1,534,489	(3)
Other current expenditures	45,291	47,667	47,241	426
Equipment acquisition	300	427	460	(33)
<b>Total police</b>	<b>827,311</b>	<b>1,582,580</b>	<b>1,582,190</b>	<b>390</b>
Fire				
Personnel services	434,154	447,554	450,137	(2,583)
Other current expenditures	46,997	49,320	46,994	2,326
Equipment acquisition	-	238	206	32
<b>Total fire</b>	<b>481,151</b>	<b>497,112</b>	<b>497,337</b>	<b>(225)</b>
<b>Total public safety</b>	<b>1,308,462</b>	<b>2,079,692</b>	<b>2,079,527</b>	<b>165</b>
Public Works				
Administration				
Personnel services	1,412	1,412	1,267	145
Other current expenditures	30,402	28,252	28,928	(676)
<b>Total administration</b>	<b>31,814</b>	<b>29,664</b>	<b>30,195</b>	<b>(531)</b>
General Services				
Personnel services	11,330	11,509	11,123	386
Other current expenditures	27,735	27,345	25,995	1,350
Equipment acquisition	1	6	19	(13)
<b>Total general services</b>	<b>39,066</b>	<b>38,860</b>	<b>37,137</b>	<b>1,723</b>

\* See Note to Required Supplementary Information \*

**CITY OF HOUSTON, TEXAS**  
**GENERAL OPERATING FUND**  
**Schedule of Budgeted and Actual Revenues and Expenditures**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	33,406	33,406	28,991	4,415
Other current expenditures	40,467	39,925	39,094	831
Equipment acquisition	1,000	1,538	1,415	123
Total solid waste	<u>74,873</u>	<u>74,869</u>	<u>69,500</u>	<u>5,369</u>
<b>Total public works</b>	<u>145,753</u>	<u>143,393</u>	<u>136,832</u>	<u>6,561</u>
Department of Neighborhoods				
Personnel services	8,652	8,677	8,466	211
Other current expenditures	2,835	2,681	2,546	135
<b>Total department of neighborhoods</b>	<u>11,487</u>	<u>11,358</u>	<u>11,012</u>	<u>346</u>
Health				
Personnel services	38,572	38,543	39,010	(467)
Other current expenditures	28,518	27,780	27,239	541
Equipment acquisition	41	26	26	-
<b>Total health</b>	<u>67,131</u>	<u>66,349</u>	<u>66,275</u>	<u>74</u>
Housing				
Personnel services	94	94	96	(2)
Other current expenditures	399	406	343	63
<b>Total housing</b>	<u>493</u>	<u>500</u>	<u>439</u>	<u>61</u>
Parks and Recreation				
Personnel services	43,336	42,686	43,194	(508)
Other current expenditures	25,814	31,794	31,623	171
Equipment acquisition	-	22	17	5
<b>Total parks and recreation</b>	<u>69,150</u>	<u>74,502</u>	<u>74,834</u>	<u>(332)</u>
Library				
Personnel services	31,322	31,322	31,239	83
Other current expenditures	4,895	5,021	5,053	(32)
Equipment acquisition	3,602	3,600	3,591	9
<b>Total library</b>	<u>39,819</u>	<u>39,943</u>	<u>39,883</u>	<u>60</u>
Retiree Benefits				
Hospital and life insurance	21,240	178,532	167,421	11,111
<b>Total retiree benefits</b>	<u>21,240</u>	<u>178,532</u>	<u>167,421</u>	<u>11,111</u>
<b>Other current expenditures</b>				
Tax appraisal fees	10,400	10,400	9,655	745
Limited-purpose Annexation Districts	53,811	55,311	59,182	(3,871)
Contingency	-	1,649	-	1,649
Claims and judgments	14,109	12,536	12,424	112
Membership dues	795	795	744	51
Advertising and promotion	600	529	474	55
Consultants	2,660	2,160	1,263	897
Miscellaneous support services	57,816	61,320	64,648	(3,328)
<b>Total other current expenditures</b>	<u>140,191</u>	<u>144,700</u>	<u>148,390</u>	<u>(3,690)</u>
<b>Debt service</b>				
Debt service interest	3,562	2,560	2,221	339
Debt service fiscal agent & fees	-	3,890	4,677	(787)
<b>Total debt service</b>	<u>3,562</u>	<u>6,450</u>	<u>6,898</u>	<u>(448)</u>
<b>Total expenditures</b>	<u>1,947,992</u>	<u>2,897,757</u>	<u>2,874,047</u>	<u>23,710</u>
<b>Other financing sources (uses)</b>				
Transfers out	424,427	425,546	406,181	19,365
<b>Total other financing sources (uses)</b>	<u>424,427</u>	<u>425,546</u>	<u>406,181</u>	<u>19,365</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 2,372,419</u>	<u>\$ 3,323,303</u>	<u>\$ 3,280,228</u>	<u>\$ 43,075</u>

\* See Note to Required Supplementary Information \*

**CITY OF HOUSTON, TEXAS**  
**REQUIRED RECONCILIATION FOR GENERAL FUND**  
**BUDGET vs. GAAP PRESENTATION**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*  
*(unaudited)*

**Revenues**

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 2,404,317
Revenues of non-budgeted funds	
Equipment Acquisition	1,104
Revolving Funds	750
Building Security	548
Grant Matching Fund	324
Storm Water	13
Bureau of Animal Regulation and Care	2,249
Forensic Transition	2,787
Civic Events	17,230
Renewal and Replacement	8
Health and Environmental	<u>25</u>
Total revenues of non-budgeted funds	<u>25,038</u>
Interest on pooled investments from non-budgeted revenues	<u>379</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 2,429,734</u>

**Expenditures**

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 2,874,047
Expenditures of non-budgeted funds	
Equipment Acquisition	40,917
Revolving Funds	750
Building Security	519
Grant Matching Fund	316
Storm Water	49,749
Bureau of Animal Regulation and Care	11,002
Fleet maintenance	5
Forensic Transition	2,840
Civic Events	18,760
Renewal and Replacement	17,253
Health and Environmental	<u>70</u>
Total expenditures of non-budgeted funds	<u>142,181</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 3,016,228</u>

**Other financing sources (uses)**

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ 526,456
Proceeds from Issuance of Debt	33,061
Sale of Assets	803
Transfers of Non Budgeted Funds	<u>68,764</u>
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances-government funds	<u>\$ 629,084</u>

\* See Note to Required Supplementary Information \*

**CITY OF HOUSTON, TEXAS**  
**REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION**  
**June 30, 2018**  
*(Unaudited)*

**1. General Budget Policies**

During January of each year, the Mayor, with City Council input, establishes budget guidelines. All departments of the City submit requests for appropriations to the Mayor and the City's Department of Finance so that a budget may be prepared. Typically during June, the City Controller certifies that funds are available for a continuing appropriation and the budget is proposed to City Council. City Council holds public hearings and a final budget is normally adopted by June 30th. A final appropriation ordinance is adopted later in the fiscal year and may include budget revisions or amendments.

The legal level of budgetary control is the departmental level within each fund, even though the budget is prepared by fund, department, and expenditure category. The Mayor is authorized to transfer unlimited budgeted amounts within departments and amounts between departments, provided such transfers do not exceed 5% of an expenditure category. Expenditure categories are personnel services, other current expenditures and capital outlay. Appropriations related to funds with annual budgets lapse at year-end except for Capital Outlay appropriations, which cover multiple years.

On April 25, 2018, City Council approved the fiscal year 2018 general appropriation ordinance in the amount of \$3.306 billion for the General Fund.

Annual operating budgets are adopted for the General Operating Fund, the Debt Service Fund, the Special Revenue Funds (except for the Grants Revenue Fund, Disaster Recovery, Health Special Fund and the Housing Special Fund) and the Proprietary Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets for proprietary funds are prepared on the accrual basis, but focus on expenses relating to maintenance and operations, and equipment purchases and, accordingly, exclude depreciation and other allocations related to income determination.

The following provides actual fiscal year 2017 results for both budgeted and non-budgeted Special Revenue Funds (in thousands):

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>
Budgeted Special Revenue Funds	\$ 391,552	\$ 282,485	\$ (99,019)
Non-budgeted Disaster Recovery Fund	903	-	-
Non-budgeted Grants Revenue Fund	179,592	320,211	93,772
Non-budgeted Health and Housing	71	62	-
Non-budgeted Other Funds	21,407	14,973	(496)
Total Special Revenue Funds - Actual	<u>\$ 593,525</u>	<u>\$ 617,731</u>	<u>\$ (5,743)</u>

**2. General Fund Budgetary Highlights**

Revenues were \$1.011 billion above budget. This increase was mainly evident in other financing sources of \$902 million. In addition, an increase in taxes and assessments of \$68 million, intergovernmental grants of \$5 million, other income of \$39 million and interest income of \$2 million was offset by a decrease in licenses and permits of \$2 million and charges for services of \$3 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$14.2 million increase in property tax
- \$47.2 million increase in sales tax
- \$6 million increase in franchise tax

**CITY OF HOUSTON, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**  
*(unaudited)*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Last 4 Fiscal Years  
(in thousands)

	Fire				Municipal				Police			
	2018	2017	2016	2015	2018	2017	2016	2015 (1)	2018	2017	2016	2015
<b>Total Pension Liability</b>												
Service Cost	\$52,579	\$80,002	\$76,407	\$68,145	\$78,149	\$75,961	\$68,968	\$65,810	\$63,633	\$60,930	\$66,098	\$56,062
Interest	332,357	389,938	369,708	353,405	341,276	331,166	379,781	361,007	445,113	433,598	488,223	473,065
Changes of benefit terms	-	(645,971)	-	-	-	(724,683)	-	-	-	(1,006,000)	-	-
Differences between expected and actual experience	62,117	(65,194)	(63,047)	(28,536)	19,158	(38,387)	(16,194)	(23,380)	69,534	80,023	10,390	26,705
Changes of assumptions	(16,572)	534,646	2,918	2,801	-	562,237	91,248	-	21,399	778,710	(676,151)	664,974
Benefit payments including refunds of employee contributions	(289,108)	(249,394)	(211,673)	(196,362)	(283,928)	(280,456)	(253,178)	(234,955)	(361,033)	(458,733)	(259,076)	(225,656)
Refunds	-	-	-	-	(807)	(718)	(1,105)	(1,549)	(1,329)	(1,696)	(978)	(945)
Net change in total pension liability	141,373	44,027	174,313	199,453	153,848	(74,880)	269,520	166,933	237,317	(113,168)	(371,494)	994,205
Total pension liability - beginning	4,673,681	4,629,654	4,455,341	4,255,888	4,959,510	5,034,390	4,764,870	4,597,937	6,508,121	6,621,289	6,992,783	5,998,578
Total pension liability - ending (a)	4,815,054	4,673,681	4,629,654	4,455,341	5,113,358	4,959,510	5,034,390	4,764,870	6,745,438	6,508,121	6,621,289	6,992,783
<b>Plan fiduciary net position</b>												
Contributions-employer	83,010	93,658	94,279	92,610	421,562	182,558	159,958	145,007	887,143	133,805	137,392	113,665
Contributions-employee	35,622	25,404	25,511	25,092	27,905	15,902	15,874	16,198	45,254	40,104	39,017	37,719
Net investment income	322,306	432,948	(47,437)	51,801	231,815	290,911	27,639	73,370	463,079	667,476	(135,833)	35,339
Benefit payments, including refunds of employee contributions	(289,108)	(249,394)	(211,673)	(196,362)	(283,928)	(280,456)	(253,178)	(234,955)	(361,033)	(458,733)	(259,076)	(225,656)
Administrative expense	(4,890)	(4,898)	(6,771)	(6,640)	(807)	(718)	(1,105)	(1,549)	(1,329)	(1,696)	(978)	(945)
Refunds	-	-	-	-	(6,442)	(6,827)	(7,360)	(7,007)	(3,679)	(4,238)	(4,585)	(3,478)
Other	(1,676)	(2,298)	(1,890)	(1,676)	(3,905)	1,272	1,651	1,041	-	-	-	-
Net change in plan fiduciary net position	145,264	295,420	(147,981)	(35,175)	386,200	202,642	(56,521)	(7,895)	1,029,435	376,718	(224,063)	(43,356)
Plan fiduciary net position-beginning	4,025,090	3,729,670	3,877,651	3,912,826	2,602,665	2,400,023	2,456,544	2,464,439	4,457,176	4,080,458	4,304,521	4,347,877
Plan fiduciary net position-ending (b)	4,170,354	4,025,090	3,729,670	3,877,651	2,988,865	2,602,665	2,400,023	2,456,544	5,486,611	4,457,176	4,080,458	4,304,521
<b>City's net pension liability-ending (a)-(b)</b>	<b>\$644,700</b>	<b>\$648,591</b>	<b>\$899,984</b>	<b>\$577,690</b>	<b>\$2,124,493</b>	<b>\$2,356,845</b>	<b>\$2,634,367</b>	<b>\$2,308,326</b>	<b>\$1,258,827</b>	<b>\$2,050,945</b>	<b>\$2,540,831</b>	<b>\$2,688,262</b>
Plan fiduciary net position as percentage of the total pension liability	86.61%	86.12%	80.56%	87.03%	58.45%	52.48%	47.67%	51.56%	81.34%	68.49%	61.63%	61.56%
Covered payroll	\$260,345	\$279,836	\$281,865	\$274,999	\$611,493	\$607,975	\$593,285	\$580,395	\$412,786	\$439,626	\$426,795	\$414,465
Net position liability as a percentage of covered payroll	247.63%	231.78%	319.30%	210.07%	347.43%	387.65%	444.03%	397.72%	304.96%	466.52%	595.33%	648.61%

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

(1) The 2015 amounts are based on 8.0% per City actuary.

**CITY OF HOUSTON, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**  
*(unaudited)*

**Schedule of City Contributions for Pension Plans  
for the Fiscal Years ended June 30, (in thousands)**

	2018	2017	2016	2015
<b>Fire</b>				
Actuarially determined contribution	\$ 96,530	\$ 88,745	\$ 87,464	N/A
Contributions in relation to the actuarially determined contribution	83,010	93,658	94,279	92,610
Contribution deficiency (excess)	<u>\$ 13,520</u>	<u>\$ (4,913)</u>	<u>\$ (6,815)</u>	
Covered payroll	\$ 260,345	\$ 279,836	\$ 281,865	\$ 274,999
Contributions as a percentage of covered payroll	31.9%	33.5%	33.4%	33.7%
<b>Municipal</b>				
Actuarially determined contribution	\$ 423,989	\$ 184,733	\$ 162,230	\$ 155,299
Contributions in relation to the actuarially determined contribution	421,562	182,558	159,959	145,007
Contribution deficiency (excess)	<u>\$ 2,427</u>	<u>\$ 2,175</u>	<u>\$ 2,271</u>	<u>\$ 10,292</u>
Covered payroll	\$ 611,493	\$ 607,975	\$ 593,285	\$ 580,395
Contributions as a percentage of covered payroll	68.9%	30.0%	27.0%	25.0%
<b>Police</b>				
Actuarially determined contribution	\$ 131,142	\$ 167,980	\$ 161,154	\$ 150,949
Contributions in relation to the actuarially determined contribution	887,143	133,805	137,392	113,665
Contribution deficiency (excess)	<u>\$ (756,001)</u>	<u>\$ 34,175</u>	<u>\$ 23,762</u>	<u>\$ 37,284</u>
Covered payroll	\$ 412,786	\$ 439,626	\$ 426,795	\$ 414,465
Contributions as a percentage of covered payroll	214.9%	30.4%	32.2%	27.4%

A funding valuation for Fire Pension was not performed as of July 1, 2014; therefore, no actuarially determined contribution was calculated for the period July 1, 2014 to June 30, 2015.

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

**Schedule of OPEB Contributions (in thousands)**

	2018	
	<u>Health Benefits</u>	<u>Long-term Disability</u>
Actuarially Determined Contribution	\$ 194,236	\$ 5,990
Contributions in relation to the actuarially determined contribution	(39,820)	(975)
Contribution deficiency (excess)	<u>\$ 154,416</u>	<u>\$ 5,015</u>
Covered payroll	1,234,545	818
Contribution as a percentage of covered payroll	15.73%	732.27%

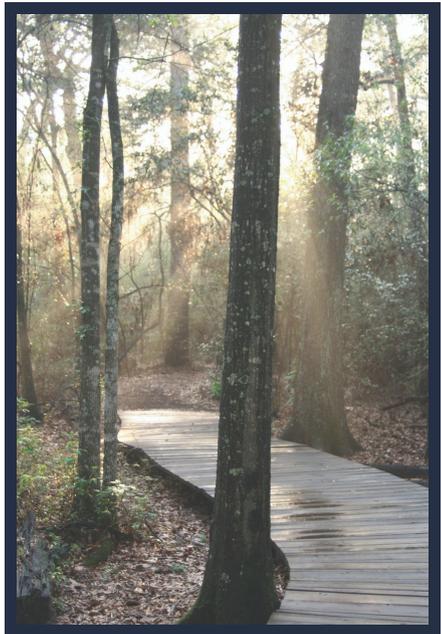
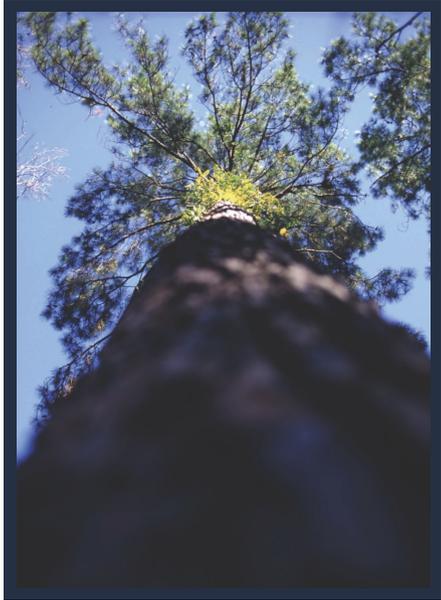
The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

**CITY OF HOUSTON, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**  
*(unaudited)*

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**(in thousands)**

	<u>Health Benefits</u>	<u>Long-Term Disability</u>
	2018	2018
<b>Total OPEB Liability</b>		
Service Cost	\$139,332	\$730
Interest	73,306	379
Differences between expected and actual experience	(15,727)	(14)
Changes of assumptions	(310,431)	(158)
Benefit payments including refunds of employee contributions	(39,820)	(975)
Net change OPEB liability	(153,340)	(38)
Net OPEB liability - beginning	2,591,912	11,078
Net OPEB liability - ending (a)	<u>2,438,572</u>	<u>11,040</u>
<b>Plan fiduciary net position</b>		
Service Cost	39,820	-
Employer contributions	-	(975)
Benefit payments including refunds of employee contributions	(39,820)	975
Net change in plan fiduciary net position	-	-
Net OPEB liability - beginning	-	-
Net OPEB liability - ending (b)	<u>-</u>	<u>-</u>
<b>City's net pension liability-ending (a)-(b)</b>	<u>\$2,438,572</u>	<u>\$11,040</u>
Plan fiduciary net position as percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	\$611,493	\$611,493
Net OPEB liability as a percentage of covered payroll	398.79%	1.81%

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.



**Houston  
Arboretum  
& Nature Center**

**GOVERNMENTAL  
FUNDS**



# Governmental Funds

**General Fund** - The General Fund is used to account for sources and uses of financial resources applicable to the general government operation of the City. All general operating revenues and expenditures that are not restricted and, therefore, accounted for in another fund, are recorded in the General Fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt other than debt issued for and serviced by Enterprise Funds.

**Capital Projects Fund** - The Capital Projects Fund accounts for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by Enterprise Funds.

**Grants Fund** - The Grants Fund is used to account for grant resources received from various local, state and national agencies and organizations. The use of these resources is restricted to a particular function of the city by the grantor.

**Nonmajor Funds** - Nonmajor Funds did not meet the established criteria for major fund status. They are used to account for the proceeds of specific revenue sources (other than capital projects) that are restricted to expenditures for special purposes. All Nonmajor Funds have been presented; however only certain sub-funds have legally adopted budgets. Nonmajor funds are:

- **Public Safety Special Fund**
  - Budgeted: Asset Forfeiture, Auto Dealers, Child Safety, Houston Emergency Center, Juvenile Case Manager Fee, Municipal Courts Technology Fee, and Police Special Services
  - Not budgeted: Helmets for Bicycle Safety, Nuisance Abatement, FTA Special
- **Public Works Special Fund**
  - Budgeted: Building Inspection, Dedicated Drainage and Street Renewal, Historic Preservation, Planning and Development Special, and Recycling Expansion Program
  - Not budgeted: Mobility Response Team, Street Maintenance and Traffic Control
- **Health and Housing Special Fund**
  - Budgeted: Essential Public Health Services, Health Special, Laboratory Services, Special Waste, and Swimming Pool Safety
  - Not budgeted: Housing Special, Homeless Families Program and Housing Replacement Insurance, Housing Non-Grant Venture and HJTPC Self Insurance
- **Parks and Recreation Special Fund**
  - Budgeted: Bayou Greenway 2020, Parks Golf Special, Parks Special
  - Not budgeted: MacGregor Parks Endowment, Planting Tree
- **Other Special Revenue Fund**
  - Budgeted: Cable Television, Contractor Responsibility, Houston Transtar, and Parking Management Operating
  - Not budgeted: Disaster Recovery, Compaq Center, MNC Memorial City Way, W.A.T.E.R., Special City Deposit, John Battaglia Trust, Inc. Fund, AAA Contingency, Houston Foundation, and March of Dimes

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Balance Sheet**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 181,329	\$ 48,125
Investments	123,601	262,306
Receivables, net of allowances		
Accounts receivable	128,108	160,254
Property taxes receivable, net	25,581	24,919
Sales taxes receivable	119,470	109,167
Mixed beverage taxes receivable	4,879	4,409
Franchise taxes receivable	16,697	17,570
Special assessments receivable	8,725	9,920
Due from other funds	52,264	22,959
Due from other governments	479	365
Inventory	16,359	17,808
Prepaid items	2,522	2,434
Total assets	\$ 680,014	\$ 680,236
<b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	73,912	83,772
Accrued payroll liabilities	58,643	59,084
Due to other funds	18,325	17,428
Due to other governments	4,908	4,110
Advances and deposits	2,440	2,732
Claims and judgments	3,885	3,519
Compensated absences	7,264	6,456
Total liabilities	169,377	177,101
<b>Deferred inflows of resources</b>		
Deferred inflow of resources	116,162	151,250
Total deferred inflows of resources	116,162	151,250
<b>Fund balance</b>		
<b>Non-Spendable</b>		
Prepays	2,522	2,434
Inventory	16,359	17,808
Restricted	1,164	1,188
Committed	16,901	18,701
Unassigned	357,529	311,754
Total fund balance	394,475	351,885
Total liabilities and fund balance	\$ 680,014	\$ 680,236

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Taxes and assessments		
Property Taxes	\$ 1,172,543	\$ 1,153,991
Industrial Assessments	18,278	19,291
Sales Tax	674,279	631,993
Franchise Tax	185,774	190,586
Mixed Beverage Tax	17,296	16,662
Bingo Tax	73	234
Licenses and permits	34,273	38,921
Charges for services	146,421	149,655
Intergovernmental - grants	76,585	71,370
Fines and forfeits	25,001	26,624
Investment income	6,092	3,987
Other	73,119	48,876
Total revenues	<u>2,429,734</u>	<u>2,352,190</u>
<b>Expenditures</b>		
Current		
General government	291,676	271,687
Public safety	2,136,766	1,369,087
Public works	203,464	201,389
Health	66,396	65,811
Housing and community development	439	532
Parks and recreation	76,077	73,177
Library	39,883	39,871
Retiree benefits	167,372	11,521
Capital outlay	27,225	25,553
Debt Service		
Debt service fiscal agent & fees	4,709	-
Debt service interest	2,221	1,879
Total expenditures	<u>3,016,228</u>	<u>2,060,507</u>
<b>Other financing sources (uses)</b>		
Proceeds from issuance of debt	943,051	58,000
Sale of capital assets	4,892	10,907
Transfers in	73,036	74,651
Transfers out	(391,895)	(346,408)
Total other financing sources (uses)	<u>629,084</u>	<u>(202,850)</u>
Change in fund balance	42,590	88,833
Fund balances, July 1	<u>351,885</u>	<u>263,052</u>
Fund balances, June 30	<u>\$ 394,475</u>	<u>\$ 351,885</u>

**CITY OF HOUSTON, TEXAS**  
**DEBT SERVICE FUND**  
**Balance Sheet**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 27,722	\$ 46,359
Investments	98,850	81,523
Accounts receivable	8	259
Due from other funds	6,136	-
Due from other governments	-	124
<b>Total assets</b>	<b>\$ 132,716</b>	<b>\$ 128,265</b>
<b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	13	69
Total liabilities	13	69
<b>Deferred inflows of resources</b>		
Deferred inflow of resources	-	124
Total deferred inflows of resources	-	124
<b>Fund balance</b>		
Restricted	132,703	128,072
Total fund balance	132,703	128,072
<b>Total liabilities and fund balance</b>	<b>\$ 132,716</b>	<b>\$ 128,265</b>

**CITY OF HOUSTON, TEXAS**  
**DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget vs. Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income	\$ -	\$ -	\$ 1,051	\$ 1,051	\$ 389
Other	3,155	3,155	6,570	3,415	11,627
Total revenues	<u>3,155</u>	<u>3,155</u>	<u>7,621</u>	<u>4,466</u>	<u>12,016</u>
<b>Expenditures</b>					
Current					
Debt service principal	396,579	491,480	489,510	1,970	192,656
Debt service interest	159,202	158,986	146,533	12,453	142,189
Debt service fiscal agent & fees	9,187	7,974	5,967	2,007	2,605
Total expenditures	<u>564,968</u>	<u>658,440</u>	<u>642,010</u>	<u>16,430</u>	<u>337,450</u>
<b>Other financing sources (uses)</b>					
Net proceeds from issuance of refunding debt	180,700	537,270	537,270	-	-
Premium on refunding debt	-	76,336	76,336	-	-
Transfers in	383,832	383,832	361,605	(22,227)	299,748
Payment to escrow agent for refunded bonds	-	(336,191)	(336,191)	-	-
Total other financing sources (uses)	<u>564,532</u>	<u>661,247</u>	<u>639,020</u>	<u>(22,227)</u>	<u>299,748</u>
Change in fund balance	2,719	5,962	4,631	(1,331)	(25,686)
Fund balances, July 1	<u>128,072</u>	<u>128,072</u>	<u>128,072</u>	<u>-</u>	<u>153,758</u>
Fund balances, June 30	<u>\$ 130,791</u>	<u>\$ 134,034</u>	<u>\$ 132,703</u>	<u>\$ (1,331)</u>	<u>\$ 128,072</u>

**CITY OF HOUSTON, TEXAS**  
**CAPITAL PROJECTS FUND**  
**Balance Sheet**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 24,115	\$ 29,245
Investments	203,909	177,792
Due from other funds	15,835	21,079
Due from other governments	11,716	32,825
Prepaid items - Construction materials	405	351
Total assets	\$ 255,980	\$ 261,292
 <b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	54,876	48,825
Due to other funds	9,543	10,341
Advances and deposits	10	20
Unearned revenue	88,220	102,606
Total liabilities	152,649	161,792
 <b>Deferred inflows of resources</b>		
Deferred inflow of resources	-	36
Total deferred inflows of resources	-	36
 <b>Fund balance</b>		
Prepays	405	351
Restricted	22,279	20,215
Assigned	80,647	78,898
Total fund balance	103,331	99,464
 Total liabilities and fund balance	\$ 255,980	\$ 261,292

**CITY OF HOUSTON, TEXAS**  
**CAPITAL PROJECTS FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Intergovernmental - grants	\$ 58,138	\$ 58,253
Investment income	1,199	509
Other	9,886	7,539
Total revenues	69,223	66,301
 <b>Expenditures</b>		
Current		
Capital outlay	263,040	271,886
Total expenditures	263,040	271,886
 <b>Other financing sources (uses)</b>		
Proceeds from issuance of debt	77,000	82,000
Transfers in	120,684	116,741
Transfers out	-	(6,606)
Total other financing sources (uses)	197,684	192,135
 Change in fund balance	3,867	(13,450)
Fund balances, July 1	99,464	112,914
 Fund balances, June 30	\$ 103,331	\$ 99,464

**CITY OF HOUSTON, TEXAS**  
**GRANTS FUND**  
**Balance Sheet**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 33,941	\$ 4,531
Investments	180,128	1,395
Receivables, net of allowances		
Accounts receivable	35,625	34,438
Due from other funds	1,682	1,144
Due from other governments	67,543	81,923
Inventory	461	408
Prepaid items	428	210
Total assets	\$ 319,808	\$ 124,049
 <b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	35,412	27,460
Accrued payroll liabilities	1,946	1,885
Due to other funds	33,840	2,306
Due to other governments	2,577	8,474
Advances and deposits	11	-
Unearned revenue	237,821	60,048
Total liabilities	311,607	100,173
 <b>Fund balance</b>		
Non-Spendable		
Prepays	428	210
Inventory	461	408
Restricted	7,312	23,258
Total fund balance	8,201	23,876
 Total liabilities and fund balance	\$ 319,808	\$ 124,049

**CITY OF HOUSTON, TEXAS**  
**GRANTS FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Intergovernmental - grants	\$ 209,899	\$ 174,431
Investment income	865	330
Total revenues	<u>210,764</u>	<u>174,761</u>
<b>Expenditures</b>		
Current		
General government	36,516	9,374
Public safety	58,459	17,638
Public works	57,761	5,091
Health	63,694	61,650
Housing and community development	52,810	59,781
Parks and recreation	17,810	2,670
Library	182	61
Capital outlay	32,979	24,088
Total expenditures	<u>320,211</u>	<u>180,353</u>
<b>Other financing sources (uses)</b>		
Transfers in	-	6,000
Insurance proceeds	93,778	-
Transfers out	(6)	-
Total other financing sources (uses)	<u>93,772</u>	<u>6,000</u>
Change in fund balance	(15,675)	408
Fund balances, July 1	<u>23,876</u>	<u>23,468</u>
Fund balances, June 30	<u>\$ 8,201</u>	<u>\$ 23,876</u>

**CITY OF HOUSTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Balance Sheet**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<i>Nonmajor Funds</i>		
	<b>Public Safety Special Fund</b>	<b>Public Works Special Fund</b>	<b>Health &amp; Housing Special Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,356	\$ 277	\$ 4,645
Investments	16,654	123,656	23,781
Receivables, net of allowances			
Accounts receivable	1,891	41,438	466
Due from other funds	127	3,401	6
Due from other governments	3,312	25,007	-
Inventory	-	1,794	-
Prepaid items	-	-	-
Total assets	<u>\$ 28,340</u>	<u>\$ 195,573</u>	<u>\$ 28,898</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	2,620	6,498	697
Accrued payroll liabilities	1,600	2,924	706
Due to other funds	94	21,183	37
Due to other governments	1	-	-
Advances and deposits	1,056	1,901	-
Compensated absences	2	66	6
Unearned revenue	-	-	14
Total liabilities	<u>5,373</u>	<u>32,572</u>	<u>1,460</u>
<b>Deferred inflows of resources</b>			
Deferred inflow of resources	1,237	57,552	34
Total deferred inflows of resources	<u>1,237</u>	<u>57,552</u>	<u>34</u>
<b>Fund balance</b>			
<b>Non-Spendable</b>			
Imprest cash and prepaids	-	-	-
Inventory	-	1,794	-
Committed	13,379	40,697	10,209
Restricted	8,351	62,958	17,195
Total fund balance	<u>21,730</u>	<u>105,449</u>	<u>27,404</u>
Total liabilities and fund balance	<u>\$ 28,340</u>	<u>\$ 195,573</u>	<u>\$ 28,898</u>

(Continued)

*Nonmajor Funds*

<b>Parks &amp; Recreation Special Fund</b>	<b>Other Special Revenue Fund</b>	<b>2018</b>	<b>2017</b>
\$ 1,485	\$ 10,038	\$ 22,801	\$ 34,179
8,500	96,816	269,407	249,289
-	3,883	47,678	36,897
-	14,244	17,778	21,761
-	-	28,319	25,731
-	-	1,794	1,526
-	50	50	-
<u>\$ 9,985</u>	<u>\$ 125,031</u>	<u>\$ 387,827</u>	<u>\$ 369,383</u>
308	3,055	13,178	15,335
157	205	5,592	5,417
-	2,610	23,924	25,178
12	898	911	5,092
471	180	3,608	3,604
49	-	123	41
-	-	14	1,069
<u>997</u>	<u>6,948</u>	<u>47,350</u>	<u>55,736</u>
32	1,285	60,140	50,199
<u>32</u>	<u>1,285</u>	<u>60,140</u>	<u>50,199</u>
-	50	50	-
-	-	1,794	1,526
8,804	5,616	78,705	82,599
<u>152</u>	<u>111,132</u>	<u>199,788</u>	<u>179,323</u>
<u>8,956</u>	<u>116,798</u>	<u>280,337</u>	<u>263,448</u>
<u>\$ 9,985</u>	<u>\$ 125,031</u>	<u>\$ 387,827</u>	<u>\$ 369,383</u>

**CITY OF HOUSTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<i>Nonmajor Funds</i>		
	<b>Public Safety Special Fund</b>	<b>Public Works Special Fund</b>	<b>Health &amp; Housing Special Fund</b>
<b>Revenues</b>			
Franchise Tax	\$ -	\$ 432	\$ -
Licenses and permits	2,969	71,497	4,683
Charges for services	5,532	130,393	2,650
Intergovernmental - grants	15,799	50,599	25,300
Fines and forfeits	826	7	-
Investment income	172	878	193
Other	19,000	3,077	397
Total revenues	<u>44,298</u>	<u>256,883</u>	<u>33,223</u>
<b>Expenditures</b>			
Current			
General government	-	-	-
Public safety	53,726	-	-
Public works	-	140,416	-
Health	-	-	30,429
Housing and community development	-	-	-
Parks and recreation	-	-	-
Capital outlay	706	32,192	143
Debt service fiscal agent & fees	-	898	-
Total expenditures	<u>54,432</u>	<u>173,506</u>	<u>30,572</u>
<b>Other financing sources (uses)</b>			
Net proceeds from issuance of debt	-	20,031	-
Sale of capital assets	-	81	-
Transfers in	10,742	38,280	407
Transfers out	(1,586)	(134,171)	-
Total other financing sources (uses)	<u>9,156</u>	<u>(75,779)</u>	<u>407</u>
Change in fund balance	(978)	7,598	3,058
Fund balances, July 1	<u>\$ 22,708</u>	<u>\$ 97,851</u>	<u>\$ 24,346</u>
Fund balances, June 30	<u>\$ 21,730</u>	<u>\$ 105,449</u>	<u>\$ 27,404</u>

(Continued)

<i>Nonmajor Funds</i>			
<b>Parks &amp; Recreation Special Fund</b>	<b>Other Special Revenue Fund</b>	<b>2018</b>	<b>2017</b>
\$ -	\$ -	\$ 432	\$ 439
171	325	79,645	78,235
8,610	11,019	158,204	151,836
-	7,121	98,819	103,906
-	8,900	9,733	10,507
82	1,047	2,372	1,095
347	21,114	43,935	44,203
<u>9,210</u>	<u>49,526</u>	<u>393,140</u>	<u>390,221</u>
-	29,469	29,469	25,473
-	-	53,726	52,569
-	-	140,416	125,332
-	-	30,429	30,108
-	-	-	285
8,350	-	8,350	8,725
-	2,102	35,143	41,507
-	-	898	738
<u>8,350</u>	<u>31,571</u>	<u>298,431</u>	<u>284,737</u>
-	-	20,031	-
985	-	1,066	119
-	500	49,929	56,540
<u>(2,472)</u>	<u>(10,617)</u>	<u>(148,846)</u>	<u>(137,781)</u>
<u>(1,487)</u>	<u>(10,117)</u>	<u>(77,820)</u>	<u>(81,122)</u>
(627)	7,838	16,889	24,362
<u>\$ 9,583</u>	<u>\$ 108,960</u>	<u>\$ 263,448</u>	<u>\$ 239,086</u>
<u>\$ 8,956</u>	<u>\$ 116,798</u>	<u>\$ 280,337</u>	<u>\$ 263,448</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC SAFETY SPECIAL FUND - ASSET FORFEITURE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Confiscations	\$ 4,811	\$ 4,811	\$ 9,048	\$ 4,237	\$ 7,113
Investment income	38	38	48	10	18
Total revenues	<u>4,849</u>	<u>4,849</u>	<u>9,096</u>	<u>4,247</u>	<u>7,131</u>
<b>Expenditures</b>					
Current					
Public safety	10,000	9,692	8,328	1,364	6,716
Capital outlay	-	308	185	123	89
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>8,513</u>	<u>1,487</u>	<u>6,805</u>
Change in fund balance	(5,151)	(5,151)	583	5,734	326
Fund balances, July 1	<u>5,668</u>	<u>5,668</u>	<u>5,668</u>	<u>-</u>	<u>5,342</u>
Fund balances, June 30	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ 6,251</u>	<u>\$ 5,734</u>	<u>\$ 5,668</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC SAFETY SPECIAL FUND - AUTO DEALERS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 2,742	\$ 2,742	\$ 2,706	\$ (36)	\$ 2,771
Charges for services	606	606	802	196	728
Investment income	31	31	21	(10)	8
Other	3,631	3,631	4,013	382	3,905
Total revenues	<u>7,010</u>	<u>7,010</u>	<u>7,542</u>	<u>532</u>	<u>7,412</u>
<b>Expenditures</b>					
Current					
Public safety	6,148	6,608	5,872	736	5,741
Capital outlay	500	40	335	(295)	-
Total expenditures	<u>6,648</u>	<u>6,648</u>	<u>6,207</u>	<u>441</u>	<u>5,741</u>
<b>Other financing sources (uses)</b>					
Transfers out	(1,640)	(1,640)	(1,586)	54	(1,600)
Total other financing sources (uses)	<u>(1,640)</u>	<u>(1,640)</u>	<u>(1,586)</u>	<u>54</u>	<u>(1,600)</u>
Change in fund balance	(1,278)	(1,278)	(251)	1,027	71
Fund balances, July 1	<u>2,295</u>	<u>2,295</u>	<u>2,295</u>	<u>-</u>	<u>2,224</u>
Fund balances, June 30	<u>\$ 1,017</u>	<u>\$ 1,017</u>	<u>\$ 2,044</u>	<u>\$ 1,027</u>	<u>\$ 2,295</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC SAFETY SPECIAL FUND - CHILD SAFETY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Fines and forfeits	\$ 824	\$ 824	\$ 826	\$ 2	\$ 797
Interest	20	20	13	(7)	7
Other	2,585	2,585	2,622	37	2,624
Total revenues	<u>3,429</u>	<u>3,429</u>	<u>3,461</u>	<u>32</u>	<u>3,428</u>
<b>Expenditures</b>					
Current					
Public safety	3,429	3,350	3,350	-	3,540
Total expenditures	<u>3,429</u>	<u>3,350</u>	<u>3,350</u>	<u>-</u>	<u>3,540</u>
Change in fund balance	-	79	111	32	(112)
Fund balances, July 1	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>113</u>
Fund balances, June 30	<u>\$ 1</u>	<u>\$ 80</u>	<u>\$ 112</u>	<u>\$ 32</u>	<u>\$ 1</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC SAFETY SPECIAL FUND - HOUSTON EMERGENCY CENTER**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 190	\$ 190	\$ 590	\$ 400	\$ 173
Intergovernmental - grants	15,683	15,683	15,422	(261)	15,430
Other	-	-	-	-	4
Investment income	-	-	17	17	3
Total revenues	<u>15,873</u>	<u>15,873</u>	<u>16,029</u>	<u>156</u>	<u>15,610</u>
<b>Expenditures</b>					
Current					
Public safety	<u>27,635</u>	<u>27,773</u>	<u>25,416</u>	<u>2,357</u>	<u>25,205</u>
Total expenditures	<u>27,635</u>	<u>27,773</u>	<u>25,416</u>	<u>2,357</u>	<u>25,205</u>
<b>Other financing sources (uses)</b>					
Transfers in	<u>9,762</u>	<u>9,762</u>	<u>9,762</u>	<u>-</u>	<u>10,247</u>
Total other financing sources (uses)	<u>9,762</u>	<u>9,762</u>	<u>9,762</u>	<u>-</u>	<u>10,247</u>
Change in fund balance	(2,000)	(2,138)	375	2,513	652
Fund balances, July 1	<u>4,804</u>	<u>4,804</u>	<u>4,804</u>	<u>-</u>	<u>4,152</u>
Fund balances, June 30	<u>\$ 2,804</u>	<u>\$ 2,666</u>	<u>\$ 5,179</u>	<u>\$ 2,513</u>	<u>\$ 4,804</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC SAFETY SPECIAL FUND - JUVENILE CASE MANAGER FEE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 1,152	\$ 1,152	\$ 1,071	\$ (81)	\$ 1,151
Interest	12	12	5	(7)	3
Total revenues	<u>1,164</u>	<u>1,164</u>	<u>1,076</u>	<u>(88)</u>	<u>1,154</u>
<b>Expenditures</b>					
Current					
Public safety	<u>1,876</u>	<u>1,876</u>	<u>1,295</u>	<u>581</u>	<u>1,662</u>
Total expenditures	<u>1,876</u>	<u>1,876</u>	<u>1,295</u>	<u>581</u>	<u>1,662</u>
Change in fund balance	(712)	(712)	(219)	493	(508)
Fund balances, July 1	<u>875</u>	<u>875</u>	<u>875</u>	<u>-</u>	<u>1,383</u>
Fund balances, June 30	<u>\$ 163</u>	<u>\$ 163</u>	<u>\$ 656</u>	<u>\$ 493</u>	<u>\$ 875</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC SAFETY SPECIAL FUND - MUNICIPAL COURTS TECHNOLOGY FEE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Interest	\$ 8	\$ 8	\$ 8	\$ -	\$ 4
Other	1,090	1,090	1,074	(16)	1,038
Total revenues	<u>1,098</u>	<u>1,098</u>	<u>1,082</u>	<u>(16)</u>	<u>1,042</u>
<b>Expenditures</b>					
Current					
Public safety	650	680	562	118	347
Capital outlay	115	85	-	85	-
Total expenditures	<u>765</u>	<u>765</u>	<u>562</u>	<u>203</u>	<u>347</u>
Change in fund balance	333	333	520	187	695
Fund balances, July 1	<u>1,468</u>	<u>1,468</u>	<u>1,468</u>	<u>-</u>	<u>773</u>
Fund balances, June 30	<u>\$ 1,801</u>	<u>\$ 1,801</u>	<u>\$ 1,988</u>	<u>\$ 187</u>	<u>\$ 1,468</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC SAFETY SPECIAL FUND - POLICE SPECIAL SERVICES**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 254	\$ 254	\$ 263	\$ 9	\$ 366
Charges for services	3,792	3,792	2,803	(989)	2,051
Intergovernmental - grants	345	345	377	32	345
Investment income	60	60	54	(6)	5
Other	1,749	1,749	2,247	498	2,056
Total revenues	<u>6,200</u>	<u>6,200</u>	<u>5,744</u>	<u>(456)</u>	<u>4,823</u>
<b>Expenditures</b>					
Current					
Public safety	9,176	11,471	8,764	2,707	9,245
Capital outlay	75	695	186	509	342
Total expenditures	<u>9,251</u>	<u>12,166</u>	<u>8,950</u>	<u>3,216</u>	<u>9,587</u>
<b>Other financing sources (uses)</b>					
Transfers in	980	980	980	-	4,834
Transfers out	(222)	(222)	-	222	(211)
Total other financing sources (uses)	<u>758</u>	<u>758</u>	<u>980</u>	<u>222</u>	<u>4,623</u>
Change in fund balance	(2,293)	(5,208)	(2,226)	2,982	(141)
Fund balances, July 1	<u>6,967</u>	<u>6,967</u>	<u>6,967</u>	<u>-</u>	<u>7,108</u>
Fund balances, June 30	<u>\$ 4,674</u>	<u>\$ 1,759</u>	<u>\$ 4,741</u>	<u>\$ 2,982</u>	<u>\$ 6,967</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC WORKS SPECIAL FUND - BUILDING INSPECTION**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Taxes and assessments					
Franchise Tax	\$ 416	\$ 416	\$ 432	\$ 16	\$ 439
Licenses and permits	65,815	65,815	69,369	3,554	67,271
Charges for services	8,574	8,574	9,200	626	8,464
Fines and forfeits	7	7	7	-	7
Investment income	383	383	281	(102)	131
Other	515	515	547	32	522
Total revenues	<u>75,710</u>	<u>75,710</u>	<u>79,836</u>	<u>4,126</u>	<u>76,834</u>
<b>Expenditures</b>					
Current					
Public works	84,647	79,084	81,662	(2,578)	68,882
Capital outlay	6,739	6,749	1,398	5,351	3,220
Debt service principal	-	-	67	(67)	-
Total expenditures	<u>91,386</u>	<u>85,833</u>	<u>83,127</u>	<u>2,706</u>	<u>72,102</u>
<b>Other financing sources (uses)</b>					
Net proceeds from issuance	-	-	11,927	11,927	-
Transfers in	-	-	-	-	-
Sale of capital assets	51	51	45	(6)	119
Transfers out	(2,616)	(11,001)	(11,001)	-	(3,580)
Total other financing sources (uses)	<u>(2,565)</u>	<u>(10,950)</u>	<u>971</u>	<u>11,921</u>	<u>(3,461)</u>
Change in fund balance	(18,241)	(21,073)	(2,320)	18,753	1,271
Fund balances, July 1	<u>35,662</u>	<u>35,662</u>	<u>35,662</u>	<u>-</u>	<u>34,391</u>
Fund balances, June 30	<u>\$ 17,421</u>	<u>\$ 14,589</u>	<u>\$ 33,342</u>	<u>\$ 18,753</u>	<u>\$ 35,662</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC WORKS SPECIAL FUND - DEDICATED DRAINAGE & STREET RENEWAL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 113,919	\$ 113,919	\$ 113,531	\$ (388)	\$ 110,370
Licenses & Permits	2,003	2,003	1,665	(338)	2,280
Metro Intergovernmental Revenue	49,530	49,530	50,599	1,069	59,214
Miscellaneous/Other	1,409	1,409	2,212	803	1,403
Investment income	500	500	555	55	178
Total revenues	<u>167,361</u>	<u>167,361</u>	<u>168,562</u>	<u>1,201</u>	<u>173,445</u>
<b>Expenditures</b>					
Current					
Public works	83,836	83,836	51,736	32,100	50,006
Capital outlay	10,995	10,995	30,794	(19,799)	36,431
Debt service fiscal agent & fees	805	805	831	(26)	704
Total expenditures	<u>95,636</u>	<u>95,636</u>	<u>83,361</u>	<u>12,275</u>	<u>87,141</u>
<b>Other financing sources (uses)</b>					
Net proceeds from issuance	-	-	8,104	8,104	-
Transfers in	34,108	34,108	34,486	378	36,295
Sale of capital assets	16	16	36	20	-
Transfers out	(124,070)	(124,070)	(119,902)	(4,168)	(116,461)
Total other financing sources (uses)	<u>(89,946)</u>	<u>(89,946)</u>	<u>(77,276)</u>	<u>4,334</u>	<u>(80,166)</u>
Change in fund balance	(18,221)	(18,221)	7,925	26,146	6,138
Fund balances, July 1	<u>56,828</u>	<u>56,828</u>	<u>56,828</u>	<u>-</u>	<u>50,690</u>
Fund balances, June 30	<u>\$ 38,607</u>	<u>\$ 38,607</u>	<u>\$ 64,753</u>	<u>\$ 26,146</u>	<u>\$ 56,828</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC WORKS SPECIAL FUND - HISTORIC PRESERVATION**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 250	\$ 250	\$ 224	\$ (26)	\$ 238
Investment income	12	12	12	-	6
Other	-	-	36	36	3
Total revenues	<u>262</u>	<u>262</u>	<u>272</u>	<u>10</u>	<u>247</u>
<b>Expenditures</b>					
Current					
Public Works	437	437	205	232	358
Total expenditures	<u>437</u>	<u>437</u>	<u>205</u>	<u>232</u>	<u>358</u>
Change in fund balance	(175)	(175)	67	242	(111)
Fund balances, July 1	<u>1,738</u>	<u>1,738</u>	<u>1,738</u>	<u>-</u>	<u>1,849</u>
Fund balances, June 30	<u>\$ 1,563</u>	<u>\$ 1,563</u>	<u>\$ 1,805</u>	<u>\$ 242</u>	<u>\$ 1,738</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC WORKS SPECIAL FUND - PLANNING & DEVELOPMENT SPECIAL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 321	\$ 321	\$ 371	\$ 50	\$ 349
Charges for services	6,286	6,286	6,997	711	6,273
Investment income	5	5	11	6	6
Other	2	2	-	(2)	2
Total revenues	<u>6,614</u>	<u>6,614</u>	<u>7,379</u>	<u>765</u>	<u>6,630</u>
<b>Expenditures</b>					
Current					
Public works	6,670	6,670	5,633	1,037	5,053
Total expenditures	<u>6,670</u>	<u>6,670</u>	<u>5,633</u>	<u>1,037</u>	<u>5,053</u>
Change in fund balance	(56)	(56)	1,746	1,802	1,577
Fund balances, July 1	<u>1,996</u>	<u>1,996</u>	<u>1,996</u>	<u>-</u>	<u>419</u>
Fund balances, June 30	<u>\$ 1,940</u>	<u>\$ 1,940</u>	<u>\$ 3,742</u>	<u>\$ 1,802</u>	<u>\$ 1,996</u>

**CITY OF HOUSTON, TEXAS**  
**PUBLIC WORKS SPECIAL FUND - RECYCLING REVENUE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 95	\$ 95	\$ 93	\$ (2)	\$ 123
Investment income	-	-	15	\$ 15	12
Other	179	179	282	103	550
Total revenues	<u>274</u>	<u>274</u>	<u>390</u>	<u>116</u>	<u>685</u>
<b>Expenditures</b>					
Current					
Parks and recreation	1,595	1,595	1,170	425	1,034
Total expenditures	<u>1,595</u>	<u>1,595</u>	<u>1,170</u>	<u>425</u>	<u>1,034</u>
<b>Other financing sources (uses)</b>					
Transfers in	3,794	3,794	3,794	-	3,794
Transfers out	(2,771)	(2,771)	(2,771)	-	(2,771)
Total other financing sources (uses)	<u>1,023</u>	<u>1,023</u>	<u>1,023</u>	<u>-</u>	<u>1,023</u>
Change in fund balance	(298)	(298)	243	541	674
Fund balances, July 1	<u>1,271</u>	<u>1,271</u>	<u>1,271</u>	<u>-</u>	<u>597</u>
Fund balances, June 30	<u>\$ 973</u>	<u>\$ 973</u>	<u>\$ 1,514</u>	<u>\$ 541</u>	<u>\$ 1,271</u>

**CITY OF HOUSTON, TEXAS**  
**HEALTH & HOUSING SPECIAL FUND - ESSENTIAL PUBLIC HEALTH SERVICES**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Intergovernmental - grants	\$ 25,297	\$ 25,297	\$ 24,175	\$ (1,122)	\$ 22,350
Investment income	150	150	119	(31)	57
Total revenues	<u>25,447</u>	<u>25,447</u>	<u>24,294</u>	<u>(1,153)</u>	<u>22,407</u>
<b>Expenditures</b>					
Current					
Health	29,104	29,117	21,399	7,718	21,084
Capital outlay	45	32	136	(104)	26
Total expenditures	<u>29,149</u>	<u>29,149</u>	<u>21,535</u>	<u>7,614</u>	<u>21,110</u>
Change in fund balance	(3,702)	(3,702)	2,759	6,461	1,297
Fund balances, July 1	<u>12,877</u>	<u>12,877</u>	<u>12,877</u>	<u>-</u>	<u>11,580</u>
Fund balances, June 30	<u>\$ 9,175</u>	<u>\$ 9,175</u>	<u>\$ 15,636</u>	<u>\$ 6,461</u>	<u>\$ 12,877</u>

**CITY OF HOUSTON, TEXAS**  
**HEALTH & HOUSING SPECIAL FUND - HEALTH SPECIAL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 366	\$ 366	\$ 415	\$ 49	\$ 396
Charges for services	871	1,115	1,093	(22)	830
Intergovernmental - grants	-	2,021	1,125	(896)	-
Investment income	54	54	38	(16)	12
Other	2,391	126	265	139	2,034
Total revenues	<u>3,682</u>	<u>3,682</u>	<u>2,936</u>	<u>(746)</u>	<u>3,272</u>
<b>Expenditures</b>					
Current					
Health	5,781	5,513	3,210	2,303	3,420
Capital outlay	24	292	-	292	-
Total expenditures	<u>5,805</u>	<u>5,805</u>	<u>3,210</u>	<u>2,595</u>	<u>3,420</u>
<b>Other financing sources (uses)</b>					
Transfers in	400	400	400	-	400
Total other financing sources (uses)	<u>400</u>	<u>400</u>	<u>400</u>	<u>-</u>	<u>400</u>
Change in fund balance	(1,723)	(1,723)	126	1,849	252
Fund balances, July 1	<u>6,088</u>	<u>6,088</u>	<u>6,088</u>	<u>-</u>	<u>5,836</u>
Fund balances, June 30	<u>\$ 4,365</u>	<u>\$ 4,365</u>	<u>\$ 6,214</u>	<u>\$ 1,849</u>	<u>\$ 6,088</u>

**CITY OF HOUSTON, TEXAS**  
**HEALTH & HOUSING SPECIAL FUND - LABORATORY SERVICES**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 527	\$ 527	\$ 414	\$ (113)	\$ 448
Investment income	3	3	2	(1)	-
Other	-	-	62	62	20
Total revenues	<u>530</u>	<u>530</u>	<u>478</u>	<u>(52)</u>	<u>468</u>
<b>Expenditures</b>					
Current					
Health	630	630	411	219	568
Capital outlay	-	-	-	-	22
Total expenditures	<u>630</u>	<u>630</u>	<u>411</u>	<u>219</u>	<u>590</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	7	7	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>	<u>-</u>
Change in fund balance	(100)	(100)	74	174	(122)
Fund balances, July 1	<u>195</u>	<u>195</u>	<u>195</u>	<u>-</u>	<u>317</u>
Fund balances, June 30	<u>\$ 95</u>	<u>\$ 95</u>	<u>\$ 269</u>	<u>\$ 174</u>	<u>\$ 195</u>

**CITY OF HOUSTON, TEXAS**  
**HEALTH & HOUSING SPECIAL FUND - SPECIAL WASTE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 2,906	\$ 2,906	\$ 3,118	\$ 212	\$ 3,059
Charges for services	-	1,200	1,143	(57)	1,014
Investment income	31	31	14	(17)	5
Other	-	-	12	12	10
Total revenues	<u>2,937</u>	<u>4,137</u>	<u>4,287</u>	<u>150</u>	<u>4,088</u>
<b>Expenditures</b>					
Current					
Health	4,228	4,210	4,118	92	3,874
Capital outlay	70	88	7	81	98
Total expenditures	<u>4,298</u>	<u>4,298</u>	<u>4,125</u>	<u>173</u>	<u>3,972</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,200	-	-	-	-
Change in fund balance	(161)	(161)	162	323	116
Fund balances, July 1	<u>2,520</u>	<u>2,520</u>	<u>2,520</u>	<u>-</u>	<u>2,404</u>
Fund balances, June 30	<u>\$ 2,359</u>	<u>\$ 2,359</u>	<u>\$ 2,682</u>	<u>\$ 323</u>	<u>\$ 2,520</u>

**CITY OF HOUSTON, TEXAS**  
**HEALTH & HOUSING SPECIAL FUND - SWIMMING POOL SAFETY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 1,109	\$ 1,109	\$ 1,150	\$ 41	\$ 1,096
Investment income	9	9	6	(3)	2
Total revenues	<u>1,118</u>	<u>1,118</u>	<u>1,156</u>	<u>38</u>	<u>1,098</u>
<b>Expenditures</b>					
Current					
Health	1,257	1,270	1,228	42	1,160
Capital outlay	24	28	-	28	-
Total expenditures	<u>1,281</u>	<u>1,298</u>	<u>1,228</u>	<u>70</u>	<u>1,160</u>
Change in fund balance	(163)	(180)	(72)	108	(62)
Fund balances, July 1	<u>861</u>	<u>861</u>	<u>861</u>	<u>-</u>	<u>923</u>
Fund balances, June 30	<u>\$ 698</u>	<u>\$ 681</u>	<u>\$ 789</u>	<u>\$ 108</u>	<u>\$ 861</u>

**CITY OF HOUSTON, TEXAS**  
**PARKS & RECREATION SPECIAL FUND - BAYOU GREENWAY 2020**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 1,443	\$ 1,443	\$ 1,223	\$ (220)	\$ 1,021
Investment income	6	6	10	4	4
Total revenues	<u>1,449</u>	<u>1,449</u>	<u>1,233</u>	<u>(216)</u>	<u>1,025</u>
<b>Expenditures</b>					
Current					
Parks and recreation	1,201	1,004	973	31	887
Capital outlay	275	472	-	472	-
Total expenditures	<u>1,476</u>	<u>1,476</u>	<u>973</u>	<u>503</u>	<u>887</u>
<b>Other financing sources (uses)</b>					
Transfers out	-	-	(472)	(472)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(472)</u>	<u>(472)</u>	<u>-</u>
Change in fund balance	(27)	(27)	(212)	(185)	138
Fund balances, July 1	904	904	904	-	766
Fund balances, June 30	<u>\$ 877</u>	<u>\$ 877</u>	<u>\$ 692</u>	<u>\$ (185)</u>	<u>\$ 904</u>

**CITY OF HOUSTON, TEXAS**  
**PARKS & RECREATION SPECIAL FUND - PARKS GOLF**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 5,852	\$ 5,852	\$ 5,560	\$ (292)	\$ 5,591
Investment income	10	10	7	(3)	2
Other	-	-	7	7	22
Total revenues	<u>5,862</u>	<u>5,862</u>	<u>5,574</u>	<u>(288)</u>	<u>5,615</u>
<b>Expenditures</b>					
Current					
Parks and recreation	5,996	5,996	5,359	637	5,683
Total expenditures	<u>5,996</u>	<u>5,996</u>	<u>5,359</u>	<u>637</u>	<u>5,683</u>
Change in fund balance	(134)	(134)	215	349	(68)
Fund balances, July 1	<u>1,048</u>	<u>1,048</u>	<u>1,048</u>	<u>-</u>	<u>1,116</u>
Fund balances, June 30	<u>\$ 914</u>	<u>\$ 914</u>	<u>\$ 1,263</u>	<u>\$ 349</u>	<u>\$ 1,048</u>

**CITY OF HOUSTON, TEXAS**  
**PARKS & RECREATION SPECIAL FUND - PARKS SPECIAL**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 174	\$ 174	\$ 171	\$ (3)	\$ 187
Charges for services	1,947	1,947	1,826	(121)	1,941
Investment income	62	62	64	2	24
Other	130	130	340	210	287
Total revenues	<u>2,313</u>	<u>2,313</u>	<u>2,401</u>	<u>88</u>	<u>2,439</u>
<b>Expenditures</b>					
Current					
Parks and recreation	2,798	2,798	2,000	798	2,074
Capital outlay	-	-	-	-	10
Total expenditures	<u>2,798</u>	<u>2,798</u>	<u>2,000</u>	<u>798</u>	<u>2,084</u>
<b>Other financing sources (uses)</b>					
Sale of Capital Assets	-	-	985	985	-
Transfers out	(2,000)	(2,000)	(2,000)	-	-
Total other financing sources (uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,015)</u>	<u>985</u>	<u>-</u>
Change in fund balance	(2,485)	(2,485)	(614)	1,871	355
Fund balances, July 1	<u>7,463</u>	<u>7,463</u>	<u>7,463</u>	<u>-</u>	<u>7,108</u>
Fund balances, June 30	<u>\$ 4,978</u>	<u>\$ 4,978</u>	<u>\$ 6,849</u>	<u>\$ 1,871</u>	<u>\$ 7,463</u>

**CITY OF HOUSTON, TEXAS**  
**OTHER SPECIAL REVENUE FUND - CABLE TELEVISION**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income	\$ 7	\$ 7	\$ 6	\$ (1)	\$ 4
Other	3,744	3,744	4,037	293	4,539
Total revenues	<u>3,751</u>	<u>3,751</u>	<u>4,043</u>	<u>292</u>	<u>4,543</u>
<b>Expenditures</b>					
Current					
General government	3,961	3,958	3,890	68	4,089
Capital outlay	250	253	7	246	148
Total expenditures	<u>4,211</u>	<u>4,211</u>	<u>3,897</u>	<u>314</u>	<u>4,237</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	500	500	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>	<u>-</u>
Change in fund balance	(460)	(460)	646	1,106	306
Fund balances, July 1	<u>1,557</u>	<u>1,557</u>	<u>1,557</u>	<u>-</u>	<u>1,251</u>
Fund balances, June 30	<u>\$ 1,097</u>	<u>\$ 1,097</u>	<u>\$ 2,203</u>	<u>\$ 1,106</u>	<u>\$ 1,557</u>

**CITY OF HOUSTON, TEXAS**  
**OTHER SPECIAL REVENUE FUND - CONTRACTORS RESPONSIBILITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income	\$ 25	\$ 25	\$ 26	\$ 1	\$ 11
Other	1,156	1,156	742	(414)	1,308
Total revenues	<u>1,181</u>	<u>1,181</u>	<u>768</u>	<u>(413)</u>	<u>1,319</u>
<b>Expenditures</b>					
Current					
General government	347	477	443	34	312
Total expenditures	<u>347</u>	<u>477</u>	<u>443</u>	<u>34</u>	<u>312</u>
<b>Other financing sources (uses)</b>					
Transfers out	(400)	(400)	(400)	-	(400)
Total other financing sources (uses)	<u>(400)</u>	<u>(400)</u>	<u>(400)</u>	<u>-</u>	<u>(400)</u>
Change in fund balance	434	304	(75)	(379)	607
Fund balances, July 1	<u>3,186</u>	<u>3,186</u>	<u>3,186</u>	<u>-</u>	<u>2,579</u>
Fund balances, June 30	<u>\$ 3,620</u>	<u>\$ 3,490</u>	<u>\$ 3,111</u>	<u>\$ (379)</u>	<u>\$ 3,186</u>

**CITY OF HOUSTON, TEXAS**  
**OTHER SPECIAL REVENUE FUND - HOUSTON TRANSTAR**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

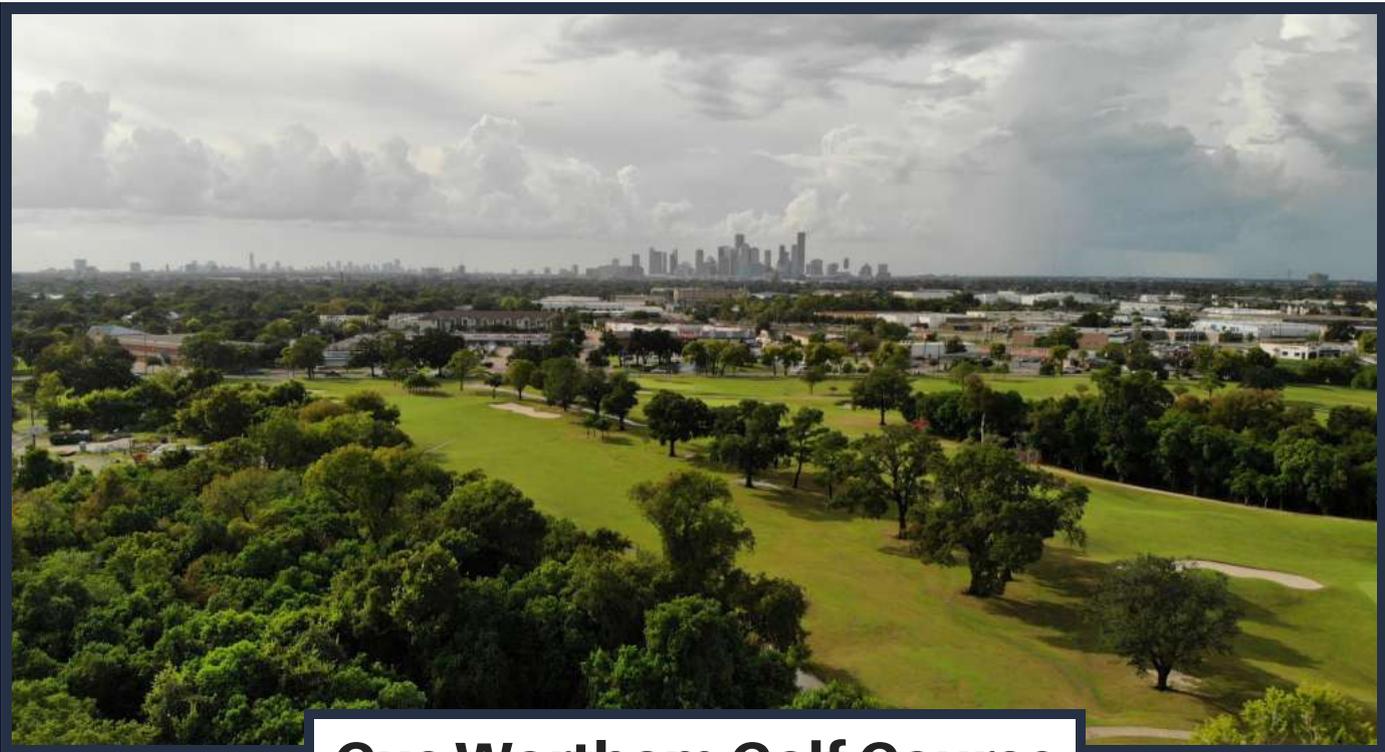
	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 694	\$ 694	\$ 694	\$ -	\$ 683
Intergovernmental - grants	1,741	1,741	1,781	40	1,735
Investment income	15	15	8	(7)	5
Total revenues	<u>2,450</u>	<u>2,450</u>	<u>2,483</u>	<u>33</u>	<u>2,423</u>
<b>Expenditures</b>					
Current					
General government	2,860	2,860	2,196	664	2,392
Capital outlay	-	-	-	-	341
Total expenditures	<u>2,860</u>	<u>2,860</u>	<u>2,196</u>	<u>664</u>	<u>2,733</u>
Change in fund balance	(410)	(410)	287	697	(310)
Fund balances, July 1	<u>1,274</u>	<u>1,274</u>	<u>1,274</u>	<u>-</u>	<u>1,584</u>
Fund balances, June 30	<u>\$ 864</u>	<u>\$ 864</u>	<u>\$ 1,561</u>	<u>\$ 697</u>	<u>\$ 1,274</u>

**CITY OF HOUSTON, TEXAS**  
**OTHER SPECIAL REVENUE FUND - PARKING MANAGEMENT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2018**  
*(With comparative totals for 2017)*  
*amounts expressed in thousands*

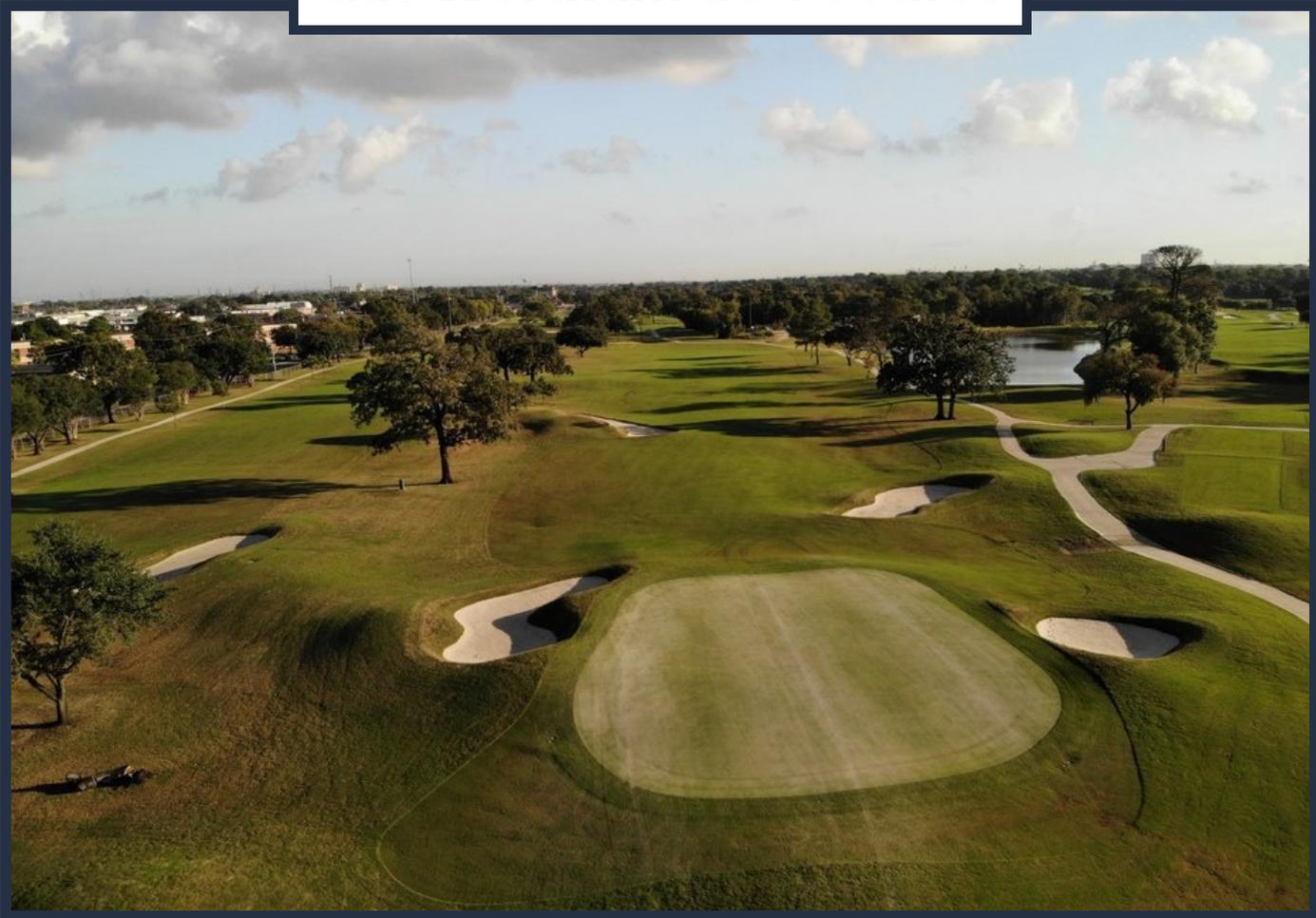
	<b>2018</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2017 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Taxes and assessments					
Parking Violations	\$ 10,367	\$ 10,367	\$ 8,900	\$ (1,467)	\$ 9,703
Parking Fees	9,786	9,786	10,306	520	11,044
Permit Fees	342	342	325	(17)	337
Investment income	34	34	37	3	13
Other	21	21	466	445	13
Total revenues	<u>20,550</u>	<u>20,550</u>	<u>20,034</u>	<u>(516)</u>	<u>21,110</u>
<b>Expenditures</b>					
Current					
General government	12,798	12,379	10,116	2,263	9,673
Capital outlay	228	545	102	443	56
Total expenditures	<u>13,026</u>	<u>12,924</u>	<u>10,218</u>	<u>2,706</u>	<u>9,729</u>
<b>Other financing sources (uses)</b>					
Transfers out	(8,169)	(8,169)	(10,217)	2,048	(11,292)
Total other financing sources (uses)	<u>(8,169)</u>	<u>(8,169)</u>	<u>(10,217)</u>	<u>2,048</u>	<u>(11,292)</u>
Change in fund balance	(645)	(543)	(401)	142	89
Fund balances, July 1	<u>2,468</u>	<u>2,468</u>	<u>2,468</u>	<u>-</u>	<u>2,379</u>
Fund balances, June 30	<u>\$ 1,823</u>	<u>\$ 1,925</u>	<u>\$ 2,067</u>	<u>\$ 142</u>	<u>\$ 2,468</u>

**CITY OF HOUSTON, TEXAS**

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**Gus Wortham Golf Course**





# Enterprise Funds

Enterprise funds are established to account for City operations that are financed and operated in a manner similar to private business enterprises where the cost of providing goods or services to the general public is financed primarily through user charges.

**Airport System** — This fund is used to account for the operations of the City's Airport System. The system is comprised of George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Airport.

**Convention and Entertainment Facilities** — This fund is used to account for the operations of the City's major convention and entertainment centers, as well as parking facilities and selected downtown parks. These centers include George R. Brown Convention Center, Jones Hall, Wortham Theater Center, Houston Center for the Arts, Talento Bilingue de Houston, and Miller Outdoor Theater. The parking facilities include the Theater District Parking Garage, the Convention District Garage and various surface lots. Downtown parks include Sesquicentennial Park, Jones Plaza, Root Memorial Square, and Sabine Promenade.

**Combined Utility System** — This fund is used to account for the production and transmission of water and the treatment of wastewater for City residents and businesses as well as for other governmental entities located in the Houston area.

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Net Position**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 134,358	\$ 171,334
Investments	259,813	191,385
Receivables, net of allowances		
Accounts receivable	50,114	42,924
Due from other funds	276	201
Due from other governments	22,397	34,493
Inventory	1,881	1,875
Prepaid items	4,495	2,938
Restricted assets		
Cash and cash equivalents	6,125	5,796
Restricted accounts receivable	1,444	1,300
Total current assets	480,903	452,246
Noncurrent Assets		
Investments	924,410	853,294
Prepaid items	929	1,383
Restricted assets		
Cash and cash equivalents	37,753	37,813
Total noncurrent assets	963,092	892,490
Capital assets		
Land	216,107	216,079
Buildings	2,985,527	2,970,950
Improvements and equipment	1,885,075	1,849,603
Construction in progress	182,844	135,233
Intangibles	17,376	14,604
Infrastructure	565,067	557,062
Less accumulated depreciation	(3,035,952)	(2,860,099)
Net capital assets	2,816,044	2,883,432
Total noncurrent assets	3,779,136	3,775,922
<b>Total assets</b>	<b>\$ 4,260,039</b>	<b>\$ 4,228,168</b>
<b>Deferred Outflows of Resources</b>		
Unamortized costs on refunded debt	20,499	27,329
Deferred outflows on pension liability	30,835	53,848
<b>Total Deferred Outflows of Resources</b>	<b>51,334</b>	<b>81,177</b>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Net Position**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 16,774	\$ 14,893
Accrued payroll liabilities	3,026	3,366
Accrued interest payable	43,464	45,689
Cost of issuance payable	180	-
Contracts and retainages payable	35,591	34,522
Due to other funds	394	713
Due to other governments	1,800	-
Notes payable	-	5,018
Pension obligation bonds payable	27,610	-
Advances and deposits	2,176	2,193
Inferior lien contract	-	6,240
Claims and judgments	881	777
Compensated absences	6,127	6,367
Special facility bonds payable	5,715	5,490
Other liabilities	10,000	10,000
Revenue bonds payable	78,520	77,855
Unearned revenue	10,837	5,296
Total current liabilities	<u>243,095</u>	<u>218,419</u>
Noncurrent liabilities		
Notes payable	-	110,403
Revenue bonds payable, net	2,118,415	1,991,140
Special facility bonds payable	80,385	86,100
Claims and judgments	1,395	642
Compensated absences	6,932	6,254
Commercial paper	21,473	87,000
Municipal pension trust liability	230,999	254,420
Other post employment benefits	89,907	74,657
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	<u>2,551,512</u>	<u>2,612,622</u>
<b>Total liabilities</b>	<u>2,794,607</u>	<u>2,831,041</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows on pension liability	1,100	4,487
Deferred inflows on OPEB health benefits liability	10,153	-
<b>Total Deferred Inflows of Resources</b>	<u>11,253</u>	<u>4,487</u>
<b>Net position</b>		
Net investment in capital assets	531,232	542,363
Restricted net position		
Restricted for debt service	357,588	287,858
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	56,891	54,805
Restricted for special facility	36,049	29,369
Restricted for capital improvements	657,050	676,360
Unrestricted (deficit)	(143,297)	(126,938)
<b>Total net position</b>	<u>\$ 1,505,513</u>	<u>\$ 1,473,817</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>		
Landing area fees	\$ 95,779	\$ 88,046
Rentals, building and ground areas	220,214	221,181
Parking	103,961	99,752
Concession	81,074	79,136
Other	9,836	5,926
Total operating revenue	510,864	494,041
<b>Operating Expenses</b>		
Maintenance and operating	335,104	254,459
Depreciation and amortization	176,053	184,203
Total operating expenses	511,157	438,662
Operating income	(293)	55,379
<b>Nonoperating revenues (expenses)</b>		
Investment income	8,591	3,403
Customer facility charges	17,374	14,200
Special facility cost	(294)	(92)
Other revenue (expenses)	(1,420)	4,141
Gain (Loss) on disposal of assets	(176)	1,455
Passenger facility charges	109,021	101,539
Interest expense on long-term debt	(89,944)	(87,482)
Cost of issuance for debt	(3,647)	-
Total Nonoperating revenues (expenses)	39,505	37,164
Income before contributions and transfers	39,212	92,543
Capital contributions	13,784	35,513
Change in net position	52,996	128,056
Beginning Net Position as previously reported	1,473,817	1,345,761
Cumulative effect of implementation of a new accounting principle	(21,300)	-
Total net position, July 1	1,452,517	1,345,761
<b>Total net position, June 30</b>	<b>\$ 1,505,513</b>	<b>\$ 1,473,817</b>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 509,538	\$ 454,955
Payments to employees	(131,160)	(102,834)
Payments to suppliers	(127,244)	(116,498)
Internal activity-payments to other funds	(67,604)	(34,214)
Claims paid	(881)	(777)
Other receipts (payments)	(1,420)	4,141
Net cash provided by operating activities	<u>181,229</u>	<u>204,773</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	8,591	3,403
Purchases of investments	(1,851,068)	(1,473,463)
Sales of investments	1,711,524	1,548,830
Net cash provided by (used in) capital and related financing activities	<u>(130,953)</u>	<u>78,770</u>
<b>Cash flows from noncapital financing activities</b>		
Proceeds from pension bonds	27,610	-
Cost of issuance expense on pension obligation bonds	(102)	-
Interest expense pension obligation bonds	(223)	(106)
Net cash provided by (used in) noncapital financing activities	<u>27,285</u>	<u>(106)</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(336,809)	(74,665)
Retirement of special facility bonds	(5,490)	(5,305)
Proceeds from issuance of commercial paper	18,000	-
Interest expense on debt	(103,296)	(99,558)
Retirement of inferior lien contract	(6,240)	(5,915)
Passenger facilities charges	108,220	95,710
Customer facilities charges	17,232	14,068
Proceeds from issuance of revenue bonds	475,472	-
Grant receipts	27,680	12,132
Retirement of note payable	(115,882)	-
Acquisition of property, plant and equipment	(106,263)	(133,260)
Retirement of commercial paper	(83,527)	-
Cost of issuance expense for revenue bonds	(3,365)	-
Net cash used in capital and related financing activities	<u>(114,268)</u>	<u>(196,793)</u>
Net increase(decrease) in cash and cash equivalents	(36,707)	86,644
Cash and cash equivalents, July 1	214,943	128,299
<b>Cash and cash equivalents, June 30</b>	<u>\$ 178,236</u>	<u>\$ 214,943</u>
<b>Cash and cash equivalents</b>		
Pooled cash and cash equivalents (Note 3A)	\$ 134,353	\$ 171,334
Non-pooled cash and cash equivalents (Note 3A)	43,883	43,609
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 178,236</u>	<u>\$ 214,943</u>
<b>Non cash transactions</b>		
Bond amortization expense	\$ 3,438	\$ 3,595
Capital additions included in notes payable	(115,882)	(5,018)
Capitalized interest expense	8,832	9,789
Grants included in receivables	(13,895)	23,238
Capital additions included in liabilities	1,069	(30,142)
Gain (loss) on disposal of assets	(183)	(6,073)
Total non cash transactions	<u>\$ (116,621)</u>	<u>\$ (4,611)</u>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities</b>		
Operating income(loss)	\$ (293)	\$ 55,379
Adjustments to reconcile operating income(loss) to net cash provided by operating activities		
Depreciation and amortization	176,053	184,203
Capital improvement plan expense	7,027	5,243
Other post employment benefits	4,103	4,454
Other revenues(expenses)	(1,420)	4,141
Terminal space revenue bond	(461)	(7,656)
Changes in assets and liabilities		
Accounts receivable	(6,388)	(34,916)
Due from other funds	(75)	31,632
Inventory and prepaid insurance	(1,563)	(364)
Accounts payable	1,881	806
Accrued payroll liabilities	(341)	233
Due to other funds	(319)	(257)
Advances and deposits	5,525	3,485
Claims and judgments - workers' compensation	857	(386)
Compensated absences	438	(159)
Other current liabilities	-	10,000
Pension Obligation payable	(3,795)	(51,065)
Net cash provided by operating activities	<u>\$ 181,229</u>	<u>\$ 204,773</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Position**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 5,821	\$ 13,806
Investments	46,016	51,234
Receivables, net of allowances		
Hotel occupancy tax receivable	22,831	20,526
Due from component units	33,984	32,113
Due from other funds	2	-
Restricted assets		
Cash and cash equivalents	189	13
Total current assets	108,843	117,692
Noncurrent Assets		
Investments	34,703	34,927
Due from component units	341,883	274,506
Total noncurrent restricted assets	376,586	309,433
Capital assets		
Land	95,687	95,687
Buildings	577,527	577,527
Improvements and equipment	8,880	11,865
Infrastructure	334	334
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	(297,513)	(286,649)
Net capital assets	398,059	411,908
Total noncurrent assets	774,645	721,341
<b>Total assets</b>	<b>\$ 883,488</b>	<b>\$ 839,033</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflow on pension liability	505	574
Deferred outflow for unamortized cost on refunded debt	77	82
<b>Total Deferred Outflows of Resources</b>	<b>582</b>	<b>656</b>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Position**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 43	\$ 60
Accrued payroll liabilities	8	13
Accrued interest payable	4,897	4,619
Due to component units	22,816	24,465
Cost of issuance payable	449	329
Compensated absences	35	47
Pension obligation bonds payable	80	75
Revenue bonds payable	21,779	21,815
<b>Total current liabilities</b>	<u>50,107</u>	<u>51,423</u>
Noncurrent liabilities		
Revenue bonds payable	677,906	623,599
Arbitrage rebate	111	145
Municipal pension trust liability	6,084	6,154
Other post employment benefits	2,856	4,331
Unearned revenue	6,608	6,899
Pension obligation bonds payable	3,469	3,624
<b>Total noncurrent liabilities</b>	<u>697,034</u>	<u>644,752</u>
<b>Total liabilities</b>	<u>747,141</u>	<u>696,175</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows on pension liability	45	55
Deferred inflows for unamortized cost on refunded debt	7,701	6,915
Deferred inflows on OPEB health benefits liability	300	-
<b>Total Deferred Inflows of Resources</b>	<u>8,046</u>	<u>6,970</u>
<b>Net Position</b>		
Net investment in capital assets	54,522	63,981
Restricted net position		
Restricted for debt service	34,703	34,927
Restricted for renewal and replacement	5	6
Restricted for maintenance and operations	16,135	16,135
Unrestricted	23,518	21,495
<b>Total net position</b>	<u>\$ 128,883</u>	<u>\$ 136,544</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Parking	\$ 6,434	\$ 10,793
Rental	1,449	1,490
Total operating revenue	<u>7,883</u>	<u>12,283</u>
<b>Operating Expenses</b>		
Maintenance and operating	73,725	69,756
Depreciation and amortization	13,599	13,654
Total operating expenses	<u>87,324</u>	<u>83,410</u>
Operating loss	<u>(79,441)</u>	<u>(71,127)</u>
<b>Nonoperating revenue (expenses)</b>		
Investment income	9,723	9,091
Hotel occupancy tax	89,417	82,882
Other revenue	989	291
Gain (loss) on disposal of assets	(251)	(177)
Interest on long-term debt	(27,575)	(27,170)
Cost of issuance for debt	(370)	-
Total Nonoperating revenues (expenses)	<u>71,933</u>	<u>64,917</u>
Income before contributions and transfers	<u>(7,508)</u>	<u>(6,210)</u>
Transfers out	<u>(1,449)</u>	<u>(1,490)</u>
Total transfers	<u>(1,449)</u>	<u>(1,490)</u>
Change in net position	(8,957)	(7,700)
Beginning Net Position as previously reported	136,544	144,244
Cumulative effect of the implementation of a new accounting principle	1,296	-
Total net position, July 1	<u>137,840</u>	<u>144,244</u>
<b>Total net position, June 30</b>	<u>\$ 128,883</u>	<u>\$ 136,544</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 6,434	\$ 10,793
Payments to employees	(213)	(242)
Payments to suppliers	(89)	(64)
Internal activity-payments to other funds	(2)	3,116
Other revenues	698	-
Other expenses	(74,795)	(71,054)
Receipts from component units	1,449	1,490
Net cash used in operating activities	<u>(66,518)</u>	<u>(55,961)</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	9,723	9,091
Purchase of investments	(110,472)	(124,523)
Proceeds from sale of investments	115,688	142,818
Net cash provided by investing activities	<u>14,939</u>	<u>27,386</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(32,070)	(29,645)
Refunding of revenue bonds	62	-
Cost of issuance on debt	(250)	-
Interest expense on debt	(15,114)	(15,110)
Net cash provided by (used in) capital and related financing activities	<u>(47,372)</u>	<u>(44,755)</u>
<b>Cash flows from noncapital financing activities</b>		
Retirement of pension bonds	(75)	(70)
Payments from component unit	4,325	(6,453)
Hotel occupancy tax revenue	87,113	85,252
Interest expense on pension obligation bonds	(221)	(220)
Net cash provided by noncapital financing activities	<u>91,142</u>	<u>78,509</u>
Net decrease in cash and cash equivalents	(7,809)	5,179
Cash and cash equivalents, July 1	13,819	8,640
<b>Cash and cash equivalents, June 30</b>	<u>\$ 6,010</u>	<u>\$ 13,819</u>
<b>Cash and cash equivalents</b>		
Pooled cash and cash equivalents (Note 3A)	\$ 5,821	\$ 13,806
Non-pooled cash and cash equivalents (Note 3A)	189	13
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 6,010</u>	<u>\$ 13,819</u>
<b>Non cash transactions</b>		
Unrealized gain on investments	\$ 528	\$ 788
Receivable from component unit	(75,000)	-
Addition of Subordinate Lien Flexible Rate Notes	75,000	-
Addition of HOT and Special Revenue Series Bonds 2017	13,796	-
Refunding of HOT and Special Revenue Bond Series 2011B	(13,735)	-
Total non cash transactions	<u>\$ 589</u>	<u>\$ 788</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (79,441)	\$ (71,127)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation and amortization	13,599	13,654
Other post employment benefits	121	139
Other revenues	990	291
Other expenses	(1,449)	(1,490)
Changes in assets and liabilities		
Due from other funds	(2)	3,116
Accounts payable	(17)	22
Accrued payroll liabilities	(5)	(18)
Compensated absences	(12)	(101)
Deferred revenue	(291)	(292)
Pension Obligation payable	(11)	(155)
<b>Net cash used in operating activities</b>	<u>\$ (66,518)</u>	<u>\$ (55,961)</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM**  
**Statement of Net Position**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 178,163	\$ 177,596
Investments	1,264,631	790,840
Receivables, net of allowances		
Accounts receivable	140,194	120,552
Special assessments receivable	93	93
Due from other funds	2,972	1,916
Due from other governments	3,742	3,896
Inventory	14,873	11,648
Prepaid items	4,611	3,429
<b>Restricted assets</b>		
Cash and cash equivalents	28	27
<b>Total current assets</b>	<b>1,609,307</b>	<b>1,109,997</b>
<b>Noncurrent Assets</b>		
Investments	115,522	323,731
Prepays	5,082	6,285
Due from other governments	117,308	73,679
Amounts held by other governments	10,973	11,029
<b>Total noncurrent restricted assets</b>	<b>248,885</b>	<b>414,724</b>
<b>Capital assets</b>		
Land	157,490	147,312
Buildings	152,726	148,158
Improvements and equipment	171,052	170,506
Plants, lines and rights	10,784,040	10,573,931
Construction in progress	657,016	479,783
Water rights	845,975	748,658
Less accumulated depreciation and amortization	(5,710,870)	(5,493,089)
<b>Net capital assets</b>	<b>7,057,429</b>	<b>6,775,259</b>
<b>Total noncurrent assets</b>	<b>7,306,314</b>	<b>7,189,983</b>
<b>Total assets</b>	<b>\$ 8,915,621</b>	<b>\$ 8,299,980</b>
<b>Deferred outflows of resources</b>		
Deferred outflow on pension liability	47,334	86,602
SWAP liability/Unamortized cost on refunded debt	342,840	390,876
<b>Total deferred outflows of resources</b>	<b>390,174</b>	<b>477,478</b>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM**  
**Statement of Net Position**  
**June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<b>2018</b>	<b>2017</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 143,651	\$ 143,991
Accrued payroll liabilities	5,421	5,829
Accrued interest payable	58,670	47,889
Contracts payable	9,053	5,893
Due to other funds	10,905	13,076
Due to component units	3,481	3,481
Due to other governments	1,522	1,371
Advances and deposits	50,126	53,654
Pension obligation bonds payable ST	1,405	1,190
Cost of issuance payable	1,264	2,519
Claims and judgments	843	844
Compensated absences	10,596	10,788
Commercial paper payable	220,000	20,000
Revenue bonds payable	213,810	200,505
Total current liabilities	730,747	511,030
Noncurrent liabilities		
Revenue bonds payable	6,333,684	6,504,672
Claims and judgments	1,216	863
Compensated absences	9,027	9,188
Contracts payable	741,074	463,360
Arbitrage rebate	25	-
Municipal pension trust liability	350,277	390,241
Other post employment benefits	184,171	135,580
SWAP liability	184,777	224,943
Unearned revenue	585,128	436,051
Pension obligation bonds payable	96,976	55,927
Total noncurrent liabilities	8,486,355	8,220,825
<b>Total liabilities</b>	9,217,102	8,731,855
<b>Deferred inflows of resources</b>		
Deferred inflows on pension liability	1,440	7,218
Deferred inflows on OPEB liability	20,894	-
<b>Total deferred inflows of resources</b>	22,334	7,218
<b>Net Position</b>		
Net investment in capital assets	237,650	135,954
Restricted net position		
Restricted for maintenance and operations	78,497	77,310
Restricted for capital improvements	117,308	73,679
Unrestricted	(367,096)	(248,558)
<b>Total net position (deficit)</b>	\$ 66,359	\$ 38,385

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
**amounts expressed in thousands**

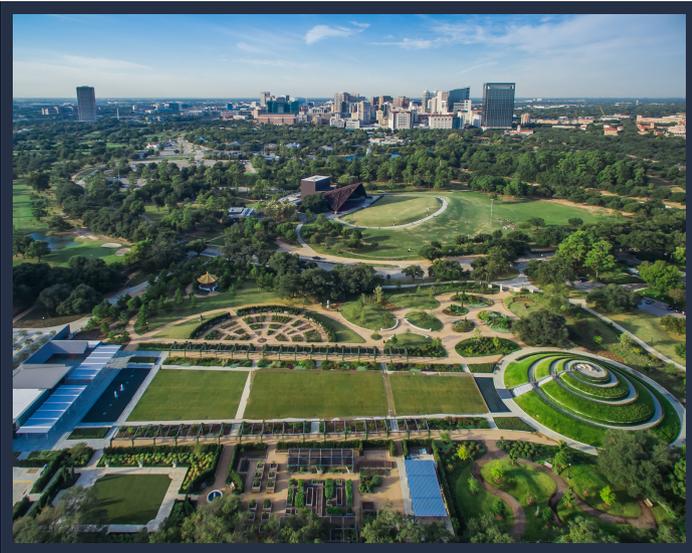
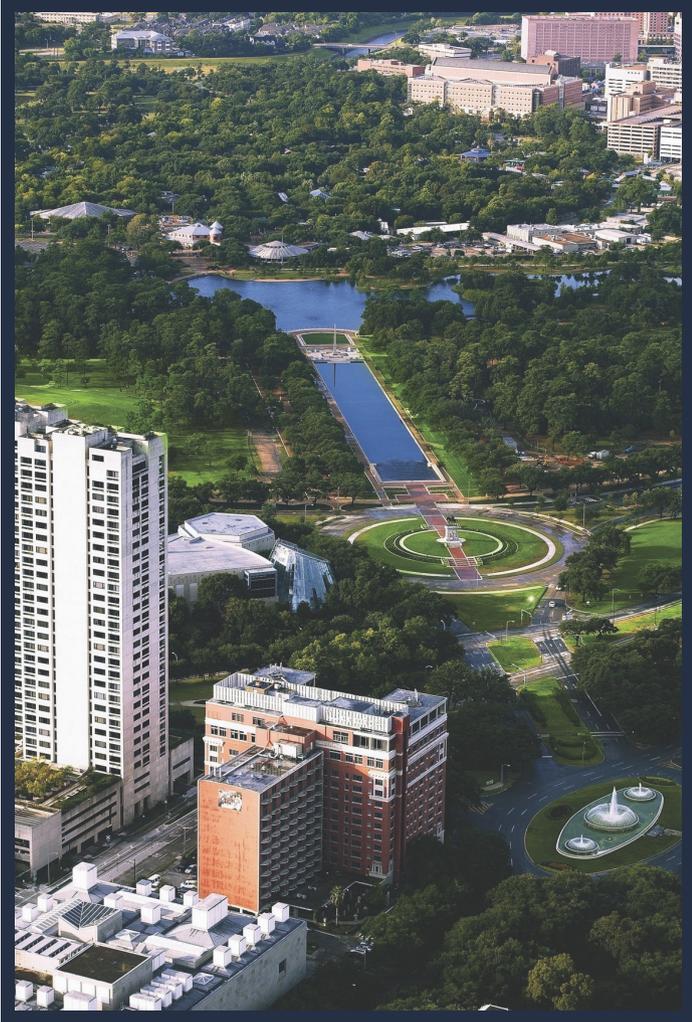
	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Water/Sewer Billing	\$ 1,052,549	\$ 1,025,795
Total operating revenue	<u>1,052,549</u>	<u>1,025,795</u>
<b>Operating Expenses</b>		
Maintenance and operating	492,391	354,496
Depreciation and amortization	252,093	246,218
Total operating expenses	<u>744,484</u>	<u>600,714</u>
Operating income	<u>308,065</u>	<u>425,081</u>
<b>Nonoperating revenue (expenses)</b>		
Investment income	8,074	3,954
Other revenue	43,289	38,068
Gain (loss) on disposal of assets	11,960	159
Interest on long-term debt	(246,305)	(243,981)
Cost of issuance of debt	(1,979)	(4,839)
Contributions in	19,346	20,187
Total Nonoperating revenues (expenses)	<u>(165,615)</u>	<u>(186,452)</u>
Income before contributions and transfers	<u>142,450</u>	<u>238,629</u>
Capital contributions	<u>9,624</u>	<u>17,260</u>
Transfers out	<u>(63,058)</u>	<u>(61,395)</u>
Total transfers	<u>(63,058)</u>	<u>(61,395)</u>
Change in net position	89,016	194,494
Total net position, July 1, as previously reported	38,385	(156,109)
Cumulative effect of the implementation of a new accounting principle	(61,042)	-
Beginning net assets, July 1	<u>(22,657)</u>	<u>(156,109)</u>
<b>Total net position, June 30</b>	<u>\$ 66,359</u>	<u>\$ 38,385</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**  
*(With comparative amounts for 2017)*  
*amounts expressed in thousands*

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 1,041,264	\$ 1,013,426
Payments to employees	(225,128)	(175,450)
Payments to suppliers	(247,385)	(187,375)
Internal activity-payments to other funds	(33,945)	14,358
Claims paid	(1,247)	(1,567)
Other receipts	43,328	38,444
Receipts from other governments	133	-
Net cash provided by operating activities	<u>577,020</u>	<u>701,836</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	8,074	3,955
Purchases of investments	(2,103,297)	(1,624,759)
Sales of investments	1,837,717	1,502,456
Net cash provided by (used in) investing activities	<u>(257,506)</u>	<u>(118,348)</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(200,505)	(184,570)
Retirement of commercial paper	-	(250,000)
Refunding of revenue bonds	-	(329,393)
Retirement of contracts payable	(6,468)	(4,868)
Proceeds from issuance of revenue bonds	64,680	647,202
Proceeds from issuance of commercial paper	200,000	210,000
Proceeds from contracts payable	190,080	63,020
Interest expense on debt	(261,020)	(256,391)
Cost of revenue bond issuance	(3,234)	(4,839)
Proceeds from disposition of assets	14,607	4,615
Due from other governments	113,028	38,386
Acquisition of property, plant and equipment	(404,478)	(367,646)
Net cash used for capital and related financing activities	<u>(293,310)</u>	<u>(434,484)</u>
<b>Cash flows from noncapital financing activities</b>		
Proceeds from pension bonds	42,453	-
Interest expense on pension obligation bonds	(3,841)	(3,630)
Retirement of Pension bonds	(1,190)	(1,115)
Transfers to debt service fund	(9,080)	(9,149)
Transfers to other funds	(53,978)	(52,246)
Net cash used in noncapital financing activities	<u>(25,636)</u>	<u>(66,140)</u>
Net increase(decrease) in cash and cash equivalents	568	82,864
Cash and cash equivalents, July 1	<u>177,623</u>	<u>94,759</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 178,191</u>	<u>\$ 177,623</u>
<b>Cash and cash equivalents:</b>		
Pooled cash and cash equivalents (Note 3A)	\$ 178,163	\$ 177,596
Non-pooled cash and cash equivalents (Note 3A)	28	27
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 178,191</u>	<u>\$ 177,623</u>
<b>Non cash transactions</b>		
Capital additions included in liabilities	\$ 96,975	\$ 203,025
CAB accretion interest	8,918	8,487
Donated capital	(9,612)	(17,260)
Capitalized interest	16,863	16,290
Gain on disposal of assets	(12)	(159)
Total non cash transactions	<u>\$ 113,132</u>	<u>\$ 210,383</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 308,065	\$ 425,081
Depreciation and amortization	252,093	246,218
Other post employment benefits	8,443	9,131
Other revenues	43,328	38,444
Changes in assets and liabilities		
Accounts receivable	(19,644)	(21,644)
Due from other funds	(1,056)	35,024
Due from other governments	207	429
Inventory & prepaid insurance	(4,407)	(19)
Accounts payable	(11,730)	34,347
Accrued payroll liabilities	(408)	624
Due to other funds	(2,171)	10,018
Advances and deposits	(3,529)	(2,904)
Claims and judgments-workers' compensation	351	(368)
Compensated absences	(353)	(214)
Pension obligation payable	(6,474)	(84,509)
Other long-term liabilities	14,305	12,178
<b>Net cash provided by operating activities</b>	<u>\$ 577,020</u>	<u>\$ 701,836</u>

**CITY OF HOUSTON, TEXAS**

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**Hermann Park**



## Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one city department to other city departments on a cost reimbursement basis.

**Health Benefits** — This fund is used to account for the costs incurred to provide City employees' health care and life insurance benefits.

**Long-Term Disability** — This fund is used to account for the costs incurred to provide City employees' long-term disability coverage.

CITY OF HOUSTON, TEXAS  
INTERNAL SERVICE FUNDS  
Combining Statement of Net Position  
For the Year Ended June 30, 2018  
(With comparative totals for 2017)  
amounts expressed in thousands

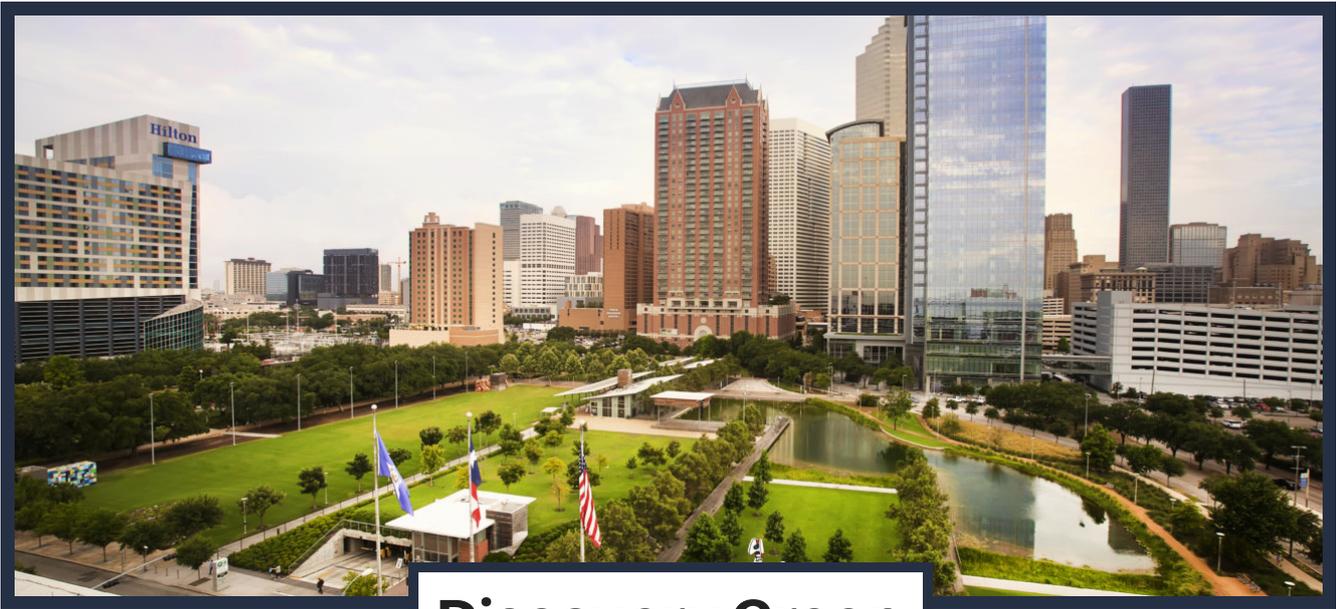
	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ -	\$ 675	\$ 675	\$ 8,036
Investments	70,722	9,374	80,096	55,381
Receivables, net of allowances				
Accounts receivable	7	-	7	1
Due from other governments	24	-	24	9
Prepaid items	-	-	-	3
Total current assets	<u>70,753</u>	<u>10,049</u>	<u>80,802</u>	<u>63,430</u>
Capital assets				
Buildings, improvements and equipment	746	-	746	692
Total capital assets	<u>746</u>	<u>-</u>	<u>746</u>	<u>692</u>
Less accumulated depreciation				
Net capital assets	<u>(502)</u>	<u>-</u>	<u>(502)</u>	<u>(457)</u>
Total noncurrent assets	<u>244</u>	<u>-</u>	<u>244</u>	<u>235</u>
<b>Total Assets</b>	<u>70,997</u>	<u>10,049</u>	<u>81,046</u>	<u>63,665</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts payable	484	58	542	791
Accrued payroll liabilities	128	-	128	160
Due to other funds	14	-	14	18
Claims and judgments	23,070	-	23,070	19,135
Compensated absences	271	-	271	267
Unearned revenue	3,129	-	3,129	2,954
Total current liabilities	<u>27,096</u>	<u>58</u>	<u>27,154</u>	<u>23,325</u>
Noncurrent liabilities				
Claims and judgments	15,000	5,990	20,990	21,183
Compensated absences	46	-	46	43
Total noncurrent liabilities	<u>15,046</u>	<u>5,990</u>	<u>21,036</u>	<u>21,226</u>
<b>Total liabilities</b>	<u>42,142</u>	<u>6,048</u>	<u>48,190</u>	<u>44,551</u>
<b>Net Position</b>				
Net investment in capital assets	244	-	244	235
Unrestricted	28,611	4,001	32,612	18,879
<b>Total net position</b>	<u>\$ 28,855</u>	<u>\$ 4,001</u>	<u>\$ 32,856</u>	<u>\$ 19,114</u>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2018**  
**(With comparative totals for 2017)**  
*amounts expressed in thousands*

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>				
Other	\$ 895	\$ -	\$ 895	\$ 802
Health benefit premiums	385,666	1,313	386,979	359,965
Total operating revenues	<u>386,561</u>	<u>1,313</u>	<u>387,874</u>	<u>360,767</u>
<b>Operating Expenses</b>				
Administrative costs	6,605	24	6,629	6,831
Claims costs	368,947	(1,070)	367,877	360,578
Depreciation and amortization	51	-	51	26
Total operating expenses	<u>375,603</u>	<u>(1,046)</u>	<u>374,557</u>	<u>367,435</u>
Operating income (loss)	<u>10,958</u>	<u>2,359</u>	<u>13,317</u>	<u>(6,668)</u>
<b>Nonoperating revenues (expenses)</b>				
Investment income	355	70	425	147
Total Nonoperating revenues (expenses)	<u>355</u>	<u>70</u>	<u>425</u>	<u>147</u>
Income (loss) before contributions and transfers	<u>11,313</u>	<u>2,429</u>	<u>13,742</u>	<u>(6,521)</u>
Change in net position	11,313	2,429	13,742	(6,521)
Total net position, July 1	<u>17,542</u>	<u>1,572</u>	<u>19,114</u>	<u>25,635</u>
<b>Total net position, June 30</b>	<u><u>\$ 28,855</u></u>	<u><u>\$ 4,001</u></u>	<u><u>\$ 32,856</u></u>	<u><u>\$ 19,114</u></u>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2018**  
**(With comparative totals for 2017)**  
*amounts expressed in thousands*

	Health Benefits	Long-term Disability	2018	2017
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 387,739	\$ 1,313	\$ 389,052	\$ 359,727
Payments to employees	(4,548)	-	(4,548)	(4,973)
Payments to suppliers	(2,102)	(3)	(2,105)	(1,672)
Internal activity-payments to other funds	(93)	-	(93)	(162)
Claims paid	(365,103)	(1,148)	(366,251)	(359,490)
Due from other governments	(14)	-	(14)	103
Other receipts	895	-	895	802
<b>Net cash provided by (used in) operating activities</b>	<u>16,774</u>	<u>162</u>	<u>16,936</u>	<u>(5,665)</u>
<b>Cash flows from investing activities</b>				
Interest income on investments	356	70	426	146
Purchase of investments	(82,620)	-	(82,620)	(82,620)
Proceeds from sale of investments	79,199	-	79,199	106,710
<b>Net cash provided by investing activities</b>	<u>(3,065)</u>	<u>70</u>	<u>(2,995)</u>	<u>24,236</u>
Acquisition of property, plant and equipment	(54)	-	(54)	(164)
	<u>(54)</u>	<u>-</u>	<u>(54)</u>	<u>(164)</u>
Net increase in cash and cash equivalents	13,655	232	13,887	18,407
Cash and cash equivalents, July 1	(13,655)	443	(13,212)	(10,371)
<b>Cash and cash equivalents, June 30</b>	<u>\$ -</u>	<u>\$ 675</u>	<u>\$ 675</u>	<u>\$ 8,036</u>
<b>Cash and cash equivalents</b>				
Pooled cash and cash equivalents (Note 3A)	\$ -	\$ 675	\$ 675	\$ 8,036
<b>Total cash and cash equivalents, June 30</b>	<u>\$ -</u>	<u>\$ 675</u>	<u>\$ 675</u>	<u>\$ 8,036</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 10,957	\$ (340)	\$ 10,617	\$ (6,668)
Depreciation	45	-	45	26
Accounts receivable	2,074	-	2,074	(238)
Due from other funds	-	-	-	6
Due from other governments	(15)	-	(15)	103
Inventory & prepaid insurance	3	-	3	-
Accounts payable	(246)	(3)	(249)	15
Accrued payroll liabilities	(32)	-	(32)	5
Due to other funds	(4)	-	(4)	(61)
Claims for workers' compensation	3,855	505	4,360	1,123
Compensated absences	(39)	-	(39)	(60)
Deferred revenue	176	-	176	84
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 16,774</u>	<u>\$ 162</u>	<u>\$ 16,936</u>	<u>\$ (5,665)</u>



# Discovery Green





## **Fiduciary Funds (Trust and Agency Funds)**

Trust and Agency Funds are used to account for assets held by a government unit as trustee, or agent, for individuals, private organizations, other governmental units, and/or other funds.

**Pension trust funds** are used to account for the operation of the employee pension retirement programs. The funds include: Houston Firefighters' Relief and Retirement, Houston Municipal Employees', and Police Officers' funds.

**Agency funds** are custodial in nature, and assets equal liabilities with no measure of the results of operations or financial position. Agency funds include: Payroll Revolving, City Deposits, and Tax Clearing Funds.

**CITY OF HOUSTON, TEXAS**  
**PENSION TRUST FUNDS**  
**Combining Statement of Plan Net Position**  
**June 30, 2018**  
**(With comparative totals for 2017)**  
*amounts expressed in thousands*

		<b>Firefighters' Relief and Retirement Pension Trust Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$	10,886
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		896,355
Commingled equity funds		-
Common and preferred stock		2,104,607
Real estate, partnerships and alternatives		929,532
Short-term investment funds		215,539
Invested securities lending collateral		77,639
Receivables, net of allowances		
Due from broker		-
Contributions		5,077
Accrued interest and dividends		6,931
Other		8,328
Other assets		910
Land		483
Building		4,351
		-
Total assets		4,260,638
 <b>Liabilities and plan net position</b>		
Liabilities		
Accounts payable		12,497
Securities lending collateral		77,639
Foreign funds contracts payable		-
Other liabilities		147
<b>Total liabilities</b>		90,283
 <b>Deferred inflows of resources</b>		
Deferred inflow of resources		-
<b>Total deferred inflows of resources</b>		-
 <b>Net position restricted for pensions</b>	 \$	 4,170,355

	<b>Municipal Employees' Pension Trust Fund</b>	<b>Police Officers' Pension Trust Fund</b>	<b>2018</b>	<b>2017</b>
\$	31,378	\$ 33	\$ 42,297	\$ 23,848
	69,615	-	69,615	72,675
	198,328	-	198,328	202,121
	-	642,196	1,538,551	1,331,689
	787,745	-	787,745	653,822
	683,340	1,841,327	4,629,274	3,957,487
	1,159,309	2,026,412	4,115,253	3,834,169
	61,457	942,332	1,219,328	958,642
	49,472	109,070	236,181	271,134
	2,093	25,616	27,709	1,711
	7,751	1,876	14,704	13,485
	-	6,466	13,397	12,004
	8,458	44	16,830	94,553
	133	5,682	6,725	833
	-	-	483	483
	-	-	4,351	4,713
	<u>3,059,079</u>	<u>5,601,054</u>	<u>12,920,771</u>	<u>11,433,369</u>
	7,051	4,901	24,449	70,126
	49,472	109,070	236,181	271,134
	2,098	-	2,098	449
	11,520	469	12,136	11,334
	<u>70,141</u>	<u>114,440</u>	<u>274,864</u>	<u>353,043</u>
	75	-	75	-
	75	-	75	-
\$	<u>2,988,863</u>	<u>\$ 5,486,614</u>	<u>\$ 12,645,832</u>	<u>\$ 11,080,326</u>

**CITY OF HOUSTON, TEXAS**  
**PENSION TRUST FUNDS**  
**Combining Statement of Changes in Plan Net Position**  
**For the Year Ended June 30, 2018**  
**(With comparative totals for 2017)**  
*amounts expressed in thousands*

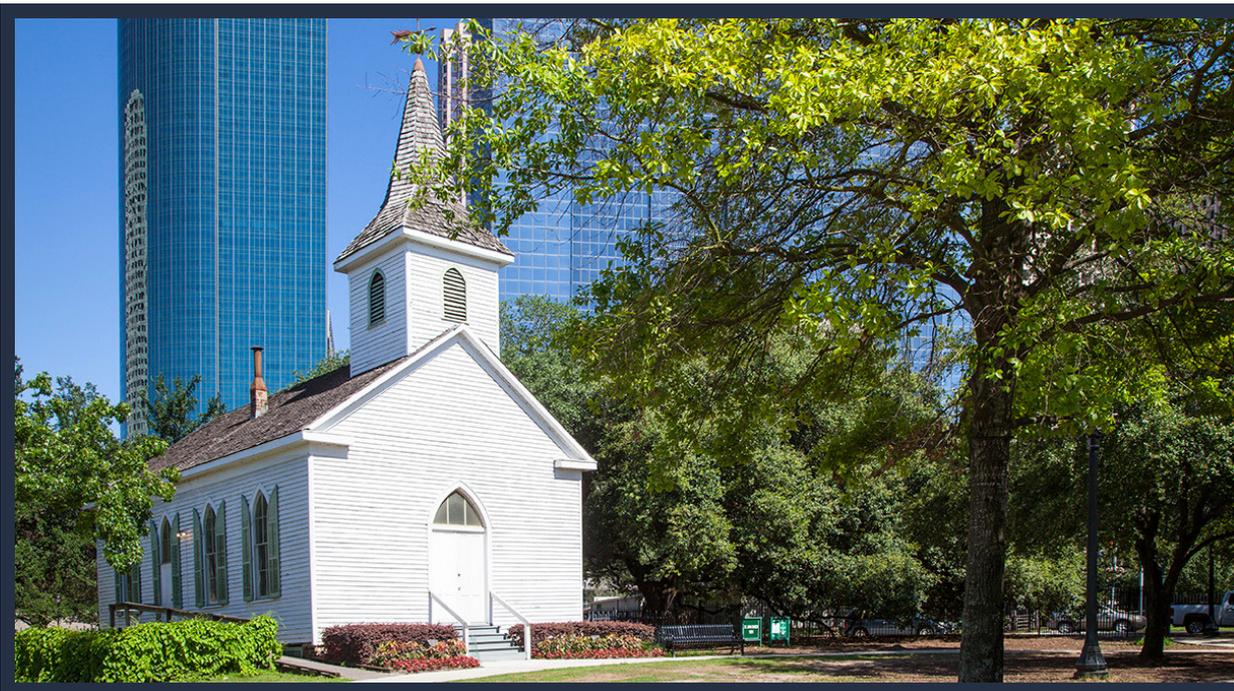
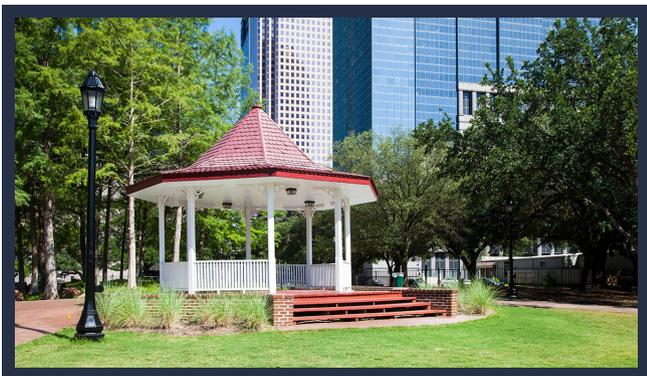
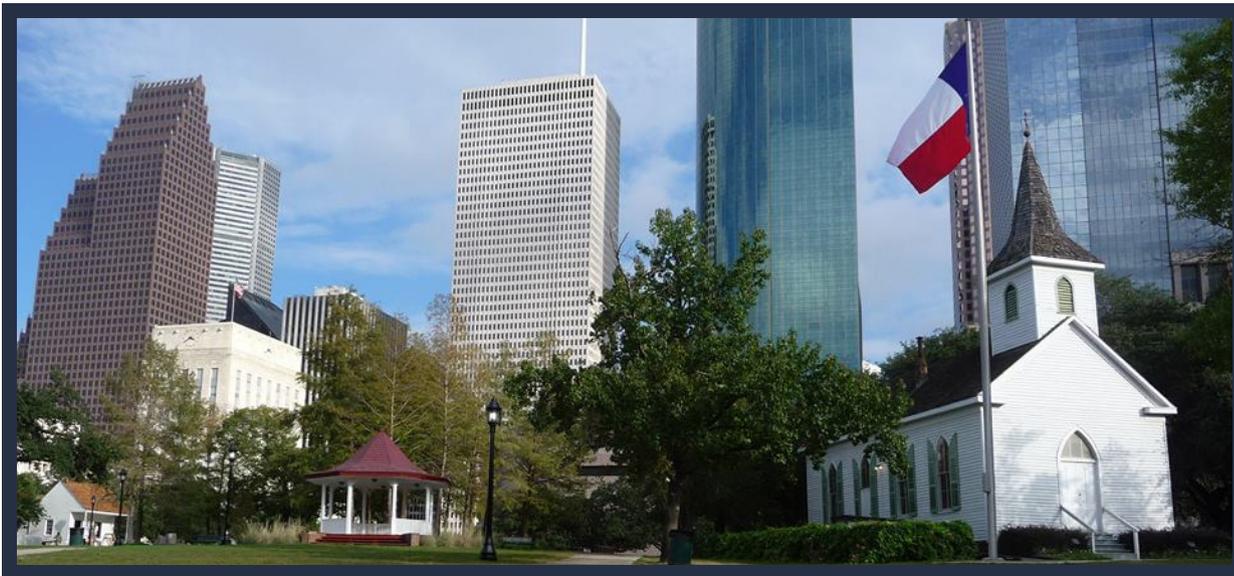
	<b>Firefighters' Relief and Retirement Pension Trust Fund</b>	<b>Municipal Employees' Pension Trust Fund</b>
<b>Additions:</b>		
Contributions		
City of Houston	\$ 83,010	\$ 421,562
Members	35,622	27,905
Total Contributions	118,632	449,467
Investment income		
Interest	26,478	10,530
Net appreciation(depreciation) in fair value of investments	297,202	208,672
Dividends	4,127	19,974
Income on securities lending	544	918
Earnings from real estate, limited partnerships real estate investments, and other investments	842	5
Other income	319	701
Total investment and other income (loss)	329,512	240,800
Less - investment expense	(6,899)	(7,668)
Less - cost of securities lending	(307)	(617)
Total additions (reductions)	440,938	681,982
<b>Deductions:</b>		
Benefits paid to members	287,499	283,928
Refunds to members	1,608	806
Other	6,567	6,442
Total deductions	295,674	291,176
<b>Net increase (decrease)</b>	145,264	390,806
Net position restricted for pensions, beginning of year	4,025,090	2,598,058
Cumulative effect of prior year adjustments for OPEB	-	-
Total net position, as restated	4,025,090	2,598,058
<b>Net position restricted for pensions, end of year</b>	\$ 4,170,354	\$ 2,988,864

(Continued)

<b>Police Officers' Pension Trust Fund</b>	<b>2018</b>	<b>2017</b>
\$ 887,143	\$ 1,391,715	\$ 410,021
45,254	108,781	81,408
<u>932,397</u>	<u>1,500,496</u>	<u>491,429</u>
31,795	68,803	80,494
413,755	919,629	1,274,108
31,590	55,691	57,039
-	1,462	1,054
-	847	6,391
-	1,020	1,855
<u>477,140</u>	<u>1,047,452</u>	<u>1,420,941</u>
(14,339)	(28,906)	(28,317)
279	(645)	(17)
<u>1,395,477</u>	<u>2,518,397</u>	<u>1,884,036</u>
361,033	932,460	987,543
1,329	3,743	3,454
3,679	16,688	18,260
<u>366,041</u>	<u>952,891</u>	<u>1,009,257</u>
1,029,436	1,565,506	874,779
4,457,178	11,080,326	10,210,153
-	-	(4,606)
<u>4,457,178</u>	<u>11,080,326</u>	<u>10,205,547</u>
<u>\$ 5,486,614</u>	<u>\$ 12,645,832</u>	<u>\$ 11,080,326</u>

**CITY OF HOUSTON, TEXAS**  
**AGENCY FUNDS**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
<b>Payroll Revolving Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 8,322,752	\$ 8,322,332	\$ 420
Investments	-	7,917	-	7,917
Accounts receivable	3,782	2,062	3,650	2,194
Total assets	<u>\$ 3,782</u>	<u>\$ 8,332,731</u>	<u>\$ 8,325,982</u>	<u>\$ 10,531</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,782	\$ 3,178,851	\$ 3,172,102	\$ 10,531
Total liabilities	<u>\$ 3,782</u>	<u>\$ 3,178,851</u>	<u>\$ 3,172,102</u>	<u>\$ 10,531</u>
<b>City Deposit Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 130	\$ -	\$ 118	\$ 12
Investments	-	118	-	118
Total assets	<u>\$ 130</u>	<u>\$ 118</u>	<u>\$ 118</u>	<u>\$ 130</u>
<b>Liabilities</b>				
Advances and deposits	\$ 130	\$ -	\$ -	\$ 130
Total liabilities	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130</u>
<b>Tax Clearing Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 95,460	\$ 239,573	\$ 319,957	\$ 15,076
Investments	-	21,501	-	21,501
Accounts receivable	3,485	8,302	5,831	5,956
Total assets	<u>\$ 98,945</u>	<u>\$ 269,376</u>	<u>\$ 325,788</u>	<u>\$ 42,533</u>
<b>Liabilities</b>				
Accounts payable	\$ 98,945	\$ 537,258	\$ 593,670	\$ 42,533
Total liabilities	<u>\$ 98,945</u>	<u>\$ 537,258</u>	<u>\$ 593,670</u>	<u>\$ 42,533</u>
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 95,590	\$ 8,562,325	\$ 8,642,407	\$ 15,508
Investments	-	29,536	-	29,536
Accounts receivable	7,267	10,364	9,481	8,150
Total assets	<u>\$ 102,857</u>	<u>\$ 8,602,225</u>	<u>\$ 8,651,888</u>	<u>\$ 53,194</u>
<b>Liabilities</b>				
Accounts payable	\$ 102,727	\$ 3,716,109	\$ 3,765,772	\$ 53,064
Advances and deposits	130	-	-	130
Total liabilities	<u>\$ 102,857</u>	<u>\$ 3,716,109</u>	<u>\$ 3,765,772</u>	<u>\$ 53,194</u>



COMPONENT UNITS

# Sam Houston Park



# Discretely Presented Component Units (Governmental and Business-type)

Discretely Presented Component Units are legally separate organizations that the City of Houston must include as a part of its financial reporting entity for fair presentation.

The Discretely Presented Component Units listed below are designated as major component units. Information on all discretely presented component units can be found in Note 1B.

**Governmental** – This category is primarily comprised of advisory boards and redevelopment authorities:

- Greater Greenspoint Redevelopment Authority
- Houston Forensic Science LGC, Inc.
- Lake Houston Redevelopment Authority
- Main Street Market Square Redevelopment Authority
- Memorial City Redevelopment Authority
- Midtown Redevelopment Authority
- OST/Almeda Corridors Redevelopment Authority
- Southwest Houston Redevelopment Authority
- Upper Kirby Redevelopment Authority
- Uptown Development Authority

**Business-type** – This category is comprised of:

- Houston First Corporation
- Houston Housing Finance Corporation
- Houston Zoo Inc.

**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL**  
**Combining Statement of Net Position**  
**June 30, 2018**  
*amounts expressed in thousands*

	<b>Greater Greenspoint Redevelopment Authority</b>	<b>Houston Forensic Science, LGC</b>	<b>Lake Houston Redevelopment Authority</b>	<b>Main Street Market Square Redevelopment Authority</b>	<b>Memorial City Redevelopment Authority</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 29,311	\$ 1,659	\$ 6,881	\$ 74	\$ 21,360
Equity in pooled cash and investments	2,920	-	-	43,865	12,996
Receivables, net of allowances					
Accounts receivable	1,847	8	-	731	2
Property taxes receivable, net	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Due from primary government	-	108	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	460	-	-	-
Restricted assets					
Investments	-	-	-	-	-
Other receivables	-	-	-	242	-
Total current assets	<u>34,078</u>	<u>2,235</u>	<u>6,881</u>	<u>44,912</u>	<u>34,358</u>
<b>Noncurrent Assets</b>					
<b>Restricted assets</b>					
Investments	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	509	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>509</u>	<u>-</u>
<b>Other assets, net of depreciation</b>					
Other long-term receivables	-	-	-	-	-
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital assets</b>					
Land	5,506	-	-	-	9,186
Buildings, improvements and equipment	8,233	4,768	-	-	-
Construction in progress	10,824	1,448	-	-	-
Less accumulated depreciation and amortization	(3,308)	(1,635)	-	-	-
Total capital assets	<u>21,255</u>	<u>4,581</u>	<u>-</u>	<u>-</u>	<u>9,186</u>
<b>Total assets</b>	<u>55,333</u>	<u>6,816</u>	<u>6,881</u>	<u>45,421</u>	<u>43,544</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	3,065	1,759	167	3,818	2,987
Accrued payroll liabilities	-	-	-	-	-
Accrued interest payable	323	-	-	753	345
Contracts and retainages payable	692	-	-	-	262
Notes payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Other liabilities	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Current liabilities payable from restricted assets					
Bonds payable	1,675	-	-	2,045	3,220
Construction billings and retainages	-	-	-	-	-
Total current liabilities	<u>5,755</u>	<u>1,759</u>	<u>167</u>	<u>6,616</u>	<u>6,814</u>
<b>Noncurrent liabilities</b>					
Notes payable	-	-	16,172	-	1,834
Bonds payable	22,177	-	-	54,551	30,495
Due to the City of Houston	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Total Noncurrent liabilities	<u>22,177</u>	<u>-</u>	<u>16,172</u>	<u>54,551</u>	<u>32,329</u>
<b>Total liabilities</b>	<u>27,932</u>	<u>1,759</u>	<u>16,339</u>	<u>61,167</u>	<u>39,143</u>
<b>Net position</b>					
Net investment in capital assets	12,077	4,582	-	-	7,352
Restricted net position					
Restricted for debt service	5,513	-	-	8,652	3,311
Restricted for maintenance and operations	-	-	-	-	-
Restricted for capital improvements	-	-	-	-	-
Other restricted	-	-	-	-	-
Unrestricted (deficit)	9,811	475	(9,458)	(24,398)	(6,262)
<b>Total net position (deficit)</b>	<u>\$ 27,401</u>	<u>\$ 5,057</u>	<u>\$ (9,458)</u>	<u>\$ (15,746)</u>	<u>\$ 4,401</u>

Midtown Redevelopment Authority	OST/Alameda Corridors Redevelopment Authority	Southwest Houston Redevelopment Authority	Upper Kirby Redevelopment Authority	Uptown Development Authority	Nonmajor Component Units	Total
\$ 21,745	\$ 35	\$ 10,896	\$ 13,908	\$ 55,919	\$ 69,019	\$ 230,807
33,500	20,564	7,919	7,922	23,865	18,621	172,172
635	-	-	57	-	10,997	14,277
5,868	-	-	-	-	119	5,987
-	-	-	-	-	26	26
-	-	-	-	-	2,592	2,700
-	-	-	-	4,997	600	5,597
-	-	278	-	-	808	1,546
-	-	-	-	-	3,782	3,782
-	302	-	-	-	1,136	1,680
<u>61,748</u>	<u>20,901</u>	<u>19,093</u>	<u>21,887</u>	<u>84,781</u>	<u>107,700</u>	<u>438,574</u>
-	-	-	-	-	21,702	21,702
-	-	221	-	2,927	-	3,657
-	-	<u>221</u>	-	<u>2,927</u>	<u>21,702</u>	<u>25,359</u>
51,858	-	-	-	-	-	51,858
<u>51,858</u>	-	-	-	-	-	<u>51,858</u>
12,946	3,155	3,873	13,510	9,081	73,550	130,807
51,839	35	-	1	6,016	6,571	77,463
2,493	-	-	-	-	28,390	43,155
(5,834)	(34)	-	-	(4,502)	(4,359)	(19,672)
<u>61,444</u>	<u>3,156</u>	<u>3,873</u>	<u>13,511</u>	<u>10,595</u>	<u>104,152</u>	<u>231,753</u>
<u>175,050</u>	<u>24,057</u>	<u>23,187</u>	<u>35,398</u>	<u>98,303</u>	<u>233,554</u>	<u>747,544</u>
3,298	922	3,741	3,873	6,921	9,085	39,636
-	-	-	-	-	26	26
2,274	293	595	98	2,172	153	7,006
2,911	-	-	709	-	1,274	5,848
6,164	-	-	3,000	837	1,975	11,976
-	-	-	-	14,499	602	15,101
-	-	-	33	-	-	33
-	-	-	-	-	3,759	3,759
-	-	-	-	-	5,122	5,122
5,920	1,655	1,415	-	9,080	175	25,185
-	351	-	-	-	-	351
<u>20,567</u>	<u>3,221</u>	<u>5,751</u>	<u>7,713</u>	<u>33,509</u>	<u>22,171</u>	<u>114,043</u>
14,001	-	-	39,000	9,297	38,837	119,141
93,699	16,637	47,888	-	183,931	590	449,968
-	-	-	-	-	674	674
-	-	-	-	-	141	141
<u>107,700</u>	<u>16,637</u>	<u>47,888</u>	<u>39,000</u>	<u>193,228</u>	<u>40,242</u>	<u>569,924</u>
<u>128,267</u>	<u>19,858</u>	<u>53,639</u>	<u>46,713</u>	<u>226,737</u>	<u>62,413</u>	<u>683,967</u>
32,287	3,155	3,873	13,511	10,595	100,875	188,307
18,590	4,988	1,518	3,626	28,338	216	74,752
-	-	-	-	-	3,008	3,008
16,746	-	5,603	1,645	32,850	14,428	71,272
62,727	-	-	-	-	29,590	92,317
(83,567)	(3,944)	(41,446)	(30,097)	(200,217)	23,024	(366,079)
<u>\$ 46,783</u>	<u>\$ 4,199</u>	<u>\$ (30,452)</u>	<u>\$ (11,315)</u>	<u>\$ (128,434)</u>	<u>\$ 171,141</u>	<u>\$ 63,577</u>

**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*

**Net (Expense) Revenue and Change in Net Position**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Greater Greenspoint Redevelopment Authority</b>	<b>Houston Forensic Science LGC</b>	<b>Lake Houston Redevelopment Authority</b>
<b>Component Units</b>							
Greater Greenspoint Redevelopment Authority	5,249	-	-	-	(5,249)	-	-
Houston Forensic Science LGC, Inc.	25,954	25,620	745	-	-	411	-
Lake Houston Redevelopment Authority	17,048	-	-	-	-	-	(17,048)
Main Street Market Square Redevelopment Authority	11,896	-	-	-	-	-	-
Memorial City Redevelopment Authority	14,871	-	-	-	-	-	-
Midtown Redevelopment Authority	22,257	-	-	-	-	-	-
OST/Alameda Corridors Redevelopment Authority	6,210	-	287	-	-	-	-
Southwest Houston Redevelopment Authority	7,859	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	12,810	1,233	3,888	-	-	-	-
Uptown Development Authority	78,061	-	-	-	-	-	-
Nonmajor component units	56,841	17,929	20,645	7,176	-	-	-
<b>Total component units</b>	<u>259,056</u>	<u>44,782</u>	<u>25,565</u>	<u>7,176</u>	<u>(5,249)</u>	<u>411</u>	<u>(17,048)</u>
<b>General Revenues:</b>							
Taxes							
Property Taxes - general purposes / tax increments					11,868	-	17,814
Hotel occupancy tax					-	-	-
Unrestricted investment earnings (loss)					308	-	20
Other					-	73	-
Contributions					-	-	-
<b>Total general revenues and transfers</b>					<u>12,176</u>	<u>73</u>	<u>17,834</u>
Change in net position					6,927	484	786
Net Position (deficit) beginning					20,474	4,573	(10,244)
Net Position (deficit) ending					<u>\$ 27,401</u>	<u>\$ 5,057</u>	<u>\$ (9,458)</u>

**Net (Expense) Revenue and Change in Net Position**

<b>Main Street Market Square Redevelopment Authority</b>	<b>Memorial City Redevelopment Authority</b>	<b>Midtown Redevelopment Authority</b>	<b>OST/Alameda Corridors Redevelopment Authority</b>	<b>Southwest Houston Redevelopment Authority</b>	<b>Upper Kirby Redevelopment Authority</b>	<b>Uptown Development Authority</b>	<b>Nonmajor Component Units</b>	<b>Total</b>
-	-	-	-	-	-	-	-	(5,249)
-	-	-	-	-	-	-	-	411
(11,896)	-	-	-	-	-	-	-	(17,048)
-	(14,871)	-	-	-	-	-	-	(11,896)
-	-	(22,257)	-	-	-	-	-	(14,871)
-	-	-	(5,923)	-	-	-	-	(22,257)
-	-	-	-	(7,859)	-	-	-	(5,923)
-	-	-	-	-	(7,689)	-	-	(7,859)
-	-	-	-	-	-	(78,061)	-	(7,689)
-	-	-	-	-	-	-	(11,091)	(78,061)
(11,896)	(14,871)	(22,257)	(5,923)	(7,859)	(7,689)	(78,061)	(11,091)	(11,091)
<u>(11,896)</u>	<u>(14,871)</u>	<u>(22,257)</u>	<u>(5,923)</u>	<u>(7,859)</u>	<u>(7,689)</u>	<u>(78,061)</u>	<u>(11,091)</u>	<u>(181,533)</u>
18,316	15,907	25,986	10,567	7,579	10,143	46,220	24,539	188,939
-	-	-	-	-	-	-	4,966	4,966
483	245	583	172	180	154	600	2,255	5,000
-	-	2,172	-	-	-	-	857	3,102
-	-	-	-	-	-	-	40	40
<u>18,799</u>	<u>16,152</u>	<u>28,741</u>	<u>10,739</u>	<u>7,759</u>	<u>10,297</u>	<u>46,820</u>	<u>32,657</u>	<u>202,047</u>
6,903	1,281	6,484	4,816	(100)	2,608	(31,241)	21,566	20,514
(22,649)	3,120	40,299	(617)	(30,352)	(13,923)	(108,558)	149,575	31,698
<u>\$ (15,746)</u>	<u>\$ 4,401</u>	<u>\$ 46,783</u>	<u>\$ 4,199</u>	<u>\$ (30,452)</u>	<u>\$ (11,315)</u>	<u>\$ (128,434)</u>	<u>\$ 171,141</u>	<u>\$ 63,577</u>

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED - COMPONENT UNITS - BUSINESS-TYPE**  
**Combining Statement of Net Position**  
**June 30, 2018**  
*amounts expressed in thousands*

	Houston First Corporation	Houston Housing Finance Corp	Houston Zoo, Inc	Total Component Units
<b>ASSETS</b>				
Cash	\$ 41,903	\$ 38,448	\$ 839	\$ 81,190
Equity in pooled cash and investments	-	-	20,132	20,132
Receivables, net of allowances				
Accounts receivable	10,159	4,049	4,587	18,795
Accrued interest and other	-	529	-	529
Prepaid items	6,296	-	917	7,213
Restricted assets				
Investments	51,309	-	-	51,309
Other receivables	5,468	159	16,672	22,299
Due from other governments - grants	-	1,923	-	1,923
Total current assets	<u>115,135</u>	<u>45,108</u>	<u>43,147</u>	<u>203,390</u>
Noncurrent Assets				
Restricted cash and cash equivalents	-	382	23,186	23,568
Investments	18,756	-	-	18,756
Receivable and deposits	71,482	12,167	-	83,649
Deferred charges for issuance cost	-	-	-	-
Total noncurrent assets	<u>90,238</u>	<u>12,549</u>	<u>23,186</u>	<u>125,973</u>
Property, plant & equipment				
Land	14,824	8,656	-	23,480
Buildings, improvements and equipment	508,757	5,959	156,419	671,135
Construction in progress	15,890	29,302	-	45,192
Less accumulated depreciation and amortization	(138,277)	(5,213)	(49,315)	(192,805)
Total property, plant & equipment	<u>401,194</u>	<u>38,704</u>	<u>107,104</u>	<u>547,002</u>
Total assets	<u>606,567</u>	<u>96,361</u>	<u>173,437</u>	<u>876,365</u>
<b>Deferred Outflow of Resources</b>				
Deferred outflow of resources	4,456	-	-	4,456
Total deferred outflow of resources	<u>4,456</u>	<u>-</u>	<u>-</u>	<u>4,456</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 53,339	\$ 3,293	\$ 2,206	\$ 58,838
Accrued payroll liabilities	-	-	1,255	1,255
Accrued interest payable	2,925	-	-	2,925
Contracts and retainages payable	-	-	839	839
Notes payable	12,258	-	-	12,258
Other liabilities - current	850	-	166	1,016
Deferred revenue	416	-	649	1,065
Total current liabilities	<u>69,788</u>	<u>3,293</u>	<u>5,115</u>	<u>78,196</u>
Long-term liabilities				
Due to primary government	27,767	-	-	27,767
Notes payable	432,330	16,959	-	449,289
Deferred revenue	8,060	-	-	8,060
Total noncurrent liabilities	<u>468,157</u>	<u>16,959</u>	<u>-</u>	<u>485,116</u>
Total liabilities	<u>537,945</u>	<u>20,252</u>	<u>5,115</u>	<u>563,312</u>
<b>Deferred Inflow of Resources</b>				
Deferred inflow of resources	-	19,203	-	19,203
Total deferred inflow of resources	<u>-</u>	<u>19,203</u>	<u>-</u>	<u>19,203</u>
<b>Net assets</b>				
Investment in capital assets, net of related debt	80,545	2,952	-	83,497
Restricted net assets				
Restricted for debt service	167	-	-	167
Other restricted	4,675	-	33,234	37,909
Unrestricted (deficit)	(12,309)	53,954	135,088	176,733
Total equity and other credits	<u>73,078</u>	<u>56,906</u>	<u>168,322</u>	<u>298,306</u>
Total liabilities, equity and other credits	<u>\$ 611,023</u>	<u>\$ 96,361</u>	<u>\$ 173,437</u>	<u>\$ 880,821</u>

**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Component Units</b>				
Houston First Corporation	268,107	118,220	67,132	\$ -
Houston Housing Finance Corp.	1,390	460	728	-
Houston Zoo Inc.	48,796	37,955	32,491	-
Totals	<u>\$ 318,293</u>	<u>\$ 156,635</u>	<u>\$ 100,351</u>	<u>\$ -</u>

**General Revenues:**

Taxes

Property Taxes levied for general purposes/tax increments

Unrestricted investment earnings

Other

**Total general revenues and transfers**

Change in net position

Net Position (deficit) beginning

Net Position (deficit) ending

**Net (Expense) Revenue and Change in Net Position**

<b>Houston First Corporation</b>	<b>Houston Housing Finance Corp.</b>	<b>Houston Zoo, Inc.</b>	<b>Total</b>
(82,755)	-	-	(82,755)
-	(202)	-	(202)
-	-	21,650	21,650
<u>(82,755)</u>	<u>(202)</u>	<u>21,650</u>	<u>(61,307)</u>
-	750	-	750
453	1,149	1,722	3,324
3,164	114	503	3,781
<u>3,617</u>	<u>2,013</u>	<u>2,225</u>	<u>7,855</u>
(79,138)	1,811	23,875	(53,452)
152,216	55,095	144,447	351,758
<u>\$ 73,078</u>	<u>\$ 56,906</u>	<u>\$ 168,322</u>	<u>\$ 298,306</u>

**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**  
*amounts expressed in thousands*

	<b>Houston First Corporation See Note 14</b>	<b>Houston Housing Finance Corp.</b>	<b>Houston Zoo Inc.</b>	<b>Total Component Units</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 130,010	\$ 1,911	\$ 8,700	\$ 140,621
Payments to employees	(57,398)	-	-	(57,398)
Payments to suppliers	(93,387)	-	-	(93,387)
Receipts from City of Houston	90,401	-	-	90,401
Other revenues (expenses)	(76,640)	(1,515)	-	(78,155)
Net cash provided by operating activities	<u>(7,014)</u>	<u>396</u>	<u>8,700</u>	<u>2,082</u>
<b>Cash flows from investing activities</b>				
Interest income on investments	156	114	-	270
Purchase of investments	(69,504)	(19,041)	(11,810)	(100,355)
Proceeds from sale of investments	72,492	-	11,353	83,845
Net cash provided by (used in) investing activities	<u>3,144</u>	<u>(18,927)</u>	<u>(457)</u>	<u>(16,240)</u>
<b>Cash flows from capital and related financing activities</b>				
Contributed capital	-	-	7,639	7,639
Acquisition of property, plant and equipment	(20,031)	-	(14,325)	(34,356)
Interest expense and cost of issuance	(5,748)	-	-	(5,748)
Payment for deposits held by others	1,899	-	-	1,899
Retirement of debt	(21,830)	-	-	(21,830)
Proceeds from debt financing	62,240	18,945	-	81,185
Net cash provided by (used for) capital and related financing activities	<u>16,530</u>	<u>18,945</u>	<u>(6,686)</u>	<u>28,789</u>
<b>Cash flows from noncapital financing activities</b>				
Payments for interest	(5,549)	-	-	(5,549)
Other revenues	-	699	-	699
<b>Net cash provided by noncapital financing activities</b>	<u>(5,549)</u>	<u>699</u>	<u>-</u>	<u>(4,850)</u>
Net increase in cash and cash equivalents	7,111	1,113	1,557	9,781
Cash and cash equivalents, July 1	34,792	37,717	22,468	94,977
<b>Cash and cash equivalents, June 30</b>	<u>\$ 41,903</u>	<u>\$ 38,830</u>	<u>\$ 24,025</u>	<u>\$ 104,758</u>
<b>Non cash transactions</b>				
Net change in fair value of investments	\$ (172)	\$ -	\$ -	\$ (172)
Total non cash transactions	<u>\$ (172)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (172)</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (Loss)	\$ (101,943)	\$ 1,698	\$ 23,876	\$ (76,369)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	16,254	249	8,321	24,824
Bad debt expense	-	-	-	-
Other revenues	67,133	-	(21,705)	45,428
Other expenses	(34,334)	-	-	(34,334)
Changes in assets and liabilities:				
Accounts receivable	8,964	75	(1,654)	7,385
Due to primary government	22,995	-	-	22,995
Hurricane Harvey accounts payable	17,919	-	-	17,919
Other assets	(1,225)	(491)	-	(1,716)
Accounts payable and accrued expenses	(2,777)	-	(204)	(2,981)
Accrued payroll liabilities	-	-	66	66
Advances and deposits	-	(818)	-	(818)
Accrued interest on contracts payable	-	(317)	-	(317)
<b>Net cash provided by operating activities</b>	<u>\$ (7,014)</u>	<u>\$ 396</u>	<u>\$ 8,700</u>	<u>\$ 2,082</u>



**Bethel Church Park**



# Statistical Section

## (Unaudited)

This part of the City's Statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Content</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	206
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	218
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	223
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	233
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	240
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

**CITY OF HOUSTON, TEXAS**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 3,670,130	\$ 3,677,425	\$ 3,696,510	\$ 3,783,152	\$ 3,959,260	\$ 4,102,861	\$ 4,250,590	\$ 4,434,420	\$ 4,593,229	\$ 4,865,143
Restricted	161,147	199,459	179,691	182,831	117,949	174,158	192,129	42,240	43,419	186,774
Unrestricted	(1,629,514)	(1,928,202)	(2,168,298)	(2,343,970)	(2,469,700)	(2,651,151)	(5,487,349)	(5,910,541)	(4,433,681)	(5,966,761)
<b>Total governmental activities net position</b>	<b>\$ 2,201,763</b>	<b>\$ 1,948,682</b>	<b>\$ 1,707,903</b>	<b>\$ 1,622,013</b>	<b>\$ 1,607,509</b>	<b>\$ 1,625,868</b>	<b>\$ (1,044,630)</b>	<b>\$ (1,433,881)</b>	<b>\$ 202,967</b>	<b>\$ (914,844)</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 668,465	\$ 893,832	\$ 733,936	\$ 666,936	\$ 573,460	\$ 240,888	\$ 546,551	\$ 629,382	\$ 742,298	\$ 823,404
Restricted	824,219	842,298	850,895	871,409	949,449	1,024,548	1,131,835	1,129,659	1,264,135	1,370,336
Unrestricted	(17,815)	(102,094)	25,183	(25,444)	(6,835)	280,879	(488,671)	(420,196)	(354,001)	(486,875)
<b>Total business-type activities net position</b>	<b>\$ 1,474,869</b>	<b>\$ 1,634,036</b>	<b>\$ 1,610,014</b>	<b>\$ 1,512,901</b>	<b>\$ 1,516,074</b>	<b>\$ 1,546,315</b>	<b>\$ 1,189,715</b>	<b>\$ 1,338,845</b>	<b>\$ 1,652,432</b>	<b>\$ 1,706,865</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 4,338,595	\$ 4,571,257	\$ 4,430,446	\$ 4,450,088	\$ 4,532,720	\$ 4,343,749	\$ 4,797,141	\$ 5,063,802	\$ 5,335,527	\$ 5,688,547
Restricted	985,366	1,041,757	1,030,586	1,054,240	1,067,398	1,198,706	1,323,964	1,171,899	1,307,554	1,557,110
Unrestricted	(1,647,329)	(2,030,296)	(2,143,115)	(2,369,414)	(2,476,535)	(2,370,272)	(5,976,020)	(6,330,737)	(4,787,682)	(6,453,636)
<b>Total primary government net position</b>	<b>\$ 3,676,632</b>	<b>\$ 3,582,718</b>	<b>\$ 3,317,917</b>	<b>\$ 3,134,914</b>	<b>\$ 3,123,583</b>	<b>\$ 3,172,183</b>	<b>\$ 145,085</b>	<b>\$ (95,036)</b>	<b>\$ 1,855,399</b>	<b>\$ 792,021</b>

Source: Comprehensive Financial Annual Report

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 219,584	\$ 232,466	\$ 230,868	\$ 270,279	\$ 239,586	\$ 247,481	\$ 359,640	\$ 425,707	\$ 297,716	\$ 420,663
Public safety	1,460,992	1,485,999	1,393,450	1,431,987	1,514,034	1,598,854	1,858,766	1,993,340	229,891	2,137,632
Public works	417,953	305,768	308,506	289,395	298,462	318,888	336,311	343,657	341,257	423,137
Health	136,766	139,693	128,320	111,891	121,988	133,159	150,931	158,896	148,995	171,802
Housing and community development	62,793	96,349	95,730	71,417	88,143	51,626	65,275	61,707	61,608	53,965
Parks and recreation	97,398	93,676	91,492	89,379	90,261	93,637	112,844	98,994	89,457	126,416
Library	48,015	48,721	44,887	42,455	44,913	48,724	49,374	48,691	34,966	51,312
Interest in long-term debt	129,324	151,807	150,640	157,407	151,893	143,231	158,212	191,025	142,469	160,247
Depreciation and amortization	115,050	119,719	130,111	126,303	130,620	132,817	138,016	143,028	150,196	153,092
<b>Total governmental activities expenses</b>	<b>2,687,875</b>	<b>2,674,198</b>	<b>2,574,004</b>	<b>2,590,515</b>	<b>2,679,900</b>	<b>2,768,417</b>	<b>3,229,368</b>	<b>3,465,044</b>	<b>1,496,555</b>	<b>3,698,266</b>
Business-type activities :										
Airport System	472,253	504,472	537,253	542,387	530,070	561,443	556,844	581,022	526,662	605,653
Convention & Entertainment Facilities	114,110	105,703	107,523	42,387	42,418	113,316	123,371	117,906	110,765	115,255
Combined Utility System	842,518	849,674	866,336	913,503	898,725	919,547	924,793	942,176	850,363	991,167
Houston Area Water Corporation	14,867	9,949	-	-	-	-	-	-	-	-
Parking Management	4,919	6,969	-	-	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>1,448,667</b>	<b>1,476,767</b>	<b>1,511,112</b>	<b>1,498,277</b>	<b>1,471,213</b>	<b>1,594,306</b>	<b>1,605,008</b>	<b>1,641,104</b>	<b>1,487,790</b>	<b>1,712,075</b>
<b>Total primary government expenses</b>	<b>\$ 4,136,542</b>	<b>\$ 4,150,965</b>	<b>\$ 4,085,116</b>	<b>\$ 4,088,792</b>	<b>\$ 4,151,113</b>	<b>\$ 4,362,723</b>	<b>\$ 4,834,376</b>	<b>\$ 5,106,148</b>	<b>\$ 2,984,345</b>	<b>\$ 5,410,341</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	22,601	20,544	31,831	69,017	34,379	63,338	70,322	68,093	74,887	63,994
Public safety	136,450	143,274	132,220	141,965	139,087	188,521	171,996	181,888	142,052	120,104
Public works	46,404	45,011	45,211	171,177	238,836	266,422	215,038	222,236	215,824	212,743
Health	16,836	15,110	16,968	18,081	18,563	17,710	17,665	18,349	17,491	19,037
Housing	-	900	-	-	-	-	-	-	-	-
Parks and recreation	7,578	6,977	7,796	7,576	8,361	7,475	8,676	8,820	8,902	9,033
Library	1,056	1,261	919	979	1,356	1,681	1,637	1,966	2,040	1,867
Operating grants and contributions	393,157	346,945	293,350	303,085	312,959	277,700	305,363	323,686	346,243	380,094
Capital grants and contributions	45,354	109,190	68,801	-	-	-	67,533	53,860	99,487	83,727
<b>Total governmental activities program revenues</b>	<b>669,436</b>	<b>689,212</b>	<b>597,096</b>	<b>711,880</b>	<b>753,541</b>	<b>822,847</b>	<b>858,230</b>	<b>878,898</b>	<b>906,926</b>	<b>890,599</b>
Business-type activities:										
Charges for services:										
Airport System	386,777	406,579	410,402	417,550	432,994	452,107	476,282	609,544	609,780	637,259
Convention & Entertainment Facilities	20,902	31,833	25,456	8,934	10,372	11,124	12,390	12,431	12,283	7,883
Combined Utility System	687,238	691,162	879,176	917,238	924,690	953,408	927,424	1,002,582	1,025,795	1,052,549
Houston Area Water Corporation	13,250	-	-	-	-	-	-	-	-	-
Parking Management	-	13,676	-	-	-	-	-	-	-	-
Operating grants and contributions	4,574	10,710	22,858	12,014	10,834	10,692	10,768	13,348	20,187	19,346
Capital grants and contributions	192,815	58,672	46,616	22,984	19,800	50,382	46,415	32,906	52,773	23,408
<b>Total business-type activities program revenues</b>	<b>1,305,556</b>	<b>1,212,632</b>	<b>1,384,508</b>	<b>1,378,720</b>	<b>1,398,690</b>	<b>1,477,713</b>	<b>1,473,279</b>	<b>1,670,811</b>	<b>1,720,818</b>	<b>1,740,445</b>
<b>Total primary government program revenues</b>	<b>\$ 1,974,992</b>	<b>\$ 1,901,844</b>	<b>\$ 1,981,604</b>	<b>\$ 2,090,600</b>	<b>\$ 2,152,231</b>	<b>\$ 2,300,560</b>	<b>\$ 2,331,509</b>	<b>\$ 2,549,709</b>	<b>\$ 2,627,744</b>	<b>\$ 2,631,044</b>
Net (expense)/revenue										
Governmental activities	\$ (2,018,439)	\$ (1,984,986)	\$ (1,976,908)	\$ (1,878,635)	\$ (1,926,359)	\$ (1,945,570)	\$ (2,371,138)	\$ (2,586,146)	\$ (589,629)	\$ (2,807,667)
Business-type activities	(143,111)	(264,135)	(126,604)	(119,557)	(72,523)	(116,593)	(131,729)	29,707	233,028	28,370
<b>Total primary government net expense</b>	<b>\$ (2,161,550)</b>	<b>\$ (2,249,121)</b>	<b>\$ (2,103,512)</b>	<b>\$ (1,998,192)</b>	<b>\$ (1,998,882)</b>	<b>\$ (2,062,163)</b>	<b>\$ (2,502,867)</b>	<b>\$ (2,556,439)</b>	<b>\$ (356,601)</b>	<b>\$ (2,779,297)</b>

(Continued)

Source: Comprehensive Financial Annual Report

**CITY OF HOUSTON, TEXAS**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 890,308	\$ 895,779	\$ 853,277	\$ 866,143	\$ 906,761	\$ 973,902	\$ 1,074,070	\$ 1,099,411	\$ 1,152,420	\$ 1,172,313
Industrial assessments tax	19,133	15,817	14,458	37	29,845	16,534	16,736	19,238	19,291	18,278
Sales taxes	507,103	468,965	492,824	546,543	600,256	629,441	667,061	640,476	631,993	674,279
Franchise taxes	190,800	191,292	190,911	193,153	195,664	190,368	190,245	191,584	191,025	186,206
Mixed beverage taxes	10,587	10,382	10,283	9,525	9,887	13,869	15,784	16,064	16,662	17,296
Bingo taxes	226	195	167	193	196	187	209	207	234	73
Investment earnings	30,087	16,673	6,666	8,944	1,086	9,737	7,639	11,925	6,181	12,004
Insurance proceeds	-	-	-	-	-	-	-	-	-	93,778
Other	66,459	53,101	79,633	67,313	68,586	98,479	94,700	118,939	112,531	134,010
Contributions	17,047	7,666	4,674	12,167	26,767	17,364	30,525	73,412	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	32,525	-	1,752	-
Transfers	69,578	72,035	76,976	75,878	72,807	41,968	49,105	51,139	62,885	64,507
Total governmental activities	<u>1,801,328</u>	<u>1,731,905</u>	<u>1,729,869</u>	<u>1,779,896</u>	<u>1,911,855</u>	<u>1,991,849</u>	<u>2,178,599</u>	<u>2,222,395</u>	<u>2,194,974</u>	<u>2,372,744</u>
Business-type activities:										
Hotel occupancy taxes	62,383	54,917	61,603	68,623	76,325	90,119	90,711	88,632	82,882	89,417
Investment earnings	88,737	57,736	30,303	21,340	6,638	31,491	20,114	38,620	16,448	26,388
Other	63,863	105,462	92,172	98,017	109,906	143,775	150,440	43,310	42,500	44,278
Special Items - gain (loss) on sale of assets	-	-	-	(89,658)	(61,282)	-	-	-	1,614	11,533
Transfers	(69,578)	(72,035)	(81,496)	(75,878)	(55,891)	(41,968)	(49,105)	(51,139)	(62,885)	(64,507)
Total business-type activities	<u>145,405</u>	<u>146,080</u>	<u>102,582</u>	<u>22,444</u>	<u>75,696</u>	<u>223,417</u>	<u>212,160</u>	<u>119,423</u>	<u>80,559</u>	<u>107,109</u>
Total primary government	<u>\$ 1,946,733</u>	<u>\$ 1,877,985</u>	<u>\$ 1,832,451</u>	<u>\$ 1,802,340</u>	<u>\$ 1,987,551</u>	<u>\$ 2,215,266</u>	<u>\$ 2,390,759</u>	<u>\$ 2,341,818</u>	<u>\$ 2,275,533</u>	<u>\$ 2,479,853</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (217,111)	\$ (253,081)	\$ (247,039)	\$ (85,890)	\$ (14,504)	\$ 46,279	\$ (192,559)	\$ (363,751)	\$ 1,605,345	\$ (434,923)
Business-type activities	2,294	(118,055)	(24,022)	(97,113)	3,173	106,824	80,431	149,130	313,587	135,479
Total primary government	<u>\$ (214,817)</u>	<u>\$ (371,136)</u>	<u>\$ (271,061)</u>	<u>\$ (183,003)</u>	<u>\$ (11,331)</u>	<u>\$ 153,103</u>	<u>\$ (112,128)</u>	<u>\$ (214,621)</u>	<u>\$ 1,918,932</u>	<u>\$ (299,444)</u>

**CITY OF HOUSTON, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund				
Reserved	\$ 22,836	\$ 23,003	\$ -	\$ -
Unreserved	281,111	201,019	-	-
Non-spendable	-	-	19,052	15,687
Restricted	-	-	1,665	35,868
Committed	-	-	20,698	8,547
Assigned	-	-	30	-
Unassigned	-	-	127,143	153,125
Total general fund	<u>\$ 303,947</u>	<u>\$ 224,022</u>	<u>\$ 168,588</u>	<u>\$ 213,227</u>
All other governmental funds				
Reserved	\$ 201,334	\$ 237,112	\$ -	\$ -
Unreserved , reported in:				
Special revenue funds	111,454	82,713	-	-
Capital projects funds	-	-	-	-
Grant funds	(9,762)	19,196	-	-
Non-spendable	-	-	418	887
Restricted	-	-	176,457	338,997
Committed	-	-	73,636	52,351
Assigned	-	-	32,172	19,873
Total all other governmental funds	<u>\$ 303,026</u>	<u>\$ 339,021</u>	<u>\$ 282,683</u>	<u>\$ 412,108</u>

Source: Comprehensive Financial Annual Report

In 2011, the City implemented GASB Statement No. 54, which changed the fund balance classifications.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
14,792	14,016	16,450	15,493	20,242	18,881
63,696	44,120	27,096	1,232	1,188	1,164
6,892	3,407	6,111	10,922	18,701	-
-	-	-	-	-	16,901
190,950	200,731	301,231	235,405	311,754	357,529
<u>\$ 276,330</u>	<u>\$ 262,274</u>	<u>\$ 350,888</u>	<u>\$ 263,052</u>	<u>\$ 351,885</u>	<u>\$ 394,475</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,303	5,290	2,436	2,395	2,495	3,138
350,827	327,576	266,501	339,991	350,868	362,082
59,693	71,969	87,040	77,709	82,599	78,705
46,008	106,607	125,061	109,131	78,898	80,647
<u>\$ 457,831</u>	<u>\$ 511,442</u>	<u>\$ 481,038</u>	<u>\$ 529,226</u>	<u>\$ 514,860</u>	<u>\$ 524,572</u>

**CITY OF HOUSTON**  
**GENERAL FUND BUDGET FOR FISCAL YEAR 2019**  
(amounts expressed in thousands)  
(unaudited)

<b>Budgeted Resources</b>	<b>Amount (in thousands)</b>
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 1,200,813
Sales and Use Tax	657,700
Franchise Fees	176,845
Municipal Courts Fines and Forfeits	21,591
Miscellaneous	307,852
Total Current Revenues	2,364,801
Beginning Fund Balance as of July 1, 2018(a)	275,810
Sale of Capital Assets	2,123
Transfers from Other Funds	27,873
<b>Total Budgeted Resources</b>	<b>\$ 2,670,607</b>
<b>Budgeted Expenditures</b>	
Administrative Services and Public Finance	\$ 114,901
Public Safety	1,414,476
Development and Maintenance Services	156,758
Human and Cultural Services	185,235
General Government	215,299
Debt Service and PAYGO Capital Projects	392,745
<b>Total Budgeted Expenditures</b>	2,479,414
Budgeted Ending Fund Balance as of June 30, 2019	191,193
<b>Total Budgeted Expenditures and Reserves</b>	<b>\$ 2,670,607</b>

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2019 Budget.

**CITY OF HOUSTON, TEXAS**  
**June 30, 2018**  
**CONTINUING DEBT DISCLOSURE INFORMATION**  
**(amounts expressed in thousands)**  
**(unaudited)**

**Capital Improvement Plan**

The 2019-2023 CIP consists of the projects and facilities described in the following chart. (The 2019-2023 CIP also includes proposed improvements for the Combined Utility System, Airport System and Convention and Entertainment Facilities, which are financed primarily with revenues of those enterprise systems and, therefore, are not included in the table below).

	<b>Amount</b> <b>(in thousands)</b>
Streets, Bridges and Traffic Control	\$ 740,606
Storm Sewers and Drainage	582,831
Parks and Recreation	60,718
Bayou Greenways	81,096
Police Department	82,689
Fire Department	47,561
General Government	107,822
Public Library	24,154
Public Health	57,935
Solid Waste Management	20,223
Homeless and Housing	4,400
Technology	40,031
Fleet	228,964
Total	<u>\$ 2,079,030</u> (*)

(\*) The tax-supported component of the 2019-2023 CIP addresses a full range of capital facility and infrastructure improvements. The voter authorized improvements are expected to be initially financed with Commercial Paper Notes. The remaining amount is expected to be funded by grants, funds from agencies participating in joint capital improvement projects with the City and various other sources.

**General Fund Indirect Charges to Other City Funds**

A charge is made by the General Fund to the Water and Sewer System, Airport System, and to certain grant and special revenue funds for indirect charges incurred by the General Fund on behalf of such funds.

<b>Fiscal</b> <b>Year</b>	<b>Total Indirect</b> <b>Charges</b> <b>(in thousands)</b>
2018	28,910
2017	27,399
2016	26,611
2015	25,328
2014	18,558
2013	16,908
2012	18,255
2011	16,328
2010	16,012
2009	13,190

**CITY OF HOUSTON**  
**CONTINUING DEBT DISCLOSURE INFORMATION**  
**June 30, 2018**  
**Long Term Disability and Compensated Absence Liability**  
**(unaudited)**

<b>Long-Term Disability Fund</b>	Fiscal Year 2018 (in thousands)
Assets Available for Future Long-Term Disability Obligations	\$ 10,049
Claims Payable on Long-Term Disability Obligations	(8,746)
Unrestricted Net Assets	<u>\$ 1,303</u>

<b>Compensated Absence Liability</b>	Fiscal Year 2018 (in thousands)
General Fund Short-Term Liability	\$ 45,009
Other Governmental Short-Term Liability	105,852
Enterprise Funds Liability	32,716
Internal Service Funds Liability	318
Governmental Funds Long-Term Liability	325,021
Total	<u>\$ 508,916</u>

**General Fund Specific Charges to Other City Funds**  
**(unaudited)**

An additional charge made by the General Fund to the Combined Utility System, Airport, the Capital Projects Fund and certain other funds of the City for specific services provided to such funds by the General Fund.

<b>Fiscal Year</b>	<b>Total Direct Charges for Specific Services (in thousands)</b>
2018	54,449
2017	53,523
2016	53,934
2015	47,851
2014	43,257
2013	43,519
2012	41,469
2011	46,034
2010	46,906
2009	47,890

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS**  
**CHANGES IN FUND BALANCES IN GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Revenues</b>					
Taxes	\$ 1,617,937	\$ 1,579,516	\$ 1,568,056	\$ 1,615,592	\$ 1,745,882
Licenses and permits	58,126	55,275	61,083	84,786	97,100
Intergovernmental	435,715	403,519	379,065	351,472	366,973
Charges for services	121,418	124,790	132,764	248,083	248,097
Fines	57,037	60,036	55,414	52,250	47,955
Investment earnings	30,087	16,673	6,666	8,944	1,086
Contributions	737	20	-	20	-
Other	62,714	55,599	72,126	72,180	70,001
Total revenues	<u>2,383,771</u>	<u>2,295,428</u>	<u>2,275,174</u>	<u>2,433,327</u>	<u>2,577,094</u>
<b>Expenditures</b>					
General Government	178,064	197,803	198,782	209,318	217,376
Public safety	1,221,713	1,244,163	1,230,623	1,212,975	1,267,523
Public Works	398,506	285,517	288,383	275,260	284,863
Health	123,421	126,968	119,192	102,304	111,986
Housing and Community Development	79,215	100,712	96,792	75,204	88,222
Parks and recreation	80,438	78,717	75,560	73,233	75,430
Library	39,248	38,711	36,715	34,115	35,433
Retiree benefits	18,463	18,897	15,996	10,360	11,907
*Capital Outlay	372,472	396,877	309,315	272,161	245,410
Principal	487,690	186,251	192,000	346,600	138,875
Interest	133,288	146,986	154,083	161,086	158,322
Fiscal agent and fees	8,949	6,599	7,792	10,161	6,212
Total expenditures	<u>3,141,467</u>	<u>2,828,201</u>	<u>2,725,233</u>	<u>2,782,777</u>	<u>2,641,559</u>
Excess of revenues over (under) expenditures	(757,696)	(532,773)	(450,059)	(349,450)	(64,465)
<b>Other financing sources (uses)</b>					
Transfers in	462,793	436,908	406,201	422,470	505,513
Transfers out	(391,143)	(364,873)	(329,225)	(346,592)	(449,222)
Proceeds from issuance of debt	626,205	926,780	740,696	806,685	438,276
Proceeds from refunded debt	324,030	-	-	-	-
Payment to escrow agent	(355,885)	(553,230)	(535,960)	(458,052)	(395,227)
Sale of land	5,381	9,092	21,054	4,844	5,818
Bond premium (discount)	(327)	34,166	35,521	81,310	51,617
Transfer to component unit	-	-	-	12,849	16,516
Insurance proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>671,054</u>	<u>488,843</u>	<u>338,287</u>	<u>523,514</u>	<u>173,291</u>
Net change in fund balances	<u>\$ (86,642)</u>	<u>\$ (43,930)</u>	<u>\$ (111,772)</u>	<u>\$ 174,064</u>	<u>\$ 108,826</u>
Debt service as a percentage of noncapital expenditures	22.4%	13.7%	14.3%	20.2%	12.4%

Source: Comprehensive Financial Annual Report

\*Capital outlay does not agree to amount of capital additions per the reconciliation because of items below the capitalization threshold and because capital expenditures were found in other functional expenditures.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 1,826,639	\$ 1,964,470	\$ 1,966,483	\$ 2,013,196	\$ 2,068,675
111,577	121,636	126,020	118,899	113,918
333,832	373,006	377,546	404,276	443,441
267,635	296,694	304,438	299,748	304,625
46,647	41,350	42,472	37,407	34,734
9,737	7,639	11,925	6,034	11,579
-	-	-	-	-
98,189	95,129	117,442	112,245	133,510
<u>2,694,256</u>	<u>2,899,924</u>	<u>2,946,326</u>	<u>2,991,805</u>	<u>3,110,482</u>
233,216	295,439	319,160	297,501	356,108
1,355,369	1,374,859	1,418,763	1,446,775	2,248,951
304,346	314,313	329,572	348,229	401,641
122,446	139,016	145,976	157,968	160,519
51,252	71,167	62,539	60,656	53,249
77,557	101,718	85,252	89,654	102,237
38,421	38,170	39,271	39,932	40,065
10,920	11,059	11,390	11,521	167,372
289,026	358,969	334,555	338,946	359,940
176,205	191,355	290,805	192,656	489,510
154,327	153,972	151,260	144,068	148,754
4,528	5,289	6,785	3,343	11,574
<u>2,817,613</u>	<u>3,055,326</u>	<u>3,195,328</u>	<u>3,131,249</u>	<u>4,539,920</u>
(123,357)	(155,402)	(249,002)	(139,444)	(1,429,438)
549,184	587,207	622,988	553,680	605,254
(507,217)	(538,102)	(571,849)	(490,795)	(540,747)
119,000	117,740	65,000	140,000	1,577,352
-	-	557,615	-	-
(519)	(1,404)	(550,600)	0	(336,191)
2,464	48,171	8,792	11,026	5,958
-	-	102,908	-	76,336
-	-	-	-	-
-	-	-	-	93,778
<u>162,912</u>	<u>213,612</u>	<u>234,854</u>	<u>213,911</u>	<u>1,481,740</u>
<u>\$ 39,555</u>	<u>\$ 58,210</u>	<u>\$ (14,148)</u>	<u>\$ 74,467</u>	<u>\$ 52,302</u>
13.1%	12.8%	15.5%	12.2%	15.5%

**CITY OF HOUSTON, TEXAS**  
**TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Industrial Assessments</b>	<b>Mixed Beverage Tax</b>	<b>Bingo Tax</b>	<b>Total Tax Collections</b>
2009	\$ 890,308	\$ 507,103	\$ 190,800	\$ 19,133	\$ 10,587	\$ 226	\$ 1,618,157
2010	\$ 895,779	\$ 468,965	\$ 191,292	\$ 15,817	\$ 10,382	\$ 195	\$ 1,582,430
2011	\$ 853,277	\$ 492,824	\$ 190,911	\$ 14,458	\$ 10,283	\$ 167	\$ 1,561,920
2012	\$ 866,143	\$ 546,543	\$ 193,153	\$ 37	\$ 9,525	\$ 193	\$ 1,615,594
2013	\$ 906,761	\$ 600,256	\$ 195,664	\$ 29,845	\$ 9,887	\$ 196	\$ 1,742,609
2014	\$ 973,902	\$ 629,441	\$ 190,368	\$ 16,534	\$ 13,869	\$ 187	\$ 1,824,301
2015	\$ 1,074,070	\$ 667,061	\$ 190,245	\$ 16,736	\$ 15,784	\$ 209	\$ 1,964,105
2016	\$ 1,099,411	\$ 640,476	\$ 191,584	\$ 19,238	\$ 16,064	\$ 207	\$ 1,966,980
2017	\$ 1,152,420	\$ 631,993	\$ 191,025	\$ 19,291	\$ 16,662	\$ 234	\$ 2,011,625
2018	\$ 1,172,313	\$ 674,279	\$ 186,206	\$ 18,278	\$ 17,296	\$ 73	\$ 2,068,445

**CITY OF HOUSTON**  
**ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2009	\$ 90,065,098	\$ 88,374,034	\$ 12,148,055	\$ 2,380,333	\$ 44,198,187	\$ 148,769,333	6.3875
2010	\$ 91,451,713	\$ 89,110,300	\$ 12,911,034	\$ 2,344,315	\$ 46,805,799	\$ 149,011,563	6.3875
2011	\$ 89,957,336	\$ 84,250,876	\$ 11,500,552	\$ 2,276,946	\$ 46,201,271	\$ 141,784,439	6.3875
2012	\$ 90,484,912	\$ 86,617,837	\$ 11,826,503	\$ 2,159,964	\$ 47,104,376	\$ 143,984,840	6.3875
2013	\$ 91,402,063	\$ 93,629,148	\$ 14,232,884	\$ 2,143,660	\$ 50,417,778	\$ 150,989,977	6.3875
2014	\$ 96,665,925	\$ 103,323,330	\$ 17,601,808	\$ 2,341,556	\$ 52,006,243	\$ 167,926,376	6.3875
2015	\$ 109,039,079	\$ 112,587,772	\$ 18,590,654	\$ 2,258,016	\$ 54,652,493	\$ 187,823,028	6.3108
2016	\$ 124,551,897	\$ 120,734,308	\$ 19,609,242	\$ 2,283,537	\$ 64,551,171	\$ 202,627,813	6.0112
2017	\$ 136,658,632	\$ 129,297,857	\$ 18,461,085	\$ 2,463,330	\$ 67,001,550	\$ 219,879,354	5.8642
2018	\$ 144,642,216	\$ 130,520,420	\$ 17,723,724	\$ 2,520,643	\$ 64,578,602	\$ 230,828,401	5.8421

The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.

**CITY OF HOUSTON**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**Last Ten Fiscal Years**  
**(unaudited)**

<b>Purpose</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>City</b>					
General Purposes	4.20227	4.54458	4.42194	4.74635	4.77085
Debt Service	<u>1.63983</u>	<u>1.31962</u>	<u>1.58926</u>	<u>1.56445</u>	<u>1.61665</u>
City of Houston (1)	5.84210	5.86420	6.01120	6.31080	6.38750
<b>County</b>					
Fort Bend County	4.6900	4.7400	4.8600	4.9476	4.9976
Harris County (2)	4.4485	4.4485	4.4656	4.4467	4.4300
Montgomery County	4.6670	4.6670	4.7670	4.7670	4.8380
<b>School District</b>					
Aldine I.S.D.	13.73388	13.2338	12.8590	13.0590	13.0580
Alief I.S.D.	13.3000	13.0500	12.8000	12.8000	12.9000
Clear Creek I.S.D.	14.0000	14.0000	14.0000	14.0000	14.0000
Conroe I.S.D.	12.8000	12.8000	12.8000	12.8000	12.9000
Crosby I.S.D.	16.7000	16.7000	16.7000	16.7000	16.7000
Cypress-Fairbanks I.S.D.	14.4000	14.4000	14.4000	14.4000	14.5000
Deer Park I.S.D.	15.5670	15.5670	15.5670	15.5670	15.5670
Fort Bend I. S. D.	13.4000	13.4000	13.4000	13.4000	13.4000
Galena Park I.S.D.	15.6330	15.6330	15.1340	15.1340	15.1340
Goose Creek I.S.D.	14.3190	14.3190	14.3189	14.3189	13.3213
Houston I.S.D.	12.0670	12.0670	11.9670	11.9670	11.5670
Huffman I.S.D.	14.0000	14.0000	14.0000	14.0000	14.2000
Humble I.S.D.	15.2000	15.2000	15.2000	15.2000	15.2000
Katy I.S.D.	15.1660	15.1660	15.2660	15.2660	15.2660
Klein I.S.D.	14.1000	14.3000	13.9000	13.9000	14.3000
New Caney I.S.D.	28.4000	16.7000	16.7000	16.7000	15.4000
North Forest I.S.D. (3)					
Pasadena I.S.D.	14.8000	13.5000	13.5000	13.5000	13.5000
Sheldon I.S.D.	14.7000	14.1000	14.1000	14.1000	14.3000
Spring I.S.D.	15.1000	14.6996	14.7000	15.1000	15.7000
Spring Branch I.S.D.	13.9450	13.9450	13.9450	13.9450	13.9450
<b>Municipal Utility District</b>					
Harris County MUD # 355	0.0900	0.0900	1.2000	1.2000	2.0000
Harris County MUD # 359	1.6000	1.9000	2.6000	2.7000	3.0000
Harris County MUD # 366	1.6000	1.8000	2.0000	2.0000	2.5000
Harris County MUD # 372	1.6000	11.1000	1.6500	1.7500	1.9000
Harris County MUD # 381	6.3000	6.3000	7.4000	7.4000	
Harris County MUD # 390	7.0000	7.0000	7.0000	7.0000	7.0000
Harris County MUD # 393	7.3000	7.5000	9.1000	9.1000	N/A
Harris County MUD # 404	8.6125	8.6125	8.6125	8.6125	N/A
Harris County MUD # 410	5.9000	5.9000	6.9000	6.9000	N/A
Harris County MUD # 411	7.0000	7.5000	9.0000	9.0000	N/A
Harris County MUD # 415	8.0000	8.0000			
Harris County MUD # 450	7.85	8.1358	7.9888	7.6892	7.6125
Harris County MUD # 451	9.1579	9.1358	8.8000	8.8000	N/A
Harris County MUD # 460	7.4000	7.4000	7.4000	7.4000	N/A
Harris County MUD # 499	15.4000	9.1300	N/A	N/A	N/A
Harris County MUD # 529	7.5000	7.5000	N/A	N/A	N/A
Harris County MUD # 537	5.0000	5.0000	N/A	N/A	N/A
Northwood MUD #1	12.5000	12.5000	12.5000	12.5000	12.5000
<b>Other Jurisdictions</b>					
Clear Lake City Water Authority	2.7000	2.7000	2.7000	2.8000	2.8000
Fort Bend Parkway Road (4)					
Harris County Dept. of Education	0.005195	0.005195	0.0600	0.0600	0.0636
Harris County Hospital District	1.7110				
Houston Community College	1.02635	0.02498	0.2631	0.2984	0.2012
Lee College District	2.5040	2.1320	2.1570	2.2070	2.6070
Lone Star College System	1.0780	1.0780	1.0790	1.0810	1.1600
Port of Houston Authority	0.1256	0.1334	0.1342	0.1531	0.1716
San Jacinto College District	18.3335	18.2379	17.5783	18.5600	1.8560

- (1) The tax rates are based on a 100% assessment ratio. Tax rates are stated per \$1,000 assessed value.  
(2) Harris County includes the Harris County Flood Control District and the Harris County Toll Road.  
The Toll Road rate is zero.  
(3) North Forest I.S.D. was closed and merged with Houston I.S.D.  
(4) Debt has been paid off.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
4.6221	4.8071	4.6336	4.5728	4.5460
<u>1.7654</u>	<u>1.5804</u>	<u>1.7539</u>	<u>1.8147</u>	<u>1.8415</u>
6.3875	6.3875	6.3875	6.3875	6.3875
4.9976	4.9976	4.9976	5.0660	4.9976
4.2830	4.1926	4.1728	4.2146	3.8923
4.8380	4.8380	4.8380	4.8380	4.8380
13.2839	13.2839	13.0054	13.0054	12.9200
13.2000	13.3000	13.4000	13.4000	13.4000
13.6000	13.6000	13.6000	13.6000	13.6000
12.9500	12.9500	12.9500	12.8500	12.7000
14.4000	14.4000	14.4000	14.4000	13.4000
14.5000	14.3000	14.3000	14.1000	13.5000
15.2670	13.9670	13.9670	13.6670	13.3670
13.4000	13.4000	12.7000	12.7000	12.7000
15.1340	15.1340	15.1340	14.7840	14.5590
13.3213	13.3213	13.0213	12.8213	12.8213
11.5670	11.5670	11.5670	11.5670	15.9900
14.4500	14.7000	14.7000	14.7000	14.7000
15.2000	15.2000	15.2000	15.2000	15.2000
15.2660	15.2660	15.2660	15.2660	15.2660
14.4000	14.3000	14.1000	13.6000	13.1000
15.4000	15.4000	15.4000	14.8000	14.4000
	14.6929	13.7000	13.5000	13.1434
13.5000	13.5000	13.5000	13.5000	14.3000
14.3000	14.3000	14.3000	14.3000	14.3000
15.7000	15.7000	14.6000	14.6000	14.6000
13.9450	13.9450	13.9450	13.9450	13.8250
2.3500	2.3500	2.5500	2.9500	3.0000
3.0500	3.0500	3.0500	2.9500	2.8500
2.5000	2.5000	2.5000	2.5000	2.5000
1.9000	1.9000	1.9000	1.9000	N/A
7.0000	7.0000	7.0000	7.0000	7.0000
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
7.6125	7.7125	7.6125	7.6125	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
12.5000	12.5000	12.5000	12.5000	12.5000
2.8000	2.8000	2.8000	2.8000	2.8000
0.5443	0.5443	0.5443	0.5443	0.5443
0.0658	0.0658	0.0658	0.0605	0.0585
0.1750	0.1382	0.9222	0.9222	0.1493
2.4100	2.5200	2.5200	2.2120	2.0677
1.2100	1.2100	1.1760	1.1010	1.1440
0.1952	0.1856	0.2054	0.1636	0.1437
1.8560	1.8560	1.7628	1.7080	1.4536

**CITY OF HOUSTON, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**June 30, 2018**  
**Current Year and Nine Years Ago**  
**(amounts expressed in thousands)**  
**(unaudited)**

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc.	\$ 1,395,047	1	0.60%	\$ 1,567,607	1	1.05%
Chevron Chemical Company	995,409	2	0.43%			
HG Galleria 1 11 111 LP	635,939	3	0.28%			
Conoco Phillips Company	571,310	4	0.25%			
Shell Services Company	550,564	5	0.24%			
Busycon Properties LLC	484,511	6	0.21%			
Texas Tower Ltd	483,159	7	0.21%			
1000 Louisiana LP	476,007	8	0.21%			
Flint Hills Resources Houston Chemical LL	459,372	9	0.20%			
Four Oaks Place Operating LP	435,624	10	0.19%			
Crescent Real Estate				1,136,690	2	0.76%
Houston Refining				1,037,683	3	0.70%
Hines Interest Ltd. Partnership				884,267	4	0.59%
Cullen Allen Holdings LP				679,739	5	0.46%
AT & T Corp				577,601	6	0.39%
Valero Energy Corp.				564,116	9	0.38%
Exxon Mobil Corp				487,292	7	0.39%
Anheuser Busch Inc.				429,956	8	0.33%
Amoco Chemical Co.				354,996	10	0.24%
Total	\$ 6,486,942		2.82%	\$ 7,719,947		5.29%

**CITY OF HOUSTON**  
**TAX SUPPORTED DEBT SERVICE FUNDS**  
(amounts expressed in thousands)  
(unaudited)

**Tax Bond Debt Service Fund for Fiscal Year 2019<sup>(a)</sup>**

	<b>Amount</b> <b>(in thousands)</b>
<b>Budgeted Resources</b>	
Beginning Fund Balance Estimate as of July 1, 2018	\$ 159,678
Interest Earnings on Debt Reserves and Bond Funds	-
Transfers in from:	
General Fund	342,205
Combined Utility System Operating Fund	19,008
Other sources	27,807
Third Party Reimbursements	-
Net Bond Proceeds	-
Other	2,226
<b>Total Budgeted Resources</b>	<b>550,924</b>
 <b>Budgeted Expenditures</b>	
Debt Service Requirements	
Tax Bonds	\$ 427,761
Commercial Paper Paid from Third Party Reimbursements	
Miscellaneous	-
<b>Total Budgeted Expenditures</b>	<b>427,761</b>
 Budgeted Ending Fund Balance as of June 30, 2019	123,163
<b>Total Budgeted Expenditures and Reserves</b>	<b>\$ 550,924</b>

(a) This fund includes the debt service for the City's Tax Bonds, Pension Obligations, and Commercial Paper Notes.

**CITY OF HOUSTON**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

**Governmental Activities**

**Business-type Activities**

Fiscal Year	Governmental Activities						Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (a)
	Public Improvement Bonds	Pension Obligations	Commercial Paper	Tax and Revenue Certificates	Notes Payable	Other Borrowings	Combined Utility System Revenue Bonds	Houston Airport System Revenue Bonds	Convention & Entertainment Revenue Bonds	Long-Term Contracts			
2009	\$ 1,988,300	\$ 520,478	\$ 519,200	\$ 81,022	\$ -	\$ 13,315	\$ 5,453,015	\$ 2,224,081	\$ 590,799	\$ 190,187	\$ 11,580,397	20.04%	\$ 5,691
2010	\$ 2,319,930	\$ 540,578	\$ 360,500	\$ 79,870	\$ -	\$ 10,010	\$ 5,635,438	\$ 2,537,166	\$ 569,569	\$ 175,259	\$ 12,228,320	23.57%	\$ 6,000
2011	\$ 2,468,160	\$ 540,578	\$ 237,400	\$ 75,990	\$ -	\$ 7,830	\$ 5,807,384	\$ 2,480,456	\$ 545,509	\$ 162,571	\$ 12,325,878	Not available	\$ 6,083
2012	\$ 2,582,320	\$ 540,728	\$ 226,900	\$ 17,365	\$ -	\$ 7,103	\$ 5,821,210	\$ 2,348,521	\$ 537,499	\$ 149,121	\$ 12,230,767	Not available	\$ 5,722
2013	\$ 2,561,515	\$ 540,728	\$ 176,900	\$ 11,870	\$ 11,135	\$ 6,458	\$ 6,023,556	\$ 2,290,936	\$ 509,249	\$ 135,585	\$ 12,267,932	Not available	\$ 5,585
2014	\$ 2,422,445	\$ 535,353	\$ 257,350	\$ 18,660	\$ 11,629	\$ 5,813	\$ 6,041,391	\$ 2,232,051	\$ 482,974	\$ 122,048	\$ 12,129,714	Not available	\$ 5,777
2015	\$ 2,658,664	\$ 529,603	\$ 141,900	\$ 17,671	\$ -	\$ 5,154	\$ 6,545,540	\$ 2,393,951	\$ 681,585	\$ 198,217	\$ 13,172,285	Not available	\$ 5,882
2016	\$ 2,603,712	\$ 523,443	\$ 99,900	\$ 17,479	\$ -	\$ 4,495	\$ 6,703,987	\$ 2,468,672	\$ 666,280	\$ 209,300	\$ 13,297,268	Not available	\$ 5,791
2017	\$ 2,401,047	\$ 516,858	\$ 239,900	\$ 16,682	\$ -	\$ 3,836	\$ 6,782,294	\$ 2,371,252	\$ 649,112	\$ 469,253	\$ 13,450,234	Not available	\$ 5,839
2018	\$ 2,455,354	\$ 1,444,890	\$ 70,000	\$ 15,446	\$ -	\$ 8,226	\$ 6,865,875	\$ 2,334,124	\$ 703,234	\$ 750,193	\$ 14,647,342	Not available	\$ 6,333

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See the Schedule of Demographic and Economic Statistics on page 233 for personal income and population data.

**CITY OF HOUSTON, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)  
(unaudited)

<b>Fiscal Year</b>	<b>General Tax Obligation Debt (1)</b>	<b>Less: Amounts Available in Debt Service Fund (4)</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value (2) of Property</b>	<b>Per Capita (3)</b>
2009	\$ 3,122,315	\$ 122,920	\$ 2,999,395	2.02%	\$ 1,346
2010	\$ 3,310,888	\$ 142,028	\$ 3,168,860	2.13%	\$ 1,433
2011	\$ 3,329,958	\$ 148,028	\$ 3,181,930	2.24%	\$ 1,455
2012	\$ 3,374,416	\$ 160,259	\$ 3,214,157	2.23%	\$ 1,565
2013	\$ 3,308,606	\$ 117,887	\$ 3,190,719	2.11%	\$ 1,522
2014	\$ 3,251,250	\$ 97,655	\$ 3,153,595	1.88%	\$ 1,566
2015	\$ 3,140,357	\$ 82,422	\$ 3,057,935	1.63%	\$ 1,365
2016	\$ 3,244,534	\$ 8,770	\$ 3,235,764	1.60%	\$ 1,409
2017	\$ 3,174,487	\$ 7,933	\$ 3,166,554	1.44%	\$ 1,375
2018	\$ 3,985,690	\$ 35,655	\$ 3,950,035	1.71%	\$ 1,708

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. General tax obligation debt repaid from property taxes.
2. See the schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 219 for property value data.
3. Population data can be found in the Schedule of Demographic and Economic Statistics on page 233.
4. Amounts available in Debt Service Fund changed beginning in 2009 to agree to restricted for debt service in the Statement of Net Position.

**CITY OF HOUSTON, TEXAS**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2018**  
**(amounts expressed in thousands)**  
**(unaudited)**

City	Net Direct Debt		% of Debt Applicable to Houston	City of Houston Share of Debt
	Amount	As of		
City of Houston - direct	\$ 3,993,916	06/30/18	100.00%	\$ 3,993,916
<b>County</b>				
Fort Bend County	403,866	06/30/18	1.53%	6,179
Harris County (including Toll Road Bonds)	2,071,574	06/30/18	52.54%	1,088,405
Harris County Flood Control	562,058	06/30/18	52.54%	295,305
Montgomery County	433,781	06/30/18	1.33%	5,769
<b>School District</b>				
Aldine I.S.D.	1,572,179	06/30/18	45.08%	708,738
Alief I.S.D.	253,332	08/31/17	81.56%	206,618
Clear Creek I.S.D.	900,018	06/30/18	23.84%	214,564
Conroe I.S.D.	1,640,084	08/31/17	0.00%	0
Crosby I.S.D.	132,885	06/30/18	2.28%	3,030
Cypress-Fairbanks I.S.D.	2,663,724	06/30/18	16.07%	428,060
Deer Park I.S.D.	240,165	06/30/18	1.87%	4,491
Fort Bend I.S.D.	898,187	06/30/18	3.31%	29,730
Galena Park I.S.D.	225,999	08/31/17	8.38%	18,939
Goose Creek I.S.D.	451,675	06/30/18	0.00%	0
Houston I.S.D.	3,042,362	06/30/18	91.52%	2,784,370
Huffman I.S.D.	78,528	06/30/18	26.59%	20,881
Humble I.S.D.	516,923	06/30/18	37.73%	195,035
Katy I.S.D.	1,757,137	08/31/17	19.16%	336,667
Klein I.S.D.	1,089,751	06/30/18	2.96%	32,257
New Caney I.S.D.	456,563	08/31/18	18.28%	83,460
Pasadena I.S.D.	703,308	08/31/17	42.60%	299,609
Sheldon I.S.D.	337,139	06/30/18	1.79%	6,035
Spring I.S.D.	925,020	06/30/18	2.96%	27,381
Spring Branch I.S.D.	1,060,644	06/30/18	72.57%	769,709
<b>Municipal Utility District</b>				
Harris County MUD 355	6,899	06/30/18	100.00%	6,899
Harris County MUD 359	3,520	06/30/18	100.00%	3,520
Harris County MUD 366	0	06/30/18	0.00%	0
Harris County MUD 372	6,435	06/30/18	100.00%	6,435
Harris County MUD 381	8,001	07/12/18	100.00%	8,001
Harris County MUD 390	31,895	06/30/18	100.00%	31,895
Harris County MUD 393	9,356	07/12/18	100.00%	9,356
Harris County MUD 404	7,033	06/30/18	100.00%	7,033
Harris County MUD 410	11,627	07/12/18	100.00%	11,627
Harris County MUD 411	4,329	07/12/18	100.00%	4,329
Harris County MUD 415	1,960	06/30/18	100.00%	1,960
Harris County MUD 450	15,086	06/12/18	100.00%	15,086
Harris County MUD 451	5,131	06/28/18	100.00%	5,131
Harris County MUD 460	7,396	06/28/18	100.00%	7,396
Harris County MUD 499	8,043	06/30/18	100.00%	8,043
Harris County MUD 529	10,405	06/30/18	100.00%	10,405
Harris County MUD 537	8,748	06/28/18	100.00%	8,748
Northwood MUD # 1	2,255	06/26/18	100.00%	2,255
<b>Other Jurisdictions</b>				
Clear Lake City Water Authority	70,389	06/30/18	63.92%	44,993
Harris County Dept. of Education	6,555	06/30/18	52.54%	3,444
Harris County Hospital District	59,490	06/30/18	52.54%	31,256
Houston Community College	488,965	08/31/18	90.86%	444,274
Lee College District	68,705	07/26/18	0.00%	0
Lone Star College System	580,425	06/30/18	11.64%	67,561
Port of Houston Authority	602,795	06/30/18	52.54%	316,708
San Jacinto College District	627,513	06/30/17	15.44%	96,888
Total overlapping debt	<u>25,069,858</u>			<u>8,718,475</u>
Total direct and overlapping debt	<u>\$ 29,063,774</u>			<u>\$ 12,712,391</u>

The net direct debt amounts above, except for that which relates to the City of Houston, were provided by the individual government entities or the Municipal Advisory Council of Texas (MACTx). The percentage of debt applicable to the City was provided by MACTx. Net Direct Debt is equal to the outstanding principal amount less sinking fund balances.

The percentage of overlapping debt applicable is estimated using (market or taxable) assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's (market or taxable) assessed value that is within the overlapping jurisdiction's boundaries and dividing it by the overlapping jurisdiction's total (market or taxable) assessed value.

**City of Houston, Texas**  
**AD VALOREM TAX LEVIES AND COLLECTIONS**  
(amounts expressed in thousands)  
(unaudited)

Fiscal Year	Tax Rate <sup>(a)</sup>			Net Current Year Tax Levy <sup>(b) (d)</sup> (in thousands)	Current Collections Prior to End of Fiscal Year <sup>(c) (d) (e)</sup> (in thousands)	Prior Years' Delinquent Collections <sup>(e)</sup> (in thousands)	Total Collection <sup>(c) (d) (e)</sup> (in thousands)	Total Collections Percentage of Net Levy <sup>(d)</sup>
	General Purposes	Debt Service	Total					
2010	0.45728	0.18147	0.63875	960,083	932,952	23,672	956,624	99.6
2011	0.46336	0.17539	0.63875	912,808	891,910	27,684	919,594	100.7
2012	0.48071	0.15804	0.63875	927,886	907,472	24,177	931,649	100.4
2013	0.46221	0.17654	0.63875	970,157	949,784	30,555	980,339	101.0
2014	0.47709	0.16166	0.63875	1,071,503	1,053,287	25,100	1,078,387	100.6
2015	0.47464	0.15644	0.63108	1,183,204	1,156,298	23,578	1,179,876	99.7
2016	0.44219	0.15893	0.60112	1,228,563	1,206,449	9,000	1,215,449	98.9
2017	0.45446	0.13196	0.58642	1,299,973	1,276,573	16,500	1,293,073	99.5
2018	0.42023	0.16398	0.58421	1,329,129	1,307,863	4,941	1,312,804	98.8
2019	0.41924	0.16907	0.58831	1,342,206	1,320,731	10,136	1,330,867	99.2

- (a) The Texas Constitution limits the maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation for home-rule cities such as the City; however, for a discussion of the more restrictive City Charter Limitations, see "PROPERTY TAXES – City Charter Tax and Revenue Limitations."
- (b) The figures represent net adjusted levies, including the late certification and correction rolls from the Appraisal District, through June 30 of each Fiscal Year, except for Fiscal Year 2019, which is as of August 10, 2018.
- (c) These amounts do not include revenues from various types of Industrial District Contracts entered into by the City with industrial property owners outside of the City's corporate limits totaled \$0.00 million in Fiscal Year 2018. Such Industrial District Contracts have a term of fifteen years (currently scheduled to terminate in Tax Year 2027) and allow property owners to make payments to the City in lieu of paying ad valorem taxes.
- (d) Includes all ad valorem tax receipts received by the City, including tax increment revenues that are deposited into special funds designated for various tax increment reinvestment zones. By virtue of contracts among the City, the Zones and the local government corporations that manage the zones, the tax increments are transferred to the respective local government corporation and are available to fund authorized projects in the Zone and to be pledged to obligations issued by the local government corporation on behalf of the Zone. Bonds and other obligations issued by the local government are not debt of the City. In Fiscal Year 2019, the City has budgeted approximately \$140 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately \$46 million will be transferred back to the City for affordable housing projects, an administrative fee and a fee for municipal service costs attributable to development in such Zones. Much of the tax increments transferred to the zones are used to promote economic developments through the acquisition and construction of public improvements to spur development in certain areas of the City. Additionally, the zones provide affordable housing and funds for certain City capital improvement projects.
- (e) The City's Fiscal Year 2019 Budget includes a proposed tax rate of \$0.58831 (per \$100 assessed valuation) for Tax Year 2018 (Fiscal Year 2019). The City Charter provides that, in preparing the City's budget, provision shall first be made for the payment of debt service on the City's outstanding bond indebtedness, with the remaining revenues to be apportioned among the City's respective departments.

**City of Houston, Texas**  
**AD VALOREM TAX OBLIGATION PERCENTAGES**  
(amounts expressed in thousands)  
(unaudited)

<b>Tax Year</b>	<b>Fiscal Year</b>	<b>Tax-Supported Debt at December 31 (in thousands) <sup>(f)</sup></b>	<b>Tax Roll<sup>(a)</sup> (in thousands)</b>	<b>Tax-Supported Debt as a Percentage of Tax Roll</b>	<b>Tax-Supported Per Capita Debt<sup>(b)</sup></b>	<b>Debt Service Requirement Payable from Taxes<sup>(c)(d)</sup> (in thousands)</b>	<b>Tax Levy for Debt Service (in thousands)<sup>(e)</sup></b>
2008	2009	3,174,023	149,627,515	2.12%	1,418	254,513	251,700
2009	2010	3,324,065	150,270,904	2.21%	1,472	308,113	254,600
2010	2011	3,440,075	142,964,244	2.41%	1,639	342,966	232,545
2011	2012	3,471,590	145,042,978	2.39%	1,617	297,923	229,700
2012	2013	3,469,360	152,801,703	2.27%	1,613	300,124	241,100
2013	2014	3,392,510	167,460,662	2.03%	1,545	304,267	243,813
2014	2015	3,329,635	187,196,033	1.78%	1,487	337,756	264,500
2015	2016	3,225,240	204,300,968	1.58%	1,405	340,345	295,954
2016	2017	3,079,240	220,692,709	1.40%	1,337	339,639	258,415
2017	2018	3,978,830	227,519,681	1.75%	1,720	384,968	333,784

- (a) With the exception of Tax Year 2017, the tax roll represents the total appraised value of property, after subtracting all exemptions, and reflects all adjustments made by the Appraisal Districts as of June 30 of each Fiscal Year. The Tax Year 2017 amount represents the Appraisal Districts' estimate of certified taxable valuations based on tax rolls available as of July 6, 2018. As of July 06, 2018, the total assessed value for Tax Year 2017 (including exempt property values) was approximately \$292 billion, which is the appraised value used to determine the statutory limitation of approximately \$29 billion relating to total bond indebtedness.
- (b) Per capita figures are based on population estimates according to the U.S. Census Bureau.
- (c) These amounts have not been reduced by the combined ending fund balances in the General Debt Service Fund.
- (d) These amounts include principal and interest payments for Tax Obligations, except it only includes interest for Commercial Paper Notes at an assumed rate appropriate for each Fiscal Year.
- (e) Sources of funds for the general obligation debt service requirement include the tax levy and transfers from Enterprise and Special Revenue Funds.
- (f) Information as reported in the City's Monthly Operations and Financial Report dated as of December 31 of each Fiscal Year.

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
Last Ten Fiscal Years  
(amounts expressed in thousands)  
(unaudited)**

**LEGAL DEBT MARGIN CALCULATION AT JUNE 30, 2018**

Assessed Value (1)	\$292,225,672
Debt Limit (10% of assessed value)	\$ 29,222,567
Debt applicable to limit:	
Public Improvement Bonds	2,455,354
Pension Obligations	1,444,890
Commercial Paper - General Obligation	70,000
Tax and Revenue Certificates of Obligation	15,446
Total net debt applicable to limit	<u>\$ 3,985,690</u>
Legal debt margin	\$ 25,236,877

**HISTORICAL LEGAL DEBT LIMITATION**

	<b>2009</b>	<b>2010</b>
<b>Legal debt limitation, 10% of assessed value(2)</b>	\$ 19,296,752	\$ 19,581,736
Total net debt applicable to margin	<u>3,109,000</u>	<u>3,300,878</u>
Legal debt margin	<u>\$ 16,187,752</u>	<u>\$ 16,280,858</u>
Total net debt applicable to the limit as a percentage of debt limit	16%	17%

(1) Assessed Value for the 2017 tax year (fiscal year 2018) is based on the appraised value of property prior to any deductions for exemptions. The Assessed Value is derived from the certified valuations provided by the Harris County Appraisal District as of July 2018.

(2) See Texas Government Code, Chapter 1331.051 (b).

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 18,798,571	\$ 19,108,922	\$ 20,140,168	\$ 21,962,278	\$ 24,401,203	\$ 26,857,750	\$ 28,781,940	\$ 29,222,567
<u>3,322,128</u>	<u>3,367,313</u>	<u>3,291,013</u>	<u>3,233,808</u>	<u>3,135,203</u>	<u>3,244,534</u>	<u>3,174,499</u>	<u>3,985,690</u>
<u>\$ 15,476,443</u>	<u>\$ 15,741,609</u>	<u>\$ 16,849,155</u>	<u>\$ 18,728,470</u>	<u>\$ 21,266,000</u>	<u>\$ 23,613,216</u>	<u>\$ 25,607,441</u>	<u>\$ 25,236,877</u>
18%	18%	16%	15%	13%	12%	11%	14%

**CITY OF HOUSTON, TEXAS**  
**PLEDGED - REVENUE COVERAGE**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

<b>Airport System Bonds <sup>(1)</sup></b>									
<b>Fiscal Year</b>	<b>Operating &amp; Non-Operating Revenues <sup>(2)</sup></b>	<b>Less: Operating Expenses</b>	<b>Net Pledged Revenue</b>	<b>Debt Service</b>		<b>Less Grants Available for Debt Service</b>	<b>Less PFC revenue Available for Debt Service</b>	<b>Coverage</b>	
				<b>Principal</b>	<b>Interest</b>				
2009	409,721	242,449	167,272	49,692	100,746	38,835	15,847	1.75	
2010	425,071	245,147	179,924	51,832	93,298	29,084	27,087	2.02	
2011	423,632	262,668	160,964	61,136	97,546	17,999	38,828	1.58	
2012	429,665	255,507	174,158	59,575	91,736	7,360	36,619	1.62	
2013	441,245	252,745	188,500	56,800	97,138	0	34,390	1.58	
2014	460,768	268,745	192,023	60,419	96,005	22,942	35,614	1.96	
2015	489,822	283,557	206,265	71,999	91,320	16,399	38,054	1.89	
2016	495,831	314,715	181,116	79,093	84,811	13,888	42,320	1.68	
2017	510,524	254,506 <sup>(4)</sup>	256,018	82,707	92,316	0	54,673	2.13	
2018	522,407	326,889	195,518	81,137	93,319	0	50,642	1.58	

1. Including Sr. Lien Commercial Paper, Subordinate Lien Bonds, and Inferior Lien Obligations.
2. Income and revenue derived from the operation of the Airport System with limited exclusions.
3. Debt service is net of amounts paid by grant fund, capitalized interest and passenger facility charges revenue.
4. The decrease in net pension liability recorded as negative expense in FY2017 was \$51.1 million.

<b>Combined Utility System Bonds <sup>(5)</sup></b>									
<b>Fiscal Year</b>	<b>Operating &amp; Non-Operating Revenues <sup>(6)</sup></b>	<b>Less: Total Expenses</b>	<b>Net Pledged Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>			
				<b>Principal</b>	<b>Interest</b>				
2009	867,329	379,458	487,871	37,683	258,129	1.65			
2010	814,979	371,913	443,066	68,187	281,468	1.27			
2011	921,218	363,649	557,569	72,389	284,800	1.56			
2012	969,028	417,616	551,412	68,285	299,436	1.50			
2013	979,550	399,855	579,695	80,278	308,204	1.49			
2014	1,029,562	406,274	623,288	134,030	273,484	1.53			
2015	974,825	424,683	550,142	140,685	266,636	1.35			
2016	1,053,629	436,845	616,784	160,450	261,489	1.46			
2017	1,075,788	438,330	637,458	184,570	259,941	1.43			
2018	1,126,569	438,551	688,018	200,505	261,978	1.49			

5. Including Water and Sewer System Bonds, Combined Utility System Bonds, and Commercial Paper interest.
6. Income and revenues derived from the operation of the Combined Utility System with limited exclusions.

<b>Convention and Entertainment Center Bonds <sup>(7)</sup></b>									
<b>Fiscal Year</b>	<b>Pledged Hotel Occupancy Tax &amp; Other Revenue <sup>(8)</sup></b>	<b>Debt Service</b>		<b>Coverage</b>					
		<b>Principal</b>	<b>Interest</b>						
2008	69,743	17,540	23,926	1.68					
2009	65,334	18,620	19,451	1.72					
2010	59,804	21,230	15,747	1.62					
2011	65,186	24,060	14,218	1.70					
2012	71,957	21,835	6,194	2.57					
2013	78,892	27,530	14,123	1.89					
2014	89,145	26,215	10,743	2.41					
2015	83,027	25,835	11,377	2.23					
2016	82,116	24,524	18,307	1.92					
2017	76,491	19,790	24,333	1.73					
2018	72,172	21,815	24,797	1.55					

7. Including Revenue Bonds and Commercial Paper.
8. Includes the 5.65%/7% of collected hotel occupancy tax, certain parking revenues, and certain tax rebates.

**CITY OF HOUSTON, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Population</b>	<b>(1)</b>	<b>Personal Income (amount in thousands)</b>	<b>(2)</b>	<b>Per Capita Personal Income</b>	<b>(2)</b>	<b>Median Age</b>	<b>(2)</b>	<b>Education Level in Years of Formal Schooling</b>	<b>(2)</b>	<b>School Enrollment</b>	<b>(2)</b>	<b>Average Unemployment Rate (percentage)</b>	<b>(3)</b>
2009	2,244,615		\$ 57,795,120		\$ 25,563		32.9		13.2		520,118	(6)	5.9	(2)
2010	2,257,926		\$ 51,886,111		\$ 24,623		32.8		12.4		525,506	(6)	7.0	(2)
2011	2,099,451	(11)	Not available		\$ 26,109		32.2		12.7		560,316	(6)	8.2	(7)
2012	2,145,146		Not available		\$ 26,179	(8)	33.2	(9)	13.0	(9)	576,020	(8)	7.5	(10)
2013	2,160,821		Not available		\$ 26,849	(8)	32.1	(8)	13.0	(6), (8)	548,061	(6)	6.5	(7)
2014	2,195,914		Not available		\$ 27,029	(8)	32.3	(8)	13.0	(8)	557,780	(8)	9.0	(8)
2015	2,239,558		Not available		\$ 27,305	(11)	32.4	(11)	13.0	(6), (8)	564,871	(8)	4.4	(12)
2016	2,296,224	(8)	Not available		\$ 27,938	(8)	32.6	(8)	13.0	(6), (8)	580,250	(8)	5.8	(10)
2017	2,303,482	(8)	Not available		\$ 28,503	(8)	32.6	(8)	13.1	(6), (8)	594,377	(8)	5.7	(10)
2018	2,312,717	(8)	Not available		\$ 29,224	(8)	32.7	(8)	13.2	(6)	597,728	(8)	5.1	(10)

(1) Source: Population Estimate program, U. S. Census Bureau, as of the beginning of the fiscal year. (Fiscal year 2018 is as of July 1, 2017.)

(2) Source: American Community Survey, U. S. Census Bureau. (Fiscal year 2018 data is for calendar year 2017.)

(3) Source: University of Houston, Center for Public Policy. (Data for fiscal year 2018 is calendar year 2017.)

(4) Source: Texas Workforce Commission

(5) School enrollment for the City of Houston is not available. The number reflects the Houston metropolitan area.

(6) School enrollment includes nursery school through graduate school.

(7) Source: Local Area Unemployment Statistics, Bureau of Labor Statistics Texas Workforce Commission

(8) Source: U. S. Census Bureau FactFinder

(9) This is the average for the MSA (Metropolitan Service Area).

(10) Source: Bureau of Labor Statistics

(11) Source: American FactFinder

(12) Source: Texas Labor Market TRACER

**CITY OF HOUSTON, TEXAS  
PRINCIPAL EMPLOYERS  
June 30, 2018  
Current Year and Nine Years Ago  
(unaudited)**

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Walmart	34,000	1	2.88%			
HEB	26,956	2	2.29%			
Memorial Hermann Health System	26,011	3	2.21%	19,500	1	1.94%
Houston Methodist	22,247	4	1.89%	9,991	7	0.99%
The University of Texas MD Anderson Cancer Center	20,189	5	1.71%			
Kroger Company	17,188	6	1.46%	12,000	5	1.19%
McDonald's Corp	16,100	7	1.37%			
United Airlines	14,084	8	1.19%			
Texas Children Hospital	13,445	9	1.14%			
Exxon Mobil Corp	13,000	10	1.10%	13,000	3	1.29%
Continental Airlines, Incorporated				16,000	2	1.59%
Shell Oil Company				13,000	4	1.29%
National Oilwell Varco				10,000	6	0.99%
Baylor College of Medicine				9,232	8	0.92%
St.Luke's Episcopal Health System				9,000	10	0.89%
Hewlett-Packard Corporation				9,000	9	0.89%
	203,220		17.23%	120,723		11.98%
Total :						

Source: GHP Houston Facts - 2018; Houston Chronicle (Houston Biggest Employers reflect local economy)

Employers excludes school districts and city, county, state and federal governments.  
Employee numbers are for the ten-county region, not the city only.  
Employee may live outside the City.

Total Houston Residents employed regardless of where they work:

Source:	2018	1,179,434
June 2018 Local Area Unemployment Statistics, Bureau of Labor Statistics	2009	1,007,600
U.S. Census Bureau, American communit Survey		

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS  
EMPLOYMENT STATISTICS  
June 30, 2018  
(unaudited)**

**Employment**

The following table indicates the Houston PMSA estimated annual average labor force for the years 2008 through 2017 according to the Texas Employment Commission:

**Houston PMSA Labor Force Estimates  
(Employees in thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Civilian Labor Force (A)	2,781	2,873	2,933
Employed	2,647	2,638	2,692
Unemployed	134	235	241
Percent unemployed	4.82%	8.18%	8.20%
Nonfarm Payroll Employment (B)	2,603	2,530	2,594
Manufacturing	241	218	228
Mining	90	88	89
Contract construction	205	172	175
Transp/Trade/Pub Utils/Communications (C)	715	564	556
Finance/Insurance/Real Estate	91	138	134
Services & Miscellaneous	1,087	973	1,035
Government	361	377	377

(A) Includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers, and workers involved in labor-management disputes.

(B) Includes the non-agricultural wage and salary jobs estimated to exist in Houston PMSA without reference to place of residence of workers.

(C) Trade has been included with Transportation, Public Utilities and Communications.

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
3,075	3,110	3,180	3,244	3,287	3,323	3,412
2,843	2,901	3,009	3,098	3,106	3,147	3,255
232	210	171	146	180	176	157
7.50%	6.70%	5.40%	4.50%	5.50%	5.30%	4.60%
2,693	2,793	2,895	2,991	3,002	3,061	3,132
237	252	261	250	232	234	228
97	106	115	109	87	86	80
180	188	197	205	216	215	237
579	602	616	645	647	635	661
140	143	146	146	155	156	164
1,097	1,135	1,800	1,261	1,282	1,321	1,353
364	367	379	381	388	414	410

**CITY OF HOUSTON, TEXAS**  
**Last Ten Years**  
**CITY OF HOUSTON EMPLOYMENT INFORMATION**  
**(unaudited)**

**Full-time Equivalent Employees as of June 30, 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Fund/Department</b>										
<b>GENERAL FUND</b>										
<b>Public Safety</b>										
Fire/Civilian	270.5	247.9	222.6	118.9	117.4	117.1	107.2	111.9	109.6	108.3
Fire/Classified	4,058.3	4,131.7	4,085.1	3,978.6	4,011.7	3,981.2	4,119.9	4,235.4	4,231.6	4,219.3
Fire/Cadets	95.7	53.0	53.1	14.2	26.7	123.0	139.1	107.1	94.6	41.4
Municipal Courts - (Administration) Department	284.8	269.8	301.7	271.2	268.8	291.6	299.2	290.7	280.0	268.4
Municipal Courts - (Justice) Department	50.6	50.9	-	-	-	-	-	-	-	-
Police/Civilian	1,572.3	1,528.4	1,393.1	1,119.9	1,194.9	1,157.8	1,133.2	1,134.7	1,141.7	1,099.8
Police/Classified	5,703.2	5,629.9	5,535.3	5,474.9	5,456.9	5,290.4	5,350.7	5,353.4	5,357.3	5,559.8
Police/Cadets	221.6	135.0	70.4	76.6	118.1	88.1	91.2	140.5	176.2	134.1
<b>Total Public Safety</b>	<b>12,257.0</b>	<b>12,046.6</b>	<b>11,661.3</b>	<b>11,054.3</b>	<b>11,194.5</b>	<b>11,049.2</b>	<b>11,240.5</b>	<b>11,373.7</b>	<b>11,391.0</b>	<b>11,431.1</b>
<b>Development &amp; Maintenance Services</b>										
General Services (Formerly Building Services)	242.1	233.2	210.6	193.9	193.6	201.1	140.7	137.7	135.1	133.7
Planning & Development	105.1	107.0	97.5	75.7	75.2	76.1	71.9	59.8	32.3	28.0
Public Works & Engineering (PW&E)	568.3	529.0	505.6	9.1	15.0	13.6	14.6	12.5	13.8	13.0
Solid Waste Management	667.2	633.5	623.9	460.5	471.0	458.9	475.9	507.7	526.0	527.7
<b>Total Development &amp; Maintenance</b>	<b>1,582.7</b>	<b>1,502.7</b>	<b>1,437.6</b>	<b>739.2</b>	<b>754.8</b>	<b>749.7</b>	<b>703.1</b>	<b>717.7</b>	<b>707.2</b>	<b>702.4</b>
<b>Human &amp; Cultural Services</b>										
Convention & Entertainment Facilities	3.5	-	-	-	-	-	-	-	-	-
Health & Human Services	741.3	661.3	574.8	458.4	470.7	565.0	563.5	447.7	447.6	431.7
Housing & Community Development	2.3	2.5	2.9	2.1	2.0	2.0	1.3	0.7	0.7	2.5
Library	530.5	517.4	456.4	401.7	405.2	474.1	469.8	466.0	466.1	471.7
Neighborhoods	-	-	-	96.3	104.4	103.5	107.5	107.6	103.9	102.9
Parks & Recreation	869.4	838.8	774.2	627.6	644.4	670.3	663.7	657.9	693.5	689.0
<b>Total Human &amp; Cultural Services</b>	<b>2,147.0</b>	<b>2,020.0</b>	<b>1,808.3</b>	<b>1,586.1</b>	<b>1,626.7</b>	<b>1,814.9</b>	<b>1,805.8</b>	<b>1,679.9</b>	<b>1,711.8</b>	<b>1,697.8</b>
<b>Administrative Services</b>										
Administration & Regulatory Affairs	292.0	375.9	362.9	268.1	240.3	201.5	202.1	205.6	209.1	191.7
City Secretary	11.5	11.4	11.9	10.9	10.7	10.7	10.3	9.2	8.9	9.9
Controller's Office	76.3	76.8	74.0	66.2	64.9	65.3	62.1	60.3	57.8	60.3
Council Office	73.3	72.4	72.8	74.6	77.7	74.6	76.5	77.6	76.2	73.2
Finance & Administration	-	-	-	-	-	-	-	-	-	-
Finance Department	68.9	76.9	70.7	72.6	60.4	107.8	111.4	106.8	102.2	103.1
Human Resources	39.3	41.8	40.0	35.9	34.4	31.1	32.0	33.2	29.0	26.7
Information Technology	154.9	169.6	158.8	150.8	144.3	156.3	161.8	156.8	145.3	107.1
Legal	168.1	161.0	155.3	119.1	116.4	119.7	121.6	120.0	114.0	107.2
Mayor's Office	37.1	35.2	35.1	23.3	56.3	58.5	48.6	49.5	49.1	45.5
Office of Business Opportunity (Formerly Affirm. Action)	34.1	35.8	31.6	23.3	25.1	26.4	28.1	28.2	27.7	27.7
<b>Total Administrative Services</b>	<b>955.5</b>	<b>1,056.8</b>	<b>1,013.1</b>	<b>844.8</b>	<b>830.5</b>	<b>851.9</b>	<b>854.5</b>	<b>847.2</b>	<b>819.3</b>	<b>752.4</b>
<b>Total General Fund</b>	<b>16,942.2</b>	<b>16,626.1</b>	<b>15,920.3</b>	<b>14,224.4</b>	<b>14,406.5</b>	<b>14,465.7</b>	<b>14,603.9</b>	<b>14,618.5</b>	<b>14,629.3</b>	<b>14,583.7</b>
<b>ENTERPRISE FUNDS</b>										
Aviation	1,604.8	1,544.7	1,528.5	1,415.0	1,339.5	1,368.7	1,292.0	1,245.2	1,211.5	1,190.0
Convention & Entertainment Facilities	124.1	118.8	117.6	69.0	23.0	22.7	-	-	-	-
PW&E - Combined Utility System	2,350.7	2,338.0	2,213.0	2,280.5	2,237.5	2,220.8	2,166.2	2,179.6	2,254.8	2,266.6
GSD - Parking Management (Formerly PW&E)	53.9	-	-	-	-	-	-	-	-	-
<b>Total Enterprise Funds</b>	<b>4,133.5</b>	<b>4,001.5</b>	<b>3,859.1</b>	<b>3,764.5</b>	<b>3,600.0</b>	<b>3,612.2</b>	<b>3,458.2</b>	<b>3,424.8</b>	<b>3,466.3</b>	<b>3,456.6</b>

Administration & Regulatory Affairs and the Finance Department were Finance and Administration.  
Municipal Courts - Administration and Municipal Courts - Justice consolidated as the Department.  
Fleet Management was established as a new department in FY 2012. It is no longer part of Public Works & Engineering.

**Full-time Equivalent Employees as of June 30, 2018**

<b>Fund/Department</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>SPECIAL REVENUE FUNDS</b>										
Administration & Regulatory Affairs	-	-	104.4	176.8	159.5	159.9	168.8	175.9	179.6	171.6
Finance	-	-	-	-	-	15.5	42.8	39.2	41.2	49.2
Fleet Management (Formerly PW&E - Fleet Management)	-	-	-	262.5	267.7	325.9	369.7	371.2	399.7	406.9
General Services (Formerly Building Services)	-	-	-	-	-	61.3	137.5	130.1	126.1	134.6
Health & Human Services	530.9	530.9	544.3	510.0	515.5	592.1	661.0	656.3	686.1	782.9
Housing & Community Development	140.1	148.2	129.5	129.3	159.0	161.8	163.4	158.3	146.1	142.9
Houston Emergency Center	275.6	256.8	248.0	234.3	242.5	243.8	242.5	247.5	243.2	246.1
Legal	-	-	-	11.0	7.6	35.2	-	-	53.6	52.7
Library	28.4	29.7	29.5	28.0	26.0	23.4	17.1	13.6	7.9	5.7
Mayor's Office	22.7	24.5	23.7	23.4	28.5	26.9	43.5	50.0	51.0	54.9
Municipal Courts - (Administration) Department	28.7	28.8	39.5	34.3	35.0	18.1	20.0	18.8	21.0	16.0
Municipal Courts - (Justice) Department	3.3	10.4	-	-	-	-	-	-	-	-
Neighborhoods	-	-	-	1.0	51.0	48.8	46.7	43.4	40.2	37.5
Office of Business Opportunity (Formerly Affirm. Action)	-	-	-	1.0	2.0	2.0	2.0	2.0	2.0	1.6
Parks Special Revenue	112.9	109.1	101.4	97.6	92.0	93.2	103.4	108.3	116.4	115.5
Planning & Development	6.5	9.0	8.4	10.2	11.9	11.6	8.2	21.9	49.9	51.6
Police - Auto Dealers/Civilian	88.6	-	-	7.0	8.0	8.0	39.7	7.1	7.7	8.0
Police - Auto Dealers/Classified	25.6	42.2	32.1	21.0	19.0	32.0	21.9	-	-	-
Police - Cadet	-	-	-	-	-	-	-	16.7	40.9	1.0
Police - Special Services/Civilian	-	148.3	128.4	124.0	26.5	35.7	24.0	2.2	2.2	1.7
Police - Special Services/Classified	-	-	-	40.2	49.4	139.3	45.8	-	-	-
Police - Federal Government/Civilian	-	-	-	-	-	-	-	27.4	27.1	27.4
Police - Federal Government/Classified	-	-	-	-	-	-	-	16.6	36.4	35.5
Police - Forensic Transition Special Service/Civilian	-	-	-	-	-	-	58.4	38.2	27.7	24.1
Police - Forensic Transition Special Service/Classified	-	-	-	-	-	-	51.1	43.5	31.6	27.4
PW&E - Building Inspection	1,373.6	940.4	907.3	814.0	647.6	571.5	560.6	577.1	616.1	604.2
PW&E - Sign Administration	-	-	-	-	-	-	-	-	-	-
PW&E - Project Recovery Fund	-	-	-	-	-	-	-	329.5	309.0	299.1
PW&E - Stormwater Utility	-	404.7	385.5	384.2	354.7	377.7	337.3	329.9	347.9	373.0
PW&E - Houston TransStar	-	13.2	6.9	7.0	6.6	8.0	7.9	7.8	8.1	7.1
PW&E - Drainage and Street Renewal	-	-	-	532.4	490.4	505.2	485.0	487.4	464.5	511.6
PW&E - TxDOT Signal Maintenance	-	-	-	-	-	-	-	-	-	-
Solid Waste Management	-	0.5	1.0	4.0	2.9	2.1	2.5	2.4	4.0	3.3
<b>Total Special Revenue Funds</b>	<b>2,636.9</b>	<b>2,696.7</b>	<b>2,689.9</b>	<b>3,453.2</b>	<b>3,203.3</b>	<b>3,499.0</b>	<b>3,660.8</b>	<b>3,922.3</b>	<b>4,087.2</b>	<b>4,193.1</b>
<b>Total General, Enterprise and Special Funds</b>	<b>23,712.6</b>	<b>23,324.3</b>	<b>22,469.3</b>	<b>21,442.1</b>	<b>21,209.8</b>	<b>21,576.9</b>	<b>21,722.9</b>	<b>21,965.6</b>	<b>22,182.8</b>	<b>22,233.4</b>
<b>INTERNAL SERVICE/REVOLVING FUND</b>										
Human Resources - Health Benefits	70.7	42.7	47.5	42.3	45.8	46.7	47.6	57.0	47.7	42.5
General Services - Central Svc Revolving	-	53.9	41.8	29.0	27.9	31.8	-	-	-	-
Human Resources - Central Svc Revolving	-	6.0	52.5	120.8	125.6	138.7	142.6	155.6	150.4	142.6
Admin. & Regulatory Affairs - Central Svc Revolving	-	-	-	-	-	-	-	-	-	-
Information Technology - Central Svc Revolving	2.9	15.6	28.3	44.2	45.6	53.7	51.8	54.9	50.0	83.5
General Services - In House Reconstruction	70.0	70.7	27.8	28.7	29.0	28.5	-	-	-	-
PW&E - CIP Salary Recovery	-	-	-	-	302.4	308.9	328.9	-	-	-
Admin. and Regulatory Affairs - Property and Casualty	5.8	6.8	4.9	5.1	5.0	5.0	-	-	-	-
Legal - Property and Casualty	40.6	41.9	38.3	47.6	47.9	52.2	52.7	58.5	51.6	49.9
Human Resources - Workers Compensation	-	44.1	30.5	28.7	30.1	29.5	31.5	32.6	30.0	32.1
Legal - Workers Compensation	-	5.0	4.9	3.1	2.7	2.0	2.0	2.0	2.0	2.0
<b>Total Internal Service/Revolving Funds</b>	<b>190.0</b>	<b>286.7</b>	<b>276.5</b>	<b>349.5</b>	<b>662.0</b>	<b>697.0</b>	<b>657.1</b>	<b>360.6</b>	<b>331.7</b>	<b>352.6</b>
<b>Total Full-time Equivalent Employees</b>	<b>23,902.6</b>	<b>23,611.0</b>	<b>22,745.8</b>	<b>21,791.6</b>	<b>21,871.8</b>	<b>22,273.9</b>	<b>22,380.0</b>	<b>22,326.2</b>	<b>22,514.5</b>	<b>22,586.0</b>

Administration & Regulatory Affairs and the Finance Department were Finance and Administration.  
Municipal Courts - Administration and Municipal Courts - Justice consolidated as the Department.  
Fleet Management was established as a new department in FY 2012. It is no longer part of Public Works & Engineering.

**CITY OF HOUSTON, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
**June 30, 2018**  
**(unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Function</b>										
Police										
Physical arrests	132,121	141,525	130,376	109,368	96,058	138,007	54,490	61,749	51,910	51,288
Parking violations	217,795	208,970	196,702	201,341	197,253	195,822	188,570	203,941	194,595	187,047
Traffic violations filed	920,341	875,134	686,714	729,490	587,835	557,609	472,553	437,138	395,461	379,266
Fire										
Number of calls dispatched	281,103	270,312	273,444	285,287	294,278	308,264	327,417	336,170	335,693	346,023
Inspections	84,378 (1)	86,561	87,511	84,826	82,515	85,945	88,367	74,906	11,000	25,742
Highways and streets										
Streets resurfaced (miles)	235	195	140	140	129	104	194	152	186	142
Tons of asphalt for pothole repair and skin patches	17,323	17,103	19,002	16,497	16,279	15,292	15,972	13,130	13,328	13,058
Parks and recreation										
Athletic field permits issued	2,331	2,490	2,490	1,985	2,375	2,344	2,312	2,270	2,423	2,300
Community center admissions	3,924,751	4,413,580	4,775,581	5,259,890	5,421,607	5,702,568	5,812,806	5,547,431	5,837,622	5,469,776
Sanitation										
Refuse collected (tons)	803,428	764,900	673,966	703,449	712,857	686,334	681,675	695,613	725,819	732,015
Recyclables collected (tons)	53,151 (2)	74,616	110,079	113,332	111,602	115,143	116,575	127,421	120,324	76,024
Water										
New connections	3,400	3,008	2,881	3,433	3,864	6,796	6,349	4,559	4,530	4,612
Water main breaks	9,822 (3)	12,556	11,688	17,999	11,343	11,935	10,572	11,122	9,638	8,355
Average daily pumpage (millions of gallons)	378.7	401.0	446.0	483.0	446.4	455.0	428.0	445.0	458.0	461.0
Wastewater										
Wastewater line repairs	2,059	2,267	2,164	2,487	2,660	2,210	2,186	2,252	2,322	2,452
Average daily sewage treatment (millions of gallons)	230.0	239.5	220.0	217.0	209.0	225.0	256.6	256.1	252.8	251.7

- (1) The Fire Department now has a better system to record inspections. For example, a ten-building apartment complex is now counted as ten inspections, not one.
- (2) The Solid Waste Department started the tree recycling program in January 2009, which greatly increased the tons of recyclables collected.
- (3) A dry year caused a higher than usual number of breaks.

**CITY OF HOUSTON, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**June 30, 2018**  
**(unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Function</b>										
Public safety										
Police										
Stations	17	17	17	17	17	17	17	16	17	17
Patrol units	932 (1)	960	915	838	856	903	1,282	1,338	1,416	1,448
Fire										
Stations	91	92	94	94	92	92	93	93	93	93
Highways and streets										
Streets (lane miles)	15,763	15,763	15,397	15,397	15,397	15,397	15,404	14,656	14,656	14,764
Streetlights	173,520	174,008	174,795	175,249	175,516	174,373	174,075	175,172	176,440	177,056
Traffic signals	2,399 (2)	2,391	2,395	2,439	2,449	2,467	2,467	2,491	2,495	2,491
Parks and recreation										
Parks acreage	38,970	38,992	37,846	37,846	37,851	37,851	37,859	37,856	35,733	37,942
Parks	546	545	527	527	527	528	533	537	542	545
Swimming pools	62	61	61	59	57	57	56	56	57	58
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	58	58	58	59	60	60	61 (6)	61	60	60
Sanitation										
Collection trucks	322	329	326	321	323	323	343	351	360	350
Water										
Water mains (miles)	6,500	7,466	7,500	7,146	7,143	7,198	7,128	7,128	7,128	7,144
Fire hydrants	57,432	57,500	57,013	57,000	58,162	58,984	N/A	N/A	60,420	60,543
Maximum daily capacity (millions of gallons)	740.0	773.0	842.0 (3)	905.0	853.0	885.0	803.0	808.1	798.95	782.41
Sewer										
Sanitary sewers (miles)	6,250	6,250	6,403 (4)	6,700	6,950	6,950	6,950	6,950	6,950	6,192 (5)
Storm sewers (miles)	3,513	3,618	3,698	3,700	3,789	3,838	3,838	3,894	3,946	3,987
Maximum daily treatment permitted (millions of gallons)	564.0	564.0	563.0	563.0	563.0	565.0	563.0	563.0	563.0	564.0

- (1) The number of patrol units greatly increased due to Hurricane Ike.  
(2) The number of traffic signals decreased because FY2008 included assuming responsibility from TXDOT for additional signals. This did not happen.  
(3) The maximum daily capacity for FY2008 to FY2010 were adjusted to reflect updated information received from the division.  
(4) The sanitary sewers (miles) for FY2008 to FY2010 were adjusted to reflect updated information received from the division.  
(5) The sanitary sewers (miles) for FY2013 to FY2018 were adjusted to reflect updated information received from Wastewater Operations Branch  
(6) Includes new Memorial Running Center

**CITY OF HOUSTON, TEXAS**  
**June 30, 2018**  
**INCREASES/DECREASES TO NET POSITION OF PENSION PLANS**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>	<u>Total</u>
Additions	1,395.5	440.9	682.0	2,518.4
Deductions	<u>366.0</u>	<u>295.7</u>	<u>291.2</u>	<u>952.9</u>
Net Increase	<u>1,029.5</u>	<u>145.2</u>	<u>390.8</u>	<u>1,565.5</u>
City's Total Contribution	<u><u>887.1</u></u>	<u><u>83.0</u></u>	<u><u>421.6</u></u>	<u><u>1,391.7</u></u>

The City's funding policies provide for actuarially determined periodic contributions at rates such that overtime will remain level as a percentage of payroll. The contribution rate for normal cost is determined by using the entry age normal cost method. The pension plans use the level percentage of payroll method to amortize the unfunded actuarially accrued liability (or surplus) over 40 years from January 1, 1993.

**CITY OF HOUSTON, TEXAS**  
**PRINCIPAL AND INTEREST PAYABLE FROM AD VALOREM TAXES**  
**(EXCLUDING COMMERCIAL PAPER NOTES)**  
**(unaudited)**

The following schedule presents the City's debt service requirements for Fiscal Years 2019 through 2047 for the outstanding Tax Bonds, Pension Obligations, and Tax Certificates. Debt service on commercial paper notes is not reflected in the schedule below.

Fiscal Year Ended June 30	Tax Bonds <sup>(a)(d)</sup>	Pension Obligations <sup>(b)</sup>	Tax Certificates <sup>(c)</sup>	Total Debt Service <sup>(e)</sup>
2019	309,867,815	76,882,529	2,514,837	389,265,181
2020	305,385,718	78,008,362	2,518,087	385,912,167
2021	293,195,428	87,611,500	2,518,337	383,325,265
2022	270,442,551	88,778,460	2,515,587	361,736,598
2023	246,516,167	89,955,029	2,514,837	338,986,033
2024	225,196,252	91,181,179	180,805	316,558,236
2025	183,019,395	92,433,949		275,453,344
2026	161,892,382	93,730,708		255,623,090
2027	166,799,382	95,054,021		261,853,403
2028	158,350,632	96,419,189		254,769,821
2029	125,838,384	105,342,434		231,180,818
2030	88,456,046	106,794,258		195,250,304
2031	66,385,655	119,692,993		186,078,648
2032	57,372,155	121,218,258		178,590,413
2033	48,695,334	86,843,782		135,539,116
2034	45,968,480	65,265,728		111,234,208
2035	34,304,730	110,169,950		144,474,680
2036	32,930,032	101,573,226		134,503,258
2037	29,500,343	88,346,491		117,846,834
2038	10,078,147	66,433,107		76,511,254
2039	7,076,574	68,238,405		75,314,979
2040	4,521,200	70,088,291		74,609,491
2041	4,522,800	92,244,697		96,767,497
2042	4,520,900	73,069,196		77,590,096
2043	3,155,250	75,079,119		78,234,369
2044	-	77,145,038		77,145,038
2045	-	79,262,831		79,262,831
2046	-	81,442,536		81,442,536
2047	-	83,683,867		83,683,867
<b>Total</b>	<b>\$ 2,883,991,752</b>	<b>2,561,989,133</b>	<b>\$ 12,762,490</b>	<b>\$ 5,458,743,375</b>

Each Fiscal Year the City budgets for Commercial Paper Notes debt service and related reserve funds based on a calculation that assumes a certain amount of Commercial Paper Notes is expected to be issued during that Fiscal Year at an assumed rate of interest.

- (a) Total debt service does not include payments related to various leases for office space and equipment, which are not considered debt under Texas law. The terms and conditions of such leases and agreements vary.
- (b) GO portion only.
- (c) Adjusted to reflect the sinking fund payments for the Tax and Revenue Certificates of Obligation (QECB - Direct Pay to Issuer), Series 2013Q (the "Series 2013Q Certificates"). Excludes the federal subsidy payment expected to be received by the City in connection with the Series 2013Q Certificates.
- (d) Excludes estimated federal Build America Bond subsidy payment of 35% of interest paid in connection with the City's Public Improvement Refunding Bonds, Taxable Series 2009B and 2010B (Direct Subsidy-Build America Bonds).
- (e) Totals may reflect a variance due to rounding.

**CITY OF HOUSTON, TEXAS**  
**June 30, 2018**  
**VOTER-AUTHORIZED OBLIGATIONS**  
**(amounts expressed in thousands)**  
**(unaudited)**

The following schedule sets forth the categories of bond authorization approved by the voters in elections held in November of 2001 (the "2001 Election"), November of 2006 (the "2006 Election"), November of 2012 (the "2012 Election"), and November of 2017 (the "2017 Election"), the amount of each such authorization approved by City Council for issuance as Commercial Paper Notes, the amount of commercial paper issued as of year-end, and the amount of commercial paper approved but unissued. The City has issued all bonds authorized at the election held in November of 1997.

Purposes	<b>November 2001 Election</b>				
	Voter Authorized	Approved by City Council for Issuance as Commercial Paper Notes	Commercial Paper Issued <sup>(a)</sup>	Commercial Paper Notes Approved by City Council but Unissued	All Voter Authorized but Unissued
Streets, Bridges, Traffic Control	\$ 474,000	\$ 474,000	\$ 471,300	\$ 2,700	\$ 2,700
Parks and Recreation	80,000	80,000	80,000	-	-
Police and Fire Departments	82,000	82,000	82,000	-	-
Permanent and General					
Improvements <sup>(b)</sup>	80,000	80,000	80,000	-	-
Public Libraries	40,000	40,000	40,000	-	-
Low Income Housing	20,000	20,000	20,000	-	-
Total	<u>\$ 776,000</u>	<u>\$ 776,000</u>	<u>\$ 773,300</u>	<u>\$ 2,700</u>	<u>\$ 2,700</u>
	<b>November 2006 Election</b>				
Streets, Bridges, Traffic Control	\$ 320,000	\$ 219,950	\$ 75,565	\$ 144,385	\$ 244,435
Parks and Recreation	55,000	55,000	55,000	-	-
Public Safety	135,000	135,000	135,000	-	-
Permanent and General					
Improvements <sup>(b)</sup>	60,000	60,000	59,500	500	500
Public Libraries	37,000	37,000	36,900	100	100
Low Income Housing	18,000	18,008	6,031	11,969	11,969
Total	<u>\$ 625,000</u>	<u>\$ 524,958</u>	<u>\$ 367,996</u>	<u>\$ 156,954</u>	<u>\$ 257,004</u>
	<b>November 2012 Election</b>				
Streets, Bridges, Traffic Control	\$ -	\$ -	\$ -	\$ -	\$ -
Parks and Recreation	166,000	143,880	65,633	78,247	100,367
Public Safety	144,000	138,558	47,093	91,466	96,907
Permanent and General					
Improvements <sup>(b)</sup>	57,000	57,000	18,309	38,691	38,691
Public Libraries	28,000	28,000	23,212	4,788	4,788
Low Income Housing	15,000	4,208	8	4,200	14,992
Total	<u>\$ 410,000</u>	<u>\$ 371,646</u>	<u>\$ 154,255</u>	<u>\$ 217,392</u>	<u>\$ 255,745</u>
	<b>November 2017 Election</b>				
Streets, Bridges, Traffic Control	\$ -	\$ -	\$ -	\$ -	\$ -
Parks and Recreation	104,000	-	-	-	104,000
Public Safety	159,000	-	-	-	159,000
Permanent and General					
Improvements <sup>(b)</sup>	109,000	6,831	-	6,831	109,000
Public Libraries	123,000	2,797	-	2,797	123,000
Low Income Housing	-	-	-	-	-
Total	<u>\$ 495,000</u>	<u>\$ 9,628</u>	<u>\$ -</u>	<u>\$ 9,628</u>	<u>\$ 495,000</u>
Combined Total 2001, 2006, 2012 & 2017 Elections)	<u>\$ 2,306,000</u>	<u>\$ 1,682,232</u>	<u>\$ 1,295,551</u>	<u>\$ 386,674</u>	<u>\$ 1,010,449</u>

(a) As of June 30, 2018

(b) Includes Public Health and Solid Waste Management

**CITY OF HOUSTON, TEXAS**  
**June 30, 2018**  
**(unaudited)**

**SALES AND USE TAX AND FRANCHISE CHARGES AND FEES**

<u>Fiscal Year</u>	<u>Sales and Use Tax</u>	<u>Charges and Fees</u>
	(in thousands)	(in thousands)
2010	\$ 468,965	\$ 190,868
2011	\$ 492,824	\$ 190,563
2012	\$ 546,543	\$ 192,760
2013	\$ 600,256	\$ 195,304
2014	\$ 629,441	\$ 189,989
2015	\$ 667,061	\$ 189,836
2016	\$ 640,476	\$ 191,584
2017	\$ 631,993	\$ 190,586
2018	\$ 674,279	\$ 185,774
2019 (budgeted)	\$ 657,700	\$ 176,845

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES FUND REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)  
(unaudited)

<b>Total Annual Revenues Last Ten Fiscal Years</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating Revenues</b>				
Fees charged to users, net	\$ 20,902	\$ 20,298	\$ 22,877	\$ 8,934
<b>Total Operating Revenues</b>	<u>20,902</u>	<u>20,298</u>	<u>22,877</u>	<u>8,934</u>
<b>Nonoperating Revenues</b>				
Interest	17,688	11,971	9,562	10,010
Hotel occupancy tax (including penalty & interest)	62,383	54,917	61,603	68,623
Other income	<u>113,265</u>	<u>18,997</u>	<u>18,266</u>	<u>525</u>
<b>Total Nonoperating Revenues</b>	<u>193,336</u>	<u>85,885</u>	<u>89,431</u>	<u>79,158</u>
<b>Total Revenues</b>	<u>\$ 214,238</u>	<u>\$ 106,183</u>	<u>\$ 112,308</u>	<u>\$ 88,092</u>
<b>Total Annual Expenses Last Ten Fiscal Years</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating Expenses</b>				
Maintenance and operating	\$ 39,142	\$ 39,817	\$ 40,229	\$ 1,885
Depreciation	<u>14,888</u>	<u>14,958</u>	<u>15,227</u>	<u>14,703</u>
<b>Total Operating Expenses</b>	<u>54,030</u>	<u>54,775</u>	<u>55,456</u>	<u>16,588</u>
<b>Nonoperating Expenses</b>				
Interest on long-term debt	29,740	26,032	25,194	25,799
Promotional contracts & other expenses	<u>30,840</u>	<u>32,988</u>	<u>27,513</u>	<u>100,046</u>
<b>Total Nonoperating Expenses</b>	<u>60,580</u>	<u>59,020</u>	<u>52,707</u>	<u>125,845</u>
<b>Total Expenses</b>	<u>\$ 114,610</u>	<u>\$ 113,795</u>	<u>\$ 108,163</u>	<u>\$ 142,433</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 10,372	\$ 11,124	\$ 12,390	\$ 12,431	\$ 12,283	\$ 7,883
10,372	11,124	12,390	12,431	12,283	7,883
9,080	9,637	4,933	12,708	9,091	9,723
76,325	90,119	90,711	88,632	82,882	89,417
413	292	818	-	291	989
85,818	100,048	96,462	101,340	92,264	100,129
<u>\$ 96,190</u>	<u>\$ 111,172</u>	<u>\$ 108,852</u>	<u>\$ 113,771</u>	<u>\$ 104,547</u>	<u>\$ 108,012</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 1,780	\$ 1,199	\$ 1,380	\$ 76,466	\$ 69,756	\$ 73,725
14,488	14,219	14,375	13,720	13,654	13,599
16,268	15,418	15,755	90,186	83,410	87,324
26,150	25,791	29,684	27,299	27,170	27,945
62,662	73,371	79,312	421	(177)	(251)
88,812	99,162	108,996	27,720	26,993	27,694
<u>\$ 105,080</u>	<u>\$ 114,580</u>	<u>\$ 124,751</u>	<u>\$ 117,906</u>	<u>\$ 110,403</u>	<u>\$ 115,018</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**Last Ten Fiscal Years**  
**(unaudited)**

**HISTORICAL PLEDGED REVENUES**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Pledged HOT (a)</b>	<b>% Change</b>	<b>Pledged Parking Revenues (b)</b>	<b>% Change</b>	<b>Tax Rebates (c)</b>	<b>% Change</b>	<b>Total (d)</b>
2009	49,694	-7.0%	6,727	-8.3%	8,913	-0.4%	65,334
2010	44,483	-10.5%	7,477	11.1%	7,844	-12.0%	59,804
2011	49,723	12.0%	7,286	-3.0%	8,177	4.0%	65,186
2012	55,388	11.4%	6,632	-9.0%	9,937	21.5%	71,957
2013	61,605	11.2%	7,892	19.0%	9,395	-5.0%	78,892
2014	72,739	18.1%	8,644	9.5%	7,762	-17.4%	89,145
2015	73,217	4.0%	9,810	5.0%	-	-100.0%	83,027
2016	72,265	-1.3%	9,851	0.4%	-	-100.0%	82,116
2017	66,898	-7.4%	9,593	-2.6%	-	-100.0%	76,491
2018	72,172	8.0%	5,234	-45.4%	-	-100.0%	77,460

- (a) The Pledged Hotel Occupancy Tax (HOT) revenues are revenues (including penalties, interest and delinquencies, if any) collected due to an occupancy tax of 5.65% applied to the cost of substantially all hotel room rentals in the City other than the Hilton Americas Hotel during the first ten years of its operation. The total HOT imposed by the City is 7%.
- (b) The City's pledge of parking revenues for debt service is subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. These annual payments totaled \$1,000,000 for fiscal years 2001-2005, \$1,050,000 for fiscal year 2006, and \$1,100,000 for fiscal years 2007-2011.
- (c) The Tax Rebates consist of rebates of hotel occupancy taxes, sales taxes, and mixed beverage taxes derived from the Hilton Americas Hotel and parking garage during the first ten years of operation. This ended 12-31-13, so there are no rebates to report in FY2018.
- (d) Amounts shown do not include investment earnings on pledged revenues, which are also pledged.

(amounts expressed in thousands)

<b>Fiscal Year</b>	<b>HOT Tax 15%</b>	<b>Sales Tax 8.25% <sup>(1)</sup></b>	<b>Mixed Beverage Tax 3%</b>	<b>Total Tax Rebate</b>
2008	6,436	2,268	247	8,951
2009	6,225	2,471	217	8,913
2010	5,287	2,374	183	7,844
2011	5,488	2,537	152	8,177
2012	7,185	2,566	186	9,937
2013	6,692	2,620	83	9,395
2014	6,043	1,664	55	7,762

(1) Includes taxes on food, telephone and other sales.

**CITY OF HOUSTON, TEXAS  
CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS  
Last Ten Fiscal Years  
(unaudited)**

**Schedule of Hotel Occupancy Tax and Occupancy Rates**

<b>Fiscal Year</b>	<b>Occupancy % Rate (1)</b>	<b>Average Daily Rate (1)</b>	<b>Tax % Rate</b>	<b>Gross Hotel Occupancy Tax Revenues (in thousands)</b>
2009	55.6%	92.38	7%	64,486
2010	55.4%	88.66	7%	56,753
2011	63.0%	95.37	7%	63,629
2012	65.4%	95.35	7%	70,731
2013	68.0%	101.0	7%	79,736
2014	70.5%	108.8	7%	90,345
2015	70.3%	111.17	7%	90,711
2016	64.2%	105.55	7%	88,632
2017	61.5%	105.47	7%	82,961
2018	65.0%	108.18	7%	89,417

(1) Source: Greater Houston Partnership.

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**June 30, 2018**  
**(unaudited)**

**Schedule of Hotel Occupancy Tax Collections**

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 3,702,659
Houston Marriott Marquis	3,433,308
Hyatt Regency Hotel	2,083,079
Four Seasons Hotel Houston Center	1,762,446
JW Marriott Houston Downtown	1,495,803
Westin Galleria	1,481,308
Marriott Hotel (IAH)	1,419,446
Marriott Medical Center Hotel	1,381,528
Houston Marriott Westchase	1,313,949
JW Marriott Galleria	1,277,132
Hotel Zaza	1,221,790
Hilton Houston Post Oak	<u>1,211,251</u>
Total	<u>\$ 21,783,699</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**June 30, 2018**  
**(unaudited)**

**Parking Facilities Rates**

<b>Facility</b>	<b>City Employee Monthly Contract (1)</b>	<b>Other Monthly Contract (2)</b>	<b>Daily Transient (2)</b>	<b>Event Rate (2)</b>
Theater District Garage	\$91.45	\$165.00 \$106.00 (3) \$104.29 (4)	\$6.00 per hour \$15.00 Maximum	\$12.00
Reserved parking		\$225.00		
City Hall Annex Parking Garage	\$51.76	\$106.00	n/a	\$12.00
Lots C and H	\$44.33	\$48.00	n/a	\$12.00

(1) Does not include sales and use tax of 8.25%.

(2) Includes sales and use tax of 8.25%.

(3) Rates paid by Convention & Entertainment Facilities departmental contractors.

(4) Bulk contract parking agreement.

Source: [www.houstonfirsttheaters.com/parking](http://www.houstonfirsttheaters.com/parking), COH, Convention & Entertainment Facilities Department.

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**Debt Service Schedule**  
**(unaudited)**

The following table sets forth the Debt Service Requirements on all Convention & Entertainment Revenue Bonds Outstanding assuming scheduled mandatory redemption of any term bonds.

<b>Fiscal Year Ending June 30</b>	<b>Series 2001 Bonds</b>	<b>Series 2001C-1 Bonds (1)</b>	<b>Series 2001C-2 Bonds (1)</b>	<b>Series 2011A Bonds</b>	<b>Series 2014 Bonds</b>	<b>Series 2015 Bonds</b>	<b>Regions Notes</b>	<b>Series 2017 Bonds</b>	<b>Total Debt Service</b>
2019	17,285,000	3,430,834	3,430,834	6,994,988	4,393,125	10,792,050	1,533,525	306,765	\$ 48,167,121
2020	17,160,000	3,484,133	3,484,133	7,991,544	4,394,750	10,787,625	1,533,525	1,141,765	\$ 49,977,475
2021	16,695,000	3,533,887	3,533,887	8,344,475	4,394,125	10,516,250	1,533,525	1,180,473	\$ 49,731,622
2022	22,720,000	3,604,507	3,604,507	3,366,625	4,396,125	10,719,500	1,533,525	1,352,650	\$ 51,297,439
2023	23,320,000	2,987,412	2,987,412	3,375,625	4,395,625	11,616,875	1,533,525	1,374,855	\$ 51,591,329
2024	24,220,000	2,898,506	2,898,506	3,356,225	4,392,625	11,714,000	76,533,525	1,410,785	\$ 127,424,172
2025	24,930,000	2,834,719	2,834,719	3,339,787	4,396,875	11,892,250	-	1,435,058	\$ 51,663,408
2026	25,850,000	2,770,931	2,770,931	3,334,575	4,393,250	12,014,750	-	862,928	\$ 51,997,365
2027	26,610,000	2,707,144	2,707,144	3,659,550	8,252,750	9,006,875	-	924,568	\$ 53,868,031
2028	27,355,000	2,643,356	2,643,356	3,624,081	7,991,750	9,336,125	-	764,168	\$ 54,357,836
2029	28,305,000	2,579,569	2,579,569	3,711,794	8,286,500	8,499,500	-	782,338	\$ 54,744,270
2030	29,065,000	2,515,781	2,515,781	3,590,737	8,040,875	8,578,375	-	744,615	\$ 55,051,164
2031	29,950,000	2,451,994	2,451,994	3,071,875	8,183,000	8,376,750	-	747,403	\$ 55,233,016
2032	30,530,000	2,388,206	2,388,206	2,877,750	8,073,750	8,376,125	-	774,680	\$ 55,408,717
2033	30,560,000	2,324,419	2,324,419	2,838,000	8,149,000	8,531,875	-	635,810	\$ 55,363,523
2034	30,550,000	2,260,631	2,260,631	2,706,000	9,529,750	7,806,625	-	-	\$ 55,113,637
2035	-	-	-	-	2,480,875	4,416,250	-	-	\$ 6,897,125
2036	-	-	-	-	2,479,250	4,416,750	-	-	\$ 6,896,000
2037	-	-	-	-	2,482,625	4,415,125	-	-	\$ 6,897,750
2038	-	-	-	-	2,480,750	4,416,000	-	-	\$ 6,896,750
2039	-	-	-	-	2,478,500	4,414,000	-	-	\$ 6,892,500
2040	-	-	-	-	2,480,500	4,413,750	-	-	\$ 6,894,250
2041	-	-	-	-	-	4,414,750	-	-	\$ 4,414,750
2042	-	-	-	-	-	4,416,200	-	-	\$ 4,416,200
2043	-	-	-	-	-	4,414,500	-	-	\$ 4,414,500
2044	-	-	-	-	-	4,416,400	-	-	\$ 4,416,400
2045	-	-	-	-	-	4,416,600	-	-	\$ 4,416,600
2046	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 405,105,000</b>	<b>\$ 45,416,029</b>	<b>\$ 45,416,029</b>	<b>\$ 66,183,631</b>	<b>\$ 116,546,375</b>	<b>\$ 207,135,875</b>	<b>\$ 84,201,150</b>	<b>\$ 14,438,858</b>	<b>\$ 984,442,947</b>

(1) Assumes an interest rate of 0.4% for the Series 2001C-1 Auction Rate Certificates and the 2001 C-2 Auction Rate Certificates.

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
(amounts expressed in thousands)  
**(unaudited)**

Convention & Entertainment Budget for Fiscal Year 2019

**Budgeted Resources**

**Operating Revenues**

Facility Rentals	\$	1,449
Parking		<u>9,530</u>
<b>Total Operating Revenues</b>		<u><u>10,979</u></u>

**Operating Expenses**

Personnel		250
Services		<u>113</u>
<b>Total Operating Expenses</b>		<u><u>363</u></u>
<b>Operating Income (Loss)</b>		10,616

**Nonoperating Revenues (Expenses)**

Hotel Occupancy Tax		
Current		87,000
Delinquent		<u>2,000</u>
Net Hotel Occupancy Tax		<u>89,000</u>
Investment Income (Loss)		350
Other Interest		(241)
Other		<u>292</u>
Total nonoperating Rev (Exp)		<u>89,401</u>
Income (Loss) Before Operating Transfers		100,017

**Transfers**

Transfers to Interest		14,902
Transfers to Principal		12,984
Transfer to Debt Service		80
Transfers to Component Unit		72,513
Transfers to General Fund		<u>1,449</u>
Total Transfers		<u>101,928</u>

<b>Net Income (Loss) Operating Fund</b>		<u><u>\$ (1,911)</u></u>
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**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM FUND REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

<b>Total Annual Revenues Last Ten Fiscal Years</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
					Corrected
<b>Operating Revenues</b>					
Water sales	\$ 351,608	\$ 356,046	\$ 455,333	\$ 480,676	\$ 485,485
Waste water system user charges	323,301	320,722	410,941	421,370	426,888
Penalties and Other services and charges	12,329	14,370	12,901	15,192	17,455
<b>Total Operating Revenues</b>	<b>687,238</b>	<b>691,138</b>	<b>879,175</b>	<b>917,238</b>	<b>929,828</b>
<b>Nonoperating Revenues</b>					
Interest	33,436	15,160	10,090	5,696	(507)
Other income	51,262	65,077	20,453	45,448	41,521
<b>Total Nonoperating Revenues</b>	<b>84,698</b>	<b>80,237</b>	<b>30,543</b>	<b>51,144</b>	<b>41,014</b>
<b>Total Revenues</b>	<b>\$ 771,936</b>	<b>\$ 771,375</b>	<b>\$ 909,718</b>	<b>\$ 968,382</b>	<b>\$ 970,842</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Operating Expenses</b>					
Maintenance and operating	\$ 371,770	\$ 372,365	\$ 363,260	\$ 410,781	\$ 395,439
Depreciation and Amortization	204,919	203,695	214,956	211,170	217,622
<b>Total Operating Expenses</b>	<b>576,689</b>	<b>576,060</b>	<b>578,216</b>	<b>621,951</b>	<b>613,061</b>
<b>Nonoperating Expenses</b>					
Interest on long-term debt	260,396	273,609	-	290,882	285,378
Other expenses	5,432	-	12,273	670	286
<b>Total Nonoperating Expenses</b>	<b>265,828</b>	<b>273,609</b>	<b>12,273</b>	<b>291,552</b>	<b>285,664</b>
<b>Total Expenses</b>	<b>\$ 842,517</b>	<b>\$ 849,669</b>	<b>\$ 590,489</b>	<b>\$ 913,503</b>	<b>\$ 898,725</b>

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Restated				
\$ 499,912	\$ 486,517	\$ 529,879	\$ 547,054	\$ 559,010
441,300	434,305	462,786	475,392	479,978
12,195	6,602	9,917	3,349	13,561
<u>953,407</u>	<u>927,424</u>	<u>1,002,582</u>	<u>1,025,795</u>	<u>1,052,549</u>
10,688	7,685	12,652	3,954	8,074
69,370	37,910	55,306	58,414	74,595
<u>80,058</u>	<u>45,595</u>	<u>67,958</u>	<u>62,368</u>	<u>82,669</u>
<u>\$ 1,033,465</u>	<u>\$ 973,019</u>	<u>\$ 1,070,540</u>	<u>\$ 1,088,163</u>	<u>\$ 1,135,218</u>

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 635,081	\$ 426,855	\$ 451,342	\$ 354,396	\$ 492,391
223,381	231,048	236,841	246,218	252,093
<u>858,462</u>	<u>657,903</u>	<u>688,183</u>	<u>600,614</u>	<u>744,484</u>
291,122	265,013	252,116	248,920	248,284
5,397	(954)	1,877	-	-
<u>296,519</u>	<u>264,059</u>	<u>253,993</u>	<u>248,920</u>	<u>248,284</u>
<u>\$ 1,154,981</u>	<u>\$ 921,962</u>	<u>\$ 942,176</u>	<u>\$ 849,534</u>	<u>\$ 992,768</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM REVENUE BOND COVERAGE**  
(amounts expressed in thousands)  
(unaudited)

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
<b>OPERATING REVENUES</b>		
Sales of water	\$ 559,010	\$ 547,054
Sewer system user charges	479,978	475,392
Penalties, other services and charges	13,561	3,349
<b>Total Operating Revenues</b>	<b>1,052,549</b>	<b>1,025,795</b>
<b>NON-OPERATING REVENUES</b>		
Investment Earnings under Previous Ordinance	14,695	8,880
Investment Earnings under Master Ordinance	4,054	3,061
Other Non-Operating revenues	30,905	17,853
<b>Total non-operating revenues</b>	<b>49,654</b>	<b>29,794</b>
<b>TOTAL GROSS REVENUES:</b>	<b>1,102,203</b>	<b>1,055,589</b>
<b>EXPENSES</b>		
Contract Revenue Bonds Payments <sup>(1)</sup>		
Coastal Water Authority Debt Service	6,399	7,204
Total Contract Revenue Bonds Payments	6,399	7,204
Maintenance and Operating Expenses	432,152	431,126
<b>Total Expenses</b>	<b>438,551</b>	<b>438,330</b>
<b>RESTRICTED RECEIPTS UNDER MASTER ORDINANCE</b>	<b>24,366</b>	<b>20,199</b>
<b>NET REVENUES UNDER MASTER ORDINANCE</b>	<b>\$ 688,018</b>	<b>\$ 637,458</b>
<b>BOND DEBT SERVICE:</b>		
Previously Issued Bonds	-	-
First Lien Bonds	461,505	443,274
<b>Total Debt Service</b>	<b>\$ 461,505</b>	<b>\$ 443,274</b>
<b>BOND DEBT SERVICE COVERAGE:</b>		
Junior Lien Bond Coverage under Previous Ordinance <sup>(2)</sup>	-	-
First Lien Bond Coverage under Master Ordinance <sup>(3)</sup>	1.49	1.44
<b>TOTAL COVERAGE <sup>(4)</sup></b>	<b>1.49</b>	<b>1.44</b>

(1) These are "Required Payments Under Previous Ordinance."

(2) Coverage of debt service on Previous Ordinance Bonds by Net Revenues as calculated under Previous Ordinance, which does not include as revenues Investment Earnings under Master Ordinance and Restricted Revenues.

(3) Coverage of Debt Service on First Lien Bonds by Net Revenues, less debt service on Junior Lien Bonds under Previous Ordinance.

(4) Coverage of total Debt Service on Junior Lien Bonds under Previous Ordinance and First Lien Bonds under Master Ordinance by Net Revenues.

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**System Budget for Fiscal Year 2019**  
**(amounts expressed in thousands)**  
**(unaudited)**

The following is the summary of the Fiscal Year 2019 Budget for the System as adopted by City Council:

<b>Revenues</b>	
Beginning Fund Balance (July 1, 2018)	\$ 725,741
Current Revenues	<u>1,149,090</u>
<b>Total Revenues</b>	<u><u>\$ 1,874,831</u></u>
<b>Expenditures</b>	
Maintenance and Operations	\$ 483,794
CWA Debt Service	10,186
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	522,269
Interfund Transfers	<u>-</u>
<b>Total Expenditures</b>	1,016,249
<b>Other</b>	
General Purpose Fund (including Discretionary Debt Service)	177,247
Planned Fund Balance (June 30, 2019)	<u>681,335</u>
<b>Total Expenditures and Reserves</b>	<u><u>\$ 1,874,831</u></u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**(unaudited)**

The following calculation shows coverage by Net Revenues of Maximum Annual Debt Service on the Previous Ordinance and First Lien Bonds.

	<b>FY 2018</b>
Maximum Annual Debt Service Requirements on Previous Ordinance Bonds (2029) <sup>(1)</sup>	\$ 44,095,000
Maximum Annual Debt Service Requirements on First Lien Bonds (2034) <sup>(1)(2)</sup>	\$ 480,208,783
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2034)	\$ 524,303,783
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2018 <sup>(3)</sup>	\$ 659,598,932
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2018 <sup>(4)</sup>	\$ 688,018,691
Funds Available from Operating & General Purpose Fund at June 30, 2018	\$ 774,284,437
Total Funds available for Debt Service Coverage	<u>\$ 1,462,303,128</u>
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	14.96
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	3.05
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bonds	2.79

(1) Does not include debt service on CWA Bonds, which are payable from Gross Revenues as a Maintenance and Operating Expense of the System.

(2) First Lien Debt Service largest payment requirement

(3) Excludes Investment Earnings under Master Ordinance and Restricted Receipts under Master Ordinance.

(4) Net Revenues as calculated under the Master Ordinance, which includes as revenues restricted receipts and earnings under the Master Ordinance.

**The System - Water & Sewer Facilities General**

The City of Houston Drinking Water Operations (DWO) System covers over 600 square miles, providing drinking water to four counties: Harris, Fort Bend, Montgomery, and Galveston. There are 464,326 active water service accounts with 977,350 connections. 86% of source water is pulled from the San Jacinto and Trinity rivers while the remaining 14% originates from groundwater wells. In total, DWO has 875 million gallons per day (MGD) combined production capacity of groundwater and surface water. More specifically, the water production and storage system includes 3 surface water plants, 49 groundwater plants, 130 groundwater wells, 8 surface water re-pressurization plants, and 135 water storage tanks and towers. Average water purification and production is 449 MGD, which is enough to fill the Astrodome almost twice per day. The water distribution network consists of 7,573 linear miles of piping, 60,543 fire hydrants, and over 157,000 valves that are managed and maintained to the highest standards.

The City of Houston Wastewater Operations System receives and processes wastewater generated by residential, commercial, and industrial customers throughout the service area. The service area covers approximately 625 square miles within the City of Houston and serves a population of about 2.3 million people. The Wastewater System consists of over 6,192 miles of both gravity and force main lines, 582 miles of service lines within public right of way, 39 wastewater treatment plants, and over 383 lift/pumping stations and a centralized laboratory. The general condition of the collection lines varies depending on age, location and type of construction. The average daily wastewater flow through the Wastewater Treatment Facilities for Fiscal Year 2018 was 252 million gallons per day (mgd). The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 564 mgd.

**The System - Annexation Program - In - City Districts**

The City has created reinvestment zones and public improvement districts in which infrastructure improvements, including water and wastewater facilities, will be financed by the respective district or zone through bonds supported by assessments within the districts and by a tax increment fund into which will be deposited the amount of ad valorem taxes collected in the reinvestment zones in excess of the amount calculated on the basis of the property tax appraisals in effect at the time of creation of the particular reinvestment zone. Under State law, the City can create a public improvement district both within the corporate limits of the City and within its extraterritorial jurisdiction.

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
(unaudited)

**Funding of Proposed System Improvements**

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2019-2023 CIP will be financed approximately as follows:

<b>Proposed Source of Funding</b>	Amount (in millions)
System Revenue Bonds (Net Proceeds and Interest Earnings) <sup>(1)</sup>	1,599,067
System Revenue	535,000
Swift Loan (subordinate Lien)	353,445
Contributed Capital	2,030,511
	4,518,023

- (1) The department's fiscal year 2019-2023 CIP anticipates the periodic issuance of additional First Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds, but not each issuance of Commercial Paper Notes.

**Obligations Payable from System Revenues**

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2018:

<b>Contract Revenue Bonds Payable from System Gross Revenues</b>	Amount
CWA Bonds <sup>(2)</sup>	\$ 64,300,000
Total - Contract Revenue Bonds	\$ 64,300,000
<b>System Revenue Bonds Payable from System Net Revenues</b>	
Previous Ordinance Bonds	57,338,694
First Lien Bonds	5,927,760,000
Third Lien Obligations	220,000,000
Total - System Revenue Bonds	\$ 6,205,098,694
Total - All Bonds Payable from System Revenues	\$ 6,269,398,694

- (2) Under a 1968 agreement, as amended and superseded in part, and a 1995 agreement, CWA agreed to construct the CWA conveyance system and certain other projects and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover maintenance and operation expenses of the CWA Conveyance System plus debt service of the CWA Bonds.

**CITY OF HOUSTON, TEXAS  
COMBINED UTILITY SYSTEM STATISTICS  
(unaudited)**

**Discretionary Debt Service Paid by the System**

The total amount of Discretionary Debt Service paid from Net Revenues of the System for the past nine fiscal years and the amount budgeted for fiscal year 2019 is set forth below:

Fiscal Year	Discretionary Debt Service (in millions)
2019 (budgeted)	\$ 7.8
2018	9.1
2017	9.2
2016	9.9
2015	12.0
2014	13.1
2013	15.8
2012	21.1
2011	21.7
2010	26.9

**Combined Utility System General Purpose Fund Transfers for Drainage**

The Combined Utility System transfers from its General Purpose Fund to the Storm Water Fund for the past nine fiscal years and the amount budgeted for fiscal year 2019 are reflected below:

Fiscal Year	General Purpose Fund Transfers (in millions)
2019 (budgeted)	\$ 55.4
2018	54.0
2017	52.8
2016	42.2
2015	35.2
2014	45.5
2013	43.8
2012	44.4
2011	54.8
2010	40.6

**Indirect Charges Paid by the System**

Fiscal Year	Indirect Charges (in thousands)
2019 (budgeted)	\$ 10,404
2018	10,877
2017	9,988
2016	9,810
2015	9,776
2014	6,173
2013	3,479
2012	3,869
2011	3,034
2010	3,148

**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS  
 COMBINED UTILITY SYSTEM STATISTICS  
 TREATED WATER/RAW WATER & SEWER ONLY  
 (NOT INCLUDING WHOLESALE NOR RAW WATER)  
 Last Ten Fiscal Years  
 (unaudited)**

<b>Fiscal Years</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Consumption (in Thousand Gallons)</b>					
RESIDENTIAL	26,970,248	28,111,338	28,553,893	29,400,266	26,239,053
MULTI-FAMILY	25,012,299	25,586,924	25,069,764	24,811,699	25,173,568
COMMERCIAL	21,972,495	22,382,315	21,997,822	22,079,299	21,508,026
GOVERNMENT	4,713,905	5,197,448	4,807,824	4,835,549	4,686,403
SEWER ONLY	1,361,135	1,357,879	1,228,458	1,215,254	1,331,651
OTHER ACCTS	5,678,987	6,351,286	6,461,476	7,473,765	6,981,799
<b>TOTAL</b>	<b>85,709,069</b>	<b>88,987,190</b>	<b>88,119,237</b>	<b>89,815,832</b>	<b>85,920,500</b>
<b>Revenue Amount</b>	<b>\$ 597,498,813</b>	<b>\$ 640,586,498</b>	<b>\$ 763,685,117</b>	<b>\$ 809,001,774</b>	<b>\$ 805,440,324</b>
<b>Average Rate / Water &amp; Sewer</b>	<b>\$6.97</b>	<b>\$7.20</b>	<b>\$8.67</b>	<b>\$9.01</b>	<b>\$9.37</b>

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
25,263,997	23,265,022	24,744,815	25,911,974	26,498,295
25,131,767	25,370,691	25,676,282	26,323,185	29,640,195
21,728,794	21,591,973	21,825,149	23,764,306	24,188,333
4,688,639	3,149,624	3,558,515	6,174,766	8,670,358
1,343,031	1,584,261	1,614,142	1,505,248	1,430,196
6,339,166	5,099,403	5,903,309	3,072,484	2,777,547
<u>84,495,394</u>	<u>80,060,974</u>	<u>83,322,212</u>	<u>86,751,963</u>	<u>93,204,924</u>
<u>\$ 828,136,771</u>	<u>\$ 812,279,978</u>	<u>\$ 840,320,863</u>	<u>\$ 892,962,329</u>	<u>\$ 984,053,774</u>
\$9.80	\$10.15	\$10.09	\$10.29	\$10.56

**CITY OF HOUSTON, TEXAS  
 COMBINED UTILITY SYSTEM STATISTICS  
 June 30, 2018  
 (unaudited)**

**Water Right Permit**

As of the date of this Official Statement, the City has received the following water rights permits:

	<b>Rights in MGD</b>
Surface Water	
Trinity River Basin	914
Water Reuse	259
San Jacinto River Basin	258
Bayous	116
Brazos River Basin	62
Total Surface Water Rights	1,609
Ground Water Production Capacity (1)	142
Total Water Available	1,751

(1) Pursuant to rules of the Harris - Galveston Coastal Subsidence District.

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**June 30, 2018**  
**(unaudited)**

**Largest Sewer Customers**

The following schedule presents information concerning the ten largest customers of the Sewer Facilities for the twelve month period ended June 30, 2018. The total charges to such customers represent approximately 2.50% of the System Gross Revenues and 5.89% of Sewer Facilities gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Harris County	\$ 5,640,751
2. Anheuser Busch	4,827,254
3. City of Houston	4,353,179
4. HISD	3,439,185
5. University of Houston	2,807,407
6. Alantic Coffee Industrial	2,779,282
7. Coca Cola	1,673,564
8. Oak Farms Dairies	1,060,897
9. Methodist Hospital	859,565
10. MD Anderson	841,381
	<u>\$ 28,282,465</u>

**Water and Sewer Rate Adjustments**

In recent years, the water and sewer rates have been adjusted on the average as follows:

<u>Date of Change</u>	<u>Average Percent Rate Increase (Decrease)</u>	
	<u>Water</u>	<u>Sewer</u>
April 2009	5.1%	5.1%
June 2010	19.1%	22.9%
April 2011	1.9%	1.9%
April 2012	3.3%	3.3%
April 2013	3.6%	3.6%
April 2014	1.2%	1.2%
April 2015	4.4%	4.4%
April 2016	1.4%	1.4%
April 2017	3.4%	3.4%
April 2018	2.8%	2.8%

Current water rates are based on customer class. The amount of the bill is the sum of the minimum charge based on meter size and an additional charge based on the volume of consumption above a minimum volume. The water rates vary from \$5.54 per thousand gallons for single-family customers to \$32.4 per ten thousand gallons for outdoor customers.

Usage of the Sewer Facilities is not metered for rate purposes but also includes a fixed charge based on meter size and an additional charge based on the volume of the water usage. Sewer rates vary from \$5.879 per thousand gallons for wholesale customers to \$66.10 for industrial sewer only customers. Additionally, industrial customers may be subject to a sewer surcharge based on the quality of their wastewater discharge.

The bill for a typical single family residential customer using 6,000 gallons per month would be \$82.24 for both water and sewer services. However, total water and sewer charges may range from \$22.57 for 1,000 gallons to \$68.97 for 5,000 gallons per month for single-family residential customers.

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**June 30, 2018**  
**Water Supply**  
**(unaudited)**

**Capacity, Production, and Sales**

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2018 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	242	83	72	N/A	N/A
Surface	540	382	389	N/A	N/A
Total	<u>782</u>	<u>465</u>	<u>461</u>	<u>0</u>	<u>623</u>
Treated					405
Untreated					218
					<u>623</u>

**Sources of System Revenues - General**

As of June 30, 2018, the Water facility and the Sewer Facilities served approximately 485,113 and 463,268 active service connections, respectively. During fiscal year 2018, approximately 49.4% of System Gross Revenues were derived from the sale of water (90% from treated water and 10% from untreated water), approximately 42.4% from providing wastewater treatment services 1% from interest income and the remaining 7.2% from various other sources. Of the treated water sales, 90.6% of revenues were from retail customers and 9.4% from bulk sales to other governmental entities.

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**June 30, 2018**  
**Water Supply**  
**(unaudited)**

**Largest Treated Water Customers**

The following schedule presents information concerning the ten largest treated water customers of the System for the twelve month period ended June 30, 2018. The total charges to such customers during such period represent approximately 4.89% of the System Gross Revenues and 9.9% of total water sales revenues for such period.

<u>Customers</u>	<u>Gross Charges</u>
1. North Harris Co. Regional Water Authority	\$ 12,414,012
2. North Channel Water Authority	7,882,081
3. West Harris Co. Regional Water Authority.	7,716,664
4. North Fort Bend County WA (New Cus)	5,086,760
5. City of Pasadena	4,861,537
6. City of Pearland	4,564,753
7. Gulf Coast Water Authority (Galveston)	3,932,424
8. Anheuser Busch	3,151,609
9. Memorial Villages Water Authority	2,865,344
10. Clear Lake City	2,862,219
	<u>\$ 55,337,403</u>

**Largest Untreated Water Customers**

The following schedule presents information concerning the ten largest untreated water customers of the System for a twelve month period ended June 30, 2018. The total of the contract payments by these ten customers during such period represents approximately 3.26% of the System Gross Revenues and 6.6% of total water sales revenues for such period.

<u>Customers</u>	<u>Gross Charges</u>
1. Equistar Chemicals LP CH11	\$ 8,434,301
2. Shell Oil	4,433,938
3. Battleground Water Company	4,296,477
4. Air Liquide America Corp.	4,224,337
5. Baytown Area	3,647,743
6. Houston Refining, LP (Lyondell-Citgo)	3,214,540
7. Chevron Phillips Chemical Company	3,100,411
8. Hoechst Celanese	2,138,240
9. Occidental Chemical Corporation	1,948,997
10. E.I. Dupont De Nemours	1,447,317
	<u>\$ 36,886,301</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**Debt Service Schedule**  
**(unaudited)**

The following schedule sets forth the principal and interest requirements on all outstanding bonds payable from revenues of the System for each of the City's fiscal years ending June 30 as shown below, based on footnoted assumptions. The following schedule also does not include Discretionary Debt Service Payments or interest on Commercial Paper notes issued as Third Lien Obligations under the Master Ordinance.

Fiscal Year Ending June 30	Total Payable From System Gross Revenues(1)	Payable From System Net Revenues		Total Payable From System Net Revenues	Total Debt Service (1) (2)
		Previous Ordinance Bonds	First Lien Bonds(2)		
2019	6,384,706	-	468,770,780	468,770,780	475,155,486
2020	6,380,806	23,520,000	444,247,834	467,767,834	474,148,640
2021	6,397,931	22,405,000	448,079,606	470,484,606	476,882,538
2022	6,376,006	15,480,000	454,979,665	470,459,665	476,835,672
2023	6,355,581	17,345,000	453,729,205	471,074,205	477,429,787
2024	6,350,206	19,005,000	451,995,484	471,000,484	477,350,690
2025	6,338,956	17,990,000	452,401,270	470,391,270	476,730,226
2026	10,782,206	18,155,000	451,628,485	469,783,485	480,565,692
2027	3,378,081	30,815,000	438,236,305	469,051,305	472,429,386
2028	3,378,456	30,810,000	436,632,826	467,442,826	470,821,282
2029	3,404,306	44,095,000	423,375,740	467,470,740	470,875,046
2030	3,400,828	-	474,359,407	474,359,407	477,760,235
2031	3,396,313	-	465,231,204	465,231,204	468,627,517
2032	3,386,100	-	464,348,619	464,348,619	467,734,719
2033	3,381,000	-	462,900,316	462,900,316	466,281,316
2034	3,376,200	-	480,208,783	480,208,783	483,584,983
2035	3,381,300	-	285,527,251	285,527,251	288,908,551
2036	-	-	282,868,318	282,868,318	282,868,318
2037	-	-	242,097,724	242,097,724	242,097,724
2038	-	-	184,868,888	184,868,888	184,868,888
2039	-	-	179,159,444	179,159,444	179,159,444
2040	-	-	117,256,418	117,256,418	117,256,418
2041	-	-	116,537,522	116,537,522	116,537,522
2042	-	-	81,735,384	81,735,384	81,735,384
2043	-	-	81,732,873	81,732,873	81,732,873
2044	-	-	68,687,162	68,687,162	68,687,162
2045	-	-	55,200,494	55,200,494	55,200,494
2046	-	-	38,100,967	38,100,967	38,100,967
2047	-	-	20,747,052	20,747,052	20,747,052
2048	-	-	17,987,099	17,996,774	17,987,099
Total	\$ <u>85,848,984</u>	\$ <u>239,620,000</u>	\$ <u>9,043,632,126</u>	\$ <u>9,283,261,801</u>	\$ <u>9,369,101,111</u>

(1) Includes CWA Bonds.

(2) \$247,075,000,000 of the Series 2016C variable rate bond debt service is calculated at the fixed rate payor swap rate 3.76%. This was refunded to Series 2018C in August 2018. Variable Rate Series 2004B and 2012 AB debt service is adjusted to take into account expected payments under the series 2004B Qualified Hedge Agreements.

**CITY OF HOUSTON  
COMBINED UTILITY SYSTEM STATISTICS  
Last Ten Fiscal Years  
(amounts expressed in thousands)  
(unaudited)**

**Revenues and Expenses of the Water and Sewer System**

The following schedule sets forth the revenues and expenses (exclusive of certain non-cash transactions, primarily depreciation and amortization) of the "Water and Sewer System," as defined in the Coastal Water Authority Official Statements.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
					Corrected	Corrected		Corrected		
<b>OPERATING REVENUES</b>										
Sales of Water	\$ 351,608	\$ 356,046	\$ 455,333	\$ 480,676	\$ 485,485	\$ 499,912	\$ 486,517	\$ 529,879	\$ 547,054	\$ 559,010
Sewer system user charges	323,301	320,722	410,941	421,370	426,888	441,300	434,305	462,786	475,392	479,978
Penalties and Other services and charges	12,329	14,370	12,901	15,192	17,455	12,195	6,602	9,917	3,349	13,561
<b>Total Operating Revenues</b>	<b>687,238</b>	<b>691,138</b>	<b>879,175</b>	<b>917,238</b>	<b>929,828</b>	<b>953,407</b>	<b>927,424</b>	<b>1,002,582</b>	<b>1,025,795</b>	<b>1,052,549</b>
<b>NON-OPERATING REVENUES</b>	<b>36,405</b>	<b>44,407</b>	<b>40,662</b>	<b>51,144</b>	<b>49,722</b>	<b>76,155</b>	<b>45,595</b>	<b>51,066</b>	<b>49,993</b>	<b>74,020</b>
<b>TOTAL GROSS REVENUES (A)</b>	<b>723,643</b>	<b>735,545</b>	<b>919,837</b>	<b>968,382</b>	<b>979,550</b>	<b>1,029,562</b>	<b>973,019</b>	<b>1,053,648</b>	<b>1,075,788</b>	<b>1,126,569</b>
<b>OPERATING EXPENSES</b>										
Maintenance and Operating Expenses	383,056	377,858	373,028	393,413	380,192	387,398	406,601	419,161	431,126	432,152
Contractual Maintenance and Operating Expenses										
CWA Debt Service	28,103	23,117	21,285	20,389	19,663	18,875	18,064	17,684	7,204	6,399
TRA Debt Service	-	-	-	-	-	-	-	-	-	-
HAWC Debt Service	-	-	-	-	-	-	-	-	-	-
<b>Total Contractual</b>	<b>28,103</b>	<b>23,117</b>	<b>21,285</b>	<b>20,389</b>	<b>19,663</b>	<b>18,875</b>	<b>18,064</b>	<b>17,684</b>	<b>7,204</b>	<b>6,399</b>
<b>TOTAL OPERATING EXPENSES (B)</b>	<b>411,159</b>	<b>400,975</b>	<b>394,313</b>	<b>413,802</b>	<b>399,855</b>	<b>406,273</b>	<b>424,665</b>	<b>436,845</b>	<b>438,330</b>	<b>438,551</b>
<b>NET REVENUES</b>	<b>\$ 312,484</b>	<b>\$ 334,570</b>	<b>\$ 525,524</b>	<b>\$ 554,580</b>	<b>\$ 579,695</b>	<b>\$ 623,289</b>	<b>\$ 548,354</b>	<b>\$ 616,803</b>	<b>\$ 637,458</b>	<b>\$ 688,018</b>
<b>GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)</b>	<b>1.760</b>	<b>1.834</b>	<b>2.333</b>	<b>2.340</b>	<b>2.450</b>	<b>2.534</b>	<b>2.291</b>	<b>2.412</b>	<b>2.454</b>	<b>2.569</b>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM FUND REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

<b>Total Annual Revenues Last Ten Fiscal Years</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Operating Revenues</b>					
Landing area fees	\$ 82,823	\$ 94,165	\$ 90,384	\$ 86,935	\$ 91,059
Building and ground area fees	174,433	182,105	181,182	182,320	181,701
Parking, concession and other revenues	128,501	130,309	138,836	148,295	160,234
<b>Total Operating Revenues</b>	<b>385,757</b>	<b>406,579</b>	<b>410,402</b>	<b>417,550</b>	<b>432,994</b>
<b>Nonoperating Revenues</b>					
Interest income	37,507	30,488	9,735	5,636	(1,934)
Passenger facility charges	32,398	66,383	63,138	63,550	61,195
Customer facility charges	10,171	10,981	13,478	15,904	17,104
Other nonoperating revenues	1,093	7,525	3,409	4,644	1,978
<b>Total Nonoperating Revenues</b>	<b>81,169</b>	<b>115,377</b>	<b>89,760</b>	<b>89,734</b>	<b>78,343</b>
<b>Total Revenues</b>	<b>\$ 466,926</b>	<b>\$ 521,956</b>	<b>\$ 500,162</b>	<b>\$ 507,284</b>	<b>\$ 511,337</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>					
<b>Operating Expenses</b>					
Maintenance and operating	\$ 241,303	\$ 245,051	\$ 284,307	\$ 264,060	\$ 272,091
Depreciation	139,157	166,788	165,657	193,266	173,448
<b>Total Operating Expenses</b>	<b>380,460</b>	<b>411,839</b>	<b>449,964</b>	<b>457,326</b>	<b>445,539</b>
<b>Nonoperating Expenses</b>					
Interest expense and others	102,074	103,602	97,945	95,546	94,812
Restatement	(38)	3,842	(430)	(1,534)	(1,063)
<b>Total Nonoperating Expenses</b>	<b>102,036</b>	<b>107,444</b>	<b>97,515</b>	<b>94,012</b>	<b>93,749</b>
<b>Total Expenses</b>	<b>\$ 482,496</b>	<b>\$ 519,283</b>	<b>\$ 547,479</b>	<b>\$ 551,338</b>	<b>\$ 539,288</b>
<b>Contributions</b>	<b>70,936</b>	<b>51,457</b>	<b>44,135</b>	<b>15,029</b>	<b>12,761</b>
<b>Total Change in Net Position</b>	<b>\$ 55,366</b>	<b>\$ 54,130</b>	<b>\$ (3,182)</b>	<b>\$ (29,025)</b>	<b>\$ (15,190)</b>
<b>Net Position at Year End</b>					
Net investment in capital assets	\$ 768,016	\$ 678,864	\$ 641,087	\$ 595,682	\$ 532,447
Restatement	(13,168)	(17,010)	(16,580)	(15,046)	(13,983)
Net investment in capital assets	754,848	661,854	624,507	580,636	518,464
Restricted net assets					
Restricted for debt service	\$ 82,436	\$ 160,873	\$ 168,841	\$ 189,966	\$ 213,064
Restricted for maintenance and operations	41,899	42,405	43,320	44,023	46,309
Restricted for special facility	12,353	12,444	15,081	20,025	26,026
Restricted for renewal and replacement	10,000	10,000	10,000	10,000	10,000
Restricted for capital improvements	458,356	526,446	549,091	537,165	552,762
Unrestricted (deficit)	-	-	-	-	-
<b>Total Net Position</b>	<b>\$ 1,359,892</b>	<b>\$ 1,414,022</b>	<b>\$ 1,410,840</b>	<b>\$ 1,381,815</b>	<b>\$ 1,366,625</b>

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 88,342	\$ 93,575	\$ 86,870	\$ 88,046	\$ 95,779
186,505	197,039	216,018	221,181	220,214
177,260	185,668	186,009	184,814	194,871
<u>452,107</u>	<u>476,282</u>	<u>488,897</u>	<u>494,041</u>	<u>510,864</u>
11,170	7,496	13,260	3,403	8,591
62,602	85,392	104,230	101,539	109,021
17,152	17,535	16,417	14,200	17,374
3,225	7,969	124	5,596	(1,420)
<u>94,149</u>	<u>118,392</u>	<u>134,031</u>	<u>124,738</u>	<u>133,566</u>
<u>\$ 546,256</u>	<u>\$ 594,674</u>	<u>\$ 622,928</u>	<u>\$ 618,779</u>	<u>\$ 644,430</u>
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 285,212	\$ 286,529	\$ 315,419	\$ 254,459	\$ 335,104
174,825	177,512	179,398	184,203	176,053
<u>460,037</u>	<u>464,041</u>	<u>494,817</u>	<u>438,662</u>	<u>511,157</u>
112,350	92,803	86,259	87,574	94,061
-	-	-	-	-
<u>112,350</u>	<u>92,803</u>	<u>86,259</u>	<u>87,574</u>	<u>94,061</u>
<u>\$ 572,387</u>	<u>\$ 556,844</u>	<u>\$ 581,076</u>	<u>\$ 526,236</u>	<u>\$ 605,218</u>
44,614	36,432	22,542	35,513	13,784
<u>\$ 18,483</u>	<u>\$ 74,262</u>	<u>\$ 64,394</u>	<u>\$ 128,056</u>	<u>\$ 52,996</u>
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 469,971	\$ 466,196	\$ 537,172	\$ 542,363	\$ 531,232
-	-	-	-	-
<u>469,971</u>	<u>466,196</u>	<u>537,172</u>	<u>542,363</u>	<u>531,232</u>
\$ 242,558	\$ 303,371	\$ 333,635	\$ 287,858	\$ 357,588
49,736	53,912	54,942	54,805	56,891
30,986	25,732	26,944	29,369	36,049
10,000	10,000	10,000	10,000	10,000
581,857	600,159	561,071	676,360	657,050
-	(178,003)	(178,003)	(126,938)	(143,297)
<u>\$ 1,385,108</u>	<u>\$ 1,281,367</u>	<u>\$ 1,345,761</u>	<u>\$ 1,473,817</u>	<u>\$ 1,505,513</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Passenger Statistics**  
**(unaudited)**

**Domestic Passengers**

Fiscal Year	<b>Bush Intercontinental</b>		<b>Hobby</b>		<b>Ellington Airport</b>		<b>Total</b>	
	Enplanements & Deplanements	Percentage Change	Enplanements & Deplanements	Percentage Change	Enplanements & Deplanements	Percentage Change	Enplanements & Deplanements	Percentage Change
	(in thousands)		(in thousands)		(in thousands)		(in thousands)	
2009	31,995	-9.1%	8,286	-8.9%	-	-	40,281	-9.1%
2010	32,093	0.3%	8,755	5.7%	-	-	40,848	1.4%
2011	31,666	-1.3%	9,434	7.8%	-	-	41,100	0.6%
2012	31,778	0.4%	10,192	8.0%	-	-	41,970	2.1%
2013	30,830	-3.0%	10,690	4.9%	-	-	41,520	-1.1%
2014	30,832	0.0%	11,609	8.6%	-	-	42,441	2.2%
2015	31,968	3.7%	11,837	2.0%	-	-	43,805	3.2%
2016	31,959	0.0%	12,209	3.1%	-	-	44,168	0.8%
2017	30,809	-3.6%	12,423	1.8%	-	-	43,232	-2.1%
2018	31,102	1.0%	12,864	3.5%	-	-	43,966	1.7%

<b>International Passengers</b>							
<b>Bush Intercontinental</b>		<b>Hobby</b>		<b>Total</b>		<b>Total Passengers</b>	
Enplanements & Deplanements (in thousands)	Percentage Change						
7,642	-4.2%	-	-	7,642	-4.2%	47,923	-8.3%
8,138	6.5%	-	-	8,138	6.5%	48,986	2.2%
8,732	7.3%	-	-	8,732	7.3%	49,832	1.7%
8,686	-0.5%	-	-	8,686	-0.5%	50,656	1.7%
8,795	1.3%	-	-	8,795	1.3%	50,315	-0.7%
9,470	7.7%	-	-	9,470	7.7%	51,911	3.2%
10,018	5.8%	4	-	10,022	5.8%	53,827	3.7%
10,904	8.8%	519	12875.0%	11,423	14.0%	55,591	3.3%
10,662	-2.2%	860	65.7%	11,522	0.9%	54,754	-1.5%
10,404	-2.4%	957	11.3%	11,361	-1.4%	55,327	1.0%

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Airline Market Shares**  
**(unaudited)**

Airlines	Bush Intercontinental				Hobby			
	Fiscal Year 2017		Fiscal Year 2018		Fiscal Year 2017		Fiscal Year 2018	
	Total Passengers (in thousands)	Market Share						
<b>Domestic</b>								
Alaska Airlines	185,191	0.4%	185,838	0.4%	-	0.0%	-	0.0%
American Airlines, Inc.	1,749,382	4.1%	1,678,994	4.0%	17,213	0.1%	124	0.0%
Envoy (American Eagle) - AA	63,960	0.2%	101,030	0.2%	107,094	0.8%	30,889	0.2%
Atlantic Southeast - DL	-	0.0%	-	0.0%	39,345	0.3%	26,900	0.2%
Charter Airlines	14,185	0.0%	3,098	0.0%	5,379	0.0%	8,248	0.1%
Compass Airlines - AE	147,057	0.4%	132,886	0.3%	-	0.0%	-	0.0%
Compass Airlines - DL	24,988	0.1%	6,345	0.0%	-	0.0%	-	0.0%
Delta	733,804	1.8%	783,676	1.9%	408,046	3.1%	407,279	2.9%
ExpressJet Airlines, Inc. - AE	70	0.0%	-	0.0%	25,307	0.2%	12,552	0.1%
ExpressJet Airlines, Inc. - DL	88,483	0.2%	23,525	0.1%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - UA	3,544,987	8.5%	3,002,395	7.2%	-	0.0%	-	0.0%
Frontier	421,582	1.0%	285,337	0.7%	-	0.0%	-	0.0%
GO JET - DL	48,881	0.1%	69,655	0.2%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	190,099	1.4%	179,012	1.3%
Kalitta Charters, LLC	1	0.0%	16	0.0%	22	0.0%	4	0.0%
Mesa Airlines, Inc. - AE	70,301	0.2%	135,999	0.3%	146,187	1.1%	260,734	1.9%
Mesa Airlines, Inc. - DL	2,820,852	6.8%	3,170,575	7.6%	-	0.0%	-	0.0%
Endeavor (Pinnacle Airlines, Inc.) - DL	155,063	0.4%	178,510	0.4%	-	0.0%	1,564	0.0%
Republic Airlines - AE	122,752	0.3%	179,472	0.4%	-	0.0%	-	0.0%
Republic Airlines - DL	67,960	0.2%	175,732	0.4%	-	0.0%	-	0.0%
Republic Airlines - UA	1,015,256	2.4%	1,477,664	3.6%	-	0.0%	-	0.0%
Shuttle America Corporation - DL	88,748	0.2%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - UA	4,083	0.0%	-	0.0%	-	0.0%	-	0.0%
SkyWest Airlines - AE	91,704	0.2%	59,665	0.1%	-	0.0%	-	0.0%
SkyWest Airlines - DL	267,422	0.6%	290,692	0.7%	38	0.0%	-	0.0%
SkyWest Airlines - UA	1,016,617	2.5%	517,489	1.2%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	11,484,628	86.5%	11,937,077	86.4%
Spirit Airlines	1,769,051	4.3%	2,024,422	4.9%	-	0.0%	-	0.0%
Trans States - UA	44,096	0.1%	-	0.0%	-	0.0%	-	0.0%
United Air Lines Inc.	16,252,312	39.3%	16,619,285	40.3%	-	0.0%	-	0.0%
<b>Total Domestic</b>	<b>30,808,788</b>	<b>74.3%</b>	<b>31,102,300</b>	<b>74.9%</b>	<b>12,423,358</b>	<b>93.5%</b>	<b>12,864,383</b>	<b>93.1%</b>
<b>International</b>								
AeroMexico	255,782	0.6%	155,258	0.4%	-	0.0%	-	0.0%
All Nippon Airways Compant, Ltd. - ANA	147,727	0.4%	141,286	0.3%	-	0.0%	-	0.0%
Air China	117,743	0.3%	120,146	0.3%	-	0.0%	-	0.0%
Air France	152,537	0.4%	146,276	0.4%	-	0.0%	-	0.0%
Air New Zealand	141,272	0.3%	137,657	0.3%	-	0.0%	-	0.0%
American	1,304	0.0%	-	0.0%	-	0.0%	-	0.0%
Atlas Air	16,131	0.0%	8,318	0.0%	-	0.0%	-	0.0%
BahamasAir	-	0.0%	5,074	0.0%	-	0.0%	-	0.0%
British Airways	240,874	0.6%	226,636	0.5%	-	0.0%	-	0.0%
Charter Airlines	4,599	0.0%	1,170	0.0%	-	0.0%	-	0.0%
Emirates	202,812	0.5%	207,496	0.5%	-	0.0%	-	0.0%
EVA Airways Corporation	175,392	0.4%	183,622	0.4%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - UA	281,987	0.7%	292,503	0.7%	-	0.0%	-	0.0%
Interjet	136,881	0.3%	168,409	0.4%	-	0.0%	-	0.0%
Jazz Air - AC (Air Canada Jazz)	353,721	0.9%	349,571	0.8%	-	0.0%	-	0.0%
Kalitta Charters, LLC	-	0.0%	2	0.0%	1	0.0%	-	0.0%
KLM	165,431	0.4%	164,806	0.4%	-	0.0%	-	0.0%
Korean Air lines Co. Ltd.	79,779	0.2%	19,847	0.0%	-	0.0%	-	0.0%
Lufthansa	291,713	0.7%	279,421	0.7%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - AE	154	0.0%	-	0.0%	-	0.0%	-	0.0%
Mesa Airlines, UA	844,395	2.0%	780,774	1.9%	-	0.0%	-	0.0%
Qatar Airways	154,652	0.4%	154,917	0.4%	-	0.0%	-	0.0%
Republic Airlines Inc.-UA	1,177	0.0%	10,860	0.0%	-	0.0%	-	0.0%
Singapore Airlines	83,037	0.2%	94,029	0.2%	-	0.0%	-	0.0%
Spirit Airlines	120,767	0.3%	120,318	0.3%	-	0.0%	-	0.0%
SkyWest Airlines - UA	75,915	0.2%	11,678	0.0%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	860,206	6.5%	956,910	6.9%
TACA	63,924	0.2%	47,793	0.1%	-	0.0%	-	0.0%
Turkish Airlines	167,402	0.4%	189,048	0.5%	-	0.0%	-	0.0%
United Air Lines Inc.	6,229,253	15.1%	6,211,165	15.2%	-	0.0%	-	0.0%
Viva Aerobus	40,879	0.1%	38,072	0.1%	-	0.0%	-	0.0%
Volaris Airlines	52,879	0.1%	38,214	0.1%	-	0.0%	-	0.0%
WestJet Airlines	61,524	0.1%	99,371	0.2%	-	0.0%	-	0.0%
<b>Total International</b>	<b>10,661,643</b>	<b>25.7%</b>	<b>10,403,737</b>	<b>25.1%</b>	<b>860,207</b>	<b>6.5%</b>	<b>956,910</b>	<b>6.9%</b>
<b>Total Airlines</b>	<b>41,470,431</b>	<b>100.0%</b>	<b>41,506,037</b>	<b>100.0%</b>	<b>13,283,565</b>	<b>100.0%</b>	<b>13,821,293</b>	<b>100.0%</b>

## Houston Airport System

Fiscal Year 2017		Fiscal Year 2018	
Total	Market	Total	Market
Passengers	Share	Passengers	Share
(in thousands)		(in thousands)	
185,191	0.3%	185,838	0.3%
1,766,595	3.2%	1,679,118	3.0%
171,054	0.3%	131,919	0.2%
39,345	0.1%	26,900	0.0%
19,564	0.0%	11,346	0.0%
147,057	0.3%	132,886	0.2%
24,988	0.0%	6,345	0.0%
1,141,850	2.1%	1,190,955	2.2%
25,377	0.0%	12,552	0.0%
88,483	0.2%	23,525	0.0%
3,544,987	6.5%	3,002,395	5.4%
421,582	0.8%	285,337	0.5%
48,881	0.1%	69,655	0.1%
190,099	0.2%	179,012	0.3%
23	0.0%	20	0.0%
216,488	0.4%	396,733	0.7%
2,820,852	5.2%	3,170,575	5.7%
155,063	0.4%	180,074	0.3%
122,752	0.1%	179,472	0.3%
67,960	0.1%	175,732	0.3%
1,015,256	1.9%	1,477,664	2.7%
88,748	0.2%	-	0.0%
4,083	0.0%	-	0.0%
91,704	0.2%	59,665	0.1%
267,460	0.6%	290,692	0.5%
1,016,617	1.9%	517,489	0.9%
11,484,628	21.0%	11,937,077	21.6%
1,769,051	3.3%	2,024,422	3.7%
44,096	0.1%	-	0.0%
16,252,312	29.7%	16,619,285	30.0%
43,232,146	79.0%	43,966,683	79.5%

Fiscal Year 2017		Fiscal Year 2018	
Total	Market	Total	Market
Passengers	Share	Passengers	Share
255,782	0.5%	155,258	0.3%
147,727	0.3%	141,286	0.3%
117,743	0.2%	120,146	0.2%
152,537	0.3%	146,276	0.3%
141,272	0.3%	137,657	0.2%
1,304	0.0%	-	0.0%
16,131	0.0%	8,318	0.0%
-	0.0%	5,074	0.0%
240,874	0.4%	226,636	0.4%
4,599	0.0%	1,170	0.0%
202,812	0.4%	207,496	0.4%
175,392	0.3%	183,622	0.3%
281,987	0.5%	292,503	0.5%
136,881	0.2%	168,409	0.3%
353,721	0.6%	349,571	0.6%
1	0.0%	2	0.0%
165,431	0.3%	164,806	0.3%
79,779	0.1%	19,847	0.0%
291,713	0.5%	279,421	0.5%
154	0.0%	-	0.0%
844,395	1.5%	780,774	1.4%
154,652	0.3%	154,917	0.3%
1,177	0.0%	10,860	0.0%
83,037	0.2%	94,029	0.2%
120,767	0.2%	120,318	0.2%
75,915	0.1%	11,678	0.0%
860,206	1.6%	956,910	1.7%
63,924	0.1%	47,793	0.1%
167,402	0.3%	189,048	0.3%
6,229,253	11.5%	6,211,165	11.2%
40,879	0.1%	38,072	0.1%
52,879	0.1%	38,214	0.1%
61,524	0.1%	99,371	0.2%
11,521,850	21.0%	11,360,647	20.5%
54,753,996	100.0%	55,327,330	100.0%

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Selected Financial Information**  
**Operating Fund Only**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)  
(unaudited)

	2009	2010	2011	2012
<b>Operating Revenues</b>				
Landing Area Fees:				
Landing Fees	\$ 81,596	\$ 91,443	\$ 87,413	\$ 83,895
Carrier Incentive Program	(1,176)	(411)	(250)	(836)
Aviation Fuel	1,313	1,329	1,378	1,382
Aircraft Parking	1,090	1,804	1,843	2,494
Subtotal	<u>82,823</u>	<u>94,165</u>	<u>90,384</u>	<u>86,935</u>
Building and Ground Area Revenues:				
Building Space	5,017	5,158	5,067	5,394
Terminal Space	155,396	161,960	160,563	160,247
Cargo Building	2,374	2,490	2,511	2,473
Hangar Rental	4,051	4,920	5,446	6,165
Ground Rental	7,595	7,577	7,595	8,041
Subtotal	<u>174,433</u>	<u>182,105</u>	<u>181,182</u>	<u>182,320</u>
Parking, Concession and other Revenues:				
Terminal Concessions	27,003	27,974	34,404	38,406
Auto Parking	66,565	70,127	70,681	72,833
Auto Rental	24,389	22,889	23,932	26,771
Ground Transportation	4,724	4,987	5,946	6,186
Special Events	20	22	22	23
Vending Machine	-	-	-	-
Other Operating Income	5,800	4,310	3,851	4,076
Subtotal	<u>128,501</u>	<u>130,309</u>	<u>138,836</u>	<u>148,295</u>
<b>Total Operating Revenues</b>	<u>\$ 385,757</u>	<u>\$ 406,579</u>	<u>\$ 410,402</u>	<u>\$ 417,550</u>
<b>Nonoperating Revenues</b>				
Interest on Investments	23,664	15,988	12,889	9,826
Other	300	2,504	341	2,289
Subtotal	<u>23,964</u>	<u>18,492</u>	<u>13,230</u>	<u>12,115</u>
<b>Total Gross Revenues</b>	<u>\$ 409,721</u>	<u>\$ 425,071</u>	<u>\$ 423,632</u>	<u>\$ 429,665</u>
<b>Operation and Maintenance Expenses</b>				
Personnel and Other Current Expenses	\$ 242,449	\$ 245,147	\$ 262,668	\$ 255,507
Bad Debt Expense	-	-	-	-
<b>Total Operating and Maintenance Expenses</b>	<u>\$ 242,449</u>	<u>\$ 245,147</u>	<u>\$ 262,668</u>	<u>\$ 255,507</u>
<b>Net Revenue</b>	<u>\$ 167,272</u>	<u>\$ 179,924</u>	<u>\$ 160,964</u>	<u>\$ 174,158</u>
<b>Total Debt Service</b>	\$ 150,438	\$ 145,130	\$ 158,682	\$ 151,311
Less: PFC available for debt service	(15,847)	(27,087)	(38,828)	(36,619)
Less: grant revenue available for debt service	<u>(38,835)</u>	<u>(29,084)</u>	<u>(17,999)</u>	<u>(7,360)</u>
<b>Debt Service Requirement (per Bond Ordinance)</b>	<u>\$ 95,756</u>	<u>\$ 88,959</u>	<u>\$ 101,855</u>	<u>\$ 107,332</u>
<b>Coverage of debt Service</b>	<u>1.75</u>	<u>2.02</u>	<u>1.58</u>	<u>1.62</u>

2013	2014	2015	2016	2017	2018
\$ 87,660	\$ 88,392	\$ 94,748	\$ 89,505	\$ 86,966	\$ 92,586
(749)	(4,294)	(5,322)	(6,802)	(2,930)	(1,328)
1,444	1,529	1,521	1,527	1,350	1,679
2,704	2,715	2,628	2,640	2,660	2,842
<u>91,059</u>	<u>88,342</u>	<u>93,575</u>	<u>86,870</u>	<u>88,046</u>	<u>95,779</u>
5,848	6,174	6,252	6,808	6,453	6,460
158,237	163,297	173,392	191,321	196,162	195,198
2,397	2,432	2,506	2,484	2,448	2,390
6,675	6,605	6,355	6,577	6,813	6,691
8,544	7,997	8,534	8,828	9,305	9,475
<u>181,701</u>	<u>186,505</u>	<u>197,039</u>	<u>216,018</u>	<u>221,181</u>	<u>220,214</u>
41,604	41,434	41,830	35,189	39,969	41,231
77,596	90,173	97,515	101,650	99,752	103,961
29,522	32,783	31,991	30,737	28,735	28,767
6,639	8,301	9,323	10,083	10,402	11,062
-	10	25	26	20	14
-	-	-	-	10	-
4,873	4,559	4,984	8,324	5,926	9,836
<u>160,234</u>	<u>177,260</u>	<u>185,668</u>	<u>186,009</u>	<u>184,814</u>	<u>194,871</u>
<u>\$ 432,994</u>	<u>\$ 452,107</u>	<u>\$ 476,282</u>	<u>\$ 488,897</u>	<u>\$ 494,041</u>	<u>\$ 510,864</u>
7,029	5,499	6,014	6,986	9,306	13,348
1,222	3,162	7,526	(52)	7,177	(1,805)
<u>8,251</u>	<u>8,661</u>	<u>13,540</u>	<u>6,934</u>	<u>16,483</u>	<u>11,543</u>
<u>\$ 441,245</u>	<u>\$ 460,768</u>	<u>\$ 489,822</u>	<u>\$ 495,831</u>	<u>\$ 510,524</u>	<u>\$ 522,407</u>
\$ 252,745	\$ 268,745	\$ 283,557	\$ 314,715	\$ 254,506	\$ 326,889
-	-	-	-	-	-
<u>\$ 252,745</u>	<u>\$ 268,745</u>	<u>\$ 283,557</u>	<u>\$ 314,715</u>	<u>\$ 254,506</u>	<u>\$ 326,889</u>
<u>\$ 188,500</u>	<u>\$ 192,023</u>	<u>\$ 206,265</u>	<u>\$ 181,116</u>	<u>\$ 256,018</u>	<u>\$ 195,518</u>
\$ 153,938	\$ 156,424	\$ 163,319	\$ 163,904	\$ 175,023	\$ 174,456
(34,390)	(35,614)	(38,054)	(42,320)	(54,673)	(50,642)
-	(22,942)	(16,399)	(13,888)	-	-
<u>\$ 119,548</u>	<u>\$ 97,868</u>	<u>\$ 108,866</u>	<u>\$ 107,696</u>	<u>\$ 120,350</u>	<u>\$ 123,814</u>
<u>1.58</u>	<u>1.96</u>	<u>1.89</u>	<u>1.68</u>	<u>2.13</u>	<u>1.58</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Total Aircraft Operations, Landing Weight and Cargo Activity**  
**(unaudited)**

Fiscal Year	Aircraft Operations (in thousands)			Aircraft Landed Weight (in million pounds)		
	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
2009	892	(82)	-8.42%	31,907	(2,189)	-6.42%
2010	858	(34)	-3.81%	31,707	(200)	-0.63%
2011	861	3	0.35%	32,564	857	2.70%
2012	838	(23)	-2.67%	32,844	280	0.86%
2013	799	(39)	-4.65%	33,041	197	0.60%
2014	811	12	1.50%	33,881	840	2.54%
2015	816	5	0.62%	34,969	1,088	3.21%
2016	787	(29)	-3.55%	35,519	550	1.57%
2017	760	(27)	-3.43%	34,648	(871)	-2.45%
2018	735	(25)	-3.29%	34,822	174	0.50%

Fiscal Year	Cargo Activity (in metric tons)				Total Cargo	Year - over Year Change
	Domestic Freight	International Freight	Mail			
2009	186,085	164,840	36,082		387,007	-9.3%
2010	195,617	181,453	37,011		414,081	7.0%
2011	205,174	208,748	33,897		447,819	8.1%
2012	200,619	219,318	33,253		453,190	1.2%
2013	201,464	218,311	27,142		446,917	-1.4%
2014	193,776	225,400	27,333		446,509	-0.1%
2015	192,331	252,876	30,026		475,233	6.4%
2016	195,644	205,361	25,713		426,718	-10.2%
2017	209,343	224,226	24,983		458,552	7.5%
2018	232,050	238,217	23,790		494,057	7.7%

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**System Debt Service Schedule**  
**(unaudited)**

The following table sets forth the Debt Service Requirements on all Airport Revenue Bonds Outstanding, assuming scheduled mandatory redemption of any term bonds and using rates in effect at year-end for auction rate securities and variable rate demand obligations. The amounts do not include the Airport System's Senior Lien Commercial Paper Notes.

<b>Fiscal Year (ending June 30)</b>	<b>Senior Lien Bonds Debt Service</b>	<b>Subordinate Lien Bonds Debt Service</b>	<b>Total Bonds Debt Service</b>
2019	32,823,619	140,415,911	173,239,530
2020	32,813,369	153,139,778	185,953,147
2021	32,795,619	141,724,309	174,519,928
2022	32,783,994	157,187,281	189,971,274
2023	32,766,994	153,875,955	186,642,948
2024	32,753,119	146,664,682	179,417,801
2025	32,735,744	154,630,503	187,366,247
2026	32,718,244	150,481,669	183,199,913
2027	32,698,869	140,877,950	173,576,818
2028	32,665,459	163,277,928	195,943,388
2029	32,644,981	151,676,388	184,321,369
2030	32,608,156	153,571,484	186,179,640
2031	32,562,213	147,978,641	180,540,854
2032	32,532,300	141,082,936	173,615,236
2033	32,502,163	149,696,597	182,198,759
2034	32,468,500	13,307,625	45,776,125
2035	32,432,875	13,293,000	45,725,875
2036	32,396,575	13,283,000	45,679,575
2037	32,360,613	13,276,375	45,636,988
2038	32,320,863	13,262,125	45,582,988
2039	32,278,063	13,249,250	45,527,313
2040	32,232,675	13,241,375	45,474,050
2041	-	13,222,375	13,222,375
2042	-	13,206,125	13,206,125
2043	-	3,753,125	3,753,125
2044	-	3,749,000	3,749,000
2045	-	3,752,750	3,752,750
2046	-	3,744,125	3,744,125
2047	-	3,742,875	3,742,875
2048	-	3,733,625	3,733,625
2049	-	3,731,000	3,731,000
<b>Total</b>	<b>\$ 716,895,003</b>	<b>\$2,391,829,762</b>	<b>\$ 3,108,724,765</b>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Summary of Certain Fees and Charges**  
**(unaudited)**

	<b>Bush Intercontinental</b>		<b>Hobby</b>	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2017	2018	2017	2018
Landing Rates (1) (5)	\$2.642	\$2.757	\$1.982	\$2.013
Terminal Space Rentals (2) (5)	\$22.70 - \$74.97	\$23.59 - \$73.44	\$64.79 - \$67.29	\$48.10 - \$68.15
Apron Rentals (2) (5)	\$2.289 - \$2.832	\$2.420 - \$2.769	\$1.652 - \$1.853	\$1.791 - \$1.848
Aircraft Parking (per day) (4)	\$100 - \$400	\$100 - \$400	\$100 - \$400	\$100 - \$400
Cargo (per day) (3)	\$200 - \$600	\$200 - \$600	\$200 - \$600	\$200 - \$600
<b>Parking Rates (6)</b>				
Ecopark Uncovered (7)	\$6.00	\$6.00	N/A	N/A
Ecopark Covered (7)	\$8.00	\$8.00	N/A	N/A
Ecopark2 Covered (8)	\$6.00	\$6.00	N/A	N/A
Ecopark (11)	N/A	N/A	N/A	N/A
Ecopark 2 (12)	N/A	N/A	\$10.00	\$10.00
Structured (9)	\$22.00	\$22.00	\$22.00	\$22.00
Sure Park (10)	\$24.00	\$24.00	N/A	N/A
Valet (10)	\$26.00	\$26.00	\$26.00	\$26.00

(1) Per 1,000 pounds of landing weight

(2) Range per square foot

(3) Daily cargo rates increased on August 1, 2011 at Intercontinental and Hobby to a range of \$200-\$600

(4) Daily aircraft parking rates increased on August 1, 2011 at Intercontinental and Hobby to a range of \$100-\$400

(5) 2008-2016 actual rates provided versus budgeted, as reported in CAFR 2016 & prior; 2017 budgeted rates provided

(6) Maximum per day

(7) New rates effective September 1, 2013

(8) New rates effective October 1, 2016

(9) New rates effective May 1, 2017

(10) New rates effective July 1, 2015

(11) Ecopark 1 at Hobby closed March 18, 2014

(12) New rates effective May 5, 2014

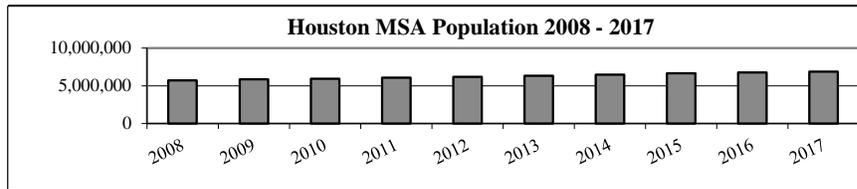
**CITY OF HOUSTON, TEXAS  
AIRPORT SYSTEM STATISTICS  
Service Area  
(unaudited)**

The airport service region for the Houston Airport System consists of (1) the nine county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller counties) -- referred to as the Houston MSA, and (2) a large secondary area surrounding the Houston MSA. The limits of this secondary area are generally defined by the range and quality of airline service at other air carrier airports, including Beaumont Jefferson County Airport to the east, Dallas/Fort Worth International Airport and Dallas Love Field to the north, Corpus Christi International Airport to the southwest and Austin-Bergstrom International Airport and San Antonio International Airport to the west.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston MSA ranks fifth in population among the nation's metropolitan areas.

**Service Area Population**

<u>Year</u>	<u>Houston MSA Population</u>
2008	5,726,705
2009	5,867,489
2010	5,946,800
2011	6,086,538
2012	6,177,035
2013	6,313,158
2014	6,490,180
2015	6,656,947
2016	6,772,470
2017	6,892,427



Source: Greater Houston Partnership and U.S. Census Bureau, Population Division

**CITY OF HOUSTON, TEXAS**  
**SURETY BOND AND INSURANCE COVERAGE**  
**June 30, 2018**  
(amounts expressed in thousands)  
(unaudited)

<b>Policy Number</b>	<b>Insurer</b>	<b>Term of Policy</b>
929624721	Western Surety Company	01-02-2016 to 01-02-2020
929624722	Western Surety Company	01-02-2014 to 01-02-2020
61BSBHJ1564	Hartford Casualty Insurance Company	01-02-2018 to 01-02-2019
106360496	Travelers Casualty Insurance Company	08-04-2017 to 08/04/2018
16BSBAR6948	Hartford Casualty Insurance Company	02-27-2018 to 02-27-2019
61BSNHO1810	Hartford Casualty Insurance Company	09-19-2017 to 09-19-2018
6610	Texas Municipal League	05-15-2018 to 05-15-2019
ESP730205803	Arch Specialty Insurance Company	04-01-2018 to 04-04-2019
EAF70044618	Axis Surplus	04-01-2018 to 04-01-2019
ESP30000289301	Endurance American Specialty Insurance Company	04-01-2018 to 04-01-2019
MKLV10XP002461	Evanston Insurance Company	04-01-2018 to 04-01-2019
CUL60636048	Houston Casualty Company	04-01-2018 to 04-01-2019
VRXCN000030502	Interstate Fire & Casualty Company	04-01-2018 to 04-01-2019
017001628	Lexington Insurance Company	04-01-2018 to 04-01-2019
06162872701	Lexington Insurance Company	04-01-2018 to 04-01-2019
NHD903468	RSUI Indemnity Company	04-01-2018 to 04-01-2019
SLSTPTY11039818	Starr Surplus Lines Insurance Company	04-01-2018 to 04-01-2019
LCP648088304	Tokio Marine American Insurance Company	04-01-2018 to 04-01-2019
NOJY45318018	Lloyd's Syndicates	04-01-2018 to 04-01-2019
NOJY45319018	Lloyd's Syndicate 2003	04-01-2018 to 04-01-2019
NOJY45320018	Lloyd's Syndicates	04-01-2018 to 04-01-2019
NOJY45321018	Lloyd's London Syndicate 1886	04-01-2018 to 04-01-2019
NOJY45322018	Lloyd's London Syndicates	04-01-2018 to 04-01-2019
NOJY45323018	Lloyd's London Syndicate 4141	04-01-2018 to 04-01-2019
LP180035	Lloyd's London Syndicate 2007	04-01-2018 to 04-01-2019
VLLCN000030502	Lloyd's	04-01-2018 to 04-01-2019
XP180093	Peleus Insurance Company	04-01-2018 to 04-01-2019
D37362797010	Westchester Fire	04-01-2018 to 04-01-2019
NAP045228906	Westport Insurance Corporation	04-01-2018 to 04-01-2019
BPR180092	Colony Insurance Company	04-01-2018 to 04-01-2019
3485300	Ironshore Specialty Insurance Company	04-01-2018 to 04-01-2019
VISCN000030502	Independent Speciality Insurance Company	04-01-2018 to 04-01-2019
LP180033	Lloyd's	04-01-2018 to 04-01-2019
LP180034	Lloyd's London	04-01-2018 to 04-01-2019
DF1000034	National Fire & Marine Insurance Company	04-01-2018 to 04-01-2019
3485400	Ironshore Specialty Insurance Company	04-01-2018 to 04-01-2019
NOJY45324018	Underwriters at Lloyd's	04-01-2018 to 04-01-2019
NOJY45325018	Underwriters at Lloyd's	04-01-2018 to 04-01-2019
YB2-L9L-458619-018	Liberty Mutual Fire Insurance Company	03-18-2018 to 03-18-2019
6610	Texas Municipal League	07-01-2017 to 07-01-2018
01-333-42-11-00357	AXA Insurance Company	06-26-2018 to 06-26-2019
CA00001556808	Admiral Insurance Company	02-26-2018 to 02/29/2019
73652M183ALI	Starstone Specialty Insurance Company	02-26-2018 to 02-26-2019
01-333-42-11-00619	AXA Insurance Company	11-03-2017 to 11-03-2018
105324683	Travelers Casualty & Surety	12-30-2017 to 12-30-2018
14266605	National Union Fire Insurance Company of Pittsburgh, PA	05-29-2018 to 05-29-2019
6610	Texas Municipal League	05-15-2018 to 05-15-2019
6610	Texas Municipal League	05-15-2018 to 05-15-2019
46BDDHQ9279	Hartford Insurance	07-01-2017 to 07-01-2018
Various (approximately 2,000)	Western Surety Company	Four Year Term per Bond
KKO0000021371200	National Casualty Company	11-20-2017 to 11-20-2018
L010478	Houston Casualty Company	06-15-2018 to 07-05-2018
61BDDHT0320	Hartford Casualty Insurance Company	10-29-2017 to 10-29-2018
61BDDHO5613	Hartford Casualty Insurance Company	02-11-2018 to 02-11-2019
AAPN11235487 003	ACE Property & Casualty Insurance Company	03-15-2018 to 03-15-2019

<b>Property at Risk</b>	<b>Type of Coverage</b>	<b>Coverage (in thousands)</b>
Mayor	Public Official Bond	\$ 50
City Controller	Public Official Bond	\$ 50
Deputy Controller	Public Official Bond	\$ 25
Municipal Courts	Public Official Bond	\$ 25
Tax Collector	Public Official Bond	\$ 25
HMEPS Treasurer	Public Official Bond	\$ 250
City of Houston	Automobile Catastrophe	\$ 1,029
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 5,250
City of Houston	Property Insurance *	\$ 25,000
City of Houston	Property Insurance *	\$ 6,642
City of Houston	Property Insurance *	\$ 15,000
City of Houston	Property Insurance *	\$ 8,750
City of Houston	Property Insurance *	\$ 6,250
City of Houston	Property Insurance *	\$ 2,107
City of Houston	Property Insurance *	\$ 4,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 11,642
City of Houston	Property Insurance *	\$ 11,250
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 5,250
City of Houston	Property Insurance *	\$ 4,357
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 10,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 4,500
City of Houston	Property Insurance *	\$ 2,107
City of Houston	Property Insurance *	\$ 2,892
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Terrorism	\$ 100,000
City of Houston	Terrorism	\$ 150,000
City of Houston	Boiler & Machinery	\$ 100,000
City of Houston	HITS Property, Radio Equipment and Towers	\$ 82,463
City of Houston Library	Business Electronic Eq., Valuable Papers, Fine Arts	\$ 11,783
Holcombe Health Lab	Commercial General Liability	\$ 1,000
Holcombe Health Lab	Excess Liability	\$ 5,000
HoustonFirst Corporation	Fine Arts	\$ 14,826
City of Houston	Pole Attachment Bond, Centerpoint	\$ 250
City of Houston	Public Employee Dishonesty/Crime	\$ 2,000
City of Houston	Automobile Liability	\$ 500
City of Houston	Automobile Physical Damage	\$ 450
Houston Center for Literacy	Employee Dishonesty	\$ 375
Various City of Houston Notaries	Notary Public Bonds	\$ 3
City of Houston	Special Event Commercial General Liability	\$ 5,000
City of Houston	Adverse Weather Event Cancellation	\$ 965
City of Houston	Public Employee Dishonesty, Parks Board	\$ 10,000
City of Houston	Public Employee Dishonesty, Library Board	\$ 10,000
City of Houston HAS Ellington Field Fuel Resale	Airport Liability	\$ 500

\* The property insurance is provided by insurance carriers that underwrite varying pro-rata shares of coverage that total to the policy loss limit.

**CITY OF HOUSTON, TEXAS**  
**SALARIES OF ELECTED OFFICIALS**  
**June 30, 2018**  
**(unaudited)**

<b><u>Name and Title of Official</u></b>	<b><u>Authorized Annual Base Salary</u></b>
Sylvester Turner, Mayor	\$ 236,189
Chris Brown, City Controller	\$ 157,459
Brenda K. Stardig, Council Member - District A	\$ 62,983
Jerry V. Davis, Council Member - District B	\$ 62,983
Ellen N. Cohen, Council Member - District C	\$ 62,983
Dwight A. Boykins, Council Member - District D	\$ 62,983
David P. Martin, Council Member - District E	\$ 62,983
Duc M. Le, Council Member - District F	\$ 62,983
Gregory R. Travis, Council Member - District G	\$ 62,983
Karla G. Cisneros, Council Member - District H	\$ 62,983
Robert Gallegos, Council Member - District I	\$ 62,983
Michael H. Laster, Council Member - District J	\$ 62,983
Martha Castex Tatum, Council Member - District K	\$ 62,983
William M. Knox, Council Member - At Large Position 1	\$ 62,983
David W. Robinson, Council Member - At Large Position 2	\$ 62,983
Felix M. Kubosh, Council Member - At Large Position 3	\$ 62,983
Amanda K. Edwards, Council Member - At Large Position 4	\$ 62,983
John R. Christie, Council Member - At Large Position 5	\$ 62,983

**CITY OF HOUSTON, TEXAS**  
**Schedule of Credits**  
**(unaudited)**

**Comprehensive Annual Financial Report:**

**Controller's Office**

**Executive/Administrative Divisions**

Chris B. Brown, City Controller  
Shannan Nobles, Chief Deputy City Controller  
Max Moll, Director of Communications

**Design Oversight and Writing**

**Financial Reporting Division**

Beverly Riggans, Interim Deputy City Controller  
Olatundun Akinsanya, Assistant City Controller  
Alicia Cai, Assistant City Controller  
Sabrina Jackson, Assistant City Controller  
Chris Okeagu, Assistant City Controller  
Maria G. Perez, Administrative Specialist  
Irma Rodriguez, Assistant City Controller  
Courtney Satterwhite, Assistant City Controller  
Suong "Su" Vu, Assistant City Controller  
Bonita Wright, Assistant City Controller

**Preparation and Coordination**

**Operations and Technical Services Division**

Alexander Obregon, Deputy City Controller  
Monika De Los Santos, Assistant City Controller  
Brenda Jackson, System Support Analyst  
Martina Lee, Assistant City Controller  
Fidel Morales, Administrative Specialist  
Annie Nguyen, Administrative Supervisor  
Daniel Schein, System Support Analyst  
Lillie Stewart, Administration Manager

**Consulting and General Support**

**Treasury Division**

Charisse Page Mosely, Deputy City Controller  
Han Au, Treasury Manager  
Ashlee Brown, Financial Analyst  
Vernon Lewis, Assistant City Controller  
Sharon Liu, Senior Treasury Analyst  
Lillie Nobles, Management Analyst  
Asha Patnaik, Debt Manager  
Catherine Smith, Senior Treasury Analyst  
Martin Troupe, Assistant City Controller

**Debt and Investment Management Disclosures**

**CITY OF HOUSTON, TEXAS**  
**Schedule of Credits - Continued**  
**(unaudited)**

**Finance Department**

Tantri Emo, Director  
Bukola Bayo, Financial Analyst  
Greg Carrington, Deputy Assistant Director  
Kiran Chandu, Deputy Assistant Director  
Joe Dumas, Division Manager  
Beverly McFarlain, Division Manager  
Gloria Moreno, Assistant Director  
Vivien Nguyen, Staff Analyst  
Bobby Qasim, Division Manager  
Arif Rasheed, Deputy Director  
Mohsin Raza, Staff Analyst  
Alma Tamborello, Administration Manager  
Mary Ann Yao, Financial Analyst

**Preparation, Coordination, Analysis and Documentation**

**Administration & Regulatory Affairs Department**

Tina Paez, Director  
Valerie Berry, Assistant Director  
Raymond Bradford, Senior Staff Analyst  
Vijay Govind, Financial Analyst 11  
Hannah Hoang, Senior Accountant  
Maria Irshad, Assistant Director  
Bethany Li, Administration Manager  
Carlos Medel, Customer Services Supervisor  
Juan Olguin, Assistant Director  
Tina Paquet, Assistant Director  
Rosalinda Salazar, Senior Staff Analyst  
Sreng Ung, Division Manager

**Analysis and Supporting Documentation**

**Houston Information Technology Services Department**

Lisa Kent, Director  
Ron Headley, Division Manager  
Susan Stone, Project Manager

**SAP/ ERP Consulting, Support & Development**

**Professional Consultants**

Houston Independent School District Printing Services  
Debbie Roberts, Outside Sales Representative

**Project Management and Design**

**McConnell & Jones LLP/Banks, Finley, White & Co.**

**Independent Auditors**

This schedule by no means gives credit to all of the individuals who have some part in the development and production of this Comprehensive Annual Financial Report. However, we have included the major participants who made the issuance of this document possible.

## The Photographs

The City of Houston is home to a bustling ecosystem of greenspaces, parks, and bayous. The popular moniker of “Bayou City” has been rightfully earned: Houston’s greenspaces encompass more than 37,000 acres and take on many different shapes, forms, and sizes. From namesake parks, to an interconnected network of bayous, to historical sites preserved in time; Houston’s parks, greenspaces, and bayous give the city a unique identity rivaled by few cities across the country. The images chosen for the Fiscal Year 2018 Comprehensive Annual Financial Report highlight just a few of Houston’s most recognizable and unique greenspaces dispersed throughout our city.

Opened in 1924, Memorial Park has blossomed into one of Houston’s preeminent parks and sees more than four million visitors annually. Prior to its founding, the area where the park sits today served as Camp Logan – a World War I training camp. Many of today’s trails mirror the routes of the old Camp Logan grounds. The name “Memorial Park” originated as a dedication to the memory of U.S. service members lost in the war. Since that time, the park has grown exponentially and now covers close to 1,500 acres inside the 610 Loop. Memorial Park is now home to a world-class municipal golf course; an arboretum and botanical garden; miles of hike, bike, and running trails; and an array of fields for a variety of sports. In Fiscal Year 2018, Houston philanthropists Rich and Nancy Kinder pledged \$70 million to the park’s managing organization – the Memorial Park Conservancy – that will help transform one of Houston’s most important green spaces.

Since the city’s founding in 1836, Buffalo Bayou has served as a catalyst for the development and commerce in and around the region. Stretching from the Port of Houston to the city’s western-most boundaries, Buffalo Bayou has also served as a main artery between the city and the rest of the world through the Gulf of Mexico. Buffalo Bayou Park is one of the nation’s best urban green spaces and sits on the banks of the bayou between Allen Parkway and Memorial Drive. Buffalo Bayou boasts a diverse network of hike and bike trails; launching points for water activities; and other attractions including Sesquicentennial Park, Yolanda Black Navarro Buffalo Bend Nature Park, and Allen’s Landing – Houston’s “Plymouth Rock”. Buffalo Bayou is also a vital asset in the city’s defense against rain, flood waters, and natural disasters. The Buffalo Bayou Partnership is a non-profit organization that is working to preserve and revitalize this essential Houston green space.

Perhaps more than any other of the city’s parks, Emancipation Park has played a pivotal role in the history of Houston and its residents. The end of the Civil War resulted in a reorganization of society throughout the former Confederacy, including new freedom for slaves. The news of the Emancipation Proclamation took two years to reach Texas on June 19, 1865. Following emancipation, an effort was undertaken by former slaves to purchase up land. In Houston, this effort was led by the Reverend Jack Yates, a Baptist minister and former slave. His church, Antioch Baptist, and Trinity Methodist Episcopal Church formed the Colored People’s Festival and Emancipation Park Association. In 1872, they pooled \$1,000 to put down on ten acres of open land as home for their Juneteenth celebration. In honor of their freedom, they named it Emancipation Park. Now a jewel of Houston’s Third Ward, Emancipation Park recently saw a \$33 million renovation and was rededicated in 2017.

Located on the western edge of Memorial Park, the Houston Arboretum & Nature Center provides education about the natural environment to people of all ages. The idea to create an arboretum began with local ecologist and educator Robert A. Vines who advocated carving out a piece of land from Memorial Park to serve as a nature sanctuary. In 1951, City Council agreed to the proposal and set aside 265 acres as an arboretum and botanical garden. Since that time, the private non-profit Houston Arboretum and Nature Center has blossomed into a bustling attraction, featuring five miles of walking trails, the Nature Center which houses many exhibits and activities, and a wildlife garden that attracts thousands of visitors every year.

Situated along Brays Bayou just east of downtown Houston, the historic Gus Wortham Park Golf Course has been an attraction for golfers since the early 1900’s when it was the Houston Country Club. The golf course recently underwent an extensive redesign and renovation that began in January 2017. Overseen and managed by the Houston Golf Association (HGA), the renovations brought one of Houston’s oldest courses up to modern standards. Gus Wortham Golf Course reopened to the public in October 2018.

In 1914, Houston real estate investor and industrialist George H. Hermann announced his intention of deeding to the City of Houston 285 acres of this property for a municipal park across the street from the Rice Institute. Those 285 acres would eventually be known as Hermann Park and would blossom into one of the nation’s best urban green spaces. Now, more than 100 years later, Hermann Park is home to a municipal golf course, the world-class Houston Zoo, miles of walking and running trails, and some of the most iconic views that Houston has to offer. A century later, Hermann Park is 445-acres of beautiful green space and is visited by an estimated six million people per year.

Discovery Green is a vibrant 12-acre park in the heart of downtown Houston that opened to the public in April 2008. The park was envisioned by several committed Houston philanthropists, who saw the space as a once-in-a-lifetime opportunity to create an urban park that would redefine the landscape of downtown. In less than four years, the site that became Discovery Green was transformed from an undeveloped, concrete slab into a destination adjacent to the George R. Brown Convention Center. Discovery Green’s role in re-energizing Houston’s downtown cannot be understated. Today, Discovery Green is a hub of activity, hosting countless concerts, festivals, and family-friendly activities throughout the year.

Sam Houston Park is a proud oasis of living history and wide-open greenness amid modern monuments to corporate and civic institutions. Surrounded by the skyscrapers and freeways that typify 21st century urban life, a short walk from City Hall, the park reminds visitors to remember the gentility and nobility of the lives lived by those who built Houston and improved it through their efforts. Mayor Sam Brashear appointed Houston’s first park committee to oversee the establishment of a city park in 1899. The 20 acres chosen came to be called Sam Houston Park, and were transformed into a Victorian wonderland, with footpaths laid out to pass by an old mill and cross a rustic bridge over a pleasant stream. Just steps from City Hall, Sam Houston Park reminds our city about its past, as it looks forward into the future.

Bethel Baptist Church is one of Houston’s most unique – and storied – green spaces. Situated in Houston’s historic Fourth Ward, the park is housed in an old church built in 1899 as a haven for former slaves in Freedman’s Town. During the 20th century, the church was destroyed three times. The congregation rebuilt the church each time and held services there until 1997. In 2005, a then-abandoned Bethel Baptist’s interior was destroyed by a fire. In 2009, the City of Houston purchased the building and installed steel supports to preserve the building, thus creating the Bethel Church Park. Today, the breathtaking park is a treasure trove of Houston history, and one of Houston’s most photogenic public spaces.

### Photos provided by:

Memorial Park Conservancy  
Buffalo Bayou Partnership  
Emancipation Park Conservancy

Houston Department of Parks and Recreation  
Houston Golf Association  
Hermann Park Conservancy

Discovery Green Conservancy  
The Heritage Society  
VistiHouston

