



# **City of Houston, Texas**

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**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

**Chris B. Brown, City Controller**



## **In Memoriam**

*This report was produced in memory of former Houston City Council  
Member Peter Hoyt Brown.*

*Our city is a better place because Peter cared for it and all its citizens.*

OFFICE OF THE CITY CONTROLLER – 114 YEARS OF HOUSTON HISTORY



# CITY OF HOUSTON, TEXAS

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017

**Prepared by:**

Chris B. Brown, City Controller  
Carl Medley, Deputy City Controller



**CITY OF HOUSTON, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Year Ended June 30, 2017**

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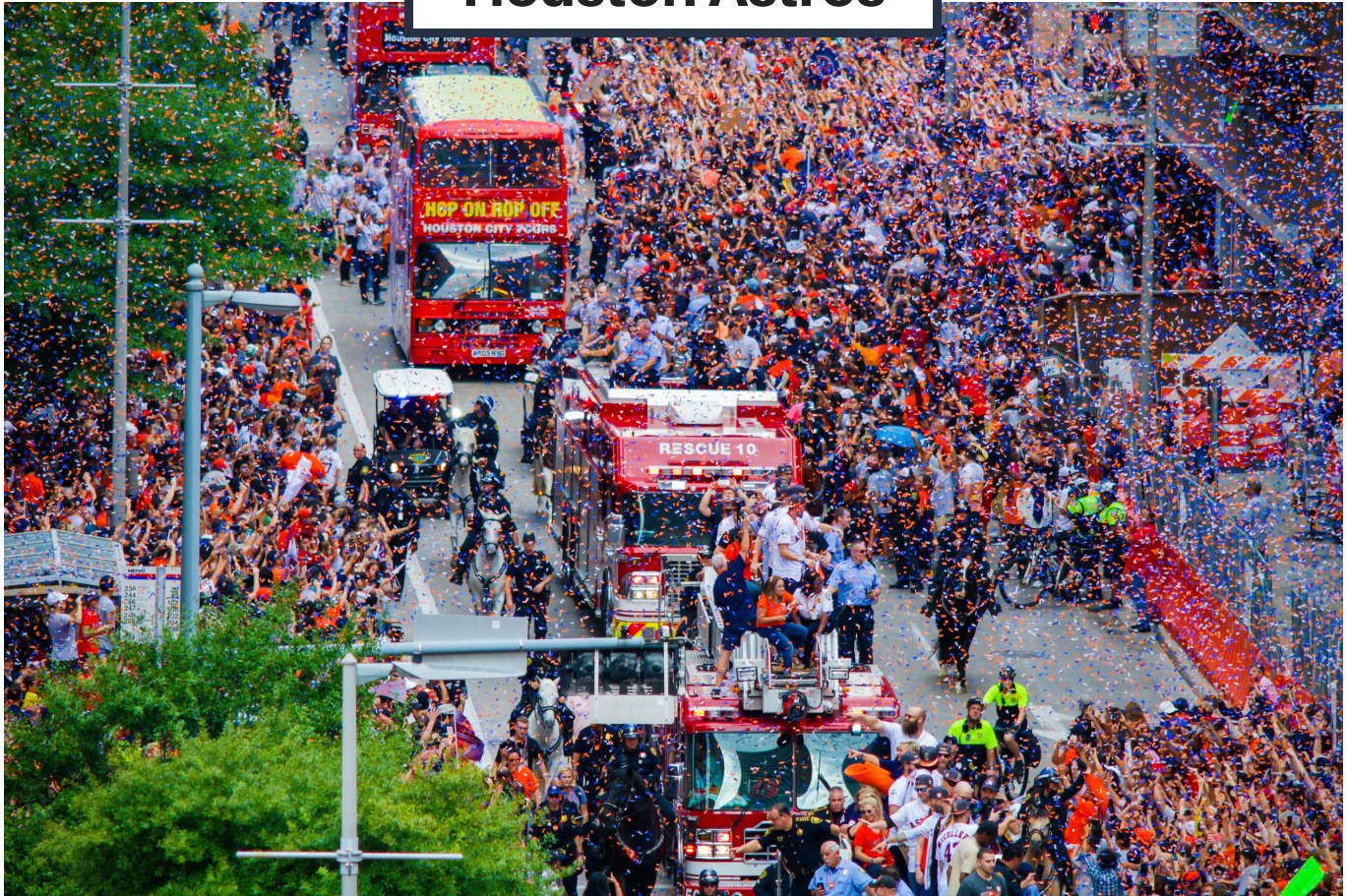
CITY OF HOUSTON, TEXAS







**Houston Astros**







2017 CITY OF HOUSTON  
Comprehensive Annual Financial Report

## 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 \$3.5 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 \$10.2 billion. The City has multiple general obligation commercial paper programs with total authorization of \$725 million. The current issuance capacity of the commercial paper programs is \$725 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, two SIFMA indexed notes, and three interest rate swaps with a total notional amount of \$902 million and credit agreements totaling \$ 2.1 billion. 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 2017, the Audit Division engaged in 23 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, financial and accounting records retention and imaging retrieval; City-wide vendor liaison; the Controller’s Office information technology (IT) operations and related administration. 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 encouraging direct deposit payment by City vendors and employees, replace current out of date document retrieval system with an efficient and sufficient 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.



## 2017 CITY OF HOUSTON Comprehensive Annual Financial Report

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



Chris B. Brown is a proud Houstonian who was sworn into office as City Controller in January 2016. Chris is a proven professional with the private and public sector experience to be a responsible financial steward, and the commitment to serve his community. The City Controller's Office manages a \$13 billion debt portfolio and a \$3.5 billion investment portfolio and oversees the City's \$5.2 billion annual budget.

Chris began his career two decades ago, as a trader for Coastal Securities, an investment bank, where he focused on analysis of high tech stocks. After several years, Chris co-founded an equity trading firm. Chris, as head of operations for the equity trading firm, gained first-hand experience with risk management, compliance, reporting, building operations and negotiating complex agreements.

Prior to being elected Controller in December 2015, Chris served as Chief Deputy City Controller, where he managed the day-to-day operations and oversaw the Executive Division of the Controller's Office. Prior to being appointed Chief Deputy City Controller in 2009, Chris served as City Council Chief of Staff, overseeing community development initiatives and serving as a liaison to the Budget and Fiscal Affairs Committee.

In addition to his professional experience, Chris is an active participant in his community. He currently serves on the board of the William A. Lawson Institute for Peace & Prosperity (WALIPP), Asia Society of Texas Advisory Board, Texan-French Alliance for the Arts, and Prevent Blindness of Texas. He is a past board member of the TCU National Alumni and SEARCH Homeless Services.

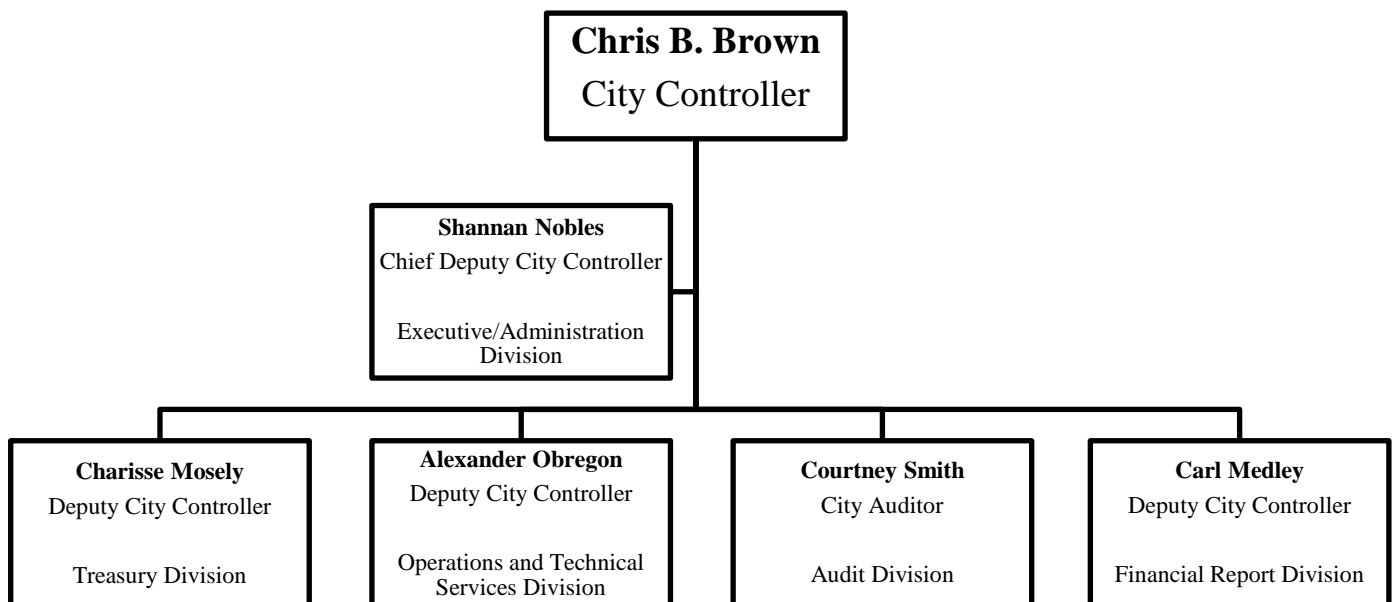
Chris is a fourth generation Houstonian, and has deep roots in the Houston community. Chris attended Briargrove Elementary and Lee High School, where he was a swim team varsity letterman. His family was a member of St. John's Episcopal Church. Chris attended Texas Christian University and obtained a Bachelor of Business Administration in Finance and later a Master in Business Administration from the University of Houston.

Chris, his wife Divya, an attorney, and their daughter, Milana, reside in southwest Houston.



# City of Houston

## The Office of the City Controller





**2017 CITY OF HOUSTON  
Comprehensive Annual Financial Report**

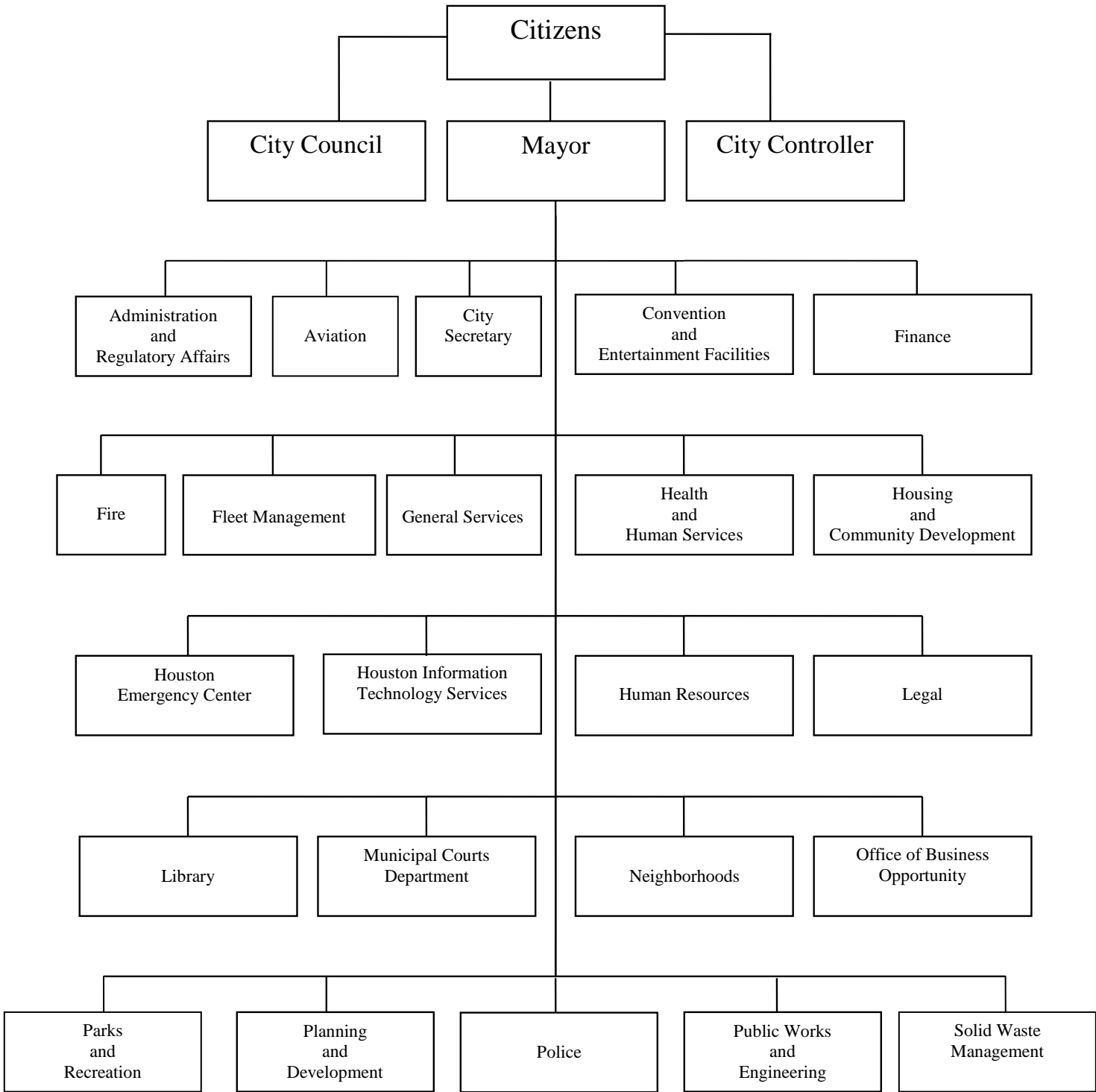
**Elected Officials  
City of Houston, Texas**



**2017 Houston City Council, Front row, left to right: Mike Laster, District J; David Robinson, At Large, Position 2; Karla Cisneros, District H; Mike Knox, At Large, Position 1; Ellen Cohen, District C; Sylvester Turner, Mayor; Chris Brown, Controller; Brenda Stardig, District A; Amanda Edwards, At Large, Position 4; Dave Martin, District E; Michael Kubosh, At Large, Position 3; Steve Le, District F; back row, left to right: Jack Christie, At Large, Position 5; Larry Green, District K; Dwight Boykins, District D; Jerry Davis, District B; Robert Gallegos, District I; Greg Travis, District G.**



# Organization Chart City Government



CITY OF HOUSTON, TEXAS





Office of the City Controller  
City of Houston, Texas



Chris B. Brown

November 20, 2017

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, 2017, 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 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 are responsible for administering 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. 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 the 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 2.3 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 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 we saw in the 1980s. Per barrel oil prices hit a low of \$26 in February 2016, rose to a high of \$54 in early 2017, and leveled out at \$46 per barrel at the close of FY 2017. By early 2016, the number of working rigs had fallen to the lowest number (404) in the 67-year history of Baker-Hughes’ rig count. The rig count has risen steadily from that historic low and FY 2017 closed with a total rig count of 960.

The Houston metro area’s 2016 GDP of \$478.6 billion represents a 3.6 percent decline from the year prior and drops Houston to the sixth largest metro economy in the United States. Mining and manufacturing posted the largest declines in Houston from ’15 to ’16. Mining fell 23.4 percent, from \$60.2 billion in ’15 to \$46.1 billion in ’16, decreasing its contribution to Houston’s GDP from 12.1 percent to 9.6 percent. Manufacturing dropped 6.3 percent from \$85.5 billion to \$80.2 billion.

Despite a lower GDP, the Greater Houston metro area’s economy has shown notable resiliency not seen in previous downturns. The thriving Port of Houston, a construction boom along the Houston Ship Channel, and economic momentum built up over a decade of growth have sustained the local economy through the downturn. These factors allowed the Houston area to see only minor losses in total employment, despite cuts made in the energy sector. At the end of Fiscal Year 2017, guarded optimism is the industry’s disposition at this point in the recovery.

**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 Fiscal Year 2017 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 current job losses equal just 1.5 percent of the workforce.

Predictably, the region’s employment rate is closely tied to the oil economy. As such, Houston’s unemployment tracked below the U.S. rate for the past decade, remaining well below the national rate even through the Great Recession. Houston’s unemployment rate remained relatively stable through the beginning of the energy downturn, as gains in hospitality, government, retail, and health care helped offset some of the losses in the energy sector.

In May ’15 – nearly a year after oil prices plummeted – the unemployment rate began to rise in the region. The unemployment rate slowly rose into the middle of the Fiscal Year (February 2017), where it reached a high of 5.9 percent, a number well above the national rate. The Houston metro area’s unemployment rate of 5.3 percent at the close of FY 17 is almost a full percentage point higher than the national rate.

Despite these mixed employment signals, the Houston metro area created more than 45,000 jobs during FY 17 – a noted improvement from the gains of FY 16. During FY 2017, the Houston metro area also saw

gains in new construction starts, passengers handled by the Houston Airport System (HAS), and increasing – albeit slowly – crude oil prices. The region also continues to benefit from the bustling Port of Houston, which saw a 13.64 percent increase in total trade through the end of FY 2017.

Altogether, the Houston metro area is still feeling the lasting impacts of the most recent energy downturn. Despite modest employment growth, the region's economy is still sluggish due to uncertainty in the oil fields. The good news is that a diversifying economy has softened the economic blow from this downturn. Further economic diversification will continue to play a stabilizing role in the region as the energy sector continues its slow recovery. Even then, it is likely that the days of \$100+ per barrel of crude oil are behind us, so economic dynamism will be vital for the region's future economic health.

**Population growth:** The Houston Metropolitan Statistical Area (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. Population estimates show that the MSA saw a population increase of 16,603 between calendar year 2016 and 2017.

**Housing and real estate:** Despite the downturn and a stagnant employment rate, the Houston single-family real estate market is seeing record-breaking numbers. At the close of the City's Fiscal Year, sales of single family homes (SFH) were up 8.3 percent over June 2016. Additionally, total dollar volume, total active listings, and single-family pending sales were up double digits over the same period in the previous year. Like last year, sales volume has increased for homes at all price levels, with the high-end market seeing the most gains in FY 2017. Both the median and single-family average sales price of homes (\$239,023 and \$304,155, respectively) are at record levels.

Houston's commercial real estate market, on the other hand, struggled throughout FY 2017 amid the ongoing energy downturn. The Houston office market saw a significant jump in vacancy rates as energy firms continued to place office space on the market. At the end of Q2 2017 the Houston office vacancy rate reached 18.8 percent – up 2.3 percent from the same period in the prior year. With oil futures still trading at just over \$50 a barrel, it will be some time before all office space on the market will be absorbed.

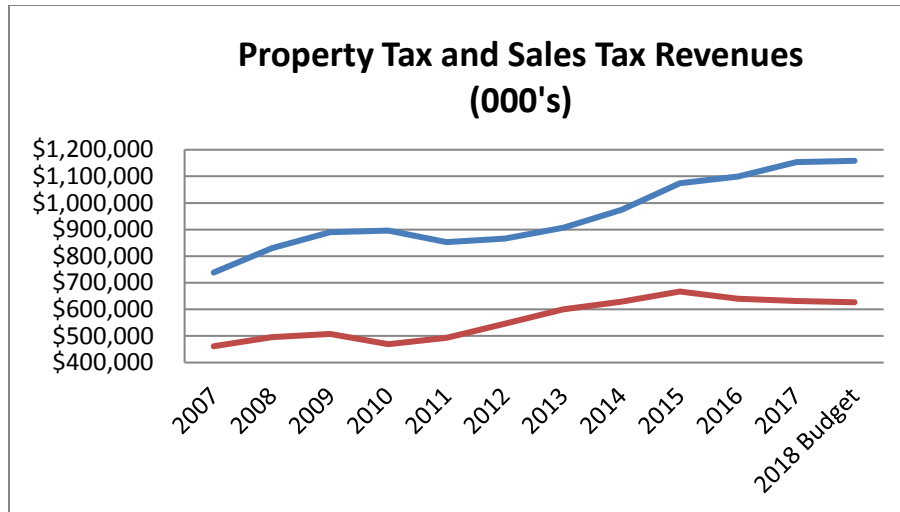
The retail market, on the other hand, remained strong through FY 2017, posting a lower vacancy rate and a higher number of new construction projects from the same period in FY 2016. Despite 1.5 million square feet of new construction in FY 2017, the vacancy rate dropped from 5.8 percent in FY 2016 to 5.6 percent in FY 2017. In addition, almost half of the 2.3 million square feet of retail space under construction is pre-leased, and 83 percent of new construction delivered in calendar year 2017 is occupied.

**Purchasing and income:** The Houston Purchasing Managers Index (PMI), a short-term indicator for regional production, registered in the low 50's at the end of FY 2017. This is a positive sign for the regional economy, as readings above 50 signal future economic expansion.

Vehicle sales at the end of FY 2017 were down 17 percent from the year before, with twelve continuous months of decline in sales. Retail sales are down nearly 20 percent from the year prior.

The average weekly wage paid to Houstonians during the past decade rose about 3 percent annually; this past year the weekly wage increased 2 percent.

**How does the area economy affect City of Houston service delivery?** The graph below illustrates both the good news and the bad news in our current economy. Property tax revenue for the City, represented by the top line, has seen a real rebound after the recession years, while sales tax, the lower line, is now in decline during our current unsettled and directionless economy.



**Property and Sales Taxes:** Property tax is the City’s single largest source of revenue. FY 2017 was the third year the City was affected by the Proposition One revenue cap, which mandated lowering the tax rate and causing a loss of \$143 million in tax revenue in FY 2017.

As we ended FY 2015, we had our first month (April 2015) of declining sales tax and this decline has continued throughout the past two fiscal years. The downturn in the energy sector will continue to affect the business-to-business sales tax, which comprises about half of all sales tax revenue.

### 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 2017 - 2021 CIP calls for the appropriation of \$8.7 billion over the five-year period for both enterprise and property tax supported projects. About \$7.1 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, 2017, the City’s outstanding debt payable from taxes and other revenue sources totaled \$12.8 billion. This is in compliance with all applicable financial policies and considered manageable.

The City has investments totaling approximately \$3.5 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 “S1” 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, pension responsibilities 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 our 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. 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.

### **The ‘Houston Pension Solution’**

As the 2017 CAFR goes to print, Houston voters have just approved the issuance of \$1.01 billion in pension obligation bonds, thus finalizing the last piece of the ‘Houston Pension Solution.’”

The ‘Houston Pension Solution’ is Houston’s pension reform plan. It is a fiscally sound plan that pay off the \$8.2 billion in outstanding pension liability and does so in a budget-neutral manner. The plan moves to a 30-year closed-loop amortization schedule, and prohibits the City from deferring payments to the systems. The pension reform plan assumes a 7 percent discount rate, but balances that assumption with the implementation of a risk sharing mechanism – the “risk-sharing corridor.” The corridor caps the city’s contribution rate and sets boundaries for its pension costs. The corridor protects the city and ensures that it upholds its financial promises to its employees.

The issuance of \$1.01 billion in pension obligation bonds was a critical last step, as it injects immediate liquidity into both the Houston Police Officers and Houston Municipal Employee Pensions Systems (\$750 M and \$250 M, respectively.) This injection of liquidity is critical to the plan and is a catalyst for realizing the \$2.8 billion in savings generated via mutually agreed upon benefit cuts.

Legislatively, the plan received widespread bipartisan support at the local and state levels. By statute, any changes to the city’s pension plans must be approved by the Texas Legislature. During this year’s legislative session, the plan received support from both the Texas House and Senate, and was signed into law by Governor Abbott in May, symbolizing the final legislative hurdle for a solution that has evaded the City of Houston for more than 16 years. With the Houston Pension Solution, the city not only averts a looming financial crisis – it will now be able to build a more secure financial future for all Houstonians.

A note of congratulations to Mayor Sylvester Turner: this historic legislative achievement could not have been reached without his leadership. Congratulations are also in order for the city's pension boards, City Council, the Greater Houston Partnership, Governor Greg Abbott, Lieutenant Governor Dan Patrick, State Senator Joan Huffman, Representative Dan Flynn, the Texas Senate and House, and all involved stakeholders.

## **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, 2016. This was the 20th 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, 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, 6<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 2016 Operating Budget*  
*COH 2017-2021 Capital Improvement Plan*  
*Center for State & Local Government Excellence*  
*UH Hobby Center for Public Policy*

*Greater Houston Partnership*  
*Houston Association of Realtors*  
*UH Institute for Regional Forecasting*  
*Rice University Institute for Urban Research*

*Texas Workforce Commission*  
*The Perryman Group*  
*Collier's International*



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, 2016**

Executive Director/CEO





**BakerRipley**





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

## **Independent Auditors' Report**

### **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 remaining fund information of the City of Houston Texas (the "City"), as of and for the year ended June 30, 2017, 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 statement that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 7.8%, 15.2% and 9.2%, respectively, of the assets, net position (deficit), and revenues of the governmental activities or any business-type discretely presented component units which represents 6.3%, 21.3% and 13.6%, respectively, of the assets, net position, and revenues of the business-type activities. Those financials were audited by other auditors whose reports have 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 reports of 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 material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate discretely presented component units and the aggregate remaining fund information of the City of Houston, Texas, as of June 30, 2017 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 10 and 17B to the financial statements, in 2017, substantive changes were made to the funding and benefit structure of the City's pension system, affecting the City's three pension plans. Consistent with generally accepted accounting principles, pension expense for each of the three plans reflect significant decreases due to the change in benefit terms and discount rates and corresponding reductions in net pension liabilities and increases in net position for governmental and business-type activities.

Our opinion is not modified with respect to these matters.

## 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 127 through 132), Pension System Supplementary Information (page 133 through 134), and Other Post-Employment Benefits Supplementary Information (page 134) 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 the Statistical Section are presented for purposes of additional analysis and are not a required part of the basis 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 statement 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 30, 2017, 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 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 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 20, 2017

**CITY OF HOUSTON, TEXAS**

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**City of Houston, Texas**  
**Management's Discussion and Analysis**  
**June 30, 2017**  
**(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, 2017. Please read this information in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2016. 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, 2017 include:

- The assets of the City of Houston exceeded its liabilities at the close of the most recent fiscal year by \$1.855 billion.
- The City's total net position increased during the year by \$1.91 billion.
- The City's unrestricted net position is a deficit of \$4.788 billion.
- The City of Houston's total expenses were \$2.984 billion.
- Program revenues of \$2.626 billion reduced the net cost of the City's functions to be financed from the City's general revenues to \$357 million.

**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 of the 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, 2017**  
**(With comparative totals for 2016)**  
**(in millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,569	\$ 1,473	\$ 3,286	\$ 3,003	\$ 4,855	\$ 4,476
Capital assets	7,247	7,134	10,071	9,806	17,318	16,940
Total assets	8,816	8,607	13,357	12,809	22,173	21,416
Deferred outflows of resources	2,561	1,721	559	580	3,120	2,301
Long-term liabilities	9,234	10,279	11,466	11,186	20,700	21,465
Other liabilities	1,034	661	779	850	1,813	1,511
Total liabilities	10,268	10,940	12,245	12,036	22,513	22,976
Deferred inflows of resources	906	823	19	14	925	837
Net position						
Net investment in capital assets,	4,593	4,434	742	629	5,335	5,063
Restricted	44	43	1,264	1,130	1,308	1,173
Unrestricted (deficit)	(4,434)	(5,911)	(354)	(420)	(4,788)	(6,331)
Total net position (deficit)	\$ 203	\$ (1,434)	\$ 1,652	\$ 1,339	\$ 1,855	\$ (95)

**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 \$1.855 billion at the close of the most recent fiscal year.

As explained in Note 17B, the Texas Legislature adopted, and the governor signed into law, on May 31, 2017, substantive changes to the funding and benefit structure of the City’s pension system, effecting the City’s three pension plans (herein referred to as “Pension Reform”). While the changes will not go into effect until July 1, 2017, consistent with generally accepted accounting principles, pension expense for each of the three plans reflect significant changes due the change in benefit terms and discount rates. The result is a decrease in pension expense of \$1.9 billion from 2016 (See Note 10). The changes have also resulted in corresponding reductions in net pension liabilities and an increase in net position for governmental and business-type activities.

By far the largest portion of the City of Houston’s net position 288% 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 71% represents resources that are subject to external restrictions on how they may be used.

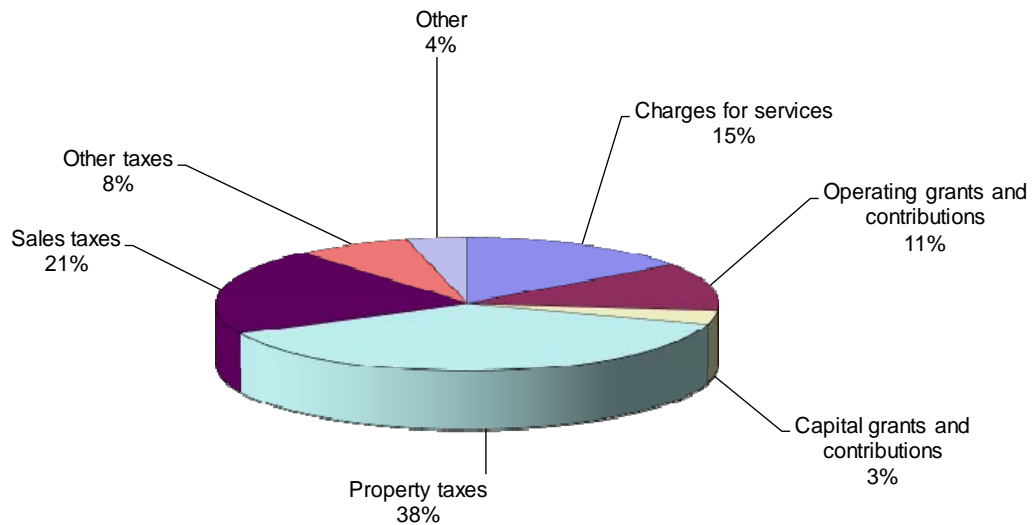
**Change in Net Position**  
**For the Fiscal Year Ended June 30, 2017**  
With comparative totals for 2016  
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
<b>Program Revenues:</b>						
Charges for services	\$ 461	\$ 501	\$ 1,647	\$ 1,624	\$ 2,108	\$ 2,125
Operating grants and contributions	346	324	20	13	366	337
Capital grants and contributions	99	54	53	33	152	87
<b>General revenues:</b>						
Property taxes	1,152	1,100	-	-	1,152	1,100
Sales taxes	632	640	-	-	632	640
Other taxes	227	227	83	89	310	316
Other	119	131	59	82	178	213
<b>Total revenues</b>	<b>3,036</b>	<b>2,977</b>	<b>1,862</b>	<b>1,841</b>	<b>4,898</b>	<b>4,818</b>
<b>Expenses:</b>						
General government	298	425	-	-	298	425
Public safety	230	1,995	-	-	230	1,995
Public works	341	343	-	-	341	343
Health	149	159	-	-	149	159
Housing and community development	62	62	-	-	62	62
Parks and recreation	89	99	-	-	89	99
Library	35	48	-	-	35	48
Interest on Long-term Debt	142	191	-	-	142	191
Depreciation and amortization	150	143	-	-	150	143
Airport System	-	-	527	581	527	581
Convention & Entertainment Facilities	-	-	111	118	111	118
Combined Utility System	-	-	850	942	850	942
<b>Total expenses</b>	<b>1,496</b>	<b>3,465</b>	<b>1,488</b>	<b>1,641</b>	<b>2,984</b>	<b>5,106</b>
Change in net position before contributions, special items and transfers	1,540	(488)	374	200	1,914	(288)
Contributions	-	73	-	-	-	73
Gain on sale of asset	2	-	2	-	4	-
Transfers	63	51	(63)	(51)	-	0
<b>Change in net position</b>	<b>1,605</b>	<b>(364)</b>	<b>313</b>	<b>149</b>	<b>1,918</b>	<b>(214)</b>
Net assets, July 1 as previously reported	(1,434)	(1,044)	1,339	1,190	(95)	146
Correction of an error/change in accounting principle	32	(26)	-	-	32	(26)
Beginning net position July 1	(1,402)	(1,070)	1,339	1,190	(63)	120
<b>Net position (deficit) June 30</b>	<b>\$ 203</b>	<b>\$ (1,434)</b>	<b>\$ 1,652</b>	<b>\$ 1,339</b>	<b>\$ 1,855</b>	<b>\$ (95)</b>

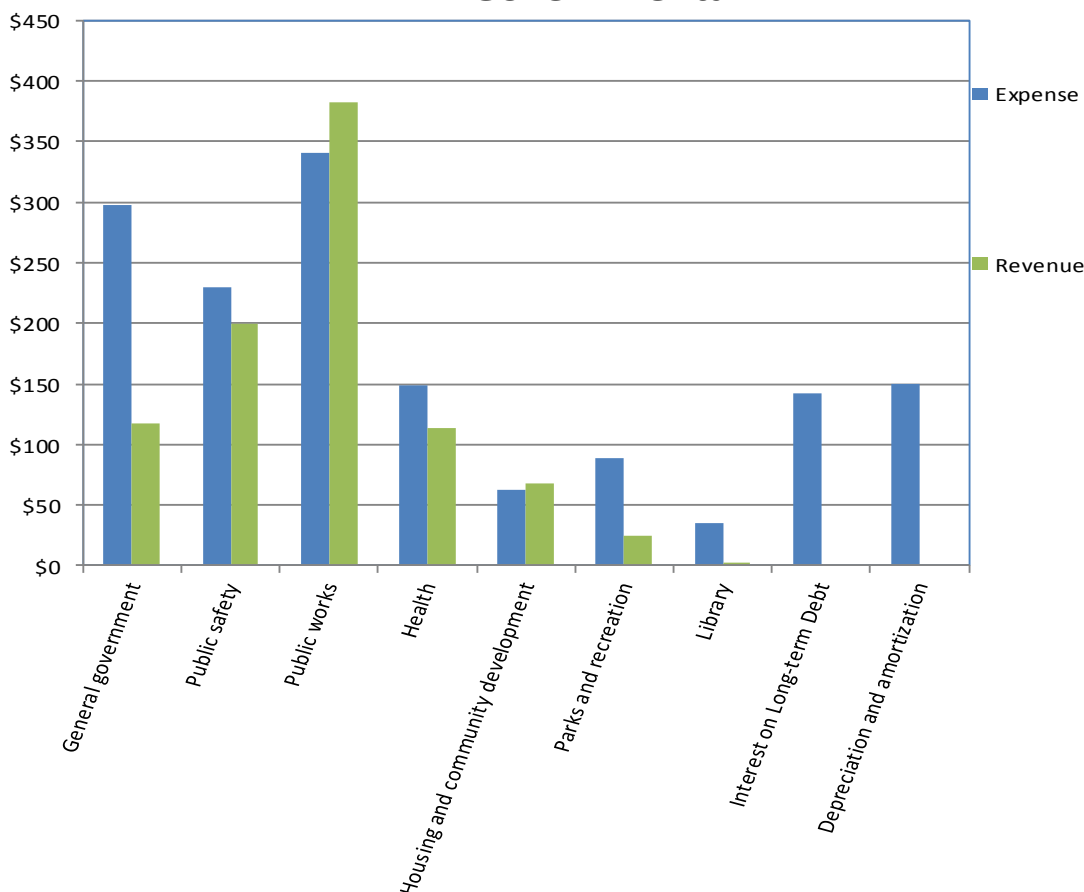
**Governmental activities.** Governmental activities increased the City of Houston’s net position by \$1.605 billion. Key elements of this change are as follows:

- Sales tax revenue decreased during fiscal year 2017 due to the reduced drilling activity in the energy industry, causing a 1.25% decrease for the year, from \$640 million to \$632 million.
- The City’s property tax rate was reduced to \$0.58642 per \$100 assessed value, compared to FY2016 rate of \$0.60112. Property tax revenue still increased by \$53 million because of the City’s rising property values.
- As explained on page 7, the current year impact of the Pension Reform resulted in a decrease in pension expense by \$1.09 billion, part of the total decrease of governmental activities expenses of \$1.962 billion.

**Revenue by Source - Governmental Activities**



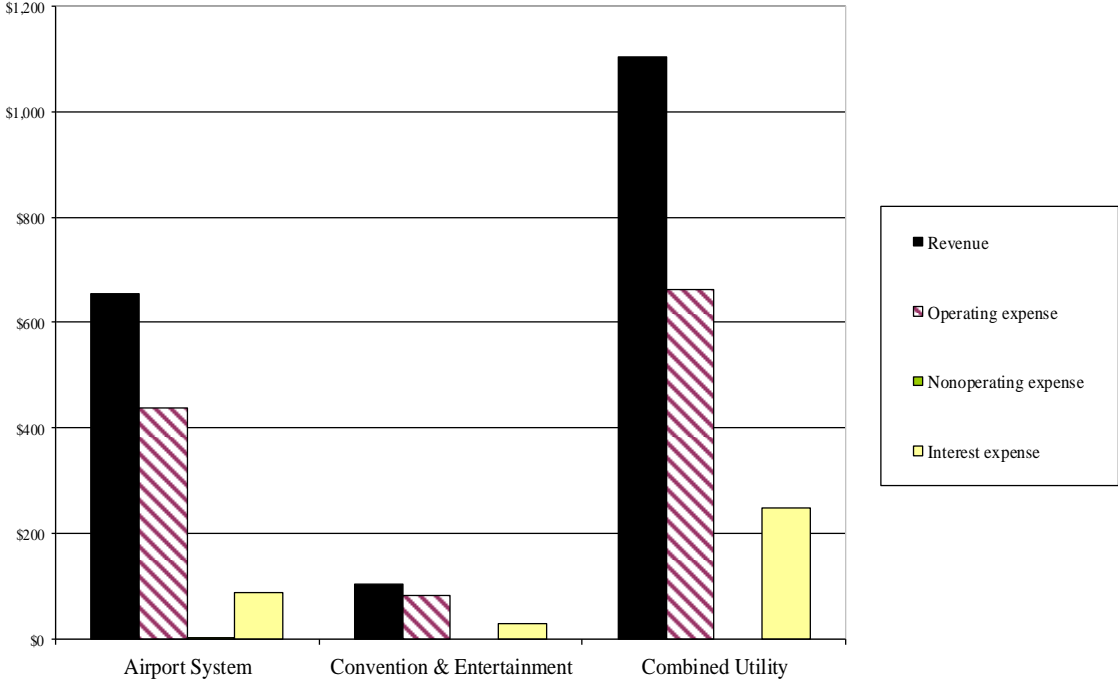
## Program Revenue and Expense Governmental



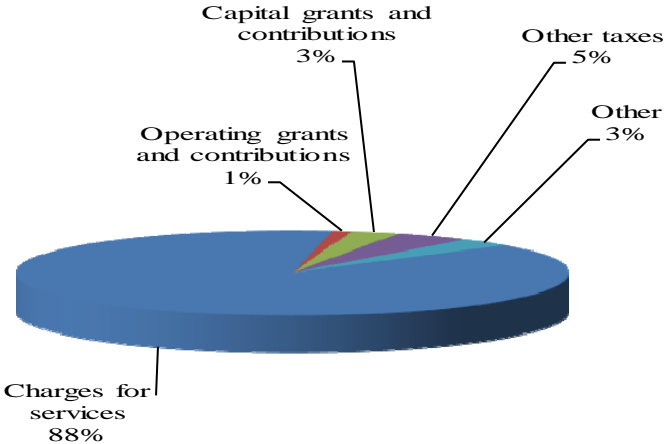
**Business-type activities.** Business-type activities increased the City of Houston’s net position by \$315 million. Key elements of this change are as follows:

- Airport systems operating expenses were down by 11.3%, from \$495 million to \$439 million, partially relating to the Pension Reform and reduction in pension expense. Operating revenues for these facilities were up by 1.0%, from \$489 million to \$494 million.
- Convention & Entertainment operating expenses were down 7.8% from \$90 million to \$83 million, partially relating to the Pension Reform and reduction in pension expense. Operating revenues were flat, at \$12 million. Hotel occupancy taxes decreased by 6.7%, from \$89 million to \$83 million, due to lower hotel occupancy rates.
- The Combined Utility System operating expenses decreased by 12.6% from \$688 million to \$601 million, partially relating to the Pension Reform and reduction in pension expense. Operating revenues increased by 2.3% from \$1.003 billion to \$1.026 billion.

**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 \$867 million. Approximately 36.0% of this total amount (\$312 million) constitutes unassigned fund balance, which 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 (\$79 million), restricted to pay debt service (\$128 million), or (3) 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 \$312 million, while the total fund balance reached \$352 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 15.1% of total general fund expenditures, while total fund balance represents 17.1% of that same amount.

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

- \$58.3 million increase in total revenues – increasing Property Tax revenues partly offset by decreasing Sales Tax revenues
- \$14.0 million increase in expenditures – additional General Government and Public Safety costs
- \$38.0 million increase in proceeds for issuance of debt

Debt service principal expenditures for the debt service fund decreased by \$98 million. The net decrease in fund balance was \$25.7 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 \$99 million. The net decrease in fund balance during the current fiscal year was 11.9%.

**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, unrestricted net deficit of \$127 million for the Airport System, \$21 million net position for Convention and Entertainment, and \$249 million net deficit for the Combined Utility System. The total increase in net position for the Airport System was \$128 million. The Convention and Entertainment fund experienced a decrease of \$8 million and Combined Utility System fund experienced an increase of \$194 million in net position. 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 \$50 million. The details of the more significant variances are detailed below:

- \$21 million above budget in property taxes
- \$17 million above budget in sales tax
- \$15 million above budget in other revenues

Total expenditures for the General Fund were \$40 million below the final expenditure budget. The details of the more significant variances are detailed below:

- \$11 million under budget in other current expenditures
- \$13 million under budget in public safety
- \$9.7 million under budget in general government

## 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, 2017, amounts to \$17.3 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, 2017

(With comparative totals for 2016)

(net of accumulated depreciation in millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and right of way	\$ 2,189	\$ 2,175	\$ 459	\$ 461	\$ 2,648	\$ 2,636
Buildings, improvements and equipment	2,525	2,450	5,729	5,647	8,254	8,097
Construction in progress	363	309	615	680	978	989
Water rights	-	-	749	545	749	545
Runway rights	-	-	15	14	15	14
Garage rights	-	-	13	13	13	13
Infrastructure Assets	6,770	6,581	11,131	10,712	17,901	17,293
Less accumulated depreciation	(4,601)	(4,381)	(8,640)	(8,265)	(13,241)	(12,646)
Total	<u>\$ 7,246</u>	<u>\$ 7,134</u>	<u>\$ 10,071</u>	<u>\$ 9,807</u>	<u>\$ 17,317</u>	<u>\$ 16,941</u>

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 \$65 million decrease
- Business-type activities buildings, improvements & equipment reflects a \$82 million increase
- Business-type activities infrastructure assets reflects a \$419 million increase
- Governmental-type activities infrastructure assets reflects a \$194 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 \$12.4 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 \$9.6 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, 2017**

(With comparative totals for 2016)

(in millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds and commercial paper	\$ 2,651	\$ 2,715	\$ 107	\$ 147	\$ 2,758	\$ 2,862
Pension notes	523	530	63	64	586	594
Inferior lien contract	-	-	6	12	6	12
Capital lease	-	-	504	274	504	274
Revenue bonds	-	-	9,506	9,490	9,506	9,490
Other borrowings	4	4	120	115	124	119
<b>Total</b>	<b>\$ 3,178</b>	<b>\$ 3,249</b>	<b>\$ 10,306</b>	<b>\$ 10,102</b>	<b>\$ 13,484</b>	<b>\$ 13,351</b>

The City’s total debt increased by \$133 million or 1% during the current fiscal year.

During the current fiscal year, the City’s Combined Utility Fund issued the following debt:

- \$353 million proceeds of refunding used to pay \$255 million of refunded debt.

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, 2017 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 \$25.6 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 2018 budget are as follows:

- The property tax rate was reduced to 58.421 cents per \$100 of valuation.
- The public safety budget included funding to primarily provide resources for four police cadet classes, two fire cadet classes, and one paramedic classes.
- As explained in Note17C, the City experienced a substantial natural disaster on August 23 – 27 resulting from Hurricane Harvey. The City has received funding from the State of Texas and FEMA and for fiscal year 2018 has established a Disaster Recover Fund to serve as a repository for these funds and for appropriation of funds for Disaster Related Expenses.

**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, 2017**  
*(amounts expressed in thousands)*

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
<b>Assets</b>					
<b>Current Assets</b>					
Equity in pooled cash and investments (Note 3A)	\$ 991,649	\$ 1,396,190	\$ 2,387,839	\$ -	\$ -
Receivables, net of allowances					
Accounts receivable	233,929	164,776	398,705	37,341	24,568
Hotel occupancy tax receivable	-	20,526	20,526	-	-
Property taxes receivable	24,919	-	24,919	2,524	-
Sales taxes receivable	109,167	-	109,167	-	-
Mixed beverage taxes receivable	4,409	-	4,409	-	-
Franchise taxes receivable	17,570	-	17,570	-	-
Special assessments receivable	9,920	93	10,013	-	-
Accrued interest and other	-	-	-	-	213
Due from component units	-	32,113	32,113	-	-
Internal balances	7,986	(7,986)	-	-	-
Due from other governments	140,977	38,389	179,366	9,566	2,973
Inventory	19,742	13,523	33,265	48,422	163
Prepaid items	2,998	14,035	17,033	1,438	6,587
Cash, cash equivalents and investments	-	-	-	335,114	91,289
Non-pooled cash and investments (Note 3A)	6,512	5,841	12,353	4,637	52,914
Other receivables	-	-	-	4,921	33,194
Due from primary government	-	-	-	2,338	-
<b>Noncurrent assets</b>					
Noncurrent equity in pooled cash and investments (Note 3A)	-	1,211,952	1,211,952	20,476	20,224
Noncurrent non-pooled cash equivalent (Note 3A)	-	37,813	37,813	-	-
Due from component units	-	274,506	274,506	-	-
Receivables and deposits	-	-	-	-	13,773
Due from other governments	-	73,679	73,679	-	-
Amounts held by other governments	-	11,029	11,029	-	-
Deferred charges for issuance cost	-	-	-	3,439	-
Other assets					
Other long-term receivables	-	-	-	-	70,856
<b>Capital Assets</b>					
Land and right-of-way	2,181,018	459,078	2,640,096	136,323	23,480
Buildings	1,263,570	3,696,635	4,960,205	33,954	665,120
Improvements and equipment	1,261,401	2,031,974	3,293,375	-	-
Construction in progress	363,022	615,016	978,038	62,992	-
Runway rights	-	14,604	14,604	-	-
Water rights	-	748,658	748,658	-	-
Garage rights	-	13,144	13,144	-	-
Rights & Intangibles	8,232	-	8,232	-	-
Infrastructure assets	6,770,007	11,131,327	17,901,334	-	-
Less accumulated depreciation and amortization	(4,600,714)	(8,639,837)	(13,240,551)	(16,263)	(168,740)
<b>Total assets</b>	<b>\$ 8,816,314</b>	<b>\$ 13,357,078</b>	<b>\$ 22,173,392</b>	<b>\$ 687,222</b>	<b>\$ 836,614</b>
<b>Deferred outflows of resources</b>					
Deferred outflows of resources	2,560,714	559,311	3,120,025	-	4,550
<b>Total deferred outflows of resources</b>	<b>\$ 2,560,714</b>	<b>\$ 559,311</b>	<b>\$ 3,120,025</b>	<b>\$ -</b>	<b>\$ 4,550</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, 2017**  
*(amounts expressed in thousands)*

	Governmental Activities	Business-type Activities	Total	Component Units	
				Governmental	Business-type
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ 176,252	\$ 161,792	\$ 338,044	\$ 30,586	\$ 43,096
Accrued payroll liabilities	66,546	9,208	75,754	35	1,189
Accrued interest payable	46,836	98,197	145,033	6,113	3,087
Contracts and retainages payable	-	-	-	4,039	2,359
Notes payable	-	5,018	5,018	-	-
Inferior lien contracts	-	6,240	6,240	-	-
Due to component units	-	27,946	27,946	-	-
Due to other governments	14,077	1,371	15,448	20,585	4,772
Advances and deposits	9,955	55,847	65,802	-	-
Other liabilities	-	-	-	4,423	1,734
Special facility bonds payable	-	5,490	5,490	-	-
Unearned revenue	165,608	5,296	170,904	3,526	781
Noncurrent liabilities					
Due within one year					
Contracts payable	-	40,415	40,415	-	-
Notes payable	672	-	672	25,403	12,200
Bonds payable	208,025	300,175	508,200	24,550	-
Claims and judgments	33,399	1,621	35,020	-	-
Compensated absences	145,918	17,202	163,120	-	-
Pension bonds payable	6,585	1,265	7,850	-	-
Commercial paper	159,900	20,000	179,900	-	-
Other liabilities	-	10,000	10,000	1,315	-
Due in more than one year					
Due to primary government	-	-	-	359	-
Notes payable	3,164	110,403	113,567	114,861	407,445
Bonds payable	2,203,131	9,205,511	11,408,642	410,516	-
Claims and judgments	85,120	1,505	86,625	-	-
Compensated absences	321,919	15,442	337,361	-	-
Contracts payable	-	463,360	463,360	-	-
Commercial paper	80,000	87,000	167,000	-	-
Arbitrage rebate liability	-	145	145	-	-
Municipal net pension liability	1,706,030	650,815	2,356,845	-	-
Police officers' net pension liability	2,050,945	-	2,050,945	-	-
Firefighter's net pension liability	648,591	-	648,591	-	-
SWAP liability	-	224,943	224,943	-	-
Unearned revenue	-	442,950	442,950	1,360	12,744
Other post employment benefits obligation	1,618,370	214,568	1,832,938	-	-
Pension obligation bonds payable	516,858	61,557	578,415	-	-
Other long-term liabilities	-	-	-	7,853	-
<b>Total liabilities</b>	<b>\$ 10,267,901</b>	<b>\$ 12,245,282</b>	<b>\$ 22,513,183</b>	<b>\$ 655,524</b>	<b>\$ 489,407</b>
<b>Deferred inflows of resources</b>					
Deferred inflows of resources	906,160	18,675	924,835	-	-
<b>Total deferred inflows of resources</b>	<b>\$ 906,160</b>	<b>\$ 18,675</b>	<b>\$ 924,835</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net position</b>					
Net investment in capital assets	4,593,229	742,298	5,335,527	177,516	74,774
Restricted net position					
Restricted for debt service	7,933	322,785	330,718	75,522	408
Restricted for renewal and replacement	-	10,006	10,006	-	-
Restricted for maintenance and operations	-	151,936	151,936	2,952	-
Restricted for others' capital improvement	-	103,048	103,048	-	-
Restricted for capital improvement	(3,590)	676,360	672,770	101,810	-
Other restricted	39,076	-	39,076	44,822	15,570
Unrestricted (deficit)	(4,433,681)	(354,001)	(4,787,682)	(370,924)	261,005
<b>Total net position (deficit)</b>	<b>\$ 202,967</b>	<b>\$ 1,652,432</b>	<b>\$ 1,855,399</b>	<b>\$ 31,698</b>	<b>\$ 351,757</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, 2017  
(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	\$ 297,716	\$ 74,887	\$ 42,325	\$ -
Public safety	229,891	142,052	58,263	-
Public works	341,257	215,824	74,891	91,469
Health	148,995	17,491	96,172	-
Housing and community development	61,608	-	67,256	-
Parks and recreation	89,457	8,902	7,248	8,018
Library	34,966	2,040	88	-
Interest on long-term debt	142,469	-	-	-
Unallocated Depreciation	150,196	-	-	-
Total governmental activities	<u>1,496,555</u>	<u>461,196</u>	<u>346,243</u>	<u>99,487</u>
Business-type activities				
Airport System	526,662	609,780	-	35,513
Convention & Entertainment facilities	110,765	12,283	-	-
Combined Utility System	850,363	1,025,795	20,187	17,260
Total business-type activities	<u>1,487,790</u>	<u>1,647,858</u>	<u>20,187</u>	<u>52,773</u>
<b>Total primary government</b>	<u>\$ 2,984,345</u>	<u>\$ 2,109,054</u>	<u>\$ 366,430</u>	<u>\$ 152,260</u>
<b>Component Units</b>				
Governmental	342,292	37,071	34,949	6,591
Business-type	247,300	154,569	90,987	-
<b>Total component units activities</b>	<u>\$ 589,592</u>	<u>\$ 191,640</u>	<u>\$ 125,936</u>	<u>\$ 6,591</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  
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  
Cumulative effect of correction of an error (see Note 1L)  
Beginning net position, July 1  
Net position ending

(Continued)

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

<b>Net (Expense) Revenue and Changes in Net Position</b>					
<b>Primary Government</b>			<b>Component Units</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Governmental</b>	<b>Business-type</b>	
\$ (180,504)	\$ -	\$ (180,504)	\$ -	\$ -	
(29,576)	-	(29,576)	-	-	
40,927	-	40,927	-	-	
(35,332)	-	(35,332)	-	-	
5,648	-	5,648	-	-	
(65,289)	-	(65,289)	-	-	
(32,838)	-	(32,838)	-	-	
(142,469)	-	(142,469)	-	-	
(150,196)	-	(150,196)	-	-	
(589,629)	-	(589,629)	-	-	
-	118,631	118,631	-	-	
-	(98,482)	(98,482)	-	-	
-	212,879	212,879	-	-	
-	233,028	233,028	-	-	
(589,629)	233,028	(356,601)	-	-	
-	-	-	(263,681)	-	
-	-	-	-	(1,744)	
-	-	-	(263,681)	(1,744)	
892,738	-	892,738	193,304	750	
259,682	-	259,682	-	-	
19,291	-	19,291	1,182	-	
631,993	-	631,993	-	-	
191,025	-	191,025	-	-	
16,662	-	16,662	-	-	
234	-	234	-	-	
-	82,882	82,882	-	-	
6,181	16,448	22,629	4,027	2,170	
112,531	42,500	155,031	3,506	4,321	
1,752	1,614	3,366	6	-	
-	-	-	628	-	
62,885	(62,885)	-	-	-	
2,194,974	80,559	2,275,533	202,653	7,239	
1,605,345	313,587	1,918,932	(61,028)	5,495	
(1,433,881)	1,338,845	(95,036)	-	346,262	
31,503	-	31,503	-	-	
(1,402,378)	1,338,845	(63,533)	92,726	346,262	
\$ 202,967	\$ 1,652,432	\$ 1,855,399	\$ 31,698	\$ 351,757	

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

**CITY OF HOUSTON, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2017**  
*(amounts expressed in thousands)*

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets</b>			
Equity in pooled cash and investments	\$ 310,335	\$ 125,312	\$ 207,037
Receivables, net of allowances			
Accounts receivable	160,254	259	-
Property taxes receivable	24,919	-	-
Sales taxes receivable	109,167	-	-
Mixed beverage taxes receivable	4,409	-	-
Franchise taxes receivable	17,570	-	-
Special assessments receivable	9,920	-	-
Due from other funds	22,959	-	21,079
Due from other governments	365	124	32,825
Inventory	17,808	-	-
Prepaid items	2,434	-	351
Non-pooled cash and investments	96	2,570	-
Total assets	\$ 680,236	\$ 128,265	\$ 261,292
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	83,772	69	48,825
Accrued payroll liabilities	59,084	-	-
Due to other funds	17,428	-	10,341
Due to other governments	511	-	-
Advances and deposits	6,331	-	20
Claims and judgments	3,519	-	-
Compensated absences	6,456	-	-
Unearned revenue	-	-	102,606
Total liabilities	177,101	69	161,792
<b>Deferred inflows of resources</b>			
Deferred inflow of resources	151,250	124	36
Total deferred inflows of resources	151,250	124	36
<b>Fund balance</b>			
<b>Non-Spendable</b>			
Prepays	2,434	-	351
Inventory	17,808	-	-
Restricted	1,188	128,072	20,215
Committed	18,701	-	-
Assigned	-	-	78,898
Unassigned	311,754	-	-
Total fund balance	351,885	128,072	99,464
<b>Total liabilities and fund balance</b>	<b>\$ 680,236</b>	<b>\$ 128,265</b>	<b>\$ 261,292</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 \*

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 5,925	\$ 279,623	\$ 928,232
34,438	36,897	231,848
-	-	24,919
-	-	109,167
-	-	4,409
-	-	17,570
-	-	9,920
1,144	21,761	66,943
81,923	25,731	140,968
408	1,526	19,742
210	-	2,995
1	3,845	6,512
<u>\$ 124,049</u>	<u>\$ 369,383</u>	<u>\$ 1,563,225</u>

27,460	15,335	175,461
1,885	5,417	66,386
2,306	25,178	55,253
8,474	5,092	14,077
-	3,604	9,955
-	-	3,519
-	41	6,497
60,048	-	162,654
<u>100,173</u>	<u>54,667</u>	<u>493,802</u>

-	51,268	202,678
-	51,268	202,678

210	-	2,995
408	1,526	19,742
23,258	179,323	352,056
-	82,599	101,300
-	-	78,898
-	-	311,754
<u>23,876</u>	<u>263,448</u>	<u>866,745</u>
<u>\$ 124,049</u>	<u>\$ 369,383</u>	

7,246,301  
202,678  
1,654,554

15,428

(9,782,739)

202,967

\* 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, 2017  
(amounts expressed in thousands)

	General	Debt Service	Capital Projects
<b>Revenues</b>			
Taxes and assessments	\$ 2,012,757	\$ -	\$ -
Licenses and permits	40,664	-	-
Charges for services	147,912	-	-
Intergovernmental - grants	71,370	-	58,253
Fines and forfeits	26,900	-	-
Investment income	3,711	389	509
Other	48,876	11,627	7,539
Total revenues	<u>2,352,190</u>	<u>12,016</u>	<u>66,301</u>
<b>Expenditures</b>			
Current Expenditures			
General government	271,687	-	-
Public safety	1,369,087	-	-
Public works	201,389	-	-
Health	65,811	-	-
Housing and community development	532	-	-
Parks and recreation	73,177	-	-
Library	39,871	-	-
Retiree benefits	11,521	-	-
Capital outlay	25,553	-	271,886
Debt Service			
Debt service principal	-	192,656	-
Debt service interest	1,879	142,189	-
Debt service fiscal agent & fees	-	2,605	-
Total expenditures	<u>2,060,507</u>	<u>337,450</u>	<u>271,886</u>
<b>Other financing sources (uses)</b>			
Issuance of debt	58,000	-	82,000
Issuance of refunding debt	-	-	-
Premium on refunding debt	-	-	-
Sale of capital assets	10,907	-	-
Transfers in	74,651	299,748	116,741
Transfers out	(346,408)	-	(6,606)
Total other financing sources (uses)	<u>(202,850)</u>	<u>299,748</u>	<u>192,135</u>
Changes in fund balance	88,833	(25,686)	(13,450)
Fund balances, July 1	263,052	153,758	112,914
<b>Fund balances, June 30</b>	<u>\$ 351,885</u>	<u>\$ 128,072</u>	<u>\$ 99,464</u>

(Continued)

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



<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 439	\$ 2,013,196
-	78,235	118,899
-	151,836	299,748
170,747	103,906	404,276
-	10,507	37,407
330	1,095	6,034
-	44,203	112,245
<u>171,077</u>	<u>390,221</u>	<u>2,991,805</u>
341	25,473	297,501
25,119	52,569	1,446,775
21,508	125,332	348,229
62,049	30,108	157,968
59,839	285	60,656
7,752	8,725	89,654
61	-	39,932
-	-	11,521
-	41,507	338,946
-	-	192,656
-	-	144,068
-	738	3,343
<u>176,669</u>	<u>284,737</u>	<u>3,131,249</u>
-	-	140,000
-	-	-
-	-	-
-	119	11,026
6,000	56,540	553,680
-	(137,781)	(490,795)
<u>6,000</u>	<u>(81,122)</u>	<u>213,911</u>
408	24,362	74,467
23,468	239,086	792,278
<u>\$ 23,876</u>	<u>\$ 263,448</u>	<u>\$ 866,745</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, 2017  
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	74,467
<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 (\$268,057) and net disposal of assets (\$9,724) was less than the increase in capital assets (\$389,739) in the current period.</p>		111,373
<p>Revenue in the statement of activities that do not provide current financial resources are deferred as revenues in the funds.</p>		202,677
<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>		(199,357)
<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>		64,987
<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>		1,356,456
<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>		(5,258)
Change in net position of governmental activities	\$	1,605,345

\* 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, 2017**  
*(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>			
Equity in pooled cash and investments	\$ 362,714	\$ 65,040	\$ 968,436
Receivables, net of allowances			
Accounts receivable	44,224	-	120,552
Hotel occupancy tax receivable	-	20,526	-
Special assessments receivable	-	-	93
Due from component units	-	32,113	-
Due from other funds	201	-	1,916
Due from other governments	34,493	-	3,896
Inventory	1,875	-	11,648
Prepaid items	2,938	-	3,429
Non-pooled cash	5	-	-
Restricted assets			
Non-pooled cash	5,796	13	27
Total current assets	452,246	117,692	1,109,997
<b>Noncurrent Assets</b>			
Equity in pooled cash and investments	853,294	34,927	323,731
Non-pooled cash	37,813	-	-
Due from component units	-	274,506	-
Prepaid items	1,383	-	6,285
Due from other governments	-	-	73,679
Amounts held by other governments	-	-	11,029
Total noncurrent restricted assets	892,490	309,433	414,724
<b>Capital assets</b>			
Land	216,079	95,687	147,312
Buildings	2,970,950	577,527	148,158
Improvements and equipment	1,849,603	11,865	170,506
Infrastructure	557,062	334	10,573,931
Construction in progress	135,233	-	479,783
Intangibles	14,604	-	-
Water rights	-	-	748,658
Garage rights	-	13,144	-
Less accumulated depreciation and amortization	(2,860,099)	(286,649)	(5,493,089)
Net capital assets	2,883,432	411,908	6,775,259
Total noncurrent assets	3,775,922	721,341	7,189,983
<b>Total assets</b>	<b>4,228,168</b>	<b>839,033</b>	<b>8,299,980</b>
			(Continued)
<b>Deferred outflows of resources</b>			
Deferred outflows	81,177	656	477,478
Total deferred outflows of resources	\$ 81,177	\$ 656	\$ 477,478

\* 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>	
\$ 1,396,190	\$ 63,417
164,776	2,081
20,526	-
93	-
32,113	-
2,117	-
38,389	9
13,523	-
6,367	3
5	-
5,836	-
<u>1,679,935</u>	<u>65,510</u>
1,211,952	-
37,813	-
274,506	-
7,668	-
73,679	-
11,029	-
<u>1,616,647</u>	<u>-</u>
459,078	-
3,696,635	692
2,031,974	-
11,131,327	-
615,016	-
14,604	-
748,658	-
13,144	-
<u>(8,639,837)</u>	<u>(457)</u>
<u>10,070,599</u>	<u>235</u>
<u>11,687,246</u>	<u>235</u>
<u>13,367,181</u>	<u>65,745</u>
	(Continued)
559,311	-
<u>\$ 559,311</u>	<u>\$ -</u>

\* 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, 2017**  
*(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	\$ 14,893	\$ 389	\$ 146,510
Accrued payroll liabilities	3,366	13	5,829
Accrued interest payable	45,689	4,619	47,889
Commercial paper	-	-	20,000
Contracts payable	34,522	-	5,893
Due to other funds	713	-	13,076
Due to component units	-	24,465	3,481
Due to other governments	-	-	1,371
Special facility bonds payable	5,490	-	-
Advances and deposits	2,193	-	53,654
Notes payable	5,018	-	-
Inferior lien contracts	6,240	-	-
Claims and judgments	777	-	844
Compensated absences	6,367	47	10,788
Pension obligation bonds payable	-	75	1,190
Other liabilities	10,000	-	-
Revenue bonds payable	77,855	21,815	200,505
Unearned revenue	5,296	-	-
<b>Total current liabilities</b>	<b>218,419</b>	<b>51,423</b>	<b>511,030</b>
<b>Noncurrent liabilities</b>			
Notes payable	110,403	-	-
Revenue bonds payable	1,991,140	623,599	6,504,672
Special facility bonds payable	86,100	-	-
Claims and judgments	642	-	863
Compensated absences	6,254	-	9,188
Contracts payable	-	-	463,360
Commercial paper	87,000	-	-
Arbitrage rebate liability	-	145	-
Municipal pension trust liability	254,420	6,154	390,241
Other post employment benefits	74,657	4,331	135,580
SWAP liability	-	-	224,943
Unearned revenue	-	6,899	436,051
Pension obligation bonds payable	2,006	3,624	55,927
<b>Total noncurrent liabilities</b>	<b>2,612,622</b>	<b>644,752</b>	<b>8,220,825</b>
<b>Total liabilities</b>	<b>2,831,041</b>	<b>696,175</b>	<b>8,731,855</b>
<b>Deferred inflows of resources</b>			
Deferred inflows	4,487	6,970	7,218
<b>Total deferred inflows of resources</b>	<b>4,487</b>	<b>6,970</b>	<b>7,218</b>
<b>Net position (deficit)</b>			
Net investment in capital assets	542,363	63,981	135,954
<b>Restricted net position</b>			
Restricted for debt service	287,858	34,927	-
Restricted for renewal and replacement	10,000	6	-
Restricted for maintenance and operations	54,805	16,135	77,310
Restricted for others' capital improvement	29,369	-	73,679
Restricted for capital improvements	676,360	-	-
Unrestricted	(126,938)	21,495	(248,558)
<b>Total net position (deficit)</b>	<b>\$ 1,473,817</b>	<b>\$ 136,544</b>	<b>\$ 38,385</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 \*

<u>Business-type Activities-Enterprise</u>		<u>Governmental Activities Internal Service Funds</u>	
<u>Total</u>			
\$	161,792	\$	791
	9,208		160
	98,197		-
	20,000		-
	40,415		-
	13,789		18
	27,946		-
	1,371		-
	5,490		-
	55,847		-
	5,018		-
	6,240		-
	1,621		21,215
	17,202		267
	1,265		-
	10,000		-
	300,175		-
	5,296		2,954
	<u>780,872</u>		<u>25,405</u>
	110,403		-
	9,119,411		-
	86,100		-
	1,505		21,183
	15,442		43
	463,360		-
	87,000		-
	145		-
	650,815		-
	214,568		-
	224,943		-
	442,950		-
	61,557		-
	<u>11,478,199</u>		<u>21,226</u>
	<u>12,259,071</u>		<u>46,631</u>
	18,675		-
	<u>18,675</u>		<u>-</u>
	742,298		235
	322,785		-
	10,006		-
	148,250		-
	103,048		-
	676,360		-
	(354,001)		18,879
	<u>1,648,746</u>		<u>\$ 19,114</u>
	3,686		
\$	<u>1,652,432</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, 2017**  
*(amounts expressed in thousands)*

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Airport System</u>	<u>Convention &amp; Entertainment</u>	<u>Combined Utility</u>
<b>Operating Revenues</b>			
Landing area fees	\$ 88,046	\$ -	\$ -
Terminal space rentals	221,181	-	-
Parking	99,752	10,793	-
Concession	79,136	-	-
Other	5,926	-	-
Rental	-	1,490	-
Water/Sewer Billing	-	-	1,025,795
Health benefit premiums	-	-	-
Total operating revenue	<u>494,041</u>	<u>12,283</u>	<u>1,025,795</u>
<b>Operating Expenses</b>			
Administrative costs	-	-	-
Claims Costs	-	-	-
Maintenance and operating	254,459	69,756	354,396
Depreciation and amortization	<u>184,203</u>	<u>13,654</u>	<u>246,218</u>
Total operating expenses	<u>438,662</u>	<u>83,410</u>	<u>600,614</u>
Operating income (loss)	<u>55,379</u>	<u>(71,127)</u>	<u>425,181</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	3,403	9,091	3,954
Hotel occupancy tax	-	82,882	-
Other revenue	4,141	291	38,068
Gain (loss) on disposal of assets	1,455	(177)	159
Interest on long-term debt	(87,482)	(27,170)	(248,920)
Passenger facility charges	101,539	-	-
Contributions	-	-	20,187
Customer facility charges	14,200	-	-
Special facility cost	(92)	-	-
Total nonoperating revenues (expenses)	<u>37,164</u>	<u>64,917</u>	<u>(186,552)</u>
Income (loss) before capital contributions and transfers	<u>92,543</u>	<u>(6,210)</u>	<u>238,629</u>
Capital contributions	<u>35,513</u>	<u>-</u>	<u>17,260</u>
Transfers out	<u>-</u>	<u>(1,490)</u>	<u>(61,395)</u>
Total transfers	<u>-</u>	<u>(1,490)</u>	<u>(61,395)</u>
Change in net position	128,056	(7,700)	194,494
Total net position (deficit), July 1,	<u>1,345,761</u>	<u>144,244</u>	<u>(156,109)</u>
<b>Total net position (deficit), June 30</b>	<u>\$ 1,473,817</u>	<u>\$ 136,544</u>	<u>\$ 38,385</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 statement are an integral part of this statement \*



<b>Business-type Activities</b>		<b>Governmental</b>	
<b>Enterprise Funds</b>		<b>Activities</b>	
		<b>Internal</b>	
		<b>Service</b>	
		<b>Funds</b>	
<b>Total</b>			
\$	88,046	\$	-
	221,181		-
	110,545		-
	79,136		-
	5,926		802
	1,490		-
	1,025,795		-
	-		359,965
	<u>1,532,119</u>		<u>360,767</u>
	-		6,831
	-		360,578
	678,611		-
	<u>444,075</u>		<u>26</u>
	<u>1,122,686</u>		<u>367,435</u>
	<u>409,433</u>		<u>(6,668)</u>
	16,448		147
	82,882		-
	42,500		-
	1,437		-
	(363,572)		-
	101,539		-
	20,187		-
	14,200		-
	(92)		-
	<u>(84,471)</u>		<u>147</u>
	<u>324,962</u>		<u>(6,521)</u>
	<u>52,773</u>		<u>-</u>
	<u>(62,885)</u>		<u>-</u>
	<u>(62,885)</u>		<u>-</u>
	314,850		(6,521)
			25,635
			<u>\$ 19,114</u>
	<u>(1,263)</u>		
	<u>\$ 313,587</u>		

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

**CITY OF HOUSTON, TEXAS**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**  
*(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	\$ 454,955	\$ 10,793	\$ 1,013,426
Payments to employees	(102,834)	(242)	(175,450)
Payments to suppliers	(116,498)	(64)	(187,375)
Internal activity-payments (to) from other funds	(34,214)	3,116	14,358
Claims paid	(777)	-	(1,567)
Due to(from) other governments	-	-	-
Other receipts	4,141	-	38,444
Other payments	-	(71,054)	-
Receipts from component units	-	1,490	-
Net cash provided by (used in) operating activities	<u>204,773</u>	<u>(55,961)</u>	<u>701,836</u>
<b>Cash flows from investing activities</b>			
Interest income on investments	3,403	9,091	3,955
Purchases of investments	(1,473,463)	(124,523)	(1,624,759)
Sales of investments	1,548,830	142,818	1,502,456
Net cash provided by (used in) investing activities	<u>78,770</u>	<u>27,386</u>	<u>(118,348)</u>
<b>Cash flows from capital and related financing activities</b>			
Retirement of revenue bonds	(74,665)	(29,645)	(184,570)
Retirement of special facility bonds	(5,305)	-	-
Refunding of revenue bonds	-	-	(329,393)
Retirement of commercial paper	-	-	(250,000)
Proceeds (uses of cash) from issuance of revenue bonds	-	-	647,202
Proceeds from issuance of commercial paper	-	-	210,000
Passenger facilities charges	95,710	-	-
Customer facilities charges	14,068	-	-
Proceeds from contracts payable	-	-	63,020
Interest expense on debt	(99,558)	(15,110)	(256,391)
Retirement of inferior lien contract	(5,915)	-	-
Proceeds from disposition of assets	-	-	4,615
Grant receipts	12,132	-	-
Retirement of contracts payable	-	-	(4,868)
Acquisition of property, plant and equipment	(133,260)	-	(367,646)
Due from other governments	-	-	38,386
Cost of revenue bond issuance	-	-	(4,839)
Net cash provided by (used in) capital and related financing activities	<u>(196,793)</u>	<u>(44,755)</u>	<u>(434,484)</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>			
\$	1,479,174	\$	359,727
	(278,526)		(4,973)
	(303,937)		(1,672)
	(16,740)		(162)
	(2,344)		(359,490)
	-		103
	42,585		802
	(71,054)		-
	1,490		-
	<u>850,648</u>		<u>(5,665)</u>
	16,449		24,236
	(3,222,745)		-
	<u>3,194,104</u>		<u>-</u>
	<u>(12,192)</u>		<u>24,236</u>
	(288,880)		-
	(5,305)		-
	(329,393)		-
	(250,000)		-
	647,202		-
	210,000		-
	95,710		-
	14,068		-
	63,020		-
	(371,059)		-
	(5,915)		-
	4,615		-
	12,132		-
	(4,868)		-
	(500,906)		(164)
	38,386		-
	(4,839)		-
	<u>(676,032)</u>		<u>(164)</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, 2017**  
*(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	(106)	(220)	(3,630)
Pension bond payable	-	(70)	(1,115)
Payments from component unit	-	(6,453)	-
Hotel occupancy tax revenue	-	85,252	-
Transfers to debt service fund	-	-	(9,149)
Transfers to other funds	-	-	(52,246)
Net cash provided by (used in) noncapital financing activities	<u>(106)</u>	<u>78,509</u>	<u>(66,140)</u>
Net increase (decrease) in cash and cash equivalents	86,644	5,179	82,864
Cash and cash equivalents, July 1	<u>128,299</u>	<u>8,640</u>	<u>94,759</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 214,943</u>	<u>\$ 13,819</u>	<u>\$ 177,623</u>
<b>Cash and cash equivalents</b>			
Equity in pooled cash (Note 3A)	\$ 171,329	\$ 13,806	\$ 177,596
Non-pooled cash (Note 3A)	43,614	13	27
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 214,943</u>	<u>\$ 13,819</u>	<u>\$ 177,623</u>
<b>Non cash transactions</b>			
Capital additions included in notes payable	(5,018)	-	203,025
Bond amortization expense	3,595	-	-
Grants included in receivables	23,238	-	-
Unrealized gain on investments	-	788	-
Capital additions included in liabilities	(30,142)	-	-
Donated capital	-	-	(17,260)
Capitalized interest expense	9,789	-	16,290
CAB accretion interest	-	-	8,487
Gain (loss) on disposal of assets	(6,073)	-	(159)
Total non cash transactions	<u>\$ (4,611)</u>	<u>\$ 788</u>	<u>\$ 210,383</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 55,379	\$ (71,127)	\$ 425,081
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	184,203	13,654	246,218
Other post employment benefits	4,454	139	9,131
Other revenues	4,141	291	38,444
Note payable	(7,656)	-	-
Capital improvement plan expense	5,243	-	-
Changes in assets and liabilities			
Accounts receivable	(34,916)	-	(21,644)
Due from other funds	31,632	-	35,024
Inventory and prepaid insurance	(364)	-	(19)
Accounts payable	806	22	34,347
Accrued payroll liabilities	233	-	624
Due to other funds	(257)	3,116	10,018
Due to other governments	-	-	429
Advances and deposits	3,485	-	(2,904)
Due from other governments	-	-	-
Claims and judgments-workers' compensation	(386)	(18)	(368)
Compensated absences	(159)	(101)	(214)
Other current liabilities	10,000	-	-
Pension obligation payable	(51,065)	(155)	(84,509)
Deferred revenue	-	(292)	-
Other long-term liabilities	-	-	12,178
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 204,773</u>	<u>\$ (55,961)</u>	<u>\$ 701,836</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>	
(3,956)	-
(1,185)	-
(6,453)	-
85,252	-
(9,149)	-
(52,246)	-
<u>\$ 12,263</u>	<u>-</u>
174,687	18,407
<u>231,698</u>	<u>(10,371)</u>
<u>\$ 406,385</u>	<u>\$ 8,036</u>
\$ 362,731	\$ 8,036
43,654	-
<u>\$ 406,385</u>	<u>\$ 8,036</u>
198,007	-
3,595	-
23,238	-
788	-
(30,142)	-
(17,260)	-
26,079	-
8,487	-
(6,232)	-
<u>\$ 206,560</u>	<u>\$ -</u>
\$ 409,333	\$ (6,668)
444,075	26
13,724	-
42,876	-
(7,656)	-
5,243	-
(56,560)	(238)
66,656	6
(383)	-
35,175	15
857	5
12,877	(61)
429	-
581	-
-	103
(772)	1,123
(474)	(60)
10,000	-
(135,729)	-
(292)	84
12,178	-
<u>\$ 850,648</u>	<u>\$ (5,665)</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, 2017**  
*(amounts expressed in thousands)*

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 23,848	\$ 99,075
Investments		
U.S. government and agency securities	72,675	-
Corporate bonds	202,121	-
Other fixed income securities	1,331,689	-
Commingled equity funds	653,822	-
Common and preferred stock	3,957,487	-
Real estate, partnerships and alternatives	3,834,169	-
Short-term investment funds	958,642	-
Invested securities lending collateral	271,134	-
Receivables, net of allowances		
Accounts receivable	1,711	3,782
Contributions	13,485	-
Accrued interest and other	12,004	-
Due from other funds	-	-
Other	94,553	-
Other Assets	833	-
Land	483	-
Building	4,713	-
Total assets	<u>11,433,369</u>	<u>102,857</u>
<b>Liabilities</b>		
Accounts payable	70,126	102,727
Advances and deposits	-	130
Security lending collateral	271,134	-
Foreign funds contracts payable	449	-
Other liabilities	6,728	-
Total liabilities	<u>348,437</u>	<u>\$ 102,857</u>
<b>Net position restricted for pensions</b>	<u><u>\$ 11,084,932</u></u>	

\* 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, 2017**  
*(amounts expressed in thousands)*

	<b>2017</b>
<b>Additions</b>	
Contributions:	
City of Houston	\$ 410,021
Plan members	81,408
Total Contributions	491,429
Investment earnings	
Interest and dividends	146,833
Net increase in the fair value of investments	1,274,108
Total investment income	1,420,941
Less investment expense	(28,334)
Net investment income	1,392,607
Total additions	1,884,036
 <b>Deductions</b>	
Benefits	987,543
Refund of contributions	3,454
Administrative expense	18,260
Total deductions	1,009,257
Change in net position	874,779
Total net position restricted for pensions, July 1	10,210,153
Total net position restricted for pensions, June 30	\$ 11,084,932

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







NOTES TO FINANCIAL STATEMENTS

**BARC**



**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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CITY OF HOUSTON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2017



**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**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).

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Blended component units (although legally separate entities) are, in substance, part of the City's operations. Blended component units provide services exclusively or almost exclusively for the City. Both governmental and business-type discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize their legal separateness from the City.

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

**1. Component Units**

Most component units of the City issue separately audited financial statements. Component units are reported in the City's Comprehensive Annual Financial Report (CAFR) as shown in the following tables. Additional information is available by contacting the entities at the addresses shown herein.

There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government's financial reporting entity. Those tests involve 1) appointment of the unit's governing board (accompanied by either the potential imposition of will or ongoing financial benefit/burden), 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting. For this last test, special attention must be paid 1) to certain special financing authorities and 2) to the nature and significance of a legally separate, tax-exempt entity's relationship with the primary government and its component units.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

Following are the City's blended component units:

<b>Blended Component Units Reported with the Primary Government</b>	<b>Brief Description of Activities, Relationship to the City and Key Inclusion Criteria</b>
<p><i><b>Houston Firefighters' Relief &amp; Retirement Fund</b></i>  <b>4225 Interwood North Parkway</b>  <b>Houston, TX 77032</b></p>	<p>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.</p> <p><b>Reporting Fund:</b> Houston Firefighters' Relief and Retirement Pension Trust Fund.</p>
<p><i><b>Houston Municipal Employees Pension System</b></i>  <b>1201 Louisiana, Suite 900</b>  <b>Houston, TX 77002</b></p>	<p>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.</p> <p><b>Reporting Fund:</b> Houston Municipal Employee's Pension Trust Fund.</p>
<p><i><b>Houston Police Officers' Pension System</b></i>  <b>602 Sawyer, Suite 300</b>  <b>Houston, TX 77007</b></p>	<p>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.</p> <p><b>Reporting Fund:</b> Houston Police Officer's Pension Trust Fund.</p>

Following are the City's discretely presented business-type component units:

<b>Discretely Reported Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<p><i><b>Houston First Corporation</b></i>  <b>701 Avenida de las Americas</b>  <b>Houston, TX 77010</b></p>	<p>On June 1, 2011, City of Houston City Council approved the consolidation of the City's Convention &amp; 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.</p>
<p><i><b>Houston Housing Finance Corporation</b></i>  <b>9545 Katy Freeway, Suite 105</b>  <b>Houston, TX 77024</b></p>	<p>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.</p>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>Houston Zoo, Inc</i>  <i>1513 Cambridge Street</i>  <i>Houston, TX 77030</i></p>	<p>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.</p>

Following are the City's discretely presented governmental fund component units.

<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<p><i>City Park Redevelopment Authority</i>  <i>c/o City of Houston, Mayor's Office</i>  <i>of Economic Development</i>  <i>901 Bagby Street, 4<sup>th</sup> Floor</i>  <i>Houston, TX 77002</i></p>	<p>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.</p>
<p><i>East Downtown Redevelopment Authority</i>  <i>c/o Bracewell &amp; Giuliani, LLP</i>  <i>711 Louisiana Street, Suite 2300</i>  <i>Houston, TX 77002</i></p>	<p>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.</p>
<p><i>Fifth Ward Redevelopment Authority</i>  <i>c/o Fifth Ward Community</i>  <i>Redevelopment Corporation</i>  <i>4300 Lyons Avenue, Suite 300</i>  <i>Houston, TX 77020</i></p>	<p>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.</p>
<p><i>Fourth Ward Redevelopment Authority</i>  <i>410 Pierce Street, Suite 355</i>  <i>Houston, TX 77002</i></p>	<p>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.</p>
<p><i>Greater Greenspoint Redevelopment Authority</i>  <i>16800 Greenspoint Park Drive, #1605</i>  <i>Houston, TX 77060</i></p>	<p>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.</p>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Discretely Reported Component Units**

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

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

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

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

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

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

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

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.

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.

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.

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.

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.

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.



**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Discretely Reported Component Units**

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

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

*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*

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

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

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

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

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.

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.

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.

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.

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.

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.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Discretely Reported Component Units**

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

***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.

***Lake Houston Redevelopment Authority  
c/o TIFWorks, LLC  
P.O. Box 10330  
Houston, TX 77206***

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.

***Lamar Terrace Public Improvement  
District  
City of Houston  
P. O. Box 1562  
Houston, TX 77251***

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.

***Land Assemblage Redevelopment  
Authority  
c/o City of Houston, Housing and  
Community Department  
601 Sawyer, 4<sup>th</sup> Floor  
Houston, TX 77007***

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.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

<b><u>Discretely Reported Component Units</u></b>	<b><u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u></b>
<b><i>Leland Woods Redevelopment Authority I c/o Bracewell &amp; Giuliani, LLP 711 Louisiana Street, Suite 2300 Houston, TX 77002-2770</i></b>	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.
<b><i>Leland Woods Redevelopment Authority II c/o Bracewell &amp; Giuliani, LLP 711 Louisiana, Suite 2300 Houston, TX 77002-2770</i></b>	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.
<b><i>Main Street Market Square Redevelopment Authority 909 Fannin, Suite 1650 Houston, TX 77010</i></b>	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.
<b><i>Memorial City Redevelopment Authority c/o Hawes Hill &amp; Associates, LLP P.O. Box 22167 Houston, TX 77227-2167</i></b>	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 & 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.
<b><i>Memorial-Heights Redevelopment Authority c/o John Kuhl, Attorney SKLaw 1980 Post Oak Boulevard, Suite 1380 Houston, TX 77056</i></b>	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.
<b><i>Midtown Redevelopment Authority 410 Pierce Street, Suite 355 Houston, TX 77002</i></b>	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.
<b><i>Miller Theatre Advisory Board, Inc 6000 Hermann Park Drive Houston, TX 77030-1702</i></b>	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.
<b><i>Old Sixth Ward Redevelopment Authority c/o City of Houston, Mayor's Office of Economic Development 901 Bagby Street, 4<sup>th</sup> Floor Houston, TX 77002</i></b>	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.

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Discretely Reported Component Units**

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

***OST/Alameda Corridors Redevelopment Authority***  
***5445 Alameda Road, Suite 545***  
***Houston, TX 77004***

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.

***Saint George Place 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 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.

***South Post Oak 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 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.

***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 and 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.

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<u>Discretely Reported Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<i>Uptown Development Authority</i> <i>1980 Post Oak Boulevard, Suite 1700</i> <i>Houston, TX 77056</i>	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 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.

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

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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.

**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.

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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.

**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 "Equity in pooled cash 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.

"Equity in pooled cash and investments" is 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.

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**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 Assets.

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

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 2017, the capitalized interest cost for the Airport System Facilities was \$9.8 million and Combined Utility System Fund was \$16.3 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:

<b>Assets</b>	<b>Years</b>
Airport System Facilities	3-45
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.



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**5. Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to confirm 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.

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

	<u>Business Type Activities</u>			
	<u>Governmental Activities</u>	<u>Aviation</u>	<u>Convention &amp; Entertainment</u>	<u>Combined Utility System</u>
Deferred Outflows of Resources				
Deferred outflows from pension activities	\$ 2,509,222	\$ 53,848	\$ 574	\$ 86,602
Unamortized deferred bond refunding costs/SWAP liability	51,492	27,329	82	390,876
Total Deferred Outflows of Resources	<u>\$ 2,560,714</u>	<u>\$ 81,177</u>	<u>\$ 656</u>	<u>\$ 477,478</u>
Deferred Inflows of Resources				
Deferred inflows from pension activities	\$ 905,359	\$ 4,487	\$ 55	\$ 7,218
Deferred inflows from unearned revenues/refunded debt	801	-	6,915	-
Total Deferred Inflows of Resources	<u>\$ 906,160</u>	<u>\$ 4,487</u>	<u>\$ 6,970</u>	<u>\$ 7,218</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, 2017 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	17,808	-	-	408	-	1,526	-	-	-	1,526	19,742
Prepaid items	2,434	-	351	210	-	-	-	-	-	-	2,995
<b>Total non-spendable</b>	<b>20,242</b>	<b>-</b>	<b>351</b>	<b>618</b>	<b>-</b>	<b>1,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,526</b>	<b>22,737</b>
<b>Restricted for:</b>											
Grants and other purposes	-	-	-	-	-	-	-	-	5,600	5,600	5,600
Police special purpose	544	-	-	-	7,137	-	-	-	-	7,137	7,681
Public transit operations	-	-	-	-	-	-	-	-	1,362	1,362	1,362
Affordable housing programs	-	-	-	-	-	-	14,564	-	-	14,564	14,564
Health services	644	-	-	23,258	-	-	-	-	84,524	84,524	108,426
Community development	-	-	-	-	-	-	-	168	228	396	396
Capital construction	-	-	20,215	-	-	55,302	-	-	10,438	65,740	85,955
Debt service	-	128,072	-	-	-	-	-	-	-	-	128,072
<b>Total restricted</b>	<b>1,188</b>	<b>128,072</b>	<b>20,215</b>	<b>23,258</b>	<b>7,137</b>	<b>55,302</b>	<b>14,564</b>	<b>168</b>	<b>102,152</b>	<b>179,323</b>	<b>352,056</b>
<b>Committed to:</b>											
Community development	3,356	-	-	-	6	-	-	904	260	1,170	4,526
Economic development	-	-	-	-	-	-	-	-	3,185	3,185	3,185
Court operations	-	-	-	-	875	-	-	-	-	875	875
Police special purpose	-	-	-	-	9,886	8	-	-	-	9,894	9,894
Emergency services	-	-	-	-	4,804	-	-	-	-	4,804	4,804
Capital construction	11,933	-	-	-	-	-	-	-	-	-	11,933
Public parks and preserves	3,412	-	-	-	-	1,738	-	8,511	-	10,249	13,661
Recycling programs	-	-	-	-	-	1,271	-	-	-	1,271	1,271
Development services	-	-	-	-	-	38,006	-	-	-	38,006	38,006
Health services	-	-	-	-	-	-	9,782	-	-	9,782	9,782
Affordable housing programs	-	-	-	-	-	-	-	-	897	897	897
Public transit operations	-	-	-	-	-	-	-	-	2,466	2,466	2,466
<b>Total committed</b>	<b>18,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,571</b>	<b>41,023</b>	<b>9,782</b>	<b>9,415</b>	<b>6,808</b>	<b>82,599</b>	<b>101,300</b>
<b>Assigned:</b>											
Capital construction	-	-	78,898	-	-	-	-	-	-	-	78,898
Disaster recovery	-	-	-	-	-	-	-	-	-	-	-
<b>Total assigned</b>	<b>-</b>	<b>-</b>	<b>78,898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,898</b>
<b>Unassigned:</b>	<b>311,754</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>311,754</b>
<b>Total</b>	<b>351,885</b>	<b>128,072</b>	<b>99,464</b>	<b>23,876</b>	<b>22,708</b>	<b>97,851</b>	<b>24,346</b>	<b>9,583</b>	<b>108,960</b>	<b>263,448</b>	<b>866,745</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. The available balance at June 30, 2017 of the Budget Stabilization Fund is \$20 million. (See Note 17C – Subsequent Events)

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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 is essentially a clearing account for income, expenses, assets and liabilities of the City's health benefits and long-term disability programs.

**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 dependants 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. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City has determined that GASB No. 74 is not applicable to its CAFR.

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 is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City has implemented GASB No. 77 in this annual report.

In December 2015, the GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement will address a practice issue regarding the scope and applicability of Statement No. 68. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City has determined that GASB No. 78 is not applicable to its CAFR.

In December 2015, the GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants". This statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City has determined that GASB No. 79 is not applicable to its CAFR.

In January 2016, the GASB issued Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14". This statement will enhance the comparability of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City has implemented GASB No. 80 in this annual report.

In March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement will enhance the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. The City has determined that GASB No. 81 is not applicable.

In March 2016, the GASB issued Statement No. 82, "Pension Issues". This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City has implemented GASB No. 82 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

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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 is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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 a 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 is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

**L. Effect of Correction of an error**

In the preparation of the FY2016 report, liabilities were overstated by \$31.5 million related to deferred refunding on Public Improvement Bonds.

	Governmental Activities
July 1, 2016, as previously reported	\$ (1,433,881)
Correction of an error	31,503
July 1, 2016, as restated	\$ (1,402,378)

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**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.

Balances at June 30, 2017 were (in thousands):

Deferred outflows of resources	\$	2,560,714
Deferred inflows of resources		(906,160)
	\$	<u>1,654,554</u>
Internal Service Fund total assets	\$	65,745
Internal Service Fund liabilities		(46,631)
Allocation to Proprietary Funds		(3,686)
	\$	<u>15,428</u>
Bonds and notes payable	\$	(3,178,335)
Accrued interest		(46,836)
Compensated absences not reported at the fund level		(461,030)
Claims and judgments not reported at the fund level		(72,602)
Net pension liability		(4,405,566)
Other post employment benefits obligation		(1,618,370)
	\$	<u>(9,782,739)</u>

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**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, 2017 were (in thousands):

Debt issued:	
Commercial paper	\$ (140,000)
	\$ (140,000)
Repayments:	
Principal payments	\$ 193,274
	\$ 193,274
Amortization of:	
Premium	\$ 17,421
Deferred loss	(5,708)
Net adjustment	\$ 11,713
Total	\$ 64,987

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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	\$	20,244
Ambulance fees earned but not available		102,716
Fines and forfeits earned but not available		3,449
Other (primarily storm water drainage fees) earned but not available		76,270
		76,270
Total revenue not reported at fund level	\$	202,678
Property taxes for prior periods	\$	(21,815)
Ambulance fees for prior periods		(109,260)
Fines and forfeits for prior periods		(3,911)
Other (primarily assessments) for prior periods		(64,372)
		(64,372)
Total revenue for prior period transactions	\$	(199,358)
Accrued interest	\$	(6,509)
Municipal Employees pension		201,980
Police Officers' pension		489,886
Firefighters' pension		251,393
Claims and judgments		(7,147)
Deferred Inflow from pensions		(254,379)
Deferred Outflow from pensions		814,192
Compensated absences		1,740
Arbitrage		14
Other post employment benefits		(135,471)
Increase in other receivables		757
		757
Total differences in accrued expenses	\$	1,356,456



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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.

**Pooled Cash and Investments**

The City maintains a cash and investment pool (the Pool) that is available for use by all funds. Each fund's portion of the Pool is displayed separately on the Statement of Net Position as "Equity in Pooled Cash" and "Investments." 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.

	Total Cash and Cash Equivalents	Investments	Total Pooled Funds	Non-Pooled Cash	Non-Pooled Investments	Total Cash and Investments
<b>Governmental Funds:</b>						
General	\$48,028,855	\$262,305,774	\$310,334,629	\$96,236	\$0	\$310,430,865
Debt Service	46,329,259	78,983,001	125,312,260	29,580	2,540,573	127,882,413
Capital Projects	29,244,996	177,791,922	207,036,918	-	-	207,036,918
Grants	4,530,049	1,394,854	5,924,903	1,000	-	5,925,903
Nonmajor	34,011,208	245,611,705	279,622,913	167,734	3,677,259	283,467,906
<b>Enterprise Funds:</b>						
Airport System	171,328,365	1,044,679,159	1,216,007,524	43,614,720	-	1,259,622,244
Convention & Entertainment	13,806,332	86,160,382	99,966,714	12,920	-	99,979,634
Combined Utility	177,595,999	1,114,571,102	1,292,167,101	26,514	-	1,292,193,615
<b>Internal Service:</b>						
Health Benefits	6,666,778	46,932,558	53,599,336	-	-	53,599,336
Long-term Disability	1,368,714	8,447,904	9,816,618	-	-	9,816,618
<b>Agency:</b>						
City Deposits	18,235	112,109	130,344	-	-	130,344
Payroll Revolving	-	-	-	10	-	10
TIRZ Deposits	37,368,721	58,090,645	95,459,366	-	-	95,459,366
<b>Total</b>	<b>\$570,297,511</b>	<b>\$3,125,081,115</b>	<b>\$3,695,378,626</b>	<b>\$43,948,714</b>	<b>\$6,217,832</b>	<b>\$3,745,545,172</b>

**B. Investments and Risk Disclosures**

The following describes the investment positions of the City's operating funds as of June 30, 2017. The City held \$3.6 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 98.3% of the City's total pooled investable funds are held in this portfolio.

<b>City of Houston</b>	<b>Credit Quality</b>	<b>Fair Value</b>	<b>WAM*</b>
<b>Investments As of June 30, 2017</b>	<b>Ratings (1)(2)</b>	<b>(\$ in millions)</b>	<b>(years)</b>
U.S. Treasury Securities	N/A	1,757.01	1.595
Govt. Agency Securities (3)	AAA	999.72	1.522
Govt. Agency Securities (State of Israel Bond)	A+	4.98	1.173
Govt. Agency Securities (3) (4)	Not rated	26.02	0.392
Govt. Mortgaged Backed Securities (3) (4)	Not rated	15.71	1.894
MMF - TexSTAR Cash Reserves	AAA Short Term	210.00	0.088
Commercial Paper	A-1+/P-1 Short Term	314.09	0.215
Municipal Securities	AAA Long Term	100.06	1.279
Municipal Securities	AA Long Term	195.64	1.230
Municipal Securities	A Long Term	8.78	1.681
<b>Total Investments</b>		<b>3,632.00</b>	<b>1.332</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 V1 volatility rating to the City's General Investment Pool. The AAA signifies the highest level of credit protection, and the V1 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, 2017, this investment portfolio's dollar-weighted average maturity was 1.332 years. Modified duration was 1.306 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 1.306 years would experience approximately a 1.306% 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 AA-. 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

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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 Securities up to 20%; Municipal Securities up to 20% with a rating not less than A by a nationally recognized rating agency; 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, 2017 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, 2017, 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>			
	<u>6/30/17</u>	<u>Quoted prices (Level 1)</u>	<u>Other significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<b>Investments by fair value level</b>				
U.S. Treasury Securities	\$ 1,757.01	\$ 1,757.01		
Govt. Agency Securities	\$ 1,025.73		\$ 1,025.73	
Govt. Agency Securities (State of Israel Bd)	\$ 4.98			\$ 4.98
Govt. Mortgage Backed Securities	\$ 15.71		\$ 15.71	
Municipal Securities	\$ 304.48		\$ 304.48	
Commercial Paper	\$ 314.09		\$ 314.09	
<b>Total Investment by Fair Value Level</b>	<b>\$ 3,422.00</b>	<b>\$ 1,757.01</b>	<b>\$ 1,660.01</b>	<b>\$ 4.98</b>
<b>Investments measured at the net asset value (NAV)</b>				
MMF - TexSTAR Cash Reserves	\$ 210.00		\$ 210.00	
<b>Total investments measured at the net asset value (NAV)</b>	<b>\$ 210.00</b>		<b>\$ 210.00</b>	
<b>Total investments measured at fair value and NAV</b>	<b>\$ 3,632.00</b>	<b>\$ 1,757.01</b>	<b>\$ 1,870.01</b>	<b>\$ 4.98</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 provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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. When 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 tax-exempt money market fund.

<b>City of Houston Investments As of June 30, 2017</b>	<b>Credit Quality Ratings</b>	<b>Fair Value (\$ in millions)</b>	<b>WAM</b>
Municipal Securities	AAA Long Term	\$ 3.96	152 days
Municipal Securities	AA+ Long Term	3.38	97 days
<b>Total Investments</b>		<b>\$ 7.34</b>	<b>127 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, 2017, the pool's dollar-weighted average maturity was 165 days or 4.452 years. Modified duration was 0.439 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 if the yield is reasonably higher than that of a tax-exempt money market mutual fund. Otherwise, funds are invested in one or more tax-exempt money market mutual funds that are SEC registered and regulated under Rule 2a-7. Rule 2a-7 requires that the fund have a weighted average maturity of less than 60 days to maturity, that individual securities cannot be more than 397 days to maturity, and that securities have rating by a nationally recognized rating agencies in one of the two highest short-term rating categories.

*Custodial Credit Risk.* As of June 30, 2017, 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>6/30/17</b>	<b>Quoted prices (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>
<b>Investments by fair value level</b>			
Municipal Securities	\$ 7.34		\$ 7.34
<b>Total Investment by Fair Value Level</b>	<b>\$ 7.34</b>	<b>\$ -</b>	<b>\$ 7.34</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 provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**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 Investments As of June 30, 2017</b>	<b>Credit Quality Ratings</b>	<b>Fair Value (\$ in millions)</b>	<b>WAM</b>
U.S. Treasury Bills	N/A	\$ 7.90	24 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

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six months maximum. As of June 30, 2017, this investment portfolio's dollar-weighted average stated maturity was 24 days. Modified duration was 0.067 years.

*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, 2017, 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>6/30/17</u>	Quoted prices <u>(Level 1)</u>	Other significant observable inputs <u>(Level 2)</u>
<b>Investments by fair value level</b>			
Debt securities			
U.S. Treasury Bills	\$ 7.90	\$ 7.90	
<b>Total Investment by Fair Value Level</b>	<b>\$ 7.90</b>	<b>\$ 7.90</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.

**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, 2017</b>	<b>Ratings</b>	<b>(\$ in millions)</b>	
JP Morgan US Government Money Market Fund: Balances held for Airport System Special Facilities Revenue Bond Series 1997A debt service	AAA	\$ 6.595	28 days
BlackRock Institutional Temporary Liquidity Fund: Balances held for Consolidated Rental Car Facility operations, improvements, debt service	AAA	36.632	37 days
JP Morgan US Treasury Securities Money Market Fund: Balances held for auction bonds debt service	AAA	0.389	44 days
First American US Treasury Money Market Fund: Balances held for commercial paper debt service	AAA	0.063	35 days
<b>Total Miscellaneous Money Market Funds</b>		<b>\$ 43.678</b>	<b>36 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, 2017, 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>		
		Quoted prices	Other significant
	<b>6/30/17</b>	<b>(Level 1)</b>	observable inputs <b>(Level 2)</b>
Investments measured at the net asset value (NAV)			
JP Morgan US Government MMF	6.5946		6.5946
BlackRock FedFund-Institutional	36.6319		36.6319
JP Morgan US Treasury Securities MMF	0.3887		0.3887
First American US Treasury MMF	0.0631		0.0631
Total investments measured at the net asset value (NAV)	<b>\$ 43.678</b>	<b>\$ -</b>	<b>\$ 43.678</b>

**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</b>	<b>Credit Quality</b>	<b>Fair Value</b>	<b>WAM</b>
<b>Investments As of June 30, 2017</b>	<b>Ratings</b>	<b>(\$ in millions)</b>	<b>(years)</b>
Cash and Equivalents	Not Rated	\$ 0.1261	n/a
Fixed Income	Not Rated	0.4314	7.50
Equities	N/A	2.6505	n/a
Hedge Funds	N/A	0.3856	n/a
Real Estate	N/A	-	n/a
Tangible Assets	N/A	0.0837	n/a
Total Assets		<b>\$ 3.6773</b>	<b>n/a</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 eight years. The weighted average maturity for the fixed income portfolio is 7.5 years, and the weighted average duration is 5.6 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 and money market mutual funds, accordingly, there is no credit risk.

*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, 2017 all of the Foundation's holdings in the above noted mutual funds, corporate bonds, and common stocks 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>			
	<u>6/30/17</u>	<u>Quoted prices (Level 1)</u>	<u>Other significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<b>Investments by fair value level</b>				
Cash and Equivalents	0.1261	0.1261		
Fixed Income	0.4314	0.1047	0.3267	
Equities	2.6505	1.4647	1.1857	
Hedge Funds	0.3856	0.3856		
Tangible Assets	0.0837	0.0314		0.0523
<b>Total Investment by Fair Value Level</b>	<b>\$ 3.677</b>	<b>\$ 2.112</b>	<b>\$ 1.512</b>	<b>\$ 0.052</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, 2017, are presented by type, as follows:

Short-term investment funds	\$ 54,125,554
Government securities	72,675,493
Corporate bonds	202,121,498
Capital stocks	540,683,622
Commingled funds	653,822,339
Real assets	261,822,756
Alternative investments	809,591,991
Total investments	<u>\$ 2,594,843,253</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, and absolute return), 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, 2017, 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 \$203 million, representing 7.8% of the System's portfolio as of June 30, 2017. This investment also exceeded the 5.0% threshold in 2016, and was the only investment to do so that year. In addition, the BlackRock ACWI Index had a fair market value of \$140 million, representing 5.4% of the System's portfolio as of June 30, 2017.

At June 30, 2017, 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	\$ 8,700,210	\$ -	\$ 8,700,210
Convertible bonds	4.50	9,446,867	-	9,446,867
Corporate bonds	5.86	143,316,558	363,645	143,680,203
GNMA/FNMA/FHLMC	3.07	30,653,502	-	30,653,502
Municipal	7.50	782,602	-	782,602
Government issues	6.85	37,996,374	3,243,014	41,239,388
Misc. receivable (auto/credit card)	4.10	9,958,569	-	9,958,569
Bank Loan <sup>1</sup>	N/A	30,335,650	-	30,335,650
		<u>\$271,190,332</u>	<u>\$ 3,606,659</u>	<u>\$ 274,796,991</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 tap 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, 2017 are as follows:

Quality Rating	Asset Backed Securities	Corp Bonds & Bank Loans	CMO	US Gov't Agencies	Government Issues	Municipals	Total	% of Holdings
AAA	\$ 4,885,456	\$ 431,684	\$ 1,837,838	-	-	\$ 363,806	\$ 7,518,784	0.29%
AA	754,253	4,542,040	-	-	442,041	376,335	6,114,669	0.24%
A	-	15,789,985	430,527	-	2,284,689	42,461	18,547,662	0.71%
BBB	340,771	35,110,741	-	-	-	-	35,451,512	1.37%
BB	-	23,059,840	-	-	-	-	-	0.89%
B	-	39,926,933	-	-	101,526	-	40,028,459	1.54%
CCC	-	22,317,690	-	-	-	-	-	0.86%
CC	-	997,500	-	-	-	-	997,500	0.04%
C	-	138,750	-	-	-	-	138,750	0.01%
D	-	73,493	-	-	-	-	73,493	0.00%
NA*	3,978,089	41,074,064	6,431,845	30,653,502	38,411,132	-	120,548,632	4.65%
Total Fixed Income Securities	\$ 9,958,569	\$ 183,462,720	\$ 8,700,210	\$ 30,653,502	\$ 41,239,388	\$ 782,602	\$ 274,796,991	10.59%
Other Investments							2,320,046,262	89.41%
<b>Total Investments</b>							<b>\$ 2,594,843,253</b>	<b>100.00%</b>

\*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. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund, establishes investments in international equities.

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The System has an indirect exposure to foreign currency fluctuation as of June 30, 2017 as follows:

	<u>Fair Value</u>
Australian Dollar	\$ 3,231,720
Brazilian Real	577
Canadian Dollar	5,674,371
Danish Krone	5,129,917
Euro Currency	66,971,157
Hong Kong Dollar	0
Indonesian Rupiah	0
Japanese Yen	9,637,241
Malaysian Ringgit	19,482
Mexican Peso	2,284,689
New Israeli Shekel	33
New Taiwan Dollar	0
New Zealand Dollar	275
Norwegian Krone	0
Pound Sterling	30,425,317
Singapore Dollar	0
South African Rand	1,570,222
South Korean Won	95,681
Swedish Krona	2,462,658
Swiss Franc	11,801,532
Thailand Baht	2,159,398
Turkish Lira	0
	<u>\$ 141,464,270</u>

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:

Level 1 inputs are quoted prices in active markets for identical assets	\$ 538,819
Level 2 inputs are significant other observable inputs	266,618
Level 3 inputs are significant unobservable inputs	10,240
Investments measured at net asset value	<u>1,779,166</u>
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 2,594,843</b></u>

**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 investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Fund; however, 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, 2017 by type are as follows:

Short-Term Investment Funds	\$ 59,704,445
Fixed Income-Government Securities	410,891,586
Fixed Income-Corporate Bonds	653,282,302
Fixed Income-Convertibles	32,466,182
Common Equity	1,976,541,201
Preferred Equity	4,486,762
Hedge Funds:	
Global Macro Hedge Fund	226,885,543
Multi-Strategy FOHFs	19,577,081
Private Equity :	
Buy Out Partnerships/Funds	124,454,196
Distressed Debt Partnerships/Funds	64,345,065
Direct Investments	1,075,000
Secondary Partnerships/Funds	85,490,185
Special Situations Investments	25,075,208
Venture Capital Partnerships/Funds	82,135,548
Real Estate	194,666,779
Total Investments	<u>\$ 3,961,077,083</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, 2017 and 2016 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, 2017, more than 5% of the Fund's net assets are in the MCM ACWI Ex-U.S. FUND and MCM EB DV Broad Market Stock Index Fund. These investments represent 19.40% and 16.71%, respectively, of the Fund's net assets. As of June 30, 2016, more than 5% of the Fund's net assets were in the MCM ACWI Ex-U.S. FUND (10.24%) and MCM EB DV Broad Market Stock Index Fund (16.20%).

*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, 2017, the following table shows the Fund's investments by type, with weighted average maturity and fair value:

	Weighted Average	
	Maturity	Fair Value
Non-U.S. Collateralized	25.31	\$ 1,778,755
Non-U.S. Convertibles	4.71	689,504
Non-U.S. Corporate	6.96	95,255,518
Non-U.S. Treasuries	5.16	14,400,097
Taxable Municipals	6.78	10,023,539
U.S. Collateralized	5.75	58,122,877
U.S. Convertibles	11.61	31,776,678
U.S. Corporate	7.39	488,101,613
U.S. Treasuries	8.40	396,491,489
Total Fixed Income Securities		\$ 1,096,640,070

*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.

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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, 2017 is as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Holdings</u>
AGY	\$ -	0.00%
A1	23,107,277	0.58%
A2	52,898,173	1.33%
A3	71,558,098	1.80%
AA1	14,232,285	0.36%
AA2	892,042	0.02%
AA3	29,101,109	0.73%
AAA	74,631,751	1.88%
B1	12,281,138	0.31%
B2	9,732,887	0.24%
B3	24,385,018	0.61%
BA1	6,870,944	0.17%
BA2	22,295,266	0.56%
BA3	22,189,322	0.56%
BAA1	119,834,335	3.01%
BAA2	68,941,594	1.73%
BAA3	55,228,813	1.39%
C	130,425	0.00%
CA	2,216,573	0.06%
CAA1	18,857,805	0.47%
CAA2	5,029,073	0.13%
CAA3	3,836,908	0.10%
D	680,788	0.02%
DEF	1,567,065	0.04%
Not rated	59,649,892	1.50%
Total credit risk debt securities*	<u>\$ 700,148,581</u>	<u>17.60%</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.

*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.

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The Fund's exposure to foreign currency fluctuation as of June 30, 2017 is as follows:

	<u>Fair Value</u>	<u>Percentage of Holdings</u>
Euro Currency Unit	\$ 26,924,638	0.68%
Mexican Peso	5,195,222	0.13%
New Zealand Dollar	3,805,407	0.10%
Australian Dollar	2,664,674	0.07%
Canadian Dollar	2,583,054	0.06%
Norwegian Krone	2,332,916	0.06%
Brazil Real	1,780,191	0.04%
Pound Sterling	884,310	0.02%
Swiss Franc	94,393	0.00%
Czech Koruna	19,921	0.00%
Japanese Yen	227	0.00%
Danish Krone	0	-
Hong Kong Dollar	0	-
Swedish Krona	0	-
Singapore Dollar	0	-
Total securities subject to foreign currency risk	<u>\$ 46,284,953</u>	<u>1.16%</u>

The Fund 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:

Level 1 inputs are quoted prices in active markets for identical assets	\$ 637,850,573
Level 2 inputs are significant other observable inputs	652,848,965
Level 3 inputs are significant unobservable inputs	5,325,972
Investments measured at net asset value	<u>2,665,051,573</u>
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 3,961,077,083</b></u>

**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,

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2017 and June 30, 2016, the System had a balance of \$104 thousand and \$304 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, 2017, none of the System's bank balance of \$104 thousand was exposed to custodial credit risk. At June 30, 2017, the System did not have any other investments with other financial institutions subject to custodial credit risk.

*Credit Risk.* As of June 30, 2017 and 2016, the System's fixed income assets that are not U.S. government guaranteed represented 91.7% and 92.3%, 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, 2017 and 2016.

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

Fixed Income Security Type	Fair Value (\$000's)	Percent of Total	Weighted Average Credit Quality
Corporate Bonds	\$ 124,099	12.5 %	B
Mutual Bond Funds	110,950	11.2	BB
Short Term Investment Funds	754,795	76.3	Not Rated
<b>Total</b>	<b>\$ 989,844</b>	<b>100.0 %</b>	

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

Credit Rating Level	Corporate Bonds	Mutual Bond Funds	Short Term Investment Funds
BBB	\$ 3,280	\$ -	\$ -
BB	49,877	59,640	-
B	57,324	-	-
CCC	11,657	-	-
NR	1,961	51,310	754,795
<b>Total</b>	<b>\$ 124,099</b>	<b>\$ 110,950</b>	<b>\$ 754,795</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 domestic equity issue to 15% of each portfolio at fair value and for any one single international equity issue to 5% of the System's investments. For fixed income investments, the System's policy limits, by each specific portfolio, investment in any one single fixed income security to 10% of each portfolio at fair value. As of June 30, 2017, 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, 2017, 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	\$ 124,099	11.5%	4.9
Mutual Bond Funds	110,950	10.3	4.6
Short Term Investment Funds	844,812	78.2	0.1
<b>Total</b>	<b>\$ 1,079,861</b>	<b>100.0%</b>	<b>1.2</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	\$ 431	0.7	0.0
1 to 5 years maturities	39,825	3.3	1.1
5 to 10 years maturities	82,961	5.6	3.7
Greater than 10 years maturities	882	9.3	0.1
<b>Total</b>	<b>\$ 124,099</b>		<b>4.9</b>
<b>Mutual Bond Funds</b>			
Less than 1 year	\$ 4,512	5.2	0.2
1 to 5 years maturities	35,889	5.2	1.5
5 to 10 years maturities	55,748	5.2	2.3
Greater than 10 years maturities	14,801	5.2	0.6
<b>Total</b>	<b>\$ 110,950</b>		<b>4.6</b>
<b>Short Term Investment Funds</b>			
Less than 1 year	\$ 809,429	0.1	0.1
1 to 5 years maturities	35,383	0.1	0.0
<b>Total</b>	<b>\$ 844,812</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, 2017, is shown in the table below.

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

Currency	Short Term Investments	Equities	Alternative Investments	Total
Euro	\$ (109,510)	\$ 202,334	\$ 8,301	\$ 101,125
Canadian dollar	28,096	59,465	-	87,561
Japanese yen	(78,854)	149,295	-	70,441
British pound sterling	(59,261)	122,960	-	63,699
Australian dollar	-	45,207	14,095	59,302
Swiss franc	-	56,772	-	56,772
Chinese yuan renminbi	-	53,919	-	53,919
South Korean won	-	30,408	-	30,408
New Taiwan dollar	-	25,726	-	25,726
Hong Kong dollar	-	21,979	-	21,979
Swedish krona	-	18,911	-	18,911
Indian rupee	-	16,832	-	16,832
South African rand	-	14,779	-	14,779
Brazilian real	-	14,526	-	14,526
Danish krone	-	11,450	-	11,450
Singapore dollar	-	8,908	-	8,908
Mexican peso	-	8,414	-	8,414
Russian ruble	-	7,164	-	7,164
Malaysian ringgit	-	5,716	-	5,716
Indonesian rupiah	-	4,889	-	4,889
Thai baht	-	4,515	-	4,515
Norwegian krone	-	4,276	-	4,276
New Israeli shekel	-	3,500	-	3,500
Polish zloty	-	2,827	-	2,827
Turkish lira	-	2,698	-	2,698
Philippine peso	-	2,605	-	2,605
Chilean peso	-	2,417	-	2,417
Colombian peso	-	1,063	-	1,063
New Zealand dollar	-	957	-	957
Peruvian nuevo sol	-	791	-	791
United Arab Emirates dirham	-	738	-	738
Qatari riyal	-	655	-	655
Hungarian forint	-	545	-	545
Czech koruna	-	361	-	361
Egyptian pound	-	342	-	342
Pakistan rupee	-	130	-	130
<b>Total</b>	<b>\$ (219,529)</b>	<b>\$ 908,077</b>	<b>\$ 22,396</b>	<b>\$ 710,944</b>

The June 30, 2011, Agreement with the City provided that once the Funded Ratio of the System reaches 80%, this becomes the new floor and if it should ever decline below such 80% level, in the fiscal year next following such determination, the City shall pay such additional amounts to the System as shall be necessary to increase the Funded Ratio to 80%. The Funded Ratio was determined to be 79.7% in the July 1, 2015 actuarial valuation. The contribution receivable of \$14,284 thousand for fiscal year 2016 was the amount necessary to increase the Funded Ratio to 80% and was paid bi-weekly by the City in fiscal year 2017.

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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, 2017 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, 2017 and 2016, was \$25,778 thousand and \$24,211 thousand, respectively. The System also had non-cash collateral at June 30, 2017 and 2016, of \$10,173 thousand and \$884 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, 2017 and 2016 was \$35,189 thousand and \$24,737 thousand, respectively. At June 30, 2017, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers, \$35,951 thousand, exceeds the amounts the borrowers owe the System, \$35,189 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, 2017, 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.

**Fair Value (\$000's) at June 30, 2017**

(\$000's)	Year ending June 30, 2017		As of June 30, 2017		
	Changes in Fair Value	Posted Margin	Collateral Held at Custodian Bank	Collateral Held at Broker	Notional Value
Equity Futures	\$ 147,599	\$ 54,388	\$ 603,968	\$ -	\$ 1,005,928
Currency Futures	11,794	6,969	35,263	-	(218,903)
Equity Options	11,081	-	16,177	29,857	(259,682)

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.

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- *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.
- *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, 2017, is shown in the table below (\$000’s).

<u>Currency</u>	<u>Equity Derivatives</u>	<u>Currency Derivatives</u>	<u>Total</u>
Canadian dollar	\$ 27,935	\$ 28,734	\$ 56,669
Chinese yuan renminbi	27,843	-	27,843
Swiss franc	25,178	-	25,178
Australian dollar	21,617	-	21,617
South Korean won	15,581	-	15,581
New Taiwan dollar	12,477	-	12,477
Hong Kong dollar	10,842	-	10,842
Euro	99,861	(109,510)	(9,649)
Swedish krona	8,864	-	8,864
Indian rupee	8,793	-	8,793
Japanese yen	70,793	(78,854)	(8,061)
Brazilian real	6,624	-	6,624
South African rand	6,509	-	6,509
British pound sterling	53,497	(59,273)	(5,776)
Danish krone	5,755	-	5,755
Singapore dollar	3,998	-	3,998
Mexican peso	3,684	-	3,684
Russian ruble	3,156	-	3,156
Indonesian rupiah	2,452	-	2,452
Malaysian ringgit	2,373	-	2,373
Thai baht	2,170	-	2,170
Norwegian krone	2,077	-	2,077
New Israeli shekel	1,435	-	1,435
Polish zloty	1,295	-	1,295
Philippine peso	1,180	-	1,180
Turkish lira	1,176	-	1,176
Chilean peso	1,136	-	1,136
United Arab Emirates dirham	738	-	738
Qatari riyal	655	-	655
New Zealand dollar	514	-	514
Colombian peso	449	-	449
Peruvian nuevo sol	368	-	368
Hungarian forint	325	-	325
Czech koruna	175	-	175
Pakistan rupee	130	-	130
Egyptian pound	129	-	129
<b>Total</b>	<b>\$ 431,783</b>	<b>\$ (218,903)</b>	<b>\$ 212,880</b>

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*Alternative Investments* – As of June 30, 2017, the System was invested in various partnerships, separate accounts and commingled funds across various types of alternative investments as detailed in the table below.

<b>Investment Type</b>	<b>Fair Value (\$000's)</b>
<i>Private Equity</i>	
Leveraged Buyouts	\$ 291,414
Energy	126,410
Special Situations	103,426
Private Equity Secondaries	52,308
Venture Capital	27,234
<i>Other Alternatives</i>	
Real Estate	294,990
Credit	160,895
<i>Hedge Funds</i>	
Portable alpha hedge funds	474,501
Global macro hedge funds	210,679
Multi-strategy hedge funds	126,611
Long/short credit hedge funds	45,480
Long/short equity hedge funds	25,101
Total	\$ 1,939,049

The Plan 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 (in thousands):

Level 1 inputs are quoted prices in active markets for identical assets	\$ 89,652
Level 2 inputs are significant other observable inputs	1,221,858
Level 3 inputs are significant unobservable inputs	1,032,487
Investments measured at net asset value (NAV)	<u>2,110,688</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 4,454,685</u></b>

**NOTE 4: ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The following were the allowances for doubtful accounts receivable by fund as of June 30, 2017 (\$000's):

<b>Fund</b>	<b>Amount</b>
General	
Uncollectible general property taxes	\$ 40,347
Ambulance charges	307,505
Fines and forfeits	25,140
Demolition liens	135,164
Others	11,566
Grant revenue	26,733
Airport System	1,623
Convention and Entertainment Facilities	518
Combined Utility System	159,572
	\$ 708,168

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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 2016 tax year was \$0.586420 per \$100 of assessed value with \$0.454458 for operations and \$0.131962 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 Abatements**

The City of Houston has 26 active Tax Increment Reinvestment Zones (TIRZs) currently, including 1 County-led TIRZ, as listed below.

<b>TIRZ #</b>	<b>TIRZ Name</b>	<b>TIRZ #</b>	<b>TIRZ Name</b>	<b>TIRZ #</b>	<b>TIRZ Name</b>
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.

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In fiscal year 2017, the City of Houston contributed \$134.6 million in tax increments to the TIRZs. A summary of taxing units that participate in various TIRZs through interlocal agreements are listed below. These taxing units contributed a combined \$79.1 million in tax increments to the TIRZs. The TIRZs budgets totaled \$419.3 million in expenditures for fiscal year 2017.

<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, and 13

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 2017, the total amount abated was \$501,581, to six businesses.

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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, 2017 follows (in thousands) (See Note 17C – Subsequent Events – Hurricane Harvey):

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Retirement</b>	<b>Transfers</b>	<b>Balance June 30, 2017</b>
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 412,697	\$ 9,867	\$ (3,608)	\$ 2,790	\$ 421,746
Right of way	1,755,133	1,229	(244)	3,154	1,759,272
Construction Work in Progress	309,171	289,553	-	(235,702)	363,022
Total capital assets not being depreciated	<u>2,477,001</u>	<u>300,649</u>	<u>(3,852)</u>	<u>(229,758)</u>	<u>2,544,040</u>
Other capital assets:					
Buildings	1,229,805	116	(7,801)	41,450	1,263,570
Rights & Intangibles - Amortizable	7,384	575	-	273	8,232
Improvements and Equipment	1,219,799	29,560	(27,337)	39,379	1,261,401
Infrastructure	6,580,837	58,839	(18,325)	148,656	6,770,007
Total other capital assets	<u>9,037,825</u>	<u>89,090</u>	<u>(53,463)</u>	<u>229,758</u>	<u>9,303,210</u>
Less accumulated depreciation for:					
Buildings	(413,701)	(33,983)	5,308	-	(442,376)
Rights and Intangibles	(7,275)	(327)	-	-	(7,602)
Improvements and Equipment	(758,987)	(83,551)	26,493	-	(816,045)
Infrastructure	(3,200,735)	(150,196)	16,240	-	(3,334,691)
Total accumulated depreciation	<u>(4,380,698)</u>	<u>(268,057)</u>	<u>48,041</u>	<u>-</u>	<u>(4,600,714)</u>
Other capital assets, net	4,657,127	(178,967)	(5,422)	229,758	4,702,496
Governmental Activities capital assets, net	<u>\$7,134,128</u>	<u>\$ 121,682</u>	<u>\$ (9,274)</u>	<u>\$ -</u>	<u>\$7,246,536</u>

**B. Business-type Activities**

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2017</b>
<b>Airport System</b>					
Capital assets not being depreciated:					
Land	\$ 222,886	\$ 5,390	\$ (12,649)	\$ 452	\$ 216,079
Rights & Intangibles- Non Amortizable	9,752	-	-	(183)	9,569
Construction Work in Progress	174,942	105,020	-	(144,729)	135,233
Total capital assets not being depreciated	<u>407,580</u>	<u>110,410</u>	<u>(12,649)</u>	<u>(144,460)</u>	<u>360,881</u>
Other capital assets:					
Buildings	2,900,383	296	-	70,271	2,970,950
Improvements and equipment	1,790,940	11,718	(576)	47,521	1,849,603
Infrastructure	530,381	13	-	26,668	557,062
Rights & Intangibles- Amortizable	4,084	951	-	-	5,035
Total other capital assets	<u>5,225,788</u>	<u>12,978</u>	<u>(576)</u>	<u>144,460</u>	<u>5,382,650</u>
Less accumulated depreciation for:					
Buildings	(1,227,227)	(101,538)	-	49	(1,328,716)
Improvements and equipment	(1,115,945)	(65,959)	576	(29)	(1,181,357)
Infrastructure	(330,269)	(16,661)	-	(20)	(346,950)
Rights & Intangibles	(1,463)	(1,613)	-	-	(3,076)
Total accumulated depreciation	<u>(2,674,904)</u>	<u>(185,771)</u>	<u>576</u>	<u>-</u>	<u>(2,860,099)</u>
Other capital assets, net	2,550,884	(172,793)	-	144,460	2,522,551
Airport System capital assets, net	<u>\$ 2,958,464</u>	<u>\$ (62,383)</u>	<u>\$ (12,649)</u>	<u>\$ -</u>	<u>\$2,883,432</u>

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	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2017</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	577,761	-	(233)	-	577,528
Garage Rights	13,144	-	-	-	13,144
Improvements and equipment	11,875	-	(11)	-	11,864
Infrastructure	334	-	-	-	334
Total other capital assets	<u>603,114</u>	<u>-</u>	<u>(244)</u>	<u>-</u>	<u>602,870</u>
Less accumulated depreciation/amortization for:					
Buildings	(259,701)	(13,144)	54	-	(272,791)
Garage Rights	(4,391)	(343)	-	-	(4,734)
Improvements and equipment	(8,852)	(152)	8	-	(8,996)
Infrastructure	(113)	(15)	-	-	(128)
Total accumulated depreciation/amortization	<u>(273,057)</u>	<u>(13,654)</u>	<u>62</u>	<u>-</u>	<u>(286,649)</u>
Other capital assets, net	<u>330,057</u>	<u>(13,654)</u>	<u>(182)</u>	<u>-</u>	<u>316,221</u>
Convention and Entertainment Facilities capital assets, net	<u>\$ 425,744</u>	<u>\$ (13,654)</u>	<u>\$ (182)</u>	<u>\$ -</u>	<u>\$ 411,908</u>

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2017</b>
<b>Combined Utility System</b>					
Capital assets not being depreciated:					
Land	\$ 141,935	\$ 3,181	\$ (348)	\$ 2,194	\$ 146,962
Right of way	345	-	-	6	351
Rights & Intangibles - Non-depreciable	545,285	203,373	-	-	748,658
Construction Work in Progress	504,872	375,058	-	(400,148)	479,782
Total capital assets not being depreciated	<u>1,192,437</u>	<u>581,612</u>	<u>(348)</u>	<u>(397,948)</u>	<u>1,375,753</u>
Other capital assets:					
Buildings	199,547	420	(763)	(51,046)	148,158
Improvements and equipment	166,251	4,914	(2,592)	1,934	170,507
Infrastructure	10,180,940	17,263	(71,333)	447,060	10,573,930
Total other capital assets	<u>10,546,738</u>	<u>22,597</u>	<u>(74,688)</u>	<u>397,948</u>	<u>10,892,595</u>
Less accumulated depreciation/amortization for:					
Buildings	(82,841)	(5,528)	707	10,520	(77,142)
Improvements and equipment	(106,444)	(12,868)	2,508	706	(116,098)
Infrastructure	(5,128,166)	(227,812)	67,365	(11,226)	(5,299,839)
Water Rights	-	(10)	-	-	(10)
Total accumulated depreciation/amortization	<u>(5,317,451)</u>	<u>(246,218)</u>	<u>70,580</u>	<u>-</u>	<u>(5,493,089)</u>
Other capital assets, net	<u>5,229,287</u>	<u>(223,621)</u>	<u>(4,108)</u>	<u>397,948</u>	<u>5,399,506</u>
Combined Utility System capital assets, net	<u>6,421,724</u>	<u>357,991</u>	<u>(4,456)</u>	<u>-</u>	<u>6,775,259</u>
Business-type activities capital assets, net	<u>\$ 9,805,932</u>	<u>\$ 281,954</u>	<u>\$ (17,287)</u>	<u>\$ -</u>	<u>\$ 10,070,599</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	\$ 42,738
Public safety	29,259
Public works	18,404
Health	4,801
Housing	1,859
Parks and recreation	14,982
Library	5,818
Infrastructure	150,196
Total depreciation expense - governmental activities	\$ 268,057
<b>Business-type activities</b>	
Airport System	\$ 184,203
Convention & Entertainment Facilities	13,654
Combined Utility System	246,218
Total depreciation expense - business-type activities	\$ 444,075

**D. Exchange of Property**

On July 30, 2014 City Council approved an ordinance allowing the City and Houston Housing Authority (HHA) to establish a procedure for exchanging and transferring property. The initial transaction included the conveyance of 7.0299 acres of land located at 12500 Hillcroft from HHA to the City on May 31, 2017. Upon conveyance of the real property interest, the City established in its records a credit account for the benefit of HHA in the amount of the purchase price \$800,000 and provides HHA from time to time, upon request, with a complete running statement of the credit account.

**E. 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, 2017 amounted to \$5,134,305.

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

Short-term debt activity for the year ended June 30, 2017, was as follows (in thousands):

	<b>Balance July 1, 2016</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance June 30, 2017</b>
Tax and revenue				
Anticipation notes	\$ -	\$ 230,000	\$ 230,000	\$ -

On July 7, 2016, the City closed on the sale of \$230,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2016. The proceeds of the TRANS were used to pay working capital expenditures until tax revenues were received. The stated rate was 2.67%, and the average yield .66%. The notes matured on June 30, 2017.

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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, 2017 are summarized as follows (in thousands):

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Retirements/ Transfers</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities</b>					
Bonds and notes payable					
General tax obligation debt	\$ 2,960,308	\$ 140,000	\$ (192,615)	\$ 2,907,693	\$ 374,510
HUD Section 108 Loans	4,495	-	(659)	3,836	672
Plus premium (discount) on bonds	284,227		(17,421)	266,806	-
Total bonds and notes payable	<u>3,249,030</u>	<u>140,000</u>	<u>(210,695)</u>	<u>3,178,335</u>	<u>375,182</u>
Other liabilities:					
Claims and judgments	108,491	307,816	(297,788)	118,519	33,399
Compensated absences	467,366	69,132	(68,661)	467,837	145,918
Arbitrage rebate	14	-	(14)	-	-
Other Post Employment Benefit obligation	1,482,899	169,807	(34,336)	1,618,370	-
Net Pension liability	5,348,825	1,260,775	(2,204,034)	4,405,566	-
Total other liabilities	<u>7,407,595</u>	<u>1,807,530</u>	<u>(2,604,833)</u>	<u>6,610,292</u>	<u>179,317</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 10,656,625</u>	<u>\$ 1,947,530</u>	<u>\$ (2,815,528)</u>	<u>\$ 9,788,627</u>	<u>\$ 554,499</u>
<b>Discretely Presented Component Units:</b>					
Notes payable	\$ 492,194	\$ 128,911	\$ (61,196)	\$ 559,909	\$ 37,603
Revenue bonds	403,614	144,343	(112,891)	435,066	24,550
<b>Discretely Presented Component Units Long-Term Liabilities</b>	<u>\$ 895,809</u>	<u>\$ 273,254</u>	<u>\$ (174,087)</u>	<u>\$ 994,976</u>	<u>\$ 62,153</u>

(Continued)

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

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	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Retirements/ Transfers</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due within One Year</b>
<b>Business-type activities</b>					
Bonds and notes payable					
Airport System debt	\$ 2,403,570	\$ -	\$ (90,903)	2,312,667	\$ 94,603
Convention and Entertainment debt	484,605	-	(19,791)	464,814	21,890
Combined Utility System debt	6,140,466	563,830	(506,255)	6,198,041	221,695
Long-term contracts - Combined Utility	198,275	266,661	(4,868)	460,068	5,893
Premiums, discounts amount	821,325	67,100	(52,105)	836,320	-
Total bonds and notes payable	<u>10,048,241</u>	<u>897,591</u>	<u>(673,922)</u>	<u>10,271,910</u>	<u>344,081</u>
Other liabilities:					
Claims and judgments	3,880	866	(1,620)	3,126	1,621
Compensated absences	33,355	16,989	(17,700)	32,644	17,202
Arbitrage rebate liability	531	39	(425)	145	-
Other Post Employment Benefit obligation	200,844	19,208	(5,484)	214,568	-
Net Pension liability	726,357	110,819	(186,361)	650,815	-
Total other liabilities	<u>964,967</u>	<u>147,921</u>	<u>(211,590)</u>	<u>901,298</u>	<u>18,823</u>
<b>Business-type activities Long-Term Liabilities</b>	<b><u>\$ 11,013,208</u></b>	<b><u>\$ 1,045,512</u></b>	<b><u>\$ (885,512)</u></b>	<b><u>\$ 11,173,208</u></b>	<b><u>\$ 362,904</u></b>
<b>Total Reporting Entity Long-Term Liabilities</b>	<b><u>\$ 22,565,642</u></b>	<b><u>\$ 3,266,296</u></b>	<b><u>\$ (3,875,127)</u></b>	<b><u>\$ 21,956,811</u></b>	<b><u>\$ 979,556</u></b>

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

	<b>Stated Interest Rate Range, %</b>	<b>Face Value Outstanding 6/30/2016</b>	<b>FY17 Issued/ Increased</b>
<b>General Tax Obligation Debt</b>			
Public improvement bonds	0.25 to 6.32	\$ 2,320,605	\$ -
Pension obligations	5.31 to 6.29	523,443	-
Commercial paper	0.12 to 10.00	99,900	140,000
Tax and revenue certificates of obligation	4.00 to 5.00	16,360	-
<b>Total General Tax Obligation Debt</b>		<b>\$ 2,960,308</b>	<b>\$ 140,000</b>
<b>HUD Section 108 Loans</b>		<b>\$ 4,495</b>	<b>\$ -</b>
<b>Revenue Bonded Debt</b>			
<b>Airport System Bonds</b>			
Senior Lien Revenue bonds	5.00 to 5.50	\$ 440,385	\$ -
Subordinate lien revenue and refunding bonds	0.93 to 5.70	1,644,690	-
Special facility bonds (Note 1K)	1.916 to 7.13	96,895	-
Inferior lien contractual obligation	5.50	12,155	-
Pension obligations	5.31	2,006	-
Note obligation	2.19	120,439	-
Commercial paper	0.92 to 0.94	87,000	-
		<b>\$ 2,403,570</b>	<b>\$ -</b>
<b>Convention and Entertainment Facilities</b>			
Senior lien hotel occupancy tax/parking facilities	1.12 to 5.75	\$ 480,911	\$ -
Pension obligations	5.31 to 6.29	3,694	-
		<b>\$ 484,605</b>	<b>\$ -</b>
<b>Combined Utility System</b>			
Combined Utility System first lien bonds	0.02 to 6.00	\$ 5,964,895	\$ 353,830
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	60,000	210,000
Pension obligations	5.31 to 6.29	58,232	-
		<b>\$ 6,140,466</b>	<b>\$ 563,830</b>
<b>Long-Term Contracts-Water and Sewer System</b>			
Coastal Water Authority	2.00 to 7.50	\$ 71,855	\$ -
Other long term contracts	3.22 to 5.85	126,420	266,661
		<b>\$ 198,275</b>	<b>\$ 266,661</b>
<b>Total Revenue Bonded Debt and Long-Term Contracts, Primary Government</b>		<b>\$ 9,226,916</b>	<b>\$ 830,491</b>
<b>Total Bonds and Long-Term Contracts Payable, Primary Government</b>		<b>\$ 12,191,719</b>	<b>\$ 970,491</b>

(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>FY17 Redeemed/ Refunded (2)</b>	<b>Face Value Outstanding 6/30/2017</b>	<b>Adjustments (1)</b>	<b>Net Outstanding 6/30/2017</b>
\$ 185,420	\$ 2,135,185	\$ 265,862	\$ 2,401,047
6,585	516,858	-	516,858
-	239,900	-	239,900
610	15,750	944	16,694
<u>\$ 192,615</u>	<u>\$ 2,907,693</u>	<u>\$ 266,806</u>	<u>\$ 3,174,499</u>
<u>\$ 659</u>	<u>\$ 3,836</u>	<u>\$ -</u>	<u>\$ 3,836</u>
\$ 9,740	\$ 430,645	\$ (476)	\$ 430,169
64,925	1,579,765	59,061	1,638,826
5,305	91,590	-	91,590
5,915	6,240	-	6,240
-	2,006	-	2,006
5,018	115,421	-	115,421
-	87,000	-	87,000
<u>\$ 90,903</u>	<u>\$ 2,312,667</u>	<u>\$ 58,585</u>	<u>\$ 2,371,252</u>
19,721	461,190	184,297	645,487
70	3,624	-	3,624
<u>\$ 19,791</u>	<u>\$ 464,814</u>	<u>\$ 184,297</u>	<u>\$ 649,111</u>
\$ 255,140	\$ 6,063,585	\$ 480,578	\$ 6,544,163
-	57,339	103,675	161,014
250,000	20,000	-	20,000
1,115	57,117	-	57,117
<u>\$ 506,255</u>	<u>\$ 6,198,041</u>	<u>\$ 584,253</u>	<u>\$ 6,782,294</u>
\$ 4,100	\$ 67,755	\$ 5,761	\$ 73,516
768	392,313	3,424	395,737
<u>\$ 4,868</u>	<u>\$ 460,068</u>	<u>\$ 9,185</u>	<u>\$ 469,253</u>
<u>\$ 621,817</u>	<u>\$ 9,435,590</u>	<u>\$ 836,320</u>	<u>\$ 10,271,910</u>
<u>\$ 815,091</u>	<u>\$ 12,347,119</u>	<u>\$ 1,103,126</u>	<u>\$ 13,450,245</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 2041. 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. (See Note 17B – Subsequent Events – Pension Reform)

**3. General Obligation Commercial Paper**

The City currently may issue Commercial Paper Notes (“Notes”) under its \$875 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 2017 the average interest rate for the outstanding General Obligation Notes, including dealer and credit fees, was 1.26%. 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 0.35% and G-1 is 0.32% without any notes outstanding during Fiscal Year 2017. The Credit Agreements expire on the following dates: Series E-1 on July 15, 2018, Series E-2 on April 25, 2019, Series G-1 on February 19, 2018, Series G-2 on November 28, 2017, Series H-2 on November 21, 2017, 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 \$430,645,000 of senior lien bonds outstanding that mature in varying amounts from 2017 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 \$1,579,765,000 outstanding balance with a final maturity in the year 2032. 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 (VRDO’s), Series, 2010A, with a 7-day reset to refund its 2005 VRDO’s 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 in place for the Series 2010 bonds with a termination date of December 22, 2017. The maximum interest rate permitted under the ordinance is 10%.

The City has purchased municipal debt service reserve fund policies that unconditionally guarantee the payment of principal and interest on 9 of the 14 current outstanding airport system subordinate lien issues. The reserve policies terminate upon final maturities on various dates in the future. Each of the draws made against the reserve policy 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

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for each draw to be repaid monthly, beginning the first month following the date of each draw. The City cash funded a reserve fund for its Houston Airport System 2009A Senior Lien Revenue Bonds.

**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 are payable from Airport System net revenues on the same priority as inferior lien bonds. Accordingly, the principal amount remaining on the 1997A Special Facilities Bonds, totaling \$6,240,000 as of June 30, 2017, is recorded as an Inferior Lien Contract. The Series 1997A Bonds will reach 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, 2017, 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. 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, 2017, Special Facilities Taxable Revenue and Refunding Bonds (CRCF) outstanding totaled \$91,590,000.

**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 \$87 million in outstanding commercial paper notes as of June 30, 2017.

**10. 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 21, 2017 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, 2017.

**11. Airport System Note Obligation**

In February, 2013, the City entered into 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. During construction, the Airport Fund has recorded Southwest's cost of construction in process as a long term contract payable. The Airport Fund has no responsibility for any financing costs of the Project that may have been incurred by Southwest. The new gates and facility opened on October 15, 2015.

At any time after final completion of the Project, the City has 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. Should the City buy out Southwest's investment, Southwest will then be responsible for the payment of its share of the Airport Fund's capital cost through rates and charges on the new facilities. As long as the City does not buy out Southwest's investment in the facilities, then the Airport Fund will record a note payable to Southwest for the unamortized costs of the Project. Southwest will be invoiced monthly using rates that will recover operation and maintenance expenses. Southwest will also be invoiced monthly for the capital cost amortization of the facilities, but a corresponding credit memo will be issued to offset the capital invoice. Capital costs charged to other user airlines will be remitted to Southwest. The Airport Fund has recorded the initial note payable on October 15, 2015 as \$123,785,000, with \$115,421,000 still outstanding on June 30, 2017.

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**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%.

**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, Bank of Tokyo, State Street, Royal Bank of Canada and U.S. Bank. The letters of credit with Bank of America expires on January 1, 2019, Morgan Stanley expires on December 23, 2019, and Bank of Tokyo expires on January 16, 2018. The agreements with State Street and B-6 Bank of America expire on July 15, 2019. The agreement with RBC expires November 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, 2017</u>	<u>Notional Amount</u>
\$81,717,389 (Reported in SWAP Liability)	\$224,942,679 (Reported in SWAP Liability)	\$902,400,000

**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 assets.

*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, 2017, 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



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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, 2017, the effective rate on the 2004B Bonds associated with the swap was computed as follows:

	<u>Terms</u>	<b>RATE (%)</b> <b>Received</b>
Variable rate payment from counterparties	LIBOR x 57.6%	0.4312
	+ Constant	<u>0.3700</u>
Swap receipt		0.8012
Fixed rate paid to counterparties	Fixed	<u>(3.7784)</u>
Net rate (paid)/received for swap		(2.9772)
Average variable rate on 2004B bonds, year end		(0.6539)
Plus dealer and credit fees on 2004B bonds		<u>(0.6415)</u>
Effective rate of 2004B bonds		<u>(4.2725)</u>

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 \$99,729,642 on June 30, 2017. After adjustment for the refunded portion, the value reported in the financial statements is \$59,062,767. 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.

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<u>Counterparty</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating (Moody's/S&amp;P/Fitch)</u>
Goldman Sachs Capital Markets	\$353,325,000	(84,802,278)	A3/BBB+A+
JP Morgan Chase	150,000,000	(36,000,816)	Aa3/A+/AA-
Wells Fargo	<u>150,000,000</u>	<u>(36,000,816)</u>	Aa2/AA-/AA
Total	<u>\$653,325,000</u>	<u>(156,805,911)</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, 2017, the effective rate on the 2012C Bonds associated with the swap was computed as follows:

	<u>Terms</u>	<u>RATE (%) Received (Paid)</u>
Variable rate payment from counterparties (Swap Receipt)	LIBOR x 70%	0.5241
Fixed rate paid to counterparty	Fixed	<u>(3.7610)</u>
Net rate (paid)/received for swap		(3.2369)
Year-end variable rate on 2012C bonds		(0.7120)
Plus credit fees on 2012C bonds		<u>(0.6000)</u>
Effective rate of 2012C bonds		<u>(4.5490)</u>

*Fair value.* The swap had a fair value of positive \$18,012,252 on June 30, 2017. After adjustment for the refunded portion, the value reported in the financial statements is \$84,162,522. 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 \$67,755,000 at June 30, 2017 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 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

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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. Additionally, 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.

**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 2009-2018 rolled into principal to be amortized over the next 20 years. As of June 30, 2017, interest has been accrued of \$3.4 million, and current principal balance is \$16.3 million.

**SWIFT TWDB Loan**

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, 2017, \$640,000 principal has been paid from the 2015 Loan. The bonds mature on November 15, 2045 and November 15, 2046, respectively.

**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, 2017 is \$8.8 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 2022, and the final principal payment will be made in 2036.

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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, 2017.

**1. General Long-Term Tax Obligation Debt (adjusted for Capital Appreciation and Deferred Interest Bonds reclassification of principal & interest) (in thousands):**

<b>Year Ending June 30</b>	<b>Public Improvement Bonds</b>		<b>Pension Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$206,480	\$105,143	\$7,050	\$30,633
2019	212,510	95,742	7,540	30,190
2020	218,265	86,187	8,065	29,716
2021	185,890	75,641	17,070	29,208
2022	176,005	66,525	18,170	28,135
2023-2027	663,980	216,436	109,825	121,999
2028-2032	348,200	71,164	205,807	79,634
2033-2037	94,190	18,104	123,081	26,742
2038-2042	26,660	4,060	20,250	3,522
2043-2047	3,005	150	-	-
<b>Total</b>	<b>\$ 2,135,185</b>	<b>\$ 739,152</b>	<b>\$ 516,858</b>	<b>\$ 379,779</b>

<b>Year Ending June 30</b>	<b>General Obligation Commercial Paper</b>		<b>Tax and Revenue Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 159,900	\$ 1,702	\$ 1,080	\$ 730
2019	70,000	481	1,135	675
2020	10,000	112	1,195	619
2021	-	-	1,255	559
2022	-	-	1,315	496
2023-2027	-	-	9,770	611
2028-2032	-	-	-	-
2033-2037	-	-	-	-
2038-2042	-	-	-	-
2043-2047	-	-	-	-
<b>Total</b>	<b>\$ 239,900</b>	<b>\$ 2,295</b>	<b>\$ 15,750</b>	<b>\$ 3,690</b>

<b>Year Ending June 30</b>	<b>Total Future Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Future Requirements</b>
2018	\$ 374,510	\$ 138,208	\$ 512,718
2019	291,185	127,088	418,273
2020	237,525	116,634	354,159
2021	204,215	105,408	309,623
2022	195,490	95,156	290,646
2023-2027	783,575	339,046	1,122,621
2028-2032	554,007	150,798	704,805
2033-2037	217,271	44,846	262,117
2038-2042	46,910	7,582	54,492
2043-2047	3,005	150	3,155
<b>Total</b>	<b>\$ 2,907,693</b>	<b>\$ 1,124,916</b>	<b>\$ 4,032,609</b>

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

<b>Year Ending</b>	<b>HUD Section 108 Loans (in thousands)</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Future</b>
2018	\$ 672	\$ 198	\$ 870
2019	672	160	832
2020	672	121	793
2021	480	89	569
2022	480	62	542
2023-2027	860	24	884
2028-2032	-	-	-
<b>Total</b>	<b>\$ 3,836</b>	<b>\$ 654</b>	<b>\$ 4,490</b>

**3. Enterprise Funds (adjusted for capital appreciation and deferred reclassification of principal and interest) (in thousands):**

<b>Year Ending</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>
2018	\$ 10,225	\$ 22,613	\$ -	\$ 1,502	\$ 67,630.00	\$ 68,271
2019	10,735	22,089	-	1,502	67,785	65,133
2020	11,275	21,538	-	1,504	77,050	61,870
2021	11,835	20,961	-	1,502	69,350	58,396
2022	12,430	20,354	87,000	850	88,575	54,818
2023-2027	72,120	91,553	-	-	469,835	212,030
2028-2032	92,385	70,628	-	-	603,380	98,864
2033-2037	120,350	41,811	-	-	136,160	3,131
2038-2042	89,290	7,541	-	-	-	-
<b>Total</b>	<b>\$ 430,645</b>	<b>\$ 319,088</b>	<b>\$ 87,000</b>	<b>\$ 6,860</b>	<b>\$ 1,579,765</b>	<b>\$ 622,513</b>

<b>Year Ending</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>
2018	\$ 6,240	\$ 171	\$ -	\$ 107	\$ 5,490	5,275
2019	-	-	-	106	5,715	5,170
2020	-	-	-	107	5,960	5,038
2021	-	-	-	107	6,240	4,878
2022	-	-	-	106	7,505	4,691
2023-2027	-	-	-	532	48,425	14,752
2028-2032	-	-	1,267	436	12,255	843
2033-2037	-	-	739	79	-	-
2038-2042	-	-	-	-	-	-
<b>Total</b>	<b>\$ 6,240</b>	<b>\$ 171</b>	<b>\$ 2,006</b>	<b>\$ 1,580</b>	<b>\$ 91,590</b>	<b>\$ 40,647</b>

<b>Year Ending</b>	<b>Airport System Note Southwest Airlines</b>		<b>Year Ending</b>	<b>Airport System Total Future Requirements</b>		
	<b>Principal</b>	<b>Interest</b>		<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 5,018	\$ 2,528.00	2018	\$ 94,603	\$ 100,467	\$ 195,070
2019	5,018	2,418	2019	89,253	96,418	185,671
2020	5,018	2,308	2020	99,303	92,365	191,668
2021	5,018	2,198	2021	92,443	88,042	180,485
2022	5,018	2,088	2022	200,528	82,907	283,435
2023-2027	25,092	8,792	2023-2027	615,472	327,659	943,131
2028-2032	25,092	6,045	2028-2032	734,379	176,816	911,195
2033-2037	25,092	3,297	2033-2037	282,341	48,318	330,659
2038-2042	15,055	659	2038-2042	104,345	8,200	112,545
<b>Total</b>	<b>\$ 115,421</b>	<b>\$ 30,333</b>	<b>Total</b>	<b>\$ 2,312,667</b>	<b>\$ 1,021,192</b>	<b>\$ 3,333,859</b>

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<b>Year Ending June 30</b>	<b>Convention and Entertainment Facilities Revenue Bonds</b>		<b>Convention and Entertainment Pension Obligations</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 21,815	\$ 24,797	\$ 75	\$ 226
2019	22,384	24,292	80	221
2020	23,712	23,987	90	216
2021	24,083	23,331	185	211
2022	21,807	27,113	195	199
2023-2027	115,469	140,798	1,185	794
2028-2032	126,829	146,699	1,744	360
2033-2037	68,215	63,556	70	7
2038-2042	24,390	5,124	-	-
2043-2047	12,486	763	-	-
<b>Total</b>	<b>\$ 461,190</b>	<b>\$ 480,460</b>	<b>\$ 3,624</b>	<b>\$ 2,234</b>

<b>Year Ending June 30</b>	<b>Convention and Entertainment Total Future Requirements</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 21,890	\$ 24,032
2019	22,464	23,598
2020	23,802	24,203
2021	24,268	23,542
2022	22,002	27,312
2023-2027	116,654	141,592
2028-2032	128,573	147,059
2033-2037	68,285	63,570
2038-2042	24,390	5,124
2043-2047	12,486	763
<b>Total</b>	<b>\$ 464,814</b>	<b>\$ 480,795</b>

<b>Year Ending June 30</b>	<b>Combined Utility System Revenue Bonds</b>		<b>Combined Utility System Swap Agreement</b>		<b>Combined Utility System Commercial Paper</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Net Swap Payment</b>		<b>Principal</b>	<b>Interest</b>
2018	\$ 200,505	\$ 237,179	\$ 32,359		\$ 20,000	\$ -
2019	213,810	227,399	32,314		-	-
2020	196,255	220,117	31,002		-	-
2021	207,690	212,664	30,820		-	-
2022	222,875	204,375	30,820		-	-
2023-2027	1,237,970	871,423	154,090		-	-
2028-2032	1,555,765	592,509	125,938		-	-
2033-2037	1,417,800	308,550	16,731		-	-
2038-2042	565,280	100,529	-		-	-
2043-2047	230,695	20,026	-		-	-
2048-2052	14,940	299	-		-	-
<b>Total</b>	<b>\$ 6,063,585</b>	<b>\$ 2,995,070</b>	<b>\$ 454,074</b>		<b>\$ 20,000</b>	<b>\$ -</b>

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<b>Year Ending June 30</b>	<b>Water and Sewer Jr. Lien Revenue Bonds</b>		<b>Combined Utility System Pension Obligations</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ -	\$ -	\$ 1,190	\$ 3,559
2019	-	-	1,275	3,485
2020	7,390	16,130	1,365	3,404
2021	6,656	15,749	2,890	3,319
2022	4,347	11,133	3,075	3,137
2023-2027	24,295	79,014	18,590	12,524
2028-2032	14,651	60,255	27,486	5,717
2033-2037	-	-	1,246	134
<b>Total</b>	<b>\$ 57,339</b>	<b>\$ 182,281</b>	<b>\$ 57,117</b>	<b>\$ 35,279</b>

<b>Year Ending June 30</b>	<b>Combined Utility System Total Future Requirements</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Net Swap Payment</b>	<b>Total Future Requirements</b>
2018	\$ 221,695	\$ 240,738	\$ 32,359	\$ 494,792
2019	215,085	230,884	32,314	478,283
2020	205,010	239,651	31,002	475,663
2021	217,236	231,732	30,820	479,787
2022	230,297	218,645	30,820	479,762
2023-2027	1,280,855	962,961	154,090	2,397,906
2028-2032	1,597,902	658,481	125,938	2,382,322
2033-2037	1,419,046	308,684	16,731	1,744,462
2038-2042	565,280	100,529	-	665,809
2043-2047	230,695	20,026	-	250,721
<b>Total</b>	<b>\$ 6,198,041</b>	<b>\$ 3,212,630</b>	<b>\$ 454,074</b>	<b>\$ 9,864,746</b>

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

<b>Year Ending June 30</b>	<b>Coastal Water Authority Maintenance and Operation Lien</b>		<b>US Army Corps of Engineers</b>		<b>Texas Water Development Board</b>		<b>Swift Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 3,455	\$ 2,944	\$ 133	\$ 283	\$ -	\$ 1,497	\$ 2,305	\$ 1,988
2019	3,590	2,795	137	278	-	1,497	2,315	1,973
2020	3,755	2,626	141	274	-	1,497	2,330	1,957
2021	3,960	2,438	146	269	-	1,497	2,345	1,937
2022	4,125	2,251	151	265	-	1,497	2,370	1,914
2023-2027	25,515	7,690	829	1,248	3,420	3,719	12,285	9,135
2028-2032	13,800	3,166	971	1,106	4,545	2,599	13,360	8,049
2033-2037	9,555	583	1,138	939	6,035	1,104	15,035	6,344
2038-2042	-	-	1,334	743	-	-	17,260	4,137
2043-2047	-	-	1,563	514	-	-	18,690	1,394
2048-2052	-	-	1,831	245	-	-	-	-
2053-2057	-	-	402	13	-	-	-	-
<b>Total</b>	<b>\$ 67,755</b>	<b>\$ 24,493</b>	<b>\$ 8,776</b>	<b>\$ 6,177</b>	<b>\$14,000</b>	<b>\$14,907</b>	<b>\$ 88,295</b>	<b>\$ 38,828</b>

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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
2018	\$ -	\$ 467	\$ -	\$ -	\$ -	\$ -	\$ 2,438	\$ 4,235
2019	-	857	266	436	-	1,149	2,718	6,190
2020	-	1,663	552	852	-	1,763	3,023	8,006
2021	2,915	1,805	580	825	-	2,338	5,986	8,671
2022	2,975	1,935	608	796	-	3,220	6,104	9,627
2023-2027	16,020	11,605	3,526	3,496	-	34,306	36,080	63,509
2028-2032	11,205	11,735	4,494	2,527	-	69,040	34,575	95,056
2033-2037	5,880	5,853	5,727	1,294	13,165	71,575	46,980	87,109
2038-2042	8,990	3,913	2,008	99	56,600	36,609	86,192	45,501
2043-2047	11,295	1,438	-	-	70,545	23,129	102,093	26,475
2048-2052	2,589	-	-	-	62,715	6,634	67,135	6,879
2053-2057	-	-	-	-	-	-	402	13
Total	\$ 61,869	\$ 41,271	\$17,761	\$10,325	\$ 203,025	\$ 249,763	\$ 393,726	\$ 361,271

**E. Debt Issuances and Refundings**

Combined Utility System Revenue and Refunding Bonds

On August 1, 2016, the City refunded \$249,000,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2012C, with Combined Utility System First Lien Revenue Bonds Series 2016C, via Direct Purchase at 70% of 1-Month Libor plus 60 basis points through August 1, 2019.

On November 1, 2016, the City issued \$63,020,000 of Texas Water Development Board bonds, Series 2016D with coupons ranging from 0.63% - 3.04%. Proceeds will be used to pay for projects and cost of issuance.

On February 15, 2017, the City issued \$65,750,000 of Texas Water Development Board bonds, Series 2017A with coupons ranging from 0.12% - 1.68%. Proceeds will be used to pay for projects and cost of issuance.

On May 4, 2017, the City issued \$288,080,000 of Combined Utility System First Lien Revenue Refunding Bonds, Series 2017B with coupons ranging from 4.00% - 5.00%. The proceeds were placed in Escrow for the purpose of generating resources for future debt service payments of the refunded portion of the 2011D Bonds and to refund \$250,000,000 of Combined Utility System Commercial Paper Notes. The true interest cost of the 2017B Bonds was 3.423%. The bonds mature in varying amounts from 2017 to 2047. Net present savings related to the refunded bonds totaled \$5,928,871 or 8.40% of the refunded bonds and reduced debt service by \$7,178,027.

Prior Year Defeased Debt

In 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's financial statements. At June 30, 2017, \$70,750,000 of defeased bonds are still outstanding.

In 2015 the City defeased \$67,905,000 of the 2005, 2007A and 2007B 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's financial statements. At June 30, 2017, \$52,905,000 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 2017 the City has complied with the requirements of all revenue bond ordinances and related bond restrictions.



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**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 \$520,583,000 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 \$73,021,000 as General Obligation Commercial Paper Series G1, G2, 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, 2017, the City's legal debt limit was 10% of assessed property valuation totaling \$287,819,401,000. The City's legal debt margin less applicable outstanding debt was \$25,607,453,000.

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**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 \$12,918,448 for the year ended June 30, 2017. The cost is \$10,090,382 for the General Fund, \$1,094,803 for the Grant Funds, \$810,544 for the Non-Major Governmental Funds, \$556,979 for the Combined Utility System Funds, \$263,826 for the Airport System Funds, \$27,235 for the Convention and Entertainment Facilities Funds and \$74,679 for the Internal Service Funds.

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

<u>June 30</u>	<u>Lease Payments</u>
2018	\$ 9,365
2019	8,899
2020	7,140
2021	3,149
2022	3,267
2023-2027	2,395
2028-2032	1,851
2033-2037	1,851
2038-2042	1,851
2043-2047	1,851
2048-2052	1,851
2053-2057	1,851
2058-2062	1,851
2063-2067	801
2068-2072	801
Total	<u>\$ 48,774</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 \$710,610,410, accumulated depreciation of \$290,174,411, and a carrying value of \$420,435,999. 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 \$21,607,879 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 \$5,377,614,428 and carrying costs of \$2,517,515,592. Accumulated depreciation on all these assets is \$2,860,098,836.

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

<b>Year ended</b>	<b>Operating Leases</b>
<b>June 30</b>	<b>Minimum Rental Income</b>
2018	\$ 72,550
2019	72,326
2020	71,227
2021	60,399
2022	57,193
2023-2027	234,214
2028-2032	67,023
2033-2037	52,837
2038-2042	52,211
2043-2047	40,878
2048-2052	39,403
2053-2055	11,377
Total	<u>\$ 831,638</u>

Contingent income associated with the Airport System non-cancelable operating leases was approximately \$10,697,316 for the year ended June 30, 2017. 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, 2017 was \$281,157,636.

**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, 2016. 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 a contributory group and two noncontributory 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.

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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 subsequent to 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. 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.

As of 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	3,138	10,289	4,157
Former members entitled to benefits but not yet receiving them	43	3,432	27
Former members - not entitled to benefits	-	2,174	-
Active members:			
Vested	2,417	7,966	1,814
Non-vested	1,677	4,137	3,357
Total participants	<u>7,275</u>	<u>27,998</u>	<u>9,355</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 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Net Pension Liability (in thousands)	Houston Firefighters' Pension	Houston Municipal Employees' Pension	Houston PoliceOfficers' Pension
Measurement Date	June 30, 2017	June 30, 2017	June 30, 2017
Total Pension Liability	\$ 4,673,681	\$ 4,959,510	\$ 6,508,122
Less: Fiduciary Net Position	(4,025,090)	(2,602,665)	(4,457,178)
Net Pension Liability	<u>\$ 648,591</u>	<u>\$ 2,356,845</u>	<u>\$ 2,050,944</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 133.

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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, 2017 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	\$ 80,002	\$ -	\$ 80,002
Interest on the Total Pension Liability	389,938	-	389,938
Benefit Changes (Note 17B)	(645,971)	-	(645,971)
Difference between Expected and Actual Experience	(65,194)	-	(65,194)
Employer Contributions	-	93,658	(93,658)
Employees Contributions	-	25,404	(25,404)
Pension Plan Net Investment Income	-	432,948	(432,948)
Assumptions Changes	534,646	-	534,646
Benefit Payments	(249,394)	(249,394)	-
Refunds	-	-	-
Administrative Expense	-	(4,898)	4,898
Other	-	(2,298)	2,298
Net Change	44,027	295,420	(251,393)
Net Pension Liability Beginning	4,629,654	3,729,670	899,984
Net Pension Liability Ending	<u>\$ 4,673,681</u>	<u>\$ 4,025,090</u>	<u>\$ 648,591</u>

**Houston Municipal Employees' Pension System (see note 10E)**

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 75,961	\$ -	\$ 75,961
Interest on the Total Pension Liability	331,166	-	331,166
Benefit Changes (Note 17B)	(724,683)	-	(724,683)
Difference between Expected and Actual Experience	(38,387)	-	(38,387)
Employer Contributions	-	182,558	(182,558)
Employees Contributions	-	15,902	(15,902)
Pension Plan Net Investment Income	-	290,911	(290,911)
Assumptions Changes	562,237	-	562,237
Benefit Payments	(280,456)	(280,456)	-
Refunds	(718)	(718)	-
Administrative Expense	-	(6,827)	6,827
Other	-	1,272	(1,272)
Net Change	(74,880)	202,642	(277,522)
Net Pension Liability Beginning	5,034,390	2,400,023	2,634,367
Net Pension Liability Ending	<u>\$ 4,959,510</u>	<u>\$ 2,602,665</u>	<u>\$ 2,356,845</u>

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**Houston Police Officers' Pension System**

Change in Net Pension Liability (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 60,930	\$ -	\$ 60,930
Interest on the Total Pension Liability	433,598	-	433,598
Benefit Changes (Note 17B)	(1,006,000)	-	(1,006,000)
Difference between Expected and Actual Experience	80,023	-	80,023
Employer Contributions	-	133,805	(133,805)
Employees Contributions	-	40,104	(40,104)
Pension Plan Net Investment Income	-	667,476	(667,476)
Assumptions Changes	778,710	-	778,710
Benefit Payments	(458,733)	(458,733)	-
Refunds	(1,696)	(1,696)	-
Administrative Expense	-	(4,238)	4,238
Other	-	-	-
Net Change	(113,168)	376,718	(489,886)
Net Pension Liability Beginning	6,621,290	4,080,460	2,540,830
Net Pension Liability Ending	<u>\$ 6,508,122</u>	<u>\$ 4,457,178</u>	<u>\$ 2,050,944</u>

**D. Pension Expense**

For the year ended June 30, 2017, the City recognized total pension expense of \$(1,231,436,361). 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	\$80,002	\$75,961	\$60,930
Interest	389,938	331,166	433,598
Difference between Expected and Actual Experience	(19,298)	141,691	149,893
Differences between Projected and Actual Earnings on plan investments	96,550	32,011	78,797
Member Contributions	(25,404)	(15,902)	(40,104)
Net Investment Income	(265,677)	(164,912)	(275,456)
Administrative Expense	4,898	6,827	4,238
Assumption Changes	64,445	-	-
Benefit Changes (Note 17B)	(645,971)	(724,683)	(1,006,000)
Other	2,298	(1,272)	-
Total Pension Expense	<u>(\$318,219)</u>	<u>(\$319,113)</u>	<u>(\$594,104)</u>

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Schedule of Deferred Outflows and Inflow of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City at June 30, 2017 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	-	\$122,335	-	\$43,181	\$85,826	-	(\$79,690)
Changes of assumptions	474,843	-	470,190	-	962,271	437,986	1,469,318
Employers contribution subsequent to measurement date	-	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	200,761	-	147,524	100,799	409,736	313,616	343,606
<b>Total</b>	<b>\$675,604</b>	<b>\$122,335</b>	<b>\$617,714</b>	<b>\$143,980</b>	<b>\$1,457,833</b>	<b>751,602</b>	<b>\$1,733,234</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Houston Firefighters' Relief and Retirement	Houston Municipal Employees' Pension	Houston Police Officers' Pension
	2018	\$141,697	\$173,701
2019	141,697	179,284	228,690
2020	86,264	138,398	132,798
2021	11,694	(17,649)	(11,707)
2022	45,506	-	127,760
Thereafter	126,411	-	-
<b>Total</b>	<b>\$553,269</b>	<b>\$473,734</b>	<b>\$706,231</b>

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. (See Note 17B) 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, 2016 measurement date, the single discount rate used was 8.00% 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, 2016 measurement date, the single discount rate of 8.50% was used.

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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	\$ 780,845	\$ 648,591	\$ 527,526
	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Houston Municipal Employees' Pension	\$ 2,910,598	\$ 2,356,845	\$ 1,921,993
	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Houston Police Officers' Pension	\$ 2,778,925	\$ 2,050,944	\$ 1,457,116

<u>Schedule of Assumptions</u>	<u>Houston Firefighters' Pension</u>	<u>Houston Municipal Employees' Pension</u>	<u>Houston Police Officers' Pension</u>
Inflation	3%	2.5%	2.75%
Salary Changes	3%	3.25% to 5.50%	0% to 12%
Investment Rate of Return	7.25%	7.00%	7.00%
Valuation Date	7/1/2016	7/1/2015	7/1/2017
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
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-2016	RP-2000 Table scaled by 125% for males and 112% for females	RP-2000 Table scaled by 109% for males and 103% for females



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**NOTE 11: OTHER EMPLOYEE BENEFITS**

**A. Post-Retirement Health Insurance 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.

Pursuant to a City Ordinance, the City provides certain health care benefits for retired employees. 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 \$90,273,155 for the year ended June 30, 2017. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund. At June 30, 2017, there were 10,830 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.

No stand-alone financial report is issued on the plan.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made into the future.

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**Annual Other Post Employment Benefits (OPEB) Cost and Net OPEB Obligation**

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

	<b>OPEB</b>
Annual required contribution	\$ 188,579
Interest on net OPEB obligation	67,350
Adjustment to annual required contribution	(66,914)
Annual OPEB cost	189,015
Contribution made	(39,820)
Change in net OPEB obligation	149,195
Net OPEB obligation, beginning of year	1,683,743
Net OPEB obligation, end of year	\$ 1,832,938

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$192,873	19.1%	\$1,521,509
2016	\$200,777	19.2%	\$1,683,743
2017	\$189,015	21.1%	\$1,832,938

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**Schedule of Funding Progress (in millions)**

<b>Year Ended June 30</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (b-a)</b>	<b>Funded Ratio</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
2015	\$0	\$2,068	\$2,068	0%	\$1,269.9	163.3%
2016	\$0	\$2,055	\$2,055	0%	\$1,301.9	158.2%
2017	\$0	\$2,153	\$2,153	0%	\$1,327.4	162.2%

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as to the actuarial valuation used for purposes of the financial statements is as follows:

Valuation date	July 1, 2016
Actuarial cost method	Entry age Normal Cost
Amortization method	Level percent of payroll over an open period of 30 years
Discount rate	4.0%
Inflation rate	3.0%
Annual increase attributable to seniority/merit	2.0% to 14.0%
Medical trend rates	4.5% to 6.5%

**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 no longer purchases individual and aggregate stop-loss coverage. The City has assumed the financial risk of catastrophic and overall claim liability. The plan is administered by CIGNA.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaled \$243,918,034 for the year ended June 30, 2017.

<b>Schedule of Changes in Liability (in thousands)</b>		
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Beginning actuarial estimate of claims liability, July 1	\$ 18,065	\$ 18,577
Catastrophic claims reserve	13,000	13,000
Incurred claims for fiscal year	294,001	276,825
Payments on claims	(293,995)	(277,337)
Actuarial adjustment	1,065	0
Ending estimate of claims liability, June 30	<u>\$ 32,136</u>	<u>\$ 31,065</u>

The City also provides one 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 \$6,064,196 for the year ended June 30, 2017.

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**C. Long-Term Disability Plan (LTD)**

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% 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 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.

<b>Schedule of Changes in Liability</b>		
<b>(in thousands)</b>		
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Beginning actuarial estimate of claims liability, July 1	\$ 8,371	\$ 8,720
Incurred claims for fiscal year	1,331	1,267
Payments on claims	(1,074)	(1,125)
Actuarial adjustment	(444)	(491)
Ending actuarial estimate of claims liability, June 30	\$ 8,184	\$ 8,371

**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 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.

**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.

At June 30, 2017, the City has an accumulated liability in the amount of \$61 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, 2017</b>	<b>June 30, 2016</b>
Beginning actuarial estimate of claims liability, July 1	\$ 58,761	\$ 56,932
Incurred claims for fiscal year	10,002	9,648
Payments on claims	(16,135)	(14,893)
Actuarial adjustment	8,616	7,074
Ending actuarial estimate of claims liability, June 30	\$ 61,244	\$ 58,761

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**NOTE 12: INTERFUND TRANSACTIONS**

**A. Transfers**

Transfers during the year ended June 30, 2017 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>	<b>Grant Funds</b>	
General Fund	\$ -	\$ 56,140	\$ 282,473	\$ 1,795	\$ 6,000	\$ 346,408
Nonmajor Funds	14,915	400	7,520	114,946	-	137,781
Capital Projects	6,000	-	606	-	-	6,606
Convention and Entertainment	1,490	-	-	-	-	1,490
Combined Utility System	52,246	-	9,149	-	-	61,395
Total transfers in	<u>\$ 74,651</u>	<u>\$ 56,540</u>	<u>\$ 299,748</u>	<u>\$ 116,741</u>	<u>\$ 6,000</u>	<u>\$ 553,680</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.

**B. Transfers to Component Units**

Transfers to Houston First from the Convention and Entertainment Facilities during the year ended June 30, 2017 totaled \$69,564,258. Transfers from Houston First to the General Fund during the year ended June 30, 2017 totaled \$5,035,693. The amounts are reported as expenses and revenues within the Convention and Entertainment Facilities Fund.

**C. 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 \$76,740,000 for the year ended June 30, 2017, 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 2017 total are charges to the funds for direct and indirect expenses as shown below (in thousands):

	<b>Airport System</b>	<b>Combined Utility System</b>	<b>Other Funds</b>	<b>Total</b>
General Services	\$ 3,168	\$ 9,988	\$ 9,188	\$ 22,344
Fire Services	20,047	-	-	20,047
Police Services	28,662	-	-	28,662
Legal	-	938	33	971
Other	324	2,520	1,499	4,343
Total	<u>\$ 52,201</u>	<u>\$ 13,446</u>	<u>\$ 10,720</u>	<u>\$ 76,367</u>

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**D. 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, 2017 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants revenue	\$ 2,140
	Combined Utility System	7,468
	Nonmajor Governmental Funds	3,373
	Capital Projects Fund	9,247
	Airport System	713
	Internal Service Fund	18
		<u>\$ 22,959</u>
Grants Revenue	General Fund	\$ 34
	Capital Projects Fund	1,093
	Nonmajor Governmental Funds	17
		<u>\$ 1,144</u>
Capital Projects Fund	General Fund	\$ 7
	Grants revenue	1
	Nonmajor Governmental Funds	21,071
		<u>\$ 21,079</u>
Airport System	General Fund	\$ 201
		<u>\$ 201</u>
Combined Utility System	Nonmajor Governmental Funds	717
	General Fund	1,199
		<u>\$ 1,916</u>
Nonmajor Governmental Funds	General Fund	15,987
	Combined Utility System	5,608
	Grants revenue	165
	Capital Projects Fund	1
		<u>\$ 21,761</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 \$33.3 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 \$23.4 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 previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. With the exception of grant

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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 are stayed pending the resolution of the City's appeal of the trial court's denial of the City's plea to the jurisdiction.

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.

The City was under an agreed order (the "Agreed Order") with the TCEQ from fiscal year 2005 through June 30, 2016. All of the contractual obligations of the Agreed Order were completed. In 2014, the City commenced negotiations with the EPA and the Department of Justice for specific remedial measures that the EPA would like the City to implement to its wastewater treatment and collection system to further reduce sanitary sewer overflows (SSOs) and wastewater treatment plant permit exceedances. A civil penalty of approximately \$5.9 million is anticipated as part of the settlement of this matter. Pending the outcome of these negotiations with the EPA, the City cannot accurately predict the amount of increase to the costs of operations and maintenance or capital improvements for the wastewater treatment and collection system that may be required by the EPA to further reduce SSOs and wastewater treatment plant exceedances. 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 2017 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 judgment 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 judgment decision. The Texas Supreme Court granted the plaintiffs' motion for review, and on June 12, 2015, reversed the judgment 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 has appealed the district court's decision. The pay-as-you-go fund remains in effect pending a final ruling in the litigation.

An additional lawsuit has been 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 has 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.

## **B. Environmental Liabilities**

The City is aware of various sites contaminated by asbestos or other hazardous materials. The City has recorded accrued liabilities of \$20.0 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, 2017, the City had appropriated but not yet spent from Capital Projects and Enterprise Funds approximately \$1,530,627,000 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.

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.

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**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 \$100 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:

	<b>Unemployment Claim Activity</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Unpaid claims, beginning of fiscal year	\$198,257	\$137,742
Incurred claims (including IBNRs)	687,143	760,324
Claim payments	(732,382)	(699,809)
Unpaid claims, end of fiscal year	<u>\$153,018</u>	<u>\$198,257</u>

**E. Purchase Commitments for Electricity**

At June 30, 2017, 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 \$97 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**

On January 29, 2009, City Council approved a contract establishing the terms for cooperation between Coastal Water Authority (CWA) and Houston for planning, design, permitting, property acquisition, construction and financing of the Luce Bayou Inter-Basin Transfer project. The project will include a pump station, pipeline and canal system that will transport up to 450 MGD of untreated water from the Trinity River to Lake Houston. To date CWA has attained two Texas Water Development Board (TWDB) Water Infrastructure Loans totaling \$33,115,000 for permitting and planning and one TWDB state participation loan of \$28,754,000 for pump station design. The Houston Combined Utility System pledged payments from the Combined Utility System's general purpose fund. After loans are repaid and contract obligations are fulfilled, upon request of the City, CWA will assign to the City all the CWA's rights, titles, and interest in the project property.

**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.

**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, 2017. The City received \$90.528 million from Metro under this contract in the fiscal year ended June 30, 2017. The breakout was \$31.313 million to Capital Projects and \$59.215 million to Special Revenues. \$2.215 payments were for the prior contract year. The City did not make any payments to Metro for transportation services during fiscal year 2017.

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**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, 2017 the City paid \$3.4 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 2017, the City paid CWA \$7.2 million for debt services and \$23.1 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, 2017. Six discretely presented component units: Greater Houston Convention and Visitors Bureau, Houston First Corporation, Houston Housing Finance Corporation, Houston Zoo, Inc., Miller Theatre Advisory Board, Inc., and Theater District Improvement, Inc. have fiscal years ended December 31, 2016. Subsequent to December 31, 2016, the City received interest payments of \$4,771 thousand from Houston First Corporation.

**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, 2017 (in thousands):**

	<b>June 30, 2017</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
<b>Total conduit debt outstanding</b>	<b>\$ 711,790</b>



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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.

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.

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**NOTE 16: MAJOR DISCRETELY PRESENTED COMPONENT UNITS**

The following discretely presented component units represent major component units. For reporting purposes, the City considers a component unit to be major if assets, liabilities, revenues or expenses exceed 10% of that component unit's class and exceed 5% of all component units combined.

**Net Position**  
**Major Component Units - Discretely Presented Governmental**  
**June 30, 2017**  
*(in thousands)*

	<u>Houston Forensic Science LGC</u>	<u>Main Street Market Square</u>	<u>Midtown Redevelopment Authority</u>
Cash, receivable and other current assets	\$ 2,678	\$ 42,566	\$ 117,065
Noncurrent assets	-	-	-
Capital assets, net of accumulated depreciation	3,826	-	56,740
Total assets	<u>6,504</u>	<u>42,566</u>	<u>173,805</u>
Current liabilities	1,930	8,395	31,693
Long-term liabilities	-	56,819	101,813
Total liabilities	<u>1,930</u>	<u>65,214</u>	<u>133,506</u>
Net position			
Net investment in capital assets	3,826	-	30,143
Restricted	-	8,657	103,658
Unrestricted (deficit)	748	(31,305)	(93,502)
Total net position (deficit)	<u>\$ 4,574</u>	<u>\$ (22,648)</u>	<u>\$ 40,299</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

<b>Southwest Houston Redevelopment Authority</b>	<b>Uptown Development Authority</b>	<b>Nonmajor Component Units</b>	<b>Total Component Units</b>
\$ 22,789	\$ 62,403	\$ 198,800	\$ 446,301
231	3,208	20,476	23,915
1,673	11,169	143,598	217,006
<u>24,693</u>	<u>76,780</u>	<u>362,874</u>	<u>687,222</u>
5,680	37,504	35,373	120,575
<u>49,365</u>	<u>147,835</u>	<u>179,117</u>	<u>534,949</u>
<u>55,045</u>	<u>185,339</u>	<u>214,490</u>	<u>655,524</u>
1,673	11,169	130,705	177,516
11,828	35,509	65,454	225,106
(43,853)	(155,237)	(47,775)	(370,924)
<u>\$ (30,352)</u>	<u>\$ (108,559)</u>	<u>\$ 148,384</u>	<u>\$ 31,698</u>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Change in Net Position**  
**Major Component Units - Discretely Presented Governmental**  
**For the Year Ended June 30, 2017**  
*(in thousands)*

<b>Component Units</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Houston Forensic Science LGC</b>
Houston Forensic Science LGC	26,511	24,903	1,771	-	163
Main Street Market Square Redevelopment Authority	20,741	-	-	-	-
Midtown Redevelopment Authority	25,524	-	-	-	-
Southwest Houston Redevelopment Authority	14,225	-	-	-	-
Uptown Redevelopment Authority	106,256	-	-	-	-
Nonmajor Component Units	149,035	12,168	33,178	6,591	-
<b>Total component units</b>	<u>\$ 342,292</u>	<u>\$ 37,071</u>	<u>\$ 34,949</u>	<u>\$ 6,591</u>	<u>\$ 163</u>
<b>General Revenues:</b>					
Taxes					
Property taxes levied for general purposes					\$ -
Industrial assessments tax					-
Contributions					-
Unrestricted investment earnings					-
Other					-
Special Items					-
Gain on sale of assets					-
<b>Total general revenues and transfers</b>					<u>-</u>
Change in net position					<u>163</u>
Net position beginning					<u>4,411</u>
Net position ending					<u>\$ 4,574</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Net (Expense) Revenue and Change in Net Position**

<b>Main Street Market Square Red. Authority</b>	<b>Midtown Redevelopment Authority</b>	<b>Southwest Houston Redevelopment Authority</b>	<b>Uptown Redevelopment Authority</b>	<b>Non-Major Component Units</b>	<b>Total Component Units</b>
-	-	-	-	-	163
(20,741)	-	-	-	-	(20,741)
-	(25,524)	-	-	-	(25,524)
-	-	(14,225)	-	-	(14,225)
-	-	-	(106,256)	-	(106,256)
-	-	-	-	(97,098)	(97,098)
<u>\$ (20,741)</u>	<u>\$ (25,524)</u>	<u>\$ (14,225)</u>	<u>\$ (106,256)</u>	<u>\$ (97,098)</u>	<u>\$ (263,681)</u>
\$ 17,662	\$ 26,803	\$ 8,868	\$ 46,949	\$ 93,022	\$ 193,304
-	-	-	-	1,182	1,182
-	-	-	-	628	628
404	261	397	188	2,777	4,027
-	2,624	-	-	882	3,506
-	-	-	-	6	6
<u>18,066</u>	<u>29,688</u>	<u>9,265</u>	<u>47,137</u>	<u>98,497</u>	<u>202,653</u>
<u>(2,675)</u>	<u>4,164</u>	<u>(4,960)</u>	<u>(59,119)</u>	<u>1,399</u>	<u>(61,028)</u>
<u>(19,973)</u>	<u>36,135</u>	<u>(25,392)</u>	<u>(49,440)</u>	<u>146,985</u>	<u>92,726</u>
<u>\$ (22,648)</u>	<u>\$ 40,299</u>	<u>\$ (30,352)</u>	<u>\$ (108,559)</u>	<u>\$ 148,384</u>	<u>\$ 31,698</u>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Net Position**  
**Major Component Units - Discretely Presented Business-type**  
**June 30, 2017**  
*(in thousands)*

	<b>Houston First Corporation</b>	<b>Houston Zoo Inc.</b>	<b>Nonmajor Component Units</b>	<b>Total</b>
Cash, receivable and other current assets	\$ 119,894	\$ 48,599	\$ 43,408	\$ 211,901
Noncurrent assets	90,699	-	14,154	104,853
Capital assets, net of accumulated depreciation	397,795	102,620	19,445	519,860
Total assets	<u>608,388</u>	<u>151,219</u>	<u>77,007</u>	<u>836,614</u>
Deferred outflow of Resources	4,550	-	-	4,550
Current liabilities	58,152	6,772	4,294	69,218
Long-term liabilities	402,570	-	17,619	420,189
Total liabilities	<u>460,722</u>	<u>6,772</u>	<u>21,913</u>	<u>489,407</u>
Net position				
Net investment in capital assets	71,528	-	3,246	74,774
Restricted	408	15,570	-	15,978
Unrestricted	80,280	128,877	51,848	261,005
Total net position	<u>\$ 152,216</u>	<u>\$ 144,447</u>	<u>\$ 55,094</u>	<u>\$ 351,757</u>

CITY OF HOUSTON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2017

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CITY OF HOUSTON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2017

**Change in Net Position**  
**Major Component Units - Discretely Presented Business-type**  
**For the Year Ended June 30, 2017**  
*(in thousands)*

<b>Component Units</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
Houston First Corporation	\$ 195,866	\$ 116,885	\$ 72,152
Houston Zoo Inc.	48,597	37,081	17,033
Nonmajor Component Units	2,837	603	1,802
Totals	<u>\$ 247,300</u>	<u>\$ 154,569</u>	<u>\$ 90,987</u>

**General Revenues:**

**Taxes**

Property Taxes levied for general purposes

Unrestricted investment earnings

Other

**Total general revenues and transfers**

Change in net position

Net position beginning

New Component Unit & Restatement

Net position ending

(Continued)



**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**Net (Expense) Revenue and Change in Net Position**

<b>Houston First Corporation</b>	<b>Houston Zoo Inc.</b>	<b>Non-Major Component Units</b>	<b>Total</b>
\$ (6,829)	\$ -	\$ -	\$ (6,829)
-	5,517	-	5,517
-	-	(432)	(432)
<u>\$ (6,829)</u>	<u>\$ 5,517</u>	<u>\$ (432)</u>	<u>\$ (1,744)</u>
\$ -	\$ -	\$ 750	\$ 750
528	615	1,027	2,170
3,108	832	379	4,319
<u>3,636</u>	<u>1,447</u>	<u>2,156</u>	<u>7,239</u>
<u>(3,193)</u>	<u>6,964</u>	<u>1,724</u>	<u>5,495</u>
155,409	137,483	53,370	346,262
-	-	-	-
<u>\$ 152,216</u>	<u>\$ 144,447</u>	<u>\$ 55,094</u>	<u>\$ 351,757</u>

**CITY OF HOUSTON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 17: SUBSEQUENT EVENTS**

**A. Tax and Revenue Anticipation Notes**

On July 11, 2017, the City closed the sale of \$200,000,000 Tax and Revenue Anticipation Notes (TRANS), Series 2017. The proceeds of the TRANS will be used to pay working capital expenditures until tax revenues are received in early 2018. The stated average coupon rate was 3.06%. The notes will mature on June 29, 2018.

**B. Pension Reform**

The Texas Legislature adopted Senate Bill 2190, which was signed by the governor on May 31, 2017 (the "Pension Reform Legislation") to enact reforms and substantive changes to the funding and benefit structure of the Pension Systems. The Pension Reform Legislation was effective July 1, 2017 (the "Reform Effective Date"), the first day of Fiscal Year 2018. The Pension Reform Legislation is the culmination of an effort to reform the Pension Systems to control costs, reduce the unfunded liability and better manage future pension costs and liabilities. The risk-sharing corridor implemented in the Pension Reform Legislation provides the City with more budget certainty by establishing minimum and maximum City contribution rates, and mandates management of unfunded liabilities by the City and the Pension Systems.

Under the Pension Reform Legislation, the City will pay off the unfunded liability (the "Legacy Liability") over a fixed maximum 30-year amortization period ending in 2047. The Legacy Liability is calculated using a standard actuarial cost methodology, based on the market value of each pension system's assets as of July 1, 2016, after giving effect to the Pension Reform legislation and delivery of \$1 billion of Pension Obligation Bond proceeds by December 31, 2017 (to be contributed to HMEPS and HPOPS only), with earnings at the 7% per annum discount rates and allocable City contributions from July 1, 2016 through the Reform Effective Date. Any future actuarial loss liabilities will have an amortization period of 30 years from the date the loss is recognized, with a corresponding final payoff year and credits for any future gains.

The voters approved a referendum authorizing the City to issue the Pension Obligation Bonds on November 7, 2017.

**C. Hurricane Harvey Disaster**

The City experienced a substantial natural disaster on August 23 – 27, 2017 resulting from Hurricane Harvey, when up to 50 inches of rain in the Houston area caused flooding in portions of the City. Damaged property included residential and commercial properties, as well as numerous City-owned facilities. The estimate of the total insured damage to the City-owned facilities is approximately \$175 million. The City anticipates that \$100 million will be covered by flood insurance. The City also incurred disaster-related expenses, which include emergency repairs to City facilities, debris removal, protective measures and the costs of police, firefighter and emergency personnel overtime. The City anticipates that most of these will be covered by grants from the Federal Emergency Management Agency (FEMA) and the State of Texas.

Shortly after the storm, the City transferred \$20 million from the budget stabilization fund (which must be repaid to such fund not later than the end of the second Fiscal Year following such transfer) to the "Disaster Recovery Fund", and has deposited approximately \$163 million from FEMA and \$50 million in a grant from the State of Texas. The Disaster Recovery Fund serves as an appropriation source for Disaster Related Expenses, pending insurance and reimbursement by FEMA in the City's accounts.

The City continues to evaluate the cost of damages from the storm and anticipates submitting additional requests for reimbursements to FEMA.

A group of plaintiffs filed a lawsuit against the City and the Harris County Flood Control District (together, the "Defendants") alleging a constitutional taking under Art. 1, Section 17 of the Texas Constitution and a nuisance claim alleging the Defendants released water from reservoirs flooding nearby residential and commercial properties. Plaintiffs further allege that the City permitted unmitigated development around the reservoirs despite knowledge that homes and businesses would flood. Plaintiffs seek certification as a class and an unspecified amount of actual damages, pre-judgment and post-judgment interest and costs. The City denies the plaintiffs' claims.

Additionally, the City has received eight claims and one potential claim, none of which have become a lawsuit, alleging that the City released water from reservoirs flooding nearby residential and commercial properties and vehicles. The claims are both individual claimants requesting compensation for loss and claims from insurance companies for their insured's losses. The claims allege either a constitutional taking under the Texas Constitution, a nuisance claim, or simply allege the City released the water causing harm to the claimants' property. The alleged damages are in excess of \$1,000,000. The City denies these claims and potential claims.

**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, 2017  
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	\$ 1,133,191	\$ 1,133,191	\$ 1,153,991	\$ 20,800
Industrial Assessments	18,043	18,043	19,291	1,248
Sales Tax	615,000	615,000	631,993	16,993
Franchise Tax	192,784	192,784	190,586	(2,198)
Mixed Beverage Tax	16,687	16,687	16,662	(25)
Bingo Tax	222	222	234	12
<b>Total taxes and assessments</b>	<u>1,975,927</u>	<u>1,975,927</u>	<u>2,012,757</u>	<u>36,830</u>
Licenses and permits				
General	33,939	33,939	33,030	(909)
Health Permits	7,872	7,872	6,733	(1,139)
<b>Total licenses and permits</b>	<u>41,811</u>	<u>41,811</u>	<u>39,763</u>	<u>(2,048)</u>
Charges for services				
Ambulance service	46,500	46,500	44,848	(1,652)
Library fees	10	10	9	(1)
Parking	254	254	244	(10)
Services performed for other funds				
Direct	53,897	53,897	53,523	(374)
Indirect	27,436	27,436	27,399	(37)
Rents and royalties	1,673	1,673	1,657	(16)
Others	10,260	10,260	11,545	1,285
<b>Total charges for services</b>	<u>140,030</u>	<u>140,030</u>	<u>139,225</u>	<u>(805)</u>
Intergovernmental - grants	70,151	70,151	71,040	889
Fines and forfeits				
Municipal Courts	22,812	22,812	22,122	(690)
Others	4,306	4,306	4,778	472
<b>Total fines and forfeits</b>	<u>27,118</u>	<u>27,118</u>	<u>26,900</u>	<u>(218)</u>
Interest	3,000	3,000	3,660	660
Other				
Sale of Property	362	362	291	(71)
Other	15,532	15,532	30,621	15,089
Total Other	<u>15,894</u>	<u>15,894</u>	<u>30,912</u>	<u>15,018</u>
<b>Total revenues</b>	<u>2,273,931</u>	<u>2,273,931</u>	<u>2,324,257</u>	<u>50,326</u>
<b>Other financing sources (uses)</b>				
Transfers in	9,980	9,980	14,405	4,425
Sale of capital assets	14,500	14,500	10,302	(4,198)
Other financing sources (uses)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>24,480</u>	<u>24,480</u>	<u>24,707</u>	<u>227</u>
<b>Total revenues and other financing sources</b>	<u>\$ 2,298,411</u>	<u>\$ 2,298,411</u>	<u>\$ 2,348,964</u>	<u>\$ 50,553</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, 2017**  
*amounts expressed in thousands*  
*(unaudited)*

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Budget Basis</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>General government</b>				
Legislative and executive				
Legislative - Council				
Personnel services	7,178	7,624	7,494	130
Other current expenditures	3,151	2,699	1,496	1,203
Equipment acquisition	-	108	163	(55)
Total legislative - council	<u>10,329</u>	<u>10,431</u>	<u>9,153</u>	<u>1,278</u>
Legislative - Mayor's Office				
Personnel services	5,315	5,315	5,353	(38)
Other current expenditures	669	691	583	108
Total executive - mayor's office	<u>5,984</u>	<u>6,006</u>	<u>5,936</u>	<u>70</u>
<b>Total legislative and executive</b>	<u>16,313</u>	<u>16,437</u>	<u>15,089</u>	<u>1,348</u>
Office of Business Opportunity				
Personnel services	2,683	2,648	2,533	115
Other current expenditures	365	400	382	18
Equipment acquisition	-	-	-	-
<b>Total office of business opportunity</b>	<u>3,048</u>	<u>3,048</u>	<u>2,915</u>	<u>133</u>
Municipal Courts Administration				
Municipal Courts				
Personnel services	24,039	24,039	22,923	1,116
Other current expenditures	5,382	4,968	4,428	540
Equipment acquisition	7	18	11	7
<b>Total municipal courts</b>	<u>29,428</u>	<u>29,025</u>	<u>27,362</u>	<u>1,663</u>
Elections	-	-	16	(16)
Finance administration				
Controller				
Personnel services	7,588	7,588	7,241	347
Other current expenditures	1,299	1,300	934	366
Equipment acquisition	-	-	-	-
Total controller	<u>8,887</u>	<u>8,888</u>	<u>8,175</u>	<u>713</u>
Finance				
Personnel services	14,244	14,007	12,466	1,541
Other current expenditures	5,376	5,616	4,807	809
Equipment acquisition	2	2	8	(6)
Total finance	<u>19,622</u>	<u>19,625</u>	<u>17,281</u>	<u>2,344</u>
Administrative and Regulatory Affairs				
Personnel services	16,900	16,900	16,362	538
Other current expenditures	4,098	4,064	3,813	251
Equipment acquisition	-	66	8	58
Total administrative and regulatory affairs	<u>20,998</u>	<u>21,030</u>	<u>20,183</u>	<u>847</u>
Information Technology				
Personnel services	18,034	18,034	16,389	1,645
Other current expenditures	5,328	5,354	4,886	468
Equipment acquisition	-	61	116	(55)
Total information technology	<u>23,362</u>	<u>23,449</u>	<u>21,391</u>	<u>2,058</u>
Bond and Legal	2,252	2,248	3,148	(900)
<b>Total finance administration</b>	<u>75,121</u>	<u>75,240</u>	<u>70,178</u>	<u>5,062</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, 2017**  
*amounts expressed in thousands*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Legal				
Personnel services	14,834	14,834	14,190	644
Other current expenditures	1,062	1,063	875	188
Equipment acquisition	4	7	6	1
<b>Total legal</b>	<b>15,900</b>	<b>15,904</b>	<b>15,071</b>	<b>833</b>
City Secretary				
Personnel services	734	734	628	106
Other current expenditures	173	173	80	93
<b>Total city secretary</b>	<b>907</b>	<b>907</b>	<b>708</b>	<b>199</b>
Planning and Development				
Personnel services	3,849	3,849	3,407	442
Other current expenditures	340	589	582	7
<b>Total planning and development</b>	<b>4,189</b>	<b>4,438</b>	<b>3,989</b>	<b>449</b>
Human Resources				
Personnel services	2,647	2,647	2,595	52
Other current expenditures	403	404	383	21
Equipment acquisition	3	5	3	2
<b>Total human resources</b>	<b>3,053</b>	<b>3,056</b>	<b>2,981</b>	<b>75</b>
<b>Total general government</b>	<b>147,959</b>	<b>148,055</b>	<b>138,309</b>	<b>9,746</b>
Public safety				
Police				
Personnel services	765,414	776,106	767,045	9,061
Other current expenditures	45,565	46,661	45,083	1,578
Equipment acquisition	300	671	301	370
<b>Total police</b>	<b>811,279</b>	<b>823,438</b>	<b>812,429</b>	<b>11,009</b>
Fire				
Personnel services	457,053	458,958	459,980	(1,022)
Other current expenditures	47,599	47,437	44,565	2,872
Equipment acquisition	-	162	84	78
<b>Total fire</b>	<b>504,652</b>	<b>506,557</b>	<b>504,629</b>	<b>1,928</b>
<b>Total public safety</b>	<b>1,315,931</b>	<b>1,329,995</b>	<b>1,317,058</b>	<b>12,937</b>
Public Works				
Administration				
Personnel services	1,412	1,412	1,309	103
Other current expenditures	29,007	28,130	27,784	346
<b>Total administration</b>	<b>30,419</b>	<b>29,542</b>	<b>29,093</b>	<b>449</b>
General Services				
Personnel services	11,147	10,885	10,762	123
Other current expenditures	26,933	27,247	25,810	1,437
Equipment acquisition	1	1	-	1
<b>Total general services</b>	<b>38,081</b>	<b>38,133</b>	<b>36,572</b>	<b>1,561</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, 2017**  
*amounts expressed in thousands*  
*(unaudited)*

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Pos (Neg)
	Original	Final		
Solid Waste				
Personnel services	33,201	36,067	36,392	(325)
Other current expenditures	45,640	40,911	41,957	(1,046)
Equipment acquisition	-	1,479	474	1,005
Total solid waste	78,841	78,457	78,823	(366)
<b>Total public works</b>	147,341	146,132	144,488	1,644
Department of Neighborhoods				
Personnel services	8,503	8,503	8,387	116
Other current expenditures	3,196	3,256	2,756	500
Equipment acquisition	4	4	-	4
<b>Total department of neighborhoods</b>	11,703	11,763	11,143	620
Health				
Personnel services	39,066	39,066	39,092	(26)
Other current expenditures	26,569	26,592	26,505	87
Equipment acquisition	4	33	33	-
<b>Total health</b>	65,639	65,691	65,630	61
Housing				
Personnel services	128	128	128	-
Other current expenditures	404	404	392	12
Equipment acquisition	-	-	-	-
<b>Total housing</b>	532	532	520	12
Parks and Recreation				
Personnel services	42,000	42,700	42,748	(48)
Other current expenditures	30,074	29,699	28,634	1,065
Equipment acquisition	-	16	15	1
<b>Total parks and recreation</b>	72,074	72,415	71,397	1,018
Library				
Personnel services	30,689	30,689	30,307	382
Other current expenditures	4,946	4,784	4,790	(6)
Equipment acquisition	4,531	4,708	4,715	(7)
<b>Total library</b>	40,166	40,181	39,812	369
Retiree Benefits				
Hospital and life insurance	13,234	13,234	11,521	1,713
<b>Total retiree benefits</b>	13,234	13,234	11,521	1,713
<b>Other current expenditures</b>				
Tax appraisal fees	9,939	9,939	9,323	616
Limited-purpose Annexation Districts	52,351	52,351	53,532	(1,181)
Contingency	3,459	1,525	-	1,525
Claims and judgments	14,109	14,109	12,272	1,837
Membership dues	1,295	1,295	731	564
Advertising and promotion	600	600	157	443
Consultants	2,660	2,660	1,930	730
Miscellaneous support services	61,027	61,027	54,816	6,211
<b>Total other current expenditures</b>	145,440	143,506	132,761	10,745
<b>Debt service</b>				
Debt service principal	-	-	-	-
Debt service interest	3,562	2,812	1,879	933
<b>Total debt service</b>	3,562	2,812	1,879	933
<b>Total expenditures</b>	1,963,581	1,974,316	1,934,518	39,798
<b>Other financing sources (uses)</b>				
Transfers out	344,790	365,630	369,141	(3,511)
<b>Total other financing sources (uses)</b>	344,790	365,630	369,141	(3,511)
<b>Total expenditures and other financing uses</b>	\$ 2,308,371	\$ 2,339,946	\$ 2,303,659	\$ 36,287

\* 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, 2017**  
*amounts expressed in thousands*  
*(unaudited)*

**Revenues**

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 2,324,257
Revenues of non-budgeted funds	
Equipment Acquisition	923
Revolving Funds	561
Building Security	591
Grant Matching Fund	339
Storm Water	22
Bureau of Animal Regulation and Care	2,276
Forensic Transition	6,180
Civic Events	16,954
Renewal and Replacement	12
Health and Environmental	<u>25</u>
Total revenues of non-budgeted funds	<u>27,883</u>
Interest on pooled investments from non-budgeted revenues	50
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 2,352,190</u></u>

**Expenditures**

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 1,934,518
Expenditures of non-budgeted funds	
Equipment Acquisition	29,958
Revolving Funds	561
Building Security	611
Grant Matching Fund	360
Storm Water	41,405
Bureau of Animal Regulation and Care	11,486
Fleet maintenance	103
Forensic Transition	6,181
Civic Events	19,228
Renewal and Replacement	16,018
Health and Environmental	<u>28</u>
Total expenditures of non-budgeted funds	<u>125,939</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 2,060,507</u></u>

**Other financing sources (uses)**

Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ (344,434)
Proceeds from Issuance of Debt	58,000
Sale of Assets	605
Transfers of Non Budgeted Funds	82,979
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ (202,850)</u></u>

\* See note to Required Supplementary Information \*

**CITY OF HOUSTON, TEXAS**  
**REQUIRED NOTES TO THE SUPPLEMENTARY INFORMATION**  
**June 30, 2017**  
*(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 May 31, 2017, City Council approved the Fiscal Year 2017 general appropriation ordinance in the amount of \$2.340 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	\$ 366,183	\$ 270,398	\$ (79,484)
Non-budgeted Disaster Recovery Fund	9	-	-
Non-budgeted Grants Revenue Fund	171,077	176,669	6,000
Non-budgeted Health and Housing	31,392	30,538	400
Non-budgeted Other Funds	21,952	10,247	(484)
Total Special Revenue Funds - Actual	<u>\$ 590,613</u>	<u>\$ 487,852</u>	<u>\$ (73,568)</u>

**2. General Fund Budgetary Highlights**

Revenues were \$51 million above budget. This increase was mainly evident in taxes and assessments of \$37 million. In addition, increase in intergovernmental – grants (\$1 million), other income (\$15 million) and interest of \$1 million, were offset by decrease in licenses and permits (\$2 million) and charges for services of \$1 million.

Significant differences between budgeted and actual taxes and assessments include:

- \$21 million increase in property tax
- \$1 million increase in industrial assessments
- \$17 million increase in sales tax
- \$2 million decrease in franchise tax



**CITY OF HOUSTON, TEXAS  
REQUIRED PENSION SYSTEM  
SUPPLEMENTARY INFORMATION  
June 30, 2017  
(unaudited)**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
Last 3 Fiscal Years  
(in thousands)**

	Fire			Municipal			Police		
	2017	2016	2015	2017	2016	2015 (1)	2017	2016	2015
<b>Total Pension Liability</b>									
Service Cost	\$80,002	\$76,407	\$68,145	\$75,961	\$68,968	\$65,810	\$60,930	\$66,098	\$56,062
Interest	389,938	369,708	353,405	331,166	379,781	361,007	433,598	488,223	473,065
Changes of benefit terms	(645,971)	-	-	(724,683)	-	-	(1,006,000)		
Differences between expected and actual experience	(65,194)	(63,047)	(28,536)	(38,387)	(16,194)	(23,380)	80,023	10,390	26,705
Changes of assumptions	534,646	2,918	2,801	562,237	91,248	-	778,710	(676,151)	664,974
Benefit payments including refunds of employee contributions	(249,394)	(211,673)	(196,362)	(280,456)	(253,178)	(234,955)	(458,733)	(259,076)	(225,656)
Refunds	-	-	-	(718)	(1,105)	(1,549)	(1,696)	(978)	(945)
Net change in total pension liability	44,027	174,313	199,453	(74,880)	269,520	166,933	(113,168)	(371,494)	994,205
Total pension liability - beginning	4,629,654	4,455,341	4,255,888	5,034,390	4,764,870	4,597,937	6,621,289	6,992,783	5,998,578
Total pension liability - ending (a)	4,673,681	4,629,654	4,455,341	4,959,510	5,034,390	4,764,870	6,508,121	6,621,289	6,992,783
<b>Plan fiduciary net position</b>									
Contributions-employer	93,658	94,279	92,610	182,558	159,958	145,007	133,805	137,392	113,665
Contributions-employee	25,404	25,511	25,092	15,902	15,874	16,198	40,104	39,017	37,719
Net investment income	432,948	(47,437)	51,801	290,911	27,639	73,370	667,476	(135,833)	35,339
Benefit payments, including refunds of employee contributions	(249,394)	(211,673)	(196,362)	(280,456)	(253,178)	(234,955)	(458,733)	(259,076)	(225,656)
Administrative expense	(4,898)	(6,771)	(6,640)	(718)	(1,105)	(1,549)	(1,696)	(978)	(945)
Refunds	-	-	-	(6,827)	(7,360)	(7,007)	(4,238)	(4,585)	(3,478)
Other	(2,298)	(1,890)	(1,676)	1,272	1,651	1,041	-	-	-
Net change in plan fiduciary net position	295,420	(147,981)	(35,175)	202,642	(56,521)	(7,895)	376,718	(224,063)	(43,356)
Plan fiduciary net position-beginning	3,729,670	3,877,651	3,912,826	2,400,023	2,456,544	2,464,439	4,080,458	4,304,521	4,347,877
Plan fiduciary net position-ending (b)	4,025,090	3,729,670	3,877,651	2,602,665	2,400,023	2,456,544	4,457,176	4,080,458	4,304,521
<b>City's net pension liability-ending (a)-(b)</b>	<b>\$648,591</b>	<b>\$899,984</b>	<b>\$577,690</b>	<b>\$2,356,845</b>	<b>\$2,634,367</b>	<b>\$2,308,326</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	86.12%	80.56%	87.03%	52.48%	47.67%	51.56%	68.49%	61.63%	61.56%
Covered-employee payroll	\$279,836	\$281,865	\$274,999	\$607,975	\$593,285	\$580,395	\$439,626	\$426,795	\$414,465
Net position liability as a percentage of covered employee payroll	231.78%	319.30%	210.07%	387.65%	444.03%	397.72%	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, 2017**  
*(unaudited)*

**Schedule of City Contributions for Pension Plans**  
**for the Fiscal Years ended June 30, (in thousands)**

	2017	2016	2015
<b>Fire *</b>			
Actuarially determined contribution	\$ 88,745	\$ 87,464	
Contributions in relation to the actuarially determined contribution	93,658	94,279	92,610
Contribution deficiency (excess)	\$ (4,913)	\$ (6,815)	
Covered-employee payroll	\$ 279,836	\$ 281,865	\$ 274,999
Contributions as a percentage of covered-employee payroll	33.5%	33.4%	33.7%
<b>Municipal</b>			
Actuarially determined contribution	\$ 184,733	\$ 162,230	\$ 155,299
Contributions in relation to the actuarially determined contribution	182,558	159,959	145,007
Contribution deficiency (excess)	\$ 2,175	\$ 2,271	\$ 10,292
Covered-employee payroll	\$ 607,975	\$ 593,285	\$ 580,395
Contributions as a percentage of covered-employee payroll	30.0%	27.0%	25.0%
<b>Police</b>			
Actuarially determined contribution	\$ 167,980	\$ 161,154	\$ 150,949
Contributions in relation to the actuarially determined contribution	133,805	137,392	113,665
Contribution deficiency (excess)	\$ 34,175	\$ 23,762	\$ 37,284
Covered-employee payroll	\$ 439,626	\$ 426,795	\$ 414,465
Contributions as a percentage of covered-employee payroll	30.4%	32.2%	27.4%

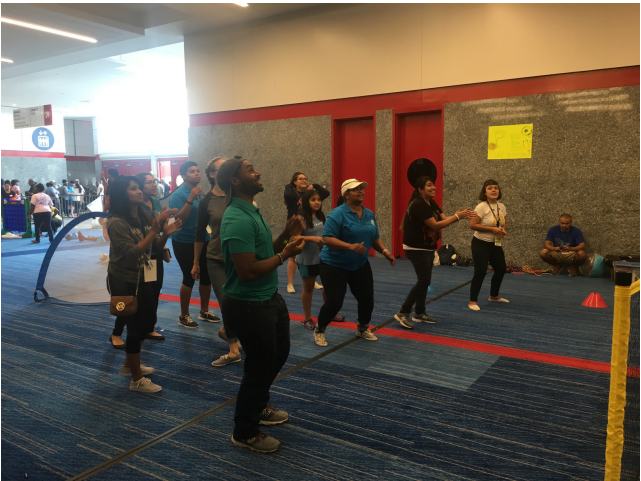
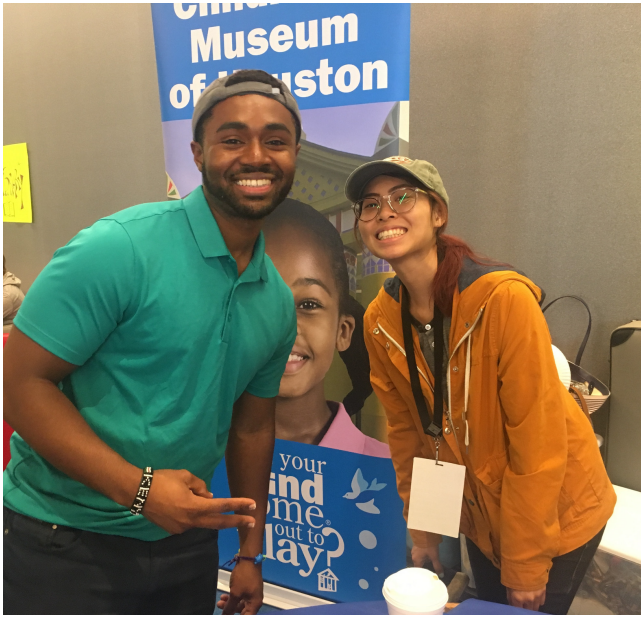
\* A funding valuation for Fire Pension was not performed as of July 1, 2014; therefore, no actuarially determined contribution was calculated for the period July 1, 2014 to June 30, 2015.

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available

See pg. 102 for a listing of Actuarial Assumptions.

**Houston Other Post Employment Benefits Supplementary Information (unaudited)**  
**Schedule of Funding Progress (in millions)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Surplus UAAL) (b-a)	Funded Ratio (a/b)	Projected Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	\$0	\$3,031	\$3,031	0%	\$1,136.4	266.7%
June 30, 2010	\$0	\$1,984	\$1,984	0%	\$1,193.5	166.2%
June 30, 2010	\$0	\$1,984	\$1,984	0%	\$1,208.9	164.1%
June 30, 2012	\$0	\$2,090	\$2,090	0%	\$1,169.2	178.8%
June 30, 2012	\$0	\$2,090	\$2,090	0%	\$1,178.1	177.4%
June 30, 2014	\$0	\$2,068	\$2,068	0%	\$1,229.9	168.1%
June 30, 2014	\$0	\$2,055	\$2,055	0%	\$1,269.9	161.8%
June 30, 2016	\$0	\$2,153	\$2,153	0%	\$1,301.9	165.4%



**Children's Museum of Houston**



# 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, Juvenile Case Manager, Police Special Services, Houston Emergency Center, Municipal Courts Technology Fee, and Child Safety
  - Not budgeted: Helmets for Bicycle Safety, Nuisance Abatement, FTA Special
- **Public Works Special Fund**
  - Budgeted: Building Inspection, Dedicated Drainage & 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, 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 & 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, Digital Houston, Houston Transtar, Parking Management, and Supplemental Environmental Protection
  - 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, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 310,335	\$ 244,161
Receivables, net of allowances		
Accounts receivable	160,254	148,649
Property taxes receivable, net	24,919	29,236
Sales taxes receivable	109,167	106,849
Mixed beverage taxes receivable	4,409	4,237
Franchise taxes receivable	17,570	17,974
Special assessments receivable	9,920	11,869
Due from other funds	22,959	26,626
Due from other governments	365	1,276
Inventory	17,808	13,150
Prepaid items	2,434	2,343
Non-pooled cash and investments	96	98
Total assets	\$ 680,236	\$ 606,468
<b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	83,772	70,841
Accrued payroll liabilities	59,084	51,700
Due to other funds	17,428	36,288
Due to other governments	511	496
Advances and deposits	6,331	6,656
Pension payable	-	14,284
Claims and judgments	3,519	1,760
Compensated absences	6,456	4,223
Total liabilities	177,101	186,248
<b>Deferred inflows of resources</b>		
Deferred inflow of resources	151,250	157,168
Total deferred inflows of resources	151,250	157,168
<b>Fund balance</b>		
<b>Non-Spendable</b>		
Prepays	2,434	2,343
Inventory	17,808	13,150
Restricted	1,188	1,232
Committed	18,701	10,922
Unassigned	311,754	235,405
Total fund balance	351,885	263,052
Total liabilities and fund balance	\$ 680,236	\$ 606,468

**CITY OF HOUSTON, TEXAS**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Taxes and assessments		
Property Taxes	\$ 1,153,991	\$ 1,098,914
Industrial Assessments	19,291	19,238
Sales Tax	631,993	640,476
Franchise Tax	190,586	191,168
Mixed Beverage Tax	16,662	16,064
Bingo Tax	234	207
Licenses and permits	40,664	40,508
Charges for services	147,912	153,018
Intergovernmental - grants	71,370	55,078
Fines and forfeits	26,900	29,913
Investment income	3,711	4,675
Other	48,876	44,581
Total revenues	<u>2,352,190</u>	<u>2,293,840</u>
<b>Expenditures</b>		
Current		
General government	271,687	275,593
Public safety	1,369,087	1,353,270
Public works	201,389	193,948
Health	65,811	61,234
Housing and community development	532	668
Parks and recreation	73,177	71,197
Library	39,871	39,068
Retiree benefits	11,521	11,390
Capital outlay	25,553	39,232
Debt service interest	1,879	942
Total expenditures	<u>2,060,507</u>	<u>2,046,542</u>
<b>Other financing sources (uses)</b>		
Proceeds from issuance of debt	58,000	20,000
Sale of capital assets	10,907	8,674
Transfers in	74,651	66,837
Transfers out	(346,408)	(405,145)
Total other financing sources (uses)	<u>(202,850)</u>	<u>(309,634)</u>
Change in fund balance	88,833	(62,336)
Fund balances, July 1	<u>263,052</u>	<u>325,388</u>
Fund balances, June 30	<u>\$ 351,885</u>	<u>\$ 263,052</u>

**CITY OF HOUSTON, TEXAS**  
**DEBT SERVICE FUND**  
**Balance Sheet**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 125,312	\$ 159,834
Accounts receivable	259	-
Due from other funds	-	5
Due from other governments	124	124
Non-pooled cash and investments	2,570	1,597
<b>Total assets</b>	<b>\$ 128,265</b>	<b>\$ 161,560</b>
 <b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 69	\$ 1,965
Due to other funds	-	5,713
<b>Total liabilities</b>	<b>69</b>	<b>7,678</b>
 <b>Deferred inflows of resources</b>		
Deferred inflow of resources	124	124
<b>Total deferred inflows of resources</b>	<b>124</b>	<b>124</b>
 <b>Fund balance</b>		
Restricted	128,072	153,758
<b>Total fund balance</b>	<b>128,072</b>	<b>153,758</b>
 <b>Total liabilities and fund balance</b>	<b>\$ 128,265</b>	<b>\$ 161,560</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, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	2017			Variance with Final Budget- Pos (Neg)	2016 Actual
	Budget Amounts		Actual		
	Original	Final			
<b>Revenues</b>					
Investment income	\$ -	\$ -	\$ 389	\$ 389	\$ 1,418
Other	2,874	2,874	11,627	8,753	8,695
Total revenues	<u>2,874</u>	<u>2,874</u>	<u>12,016</u>	<u>9,142</u>	<u>10,113</u>
<b>Expenditures</b>					
<b>Current</b>					
Debt service principal	193,190	193,190	192,656	534	290,805
Debt service interest	139,632	139,632	142,189	(2,557)	150,318
Debt service fiscal agent & fees	6,817	6,817	2,605	4,212	6,153
Total expenditures	<u>339,639</u>	<u>339,639</u>	<u>337,450</u>	<u>2,189</u>	<u>447,276</u>
<b>Other financing sources (uses)</b>					
Net proceeds from issuance of refunding debt	-	-	-	-	557,615
Premium on refunding debt	-	-	-	-	102,908
Transfers in	308,962	308,962	299,748	(9,214)	358,649
Payment to escrow agent for refunded bonds	-	-	-	-	(550,600)
Total other financing sources (uses)	<u>308,962</u>	<u>308,962</u>	<u>299,748</u>	<u>(9,214)</u>	<u>468,572</u>
Change in fund balance	(27,803)	(27,803)	(25,686)	2,117	31,409
Fund balances, July 1	<u>153,758</u>	<u>153,758</u>	<u>153,758</u>	<u>-</u>	<u>122,349</u>
Fund balances, June 30	<u>\$ 125,955</u>	<u>\$ 125,955</u>	<u>\$ 128,072</u>	<u>\$ 2,117</u>	<u>\$ 153,758</u>

**CITY OF HOUSTON, TEXAS**  
**CAPITAL PROJECTS FUND**  
**Balance Sheet**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 207,037	\$ 248,645
Receivables, net of allowances		
Accounts receivable	-	1
Due from other funds	21,079	23,606
Due from other governments	32,825	6,382
Prepaid items - Construction materials	351	609
Total assets	\$ 261,292	\$ 279,243
 <b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	48,825	40,219
Due to other funds	10,341	19,819
Advances and deposits	20	31
Unearned revenue	102,606	106,224
Total liabilities	161,792	166,293
 <b>Deferred inflows of resources</b>		
Deferred inflow of resources	36	36
Total deferred inflows of resources	36	36
 Fund balance		
Prepays	351	609
Restricted	20,215	16,040
Assigned	78,898	96,265
Total fund balance	99,464	112,914
 Total liabilities and fund balance	\$ 261,292	\$ 279,243

**CITY OF HOUSTON, TEXAS**  
**CAPITAL PROJECTS FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Intergovernmental - grants	\$ 58,253	\$ 53,860
Investment income	509	2,566
Other	7,539	11,160
Total revenues	66,301	67,586
 <b>Expenditures</b>		
Current		
Capital outlay	271,886	254,071
Total expenditures	271,886	254,071
 <b>Other financing sources (uses)</b>		
Proceeds from issuance of debt	82,000	45,000
Transfers in	116,741	115,865
Transfers out	(6,606)	(1,250)
Total other financing sources (uses)	192,135	159,615
 Change in fund balance	(13,450)	(26,870)
Fund balances, July 1	112,914	139,784
 Fund balances, June 30	\$ 99,464	\$ 112,914

**CITY OF HOUSTON, TEXAS**  
**GRANTS FUND**  
**Balance Sheet**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash		
Equity in pooled cash and investments	\$ 5,925	\$ 50,507
Receivables, net of allowances		
Accounts receivable	34,438	33,899
Due from other funds	1,144	3,731
Due from component units	-	1,862
Due from other governments	81,923	57,986
Inventory	408	414
Prepaid items	210	-
Non-pooled cash and investments	1	1
Total assets	\$ 124,049	\$ 148,400
 <b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	27,460	23,436
Accrued payroll liabilities	1,885	1,641
Due to other funds	2,306	29,276
Due to other governments	8,474	8,497
Advances and deposits	-	178
Unearned revenue	60,048	61,904
Total liabilities	100,173	124,932
 <b>Fund balance</b>		
Non-Spendable		
Prepays	210	-
Inventory	408	414
Restricted	23,258	10,188
Assigned	-	12,866
Total fund balance	23,876	23,468
 Total liabilities and fund balance	\$ 124,049	\$ 148,400

**CITY OF HOUSTON, TEXAS**  
**GRANTS FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Intergovernmental - grants	\$ 170,747	\$ 172,894
Investment income	330	446
Other	-	949
Total revenues	<u>171,077</u>	<u>174,289</u>
<b>Expenditures</b>		
Current		
General government	341	13,410
Public safety	25,119	13,955
Public works	21,508	19,401
Health	62,049	58,929
Housing and community development	59,839	61,871
Parks and recreation	7,752	6,139
Library	61	203
Total expenditures	<u>176,669</u>	<u>173,908</u>
<b>Other financing sources (uses)</b>		
Sale of capital assets	-	33
Transfers in	6,000	12,866
Total other financing sources (uses)	<u>6,000</u>	<u>12,899</u>
Change in fund balance	408	13,280
Fund balances, July 1	<u>23,468</u>	<u>10,188</u>
Fund balances, June 30	<u>\$ 23,876</u>	<u>\$ 23,468</u>

**CITY OF HOUSTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Balance Sheet**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*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>			
Equity in pooled cash and investments	\$ 24,451	\$ 121,431	\$ 25,703
Receivables, net of allowances			
Accounts receivable	634	32,603	305
Due from other funds	101	7,111	350
Due from other governments	1,933	23,798	-
Inventory	-	1,526	-
Non-pooled cash and investments	-	2	-
 Total assets	 <u>\$ 27,119</u>	 <u>\$ 186,471</u>	 <u>\$ 26,358</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,209	\$ 7,610	\$ 1,307
Accrued payroll liabilities	1,185	3,148	620
Due to other funds	17	21,804	21
Due to other governments	1	3,485	-
Advances and deposits	935	2,114	-
Compensated absences	2	7	5
Total liabilities	<u>4,349</u>	<u>38,168</u>	<u>1,953</u>
<b>Deferred inflows of resources</b>			
Deferred inflow of resources	62	50,452	59
Total deferred inflows of resources	<u>62</u>	<u>50,452</u>	<u>59</u>
<b>Fund balance</b>			
<b>Non-Spendable</b>			
Inventory	-	1,526	-
Committed	15,571	41,023	9,782
Restricted	7,137	55,302	14,564
 Total fund balance	 <u>22,708</u>	 <u>97,851</u>	 <u>24,346</u>
 Total liabilities and fund balance	 <u>\$ 27,119</u>	 <u>\$ 186,471</u>	 <u>\$ 26,358</u>

(Continued)

***Nonmajor Funds***

<b>Parks &amp; Recreation Special Fund</b>	<b>Other Special Revenue Fund</b>	<b>2017</b>	<b>2016</b>
\$ 10,736	\$ 97,302	\$ 279,623	\$ 263,898
18	3,337	36,897	32,370
79	14,120	21,761	16,336
-	-	25,731	21,684
-	-	1,526	1,372
5	3,838	3,845	3,581
<u>\$ 10,838</u>	<u>\$ 118,597</u>	<u>\$ 369,383</u>	<u>\$ 339,241</u>
\$ 637	\$ 3,572	\$ 15,335	\$ 12,533
178	286	5,417	4,972
-	3,336	25,178	36,124
12	1,594	5,092	1,449
368	187	3,604	3,044
27	-	41	3
<u>1,222</u>	<u>8,975</u>	<u>54,667</u>	<u>58,125</u>
<u>33</u>	<u>662</u>	<u>51,268</u>	<u>42,030</u>
<u>33</u>	<u>662</u>	<u>51,268</u>	<u>42,030</u>
-	-	1,526	1,372
9,415	6,808	82,599	77,709
<u>168</u>	<u>102,152</u>	<u>179,323</u>	<u>160,005</u>
<u>9,583</u>	<u>108,960</u>	<u>263,448</u>	<u>239,086</u>
<u>\$ 10,838</u>	<u>\$ 118,597</u>	<u>\$ 369,383</u>	<u>\$ 339,241</u>

**CITY OF HOUSTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*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	\$ -	\$ 439	\$ -
Licenses and permits	3,137	70,023	4,551
Charges for services	4,406	125,835	1,275
Intergovernmental - grants	15,775	59,214	22,350
Fines and forfeits	797	7	-
Investment income	61	337	82
Other	16,741	2,480	3,134
Total revenues	40,917	258,335	31,392
<b>Expenditures</b>			
Current			
General government	-	-	-
Public safety	52,569	-	-
Public works	-	125,332	-
Health	-	-	30,108
Housing and community development	-	-	285
Parks and recreation	-	-	-
Capital outlay	432	39,617	145
Debt service fiscal agent & fees	-	738	-
Total expenditures	53,001	165,687	30,538
<b>Other financing sources (uses)</b>			
Sale of capital assets	-	119	-
Transfers in	15,081	40,089	400
Transfers out	(1,811)	(123,297)	-
Total other financing sources (uses)	13,270	(83,089)	400
Change in fund balance	1,186	9,559	1,254
Fund balances, July 1	\$ 21,522	\$ 88,292	\$ 23,092
Fund balances, June 30	\$ 22,708	\$ 97,851	\$ 24,346

(Continued)



<i>Nonmajor Funds</i>			
<b>Parks &amp; Recreation Special Fund</b>	<b>Other Special Revenue Fund</b>	<b>2017</b>	<b>2016</b>
\$ -	\$ -	\$ 439	\$ 416
187	337	78,235	85,512
8,553	11,767	151,836	151,420
-	6,567	103,906	95,714
-	9,703	10,507	12,559
30	585	1,095	2,820
309	21,539	44,203	52,057
<u>9,079</u>	<u>50,498</u>	<u>390,221</u>	<u>400,498</u>
-	25,473	25,473	30,157
-	-	52,569	51,538
-	-	125,332	116,223
-	-	30,108	25,813
-	-	285	-
8,725	-	8,725	7,916
10	1,303	41,507	41,252
-	-	738	632
<u>8,735</u>	<u>26,776</u>	<u>284,737</u>	<u>273,531</u>
-	-	119	85
-	970	56,540	68,771
-	(12,673)	(137,781)	(165,454)
<u>-</u>	<u>(11,703)</u>	<u>(81,122)</u>	<u>(96,598)</u>
344	12,019	24,362	30,369
\$ 9,239	\$ 96,941	\$ 239,086	208,717
<u>\$ 9,583</u>	<u>\$ 108,960</u>	<u>\$ 263,448</u>	<u>\$ 239,086</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Confiscations	\$ 5,979	\$ 5,979	\$ 7,113	\$ 1,134	\$ 5,119
Investment income	24	24	18	(6)	65
Other	-	-	-	-	-
Total revenues	<u>6,003</u>	<u>6,003</u>	<u>7,131</u>	<u>1,128</u>	<u>5,184</u>
<b>Expenditures</b>					
Current					
Public safety	8,448	8,358	6,716	1,642	5,493
Capital outlay	-	91	89	2	160
Total expenditures	<u>8,448</u>	<u>8,449</u>	<u>6,805</u>	<u>1,644</u>	<u>5,653</u>
Change in fund balance	(2,445)	(2,446)	326	2,772	(469)
Fund balances, July 1	<u>5,342</u>	<u>5,342</u>	<u>5,342</u>	<u>-</u>	<u>5,811</u>
Fund balances, June 30	<u>\$ 2,897</u>	<u>\$ 2,896</u>	<u>\$ 5,668</u>	<u>\$ 2,772</u>	<u>\$ 5,342</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 2,700	\$ 2,700	\$ 2,771	\$ 71	\$ 2,736
Charges for services	518	518	728	210	658
Investment income	32	32	8	(24)	32
Other	3,650	3,650	3,905	255	3,800
Total revenues	<u>6,900</u>	<u>6,900</u>	<u>7,412</u>	<u>512</u>	<u>7,226</u>
<b>Expenditures</b>					
Current					
Public safety	6,286	6,311	5,741	570	5,883
Capital outlay	125	100	-	100	732
Total expenditures	<u>6,411</u>	<u>6,411</u>	<u>5,741</u>	<u>670</u>	<u>6,615</u>
<b>Other financing sources (uses)</b>					
Transfers out	(1,600)	(1,600)	(1,600)	-	(1,736)
Total other financing sources (uses)	<u>(1,600)</u>	<u>(1,600)</u>	<u>(1,600)</u>	<u>-</u>	<u>(1,736)</u>
Change in fund balance	(1,111)	(1,111)	71	1,182	(1,125)
Fund balances, July 1	<u>2,224</u>	<u>2,224</u>	<u>2,224</u>	<u>-</u>	<u>3,349</u>
Fund balances, June 30	<u>\$ 1,113</u>	<u>\$ 1,113</u>	<u>\$ 2,295</u>	<u>\$ 1,182</u>	<u>\$ 2,224</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 1,330	\$ 1,330	\$ 1,021	\$ (309)	\$ 982
Investment income	-	-	4	4	6
Total revenues	<u>1,330</u>	<u>1,330</u>	<u>1,025</u>	<u>(305)</u>	<u>988</u>
<b>Expenditures</b>					
Current					
Parks and recreation	1,053	1,053	887	166	630
Capital outlay	175	175	-	175	-
Total expenditures	<u>1,228</u>	<u>1,228</u>	<u>887</u>	<u>341</u>	<u>630</u>
Change in fund balance	102	102	138	36	358
Fund balances, July 1	<u>766</u>	<u>766</u>	<u>766</u>	<u>-</u>	<u>408</u>
Fund balances, June 30	<u>\$ 868</u>	<u>\$ 868</u>	<u>\$ 904</u>	<u>\$ 36</u>	<u>\$ 766</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Taxes and assessments					
Franchise Tax	\$ 401	\$ 401	\$ 439	\$ 38	\$ 416
Licenses and permits	71,017	71,017	67,271	(3,746)	74,820
Charges for services	9,552	9,552	8,464	(1,088)	8,308
Fines and forfeits	7	7	7	-	8
Investment income	285	285	131	(154)	561
Other	396	396	522	126	799
Total revenues	<u>81,658</u>	<u>81,658</u>	<u>76,834</u>	<u>(4,824)</u>	<u>84,912</u>
<b>Expenditures</b>					
Current					
Public works	81,036	83,536	68,882	14,654	64,543
Capital outlay	10,875	8,375	3,220	5,155	2,611
Total expenditures	<u>91,911</u>	<u>91,911</u>	<u>72,102</u>	<u>19,809</u>	<u>67,154</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	25	25	119	94	40
Transfers out	(3,580)	(3,580)	(3,580)	-	(24,510)
Total other financing sources (uses)	<u>(3,555)</u>	<u>(3,555)</u>	<u>(3,461)</u>	<u>94</u>	<u>(24,470)</u>
Change in fund balance	(13,808)	(13,808)	1,271	15,079	(6,712)
Fund balances, July 1	<u>34,391</u>	<u>34,391</u>	<u>34,391</u>	<u>-</u>	<u>41,103</u>
Fund balances, June 30	<u>\$ 20,583</u>	<u>\$ 20,583</u>	<u>\$ 35,662</u>	<u>\$ 15,079</u>	<u>\$ 34,391</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>		<u>Actual</u>	<u>Variance with Final Budget- Pos (Neg)</u>	<u>2016 Actual</u>
	<u>Budget Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>Revenues</b>					
Investment income	\$ 6	\$ 6	\$ 4	\$ (2)	\$ 13
Other	5,304	5,304	4,539	(765)	4,829
Total revenues	<u>5,310</u>	<u>5,310</u>	<u>4,543</u>	<u>(767)</u>	<u>4,842</u>
<b>Expenditures</b>					
Current					
General government	4,254	4,321	4,089	232	3,926
Capital outlay	1,300	1,001	148	853	74
Total expenditures	<u>5,554</u>	<u>5,322</u>	<u>4,237</u>	<u>1,085</u>	<u>4,000</u>
<b>Other financing sources (uses)</b>					
Transfers out	-	-	-	-	(303)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(303)</u>
Change in fund balance	(244)	(12)	306	318	539
Fund balances, July 1	<u>1,251</u>	<u>1,251</u>	<u>1,251</u>	<u>-</u>	<u>712</u>
Fund balances, June 30	<u>\$ 1,007</u>	<u>\$ 1,239</u>	<u>\$ 1,557</u>	<u>\$ 318</u>	<u>\$ 1,251</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Fines and forfeits	\$ 824	\$ 824	\$ 797	\$ (27)	\$ 851
Interest	20	20	7	(13)	17
Other	2,585	2,585	2,624	39	2,674
Total revenues	<u>3,429</u>	<u>3,429</u>	<u>3,428</u>	<u>(1)</u>	<u>3,542</u>
<b>Expenditures</b>					
Current					
Public safety	<u>3,529</u>	<u>3,539</u>	<u>3,540</u>	<u>(1)</u>	<u>3,433</u>
Total expenditures	<u>3,529</u>	<u>3,539</u>	<u>3,540</u>	<u>(1)</u>	<u>3,433</u>
Change in fund balance	(100)	(110)	(112)	(2)	109
Fund balances, July 1	<u>113</u>	<u>113</u>	<u>113</u>	<u>-</u>	<u>4</u>
Fund balances, June 30	<u>\$ 13</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ (2)</u>	<u>\$ 113</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income	\$ 14	\$ 14	\$ 11	\$ (3)	\$ 29
Other	850	850	1,308	458	1,111
Total revenues	<u>864</u>	<u>864</u>	<u>1,319</u>	<u>455</u>	<u>1,140</u>
<b>Expenditures</b>					
Current					
General government	472	472	312	160	233
Total expenditures	<u>472</u>	<u>472</u>	<u>312</u>	<u>160</u>	<u>233</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	(8)	(8)	607	615	507
Fund balances, July 1	<u>2,579</u>	<u>2,579</u>	<u>2,579</u>	<u>-</u>	<u>2,072</u>
Fund balances, June 30	<u>\$ 2,571</u>	<u>\$ 2,571</u>	<u>\$ 3,186</u>	<u>\$ 615</u>	<u>\$ 2,579</u>



**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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>		<b>Actual</b>	<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 113,938	\$ 113,938	\$ 110,370	\$ (3,568)	\$ 115,709
Licenses & Permits	2,003	2,003	2,280	277	2,674
Metro Intergovernmental Revenue	61,566	61,566	59,214	(2,352)	58,734
Miscellaneous/Other	1,452	1,452	1,403	(49)	1,587
Investment income	500	500	178	(322)	582
Total revenues	<u>179,459</u>	<u>179,459</u>	<u>173,445</u>	<u>(6,014)</u>	<u>179,286</u>
<b>Expenditures</b>					
Current					
Public works	80,758	82,959	50,006	32,953	50,673
Capital outlay	11,965	11,765	36,431	(24,666)	33,614
Debt service fiscal agent & fees	589	589	704	(115)	632
Total expenditures	<u>93,312</u>	<u>95,313</u>	<u>87,141</u>	<u>8,172</u>	<u>84,919</u>
<b>Other financing sources (uses)</b>					
Transfers in	34,741	34,741	36,295	1,554	51,296
Sale of capital assets	-	-	-	-	45
Transfers out	(133,600)	(131,600)	(116,461)	(15,139)	(122,375)
Total other financing sources (uses)	<u>(98,859)</u>	<u>(96,859)</u>	<u>(80,166)</u>	<u>(13,585)</u>	<u>(71,034)</u>
Change in fund balance	(12,712)	(12,713)	6,138	18,851	23,333
Fund balances, July 1	<u>51,109</u>	<u>51,109</u>	<u>51,109</u>	<u>-</u>	<u>27,776</u>
Fund balances, June 30	<u>\$ 38,397</u>	<u>\$ 38,396</u>	<u>\$ 57,247</u>	<u>\$ 18,851</u>	<u>\$ 51,109</u>

**CITY OF HOUSTON, TEXAS**  
**OTHER SPECIAL REVENUE FUND - DIGITAL HOUSTON WIFI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ 1
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	344
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344</u>
Change in fund balance	-	-	-	-	(343)
Fund balances, July 1	<u>11</u>	<u>11</u>	<u>11</u>	<u>-</u>	<u>354</u>
Fund balances, June 30	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 11</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Intergovernmental - grants	\$ 24,604	\$ 24,604	\$ 22,350	\$ (2,254)	\$ 16,696
Investment income	90	90	57	(33)	153
Other	-	-	-	-	382
Total revenues	<u>24,694</u>	<u>24,694</u>	<u>22,407</u>	<u>(2,287)</u>	<u>17,231</u>
<b>Expenditures</b>					
Current					
Health	26,059	26,048	21,084	4,964	18,045
Capital outlay	50	61	26	35	147
Total expenditures	<u>26,109</u>	<u>26,109</u>	<u>21,110</u>	<u>4,999</u>	<u>18,192</u>
Change in fund balance	(1,415)	(1,415)	1,297	2,712	(961)
Fund balances, July 1	<u>11,580</u>	<u>11,580</u>	<u>11,580</u>	<u>-</u>	<u>12,541</u>
Fund balances, June 30	<u>\$ 10,165</u>	<u>\$ 10,165</u>	<u>\$ 12,877</u>	<u>\$ 2,712</u>	<u>\$ 11,580</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 317	\$ 317	\$ 396	\$ 79	\$ 306
Charges for services	941	881	830	(51)	947
Investment income	42	42	12	(30)	60
Other	2,322	2,382	2,034	(348)	1,479
Total revenues	<u>3,622</u>	<u>3,622</u>	<u>3,272</u>	<u>(350)</u>	<u>2,792</u>
<b>Expenditures</b>					
Current					
Health	5,035	4,877	3,420	1,457	2,737
Capital outlay	96	254	-	254	21
Total expenditures	<u>5,131</u>	<u>5,131</u>	<u>3,420</u>	<u>1,711</u>	<u>2,758</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	(1,109)	(1,109)	252	1,361	434
Fund balances, July 1	<u>5,836</u>	<u>5,836</u>	<u>5,836</u>	<u>-</u>	<u>5,402</u>
Fund balances, June 30	<u>\$ 4,727</u>	<u>\$ 4,727</u>	<u>\$ 6,088</u>	<u>\$ 1,361</u>	<u>\$ 5,836</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 325	\$ 325	\$ 238	\$ (87)	\$ 356
Investment income	8	8	6	(2)	21
Other	-	-	3	3	-
Total revenues	<u>333</u>	<u>333</u>	<u>247</u>	<u>(86)</u>	<u>377</u>
<b>Expenditures</b>					
Current					
Public Works	459	459	358	101	200
Capital outlay	-	-	-	-	34
Total expenditures	<u>459</u>	<u>459</u>	<u>358</u>	<u>101</u>	<u>234</u>
Change in fund balance	(126)	(126)	(111)	15	143
Fund balances, July 1	<u>2,227</u>	<u>2,227</u>	<u>2,227</u>	<u>-</u>	<u>2,084</u>
Fund balances, June 30	<u>\$ 2,101</u>	<u>\$ 2,101</u>	<u>\$ 2,116</u>	<u>\$ 15</u>	<u>\$ 2,227</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 190	\$ 190	\$ 173	\$ (17)	\$ 489
Intergovernmental - grants	15,301	15,301	15,430	129	13,671
Other	-	-	4	4	3
Investment income	-	-	3	3	60
Total revenues	<u>15,491</u>	<u>15,491</u>	<u>15,610</u>	<u>119</u>	<u>14,223</u>
<b>Expenditures</b>					
Current					
Public safety	27,762	27,762	25,205	2,557	25,180
Capital outlay	-	-	-	-	614
Total expenditures	<u>27,762</u>	<u>27,762</u>	<u>25,205</u>	<u>2,557</u>	<u>25,794</u>
<b>Other financing sources (uses)</b>					
Transfers in	10,148	10,148	10,247	99	10,495
Total other financing sources (uses)	<u>10,148</u>	<u>10,148</u>	<u>10,247</u>	<u>99</u>	<u>10,495</u>
Change in fund balance	(2,123)	(2,123)	652	2,775	(1,076)
Fund balances, July 1	<u>4,152</u>	<u>4,152</u>	<u>4,152</u>	<u>-</u>	<u>5,228</u>
Fund balances, June 30	<u>\$ 2,029</u>	<u>\$ 2,029</u>	<u>\$ 4,804</u>	<u>\$ 2,775</u>	<u>\$ 4,152</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 643	\$ 643	\$ 683	\$ 40	\$ 658
Intergovernmental - grants	1,600	1,600	1,735	135	1,669
Investment income	15	15	5	(10)	22
Other	1	1	-	(1)	19
Total revenues	<u>2,259</u>	<u>2,259</u>	<u>2,423</u>	<u>164</u>	<u>2,368</u>
<b>Expenditures</b>					
Current					
General government	3,191	3,256	2,392	864	2,352
Capital outlay	-	-	341	(341)	537
Total expenditures	<u>3,191</u>	<u>3,256</u>	<u>2,733</u>	<u>523</u>	<u>2,889</u>
Change in fund balance	(932)	(997)	(310)	687	(521)
Fund balances, July 1	<u>1,584</u>	<u>1,584</u>	<u>1,584</u>	<u>-</u>	<u>2,105</u>
Fund balances, June 30	<u>\$ 652</u>	<u>\$ 587</u>	<u>\$ 1,274</u>	<u>\$ 687</u>	<u>\$ 1,584</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 1,167	\$ 1,167	\$ 1,151	\$ (16)	\$ 1,249
Interest	12	12	3	(9)	16
Total revenues	<u>1,179</u>	<u>1,179</u>	<u>1,154</u>	<u>(25)</u>	<u>1,265</u>
<b>Expenditures</b>					
Current					
Public safety	<u>2,035</u>	<u>2,035</u>	<u>1,662</u>	<u>373</u>	<u>1,447</u>
Total expenditures	<u>2,035</u>	<u>2,035</u>	<u>1,662</u>	<u>373</u>	<u>1,447</u>
Change in fund balance	(856)	(856)	(508)	348	(182)
Fund balances, July 1	<u>1,383</u>	<u>1,383</u>	<u>1,383</u>	<u>-</u>	<u>1,565</u>
Fund balances, June 30	<u>\$ 527</u>	<u>\$ 527</u>	<u>\$ 875</u>	<u>\$ 348</u>	<u>\$ 1,383</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 461	\$ 461	\$ 448	\$ (13)	\$ 489
Investment income	3	3	-	(3)	5
Other	-	-	20	20	-
Total revenues	<u>464</u>	<u>464</u>	<u>468</u>	<u>4</u>	<u>494</u>
<b>Expenditures</b>					
Current					
Health	694	673	568	105	700
Capital outlay	-	22	22	-	7
Total expenditures	<u>694</u>	<u>695</u>	<u>590</u>	<u>105</u>	<u>707</u>
Change in fund balance	(230)	(231)	(122)	109	(213)
Fund balances, July 1	<u>317</u>	<u>317</u>	<u>317</u>	<u>-</u>	<u>530</u>
Fund balances, June 30	<u>\$ 87</u>	<u>\$ 86</u>	<u>\$ 195</u>	<u>\$ 109</u>	<u>\$ 317</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Interest	\$ 3	\$ 3	\$ 4	\$ 1	\$ 7
Other	1,287	1,287	1,038	(249)	946
Total revenues	<u>1,290</u>	<u>1,290</u>	<u>1,042</u>	<u>(248)</u>	<u>953</u>
<b>Expenditures</b>					
Current					
Public safety	565	804	347	457	436
Capital outlay	350	111	-	111	1
Total expenditures	<u>915</u>	<u>915</u>	<u>347</u>	<u>568</u>	<u>437</u>
Change in fund balance	375	375	695	320	516
Fund balances, July 1	<u>773</u>	<u>773</u>	<u>773</u>	<u>-</u>	<u>257</u>
Fund balances, June 30	<u>\$ 1,148</u>	<u>\$ 1,148</u>	<u>\$ 1,468</u>	<u>\$ 320</u>	<u>\$ 773</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Taxes and assessments					
Parking Violations	\$ 10,381	\$ 10,381	\$ 9,703	\$ (678)	\$ 11,700
Parking Fees	9,683	9,683	11,044	1,361	10,495
Permit Fees	302	302	337	35	361
Investment income	34	34	13	(21)	71
Other	21	21	13	(8)	102
Total revenues	<u>20,421</u>	<u>20,421</u>	<u>21,110</u>	<u>689</u>	<u>22,729</u>
<b>Expenditures</b>					
Current					
General government	12,610	12,497	9,673	2,824	10,274
Capital outlay	199	312	56	256	83
Total expenditures	<u>12,809</u>	<u>12,809</u>	<u>9,729</u>	<u>3,080</u>	<u>10,357</u>
<b>Other financing sources (uses)</b>					
Transfers out	(8,169)	(8,169)	(11,292)	3,123	(12,362)
Total other financing sources (uses)	<u>(8,169)</u>	<u>(8,169)</u>	<u>(11,292)</u>	<u>3,123</u>	<u>(12,362)</u>
Change in fund balance	(557)	(557)	89	646	10
Fund balances, July 1	<u>2,379</u>	<u>2,379</u>	<u>2,379</u>	<u>-</u>	<u>2,369</u>
Fund balances, June 30	<u>\$ 1,822</u>	<u>\$ 1,822</u>	<u>\$ 2,468</u>	<u>\$ 646</u>	<u>\$ 2,379</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Charges for services	\$ 6,190	\$ 6,190	\$ 5,591	\$ (599)	\$ 5,617
Investment income	7	7	2	(5)	15
Other	1	1	22	21	25
Total revenues	<u>6,198</u>	<u>6,198</u>	<u>5,615</u>	<u>(583)</u>	<u>5,657</u>
<b>Expenditures</b>					
Current					
Parks and recreation	6,277	6,277	5,683	594	5,788
Capital outlay	-	-	-	-	177
Total expenditures	<u>6,277</u>	<u>6,277</u>	<u>5,683</u>	<u>594</u>	<u>5,965</u>
Change in fund balance	(79)	(79)	(68)	11	(308)
Fund balances, July 1	<u>1,116</u>	<u>1,116</u>	<u>1,116</u>	<u>-</u>	<u>1,424</u>
Fund balances, June 30	<u>\$ 1,037</u>	<u>\$ 1,037</u>	<u>\$ 1,048</u>	<u>\$ 11</u>	<u>\$ 1,116</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 195	\$ 195	\$ 187	\$ (8)	\$ 176
Charges for services	1,897	1,897	1,941	44	1,877
Investment income	52	52	24	(28)	83
Other	71	71	287	216	116
Total revenues	<u>2,215</u>	<u>2,215</u>	<u>2,439</u>	<u>224</u>	<u>2,252</u>
<b>Expenditures</b>					
Current					
Parks and recreation	2,494	2,644	2,074	570	1,398
Capital outlay	-	-	10	(10)	320
Total expenditures	<u>2,494</u>	<u>2,644</u>	<u>2,084</u>	<u>560</u>	<u>1,718</u>
Change in fund balance	(279)	(429)	355	784	534
Fund balances, July 1	<u>7,108</u>	<u>7,108</u>	<u>7,108</u>	<u>-</u>	<u>6,574</u>
Fund balances, June 30	<u>\$ 6,829</u>	<u>\$ 6,679</u>	<u>\$ 7,463</u>	<u>\$ 784</u>	<u>\$ 7,108</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 595	\$ 595	\$ 349	\$ (246)	\$ 101
Charges for services	6,497	6,497	6,273	(224)	3,101
Investment income	-	-	6	6	3
Other	-	-	2	2	1
Total revenues	<u>7,092</u>	<u>7,092</u>	<u>6,630</u>	<u>(462)</u>	<u>3,206</u>
<b>Expenditures</b>					
Current					
Public works	<u>7,052</u>	<u>6,752</u>	<u>5,053</u>	<u>1,699</u>	<u>2,787</u>
Total expenditures	<u>7,052</u>	<u>6,752</u>	<u>5,053</u>	<u>1,699</u>	<u>2,787</u>
Change in fund balance	40	340	1,577	1,237	419
Fund balances, July 1	<u>419</u>	<u>419</u>	<u>419</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 459</u>	<u>\$ 759</u>	<u>\$ 1,996</u>	<u>\$ 1,237</u>	<u>\$ 419</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>		<u>Actual</u>	<u>Variance with Final Budget- Pos (Neg)</u>	<u>2016 Actual</u>
	<u>Budget Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>Revenues</b>					
Licenses and permits	\$ 287	\$ 287	\$ 366	\$ 79	\$ 419
Charges for services	2,204	2,204	2,051	(153)	2,811
Intergovernmental - grants	386	386	345	(41)	374
Investment income	60	60	5	(55)	67
Other	1,725	1,725	2,056	331	1,875
Total revenues	<u>4,662</u>	<u>4,662</u>	<u>4,823</u>	<u>161</u>	<u>5,546</u>
<b>Expenditures</b>					
Current					
Public safety	10,173	11,107	9,245	1,862	9,514
Capital outlay	308	308	342	(34)	505
Total expenditures	<u>10,481</u>	<u>11,415</u>	<u>9,587</u>	<u>1,828</u>	<u>10,019</u>
<b>Other financing sources (uses)</b>					
Transfers in	3,000	3,000	4,834	1,834	5,023
Transfers out	(211)	(211)	(211)	-	(218)
Total other financing sources (uses)	<u>2,789</u>	<u>2,789</u>	<u>4,623</u>	<u>1,834</u>	<u>4,805</u>
Change in fund balance	(3,030)	(3,964)	(141)	3,823	332
Fund balances, July 1	<u>7,108</u>	<u>7,108</u>	<u>7,108</u>	<u>-</u>	<u>6,776</u>
Fund balances, June 30	<u>\$ 4,078</u>	<u>\$ 3,144</u>	<u>\$ 6,967</u>	<u>\$ 3,823</u>	<u>\$ 7,108</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 280	\$ 280	\$ 123	\$ (157)	\$ 26
Investment income	-	-	12	\$ 12	8
Other	275	275	550	275	468
Total revenues	<u>555</u>	<u>555</u>	<u>685</u>	<u>130</u>	<u>502</u>
<b>Expenditures</b>					
Current					
Parks and recreation	3,277	2,314	1,034	1,280	809
Capital outlay	-	-	-	-	12
Total expenditures	<u>3,277</u>	<u>2,314</u>	<u>1,034</u>	<u>1,280</u>	<u>821</u>
<b>Other financing sources (uses)</b>					
Transfers in	5,494	5,494	3,794	(1,700)	1,557
Transfers out	(2,771)	(2,771)	(2,771)	-	(2,771)
Total other financing sources (uses)	<u>2,723</u>	<u>2,723</u>	<u>1,023</u>	<u>1,700</u>	<u>(1,214)</u>
Change in fund balance	1	964	674	(290)	(1,533)
Fund balances, July 1	<u>597</u>	<u>597</u>	<u>597</u>	<u>-</u>	<u>2,130</u>
Fund balances, June 30	<u>\$ 598</u>	<u>\$ 1,561</u>	<u>\$ 1,271</u>	<u>\$ (290)</u>	<u>\$ 597</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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 2,848	\$ 2,848	\$ 3,059	\$ 211	\$ 2,871
Investment income	-	-	5	5	27
Other	-	-	1,024	1,024	1,100
Total revenues	<u>2,848</u>	<u>2,848</u>	<u>4,088</u>	<u>1,240</u>	<u>3,998</u>
<b>Expenditures</b>					
Current					
Health	4,220	4,346	3,874	472	3,218
Capital outlay	384	257	98	159	1,187
Total expenditures	<u>4,604</u>	<u>4,603</u>	<u>3,972</u>	<u>631</u>	<u>4,405</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,200	1,200	-	(1,200)	-
Change in fund balance	(556)	(555)	116	671	(407)
Fund balances, July 1	<u>2,404</u>	<u>2,404</u>	<u>2,404</u>	<u>-</u>	<u>2,811</u>
Fund balances, June 30	<u>\$ 1,848</u>	<u>\$ 1,849</u>	<u>\$ 2,520</u>	<u>\$ 671</u>	<u>\$ 2,404</u>

**CITY OF HOUSTON, TEXAS**  
**OTHER SPECIAL REVENUE FUND - SUPPLEMENTAL ENVIRONMENTAL PROJECT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

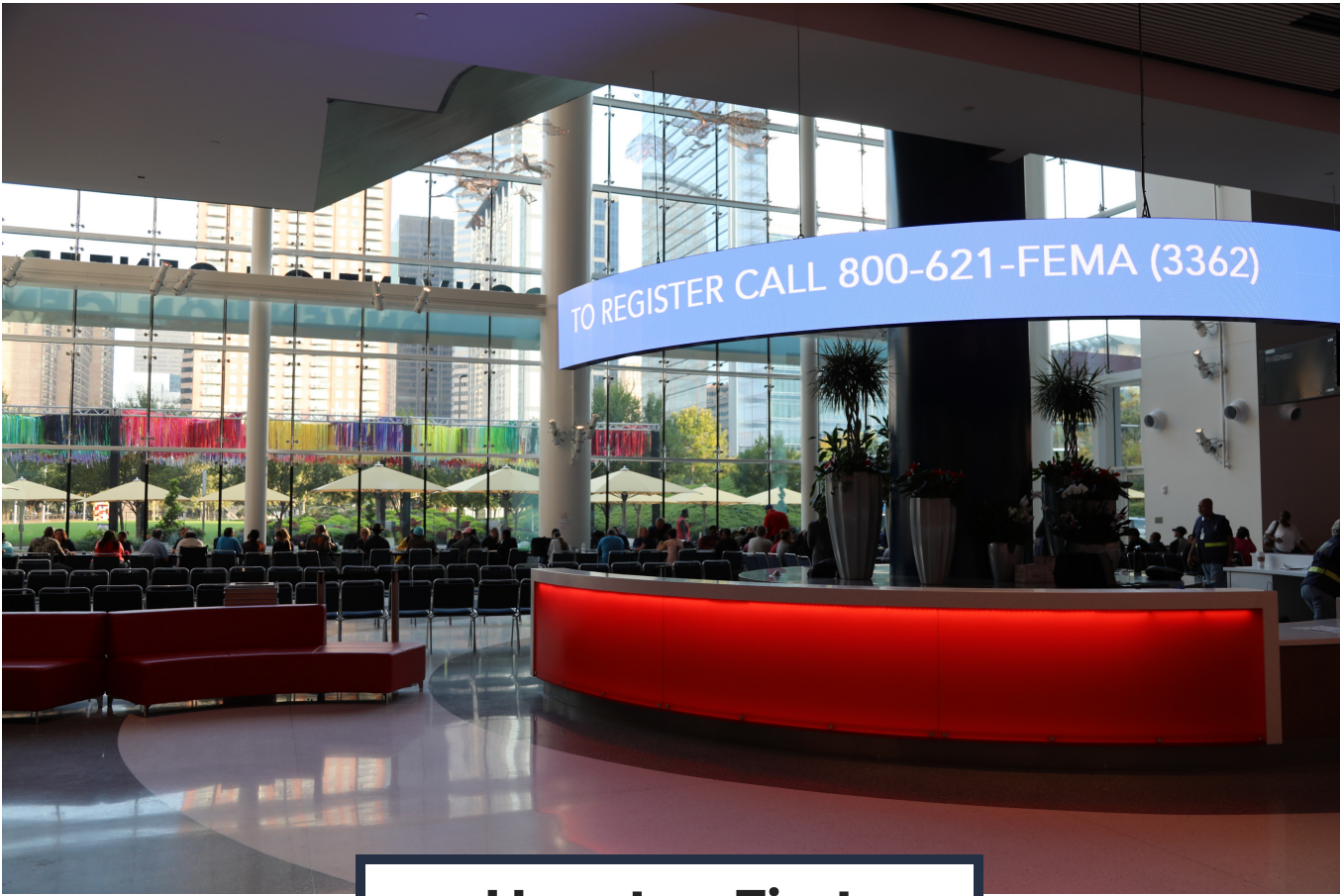
	<u>2017</u>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ 1
Other	-	-	-	-	75
Total revenues	-	-	-	-	76
<b>Expenditures</b>					
Current					
General government	-	-	-	-	33
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	33
<b>Other financing sources (uses)</b>					
Transfers out	-	-	-	-	(98)
Total other financing sources (uses)	-	-	-	-	(98)
Change in fund balance	-	-	-	-	(55)
Fund balances, July 1	-	-	-	-	55
Fund balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

**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, 2017**  
*(With comparative totals for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>			<b>Variance with Final Budget- Pos (Neg)</b>	<b>2016 Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Licenses and permits	\$ 1,220	\$ 1,220	\$ 1,096	\$ (124)	\$ 1,123
Investment income	5	5	2	(3)	11
Total revenues	<u>1,225</u>	<u>1,225</u>	<u>1,098</u>	<u>(127)</u>	<u>1,134</u>
<b>Expenditures</b>					
Current					
Health	1,179	1,179	1,160	19	1,105
Capital outlay	24	24	-	24	-
Total expenditures	<u>1,203</u>	<u>1,203</u>	<u>1,160</u>	<u>43</u>	<u>1,105</u>
Change in fund balance	22	22	(62)	(84)	29
Fund balances, July 1	<u>923</u>	<u>923</u>	<u>923</u>	<u>-</u>	<u>894</u>
Fund balances, June 30	<u>\$ 945</u>	<u>\$ 945</u>	<u>\$ 861</u>	<u>\$ (84)</u>	<u>\$ 923</u>

**CITY OF HOUSTON, TEXAS**

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**Houston First**





# 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, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets		
Equity in pooled cash and investments	\$ 362,714	\$ 389,411
Receivables, net of allowances		
Accounts receivable	44,224	3,347
Due from other funds	201	31,833
Due from other governments	34,493	11,255
Inventory	1,875	1,632
Prepaid items	2,938	2,817
Non-pooled cash	5	5
Restricted assets		
Non-pooled cash	5,796	5,541
Total current assets	<u>452,246</u>	<u>445,841</u>
Noncurrent Assets		
Equity in pooled cash and investments	853,294	817,877
Non-pooled cash	37,813	35,512
Prepaid items	1,383	1,481
Total noncurrent assets	<u>892,490</u>	<u>854,870</u>
Capital assets		
Land	216,079	222,886
Buildings	2,970,950	2,900,383
Improvements and equipment	1,849,603	1,790,940
Construction in progress	135,233	174,942
Intangibles	14,604	13,836
Infrastructure	557,062	530,381
Less accumulated depreciation	<u>(2,860,099)</u>	<u>(2,674,904)</u>
Net capital assets	<u>2,883,432</u>	<u>2,958,464</u>
Total noncurrent assets	<u>3,775,922</u>	<u>3,813,334</u>
<b>Total assets</b>	<u>\$ 4,228,168</u>	<u>\$ 4,259,175</u>
<b>Deferred Outflows of Resources</b>		
Unamortized costs on refunded debt	27,329	30,154
Deferred outflows on pension liability	<u>53,848</u>	<u>29,213</u>
<b>Total Deferred Outflows of Resources</b>	<u>81,177</u>	<u>59,367</u>



**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Net Position**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>	<b>2016</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 14,893	\$ 14,087
Accrued payroll liabilities	3,366	3,133
Accrued interest payable	45,689	47,125
Contracts and retainages payable	34,522	64,665
Due to other funds	713	970
Notes payable	5,018	5,018
Commercial Paper payable	-	87,000
Advances and deposits	2,193	2,082
Inferior lien contract	6,240	5,915
Claims and judgments	777	868
Compensated absences	6,367	5,945
Special facility bonds payable	5,490	5,305
Other liabilities	10,000	-
Revenue bonds payable	77,855	74,665
Unearned revenue	5,296	1,922
Total current liabilities	218,419	318,700
Noncurrent liabilities		
Notes payable	110,403	115,421
Revenue bonds payable, net	1,991,140	2,075,512
Special facility bonds payable	86,100	91,590
Claims and judgments	642	937
Compensated absences	6,254	6,835
Inferior lien contracts	-	6,240
Commercial paper	87,000	-
Municipal pension trust liability	254,420	282,811
Other post employment benefits	74,657	70,203
Pension obligation bonds payable	2,006	2,006
Total noncurrent liabilities	2,612,622	2,651,555
<b>Total liabilities</b>	<b>2,831,041</b>	<b>2,970,255</b>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows on pension liability	4,487	2,526
<b>Total Deferred Inflows of Resources</b>	<b>4,487</b>	<b>2,526</b>
<b>Net position</b>		
Net investment in capital assets	542,363	537,172
Restricted net position		
Restricted for debt service	287,858	333,635
Restricted for renewal and replacement	10,000	10,000
Restricted for maintenance and operations	54,805	54,942
Restricted for special facility	29,369	26,944
Restricted for capital improvements	676,360	561,071
Unrestricted (deficit)	(126,938)	(178,003)
<b>Total net position</b>	<b>\$ 1,473,817</b>	<b>\$ 1,345,761</b>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Landing area fees	\$ 88,046	\$ 86,870
Rentals, building and ground areas	221,181	216,018
Parking	99,752	101,650
Concession	79,136	76,035
Other	5,926	8,324
Total operating revenue	<u>494,041</u>	<u>488,897</u>
<b>Operating Expenses</b>		
Maintenance and operating	254,459	315,419
Depreciation and amortization	184,203	179,398
Total operating expenses	<u>438,662</u>	<u>494,817</u>
Operating income (loss)	<u>55,379</u>	<u>(5,920)</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income(loss)	3,403	13,260
Customer facility charges	14,200	16,417
Special facility cost	(92)	(47)
Other revenue	4,141	70
Gain (Loss) on disposal of assets	1,455	54
Passenger facility charges	101,539	104,230
Interest expense on long-term debt	(87,482)	(86,212)
Total Nonoperating revenues (expenses)	<u>37,164</u>	<u>47,772</u>
Income(Loss) before contributions and transfers	<u>92,543</u>	<u>41,852</u>
Capital contributions	<u>35,513</u>	<u>22,542</u>
Change in net position	128,056	64,394
Total net position, July 1	<u>1,345,761</u>	<u>1,281,367</u>
<b>Total net position, June 30</b>	<u>\$ 1,473,817</u>	<u>\$ 1,345,761</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 454,955	\$ 504,457
Payments to employees	(102,834)	(101,054)
Payments to suppliers	(116,498)	(123,101)
Internal activity-payments to other funds	(34,214)	(94,776)
Claims paid	(777)	(868)
Other receipts	4,141	70
Net cash provided by operating activities	<u>204,773</u>	<u>184,728</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	3,403	13,260
Purchases of investments	(1,473,463)	(1,629,945)
Sales of investments	1,548,830	1,687,735
Net cash used for investing activities	<u>78,770</u>	<u>71,050</u>
<b>Cash flows from noncapital financing activities</b>		
Interest expense pension obligation bonds	(106)	(107)
Net cash used in noncapital financing activities	<u>(106)</u>	<u>(107)</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(74,665)	(65,730)
Refunding of special facility bonds	-	-
Retirement of special facility bonds	(5,305)	(5,160)
Proceeds from issuance of special facility bonds	-	-
Costs of issuing special facility bonds	-	-
Proceeds from issuance of commercial paper	-	37,500
Interest expense on debt	(99,558)	(98,308)
Retirement of inferior lien contract	(5,915)	(5,605)
Passenger facilities charges	95,710	105,154
Customer facilities charges	14,068	16,640
Grant receipts	12,132	17,930
Acquisition of property, plant and equipment	(133,260)	(174,264)
Net cash used in capital and related financing activities	<u>(196,793)</u>	<u>(171,843)</u>
Net increase in cash and cash equivalents	86,644	83,828
Cash and cash equivalents, July 1	128,299	44,471
<b>Cash and cash equivalents, June 30</b>	<u>\$ 214,943</u>	<u>\$ 128,299</u>
<b>Cash and cash equivalents</b>		
Equity in pooled cash (Note 3A)	\$ 171,329	\$ 128,299
Non-pooled cash (Note 3A)	43,614	41,059
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 214,943</u>	<u>\$ 169,358</u>
<b>Non cash transactions</b>		
Bond amortization expense	\$ 3,595	\$ 3,729
Capital additions included in notes payable	(5,018)	120,440
Capitalized interest expense	9,789	8,788
Grants included in receivables	23,238	4,612
Capital additions included in liabilities	(30,142)	29,251
Gain (loss) on disposal of assets	(6,073)	(129)
Total non cash transactions	<u>\$ (4,611)</u>	<u>\$ 166,691</u>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities</b>		
Operating income(loss)	\$ 55,379	\$ (5,920)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities		
Depreciation and amortization	184,203	179,398
Capital improvement plan expense	5,243	4,616
Other post employment benefits	4,454	5,042
Other revenues	4,141	70
Terminal space revenue bond	(7,656)	(5,153)
Changes in assets and liabilities		
Accounts receivable	(34,916)	20,666
Due from other funds	31,632	(30,960)
Inventory and prepaid insurance	(364)	(16)
Accounts payable	806	(579)
Accrued payroll liabilities	233	634
Due to other funds	(257)	609
Advances and deposits	3,485	48
Claims and judgments - workers' compensation	(386)	(332)
Compensated absences	(159)	230
Other current liabilities	10,000	-
Pension Obligation payable	(51,065)	16,375
<b>Net cash provided by operating activities</b>	<u>\$ 204,773</u>	<u>\$ 184,728</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Position**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets		
Equity in pooled cash and investments	\$ 65,040	\$ 81,155
Receivables, net of allowances		
Hotel occupancy tax receivable	20,526	22,898
Due from component units	32,113	14,381
Due from other funds	-	3,116
Restricted assets		
Non-pooled investments	13	12
Total current assets	<u>117,692</u>	<u>121,562</u>
Noncurrent Assets		
Equity in pooled cash and investments	34,927	32,178
Due from component units	274,506	285,189
Total noncurrent restricted assets	<u>309,433</u>	<u>317,367</u>
Capital assets		
Land	95,687	95,687
Buildings	577,527	577,760
Improvements and equipment	11,865	11,875
Infrastructure	334	334
Garage rights	13,144	13,144
Less accumulated depreciation and amortization	<u>(286,649)</u>	<u>(273,060)</u>
Net capital assets	<u>411,908</u>	<u>425,740</u>
Total noncurrent assets	<u>721,341</u>	<u>743,107</u>
<b>Total assets</b>	<u>\$ 839,033</u>	<u>\$ 864,669</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflow on pension liability	\$ 574	\$ 429
Deferred outflow for unamortized cost on refunded debt	82	87
<b>Total Deferred Outflows of Resources</b>	<u>656</u>	<u>516</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Net Position**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 389	\$ 367
Accrued payroll liabilities	13	31
Accrued interest payable	4,619	4,809
Due to component units	24,465	24,119
Compensated absences	47	111
Pension obligation bonds payable	75	70
Revenue bonds payable	21,815	31,413
Total current liabilities	<u>51,423</u>	<u>60,920</u>
Noncurrent liabilities		
Revenue bonds payable	623,599	631,173
Compensated absences	-	38
Arbitrage rebate	145	108
Municipal pension trust liability	6,154	6,321
Other post employment benefits	4,331	4,192
Unearned revenue	6,899	7,191
Pension obligation bonds payable	3,624	3,624
Total noncurrent liabilities	<u>644,752</u>	<u>652,647</u>
<b>Total liabilities</b>	<u>696,175</u>	<u>713,567</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflow on pension liability	\$ 55	\$ 44
Deferred inflow for unamortized cost on refunded debt	6,915	7,330
<b>Total Deferred Inflows of Resources</b>	<u>6,970</u>	<u>7,374</u>
<b>Net Position</b>		
Net investment in capital assets	63,981	72,162
Restricted net position		
Restricted for debt service	34,927	30,368
Restricted for renewal and replacement	6	6
Restricted for maintenance and operations	16,135	22,809
Unrestricted	21,495	18,899
<b>Total net position</b>	<u>\$ 136,544</u>	<u>\$ 144,244</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Parking	\$ 10,793	\$ 11,051
Rental	1,490	1,380
Total operating revenue	<u>12,283</u>	<u>12,431</u>
<b>Operating Expenses</b>		
Maintenance and operating	69,756	76,466
Depreciation and amortization	13,654	13,720
Total operating expenses	<u>83,410</u>	<u>90,186</u>
Operating loss	<u>(71,127)</u>	<u>(77,755)</u>
<b>Nonoperating revenue (expenses)</b>		
Investment income	9,091	12,708
Hotel occupancy tax	82,882	88,632
Other revenue	291	-
Gain (loss) on disposal of assets	(177)	(1)
Other expenses	-	(420)
Interest on long-term debt	(27,170)	(27,299)
Total Nonoperating revenues (expenses)	<u>64,917</u>	<u>73,620</u>
Income before contributions and transfers	<u>(6,210)</u>	<u>(4,135)</u>
Transfers out	<u>(1,490)</u>	<u>(1,380)</u>
Total transfers	<u>(1,490)</u>	<u>(1,380)</u>
Change in net position	(7,700)	(5,515)
Beginning Net Position as previously reported	<u>144,244</u>	<u>149,759</u>
Total net position, July 1	<u>144,244</u>	<u>149,759</u>
<b>Total net position, June 30</b>	<u>\$ 136,544</u>	<u>\$ 144,244</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 10,793	\$ 11,127
Payments to employees	(242)	(94)
Payments to suppliers	(64)	(70)
Internal activity-payments to other funds	3,116	(3,004)
Payments to Hotel Corporation		
Claims paid	-	-
Due to (from) other governments	-	(98)
Other revenues	-	(788)
Other expenses	(71,054)	(77,164)
Receipts from component units	1,490	2,140
Net cash used in operating activities	<u>(55,961)</u>	<u>(67,951)</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	9,091	12,708
Purchase of investments	(124,523)	(139,111)
Proceeds from sale of investments	142,818	145,995
Net cash provided by investing activities	<u>27,386</u>	<u>19,592</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(29,645)	(24,524)
Refunding of revenue bonds	-	-
Proceeds from issuance of revenue bonds	-	-
Retirement of commercial paper	-	-
Interest expense on debt	(15,110)	(18,757)
Proceeds from disposition of assets	-	128
Acquisition of property, plant and equipment, net	-	660
Proceeds from sale of fixed assets	-	-
Net cash provided by (used in) capital and related financing activities	<u>(44,755)</u>	<u>(42,493)</u>
<b>Cash flows from noncapital financing activities</b>		
Retirement of pension bonds	(70)	(65)
Payments from component unit	(6,453)	9,350
Hotel occupancy tax revenue	85,252	89,532
Interest expense on pension obligation bonds	(220)	225
Net cash provided by noncapital financing activities	<u>78,509</u>	<u>99,042</u>
Net decrease in cash and cash equivalents	5,179	8,190
Cash and cash equivalents, July 1	8,640	450
<b>Cash and cash equivalents, June 30</b>	<u>\$ 13,819</u>	<u>\$ 8,640</u>
<b>Cash and cash equivalents</b>		
Equity in pooled cash (Note 3A)	\$ 13,806	\$ 8,640
Non-pooled cash (Note 3A)	13	-
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 13,819</u>	<u>\$ 8,640</u>

**CITY OF HOUSTON, TEXAS**  
**CONVENTION & ENTERTAINMENT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Non cash transactions</b>		
Unrealized gain on investments	\$ 788	\$ (294)
Total non cash transactions	<u>\$ 788</u>	<u>\$ (294)</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (71,127)	\$ (77,755)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	-	-
Depreciation and amortization	13,654	13,340
Other post employment benefits	139	(172)
Other revenues	291	(582)
Other expenses	(1,490)	(420)
Changes in assets and liabilities		
Accounts receivable and prepaids	-	760
Arbitrage Rebate	-	(99)
Due from other funds	3,116	(3,004)
Accounts payable	22	(4)
Accrued payroll liabilities	(18)	(7)
Compensated absences	(101)	(76)
Deferred revenue	(292)	(292)
Pension Obligation payable	(155)	360
<b>Net cash used in operating activities</b>	<u>\$ (55,961)</u>	<u>\$ (67,951)</u>



**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM**  
**Statement of Net Position**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets		
Equity in pooled cash and investments	\$ 968,436	\$ 851,725
Receivables, net of allowances		
Accounts receivable	120,552	98,911
Special assessments receivable	93	93
Due from other funds	1,916	36,938
Due from other governments	3,896	1,442
Inventory	11,648	11,569
Prepaid items	3,429	3,490
Restricted assets		
Non-pooled investments	27	12
Total current assets	1,109,997	1,004,180
Noncurrent Assets		
Equity in pooled cash and investments	323,731	235,290
Prepays	6,285	7,498
Due from other governments	73,679	3,943
Amounts held by other governments	11,029	11,060
Total noncurrent restricted assets	414,724	257,791
Capital assets		
Land	147,312	142,280
Buildings	148,158	199,547
Improvements and equipment	170,506	166,250
Plants, lines and rights	10,573,931	10,180,941
Construction in progress	479,783	504,872
Water rights	748,658	545,285
Less accumulated depreciation and amortization	(5,493,089)	(5,317,451)
Net capital assets	6,775,259	6,421,724
Total noncurrent assets	7,189,983	6,679,515
<b>Total assets</b>	<b>8,299,980</b>	<b>7,683,695</b>
<b>Deferred outflows of resources</b>		
Deferred outflow on pension liability	86,602	45,832
SWAP liability/Unamortized cost on refunded debt	390,876	474,380
<b>Total deferred outflows of resources</b>	<b>\$ 477,478</b>	<b>\$ 520,212</b>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM**  
**Statement of Net Position**  
**June 30, 2017**  
*(With comparative amounts for 2016)*  
*amounts expressed in thousands*

	<u>2017</u>	<u>2016</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 146,510	\$ 108,768
Accrued payroll liabilities	5,829	5,206
Accrued interest payable	47,889	34,737
Contracts payable	5,893	4,868
Due to other funds	13,076	3,059
Due to component units	3,481	3,198
Due to other governments	1,371	1,256
Advances and deposits	53,654	56,558
Pension obligation bonds payable ST	1,190	1,115
Claims and judgments	844	1,026
Compensated absences	10,788	10,218
Commercial paper payable	20,000	60,000
Revenue bonds payable	200,505	184,570
Total current liabilities	<u>511,030</u>	<u>474,579</u>
Noncurrent liabilities		
Revenue bonds payable	6,504,672	6,401,184
Claims and judgments	863	1,049
Compensated absences	9,188	9,972
Contracts payable	463,360	204,415
Arbitrage rebate	-	422
Municipal pension trust liability	390,241	437,225
Other post employment benefits	135,580	126,449
SWAP liability	224,943	307,180
Unearned revenue	436,051	336,450
Pension obligation bonds payable	55,927	57,117
Total noncurrent liabilities	<u>8,220,825</u>	<u>7,881,463</u>
<b>Total liabilities</b>	<u>8,731,855</u>	<u>8,356,042</u>
<b>Deferred inflows of resources</b>		
Deferred inflow on pension liability	7,218	3,974
<b>Total deferred inflows of resources</b>	<u>7,218</u>	<u>3,974</u>
<b>Net Position</b>		
Net investment in capital assets	135,954	20,048
Restricted net position		
Restricted for maintenance and operations	77,310	83,493
Restricted for capital improvements	73,679	1,442
Unrestricted	(248,558)	(261,092)
<b>Total net position (deficit)</b>	<u>\$ 38,385</u>	<u>\$ (156,109)</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2017**  
*(With comparative amounts for 2016)*  
**amounts expressed in thousands**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Water/Sewer Billing	\$ 1,025,795	\$ 1,002,582
Total operating revenue	<u>1,025,795</u>	<u>1,002,582</u>
<b>Operating Expenses</b>		
Maintenance and operating	354,396	451,342
Depreciation and amortization	246,218	236,841
Total operating expenses	<u>600,614</u>	<u>688,183</u>
Operating income	<u>425,181</u>	<u>314,399</u>
<b>Nonoperating revenue (expenses)</b>		
Investment income	3,954	12,652
Other revenue	38,068	41,958
Gain (loss) on disposal of assets	159	(1,877)
Interest on long-term debt	(248,920)	(252,116)
Contributions in	20,187	13,348
Total Nonoperating revenues (expenses)	<u>(186,552)</u>	<u>(186,035)</u>
Income before contributions and transfers	<u>238,629</u>	<u>128,364</u>
Capital contributions	<u>17,260</u>	<u>10,364</u>
Transfers in	-	-
Transfers out	<u>(61,395)</u>	<u>(49,759)</u>
Total transfers	<u>(61,395)</u>	<u>(49,759)</u>
Change in net position	194,494	88,969
Beginning net assets, July 1	<u>(156,109)</u>	<u>(245,078)</u>
<b>Total net position, June 30</b>	<u>\$ 38,385</u>	<u>\$ (156,109)</u>

**CITY OF HOUSTON, TEXAS  
COMBINED UTILITY SYSTEM  
Statement of Cash Flows  
For the Year Ended June 30, 2017  
(With comparative amounts for 2016)  
amounts expressed in thousands**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 1,013,426	\$ 1,001,706
Payments to employees	(175,450)	(138,420)
Payments to suppliers	(187,375)	(230,949)
Internal activity-payments to other funds	14,358	(52,840)
Claims paid	(1,567)	(1,563)
Other receipts	38,444	41,958
Receipts from other governments	-	155
Net cash provided by operating activities	<u>701,836</u>	<u>620,047</u>
<b>Cash flows from investing activities</b>		
Interest income on investments	3,955	12,652
Purchases of investments	(1,624,759)	(1,532,283)
Sales of investments	1,502,456	1,594,761
Net cash provided by (used in) investing activities	<u>(118,348)</u>	<u>75,130</u>
<b>Cash flows from capital and related financing activities</b>		
Retirement of revenue bonds	(184,570)	(1,111,586)
Retirement of commercial paper	(250,000)	(180,000)
Refunding of revenue bonds	(329,393)	(4,985)
Retirement of contracts payable	(4,868)	-
Proceeds from issuance of revenue bonds	647,202	1,281,650
Proceeds from issuance of commercial paper	210,000	120,000
Proceeds from contracts payable	63,020	-
Interest expense on debt	(256,391)	(257,314)
Cost of revenue bond issuance	(4,839)	-
Proceeds from disposition of assets	4,615	1,683
Deferred bond issuance cost	-	22,961
Capital contribution	-	13,348
Deferred outflow on pension liability	-	(29,651)
Due from other governments	38,386	(1,978)
Acquisition of property, plant and equipment	(367,646)	(406,369)
Net cash used for capital and related financing activities	<u>(434,484)</u>	<u>(552,241)</u>
<b>Cash flows from noncapital financing activities</b>		
Interest expense on pension obligation bonds	(3,630)	(2,763)
Pension bond payable	(1,115)	(41)
Transfers to debt service fund	(9,149)	(9,891)
Transfers to other funds	(52,246)	(39,868)
Net cash used in noncapital financing activities	<u>(66,140)</u>	<u>(52,563)</u>
Net increase(decrease) in cash and cash equivalents	82,864	90,373
Cash and cash equivalents, July 1	94,759	4,386
<b>Cash and cash equivalents, June 30</b>	<u>\$ 177,623</u>	<u>\$ 94,759</u>
<b>Cash and cash equivalents:</b>		
Equity in pooled cash (Note 3A)	\$ 177,596	\$ 94,759
Non-pooled cash (Note 3A)	27	-
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 177,623</u>	<u>\$ 94,759</u>
<b>Non cash transactions</b>		
Capital additions included in liabilities	\$ 203,025	\$ -
CAB accretion interest	8,487	8,040
Donated capital	(17,260)	(10,364)
Capitalized interest	16,290	14,529
Gain on disposal of assets	(159)	1,877
Total non cash transactions	<u>\$ 210,383</u>	<u>\$ 14,082</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 425,081	\$ 314,399
Depreciation and amortization	246,218	236,841
Other post employment benefits	9,131	10,005
Other revenues	38,444	41,957
Changes in assets and liabilities		
Accounts receivable	(21,644)	(1,967)
Due from other funds	35,024	(27,096)
Due from other governments	429	243
Inventory & prepaid insurance	(19)	(13)
Accounts payable	34,347	(12,465)
Accrued payroll liabilities	624	1,114
Due to other funds	10,018	2,106
Advances and deposits	(2,904)	1,111
Claims and judgments-workers' compensation	(368)	(94)
Compensated absences	(214)	(348)
Pension obligation payable	(84,509)	54,254
Other long-term liabilities	12,178	-
Net cash provided by operating activities	<u>\$ 701,836</u>	<u>\$ 620,047</u>





**Houston Food Bank**







# 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, 2017  
(With comparative totals for 2016)  
amounts expressed in thousands

	Health Benefits	Long-term Disability	2017	2016
<b>Assets</b>				
Current assets				
Equity in pooled cash and investments	\$ 53,600	\$ 9,817	\$ 63,417	\$ 79,968
Receivables, net of allowances				
Accounts receivable	2,081	-	2,081	1,843
Due from other funds	-	-	-	6
Due from other governments	9	-	9	112
Prepaid items	3	-	3	3
Total current assets	<u>55,693</u>	<u>9,817</u>	<u>65,510</u>	<u>81,932</u>
Capital assets				
Buildings, improvements and equipment	692	-	692	529
Total capital assets	<u>692</u>	<u>-</u>	<u>692</u>	<u>529</u>
Less accumulated depreciation	(457)	-	(457)	(431)
Net capital assets	<u>235</u>	<u>-</u>	<u>235</u>	<u>98</u>
Total noncurrent assets	<u>235</u>	<u>-</u>	<u>235</u>	<u>98</u>
<b>Total Assets</b>	<u>55,928</u>	<u>9,817</u>	<u>65,745</u>	<u>82,030</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	729	62	791	777
Accrued payroll liabilities	160	-	160	155
Due to other funds	18	-	18	10,948
Claims and judgments	21,215	-	21,215	21,587
Compensated absences	267	-	267	271
Unearned revenue	2,954	-	2,954	2,869
Total current liabilities	<u>25,343</u>	<u>62</u>	<u>25,405</u>	<u>36,607</u>
Noncurrent liabilities				
Claims and judgments	13,000	8,183	21,183	19,689
Compensated absences	43	-	43	99
Total noncurrent liabilities	<u>13,043</u>	<u>8,183</u>	<u>21,226</u>	<u>19,788</u>
<b>Total liabilities</b>	<u>38,386</u>	<u>8,245</u>	<u>46,631</u>	<u>56,395</u>
<b>Net Position</b>				
Net investment in capital assets	235	-	235	98
Unrestricted	17,307	1,572	18,879	25,537
<b>Total net position</b>	<u>\$ 17,542</u>	<u>\$ 1,572</u>	<u>\$ 19,114</u>	<u>\$ 25,635</u>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2017**  
**(With comparative totals for 2016)**  
*amounts expressed in thousands*

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>				
Other	\$ 802	\$ -	\$ 802	\$ 1,062
Health benefit premiums	358,643	1,322	359,965	340,395
Total operating revenues	<u>359,445</u>	<u>1,322</u>	<u>360,767</u>	<u>341,457</u>
<b>Operating Expenses</b>				
Administrative costs	6,808	23	6,831	7,416
Claims Costs	359,538	1,040	360,578	342,002
Depreciation and amortization	26	-	26	22
Total operating expenses	<u>366,372</u>	<u>1,063</u>	<u>367,435</u>	<u>349,440</u>
Operating income (loss)	<u>(6,927)</u>	<u>259</u>	<u>(6,668)</u>	<u>(7,983)</u>
<b>Nonoperating revenues (expenses)</b>				
Investment income	117	30	147	752
Total Nonoperating revenues (expenses)	<u>117</u>	<u>30</u>	<u>147</u>	<u>752</u>
Income (loss) before contributions and transfers	<u>(6,810)</u>	<u>289</u>	<u>(6,521)</u>	<u>(7,231)</u>
Change in net position	(6,810)	289	(6,521)	(7,231)
Total net position (deficit), July 1	<u>24,352</u>	<u>1,283</u>	<u>25,635</u>	<u>32,866</u>
<b>Total net position (deficit), June 30</b>	<u>\$ 17,542</u>	<u>\$ 1,572</u>	<u>\$ 19,114</u>	<u>\$ 25,635</u>

**CITY OF HOUSTON, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2017**  
**(With comparative totals for 2016)**  
*amounts expressed in thousands*

	<u>Health Benefits</u>	<u>Long-term Disability</u>	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 358,405	\$ 1,322	\$ 359,727	\$ 340,219
Payments to employees	(4,973)	-	(4,973)	(5,053)
Payments to suppliers	(1,690)	18	(1,672)	(1,646)
Internal activity-payments to other funds	(162)	-	(162)	(522)
Claims paid	(358,240)	(1,250)	(359,490)	(342,774)
Due from other governments	103	-	103	(91)
Other receipts	802	-	802	1,062
<b>Net cash provided by (used in) operating activities</b>	<u>(5,755)</u>	<u>90</u>	<u>(5,665)</u>	<u>(8,805)</u>
<b>Cash flows from investing activities</b>				
Interest income on investments	117	29	146	752
Purchase of investments	(82,620)	-	(82,620)	(97,117)
Proceeds from sale of investments	105,640	1,070	106,710	94,400
<b>Net cash provided by investing activities</b>	<u>23,137</u>	<u>1,099</u>	<u>24,236</u>	<u>(1,965)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of property, plant and equipment	(164)	-	(164)	(8)
	<u>(164)</u>	<u>-</u>	<u>(164)</u>	<u>(8)</u>
Net increase in cash and cash equivalents	17,218	1,189	18,407	(10,778)
Cash and cash equivalents, July 1	(10,551)	180	(10,371)	407
<b>Cash and cash equivalents, June 30</b>	<u>\$ 6,667</u>	<u>\$ 1,369</u>	<u>\$ 8,036</u>	<u>\$ (10,371)</u>
<b>Cash and cash equivalents</b>				
Equity in pooled cash (Note 3A)	\$ 6,667	\$ 1,369	8,036	\$ (10,371)
Non-pooled cash (Note 3A)	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total cash and cash equivalents, June 30</b>	<u>\$ 6,667</u>	<u>\$ 1,369</u>	<u>\$ 8,036</u>	<u>\$ (10,371)</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (6,927)	\$ 259	\$ (6,668)	\$ (7,983)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	26	-	26	22
Accounts receivable	(238)	-	(238)	(176)
Due from other funds	6	-	6	(6)
Due from other governments	103	-	103	(91)
Accounts payable	(3)	18	15	445
Accrued payroll liabilities	5	-	5	50
Due to other funds	(61)	-	(61)	(397)
Claims for workers' compensation	1,310	(187)	1,123	(683)
Compensated absences	(60)	-	(60)	(112)
Deferred revenue	84	-	84	126
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (5,755)</u>	<u>\$ 90</u>	<u>\$ (5,665)</u>	<u>\$ (8,805)</u>



# Houston Zoo





## **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, 2017**  
**(With comparative totals for 2016)**  
*amounts expressed in thousands*

		<b>Firefighters' Relief and Retirement Pension Trust Fund</b>
<b>Assets</b>		
Cash	\$	15,827
Investments		
U.S. government and agency securities		-
Corporate bonds		-
Other fixed income securities		1,096,640
Commingled equity funds		-
Common and preferred stock		1,981,028
Real estate, partnerships and alternatives		823,705
Short-term investment funds		59,704
Invested securities lending collateral		197,985
Receivables, net of allowances		
Due from broker		1
Contributions		4,606
Accrued interest and dividends		8,808
Other		86,566
Other assets		655
Land		483
Building		4,713
Total assets		4,280,721
 <b>Liabilities and plan net position</b>		
Liabilities		
Accounts payable		57,646
Securities lending collateral		197,985
Foreign funds contracts payable		-
Other liabilities		-
<b>Total liabilities</b>		255,631
 <b>Net position restricted for pensions</b>	 \$	 4,025,090

(Continued)



<b>Municipal Employees' Pension Trust Fund</b>		<b>Police Officers' Pension Trust Fund</b>		<b>2017</b>	<b>2016</b>
\$	7,917	\$	104	\$ 23,848	\$ 71,684
	72,675		-	72,675	92,417
	202,121		-	202,121	200,401
	-		235,049	1,331,689	1,305,322
	653,822		-	653,822	364,165
	540,684		1,435,775	3,957,487	3,326,377
	1,071,415		1,939,049	3,834,169	3,897,222
	54,126		844,812	958,642	894,904
	47,371		25,778	271,134	130,139
	448		1,262	1,711	26,643
	7,363		1,516	13,485	20,040
	-		3,196	12,004	14,541
	7,964		23	94,553	69,215
	178		-	833	843
	-		-	483	483
	-		-	4,713	5,014
	<u>2,666,084</u>		<u>4,486,564</u>	<u>11,433,369</u>	<u>10,419,410</u>
	9,335		3,145	70,126	46,710
	47,371		25,778	271,134	130,139
	449		-	449	25,873
	<u>6,265</u>		<u>463</u>	<u>6,728</u>	<u>6,535</u>
	<u>63,420</u>		<u>29,386</u>	<u>348,437</u>	<u>209,257</u>
\$	<u>2,602,664</u>	\$	<u>4,457,178</u>	<u>\$ 11,084,932</u>	<u>\$ 10,210,153</u>

**CITY OF HOUSTON, TEXAS**  
**PENSION TRUST FUNDS**  
**Combining Statement of Changes in Plan Net Position**  
**For the Year Ended June 30, 2017**  
**(With comparative totals for 2016)**  
*amounts expressed in thousands*

	<b>Firefighters' Relief and Retirement Pension Trust Fund</b>
<b>Additions:</b>	
Contributions	
City of Houston	\$ 93,658
Members	25,403
Total Contributions	119,061
Investment income	
Interest	42,964
Net appreciation(depreciation) in fair value of investments	389,904
Dividends	4,661
Income on securities lending	339
Earnings from real estate, limited partnerships real estate investments, and other investments	1,289
Other income	583
Total investment and other income (loss)	439,740
Less - investment expense	(6,833)
Less - cost of securities lending	41
Total additions (reductions)	552,009
<b>Deductions:</b>	
Benefits paid to members	248,354
Refunds to members	1,040
Other	7,196
Total deductions	256,590
<b>Net increase (decrease)</b>	295,419
Net position restricted for pensions, beginning of year	3,729,670
<b>Net position restricted for pensions, end of year</b>	\$ 4,025,089

(Continued)

<b>Municipal Employees' Pension Trust Fund</b>	<b>Police Officers' Pension Trust Fund</b>	<b>2017</b>	<b>2016</b>
\$ 182,558	\$ 133,805	\$ 410,021	\$ 391,629
<u>15,901</u>	<u>40,104</u>	<u>81,408</u>	<u>80,402</u>
<u>198,459</u>	<u>173,909</u>	<u>491,429</u>	<u>472,031</u>
21,741	15,789	80,494	87,696
251,652	632,552	1,274,108	(272,075)
19,455	32,923	57,039	53,857
715	-	1,054	847
5,102	-	6,391	1,795
<u>1,272</u>	<u>-</u>	<u>1,855</u>	<u>3,002</u>
<u>299,937</u>	<u>681,264</u>	<u>1,420,941</u>	<u>(124,878)</u>
(7,391)	(14,093)	(28,317)	(29,340)
<u>(363)</u>	<u>305</u>	<u>(17)</u>	<u>238</u>
<u>490,642</u>	<u>841,385</u>	<u>1,884,036</u>	<u>318,051</u>
280,456	458,733	987,543	723,382
718	1,696	3,454	2,627
6,826	4,238	18,260	20,606
<u>288,000</u>	<u>464,667</u>	<u>1,009,257</u>	<u>746,615</u>
202,642	376,718	874,779	(428,564)
<u>2,400,023</u>	<u>4,080,460</u>	<u>10,210,153</u>	<u>10,638,717</u>
<u>\$ 2,602,665</u>	<u>\$ 4,457,178</u>	<u>\$ 11,084,932</u>	<u>\$ 10,210,153</u>

**CITY OF HOUSTON, TEXAS**  
**AGENCY FUNDS**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2017**  
*amounts expressed in thousands*

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b>Payroll Revolving Fund</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 914	\$ 8,070,446	\$ 8,071,360	\$ -
Accounts receivable	127	3,658	3	3,782
Total assets	<u>\$ 1,041</u>	<u>\$ 8,074,104</u>	<u>\$ 8,071,363</u>	<u>\$ 3,782</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,041	\$ 3,112,289	\$ 3,109,548	\$ 3,782
Total liabilities	<u>\$ 1,041</u>	<u>\$ 3,112,289</u>	<u>\$ 3,109,548</u>	<u>\$ 3,782</u>
<b>City Deposit Fund</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 131	\$ -	\$ 1	\$ 130
Total assets	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 130</u>
<b>Liabilities</b>				
Advances and deposits	\$ 131	\$ -	\$ 1	\$ 130
Total liabilities	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 130</u>
<b>Tax Clearing Fund</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 42,383	\$ 314,759	\$ 261,682	\$ 95,460
Due from other funds	-	-	-	-
Accounts receivable	-	3,485	-	3,485
Total assets	<u>\$ 42,383</u>	<u>\$ 318,244</u>	<u>\$ 261,682</u>	<u>\$ 98,945</u>
<b>Liabilities</b>				
Accounts payable	\$ 42,383	\$ 557,853	\$ 501,291	\$ 98,945
Total liabilities	<u>\$ 42,383</u>	<u>\$ 557,853</u>	<u>\$ 501,291</u>	<u>\$ 98,945</u>
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 43,428	\$ 8,385,205	\$ 8,333,043	\$ 95,590
Accounts receivable	127	7,143	3	7,267
Due from other funds	-	-	-	-
Total assets	<u>\$ 43,555</u>	<u>\$ 8,392,348</u>	<u>\$ 8,333,046</u>	<u>\$ 102,857</u>
<b>Liabilities</b>				
Accounts payable	\$ 43,424	\$ 3,670,142	\$ 3,610,839	\$ 102,727
Advances and deposits	131	-	1	130
Total liabilities	<u>\$ 43,555</u>	<u>\$ 3,670,142</u>	<u>\$ 3,610,840</u>	<u>\$ 102,857</u>



**Office of Emergency Management (OEM)**





# 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.

**Governmental** – This category is primarily comprised of advisory boards and redevelopment authorities:

- City Park Redevelopment Authority
- East Downtown Redevelopment Authority
- Fifth Ward Redevelopment Authority
- Fourth Ward Redevelopment Authority
- Greater Greenspoint Redevelopment Authority
- Greater Houston Convention and Visitors Bureau
- Gulfgate Redevelopment Authority
- Hardy/Near Northside Redevelopment Authority
- Harrisburg Redevelopment Authority
- Hiram Clarke/Fort Bend Redevelopment Authority
- Houston Area Library Automated Network (HALAN)
- Houston Arts Alliance
- Houston BARC Foundation
- Houston Civic Events, Inc.
- Houston Downtown Park Corporation
- Houston Forensic Science LGC, Inc.
- Houston Media Source
- Houston Museum District Association
- Houston Parks Board LGC, Inc.
- Houston Public Library Foundation
- Houston Recovery Center, LGC
- Lake Houston Redevelopment Authority
- Lamar Terrace Public Improvement District
- Land Assemblage Redevelopment Authority
- Leland Woods Redevelopment Authority I
- Leland Woods Redevelopment Authority II
- Main Street Market Square Redevelopment Authority
- Memorial City Redevelopment Authority
- Memorial-Heights Redevelopment Authority
- Midtown Redevelopment Authority
- Miller Theatre Advisory Board, Inc.
- Old Sixth Ward Redevelopment Authority
- OST/Almeda Corridors Redevelopment Authority
- Saint George Place Redevelopment Authority
- South Post Oak Redevelopment Authority
- Southwest Houston Redevelopment Authority
- Stadium Park Redevelopment Authority
- Theater District Improvement, Inc.
- 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, 2017**  
*amounts expressed in thousands*

	<u>City Park Redevelopment Authority</u>	<u>East Downtown Redevelopment Authority</u>	<u>Fifth Ward Redevelopment Authority</u>	<u>Fourth Ward Redevelopment Authority</u>	<u>Greater Greenspoint Redevelopment Authority</u>	<u>Greater Houston Convention &amp; Visitors Bureau</u>	<u>Gulfgate Redevelopment Authority</u>
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 452	\$ 7,238	\$ 890	\$ 1,232	\$ 21,096	\$ 8,389	\$ 6,387
Investments	-	582	-	12,311	3,459	-	-
Receivables, net of allowances							
Accounts receivable	-	2,078	-	1,041	8,459	89	-
Property taxes receivable, net	196	-	222	-	-	-	1,099
Due from primary government	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Prepaid items	-	-	-	1	-	10	-
Restricted assets							
Investments	-	-	-	-	-	-	-
Other receivables	-	-	2	-	17	-	-
Total current assets	<u>648</u>	<u>9,898</u>	<u>1,114</u>	<u>14,585</u>	<u>33,031</u>	<u>8,488</u>	<u>7,486</u>
<b>Noncurrent Assets</b>							
Investments	-	-	-	-	-	599	-
Deferred charges for issuance cost	-	-	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599</u>	<u>-</u>
<b>Capital assets</b>							
Land	-	315	178	2,097	5,506	-	5,417
Buildings, improvements and equipment	1,199	-	-	-	8,233	1,547	-
Construction in progress	-	914	-	-	5,150	-	-
Total capital assets	<u>1,199</u>	<u>1,229</u>	<u>178</u>	<u>2,097</u>	<u>18,889</u>	<u>1,547</u>	<u>5,417</u>
<b>Less accumulated depreciation</b>							
Buildings, improvements and equipment	(623)	-	-	-	(2,490)	(1,340)	-
Accumulated depreciation	<u>(623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,490)</u>	<u>(1,340)</u>	<u>-</u>
Net capital assets	<u>576</u>	<u>1,229</u>	<u>178</u>	<u>2,097</u>	<u>16,399</u>	<u>207</u>	<u>5,417</u>
Total noncurrent assets	<u>576</u>	<u>1,229</u>	<u>178</u>	<u>2,097</u>	<u>16,399</u>	<u>806</u>	<u>5,417</u>
<b>Total assets</b>	<u>1,224</u>	<u>11,127</u>	<u>1,292</u>	<u>16,682</u>	<u>49,430</u>	<u>9,294</u>	<u>12,903</u>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts payable	10	874	134	13	2,883	626	523
Accrued payroll liabilities	-	-	-	-	-	-	-
Accrued interest payable	-	45	-	-	341	-	16
Contracts and retainages payable	-	-	-	-	235	-	87
Notes payable	-	1,410	-	-	-	-	345
Due to other governments	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	151	-
Current liabilities payable from restricted assets							
Revenue bonds payable	-	-	-	-	1,625	-	-
Construction billings and retainages	-	-	-	-	-	-	-
Due to other funds/Internal balances	-	-	-	-	-	-	-
Total current liabilities	<u>10</u>	<u>2,329</u>	<u>134</u>	<u>13</u>	<u>5,084</u>	<u>777</u>	<u>971</u>
<b>Noncurrent liabilities</b>							
Notes payable	2,698	15,935	-	-	-	-	5,930
Revenue bonds payable	-	-	-	-	23,871	-	-
Due to the City of Houston	-	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	4	-
Deferred revenue	-	-	-	-	-	131	-
Total Noncurrent liabilities	<u>2,698</u>	<u>15,935</u>	<u>-</u>	<u>-</u>	<u>23,871</u>	<u>135</u>	<u>5,930</u>
<b>Total liabilities</b>	<u>2,708</u>	<u>18,264</u>	<u>134</u>	<u>13</u>	<u>28,955</u>	<u>912</u>	<u>6,901</u>
<b>Net position</b>							
Net investment in capital assets	-	1,229	178	-	10,528	-	5,417
Restricted net position							
Restricted for debt service	-	-	-	-	5,522	-	-
Restricted for maintenance and operations	-	-	-	-	-	-	-
Restricted for capital improvements	-	-	-	16,438	-	-	-
Other restricted	-	1,959	-	-	-	-	-
Unrestricted (deficit)	(1,484)	(10,325)	980	231	4,425	8,382	585
<b>Total net position (deficit)</b>	<u>\$ (1,484)</u>	<u>\$ (7,137)</u>	<u>\$ 1,158</u>	<u>\$ 16,669</u>	<u>\$ 20,475</u>	<u>\$ 8,382</u>	<u>\$ 6,002</u>



Hardy Near Northside Redevelopment Authority	Harrisburg Redevelopment Authority	Hiram Clarke/ Fort Bend Redevelopment Authority	Houston Area Library Automated Network Bd	Houston Arts Alliance	Houston BARC Foundation	Houston Downtown Park Corporation	Houston Civic Events Inc	Houston Forensic Science, LGC
\$ 823 657	\$ 562 -	\$ 542 -	\$ - 956	\$ 1,042 1,981	\$ 475 -	\$ - -	\$ 987 -	\$ 2,240 -
70	-	-	-	1,955	-	-	104	7
-	999	8	-	-	-	-	-	-
-	-	-	-	-	-	-	-	227
-	-	-	-	-	-	-	-	-
-	-	1	-	19	2	-	859	204
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,550</u>	<u>1,561</u>	<u>551</u>	<u>956</u>	<u>4,997</u>	<u>477</u>	<u>-</u>	<u>1,950</u>	<u>2,678</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	56,986	-	-
-	-	-	-	780	-	-	7	4,438
123	-	-	-	-	-	-	-	504
<u>123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780</u>	<u>-</u>	<u>56,986</u>	<u>7</u>	<u>4,942</u>
-	-	-	-	(736)	-	-	-	(1,116)
-	-	-	-	(736)	-	-	-	(1,116)
123	-	-	-	44	-	56,986	7	3,826
123	-	-	-	44	-	56,986	7	3,826
<u>1,673</u>	<u>1,561</u>	<u>551</u>	<u>956</u>	<u>5,041</u>	<u>477</u>	<u>56,986</u>	<u>1,957</u>	<u>6,504</u>
71	14	2	67	289	-	-	14	1,930
-	-	-	24	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	1,353	-	-	-	-
-	-	-	-	42	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>71</u>	<u>14</u>	<u>2</u>	<u>91</u>	<u>1,684</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>1,930</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7,849	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,228	-
<u>7,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,228</u>	<u>-</u>
<u>7,920</u>	<u>14</u>	<u>2</u>	<u>91</u>	<u>1,684</u>	<u>-</u>	<u>-</u>	<u>1,242</u>	<u>1,930</u>
123	-	-	-	-	-	56,986	7	3,826
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	2,047	2	-	-	-
(6,370)	1,547	549	865	1,310	475	-	708	748
<u>\$ (6,247)</u>	<u>\$ 1,547</u>	<u>\$ 549</u>	<u>\$ 865</u>	<u>\$ 3,357</u>	<u>\$ 477</u>	<u>\$ 56,986</u>	<u>\$ 715</u>	<u>\$ 4,574</u>

(Continued)

CITY OF HOUSTON, TEXAS  
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL  
Combining Statement of Net Position  
June 30, 2017  
amounts expressed in thousands

	Houston Media Source	Houston Museum District Association	Houston Parks Board LGC, Inc	Houston Public Library Foundation	Houston Recovery Center, LGC
<b>Assets</b>					
Current Assets					
Cash and cash equivalents	\$ 2,112	\$ 223	\$ 4,398	\$ 1,181	\$ 596
Investments	-	-	-	-	-
Receivables, net of allowances	-	-	-	-	-
Accounts receivable	-	694	237	-	-
Property taxes receivable, net	-	-	-	-	-
Due from primary government	976	-	-	-	91
Due from other governments	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	40	3	-	-	-
Restricted assets	-	-	-	-	-
Investments	2,888	-	-	-	-
Other receivables	-	-	-	1,058	57
Total current assets	<u>6,016</u>	<u>920</u>	<u>4,635</u>	<u>2,239</u>	<u>744</u>
Noncurrent Assets					
Restricted assets					
Investments	-	-	-	19,877	-
Deferred charges for issuance cost	-	-	-	-	-
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,877</u>	<u>-</u>
Capital assets					
Land	-	-	11,478	-	-
Buildings, improvements and equipment	2,779	-	-	-	-
Construction in progress	-	-	16,725	-	-
Total capital assets	<u>2,779</u>	<u>-</u>	<u>28,203</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation					
Buildings, improvements and equipment					
	(1,297)	-	-	-	-
Accumulated depreciation	<u>(1,297)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>1,482</u>	<u>-</u>	<u>28,203</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,482</u>	<u>-</u>	<u>28,203</u>	<u>19,877</u>	<u>-</u>
<b>Total assets</b>	<u>7,498</u>	<u>920</u>	<u>32,838</u>	<u>22,116</u>	<u>744</u>
<b>Liabilities</b>					
Current Liabilities					
Accounts payable	270	-	1,294	19	50
Accrued payroll liabilities	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Contracts and retainages payable	-	-	-	-	-
Notes payable	-	-	-	-	-
Due to other governments	-	652	-	-	-
Other liabilities	-	-	-	-	-
Deferred revenue	-	-	3,307	-	-
Current liabilities payable from restricted assets	-	-	-	-	-
Revenue bonds payable	-	-	-	-	-
Construction billings and retainages	-	-	-	-	-
Total current liabilities	<u>270</u>	<u>652</u>	<u>4,601</u>	<u>19</u>	<u>50</u>
Noncurrent liabilities					
Notes payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	-
Due to the City of Houston	-	-	-	359	-
Other long-term liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>359</u>	<u>-</u>
<b>Total liabilities</b>	<u>270</u>	<u>652</u>	<u>4,601</u>	<u>378</u>	<u>50</u>
<b>Net position</b>					
Net investment in capital assets	1,482	-	28,203	-	-
Restricted net position	-	-	-	-	-
Restricted for debt service	-	-	-	-	-
Restricted for maintenance and operations	2,952	-	-	-	-
Restricted for capital improvements	-	-	-	-	-
Other restricted	-	-	-	17,839	-
Unrestricted (deficit)	2,794	268	34	3,899	694
<b>Total net position (deficit)</b>	<u>\$ 7,228</u>	<u>\$ 268</u>	<u>\$ 28,237</u>	<u>\$ 21,738</u>	<u>\$ 694</u>

Lake Houston Redevelopment Authority	Lamar Terrace Public Improvement District	Land Assemblage Redevelopment Authority	Leland Woods Redevelopment Authority I	Leland Woods Redevelopment Authority II	Main Street Market Square Redevelopment Authority	Memorial City Redevelopment Authority
\$ 6,918	\$ -	\$ 1,840	\$ 52	\$ 2,369	\$ 1,349	\$ 20,772
-	54	-	-	-	36,685	10,021
-	26	12	20	-	3,966	1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1	6	-	-	-	-
-	-	1,749	-	-	-	-
-	-	-	-	-	566	-
<u>6,918</u>	<u>81</u>	<u>3,607</u>	<u>72</u>	<u>2,369</u>	<u>42,566</u>	<u>30,794</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,017	-	12,966
-	-	2	-	-	-	-
-	-	-	-	-	-	-
-	-	<u>2</u>	<u>-</u>	<u>1,017</u>	<u>-</u>	<u>12,966</u>
-	-	(1)	-	-	-	-
-	-	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	1	-	1,017	-	12,966
-	-	1	-	1,017	-	12,966
<u>6,918</u>	<u>81</u>	<u>3,608</u>	<u>72</u>	<u>3,386</u>	<u>42,566</u>	<u>43,760</u>
320	-	113	28	-	5,631	43
-	11	-	-	-	-	-
-	-	-	-	-	769	385
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	26	-	-	-	-	-
-	-	-	-	-	1,995	3,100
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>320</u>	<u>37</u>	<u>113</u>	<u>28</u>	<u>-</u>	<u>8,395</u>	<u>3,528</u>
16,842	-	-	-	701	-	3,397
-	-	-	-	-	56,819	33,715
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>701</u>	<u>56,819</u>	<u>37,112</u>
<u>17,162</u>	<u>37</u>	<u>113</u>	<u>28</u>	<u>701</u>	<u>65,214</u>	<u>40,640</u>
-	-	-	-	316	-	9,570
-	-	-	-	-	8,657	3,277
-	-	-	-	-	-	-
-	-	1,749	-	-	-	-
(10,244)	44	1,746	44	2,369	(31,305)	(9,727)
<u>\$ (10,244)</u>	<u>\$ 44</u>	<u>\$ 3,495</u>	<u>\$ 44</u>	<u>\$ 2,685</u>	<u>\$ (22,648)</u>	<u>\$ 3,120</u>

(Continued)

**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL**  
**Combining Statement of Net Position**  
**June 30, 2017**  
*amounts expressed in thousands*

	Memorial- Heights Redevelopment Authority	Midtown Redevelopment Authority	Miller Theatre Advisory Board, Inc.	Old Sixth Ward Redevelopment Authority	OST/Almeda Corridors Redevelopment Authority	Saint George Place Redevelopment Authority
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 5,741	\$ 12,518	\$ 992	\$ 2,006	\$ 49	\$ 1,678
Investments	-	38,198	-	-	16,783	446
Receivables, net of allowances						
Accounts receivable	513	15,793	759	74	853	1
Property taxes receivable, net	-	-	-	-	-	-
Due from primary government	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventory	-	48,422	-	-	-	-
Prepaid items	1	-	-	2	-	-
Restricted assets						
Investments	-	-	-	-	-	-
Other receivables	-	2,134	53	-	1,023	-
Total current assets	<u>6,255</u>	<u>117,065</u>	<u>1,804</u>	<u>2,082</u>	<u>18,708</u>	<u>2,125</u>
<b>Noncurrent Assets</b>						
<b>Restricted assets</b>						
Investments	-	-	-	-	-	-
Deferred charges for issuance cost	-	-	-	-	-	-
Total noncurrent restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital assets</b>						
Land	-	12,946	-	-	3,154	-
Buildings, improvements and equipment	-	8,913	-	-	34	-
Construction in progress	-	39,576	-	-	-	-
Total property, plant & equipment	<u>-</u>	<u>61,435</u>	<u>-</u>	<u>-</u>	<u>3,188</u>	<u>-</u>
<b>Less accumulated depreciation and</b>						
<b>Buildings, improvements and equipment</b>						
	-	(4,695)	-	-	(34)	-
Accumulated depreciation	<u>-</u>	<u>(4,695)</u>	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>-</u>
Net capital assets	<u>-</u>	<u>56,740</u>	<u>-</u>	<u>-</u>	<u>3,154</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>56,740</u>	<u>-</u>	<u>-</u>	<u>3,154</u>	<u>-</u>
<b>Total assets</b>	<u>6,255</u>	<u>173,805</u>	<u>1,804</u>	<u>2,082</u>	<u>21,862</u>	<u>2,125</u>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable	102	3,389	6	28	960	154
Accrued payroll liabilities	-	-	-	-	-	-
Accrued interest payable	-	2,258	-	37	319	17
Contracts and retainages payable	-	2,378	222	-	-	-
Notes payable	-	17,863	-	135	-	-
Due to other governments	-	-	-	-	-	-
Other liabilities - current	3,070	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Current liabilities payable from restricted assets						
Revenue bonds payable	-	5,805	-	-	1,570	170
Construction billings and retainages	-	-	-	-	1,315	-
Due to other funds/Internal balances	-	-	-	-	-	-
Total current liabilities	<u>3,172</u>	<u>31,693</u>	<u>228</u>	<u>200</u>	<u>4,164</u>	<u>341</u>
<b>Noncurrent liabilities</b>						
Notes payable	-	1,378	-	1,917	-	2,779
Revenue bonds payable	-	100,435	-	-	18,316	765
Due to the City of Houston	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	1
Total Noncurrent liabilities	<u>-</u>	<u>101,813</u>	<u>-</u>	<u>1,917</u>	<u>18,316</u>	<u>3,545</u>
<b>Total liabilities</b>	<u>3,172</u>	<u>133,506</u>	<u>228</u>	<u>2,117</u>	<u>22,480</u>	<u>3,886</u>
<b>Net Position</b>						
Investment in capital assets	-	30,143	-	-	3,154	-
Restricted net assets						
Restricted for debt service	-	21,182	-	-	4,982	305
Restricted for maintenance and operations	-	-	-	-	-	-
Restricted for capital improvements	-	62,280	-	-	-	-
Other restricted	-	20,196	1,006	-	-	(6)
Unrestricted	3,083	(93,502)	570	(35)	(8,754)	(2,060)
<b>Total net position (deficit)</b>	<u>\$ 3,083</u>	<u>\$ 40,299</u>	<u>\$ 1,576</u>	<u>\$ (35)</u>	<u>\$ (618)</u>	<u>\$ (1,761)</u>

South Post Oak Redevelopment Authority	Southwest Houston Redevelopment Authority	Stadium Park Redevelopment Authority	Theatre District Improvement Inc	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
\$ 689	\$ 10,805	\$ 40	\$ 20	\$ 496	\$ 52,837	\$ 182,036
-	11,695	-	-	19,250	-	153,078
545	-	-	-	44	-	37,341
-	-	-	-	-	-	2,524
-	-	-	1,044	-	-	2,338
-	-	-	-	-	9,566	9,566
-	-	-	-	-	-	48,422
-	289	-	-	-	-	1,438
-	-	-	-	-	-	4,637
-	-	-	11	-	-	4,921
<u>1,234</u>	<u>22,789</u>	<u>40</u>	<u>1,075</u>	<u>19,790</u>	<u>62,403</u>	<u>446,301</u>
-	-	-	-	-	-	20,476
-	231	-	-	-	3,208	3,439
-	<u>231</u>	-	-	-	<u>3,208</u>	<u>23,915</u>
-	1,673	-	-	13,509	9,081	136,323
-	-	-	-	6	6,016	33,954
-	-	-	-	-	-	62,992
-	<u>1,673</u>	-	-	<u>13,515</u>	<u>15,097</u>	<u>233,269</u>
-	-	-	-	(3)	(3,928)	(16,263)
-	-	-	-	<u>(3)</u>	<u>(3,928)</u>	<u>(16,263)</u>
-	1,673	-	-	13,512	11,169	217,006
-	1,904	-	-	13,512	14,377	240,921
<u>1,234</u>	<u>24,693</u>	<u>40</u>	<u>1,075</u>	<u>33,302</u>	<u>76,780</u>	<u>687,222</u>
15	3,889	145	1,045	956	4,679	30,586
-	-	-	-	-	-	35
-	291	26	-	119	1,490	6,113
-	-	-	-	1,117	-	4,039
-	-	-	-	3,000	2,650	25,403
-	-	-	-	33	19,900	20,585
-	-	-	-	-	-	4,423
-	-	-	-	-	-	3,526
-	1,500	-	-	-	8,785	24,550
-	-	-	-	-	-	1,315
-	-	-	-	-	-	-
<u>15</u>	<u>5,680</u>	<u>171</u>	<u>1,045</u>	<u>5,225</u>	<u>37,504</u>	<u>120,575</u>
-	-	679	-	42,000	20,605	114,861
-	49,365	-	-	-	127,230	410,516
-	-	-	-	-	-	359
-	-	-	-	-	-	7,853
-	-	-	-	-	-	1,360
-	<u>49,365</u>	<u>679</u>	-	<u>42,000</u>	<u>147,835</u>	<u>534,949</u>
<u>15</u>	<u>55,045</u>	<u>850</u>	<u>1,045</u>	<u>47,225</u>	<u>185,339</u>	<u>655,524</u>
-	1,673	-	-	13,512	11,169	177,516
-	1,795	-	-	3,557	26,245	75,522
-	-	-	-	-	-	2,952
-	10,033	-	-	3,795	9,264	101,810
-	-	-	30	-	-	44,822
<u>1,219</u>	<u>(43,853)</u>	<u>(810)</u>	<u>-</u>	<u>(34,787)</u>	<u>(155,237)</u>	<u>(370,924)</u>
<u>\$ 1,219</u>	<u>\$ (30,352)</u>	<u>\$ (810)</u>	<u>\$ 30</u>	<u>\$ (13,923)</u>	<u>\$ (108,559)</u>	<u>\$ 31,698</u>

CITY OF HOUSTON, TEXAS  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL**  
 Combining Statement of Activities  
 For the Year Ended June 30, 2017  
 amounts expressed in thousands

Net (Expense) Revenue and Change in Net Position

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Park Redevelopment Authority	East Downtown Redevelopment Authority	Fifth Ward Redevelopment Authority	Fourth Ward Redevelopment Authority	Greater Greenspoint Redevelopment Authority
<b>Component Units</b>									
City Park Redevelopment Authority	\$ 212	\$ -	\$ -	\$ -	\$ (212)	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	1,313	-	-	-	-	(1,313)	-	-	-
Fifth Ward Redevelopment Authority	320	-	-	-	-	-	(320)	-	-
Fourth Ward Redevelopment Authority	381	-	-	-	-	-	-	(381)	-
Greater Greenspoint Redevelopment Authority	17,265	-	-	-	-	-	-	-	(17,265)
Greater Houston Convention and Visitors Bureau	3,079	762	-	-	-	-	-	-	-
Gulfgate Redevelopment Authority	2,426	-	-	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	7,895	-	-	-	-	-	-	-	-
Harrisburg Redevelopment Authority	113	-	-	-	-	-	-	-	-
Hiram Clarke/Fort Bend Redevelopment Authority	166	-	-	-	-	-	-	-	-
Houston Area Library Automated Network	1,863	-	1,654	-	-	-	-	-	-
Houston Arts Alliance	8,956	2,438	101	6,578	-	-	-	-	-
Houston BARC Founder	45	205	70	-	-	-	-	-	-
Houston Civic Events, Inc.	3,460	3,705	-	-	-	-	-	-	-
Houston Downtown Park Corporation	14	-	14	-	-	-	-	-	-
Houston Forensic Science LGC, Inc.	26,511	24,903	1,771	-	-	-	-	-	-
Houston Media Source, Inc.	1,635	2,024	-	13	-	-	-	-	-
Houston Museum District Association	3,001	3,003	-	-	-	-	-	-	-
Houston Parks Board, LGC, Inc.	14,733	-	20,707	-	-	-	-	-	-
Houston Public Library Foundation	2,743	-	2,114	-	-	-	-	-	-
Houston Recovery Center LGC, Inc.	2,770	-	2,326	-	-	-	-	-	-
Lake Houston Redevelopment Authority	15,257	-	-	-	-	-	-	-	-
Lamar Terrace Public Improvement District	-	-	-	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	1,324	21	-	-	-	-	-	-	-
Leland Woods Redevelopment Authority I	46	-	-	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	52	-	100	-	-	-	-	-	-
Main Street Market Square Redevelopment Authority	20,741	-	-	-	-	-	-	-	-
Memorial City Redevelopment Authority	8,911	-	-	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	7,555	-	-	-	-	-	-	-	-
Midtown Redevelopment Authority	25,524	-	-	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	2,930	-	2,923	-	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	509	-	488	-	-	-	-	-	-
OST/Alameda Corridors Redevelopment Authority	10,570	-	2,681	-	-	-	-	-	-
Saint George Place Redevelopment Authority	745	10	-	-	-	-	-	-	-
South Post Oak Redevelopment Authority	56	-	-	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	14,225	-	-	-	-	-	-	-	-
Stadium Park Redevelopment Authority	973	-	-	-	-	-	-	-	-
Theater District Improvement, Inc.	3,722	-	-	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	23,995	-	-	-	-	-	-	-	-
Uptown Development Authority	106,256	-	-	-	-	-	-	-	-
<b>Total component units</b>	<u>342,292</u>	<u>37,071</u>	<u>34,949</u>	<u>\$ 6,591</u>	<u>(212)</u>	<u>(1,313)</u>	<u>(320)</u>	<u>(381)</u>	<u>(17,265)</u>

**General Revenues:**

Taxes									
Property Taxes - general purposes / tax increments	607	4,037	604	2,069	12,252				
Industrial assessments tax	-	-	-	-	-				
Contributions	-	-	-	-	-				
Unrestricted investment earnings (loss)	-	13	-	68	127				
Other	-	-	-	589	-				
Special Items - Gain on sale of assets	-	-	6	-	-				
<b>Total general revenues and transfers</b>	<u>607</u>	<u>4,050</u>	<u>610</u>	<u>2,726</u>	<u>12,379</u>				
Change in net position	395	2,737	290	2,345	(4,886)				
Net Position (deficit) beginning	(1,879)	(9,874)	868	14,324	25,361				
Net Position (deficit) ending	<u>\$ (1,484)</u>	<u>\$ (7,137)</u>	<u>\$ 1,158</u>	<u>\$ 16,669</u>	<u>\$ 20,475</u>				



CITY OF HOUSTON, TEXAS  
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL  
Combining Statement of Activities  
For the Year Ended June 30, 2017  
amounts expressed in thousands

Functions/Programs	Houston Media Source	Houston Museum District Association	Houston Parks Board LGC	Houston Public Library Foundation	Houston Recovery Center LGC	Lake Houston Redevelopment Authority	Lamar Terrace Public Improvement District
<b>Component Units</b>							
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	-	-	-	-	-	-	-
Harrisburg Redevelopment Authority	-	-	-	-	-	-	-
Hiram Clarke/Fort Bend Redevelopment Authority	-	-	-	-	-	-	-
Houston Area Library Automated Network	-	-	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-	-	-
Houston BARC Foundation	-	-	-	-	-	-	-
Houston Civic Events, Inc.	-	-	-	-	-	-	-
Houston Downtown Park Corporation	-	-	-	-	-	-	-
Houston Forensic Science LGC, Inc.	-	-	-	-	-	-	-
Houston Media Source, Inc.	402	-	-	-	-	-	-
Houston Museum District Association	-	2	-	-	-	-	-
Houston Parks Board, LGC, Inc.	-	-	5,974	-	-	-	-
Houston Public Library Foundation	-	-	-	(629)	-	-	-
Houston Recovery Center LGC, Inc.	-	-	-	-	(444)	-	-
Lake Houston Redevelopment Authority	-	-	-	-	-	(15,257)	-
Lamar Terrace Public Improvement District	-	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	-	-	-
Leland Woods Redevelopment Authority I	-	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	-	-	-	-	-	-	-
Main Street Market Square Redevelopment Authority	-	-	-	-	-	-	-
Memorial City Redevelopment Authority	-	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	-	-	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	-	-	-	-	-	-	-
Saint George Place Redevelopment Authority	-	-	-	-	-	-	-
South Post Oak Redevelopment Authority	-	-	-	-	-	-	-
Southwest Houston Redevelopment Authority	-	-	-	-	-	-	-
Stadium Park Redevelopment Authority	-	-	-	-	-	-	-
Theater District Improvement, Inc.	-	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	-	-	-	-	-	-	-
Uptown Development Authority	-	-	-	-	-	-	-
<b>Total component units</b>	<u>402</u>	<u>2</u>	<u>5,974</u>	<u>(629)</u>	<u>(444)</u>	<u>(15,257)</u>	<u>-</u>
<b>General Revenues:</b>							
Taxes							
Property Taxes - general purposes / tax increments	-	-	-	-	-	17,429	-
Industrial assessments tax	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
Unrestricted investment earnings (loss)	-	-	-	2,274	-	10	-
Other	-	-	-	225	-	-	-
Special Items - Gain on sale of assets	-	-	-	-	-	-	-
<b>Total general revenues, special items, and transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,499</u>	<u>-</u>	<u>17,439</u>	<u>-</u>
<b>Change in net Position</b>	402	2	5,974	1,870	(444)	2,182	-
Net Position (deficit) beginning	6,826	266	22,263	19,868	1,138	(12,426)	44
Net Position (deficit) ending	<u>\$ 7,228</u>	<u>\$ 268</u>	<u>\$ 28,237</u>	<u>\$ 21,738</u>	<u>\$ 694</u>	<u>\$ (10,244)</u>	<u>\$ 44</u>

(Continued)





**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2017**  
*amounts expressed in thousands*

**Net (Expense) Revenue and Change in Net Position**

<b>Functions/Programs</b>	<b>Old Sixth Ward Redevelopment Authority</b>	<b>OST/Almeda Corridors Redevelopment Authority</b>	<b>Saint George Place Redevelopment Authority</b>	<b>South Post Oak Redevelopment Authority</b>	<b>Southwest Houston Redevelopment Authority</b>	<b>Stadium Park Redevelopment Authority</b>
<b>Component Units</b>						
City Park Redevelopment Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
East Downtown Redevelopment Authority	-	-	-	-	-	-
Fifth Ward Redevelopment Authority	-	-	-	-	-	-
Fourth Ward Redevelopment Authority	-	-	-	-	-	-
Greater Greenspoint Redevelopment Authority	-	-	-	-	-	-
Greater Houston Convention and Visitors Bureau	-	-	-	-	-	-
Gulfgate Redevelopment Authority	-	-	-	-	-	-
Hardy Near Northside Redevelopment Authority	-	-	-	-	-	-
Harrisburg Redevelopment Authority	-	-	-	-	-	-
Hiram Clarke/Fort Bend Redevelopment Authority	-	-	-	-	-	-
Houston Area Library Automated Network	-	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-	-
Houston Arts Alliance	-	-	-	-	-	-
Houston Civic Events, Inc.	-	-	-	-	-	-
Houston Downtown Park Corporation	-	-	-	-	-	-
Houston Forensic Science LGC, Inc.	-	-	-	-	-	-
Houston Media Source, Inc.	-	-	-	-	-	-
Houston Museum District Association	-	-	-	-	-	-
Houston Parks Board, LGC, Inc.	-	-	-	-	-	-
Houston Public Library Foundation	-	-	-	-	-	-
Houston Recovery Center LGC, Inc.	-	-	-	-	-	-
Lake Houston Redevelopment Authority	-	-	-	-	-	-
Lamar Terrace Public Improvement District	-	-	-	-	-	-
Land Assemblage Redevelopment Authority	-	-	-	-	-	-
Leland Woods Redevelopment Authority I	-	-	-	-	-	-
Leland Woods Redevelopment Authority II	-	-	-	-	-	-
Main Street Market Square Redevelopment Authority	-	-	-	-	-	-
Memorial City Redevelopment Authority	-	-	-	-	-	-
Memorial-Heights Redevelopment Authority	-	-	-	-	-	-
Midtown Redevelopment Authority	-	-	-	-	-	-
Miller Theatre Advisory Board, Inc.	-	-	-	-	-	-
Old Sixth Ward Redevelopment Authority	(21)	-	-	-	-	-
OST/Almeda Corridors Redevelopment Authority	-	(7,889)	-	-	-	-
Saint George Place Redevelopment Authority	-	-	(735)	-	-	-
South Post Oak Redevelopment Authority	-	-	-	(56)	-	-
Southwest Houston Redevelopment Authority	-	-	-	-	(14,225)	-
Stadium Park Redevelopment Authority	-	-	-	-	-	(973)
Theater District Improvement, Inc.	-	-	-	-	-	-
Upper Kirby Redevelopment Authority	-	-	-	-	-	-
Uptown Development Authority	-	-	-	-	-	-
<b>Total component units</b>	<b>(21)</b>	<b>(7,889)</b>	<b>(735)</b>	<b>(56)</b>	<b>(14,225)</b>	<b>(973)</b>
<b>General Revenues:</b>						
Taxes						
Property Taxes - general purposes / tax increments	1,048	10,459	1,859	987	8,868	-
Industrial assessments tax	-	-	-	-	-	-
Contributions	-	-	-	-	-	625
Unrestricted investment earnings (loss)	11	61	2	1	397	-
Other	-	-	3	-	-	-
Special Items - Gain on sale of assets	-	-	-	-	-	-
<b>Total general revenues, special items, and transfers</b>	<b>1,059</b>	<b>10,520</b>	<b>1,864</b>	<b>988</b>	<b>9,265</b>	<b>625</b>
<b>Change in net Position</b>	<b>1,038</b>	<b>2,631</b>	<b>1,129</b>	<b>932</b>	<b>(4,960)</b>	<b>(348)</b>
Net Position (deficit) beginning	(1,073)	(3,249)	(2,890)	287	(25,392)	(462)
Net Position (deficit) ending	<b>\$ (35)</b>	<b>\$ (618)</b>	<b>\$ (1,761)</b>	<b>\$ 1,219</b>	<b>\$ (30,352)</b>	<b>\$ (810)</b>

	Theater District Improvement Inc	Upper Kirby Redevelopment Authority	Uptown Development Authority	Total
\$	-	\$ -	\$ -	\$ (212)
	-	-	-	(1,313)
	-	-	-	(320)
	-	-	-	(381)
	-	-	-	(17,265)
	-	-	-	(2,317)
	-	-	-	(2,426)
	-	-	-	(7,895)
	-	-	-	(113)
	-	-	-	(166)
	-	-	-	(209)
	-	-	-	161
	-	-	-	230
	-	-	-	245
	-	-	-	-
	-	-	-	163
	-	-	-	402
	-	-	-	2
	-	-	-	5,974
	-	-	-	(629)
	-	-	-	(444)
	-	-	-	(15,257)
	-	-	-	-
	-	-	-	(1,303)
	-	-	-	(46)
	-	-	-	48
	-	-	-	(20,741)
	-	-	-	(8,911)
	-	-	-	(7,555)
	-	-	-	(25,524)
	-	-	-	(7)
	-	-	-	(21)
	-	-	-	(7,889)
	-	-	-	(735)
	-	-	-	(56)
	-	-	-	(14,225)
	-	-	-	(973)
	(3,722)	-	-	(3,722)
	-	(23,995)	-	(23,995)
	-	-	(106,256)	(106,256)
	<u>(3,722)</u>	<u>(23,995)</u>	<u>(106,256)</u>	<u>(263,681)</u>
	3,752	9,831	46,949	193,304
	-	1,182	-	1,182
	-	-	-	628
	-	83	188	4,027
	-	51	-	3,506
	-	-	-	6
	<u>3,752</u>	<u>11,147</u>	<u>47,137</u>	<u>202,653</u>
	30	(12,848)	(59,119)	(61,028)
	-	(1,075)	(49,440)	92,726
\$	<u>30</u>	<u>\$ (13,923)</u>	<u>\$ (108,559)</u>	<u>\$ 31,698</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, 2017**  
*amounts expressed in thousands*

	Houston First Corporation <i>See Note 14</i>	Houston Housing Finance Corp	Houston Zoo Inc.	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 34,792	\$ 37,336	\$ 765	\$ 72,893
Investments	-	-	18,396	18,396
Receivables, net of allowances	-	-	-	-
Accounts receivable	19,123	2,648	2,797	24,568
Accrued interest and other	-	213	-	213
Due from component units	-	-	-	-
Internal balances	-	-	-	-
Due from primary government	-	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	163	163
Prepaid items	5,697	-	890	6,587
Restricted assets	-	-	-	-
Investments	52,914	-	-	52,914
Other receivables	7,368	238	25,588	33,194
Due from other governments - grants	-	2,973	-	2,973
Total current assets	<u>119,894</u>	<u>43,408</u>	<u>48,599</u>	<u>211,901</u>
<b>Noncurrent Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	19,843	381	-	20,224
Assessments receivable	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from affiliates	-	-	-	-
Amounts held by other governments	-	-	-	-
Receivable and deposits	-	13,773	-	13,773
Deferred charges for issuance cost	-	-	-	-
Other long-term receivables	70,856	-	-	70,856
Total noncurrent assets	<u>90,699</u>	<u>14,154</u>	<u>-</u>	<u>104,853</u>
<b>Capital assets</b>				
Land	14,824	8,656	-	23,480
Buildings, improvements and equipment	505,751	15,754	143,615	665,120
Total capital assets	<u>520,575</u>	<u>24,410</u>	<u>143,615</u>	<u>688,600</u>
<b>Less accumulated depreciation</b>				
Buildings, improvements and equipment	(122,780)	(4,965)	(40,995)	(168,740)
Accumulated depreciation	<u>(122,780)</u>	<u>(4,965)</u>	<u>(40,995)</u>	<u>(168,740)</u>
Net capital assets	<u>397,795</u>	<u>19,445</u>	<u>102,620</u>	<u>519,860</u>
Total noncurrent assets	<u>488,494</u>	<u>33,599</u>	<u>102,620</u>	<u>624,713</u>
<b>Total assets</b>	<u>608,388</u>	<u>77,007</u>	<u>151,219</u>	<u>836,614</u>
Deferred Outflow of Resources	4,550	-	-	\$ 4,550
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	36,827	4,294	1,975	43,096
Accrued payroll liabilities	-	-	1,189	1,189
Contracts and retainages payable	-	-	2,359	2,359
Notes payable	12,200	-	-	12,200
Due to component units	-	-	-	-
Due to City of Houston	-	-	-	-
Advances and deposits	-	-	-	-
Claims for workers' compensation	-	-	-	-
Claims and judgments	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities - current	850	-	884	1,734
Deferred revenue	416	-	365	781
Current liabilities payable from restricted assets	-	-	-	-
Accounts payable	-	-	-	-
Due to City of Houston	4,772	-	-	4,772
Accrued interest payable	3,087	-	-	3,087
Total current liabilities	<u>58,152</u>	<u>4,294</u>	<u>6,772</u>	<u>69,218</u>
<b>Noncurrent liabilities</b>				
Notes payable	394,172	13,273	-	407,445
Revenue bonds payable	-	-	-	-
Claims and judgments	-	-	-	-
Compensated absences	-	-	-	-
Due to City of Houston	-	-	-	-
Contracts payable	-	-	-	-
General tax obligation debt	-	-	-	-
Commercial paper	-	-	-	-
Arbitrage rebate	-	-	-	-
Other long-term liability	-	-	-	-
Accrued maintenance, repair and replacement cost	-	-	-	-
Due to City of Houston	-	-	-	-
Municipal pension trust liability	-	-	-	-
Police officers' pension trust liability	-	-	-	-
Fire fighter's pension trust liability	-	-	-	-
Deferred revenue	8,398	4,346	-	12,744
Deferred rent	-	-	-	-
Total noncurrent liabilities	<u>402,570</u>	<u>17,619</u>	<u>-</u>	<u>420,189</u>
<b>Total liabilities</b>	<u>460,722</u>	<u>21,913</u>	<u>6,772</u>	<u>489,407</u>
<b>Net position</b>				
Net Investment in capital assets	71,528	3,246	-	74,774
Restricted net position	-	-	-	-
Restricted for debt service	408	-	-	408
Restricted for renewal and replacement	-	-	-	-
Restricted for maintenance and operations	-	-	-	-
Restricted for others' capital improvement	-	-	-	-
Restricted for capital improvements	-	-	-	-
Other restricted	-	-	15,570	15,570
Unrestricted (deficit)	80,280	51,848	128,877	261,005
<b>Total net position (deficit)</b>	<u>\$ 152,216</u>	<u>\$ 55,094</u>	<u>\$ 144,447</u>	<u>\$ 351,757</u>

**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS-TYPE**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2017**  
*amounts expressed in thousands*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Component Units</b>				
Houston First Corporation	195,866	116,885	72,152	\$ -
Houston Housing Finance Corp.	2,837	603	1,802	-
Houston Zoo Inc.	48,597	37,081	17,033	-
Other Component Units	-	-	-	-
Totals	<u>\$ 247,300</u>	<u>\$ 154,569</u>	<u>\$ 90,987</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  
Change in Accounting Principle  
Change in Accounting Entity  
Net Position (deficit) ending

(Continued)

<b>Net (Expense) Revenue and Change in Net Position</b>			
<b>Houston</b>			
<b>First</b>	<b>Houston</b>	<b>Houston</b>	
<b>Corporation</b>	<b>Housing</b>	<b>Zoo, Inc.</b>	<b>Total</b>
<b>See Note 14</b>	<b>Finance Corp.</b>		
(6,829)	-	-	(6,829)
-	(432)	-	(432)
-	-	5,517	5,517
-	-	-	-
<u>(6,829)</u>	<u>(432)</u>	<u>5,517</u>	<u>(1,744)</u>
-	750	-	750
528	1,027	615	2,170
3,108	379	832	4,319
<u>3,636</u>	<u>2,156</u>	<u>1,447</u>	<u>7,239</u>
(3,193)	1,724	6,964	5,495
155,409	53,370	137,483	346,262
-	-	-	-
-	-	-	-
<u>\$ 152,216</u>	<u>\$ 55,094</u>	<u>\$ 144,447</u>	<u>\$ 351,757</u>

**CITY OF HOUSTON, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - BUSINESS TYPE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**  
*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	\$ 114,800	\$ 2,186	\$ 12,139	\$ 129,125
Payments to employees	(58,035)	-	-	(58,035)
Payments to suppliers	(96,400)	-	-	(96,400)
Other revenues	-	-	-	-
Receipts from City of Houston	73,489	-	-	73,489
Other revenues (expenses)	(25,900)	(1,758)	-	(27,658)
Net cash provided by operating activities	<u>7,954</u>	<u>428</u>	<u>12,139</u>	<u>20,521</u>
<b>Cash flows from investing activities</b>				
Advances on long-term receivables	-	-	-	-
Interest income on investments	251	-	-	251
Purchase of investments	(19,806)	(4,284)	(27,427)	(51,517)
Proceeds from sale of investments	64,401	-	25,857	90,258
Change in cash restricted for capital acquisition	-	-	(199)	(199)
Net cash provided by (used in) investing activities	<u>44,846</u>	<u>(4,284)</u>	<u>(1,769)</u>	<u>38,793</u>
<b>Cash flows from capital and related financing activities</b>				
Contributed capital	(1,500)	45	3,479	2,024
Acquisition of property, plant and equipment	(88,008)	-	(13,484)	(101,492)
Interest expense	(7,756)	-	-	(7,756)
Receipt of tax rebates	-	-	-	-
Retirement of debt	(9,160)	-	(559)	(9,719)
Proceeds from sale of fixed assets	-	-	-	-
Proceeds from debt financing	-	5,541	-	5,541
Net cash provided by (used for) capital and related financing activities	<u>(106,424)</u>	<u>5,586</u>	<u>(10,564)</u>	<u>(111,402)</u>
<b>Cash flows from noncapital financing activities</b>				
Promotional contract paid from hotel occupancy tax revenues to component units	-	-	-	-
Contributions to others	-	-	-	-
Transfers	-	-	-	-
Other revenues	-	482	-	482
Payments to Hotel Corporation	-	-	-	-
Hotel occupancy tax revenue	-	-	-	-
Contributions to others	-	-	-	-
Excess funds from Bond Series	-	335	-	335
Payments on notes payable	(2,995)	-	-	(2,995)
Net cash provided by noncapital financing activities	<u>(2,995)</u>	<u>817</u>	<u>-</u>	<u>(2,178)</u>
Net increase in cash and cash equivalents	(56,619)	2,547	(194)	(54,266)
Cash and cash equivalents, July 1	91,411	35,170	959	127,540
<b>Cash and cash equivalents, June 30</b>	<u>\$ 34,792</u>	<u>\$ 37,717</u>	<u>\$ 765</u>	<u>\$ 73,274</u>
<b>Non cash transactions</b>				
Amortization expense	-	-	-	-
Net change in fair value of investments	60	-	-	60
Contributions	-	-	-	-
Capitalized interest expense	-	-	-	-
Gain (Loss) on disposal of assets	-	-	-	-
Total non cash transactions	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (Loss)	\$ (41,462)	\$ 1,345	\$ 6,964	(33,153)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	11,586	249	7,432	19,267
Bad debt expense	-	-	-	-
Other revenues	-	-	(2,938)	(2,938)
Other expenses	-	-	-	-
Net due from component unit	-	-	-	-
Changes in assets and liabilities:				
Contracts receivable				
Accounts receivable	(5,929)	41	(394)	(6,282)
Contracts receivable	-	-	-	-
Inventory	-	-	1	1
Other assets	(5,819)	(177)	-	(5,996)
Accounts payable and accrued expenses	2,335	-	859	3,194
Accrued payroll liabilities	-	-	215	215
Advances and deposits	-	(1,012)	-	(1,012)
Accrued interest on contracts payable	-	(18)	-	(18)
Other revenues				
Construction and retainages payable	47,243	-	-	47,243
Other long-term liabilities	-	-	-	-
Net cash provided by operating activities	<u>\$ 7,954</u>	<u>\$ 428</u>	<u>\$ 12,139</u>	<u>\$ 20,521</u>





**Team Rubicon**





# 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>	220
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>	232
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	237
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>	247
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>	254
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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 3,515,596	\$ 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
Restricted	213,567	161,147	199,459	179,691	182,831	117,949	174,158	192,129	42,240	43,419
Unrestricted	(1,310,289)	(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)
<b>Total governmental activities net position</b>	<b>\$ 2,418,874</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>Business-type activities</b>										
Net investment in capital assets	\$ 551,820	\$ 668,465	\$ 893,832	\$ 733,936	\$ 666,936	\$ 573,460	\$ 240,888	\$ 546,551	\$ 629,382	\$ 742,298
Restricted	784,895	824,219	842,298	850,895	871,409	949,449	1,024,548	1,131,835	1,129,659	1,264,135
Unrestricted	135,860	(17,815)	(102,094)	25,183	(25,444)	(6,835)	280,879	(488,671)	(420,196)	(354,001)
<b>Total business-type activities net position</b>	<b>\$ 1,472,575</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>Primary government</b>										
Net investment in capital assets	\$ 4,067,416	\$ 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
Restricted	998,462	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
Unrestricted	(1,174,429)	(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)
<b>Total primary government net position</b>	<b>\$ 3,891,449</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>

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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 193,928	\$ 219,584	\$ 232,466	\$ 230,868	\$ 270,279	\$ 239,586	\$ 247,481	\$ 359,640	\$ 425,707	\$ 297,716
Public safety	1,400,837	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
Public works	317,749	417,953	305,768	308,506	289,395	298,462	318,888	336,311	343,657	341,257
Health	129,197	136,766	139,693	128,320	111,891	121,988	133,159	150,931	158,896	148,995
Housing and community development	59,182	62,793	96,349	95,730	71,417	88,143	51,626	65,275	61,707	61,608
Parks and recreation	102,758	97,398	93,676	91,492	89,379	90,261	93,637	112,844	98,994	89,457
Library	49,687	48,015	48,721	44,887	42,455	44,913	48,724	49,374	48,691	34,966
Interest in long-term debt	126,349	129,324	151,807	150,640	157,407	151,893	143,231	158,212	191,025	142,469
Depreciation and amortization	110,174	115,050	119,719	130,111	126,303	130,620	132,817	138,016	143,028	150,196
<b>Total governmental activities expenses</b>	<b>2,489,861</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>
Business-type activities :										
Airport System	459,521	472,253	504,472	537,253	542,387	530,070	561,443	556,844	581,022	526,662
Convention & Entertainment Facilities	110,576	114,110	105,703	107,523	42,387	42,418	113,316	123,371	117,906	110,765
Combined Utility System	846,368	842,518	849,674	866,336	913,503	898,725	919,547	924,793	942,176	850,363
Houston Area Water Corporation	17,485	14,867	9,949	-	-	-	-	-	-	-
Parking Management	-	4,919	6,969	-	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>1,433,950</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>Total primary government expenses</b>	<b>\$ 3,923,811</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>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	11,104	22,601	20,544	31,831	69,017	34,379	63,338	70,322	68,093	74,887
Public safety	131,221	136,450	143,274	132,220	141,965	139,087	188,521	171,996	181,888	142,052
Public works	53,375	46,404	45,011	45,211	171,177	238,836	266,422	215,038	222,236	215,824
Health	17,093	16,836	15,110	16,968	18,081	18,563	17,710	17,665	18,349	17,491
Housing	-	-	900	-	-	-	-	-	-	-
Parks and recreation	4,683	7,578	6,977	7,796	7,576	8,361	7,475	8,676	8,820	8,902
Library	1,035	1,056	1,261	919	979	1,356	1,681	1,637	1,966	2,040
Operating grants and contributions	232,203	393,157	346,945	293,350	303,085	312,959	277,700	305,363	323,686	346,243
Capital grants and contributions	76,497	45,354	109,190	68,801	-	-	-	67,533	53,860	99,487
<b>Total governmental activities program revenues</b>	<b>527,211</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>
Business-type activities:										
Charges for services:										
Airport System	447,176	386,777	406,579	410,402	417,550	432,994	452,107	476,282	609,544	609,780
Convention & Entertainment Facilities	22,306	20,902	31,833	25,456	8,934	10,372	11,124	12,390	12,431	12,283
Combined Utility System	648,269	687,238	691,162	879,176	917,238	924,690	953,408	927,424	1,002,582	1,025,795
Houston Area Water Corporation	13,045	13,250	-	-	-	-	-	-	-	-
Parking Management	-	-	13,676	-	-	-	-	-	-	-
Operating grants and contributions	4,749	4,574	10,710	22,858	12,014	10,834	10,692	10,768	13,348	20,187
Capital grants and contributions	132,728	192,815	58,672	46,616	22,984	19,800	50,382	46,415	32,906	52,773
<b>Total business-type activities program revenues</b>	<b>1,268,273</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>Total primary government program revenues</b>	<b>\$ 1,795,484</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>
Net (expense)/revenue										
Governmental activities	\$ (1,962,650)	\$ (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)
Business-type activities	(165,677)	(143,111)	(264,135)	(126,604)	(119,557)	(72,523)	(116,593)	(131,729)	29,707	233,028
<b>Total primary government net expense</b>	<b>\$ (2,128,327)</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>

(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>2008</u>	<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>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 829,837	\$ 890,308	\$ 895,779	\$ 853,277	\$ 866,143	\$ 906,761	\$ 973,902	\$ 1,074,070	\$ 1,099,411	\$ 1,152,420
Industrial assessments tax	17,787	19,133	15,817	14,458	37	29,845	16,534	16,736	19,238	19,291
Sales taxes	495,173	507,103	468,965	492,824	546,543	600,256	629,441	667,061	640,476	631,993
Franchise taxes	190,518	190,800	191,292	190,911	193,153	195,664	190,368	190,245	191,584	191,025
Mixed beverage taxes	10,479	10,587	10,382	10,283	9,525	9,887	13,869	15,784	16,064	16,662
Bingo taxes	256	226	195	167	193	196	187	209	207	234
Investment earnings	36,516	30,087	16,673	6,666	8,944	1,086	9,737	7,639	11,925	6,181
Other	58,743	66,459	53,101	79,633	67,313	68,586	98,479	94,700	118,939	112,531
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	60,824	69,578	72,035	76,976	75,878	72,807	41,968	49,105	51,139	62,885
Total governmental activities	<u>1,700,133</u>	<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>
Business-type activities:										
Hotel occupancy taxes	66,232	62,383	54,917	61,603	68,623	76,325	90,119	90,711	88,632	82,882
Investment earnings	96,492	88,737	57,736	30,303	21,340	6,638	31,491	20,114	38,620	16,448
Other	44,738	63,863	105,462	92,172	98,017	109,906	143,775	150,440	43,310	42,500
Special Items - gain (loss) on sale of assets	-	-	-	-	(89,658)	(61,282)	-	-	-	1,614
Transfers	(60,824)	(69,578)	(72,035)	(81,496)	(75,878)	(55,891)	(41,968)	(49,105)	(51,139)	(62,885)
Total business-type activities	<u>146,638</u>	<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>
Total primary government	<u>\$ 1,846,771</u>	<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>
<b>Change in Net Position</b>										
Governmental activities	\$ (262,517)	\$ (217,111)	\$ (253,081)	\$ (247,039)	\$ (85,890)	\$ (14,504)	\$ 46,279	\$ (192,559)	\$ (363,751)	\$ 1,605,345
Business-type activities	(19,039)	2,294	(118,055)	(24,022)	(97,113)	3,173	106,824	80,431	149,130	313,587
Total primary government	<u>\$ (281,556)</u>	<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>

**CITY OF HOUSTON, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(unaudited)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund				
Reserved	\$ 22,040	\$ 22,836	\$ 23,003	\$ -
Unreserved	309,466	281,111	201,019	-
Non-spendable	-	-	-	19,052
Restricted	-	-	-	1,665
Committed	-	-	-	20,698
Assigned	-	-	-	30
Unassigned	-	-	-	127,143
Total general fund	<u>\$ 331,506</u>	<u>\$ 303,947</u>	<u>\$ 224,022</u>	<u>\$ 168,588</u>
All other governmental funds				
Reserved	\$ 235,074	\$ 201,334	\$ 237,112	\$ -
Unreserved , reported in:				
Special revenue funds	119,482	111,454	82,713	-
Capital projects funds	-	-	-	-
Grant funds	7,553	(9,762)	19,196	-
Non-spendable	-	-	-	418
Restricted	-	-	-	176,457
Committed	-	-	-	73,636
Assigned	-	-	-	32,172
Total all other governmental funds	<u>\$ 362,109</u>	<u>\$ 303,026</u>	<u>\$ 339,021</u>	<u>\$ 282,683</u>

Source: Comprehensive Financial Annual Report

In 2011 the City implemented GASB Statement No. 54, which changed the fund balance classifications.



<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
15,687	14,792	14,016	16,450	15,493	20,242
35,868	63,696	44,120	27,096	1,232	1,188
8,547	6,892	3,407	6,111	10,922	18,701
-	-	-	-	-	-
153,125	190,950	200,731	301,231	235,405	311,754
<u>\$ 213,227</u>	<u>\$ 276,330</u>	<u>\$ 262,274</u>	<u>\$ 350,888</u>	<u>\$ 263,052</u>	<u>\$ 351,885</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
887	1,303	5,290	2,436	2,395	2,495
338,997	350,827	327,576	266,501	339,991	350,868
52,351	59,693	71,969	87,040	77,709	82,599
19,873	46,008	106,607	125,061	109,131	78,898
<u>\$ 412,108</u>	<u>\$ 457,831</u>	<u>\$ 511,442</u>	<u>\$ 481,038</u>	<u>\$ 529,226</u>	<u>\$ 514,860</u>

**CITY OF HOUSTON**  
**GENERAL FUND BUDGET FOR FISCAL YEAR 2018**  
(amounts expressed in thousands)  
(unaudited)

<b>Budgeted Resources</b>	<b>Amount (in thousands)</b>
Revenues:	
Ad Valorem Taxes (current and delinquent)	\$ 1,158,297
Sales and Use Tax	627,000
Franchise Fees	180,082
Municipal Courts Fines and Forfeits	21,371
Miscellaneous	306,656
Total Current Revenues	<u>2,293,406</u>
Beginning Fund Balance as of July 1, 2017 (a)	<u>225,277</u>
Sale of Capital Assets	14,540
Transfers from Other Funds	18,265
<b>Total Budgeted Resources</b>	<b><u><u>\$ 2,551,488</u></u></b>

<b>Budgeted Expenditures</b>	
Administrative Services and Public Finance	\$ 113,538
Public Safety	1,348,658
Development and Maintenance Services	159,217
Human and Cultural Services	189,894
General Government	193,218
Debt Service and PAYGO Capital Projects	367,893
<b>Total Budgeted Expenditures</b>	<u>2,372,418</u>
Budgeted Ending Fund Balance as of June 30, 2018	<u>179,070</u>
<b>Total Budgeted Expenditures and Reserves</b>	<b><u><u>\$ 2,551,488</u></u></b>

(a) This amount represents an estimate of the beginning fund balance which was used in preparing the Fiscal Year 2018 Budget.

**CITY OF HOUSTON, TEXAS**  
**June 30, 2017**  
**CONTINUING DEBT DISCLOSURE INFORMATION**  
**(amounts expressed in thousands)**  
**(unaudited)**

**Capital Improvement Plan**

The 2018-2022 CIP consists of the projects and facilities described in the following chart. (The 2018-2022 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 (in thousands)</b>
Streets, Bridges and Traffic Control	\$ 784,629
Storm Sewers and Drainage	509,609
Parks and Recreation	105,412
Bayou Greenways	113,729
Police Department	53,997
Fire Department	49,553
General Government	96,163
Public Library	20,287
Public Health	74,231
Solid Waste Management	19,922
Homeless and Housing	4,400
Technology	42,083
Fleet	192,428
Total	<b>\$ 2,066,443 (*)</b>

(\*) The tax-supported component of the 2018-2022 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 Year</b>	<b>Total Indirect Charges (in thousands)</b>
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
2008	10,950

**CITY OF HOUSTON**  
**CONTINUING DEBT DISCLOSURE INFORMATION**  
**June 30, 2017**  
**Long Term Disability and Compensated Absence Liability**  
**(unaudited)**

<b>Long-Term Disability Fund</b>	Fiscal Year 2017 (in thousands)
Assets Available for Future Long-Term Disability Obligations	\$ 9,817
Claims Payable on Long-Term Disability Obligations	(8,245)
Unrestricted Net Assets	<u>\$ 1,572</u>

<b>Compensated Absence Liability</b>	Fiscal Year 2017 (in thousands)
General Fund Short-Term Liability	\$ 47,234
Other Governmental Short-Term Liability	98,374
Enterprise Funds Liability	32,644
Internal Service Funds Liability	310
Governmental Funds Long-Term Liability	321,919
Total	<u>\$ 500,481</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>
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
2008	41,395

**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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>					
Taxes	\$ 1,545,102	\$ 1,617,937	\$ 1,579,516	\$ 1,568,056	\$ 1,615,592
Licenses and permits	62,132	58,126	55,275	61,083	84,786
Intergovernmental	300,717	435,715	403,519	379,065	351,472
Charges for services	112,554	121,418	124,790	132,764	248,083
Fines	57,001	57,037	60,036	55,414	52,250
Investment earnings	36,516	30,087	16,673	6,666	8,944
Contributions	-	737	20	-	20
Other	55,535	62,714	55,599	72,126	72,180
Total revenues	<u>2,169,557</u>	<u>2,383,771</u>	<u>2,295,428</u>	<u>2,275,174</u>	<u>2,433,327</u>
<b>Expenditures</b>					
General Government	144,337	178,064	197,803	198,782	209,318
Public safety	1,107,522	1,221,713	1,244,163	1,230,623	1,212,975
Public Works	281,433	398,506	285,517	288,383	275,260
Health	108,830	123,421	126,968	119,192	102,304
Housing and Community Development	77,702	79,215	100,712	96,792	75,204
Parks and recreation	77,354	80,438	78,717	75,560	73,233
Library	36,555	39,248	38,711	36,715	34,115
Retiree benefits	18,506	18,463	18,897	15,996	10,360
Capital Outlay	332,655	372,472	396,877	309,315	272,161
Debt Service					
Principal	197,790	487,690	186,251	192,000	346,600
Interest	129,992	133,288	146,986	154,083	161,086
Fiscal agent and fees	3,700	8,949	6,599	7,792	10,161
Total expenditures	<u>2,516,376</u>	<u>3,141,467</u>	<u>2,828,201</u>	<u>2,725,233</u>	<u>2,782,777</u>
Excess of revenues over (under) expenditures	(346,819)	(757,696)	(532,773)	(450,059)	(349,450)
<b>Other financing sources (uses)</b>					
Transfers in	396,660	462,793	436,908	406,201	422,470
Transfers out	(328,873)	(391,143)	(364,873)	(329,225)	(346,592)
Proceeds from issuance of debt	387,051	626,205	926,780	740,696	806,685
Proceeds from refunded debt	219,238	324,030	-	-	-
Payment to escrow agent	(225,740)	(355,885)	(553,230)	(535,960)	(458,052)
Sale of land	8,757	5,381	9,092	21,054	4,844
Bond premium (discount)	9,004	(327)	34,166	35,521	81,310
Transfer to component unit	-	-	-	-	12,849
Total other financing sources (uses)	<u>466,097</u>	<u>671,054</u>	<u>488,843</u>	<u>338,287</u>	<u>523,514</u>
Net change in fund balances	<u>\$ 119,278</u>	<u>\$ (86,642)</u>	<u>\$ (43,930)</u>	<u>\$ (111,772)</u>	<u>\$ 174,064</u>
Debt service as a percentage of noncapital expenditures	15.0%	22.4%	13.7%	14.3%	20.2%

Source: Comprehensive Financial Annual Report

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 1,745,882	\$ 1,826,639	\$ 1,964,470	\$ 1,966,483	\$ 2,013,196
97,100	111,577	121,636	126,020	118,899
366,973	333,832	373,006	377,546	404,276
248,097	267,635	296,694	304,438	299,748
47,955	46,647	41,350	42,472	37,407
1,086	9,737	7,639	11,925	6,034
-	-	-	-	-
70,001	98,189	95,129	117,442	112,245
<u>2,577,094</u>	<u>2,694,256</u>	<u>2,899,924</u>	<u>2,946,326</u>	<u>2,991,805</u>
217,376	233,216	295,439	319,160	297,501
1,267,523	1,355,369	1,374,859	1,418,763	1,446,775
284,863	304,346	314,313	329,572	348,229
111,986	122,446	139,016	145,976	157,968
88,222	51,252	71,167	62,539	60,656
75,430	77,557	101,718	85,252	89,654
35,433	38,421	38,170	39,271	39,932
11,907	10,920	11,059	11,390	11,521
245,410	289,026	358,969	334,555	338,946
138,875	176,205	191,355	290,805	192,656
158,322	154,327	153,972	151,260	144,068
6,212	4,528	5,289	6,785	3,343
<u>2,641,559</u>	<u>2,817,613</u>	<u>3,055,326</u>	<u>3,195,328</u>	<u>3,131,249</u>
(64,465)	(123,357)	(155,402)	(249,002)	(139,444)
505,513	549,184	587,207	622,988	553,680
(449,222)	(507,217)	(538,102)	(571,849)	(490,795)
438,276	119,000	117,740	65,000	140,000
-	-	-	557,615	-
(395,227)	(519)	(1,404)	(550,600)	0
5,818	2,464	48,171	8,792	11,026
51,617	-	-	102,908	-
16,516	-	-	-	-
<u>173,291</u>	<u>162,912</u>	<u>213,612</u>	<u>234,854</u>	<u>213,911</u>
<u>\$ 108,826</u>	<u>\$ 39,555</u>	<u>\$ 58,210</u>	<u>\$ (14,148)</u>	<u>\$ 74,467</u>
12.4%	13.1%	12.8%	15.5%	12.1%

**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>
2008	\$ 829,837	\$ 495,173	\$ 190,518	\$ 17,787	\$ 10,479	\$ 256	\$ 1,544,050
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



**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>
2008	\$ 84,322,788	\$ 75,245,892	\$ 11,740,472	\$ 2,515,631	\$ 38,060,662	\$ 135,764,121	6.4375
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

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)**

Purpose	2017	2016	2015	2014	2013
<b>City</b>					
General Purposes	4.54458	4.42194	4.74635	4.77085	4.6221
Debt Service	1.31962	<u>1.58926</u>	<u>1.56445</u>	<u>1.61665</u>	<u>1.7654</u>
City of Houston (1)	5.86420	6.01120	6.31080	6.38750	6.3875
<b>County</b>					
Fort Bend County	4.7400	4.8600	4.9476	4.9976	4.9976
Harris County (2)	4.4485	4.4656	4.4467	4.4300	4.2830
Montgomery County	4.6670	4.7670	4.7670	4.8380	4.8380
<b>School District</b>					
Aldine I.S.D.	13.2338	12.8590	13.0590	13.0580	13.2839
Alief I.S.D.	13.0500	12.8000	12.8000	12.9000	13.2000
Clear Creek I.S.D.	14.0000	14.0000	14.0000	14.0000	13.6000
Conroe I.S.D. (5)	12.8000	12.8000	12.8000	12.9000	12.9500
Crosby I.S.D.	16.7000	16.7000	16.7000	16.7000	14.4000
Cypress-Fairbanks I.S.D.	14.4000	14.4000	14.4000	14.5000	14.5000
Deer Park I.S.D.	15.5670	15.5670	15.5670	15.5670	15.2670
Fort Bend I. S. D.	13.4000	13.4000	13.4000	13.4000	13.4000
Galena Park I.S.D.	15.6330	15.1340	15.1340	15.1340	15.1340
Goose Creek I.S.D. (5)	14.3190	14.3189	14.3189	13.3213	13.3213
Houston I.S.D.	12.0670	11.9670	11.9670	11.5670	11.5670
Huffman I.S.D.	14.0000	14.0000	14.0000	14.2000	14.4500
Humble I.S.D.	15.2000	15.2000	15.2000	15.2000	15.2000
Katy I.S.D.	15.1660	15.2660	15.2660	15.2660	15.2660
Klein I.S.D.	14.3000	13.9000	13.9000	14.3000	14.4000
New Caney I.S.D.	16.7000	16.7000	16.7000	15.4000	15.4000
North Forest I.S.D. (3)					
Pasadena I.S.D.	13.5000	13.5000	13.5000	13.5000	13.5000
Sheldon I.S.D.	14.1000	14.1000	14.1000	14.3000	14.3000
Spring I.S.D.	14.6996	14.7000	15.1000	15.7000	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	1.2000	1.2000	2.0000	2.3500
Harris County MUD # 359	1.9000	2.6000	2.7000	3.0000	3.0500
Harris County MUD # 366	1.8000	2.0000	2.0000	2.5000	2.5000
Harris County MUD # 372	11.1000	1.6500	1.7500	1.9000	1.9000
Harris County MUD # 381	6.3000	7.4000	7.4000		
Harris County MUD # 390	7.0000	7.0000	7.0000	7.0000	7.0000
Harris County MUD # 393	7.5000	9.1000	9.1000		
Harris County MUD # 404	8.6125	8.6125	8.6125		
Harris County MUD # 410	5.9000	6.9000	6.9000		
Harris County MUD # 411	7.5000	9.0000	9.0000		
Harris County MUD # 415	8.0000				
Harris County MUD # 450	8.1358	7.9888	7.6892	7.6125	7.6125
Harris County MUD # 451	9.1358	8.8000	8.8000		
Harris County MUD # 460	7.4000	7.4000	7.4000		
Harris County MUD # 499	9.1300				
Harris County MUD # 529	7.5000				
Harris County MUD # 537	5.0000				
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	2.8000	2.8000	2.8000
Fort Bend Parkway Road (4)					0.5443
Harris County Dept. of Education	0.005195	0.0600	0.0600	0.0636	0.0658
Houston Community College	0.02498	0.2631	0.2984	0.2012	0.1750
Lee College District (5)	2.1320	2.1570	2.2070	2.6070	2.4100
Lone Star College System	1.0780	1.0790	1.0810	1.1600	1.2100
Port of Houston Authority	0.1334	0.1342	0.1531	0.1716	0.1952
San Jacinto College District	18.2379	17.5783	18.5600	1.8560	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.  
(5) Overlapping percent is less than 0.01%.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
4.8071	4.6336	4.5728	4.5460	4.6198
<u>1.5804</u>	<u>1.7539</u>	<u>1.8147</u>	<u>1.8415</u>	<u>1.8178</u>
6.3875	6.3875	6.3875	6.3875	6.4375
4.9976	4.9976	5.0660	4.9976	5.1674
4.1926	4.1728	4.2146	3.8923	3.9239
4.8380	4.8380	4.8380	4.8380	4.8880
13.2839	13.0054	13.0054	12.9200	12.7700
13.3000	13.4000	13.4000	13.4000	15.9000
13.6000	13.6000	13.6000	13.6000	13.2000
12.9500	12.9500	12.8500	12.7000	12.4000
14.4000	14.4000	14.4000	13.4000	10.4000
14.3000	14.3000	14.1000	13.5000	13.2400
13.9670	13.9670	13.6670	13.3670	13.1765
13.4000	12.7000	12.7000	12.7000	12.5000
15.1340	15.1340	14.7840	14.5590	14.3090
13.3213	13.0213	12.8213	12.8213	13.0196
11.5670	11.5670	11.5670	15.9900	15.9900
14.7000	14.7000	14.7000	14.7000	13.8000
15.2000	15.2000	15.2000	15.2000	13.1000
15.2660	15.2660	15.2660	15.2660	15.2700
14.3000	14.1000	13.6000	13.1000	12.6000
15.4000	15.4000	14.8000	14.4000	14.4000
14.6929	13.7000	13.5000	13.1434	12.3670
13.5000	13.5000	13.5000	14.3000	13.5000
14.3000	14.3000	14.3000	14.3000	14.3000
15.7000	14.6000	14.6000	14.6000	14.4000
13.9450	13.9450	13.9450	13.8250	12.8500
2.3500	2.5500	2.9500	3.0000	3.1000
3.0500	3.0500	2.9500	2.8500	2.7000
2.5000	2.5000	2.5000	2.5000	3.2000
1.9000	1.9000	1.9000	No data	No data
7.0000	7.0000	7.0000	7.0000	7.0000
7.7125	7.6125	7.6125	No data	No data
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	0.4153
0.0658	0.0658	0.0605	0.0585	0.0585
0.1382	0.9222	0.9222	0.1493	0.1493
2.5200	2.5200	2.2120	2.0677	2.0677
1.2100	1.1760	1.1010	1.1440	1.1440
0.1856	0.2054	0.1636	0.1437	0.1437
1.8560	1.7628	1.7080	1.4536	1.4536

**CITY OF HOUSTON, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**June 30, 2017**  
**Current Year and Nine Years Ago**  
**(amounts expressed in thousands)**  
**(unaudited)**

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Centerpoint Energy, Inc.	\$ 2,068,050	1	1.02%	\$ 1,522,138	1	1.12%
Chevron Chemical Company	1,136,484	2	0.56%			
Crescent (Real Estate) HC Investors LP	873,922	3	0.43%	1,378,918	2	1.02%
One, Two, Three Allen Center	857,457	4	0.42%			
Cousins Greenway & POC	715,139	5	0.35%			
HG Galleria 1 11 111 LP	679,041	6	0.34%			
TPG Citywest & San Felipe	663,239	7	0.33%			
Shell Services Company	548,998	8	0.27%			
1000 Louisiana LP	516,383	9	0.25%			
Busycon Properties LLC	512,788	10	0.25%			
Hines Interests Limited Partnership				1,248,647	3	0.92%
Houston Refining				980,824	4	0.72%
Cullen Holdings				740,183	5	0.55%
Teachers Insurance				629,949	6	0.46%
AT & T Corp				629,090	7	0.46%
Exxon Mobil Corp				580,399	8	0.43%
TPG BH ICC LP				576,224	9	0.42%
Anheuser Busch Inc.				447,348	10	0.33%
Total	\$ 8,571,501		4.24%	\$ 8,733,720		6.43%

**CITY OF HOUSTON**  
**TAX SUPPORTED DEBT SERVICE FUNDS**  
(amounts expressed in thousands)  
(unaudited)

**Tax Bond Debt Service Fund for Fiscal Year 2018<sup>(a)</sup>**

	<b>Amount</b>
<b>Budgeted Resources</b>	<b>(in thousands)</b>
Beginning Fund Balance Estimate as of July 1, 2016	\$ 134,000
Interest Earnings on Debt Reserves and Bond Funds	-
Transfers in from:	
General Fund	333,784
Combined Utility System Operating Fund	23,269
Other sources	26,779
Third Party Reimbursements	-
Net Bond Proceeds	180,700
Other	3,155
<b>Total Budgeted Resources</b>	<u>701,687</u>
<b>Budgeted Expenditures</b>	
Debt Service Requirements	
Tax Bonds	\$ 564,968
Commercial Paper Paid from Third Party Reimbursements	
Miscellaneous	-
<b>Total Budgeted Expenditures</b>	<u>564,968</u>
Budgeted Ending Fund Balance as of June 30, 2017	<u>136,719</u>
<b>Total Budgeted Expenditures and Reserves</b>	<u>\$ 701,687</u>

(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			
2008	\$ 1,798,150	\$ 472,205	\$ 625,950	\$ 86,521	\$ 1,515	\$ 15,060	\$ 5,129,698	\$ 2,296,822	\$ 609,279	\$ 208,441	\$11,243,641	20.70%	\$ 5,513
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	\$ 469,936	\$13,450,917	Not available	\$ 5,839

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 243 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</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value (2) of Property</b>	<b>Per Capita (3)</b>
2008	\$ 2,999,401	\$ 131,477	\$ 2,867,924	2.11%	\$ 1,325
2009	\$ 3,122,315	\$ 161,414	\$ 2,960,901	1.99%	\$ 1,346
2010	\$ 3,310,888	\$ 181,958	\$ 3,128,930	2.10%	\$ 1,433
2011	\$ 3,329,958	\$ 143,287	\$ 3,186,671	2.25%	\$ 1,455
2012	\$ 3,374,416	\$ 148,174	\$ 3,226,242	2.24%	\$ 1,565
2013	\$ 3,308,606	\$ 156,554	\$ 3,152,052	2.09%	\$ 1,522
2014	\$ 3,251,250	\$ 134,701	\$ 3,116,549	1.86%	\$ 1,566
2015	\$ 3,140,357	\$ 122,349	\$ 3,018,008	1.61%	\$ 1,348
2016	\$ 3,244,534	\$ 153,758	\$ 3,090,776	1.53%	\$ 1,346
2017	\$ 3,174,499	\$ 128,072	\$ 3,046,427	1.39%	\$ 1,323

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 229 for property value data.
3. Population data can be found in the Schedule of Demographic and Economic Statistics on page 243.

**CITY OF HOUSTON, TEXAS**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2017**  
**(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	\$ 3,174,499	06/30/17	100.00%	\$ 3,174,499
<b>County</b>				
Fort Bend County	376,230	06/30/17	1.63%	6,133
Harris County (including Toll Road Bonds)	2,175,552	06/30/17	53.55%	1,165,008
Harris County Flood Control	589,536	06/30/17	53.55%	315,697
Montgomery County	422,668	06/30/17	1.23%	5,199
<b>School District</b>				
Aldine I.S.D.	596,594	06/30/17	48.55%	289,646
Alief I.S.D.	177,393	08/31/16	81.94%	145,356
Clear Creek I.S.D.	788,705	06/30/17	47.32%	373,215
Conroe I.S.D.	1,009,470	08/31/16	0.00%	0
Crosby I.S.D.	120,960	06/30/17	2.60%	3,145
Cypress-Fairbanks I.S.D.	2,330,068	06/30/17	16.63%	387,490
Deer Park I.S.D.	202,690	06/30/17	1.85%	3,750
Fort Bend I.S.D.	822,679	06/30/17	7.70%	63,346
Galena Park I.S.D.	159,498	08/31/16	8.25%	13,159
Houston I.S.D.	2,910,658	06/30/17	91.70%	2,669,073
Huffman I.S.D.	105,406	06/30/17	26.64%	28,080
Humble I.S.D.	555,758	06/30/17	37.73%	209,687
Katy I.S.D.	1,544,300	08/31/16	19.16%	295,888
Klein I.S.D.	1,034,396	08/09/17	3.24%	33,514
New Caney I.S.D.	749,027	06/30/17	18.28%	136,922
Pasadena I.S.D.	634,585	08/31/17	43.86%	278,329
Sheldon I.S.D.	246,908	06/30/17	1.81%	4,469
Spring I.S.D.	996,738	06/30/17	3.15%	31,397
Spring Branch I.S.D.	950,244	06/30/17	72.83%	692,063
<b>Municipal Utility District</b>				
Harris County MUD 355	6,922	07/31/17	99.84%	6,911
Harris County MUD 359	3,990	06/30/17	100.00%	3,990
Harris County MUD 366	0	06/30/17	0.00%	0
Harris County MUD 372	6,354	06/30/17	100.00%	6,354
Harris County MUD 381	8,272	06/30/17	100.00%	8,272
Harris County MUD 390	26,806	06/30/17	100.00%	26,806
Harris County MUD 393	9,376	06/30/17	100.00%	9,376
Harris County MUD 404	5,125	06/30/17	100.00%	5,125
Harris County MUD 410	12,038	06/30/17	100.00%	12,038
Harris County MUD 411	4,557	06/30/17	100.00%	4,557
Harris County MUD 415	2,004	06/30/17	100.00%	2,004
Harris County MUD 450	9,481	06/12/17	100.00%	9,481
Harris County MUD 451	5,489	06/28/17	100.00%	5,489
Harris County MUD 460	3,663	07/19/17	100.00%	3,663
Harris County MUD 499	3,703	06/20/17	100.00%	3,703
Harris County MUD 529	10,382	06/26/17	100.00%	10,382
Harris County MUD 537	4,039	07/31/17	100.00%	4,039
Northwood MUD # 1	2,255	07/31/17	100.00%	2,255
<b>Other Jurisdictions</b>				
Clear Lake City Water Authority	65,487	06/30/17	64.87%	42,481
Harris County Dept. of Education	6,780	06/30/17	53.55%	3,631
Houston Community College	599,540	06/30/17	90.86%	544,742
Lee College District	45,935	08/02/17	0.00%	0
Lone Star College System	605,860	06/30/17	11.64%	70,522
Port of Houston Authority	621,785	06/30/17	53.29%	331,349
San Jacinto College District	390,731	06/30/17	15.44%	60,329
Total overlapping debt	21,960,637			8,328,066
Total direct and overlapping debt	<u>\$ 25,135,136</u>			<u>\$ 11,502,565</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					
2009	0.45460	0.18415	0.63875	961,059	926,956	32,395	959,351	99.8
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	1,345,625	1,321,404	9,510	1,330,914	98.9

- (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 2018, which is as of August 11, 2017.
- (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 2017. 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 2018, the City has budgeted approximately \$139 million of tax increments to be transferred to special funds for such zones, as required by State law, of which approximately \$42 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 2018 Budget includes a proposed tax rate of \$0.58421 (per \$100 assessed valuation) for Tax Year 2017 (Fiscal Year 2018). 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>
2006	2007	2,833,037	120,595,451	2.35%	1,306	262,523	209,000
2007	2008	3,016,248	135,764,121	2.22%	1,365	279,277	229,600
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	338,424	264,500
2015	2016	3,225,240	204,300,968	1.58%	1,405	339,851	295,954
2016	2017	3,079,240	220,692,709	1.40%	1,337	339,639	258,415

- (a) With the exception of Tax Year 2016, 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 2016 amount represents the Appraisal Districts' estimate of certified taxable valuations based on tax rolls available as of July 7, 2017. As of July 11, 2017, the total assessed value for Tax Year 2016 (including exempt property values) was approximately \$287.8 billion, which is the appraised value used to determine the statutory limitation of approximately \$28.9 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.

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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, 2017**

Assessed Value (1)	\$ 287,819,401
Debt Limit (10% of assessed value)	\$ 28,781,940
Debt applicable to limit:	
Public Improvement Bonds	2,401,047
Pension Obligations	516,858
Commercial Paper - General Obligation	239,900
Tax and Revenue Certificates of Obligation	16,694
Total net debt applicable to limit	<u>\$ 3,174,499</u>
Legal debt margin	\$ 25,607,441

**HISTORICAL LEGAL DEBT LIMITATION**

	<b>2008</b>	<b>2009</b>
<b>Legal debt limitation, 10% of assessed value(2)</b>	\$ 17,382,478	\$ 19,296,752
Total net debt applicable to margin	3,078,103	3,109,000
Legal debt margin	<u>\$ 14,304,375</u>	<u>\$ 16,187,752</u>
Total net debt applicable to the limit as a percentage of debt limit	18%	16%

(1) Assessed Value for the 2016 tax year (fiscal year 2017) 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 2017.

(2) See Texas Government Code, Chapter 1331.051 (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>
\$19,581,736	\$ 18,798,571	\$ 19,108,922	\$ 20,140,168	\$ 21,962,278	\$ 24,401,203	\$ 26,857,750	\$ 28,781,940
<u>3,300,878</u>	<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>\$16,280,858</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>
17%	18%	18%	16%	15%	13%	12%	11%

**CITY OF HOUSTON, TEXAS**  
**PLEGDED - REVENUE COVERAGE**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(unaudited)**

**Airport System Bonds <sup>(1)</sup>**

Fiscal Year	Operating & Non-Operating Revenues <sup>(2)</sup>	Less: Operating Expenses	Net Pledged Revenue	Debt Service		Less Grants Available for Debt Service	Less PFC revenue Available for Debt Service	Coverage
				Principal	Interest <sup>(3)</sup>			
2008	477,330	221,309	256,021	45,996	111,250	25,332	2,690	1.98
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

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.

**Combined Utility System Bonds <sup>(5)</sup>**

Fiscal Year	Operating & Non-Operating Revenues <sup>(6)</sup>	Less: Total Expenses	Net Pledged Revenue	Debt Service		Coverage
				Principal	Interest	
2008	722,918	378,919	343,999	27,088	248,900	1.25
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

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.

**Convention and Entertainment Center Bonds <sup>(7)</sup>**

Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue <sup>(8)</sup>	Debt Service		Coverage
		Principal	Interest	
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

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>	(1)	<b>Personal Income (amount in thousands)</b>	(2)	<b>Per Capita Personal Income</b>	(2)	<b>Median Age</b>	(2)	<b>Education Level in Years of Formal Schooling</b>	(2)	<b>School Enrollment</b>	(2)	<b>Average Unemployment Rate (percentage)</b>	(3)
2008	2,208,180		\$ 54,306,140		\$ 26,836		32.8		Not available		811,154	(5)	4.2	(2)
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)

(1) Source: Population Estimate program, U. S. Census Bureau, as of the beginning of the fiscal year. (Fiscal year 2017 is as of July 1, 2016.)

(2) Source: American Community Survey, U. S. Census Bureau. (Fiscal year 2017 data is for calendar year 2016.)

(3) Source: University of Houston, Center for Public Policy. (Data for fiscal year 2017 is calendar year 2016.)

(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, 2017  
Current Year and Nine Years Ago  
(unaudited)**

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Walmart	37,000	1	3.18%			
Memorial Hermann Health System	24,108	2	2.07%	19,000	1	1.90%
HEB	23,732	3	2.04%			
The University of Texas MD Anderson Cancer Center	21,086	4	1.81%	15,000	3	1.50%
Mcdonald's Corporation	20,918	5	1.80%			
Houston Methodist	20,000	6	1.72%	9,991	7	1.00%
Kroger Company	16,000	7	1.38%	12,000	6	1.20%
United Airlines	14,941	8	1.28%			
Schlumberger Limited	12,069	9	1.04%			
Shell Oil Company	11,507	10	0.99%	13,000	4	1.30%
Continental Airlines, Incorporated				16,000	2	1.60%
ARAMARK Corporation				8,500	10	0.85%
Baylor College of Medicine				9,143	8	0.91%
Hewlett-Packard Corporation				9,000	9	0.90%
University of Texas Medical Branch at Galveston				12,318	5	1.23%
Total :	<u>201,361</u>		<u>17.31%</u>	<u>123,952</u>		<u>12.39%</u>

Source: Greater Houston Partnership, Here is Houston Facts (9-26-17)

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:

June 2017 Local Area Unemployment Statistics, Bureau of Labor Statistics	2017	1,163,299
June 2008 Texas Workplace Commission	2008	999,582



**CITY OF HOUSTON, TEXAS**

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**CITY OF HOUSTON, TEXAS  
EMPLOYMENT STATISTICS  
June 30, 2017  
(unaudited)**

**Employment**

The following table indicates the Houston PMSA estimated annual average labor force for the years 2007 through 2016 according to the Texas Employment Commission:

**Houston PMSA Labor Force Estimates  
(Employees in thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force (A)	2,723	2,781	2,873
Employed	2,606	2,647	2,638
Unemployed	117	134	235
Percent unemployed	4.30%	4.82%	8.18%
Nonfarm Payroll Employment (B)	2,545	2,603	2,530
Manufacturing	233	241	218
Mining	84	90	88
Contract construction	197	205	172
Transp/Trade/Pub Utils/Communications (C)	699	715	564
Finance/Insurance/Real Estate	92	91	138
Services & Miscellaneous	1,063	1,087	973
Government	352	361	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>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
2,933	3,075	3,110	3,180	3,244	3,287	3,323
2,692	2,843	2,901	3,009	3,098	3,106	3,147
241	232	210	171	146	180	176
8.20%	7.50%	6.70%	5.40%	4.50%	5.50%	5.30%
2,594	2,693	2,793	2,895	2,991	3,002	3,061
228	237	252	261	250	232	234
89	97	106	115	109	87	86
175	180	188	197	205	216	215
556	579	602	616	645	647	635
134	140	143	146	146	155	156
1,035	1,097	1,135	1,800	1,261	1,282	1,321
377	364	367	379	381	388	414

**CITY OF HOUSTON, TEXAS**  
**Last Ten Years**  
**CITY OF HOUSTON EMPLOYMENT INFORMATION**  
**(unaudited)**

**Full-time Equivalent Employees as of June 30, 2017**

<b>Fund/Department</b>	<b>2008</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>Restated</b>									
<b>GENERAL FUND</b>										
<b>Public Safety</b>										
Fire/Civilian	270.2	270.5	247.9	222.6	118.9	117.4	117.1	107.2	111.9	109.6
Fire/Classified	3,997.5	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
Fire/Cadets	113.5	95.7	53.0	53.1	14.2	26.7	123.0	139.1	107.1	94.6
Municipal Courts - (Administration) Department	262.2	284.8	269.8	301.7	271.2	268.8	291.6	299.2	290.7	280.0
Municipal Courts - (Justice) Department	49.4	50.6	50.9	-	-	-	-	-	-	-
Police/Civilian	1,289.5	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
Police/Classified	5,382.7	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
Police/Cadets	176.8	221.6	135.0	70.4	76.6	118.1	88.1	91.2	140.5	176.2
<b>Total Public Safety</b>	<b>11,541.8</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>Development &amp; Maintenance Services</b>										
General Services (Formerly Building Services)	237.8	242.1	233.2	210.6	193.9	193.6	201.1	140.7	137.7	135.1
Planning & Development	97.1	105.1	107.0	97.5	75.7	75.2	76.1	71.9	59.8	32.3
Public Works & Engineering (PW&E)	556.7	568.3	529.0	505.6	9.1	15.0	13.6	14.6	12.5	13.8
Solid Waste Management	655.0	667.2	633.5	623.9	460.5	471.0	458.9	475.9	507.7	526.0
<b>Total Development &amp; Maintenance</b>	<b>1,546.6</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>Human &amp; Cultural Services</b>										
Convention & Entertainment Facilities	0.4	3.5	-	-	-	-	-	-	-	-
Health & Human Services	684.5	741.3	661.3	574.8	458.4	470.7	565.0	563.5	447.7	447.6
Housing & Community Development	1.3	2.3	2.5	2.9	2.1	2.0	2.0	1.3	0.7	0.7
Library	497.3	530.5	517.4	456.4	401.7	405.2	474.1	469.8	466.0	466.1
Neighborhoods	-	-	-	-	96.3	104.4	103.5	107.5	107.6	103.9
Parks & Recreation	815.8	869.4	838.8	774.2	627.6	644.4	670.3	663.7	657.9	693.5
<b>Total Human &amp; Cultural Services</b>	<b>1,999.3</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>Administrative Services</b>										
Administration & Regulatory Affairs	264.1	292.0	375.9	362.9	268.1	240.3	201.5	202.1	205.6	209.1
City Secretary	11.1	11.5	11.4	11.9	10.9	10.7	10.7	10.3	9.2	8.9
Controller's Office	74.7	76.3	76.8	74.0	66.2	64.9	65.3	62.1	60.3	57.8
Council Office	71.4	73.3	72.4	72.8	74.6	77.7	74.6	76.5	77.6	76.2
Finance & Administration	-	-	-	-	-	-	-	-	-	-
Finance Department	54.9	68.9	76.9	70.7	72.6	60.4	107.8	111.4	106.8	102.2
Human Resources	39.1	39.3	41.8	40.0	35.9	34.4	31.1	32.0	33.2	29.0
Information Technology	140.3	154.9	169.6	158.8	150.8	144.3	156.3	161.8	156.8	145.3
Legal	158.7	168.1	161.0	155.3	119.1	116.4	119.7	121.6	120.0	114.0
Mayor's Office	39.6	37.1	35.2	35.1	23.3	56.3	58.5	48.6	49.5	49.1
Office of Business Opportunity (Formerly Affirm. Action)	32.4	34.1	35.8	31.6	23.3	25.1	26.4	28.1	28.2	27.7
<b>Total Administrative Services</b>	<b>886.3</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>Total General Fund</b>	<b>15,974.0</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>ENTERPRISE FUNDS</b>										
Aviation	1,587.2	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
Convention & Entertainment Facilities	124.3	124.1	118.8	117.6	69.0	23.0	22.7	-	-	-
PW&E - Combined Utility System	2,288.9	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
GSD - Parking Management (Formerly PW&E)	54.0	53.9	-	-	-	-	-	-	-	-
<b>Total Enterprise Funds</b>	<b>4,054.4</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>

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, 2017**

<b>Fund/Department</b>	<b>2008</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>Restated</b>									
<b>SPECIAL REVENUE FUNDS</b>										
Administration & Regulatory Affairs	-	-	-	104.4	176.8	159.5	159.9	168.8	175.9	179.6
Finance	-	-	-	-	-	-	15.5	42.8	39.2	41.2
Fleet Management (Formerly PW&E - Fleet Management)	-	-	-	-	262.5	267.7	325.9	369.7	371.2	399.7
General Services (Formerly Building Services)	-	-	-	-	-	-	61.3	137.5	130.1	126.1
Health & Human Services	490.9	530.9	530.9	544.3	510.0	515.5	592.1	661.0	656.3	686.1
Housing & Community Development	136.9	140.1	148.2	129.5	129.3	159.0	161.8	163.4	158.3	146.1
Houston Emergency Center	264.6	275.6	256.8	248.0	234.3	242.5	243.8	242.5	247.5	243.2
Legal	-	-	-	-	11.0	7.6	35.2	-	-	53.6
Library	9.9	28.4	29.7	29.5	28.0	26.0	23.4	17.1	13.6	7.9
Mayor's Office	24.2	22.7	24.5	23.7	23.4	28.5	26.9	43.5	50.0	51.0
Municipal Courts - (Administration) Department	24.4	28.7	28.8	39.5	34.3	35.0	18.1	20.0	18.8	21.0
Municipal Courts - (Justice) Department	-	3.3	10.4	-	-	-	-	-	-	-
Neighborhoods	-	-	-	-	1.0	51.0	48.8	46.7	43.4	40.2
Office of Business Opportunity (Formerly Affirm. Action)	-	-	-	-	1.0	2.0	2.0	2.0	2.0	2.0
Parks Special Revenue	107.0	112.9	109.1	101.4	97.6	92.0	93.2	103.4	108.3	116.4
Planning & Development	3.4	6.5	9.0	8.4	10.2	11.9	11.6	8.2	21.9	49.9
Police - Auto Dealers/Civilian	113.8	88.6	-	-	7.0	8.0	8.0	39.7	7.1	7.7
Police - Auto Dealers/Classified	37.0	25.6	42.2	32.1	21.0	19.0	32.0	21.9	-	-
Police - Cadet	-	-	-	-	-	-	-	-	16.7	40.9
Police - Special Services/Civilian	-	-	148.3	128.4	124.0	26.5	35.7	24.0	2.2	2.2
Police - Special Services/Classified	-	-	-	-	40.2	49.4	139.3	45.8	-	-
Police - Federal Government/Civilian	-	-	-	-	-	-	-	-	27.4	27.1
Police - Federal Government/Classified	-	-	-	-	-	-	-	-	16.6	36.4
Police - Forensic Transition Special Service/Civilian	-	-	-	-	-	-	-	58.4	38.2	27.7
Police - Forensic Transition Special Service/Classified	-	-	-	-	-	-	-	51.1	43.5	31.6
PW&E - Building Inspection	1,362.2	1,373.6	940.4	907.3	814.0	647.6	571.5	560.6	577.1	616.1
PW&E - Sign Administration	-	-	-	-	-	-	-	-	-	-
PW&E - Project Recovery Fund	-	-	-	-	-	-	-	-	329.5	309.0
PW&E - Stormwater Utility	-	-	404.7	385.5	384.2	354.7	377.7	337.3	329.9	347.9
PW&E - Houston TransStar	-	-	13.2	6.9	7.0	6.6	8.0	7.9	7.8	8.1
PW&E - Drainage and Street Renewal	-	-	-	-	532.4	490.4	505.2	485.0	487.4	464.5
PW&E - TxDOT Signal Maintenance	-	-	-	-	-	-	-	-	-	-
Solid Waste Management	-	-	0.5	1.0	4.0	2.9	2.1	2.5	2.4	4.0
<b>Total Special Revenue Funds</b>	<b>2,574.3</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>Total General, Enterprise and Special Funds</b>	<b>22,602.7</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>INTERNAL SERVICE/REVOLVING FUND</b>										
Human Resources - Health Benefits	69.9	70.7	42.7	47.5	42.3	45.8	46.7	47.6	57.0	47.7
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
Admin. & Regulatory Affairs - Central Svc Revolving	-	-	-	-	-	-	-	-	-	-
Information Technology - Central Svc Revolving	3.3	2.9	15.6	28.3	44.2	45.6	53.7	51.8	54.9	50.0
General Services - In House Reconstruction	66.6	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	4.9	5.8	6.8	4.9	5.1	5.0	5.0	-	-	-
Legal - Property and Casualty	43.4	40.6	41.9	38.3	47.6	47.9	52.2	52.7	58.5	51.6
Human Resources - Workers Compensation	-	-	44.1	30.5	28.7	30.1	29.5	31.5	32.6	30.0
Legal - Workers Compensation	-	-	5.0	4.9	3.1	2.7	2.0	2.0	2.0	2.0
<b>Total Internal Service/Revolving Funds</b>	<b>188.1</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>Total Full-time Equivalent Employees</b>	<b>22,790.8</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>

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, 2017**  
**(unaudited)**

	<u>2008</u>	<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>
<b>Function</b>										
Police										
Physical arrests	110,058	132,121	141,525	130,376	109,368	96,058	138,007	54,490 (6)	61,749	51,910
Parking violations	210,607	217,795	208,970	196,702	201,341	197,253	195,822	188,570	203,941	194,595
Traffic violations filed	867,535	920,341	875,134	686,714	729,490	587,835	557,609	472,553	437,138	395,461
Fire										
Number of calls dispatched	281,574	281,103	270,312	273,444	285,287	294,278	308,264	327,417	336,170	335,693
Inspections	31,800	84,378 (1)	86,561	87,511	84,826	82,515	85,945	88,367	74,906	11,000
Highways and streets										
Streets resurfaced (miles)	307	235	195	140	140	129	104	194	152	186
Tons of asphalt for pothole repair and skin patches	16,647	17,323	17,103	19,002	16,497	16,279	15,292	15,972	13,130	13,328
Parks and recreation										
Athletic field permits issued	2,494	2,331	2,490	2,490	1,985	2,375	2,344	2,312	2,270	2,423
Community center admissions	4,146,502	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
Sanitation										
Refuse collected (tons)	796,926	803,428	764,900	673,966	703,449	712,857	686,334	681,675	695,613	725,819
Recyclables collected (tons)	21,312	53,151 (2)	74,616	110,079 (4)	113,332	111,602	115,143	116,575	127,421	120,324
Water										
New connections	5,660	3,400	3,008	2,881	3,433	3,864	6,796 (5)	6,349	4,559	4,530
Water main breaks	2,797	9,822 (3)	12,556	11,688	17,999 (3)	11,343	11,935	10,572	11,122	9,638
Average daily pumpage (millions of gallons)	372.0	378.7	401.0	446.0	483.0	446.4	455.0	428.0	445.0	458.0
Wastewater										
Wastewater line repairs	2,160	2,059	2,267	2,164	2,487	2,660	2,210	2,186	2,252	2,322
Average daily sewage treatment (millions of gallons)	268.0	230.0	239.5	220.0	217.0	209.0	225.0	256.6	256.1	252.8

- (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.
- (4) Compostable bag program began in May 2010.
- (5) New connections increase is related to an increase in population growth and construction in the City.
- (6) Last year's arrests were especially high in an effort to clear open cases before implementing new system. Implementation of new system may have caused some arrests to go uncounted.

**CITY OF HOUSTON, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**June 30, 2017**  
**(unaudited)**

	<u>2008</u>	<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>
<b>Function</b>										
Public safety										
Police										
Stations	17	17	17	17	17	17	17	17	16	17
Patrol units	851	932 (1)	960	915	838	856	903	1,282	1,338	1,416
Fire										
Stations	91	91	92	94	94	92	92	93	93	93
Highways and streets										
Streets (lane miles)	15,645	15,763	15,763	15,397	15,397	15,397	15,397	15,404	14,656	14,656
Streetlights	173,000	173,520	174,008	174,795	175,249	175,516	174,373	174,075	175,172	176,440
Traffic signals	2,450	2,399 (2)	2,391	2,395	2,439	2,449	2,467	2,467	2,491	2,495
Parks and recreation										
Parks acreage	38,934	38,970	38,992	37,846	37,846	37,851	37,851	37,859	37,856	35,733
Parks	540	546	545	527	527	527	528	533	537	542
Swimming pools	62	62	61	61	59	57	57	56	56	57
Tennis Centers	3	3	3	3	3	3	3	3	3	3
Community centers	58	58	58	58	59	60	60	61 (6)	61	60
Sanitation										
Collection trucks	337	322	329	326	321	323	323	343	351	360
Water										
Water mains (miles)	6,500	6,500	7,466	7,500	7,146 (5)	7,143	7,198	7,128	7,128	7,128
Fire hydrants	56,950	57,432	57,500	57,013	57,000	58,162	58,984	Not Available	Not Available	60,420
Maximum daily capacity (millions of gallons)	750.0	740.0	773.0	842.0 (3)	905.0	853.0	885.0	803.0	808.1	798.95
Sewer										
Sanitary sewers (miles)	6,250	6,250	6,250	6,403 (4)	6,700	6,950	6,950	6,950	6,950	6,950
Storm sewers (miles)	3,513	3,513	3,618	3,698	3,700	3,789	3,838	3,838	3,894	3,946
Maximum daily treatment permitted (millions of gallons)	564.0	564.0	564.0	563.0	563.0	563.0	565.0	563.0	563.0	563.0

- (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 FY2002 to FY2010 were adjusted to reflect updated information received from the division. FY2005 to FY2008 are estimated.
- (4) The sanitary sewers (miles) for FY2005 to FY2010 were adjusted to reflect updated information received from the division.
- (5) The water mains (miles) for FY2012 was adjusted to reflect updated information received from the division.
- (6) Includes new Memorial Running Center

**CITY OF HOUSTON, TEXAS**  
**June 30, 2017**  
**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	841.4	552.0	490.6	1,884.0
Deductions	<u>464.7</u>	<u>256.6</u>	<u>288.0</u>	<u>1,009.3</u>
Net Increase	<u>376.7</u>	<u>295.4</u>	<u>202.6</u>	<u>874.7</u>
City's Total Contribution	<u><u>133.8</u></u>	<u><u>93.6</u></u>	<u><u>182.5</u></u>	<u><u>409.9</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 2018 through 2043 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>
2018	311,623,165	37,683,328	2,513,837	351,820,331
2019	308,252,055	37,729,883	2,514,837	348,496,776
2020	304,451,858	37,780,617	2,518,087	344,750,563
2021	261,531,368	46,278,329	2,518,337	310,328,034
2022	242,530,240	46,304,626	2,515,587	291,350,454
2023	239,590,657	46,316,733	2,514,837	288,422,227
2024	176,763,742	46,341,190	885,033	223,989,965
2025	167,493,385	46,362,652		213,856,036
2026	146,013,098	46,391,400		192,404,497
2027	150,554,975	46,411,773		196,966,748
2028	143,887,338	46,438,740		190,326,078
2029	110,721,834	53,987,364		164,709,199
2030	72,636,246	54,026,387		126,662,633
2031	50,565,355	65,477,864		116,043,219
2032	41,553,293	65,510,991		107,064,283
2033	32,872,834	29,605,810		62,478,644
2034	30,146,280	6,449,801		36,596,081
2035	18,487,930	49,741,158		68,229,088
2036	17,108,032	39,478,572		56,586,604
2037	13,678,543	24,547,367		38,225,910
2038	10,078,147	880,470		10,958,617
2039	7,076,574	880,470		7,957,044
2040	4,521,200	880,470		5,401,670
2041	4,522,800	21,130,470		25,653,270
2042	4,520,900			4,520,900
2043	3,155,250			3,155,250
				-
Total	<u>\$ 2,874,337,099</u>	<u>\$ 896,636,467</u>	<u>\$ 15,980,557</u>	<u>\$ 3,786,954,123</u>

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) A portion of the debt service for the Pension Obligations is paid by the City's Combined Utility System and Airport System.
- (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, 2017**  
**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") and November of 2012 (the "2012 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.

**November 2001 Election**

Purposes	Voter Authorized	Approved by City	Commercial	Commercial Paper	All Voter
		Council for Issuance as Commercial Paper Notes	Paper Issued <sup>(a)</sup>	Notes Approved by City Council but Unissued	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	13,885	6,115	6,115
Total	<u>\$ 776,000</u>	<u>\$ 776,000</u>	<u>\$ 767,185</u>	<u>\$ 8,815</u>	<u>\$ 8,815</u>

**November 2006 Election**

Purposes	Voter Authorized	Approved by City	Commercial	Commercial Paper	All Voter
		Council for Issuance as Commercial Paper Notes	Paper Issued <sup>(a)</sup>	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control	\$ 320,000	\$ 219,950	\$ 76,565	\$ 143,385	\$ 243,435
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	60,000	-	-
Public Libraries	37,000	37,000	36,900	100	100
Low Income Housing	18,000	18,008	8,867	9,133	9,133
Total	<u>\$ 625,000</u>	<u>\$ 524,958</u>	<u>\$ 372,332</u>	<u>\$ 152,618</u>	<u>\$ 252,668</u>

**November 2012 Election**

Purposes	Voter Authorized	Approved by City	Commercial	Commercial Paper	All Voter
		Council for Issuance as Commercial Paper Notes	Paper Issued <sup>(a)</sup>	Notes Approved by City Council but Unissued	Authorized but Unissued
Streets, Bridges, Traffic Control	\$ -	\$ -	\$ -	\$ -	\$ -
Parks and Recreation	166,000	122,332	41,500	80,832	124,500
Public Safety	144,000	128,567	25,775	102,792	118,225
Permanent and General Improvements <sup>(b)</sup>	57,000	50,334	13,580	36,754	43,420
Public Libraries	28,000	28,000	16,045	11,955	11,955
Low Income Housing	15,000	3,108	8	3,100	14,992
Total	<u>\$ 410,000</u>	<u>\$ 332,341</u>	<u>\$ 96,908</u>	<u>\$ 235,433</u>	<u>\$ 313,092</u>
Combined Total (2001, 2006 and 2012 Elections)	<u>\$ 1,811,000</u>	<u>\$ 1,633,299</u>	<u>\$ 1,236,425</u>	<u>\$ 396,866</u>	<u>\$ 574,575</u>

(a) As of June 30, 2017

(b) Includes Public Health and Solid Waste Management.

**CITY OF HOUSTON, TEXAS**  
**June 30, 2017**  
**(unaudited)**

**SALES AND USE TAX AND FRANCHISE CHARGES AND FEES**

<u>Fiscal Year</u>	<u>Sales and Use Tax</u> (in thousands)	<u>Charges and Fees</u> (in thousands)
2009	\$ 507,103	\$ 190,322
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 (budgeted)	\$ 627,000	\$ 180,082

**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><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>Operating Revenues</b>					
Fees charged to users, net	\$ 22,306	\$ 20,902	\$ 20,298	\$ 22,877	\$ 8,934
<b>Total Operating Revenues</b>	<u>22,306</u>	<u>20,902</u>	<u>20,298</u>	<u>22,877</u>	<u>8,934</u>
<b>Nonoperating Revenues</b>					
Interest	19,186	17,688	11,971	9,562	10,010
Hotel occupancy tax (including penalty & interest)	66,232	62,383	54,917	61,603	68,623
Other income	5,669	113,265	18,997	18,266	525
<b>Total Nonoperating Revenues</b>	<u>91,087</u>	<u>193,336</u>	<u>85,885</u>	<u>89,431</u>	<u>79,158</u>
<b>Total Revenues</b>	<u>\$ 113,393</u>	<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><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>Operating Expenses</b>					
Maintenance and operating	\$ 37,276	\$ 39,142	\$ 39,817	\$ 40,229	\$ 1,885
Depreciation	12,084	14,888	14,958	15,227	14,703
<b>Total Operating Expenses</b>	<u>49,360</u>	<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	33,150	29,740	26,032	25,194	25,799
Promotional contracts & other expenses	28,659	30,840	32,988	27,513	100,046
<b>Total Nonoperating Expenses</b>	<u>61,809</u>	<u>60,580</u>	<u>59,020</u>	<u>52,707</u>	<u>125,845</u>
<b>Total Expenses</b>	<u>\$ 111,169</u>	<u>\$ 114,610</u>	<u>\$ 113,795</u>	<u>\$ 108,163</u>	<u>\$ 142,433</u>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 10,372	\$ 11,124	\$ 12,390	\$ 12,431	\$ 12,283
10,372	11,124	12,390	12,431	12,283
9,080	9,637	4,933	12,708	9,091
76,325	90,119	90,711	88,632	82,882
413	292	818	-	291
85,818	100,048	96,462	101,340	92,264
<u>\$ 96,190</u>	<u>\$ 111,172</u>	<u>\$ 108,852</u>	<u>\$ 113,771</u>	<u>\$ 104,547</u>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 1,780	\$ 1,199	\$ 1,380	\$ 76,466	\$ 69,756
14,488	14,219	14,375	13,720	13,654
16,268	15,418	15,755	90,186	83,410
26,150	25,791	29,684	27,299	27,170
62,662	73,371	79,312	421	177
88,812	99,162	108,996	27,720	27,347
<u>\$ 105,080</u>	<u>\$ 114,580</u>	<u>\$ 124,751</u>	<u>\$ 117,906</u>	<u>\$ 110,757</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>
2008	53,459	12.8%	7,333	7.7%	8,951	23.9%	69,743
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%	0	-100.0%	83,027
2016	72,265	-1.3%	9,851	0.4%	0	-100.0%	82,116
2017	66,898	7.2%	9,593	1.1%	0	-100.0%	76,491

- (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 FY2017.
- (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
2015 (c)	0	0	0	0
2016 (c)	0	0	0	0
2017 (c)	0	0	0	0

(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>
2007	65.8%	92.23	7%	60,777
2008	67.2%	100.78	7%	68,413
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

(1) Source: Greater Houston Partnership.

**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**June 30, 2017**  
**(unaudited)**

**Schedule of Hotel Occupancy Tax Collections**

<u>The Twelve Largest Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 3,811,141
Hyatt Regency Hotel	2,055,054
Houston Marriott Marquis	1,938,870
Four Seasons Hotel Houston Center	1,808,635
JW Marriott Houston Downtown	1,505,230
Marriott Hotel (IAH)	1,340,533
Marriott Medical Center Hotel	1,317,410
JW Marriott Galleria	1,309,545
Hotel Zaza	1,292,947
Westin Galleria	1,234,654
Houston Marriott Westchase	1,161,335
Hilton Houston Post Oak	1,138,520
Total	<u>\$ 19,913,874</u>



**CITY OF HOUSTON, TEXAS**  
**CONVENTION AND ENTERTAINMENT FACILITIES STATISTICS**  
**June 30, 2017**  
**(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) \$135.97 (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 2011B Bonds</b>	<b>Series 2014 Bonds</b>	<b>Series 2015 Bonds</b>	<b>Total Debt Service</b>
2018	17,760,000	136,125	136,125	6,050,487	9,520,331	4,395,450	7,622,950	\$ 45,621,468
2019	17,285,000	2,553,789	2,553,789	6,994,988	1,187,900	4,393,125	10,792,050	\$ 45,760,641
2020	17,160,000	2,669,609	2,669,609	7,991,544	1,186,900	4,394,750	10,787,625	\$ 46,860,037
2021	16,695,000	2,784,974	2,784,974	8,344,475	1,135,650	4,394,125	10,516,250	\$ 46,655,448
2022	22,720,000	2,924,810	2,924,810	3,366,625	1,173,150	4,396,125	10,719,500	\$ 48,225,020
2023	23,320,000	2,366,219	2,366,219	3,375,625	1,343,650	4,395,625	11,616,875	\$ 48,784,213
2024	24,220,000	2,333,036	2,333,036	3,356,225	1,361,675	4,392,625	11,714,000	\$ 49,710,597
2025	24,930,000	2,324,869	2,324,869	3,339,787	1,394,644	4,396,875	11,892,250	\$ 50,603,294
2026	25,850,000	2,316,701	2,316,701	3,334,575	1,417,681	4,393,250	12,014,750	\$ 51,643,658
2027	26,610,000	2,308,534	2,308,534	3,659,550	857,137	8,252,750	9,006,875	\$ 53,003,380
2028	27,355,000	2,300,366	2,300,366	3,624,081	917,619	7,991,750	9,336,125	\$ 53,825,307
2029	28,305,000	2,292,199	2,292,199	3,711,794	758,887	8,286,500	8,499,500	\$ 54,146,079
2030	29,065,000	2,284,031	2,284,031	3,590,737	777,913	8,040,875	8,578,375	\$ 54,620,962
2031	29,950,000	2,275,864	2,275,864	3,071,875	741,538	8,183,000	8,376,750	\$ 54,874,891
2032	30,530,000	2,267,696	2,267,696	2,877,750	739,538	8,073,750	8,376,125	\$ 55,132,555
2033	30,560,000	2,259,529	2,259,529	2,838,000	764,841	8,149,000	8,531,875	\$ 55,362,774
2034	30,550,000	2,251,361	2,251,361	2,706,000	630,759	9,529,750	7,806,625	\$ 55,725,856
2035	0	0	0	0	0	2,480,875	4,416,250	\$ 6,897,125
2036	0	0	0	0	0	2,479,250	4,416,750	\$ 6,896,000
2037	0	0	0	0	0	2,482,625	4,415,125	\$ 6,897,750
2038	0	0	0	0	0	2,480,750	4,416,000	\$ 6,896,750
2039	0	0	0	0	0	2,478,500	4,414,000	\$ 6,892,500
2040	0	0	0	0	0	2,480,500	4,413,750	\$ 6,894,250
2041	0	0	0	0	0	0	4,414,750	\$ 4,414,750
2042	0	0	0	0	0	0	4,416,200	\$ 4,416,200
2043	0	0	0	0	0	0	4,414,500	\$ 4,414,500
2044	0	0	0	0	0	0	4,416,400	\$ 4,416,400
2045	0	0	0	0	0	0	4,416,600	\$ 4,416,600
2046	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$ 422,865,000</b>	<b>\$ 38,649,712</b>	<b>\$ 38,649,712</b>	<b>\$ 72,234,118</b>	<b>\$ 25,909,813</b>	<b>\$ 120,941,825</b>	<b>\$ 214,758,825</b>	<b>\$ 934,009,005</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 2017

**Budgeted Resources**

**Operating Revenues**

Facility Rentals	1,449
Parking	10,969
<b>Total Operating Revenues</b>	<b>12,418</b>

**Operating Expenses**

Personnel	186
Services	132
<b>Total Operating Expenses</b>	<b>318</b>
<b>Operating Income (Loss)</b>	<b>12,100</b>

**Nonoperating Revenues (Expenses)**

Hotel Occupancy Tax	
Current	83,500
Delinquent	1,500
Net Hotel Occupancy Tax	85,000
Investment Income (Loss)	350
Other Interest	(226)
Other	292
Total nonoperating Rev (Exp)	85,416
Income (Loss) Before Operating Transfers	97,516

**Transfers**

Transfers to Interest	14,614
Transfers to Principal	12,126
Transfer to Debt Service	75
Transfers to Component Unit	68,796
Transfers to General Fund	1,449
Total Transfers	97,060

<b>Net Income (Loss) Operating Fund</b>	<b>456</b>
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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>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating Revenues</b>					
Water sales	\$ 328,435	\$ 351,608	\$ 356,046	\$ 455,333	\$ 480,676
Waste water system user charges	305,748	323,301	320,722	410,941	421,370
Penalties and Other services and charges	14,084	12,329	14,370	12,901	15,192
<b>Total Operating Revenues</b>	<b>648,267</b>	<b>687,238</b>	<b>691,138</b>	<b>879,175</b>	<b>917,238</b>
<b>Nonoperating Revenues</b>					
Interest	35,436	33,436	15,160	10,090	5,696
Other income	84,228	51,262	65,077	20,453	45,448
<b>Total Nonoperating Revenues</b>	<b>119,664</b>	<b>84,698</b>	<b>80,237</b>	<b>30,543</b>	<b>51,144</b>
<b>Total Revenues</b>	<b>\$ 767,931</b>	<b>\$ 771,936</b>	<b>\$ 771,375</b>	<b>\$ 909,718</b>	<b>\$ 968,382</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating Expenses</b>					
Maintenance and operating	\$ 346,652	\$ 371,770	\$ 372,365	\$ 363,260	\$ 410,781
Depreciation and Amortization	220,202	204,919	203,695	214,956	211,170
<b>Total Operating Expenses</b>	<b>566,854</b>	<b>576,689</b>	<b>576,060</b>	<b>578,216</b>	<b>621,951</b>
<b>Nonoperating Expenses</b>					
Interest on long-term debt	267,505	260,396	273,609	-	290,882
Other expenses	19,515	5,432	-	12,273	670
<b>Total Nonoperating Expenses</b>	<b>287,020</b>	<b>265,828</b>	<b>273,609</b>	<b>12,273</b>	<b>291,552</b>
<b>Total Expenses</b>	<b>\$ 853,874</b>	<b>\$ 842,517</b>	<b>\$ 849,669</b>	<b>\$ 590,489</b>	<b>\$ 913,503</b>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Corrected	Restated			
\$ 485,485	\$ 499,912	\$ 486,517	\$ 529,879	\$ 547,054
426,888	441,300	434,305	462,786	475,392
17,455	12,195	6,602	9,917	3,349
<u>929,828</u>	<u>953,407</u>	<u>927,424</u>	<u>1,002,582</u>	<u>1,025,795</u>
(507)	10,688	7,685	12,652	3,954
<u>41,521</u>	<u>69,370</u>	<u>37,910</u>	<u>55,306</u>	<u>58,414</u>
<u>41,014</u>	<u>80,058</u>	<u>45,595</u>	<u>67,958</u>	<u>62,368</u>
<u>\$ 970,842</u>	<u>\$ 1,033,465</u>	<u>\$ 973,019</u>	<u>\$ 1,070,540</u>	<u>\$ 1,088,163</u>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 395,439	\$ 635,081	\$ 426,855	\$ 451,342	\$ 354,396
<u>217,622</u>	<u>223,381</u>	<u>231,048</u>	<u>236,841</u>	<u>246,218</u>
<u>613,061</u>	<u>858,462</u>	<u>657,903</u>	<u>688,183</u>	<u>600,614</u>
285,378	291,122	265,013	252,116	248,920
<u>286</u>	<u>5,397</u>	<u>(954)</u>	<u>1,877</u>	<u>-</u>
<u>285,664</u>	<u>296,519</u>	<u>264,059</u>	<u>253,993</u>	<u>248,920</u>
<u>\$ 898,725</u>	<u>\$ 1,154,981</u>	<u>\$ 921,962</u>	<u>\$ 942,176</u>	<u>\$ 849,534</u>

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM REVENUE BOND COVERAGE**  
(amounts expressed in thousands)  
(unaudited)

	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>
<b>OPERATING REVENUES</b>		
Sales of water, net	\$ 547,054	\$ 529,879
Sewer system user charges, net	475,392	462,786
Penalties, other services and charges	3,349	9,917
Total Operating Revenues:	1,025,795	1,002,582
<b>NON-OPERATING REVENUES</b>		
Investment Earnings under Previous Ordinance	8,880	6,718
Investment Earnings under Master Ordinance	3,061	2,390
Other Non-Operating revenues	17,853	22,264
Total non-operating revenues	29,794	31,372
<b>TOTAL GROSS REVENUES:</b>	<b>1,055,589</b>	<b>1,033,954</b>
<b>EXPENSES</b>		
Contract Revenue Bonds Payments <sup>(1)</sup>		
Coastal Water Authority Debt Service	7,204	17,684
Total Contract Revenue Bonds Payments	7,204	17,684
Maintenance and Operating Expenses	431,126	419,161
Total Expenses	438,330	436,845
<b>RESTRICTED RECEIPTS UNDER MASTER ORDINANCE</b>	<b>20,199</b>	<b>19,694</b>
<b>NET REVENUES UNDER MASTER ORDINANCE</b>	<b>\$ 637,458</b>	<b>\$ 616,784</b>
<b>BOND DEBT SERVICE:</b>		
Previously Issued Bonds	-	-
First Lien Bonds	443,274	419,260
Total Debt Service	\$ 443,274	\$ 419,260
<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>	1.44	1.47
<b>TOTAL COVERAGE <sup>(4)</sup></b>	<b>1.44</b>	<b>1.47</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 2017**  
**(amounts expressed in thousands)**  
**(unaudited)**

The following is the summary of the Fiscal Year 2017 Budget for the System as adopted by City Council:

<b>Revenues</b>	
Beginning Fund Balance (July 1, 2017)	\$ 721,237
Current Revenues	<u>1,124,014</u>
<b>Total Revenues</b>	<u><u>\$ 1,845,251</u></u>
<b>Expenditures</b>	
Maintenance and Operations	\$ 467,899
CWA Debt Service	7,089
Debt Service (including Prior Lien Bonds, Junior Lien Bonds and Commercial Paper)	521,258
Interfund Transfers	<u>-</u>
<b>Total Expenditures</b>	996,246
<b>Other</b>	
General Purpose Fund (including Discretionary Debt Service)	172,487
Planned Fund Balance (June 30, 2018)	<u>676,518</u>
<b>Total Expenditures and Reserves</b>	<u><u>\$ 1,845,251</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 2017</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>	\$ 478,518,441
Combined Maximum Annual Principal and Interest Requirements on Previous Ordinance Bonds and First Lien Bonds (2034)	\$ 522,613,441
Net Revenues under Previous Ordinance for Fiscal Year ended June 30, 2017 <sup>(3)</sup>	\$ 614,197,684
Net Revenues under Master Ordinance for Fiscal Year ended June 30, 2017 <sup>(4)</sup>	\$ 637,457,668
Funds Available from General Purpose Fund at June 30, 2017	\$ 751,783,992
Total Funds available for Debt Service Coverage	<u>\$ 1,389,241,660</u>
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds	13.93
Coverage of Maximum Annual Debt Service Requirements on First Lien Bonds	2.90
Coverage of Maximum Annual Debt Service Requirements on Previous Ordinance Bonds and First Lien Bonds	2.66

- (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 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 2.8 million people. The Wastewater System consists of over 6,950 miles of sanitary sewer lines, 40 wastewater treatment plants, over 385 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 2016 was 256 million gallons per day (mgd). The permitted treatment capacity of the wastewater treatment facilities, as reflected by State permits, is 563 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 2018-2022 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>	\$ 1,865.6
System Revenue	445.0
Swift Loan (subordinate Lien)	250.2
Contributed Capital	1,242.2
	\$ 3,803.0

- (1) The department's fiscal year 2018-2022 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, 2017:

<b>Contract Revenue Bonds Payable from System Gross Revenues</b>	Amount
CWA Bonds (2)	\$ 67,755,000
Total - Contract Revenue Bonds	\$ 67,755,000
<b>System Revenue Bonds Payable from System Net Revenues</b>	
Previous Ordinance Bonds	57,338,694
First Lien Bonds	6,063,585,000
Third Lien Obligations	20,000,000
Total - System Revenue Bonds	\$ 6,140,923,694
Total - All Bonds Payable from System Revenues	\$ 6,208,678,694

- (2) CWA Bonds (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 2018 is set forth below:

Fiscal Year	Discretionary Debt Service (in millions)
2018 (budgeted)	\$ 11.9
2017	9.2
2016	9.9
2015	12.0
2014	13.1
2013	15.8
2012	21.1
2011	21.7
2010	26.9
2009	28.4

**Combined Utility System General Purpose Fund Transfers for Drainage**

Since Fiscal Year 2008 the Combined Utility System has made transfers from its General Purpose Fund to the Storm Water Fund as shown below.

Fiscal Year	General Purpose Fund Transfers (in millions)
2018 (budgeted)	\$ 55.8
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)
2018 (budgeted)	\$ 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 WHOLESALING NOR RAW WATER)  
 Last Ten Fiscal Years  
 (unaudited)**

<b>Fiscal Years</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Consumption (in Thousand Gallons)</b>					
RESIDENTIAL	26,312,961	26,970,248	28,111,338	28,553,893	29,400,266
MULTI-FAMILY	25,156,968	25,012,299	25,586,924	25,069,764	24,811,699
COMMERCIAL	22,748,096	21,972,495	22,382,315	21,997,822	22,079,299
GOVERNMENT	4,710,923	4,713,905	5,197,448	4,807,824	4,835,549
SEWER ONLY	1,381,145	1,361,135	1,357,879	1,228,458	1,215,254
OTHER ACCTS	4,573,030	5,678,987	6,351,286	6,461,476	7,473,765
<b>TOTAL</b>	<b>84,883,123</b>	<b>85,709,069</b>	<b>88,987,190</b>	<b>88,119,237</b>	<b>89,815,832</b>
<b>Revenue Amount</b>	<b>\$ 581,130,048</b>	<b>\$ 597,498,813</b>	<b>\$ 640,586,498</b>	<b>\$ 763,685,117</b>	<b>\$ 809,001,774</b>
<b>Average Rate / Water &amp; Sewer</b>	<b>\$6.85</b>	<b>\$6.97</b>	<b>\$7.20</b>	<b>\$8.67</b>	<b>\$9.01</b>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
26,239,053	25,263,997	23,265,022	24,744,815	25,911,974
25,173,568	25,131,767	25,370,691	25,676,282	26,323,185
21,508,026	21,728,794	21,591,973	21,825,149	23,764,306
4,686,403	4,688,639	3,149,624	3,558,515	6,174,766
1,331,651	1,343,031	1,584,261	1,614,142	1,505,248
6,981,799	6,339,166	5,099,403	5,903,309	3,072,484
<u>85,920,500</u>	<u>84,495,394</u>	<u>80,060,974</u>	<u>83,322,212</u>	<u>86,751,963</u>
<u>\$ 805,440,324</u>	<u>\$ 828,136,771</u>	<u>\$ 812,279,978</u>	<u>\$840,320,863</u>	<u>\$ 892,962,329</u>
\$9.37	\$9.80	\$10.15	\$10.09	\$10.29

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**June 30, 2017**  
**(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 (1)	87
Total Water Available	1,696

(1) Pursuant to rules of the Harris - Galveston Coastal Subsidence District.

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**June 30, 2017**  
**(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, 2016. The total charges to such customers represent approximately 2.54% of the System Gross Revenues and 5.85% of Sewer Facilities gross charges during such period.

<u>Customer</u>	<u>Gross Charges</u>
1. Anheuser - Busch, Inc.	\$ 5,349,017
2. City of Houston	5,269,710
3. Harris County	4,710,349
4. Houston Independent School District	3,983,457
5. University of Houston	3,153,636
6. Oak Farms Dairies	2,823,126
7. Atlantic Coffee Indu	2,136,503
8. Coca Cola	1,744,861
9. M D Anderson Hospital	994,424
10. Methodist Hospital	547,358
	<u>\$ 30,712,441</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 2008	1.8%	1.8%
April 2009	5.1%	5.1%
April 2010	0.3%	0.3%
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%

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 \$5.38 per thousand gallons for single-family customers to \$31.50 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 \$5.718 per thousand gallons for wholesale customers to \$64.30 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 \$79.99 for both water and sewer services. However, total water and sewer charges may range from \$21.94 for 1,000 gallons to \$66.98 for 5,000 gallons per month for single-family residential customers.

**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**June 30, 2017**  
**Water Supply**  
**(unaudited)**

**Capacity, Production, and Sales**

The following schedule sets forth information concerning Water Facilities capacity, production and sales for Fiscal Year 2016 (million gallons per day):

	<u>Available</u>	<u>Capacity</u>	<u>Daily</u>	<u>Peak</u>	<u>Sales</u>
Ground	237	98	71	N/A	N/A
Surface	562	352	387	N/A	N/A
Total	<u>799</u>	<u>450</u>	<u>458</u>	<u>0</u>	<u>612</u>
Treated					395
Untreated					217
					<u>612</u>

**Sources of System Revenues - General**

As of June 30, 2017, the Water Facilities and the Sewer Facilities served approximately 464,094 and 449,492 active service connections, respectively. During Fiscal Year 2017 approximately 49.6% of System Gross Revenues were derived from the sale of water (87.9% from treated water and 12.1% from untreated water), approximately 43.3% from providing wastewater treatment services 0.8% from interest income and the remaining 6.3% from various other sources. Of the treated water sales, 92.9% of revenues were from retail customers and 7.1% from bulk sales to other governmental entities.



**CITY OF HOUSTON, TEXAS**  
**COMBINED UTILITY SYSTEM STATISTICS**  
**June 30, 2017**  
**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, 2017. The total charges to such customers during such period represent approximately 5.1% of the System Gross Revenues and 10.2% of total water sales revenues for such period.

<u>Customers</u>	<u>Charges</u>
1. North Harris Co. Regional Water Authority	\$ 13,777,478
2. North Channel Water Authority	7,884,706
3. West Harris Co. Regional Water Authority.	6,895,635
4. City of Pasadena	5,509,722
5. North Fort Bend County WA (New Cus)	5,285,774
6. Gulf Coast Water Authority (Galveston)*	4,301,949
7. City of Pearland	3,824,253
8. Anheuser Busch	3,362,427
9. Clear Lake City	3,003,495
10. Memorial Villages Water Authority	2,192,323
	<u>\$ 56,037,762</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, 2017. The total of the contract payments by these ten customers during such period represents approximately 3.3% 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	\$ 8,710,509
2. Air Liquide America Corp.	4,361,993
3. Shell Oil	4,323,541
4. Battleground Water Company	4,109,414
5. Baytown Area	3,467,009
6. Chevron Phillips Chemical Company	2,920,154
7. Houston Refining, LP (Lyondell-Citgo)	2,628,006
8. Hoechst Celanese	1,986,457
9. Occidental Chemical Corporation	1,855,257
10. E.I. Dupont De Nemours	1,540,831
	<u>\$ 35,903,171</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	<u>Payable From System Net Revenues</u>				
	Total Payable From System Gross Revenues(1)	Previous Ordinance Bonds	First Lien Bonds(2)	Total Payable From System Net Revenues	Total Debt Service (1) (2)
2018	\$ 6,398,831	\$ -	\$ 470,042,619	\$ 470,042,619	\$ 476,441,450
2019	6,384,706	-	471,492,782	471,492,782	477,877,488
2020	6,380,806	23,520,000	447,373,775	470,893,775	477,274,582
2021	6,397,931	22,405,000	451,173,419	473,578,419	479,976,350
2022	6,376,006	15,480,000	458,070,326	473,550,326	479,926,332
2023	6,355,581	17,345,000	456,819,932	474,164,932	480,520,513
2024	6,350,206	19,005,000	455,111,736	474,116,736	480,466,942
2025	6,338,956	17,990,000	455,486,585	473,476,585	479,815,541
2026	10,782,206	18,155,000	454,712,727	472,867,727	483,649,934
2027	3,378,081	30,815,000	441,312,270	472,127,270	475,505,351
2028	3,378,456	30,810,000	439,740,621	470,550,621	473,929,077
2029	3,404,306	44,095,000	426,392,765	470,487,765	473,892,071
2030	3,400,828	-	476,654,566	476,654,566	480,055,395
2031	3,396,313	-	466,581,553	466,581,553	469,977,866
2032	3,386,100	-	464,738,042	464,738,042	468,124,142
2033	3,381,000	-	462,264,207	462,264,207	465,645,207
2034	3,376,200	-	478,518,441	478,518,441	481,894,641
2035	3,381,300	-	282,745,549	282,745,549	286,126,849
2036	-	-	280,084,771	280,084,771	280,084,771
2037	-	-	239,313,607	239,313,607	239,313,607
2038	-	-	182,085,422	182,085,422	182,085,422
2039	-	-	176,372,794	176,372,794	176,372,794
2040	-	-	114,467,650	114,467,650	114,467,650
2041	-	-	113,747,717	113,747,717	113,747,717
2042	-	-	78,945,679	78,945,679	78,945,679
2043	-	-	78,944,296	78,944,296	78,944,296
2044	-	-	65,895,668	65,895,668	65,895,668
2045	-	-	52,407,049	52,407,049	52,407,049
2046	-	-	35,306,544	35,306,544	35,306,544
2047	-	-	17,952,674	17,952,674	17,952,674
2048	-	-	17,973,800	17,996,774	17,973,800
Total	\$ <u>92,247,816</u>	\$ <u>239,620,000</u>	\$ <u>9,512,729,586</u>	\$ <u>9,752,372,560</u>	\$ <u>9,844,597,402</u>

1) Includes CWA Bonds.

(2) \$249,075,000 of the Series 2012C variable rate bond debt service is calculated at the rate of 5.061% through March 2013 and thereafter at the fixed rate payor swap rate of 3.761%. This was refunded and replaced with Series 2016C in August 2016. Series 2004B 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.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u> Corrected	<u>2014</u> Corrected	<u>2015</u>	<u>2016</u> Corrected	<u>2017</u>
<b>OPERATING REVENUES</b>										
Sales of Water, net	\$ 332,032	\$ 351,608	\$ 356,046	\$ 455,333	\$ 480,676	\$ 485,485	\$ 499,912	\$ 486,517	\$ 529,879	\$ 547,054
Sewer system user charges, net	305,748	323,301	320,722	410,941	421,370	426,888	441,300	434,305	462,786	475,392
Penalties and Other services and charges	14,084	12,329	14,370	12,901	15,192	17,455	12,195	6,602	9,917	3,349
<b>Total Operating Revenues</b>	<b>651,864</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>NON-OPERATING REVENUES</b>	<b>37,779</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>TOTAL GROSS REVENUES (A)</b>	<b>689,643</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>OPERATING EXPENSES</b>										
Maintenance and Operating Expenses	318,349	383,056	377,858	373,028	393,413	380,192	387,398	406,601	419,161	431,126
Contractual Maintenance and Operating Expenses										
CWA Debt Service	30,545	28,103	23,117	21,285	20,389	19,663	18,875	18,064	17,684	7,204
TRA Debt Service	2,096	-	-	-	-	-	-	-	-	-
HAWC Debt Service	-	-	-	-	-	-	-	-	-	-
<b>Total Contractual</b>	<b>32,641</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>TOTAL OPERATING EXPENSES (B)</b>	<b>350,990</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>NET REVENUES</b>	<b>\$ 338,653</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>GROSS REVENUES (A) DIVIDED BY TOTAL EXPENSES (B)</b>	<b>1.965</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>

**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>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating Revenues</b>					
Landing area fees	\$ 99,017	\$ 82,823	\$ 94,165	\$ 90,384	\$ 86,935
Building and ground area fees	211,786	174,433	182,105	181,182	182,320
Parking, concession and other revenues	136,373	128,501	130,309	138,836	148,295
<b>Total Operating Revenues</b>	<b>447,176</b>	<b>385,757</b>	<b>406,579</b>	<b>410,402</b>	<b>417,550</b>
<b>Nonoperating Revenues</b>					
Interest income	42,360	37,507	30,488	9,735	5,636
Passenger facility charges	11,608	32,398	66,383	63,138	63,550
Special facility charges	11,197	10,171	10,981	13,478	15,904
Other nonoperating revenues	514	1,093	7,525	3,409	4,644
<b>Total Nonoperating Revenues</b>	<b>65,679</b>	<b>81,169</b>	<b>115,377</b>	<b>89,760</b>	<b>89,734</b>
<b>Total Revenues</b>	<b>\$ 512,855</b>	<b>\$ 466,926</b>	<b>\$ 521,956</b>	<b>\$ 500,162</b>	<b>\$ 507,284</b>
<b>Total Annual Expenses Last Ten Fiscal Years</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating Expenses</b>					
Maintenance and operating	\$ 229,551	\$ 241,303	\$ 245,051	\$ 284,307	\$ 264,060
Depreciation	128,553	139,157	166,788	165,657	193,266
<b>Total Operating Expenses</b>	<b>358,104</b>	<b>380,460</b>	<b>411,839</b>	<b>449,964</b>	<b>457,326</b>
<b>Nonoperating Expenses</b>					
Interest expense and others	112,703	102,074	103,602	97,945	95,546
Restatement	(431)	(38)	3,842	(430)	(1,534)
<b>Total Nonoperating Expenses</b>	<b>112,272</b>	<b>102,036</b>	<b>107,444</b>	<b>97,515</b>	<b>94,012</b>
<b>Total Expenses</b>	<b>\$ 470,376</b>	<b>\$ 482,496</b>	<b>\$ 519,283</b>	<b>\$ 547,479</b>	<b>\$ 551,338</b>
<b>Contributions</b>	<b>91,175</b>	<b>70,936</b>	<b>51,457</b>	<b>44,135</b>	<b>15,029</b>
<b>Total Change in Net Position</b>	<b>\$ 133,654</b>	<b>\$ 55,366</b>	<b>\$ 54,130</b>	<b>\$ (3,182)</b>	<b>\$ (29,025)</b>
<b>Net Position at Year End</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Net investment in capital assets	\$ 663,004	\$ 768,016	\$ 678,864	\$ 641,087	\$ 595,682
Restatement	(13,206)	(13,168)	(17,010)	(16,580)	(15,046)
Net investment in capital assets	649,798	754,848	661,854	624,507	580,636
Restricted net assets					
Restricted for debt service	\$ 72,333	\$ 82,436	\$ 160,873	\$ 168,841	\$ 189,966
Restricted for maintenance and operations	41,048	41,899	42,405	43,320	44,023
Restricted for special facility	12,811	12,353	12,444	15,081	20,025
Restricted for renewal and replacement	10,000	10,000	10,000	10,000	10,000
Restricted for capital improvements	518,536	458,356	526,446	549,091	537,165
Unrestricted (deficit)	-	-	-	-	-
Unrestricted	-	-	-	-	-
<b>Total Net Position</b>	<b>\$ 1,304,526</b>	<b>\$ 1,359,892</b>	<b>\$ 1,414,022</b>	<b>\$ 1,410,840</b>	<b>\$ 1,381,815</b>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 91,059	\$ 88,342	\$ 93,575	\$ 86,870	\$ 88,046
181,701	186,505	197,039	216,018	221,181
160,234	177,260	185,668	186,009	184,814
432,994	452,107	476,282	488,897	494,041
(1,934)	11,170	7,496	13,260	3,403
61,195	62,602	85,392	104,230	101,539
17,104	17,152	17,535	16,417	14,200
1,978	3,225	7,969	124	5,596
78,343	94,149	118,392	134,031	124,738
<u>\$ 511,337</u>	<u>\$ 546,256</u>	<u>\$ 594,674</u>	<u>\$ 622,928</u>	<u>\$ 618,779</u>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 272,091	\$ 285,212	\$ 286,529	\$ 315,419	\$ 254,459
173,448	174,825	177,512	179,398	184,203
445,539	460,037	464,041	494,817	438,662
94,812	112,350	92,803	86,259	87,574
(1,063)	-	-	-	-
93,749	112,350	92,803	86,259	87,574
<u>\$ 539,288</u>	<u>\$ 572,387</u>	<u>\$ 556,844</u>	<u>\$ 581,076</u>	<u>\$ 526,236</u>
12,761	44,614	36,432	22,542	35,513
<u>\$ (15,190)</u>	<u>\$ 18,483</u>	<u>\$ 74,262</u>	<u>\$ 64,394</u>	<u>\$ 128,056</u>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 532,447	\$ 469,971	\$ 466,196	\$ 537,172	\$ 542,363
(13,983)	-	-	-	-
518,464	469,971	466,196	537,172	542,363
\$ 213,064	\$ 242,558	\$ 303,371	\$ 333,635	\$ 287,858
46,309	49,736	53,912	54,942	54,805
26,026	30,986	25,732	26,944	29,369
10,000	10,000	10,000	10,000	10,000
552,762	581,857	600,159	561,071	676,360
-	-	(178,003)	(178,003)	(126,938)
-	-	-	-	-
<u>\$ 1,366,625</u>	<u>\$ 1,385,108</u>	<u>\$ 1,281,367</u>	<u>\$ 1,345,761</u>	<u>\$ 1,473,817</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	Percentage Change	Enplanements	Percentage Change	Enplanements	Percentage Change	Enplanements	Percentage Change
	& Deplanements (in thousands)		& Deplanements (in thousands)		& Deplanements (in thousands)		& Deplanements (in thousands)	
2008	35,200	-0.2%	9,097	5.3%	-	-	44,297	0.9%
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%	12,208	3.1%	-	-	44,167	0.8%
2017	30,809	-3.6%	12,423	1.8%	-	-	43,232	-2.1%

**International Passengers**

<b>Bush Intercontinental</b>		<b>Hobby</b>		<b>Total</b>		<b>Total Passengers</b>	
Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
7,976	5.6%	-	-	7,976	5.6%	52,273	1.6%
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%
10,901	8.8%	519	12875.0%	11,420	13.9%	55,587	3.3%
10,606	-2.7%	860	65.7%	11,466	0.4%	54,698	-1.6%

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Airline Market Shares**  
**(unaudited)**

Airlines	Bush Intercontinental				Hobby			
	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2017	
	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
Alaska Airlines	137,433	0.3%	185,191	0.5%	-	0.0%	-	0.0%
Air Tran	-	0.0%	-	0.0%	-	0.0%	-	0.0%
American Airlines, Inc.	1,475,647	3.5%	1,749,382	4.2%	-	0.0%	17,213	0.1%
Envoy (American Eagle) - AA	45,614	0.1%	63,960	0.1%	116,741	0.9%	107,094	0.8%
Atlantic Southeast - DL	15,085	0.0%	-	0.0%	63,893	0.5%	39,345	0.3%
Charter Airlines	5,173	0.0%	14,185	0.0%	8,475	0.1%	5,379	0.0%
Chautauqua Airlines - DL	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Compass Airlines - AE	139,995	0.3%	147,057	0.4%	-	0.0%	-	0.0%
Compass Airlines - DL	11,335	0.1%	24,988	0.1%	-	0.0%	-	0.0%
Continental	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Delta	713,550	1.7%	733,804	1.8%	365,340	2.9%	408,046	3.1%
ExpressJet Airlines, Inc. - AE	254	0.0%	70	0.0%	44,520	0.3%	25,307	0.2%
ExpressJet Airlines, Inc. - CO	-	0.0%	-	0.0%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - DL	165,258	0.4%	88,483	0.2%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - UA	3,894,897	9.1%	3,544,987	8.6%	-	0.0%	-	0.0%
Frontier	494,804	1.2%	421,582	1.0%	-	0.0%	-	0.0%
GO JET - DL	11,857	0.0%	48,881	0.1%	-	0.0%	-	0.0%
JetBlue	-	0.0%	-	0.0%	165,993	1.3%	190,099	1.4%
Kalitta Charters, LLC	-	0.0%	1	0.0%	20	0.0%	22	0.0%
Mesa Airlines, Inc. - AE	173,746	0.4%	70,301	0.2%	-	0.0%	146,187	1.1%
Mesa Airlines, Inc. - UA	2,290,086	5.2%	2,820,852	6.8%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - US	16,820	0.0%	-	0.0%	171,325	1.3%	-	0.0%
Endeavor (Pinnacle Airlines, Inc.) - DL	235,024	0.5%	155,063	0.4%	-	0.0%	-	0.0%
Republic Airlines - AE	147,419	0.3%	122,752	0.3%	-	0.0%	-	0.0%
Republic Airlines - DL	-	0.0%	67,960	0.2%	-	0.0%	-	0.0%
Republic Airlines - UA	179,327	0.4%	1,015,256	2.4%	-	0.0%	-	0.0%
Republic Airlines - US	31,025	0.1%	-	0.0%	-	0.0%	-	0.0%
Seaport	3,195	0.0%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - CO	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - DL	77,399	0.2%	88,748	0.2%	-	0.0%	-	0.0%
Shuttle America Corporation - UA	508,631	1.2%	4,083	0.0%	-	0.0%	-	0.0%
SkyWest Airlines - AE	-	0.0%	91,704	0.2%	-	0.0%	-	0.0%
SkyWest Airlines - CO	-	0.0%	-	0.0%	-	0.0%	-	0.0%
SkyWest Airlines - DL	230,974	0.6%	267,422	0.6%	-	0.0%	38	0.0%
SkyWest Airlines - UA	1,829,778	4.3%	1,016,617	2.5%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	11,271,835	88.6%	11,484,628	86.4%
Spirit Airlines	1,678,712	3.9%	1,769,051	4.3%	-	0.0%	-	0.0%
Sun Air (EAS)	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Trans States - UA	371,322	0.9%	44,096	0.1%	-	0.0%	-	0.0%
United Air Lines Inc.	16,487,410	38.5%	16,252,312	39.2%	-	0.0%	-	0.0%
US Airways	587,593	1.4%	-	0.0%	-	0.0%	-	0.0%
<b>Total Domestic</b>	<b>31,959,363</b>	<b>74.5%</b>	<b>30,808,788</b>	<b>74.4%</b>	<b>12,208,142</b>	<b>95.9%</b>	<b>12,423,358</b>	<b>93.5%</b>
<b>International</b>	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>
	<b>Total</b>	<b>Market</b>	<b>Total</b>	<b>Market</b>	<b>Total</b>	<b>Market</b>	<b>Total</b>	<b>Market</b>
	<b>Passengers</b>	<b>Share</b>	<b>Passengers</b>	<b>Share</b>	<b>Passengers</b>	<b>Share</b>	<b>Passengers</b>	<b>Share</b>
AeroMexico	255,215	0.5%	255,782	0.6%	-	0.0%	-	0.0%
All Nippon Airways Compant, Ltd. - ANA	140,370	0.3%	147,727	0.4%	-	0.0%	-	0.0%
Jazz Air - AC (Air Canada Jazz)	290,184	0.7%	302,752	0.7%	-	0.0%	-	0.0%
Air China	132,565	0.3%	117,743	0.3%	-	0.0%	-	0.0%
Air France	144,162	0.3%	152,537	0.4%	-	0.0%	-	0.0%
Air New Zealand	72,132	0.2%	141,272	0.3%	-	0.0%	-	0.0%
American	545	0.0%	1,304	0.0%	-	0.0%	-	0.0%
Envoy (American Eagle) - AA	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Atlas Air	22,599	0.1%	16,131	0.0%	-	0.0%	-	0.0%
British Airways	243,464	0.6%	240,874	0.6%	-	0.0%	-	0.0%
Charter Airlines	6,634	0.0%	4,599	0.0%	-	0.0%	-	0.0%
Continental	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Emirates	253,140	0.6%	202,812	0.5%	-	0.0%	-	0.0%
EVA Airways Corporation	120,942	0.3%	175,392	0.4%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - UA	451,177	1.1%	281,987	0.7%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - CO	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Interjet	132,349	0.3%	136,881	0.3%	-	0.0%	-	0.0%
Kalitta Charters, LLC	-	0.0%	-	0.0%	3	0.0%	1	0.0%
KLM	156,409	0.4%	165,431	0.4%	-	0.0%	-	0.0%
Korean Air lines Co. Ltd.	99,933	0.2%	79,779	0.2%	-	0.0%	-	0.0%
Lufthansa	278,409	0.6%	291,713	0.7%	-	0.0%	-	0.0%
Mesa Airlines, Inc. - AE	-	0.0%	154	0.0%	-	0.0%	-	0.0%
Mesa Airlines, UA	124,619	0.3%	844,395	2.0%	-	0.0%	-	0.0%
Qatar Airways	159,583	0.4%	154,652	0.4%	-	0.0%	-	0.0%
Republic Airlines Inc.-UA	565	0.0%	1,177	0.0%	-	0.0%	-	0.0%
Scandinavian Airlines	5,090	0.0%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - CO	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Shuttle America Corporation - UA	1,108	0.0%	-	0.0%	-	0.0%	-	0.0%
Singapore Airlines	79,342	0.2%	83,037	0.2%	-	0.0%	-	0.0%
Spirit Airlines	217,865	0.5%	120,767	0.3%	-	0.0%	-	0.0%
SkyWest Airlines - UA	645,101	1.5%	75,915	0.2%	-	0.0%	-	0.0%
SkyWest Airlines - CO	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	519,473	4.1%	860,206	6.5%
TACA	57,093	0.1%	63,924	0.2%	-	0.0%	-	0.0%
Turkish Airlines	193,892	0.6%	167,402	0.4%	-	0.0%	-	0.0%
United Air Lines Inc.	6,467,458	15.1%	6,229,253	15.0%	-	0.0%	-	0.0%
Viva Aerobus	63,103	0.1%	40,879	0.1%	-	0.0%	-	0.0%
Volaris Airlines	40,550	0.1%	48,660	0.1%	-	0.0%	-	0.0%
WestJet Airlines	45,055	0.1%	61,524	0.2%	-	0.0%	-	0.0%
<b>Total International</b>	<b>10,900,653</b>	<b>25.5%</b>	<b>10,606,455</b>	<b>25.6%</b>	<b>519,476</b>	<b>4.1%</b>	<b>860,207</b>	<b>6.5%</b>
<b>Total Airlines</b>	<b>42,860,016</b>	<b>100.0%</b>	<b>41,415,243</b>	<b>100.0%</b>	<b>12,727,618</b>	<b>100.0%</b>	<b>13,283,565</b>	<b>100.0%</b>



Ellington Airport				Houston Airport System			
Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2017	
Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share	Total Passengers (in thousands)	Market Share
	0.0%		0.0%	137,433	0.2%	185,191	0.3%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	1,475,647	2.7%	1,766,595	3.2%
	0.0%		0.0%	162,355	0.3%	171,054	0.3%
	0.0%		0.0%	78,978	0.1%	39,345	0.1%
	0.0%		0.0%	13,648	0.0%	19,564	0.0%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	139,995	0.3%	147,057	0.3%
	0.0%		0.0%	11,335	0.0%	24,988	0.0%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	1,078,890	1.9%	1,141,850	2.0%
	0.0%		0.0%	44,774	0.1%	25,377	0.0%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	165,258	0.3%	88,483	0.2%
	0.0%		0.0%	3,894,897	7.0%	3,544,987	6.5%
	0.0%		0.0%	494,804	0.9%	421,582	0.8%
	0.0%		0.0%	11,857	0.0%	48,881	0.1%
	0.0%		0.0%	165,993	0.2%	190,099	0.2%
	0.0%		0.0%	20	0.0%	23	0.0%
	0.0%		0.0%	173,746	0.3%	216,488	0.4%
	0.0%		0.0%	2,290,086	4.1%	2,820,852	5.2%
	0.0%		0.0%	188,145	0.3%	-	0.0%
	0.0%		0.0%	235,024	0.5%	155,063	0.4%
	0.0%		0.0%	147,419	0.2%	122,752	0.1%
	0.0%		0.0%	-	0.0%	67,960	0.0%
	0.0%		0.0%	179,327	0.3%	1,015,256	1.9%
	0.0%		0.0%	31,025	0.1%	-	0.0%
	0.0%		0.0%	3,195	0.0%	-	0.0%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	77,399	0.1%	88,748	0.2%
	0.0%		0.0%	508,631	0.9%	4,083	0.0%
	0.0%		0.0%	-	0.0%	91,704	0.2%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	230,974	0.5%	267,460	0.6%
	0.0%		0.0%	1,829,778	3.3%	1,016,617	1.9%
	0.0%		0.0%	11,271,835	20.3%	11,484,628	21.0%
	0.0%		0.0%	1,678,712	3.1%	1,769,051	3.3%
	0.0%		0.0%	-	0.0%	-	0.0%
	0.0%		0.0%	371,322	0.7%	44,096	0.1%
	0.0%		0.0%	16,487,410	29.7%	16,252,312	29.7%
	0.0%		0.0%	587,593	1.1%	-	0.0%
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>44,167,505</u>	<u>79.5%</u>	<u>43,232,146</u>	<u>79.0%</u>

Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2017	
Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
				255,215	0.5%	255,782	0.5%
				140,370	0.3%	147,727	0.3%
				290,184	0.5%	302,752	0.6%
				132,565	0.2%	117,743	0.2%
				144,162	0.3%	152,537	0.3%
				72,132	0.1%	141,272	0.3%
				545	0.0%	1,304	0.0%
				-	0.0%	-	0.0%
				22,599	0.0%	16,131	0.0%
				243,464	0.4%	240,874	0.4%
				6,634	0.0%	4,599	0.0%
				-	0.0%	-	0.0%
				253,140	0.5%	202,812	0.4%
				120,942	0.2%	175,392	0.3%
				451,177	0.8%	281,987	0.5%
				-	0.0%	-	0.0%
				132,349	0.2%	136,881	0.2%
				3	0.0%	1	0.0%
				156,409	0.3%	165,431	0.3%
				99,933	0.2%	79,779	0.1%
				278,409	0.5%	291,713	0.5%
				-	0.0%	154	0.0%
				124,619	0.2%	844,395	1.6%
				159,583	0.3%	154,652	0.3%
				565	0.0%	1,177	0.0%
				5,090	0.0%	-	0.0%
				-	0.0%	-	0.0%
				1,108	0.0%	-	0.0%
				79,342	0.1%	83,037	0.2%
				217,865	0.5%	120,767	0.2%
				645,101	1.2%	75,915	0.1%
				-	0.0%	-	0.0%
				519,473	0.9%	860,206	1.6%
				57,093	0.1%	63,924	0.1%
				193,892	0.3%	167,402	0.3%
				6,467,458	11.6%	6,229,253	11.4%
				63,103	0.1%	40,879	0.1%
				40,550	0.1%	48,660	0.1%
				45,055	0.1%	61,524	0.1%
				<u>11,420,129</u>	<u>20.5%</u>	<u>11,466,662</u>	<u>21.0%</u>
<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>	<u>55,587,634</u>	<u>100.0%</u>	<u>54,698,808</u>	<u>100.0%</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Selected Financial Information**  
**Operating Fund Only**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)  
(unaudited)

	2008	2009	2010	2011	2012
<b>Operating Revenues</b>					
Landing Area Fees:					
Landing Fees	\$ 95,730	\$ 81,596	\$ 91,443	\$ 87,413	\$ 83,895
Carrier Incentive Program	-	(1,176)	(411)	(250)	(836)
Aviation Fuel	1,522	1,313	1,329	1,378	1,382
Aircraft Parking	1,765	1,090	1,804	1,843	2,494
Subtotal	<u>99,017</u>	<u>82,823</u>	<u>94,165</u>	<u>90,384</u>	<u>86,935</u>
Building and Ground Area Revenues:					
Building Space	5,054	5,017	5,158	5,067	5,394
Terminal Space	193,375	155,396	161,960	160,563	160,247
Cargo Building	2,469	2,374	2,490	2,511	2,473
Other Rental	-	-	-	-	-
Hangar Rental	3,473	4,051	4,920	5,446	6,165
Ground Rental	7,415	7,595	7,577	7,595	8,041
Concourse Security	-	-	-	-	-
Subtotal	<u>211,786</u>	<u>174,433</u>	<u>182,105</u>	<u>181,182</u>	<u>182,320</u>
Parking, Concession and other Revenues:					
Terminal Concessions	29,435	27,003	27,974	34,404	38,406
Auto Parking	72,958	66,565	70,127	70,681	72,833
Auto Rental	24,529	24,389	22,889	23,932	26,771
Ground Transportation	4,806	4,724	4,987	5,946	6,186
Special Events	19	20	22	22	23
Vending Machine	-	-	-	-	-
Other Operating Income	4,626	5,800	4,310	3,851	4,076
Subtotal	<u>136,373</u>	<u>128,501</u>	<u>130,309</u>	<u>138,836</u>	<u>148,295</u>
<b>Total Operating Revenues</b>	<u>\$ 447,176</u>	<u>\$ 385,757</u>	<u>\$ 406,579</u>	<u>\$ 410,402</u>	<u>\$ 417,550</u>
<b>Nonoperating Revenues</b>					
Interest on Investments	30,064	23,664	15,988	12,889	9,826
Other	90	300	2,504	341	2,289
Subtotal	<u>30,154</u>	<u>23,964</u>	<u>18,492</u>	<u>13,230</u>	<u>12,115</u>
<b>Total Gross Revenues</b>	<u>\$ 477,330</u>	<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	\$ 221,309	\$ 242,449	\$ 245,147	\$ 262,668	\$ 255,507
Bad Debt Expense	-	-	-	-	-
<b>Total Operating and Maintenance Expenses</b>	<u>\$ 221,309</u>	<u>\$ 242,449</u>	<u>\$ 245,147</u>	<u>\$ 262,668</u>	<u>\$ 255,507</u>
<b>Net Revenue</b>	<u>\$ 256,021</u>	<u>\$ 167,272</u>	<u>\$ 179,924</u>	<u>\$ 160,964</u>	<u>\$ 174,158</u>
<b>Total Debt Service</b>	\$ 157,246	\$ 150,438	\$ 145,130	\$ 158,682	\$ 151,311
Less: PFC available for debt service	(2,690)	(15,847)	(27,087)	(38,828)	(36,619)
Less: grant revenue available for debt service	(25,332)	(38,835)	(29,084)	(17,999)	(7,360)
<b>Debt Service Requirement (per Bond Ordinance)</b>	<u>\$ 129,224</u>	<u>\$ 95,756</u>	<u>\$ 88,959</u>	<u>\$ 101,855</u>	<u>\$ 107,332</u>
<b>Coverage of debt Service</b>	<u>1.98</u>	<u>1.75</u>	<u>2.02</u>	<u>1.58</u>	<u>1.62</u>

	2013	2014	2015	2016	2017
\$	87,660	\$ 88,392	\$ 94,748	\$ 89,505	\$ 86,966
	(749)	(4,294)	(5,322)	(6,802)	(2,930)
	1,444	1,529	1,521	1,527	1,350
	2,704	2,715	2,628	2,640	2,660
	<u>91,059</u>	<u>88,342</u>	<u>93,575</u>	<u>86,870</u>	<u>88,046</u>
	5,848	6,174	6,252	6,808	6,453
	158,237	163,297	173,392	191,321	196,162
	2,397	2,432	2,506	2,484	2,448
	-	-	-	-	-
	6,675	6,605	6,355	6,577	6,813
	8,544	7,997	8,534	8,828	9,305
	-	-	-	-	-
	<u>181,701</u>	<u>186,505</u>	<u>197,039</u>	<u>216,018</u>	<u>221,181</u>
	41,604	41,434	41,830	35,189	39,969
	77,596	90,173	97,515	101,650	99,752
	29,522	32,783	31,991	30,737	28,735
	6,639	8,301	9,323	10,083	10,402
	-	10	25	26	20
	-	-	-	-	10
	4,873	4,559	4,984	8,324	5,926
	<u>160,234</u>	<u>177,260</u>	<u>185,668</u>	<u>186,009</u>	<u>184,814</u>
\$	<u>432,994</u>	<u>452,107</u>	<u>476,282</u>	<u>488,897</u>	<u>494,041</u>
	7,029	5,499	6,014	6,986	9,306
	1,222	3,162	7,526	(52)	7,177
	<u>8,251</u>	<u>8,661</u>	<u>13,540</u>	<u>6,934</u>	<u>16,483</u>
\$	<u>441,245</u>	<u>460,768</u>	<u>489,822</u>	<u>495,831</u>	<u>510,524</u>
\$	252,745	\$ 268,745	\$ 283,557	\$ 314,715	\$ 254,506
	-	-	-	-	-
\$	<u>252,745</u>	<u>268,745</u>	<u>283,557</u>	<u>314,715</u>	<u>254,506</u>
\$	<u>188,500</u>	<u>192,023</u>	<u>206,265</u>	<u>181,116</u>	<u>256,018</u>
\$	153,938	\$ 156,424	\$ 163,319	\$ 163,904	\$ 175,023
	(34,390)	(35,614)	(38,054)	(42,320)	(54,673)
	-	(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>1.58</u>	<u>1.96</u>	<u>1.89</u>	<u>1.68</u>	<u>2.13</u>

**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Total Aircraft Operations and Aircraft Landing Weight**  
**(unaudited)**

Fiscal Year	Aircraft Operations (in thousands)			Aircraft Landed Weight (in million pounds)		
	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
2008	974	(9)	-0.88%	34,096	166	0.49%
2009	892	(82)	-8.42%	31,907	(2,189)	-6.42%
2010	858	(34)	-3.86%	31,707	(200)	-0.63%
2011	861	3	0.34%	32,564	857	2.70%
2012	838	(23)	-2.65%	32,844	280	0.86%
2013	799	(39)	-4.62%	33,041	197	0.60%
2014	811	12	1.44%	33,878	837	2.53%
2015	816	5	0.64%	31,894	(1,984)	-5.86%
2016	787	(29)	-3.55%	35,517	3,623	11.36%
2017	760	(27)	-3.43%	34,608	(909)	-2.56%

**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>	<b>Inferior Lien Obligations</b>	<b>Bonds plus Inferior Lien Obligations</b>
2018	32,837,619	135,900,603	168,738,222	6,411,600	175,149,822
2019	32,823,619	132,918,499	165,742,118		165,742,118
2020	32,813,369	138,920,092	171,733,461		171,733,461
2021	32,795,619	127,745,671	160,541,290		160,541,290
2022	32,783,994	143,393,282	176,177,275		176,177,275
2023	32,766,994	140,369,060	173,136,054		173,136,054
2024	32,753,119	133,425,123	166,178,242		166,178,242
2025	32,735,744	141,655,981	174,391,725		174,391,725
2026	32,718,244	137,812,890	170,531,133		170,531,133
2027	32,698,869	128,601,974	161,300,842		161,300,842
2028	32,665,459	151,405,221	184,070,680		184,070,680
2029	32,644,981	140,273,856	172,918,838		172,918,838
2030	32,608,156	142,645,923	175,254,079		175,254,079
2031	32,562,213	137,546,312	170,108,524		170,108,524
2032	32,532,300	130,372,260	162,904,560		162,904,560
2033	32,502,163	139,290,932	171,793,095		171,793,095
2034	32,468,500		32,468,500		32,468,500
2035	32,432,875		32,432,875		32,432,875
2036	32,396,575		32,396,575		32,396,575
2037	32,360,613		32,360,613		32,360,613
2038	32,320,863		32,320,863		32,320,863
2039	32,278,063		32,278,063		32,278,063
2040	32,232,675		32,232,675		32,232,675
<b>Total</b>	<b>\$ 749,732,622</b>	<b>\$ 2,202,277,679</b>	<b>\$ 2,952,010,301</b>	<b>\$ 6,411,600</b>	<b>\$ 2,958,421,901</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
	2016	2017	2016	2017
Landing Rates (1) (5)	\$2.812	\$2.642	\$1.835	\$1.982
Terminal Space Rentals (2) (5)	\$22.41 - \$75.77	\$22.70 - \$74.97	\$87.62 - \$90.12	\$64.79 - \$67.29
Apron Rentals (2) (5)	\$2.326 - \$2.854	\$2.289 - \$2.832	\$1.765	\$1.652 - \$1.853
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>				
Economy				
(Ecopark) Covered (7)	\$8.00	\$8.00		
(Ecopark) Uncovered (7)	\$6.00	\$6.00		
(Ecopark2) Covered (8)	\$5.00	\$6.00		
Ecopark (11)			n/a	n/a
Ecopark 2 (12)			\$10.00	\$10.00
Structured (9)	\$20.00	\$22.00	\$20.00	\$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

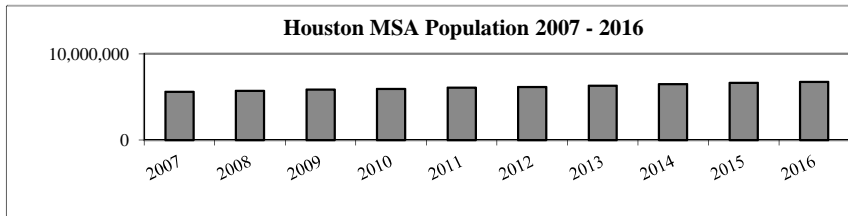
**CITY OF HOUSTON, TEXAS**  
**AIRPORT SYSTEM STATISTICS**  
**Service Area**  
**(unaudited)**

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>
2007	5,597,674
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



Source: Greater Houston Partnership and U.S. Census Bureau, Population Division

**CITY OF HOUSTON, TEXAS**  
**SURETY BOND AND INSURANCE COVERAGE**  
**June 30, 2017**  
(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
61BSBHJ4506	Hartford Casualty Insurance Company	01-27-2017 to 01-27-2018
61BSBHJ1564	Hartford Casualty Insurance Company	01-02-2017 to 01-02-2018
106360496	Travelers Casualty Insurance Company	08-04-2016 to 08-04-2017
16BSBAR6948	Hartford Casualty Insurance Company	02-27-2017 to 02-27-2018
6610	Texas Municipal League	05-15-2017 to 05-15-2018
ESP730205802	Arch Specialty Insurance Company	04-01-2017 to 04-01-2018
EAF70044617	Axis Surplus	04-01-2017 to 04-01-2018
4473440702	Chubb Custom Insurance Company	04-01-2017 to 04-01-2018
ESP90000289300	Endurance American Specialty Insurance Company	04-01-2017 to 04-01-2018
MKLV10XP002098	Evanston Insurance Company	04-01-2017 to 04-01-2018
T0234451703456	General Security Indemnity Company of Arizona	04-01-2017 to 04-01-2018
CUL60478047	Houston Casualty Company	04-01-2017 to 04-01-2018
VRXCN000030501	Insterstate Fire & Casualty Company	04-01-2017 to 04-01-2018
017001628	Lexington Insurance Company	04-01-2017 to 04-01-2018
06162872700	Lexington Insurance Company	04-01-2017 to 04-01-2018
06162872700	Lexington Insurance Company	04-01-2017 to 04-01-2018
RCPXRU00004000	Rockhill Indemnity Company	04-01-2017 to 04-01-2018
NHD399833	RSUI Indemnity Company	04-01-2017 to 04-01-2018
SLSTPTY10937217	Starr Surplus Lines Insurance Company	04-01-2017 to 04-01-2018
LCP648088303	Tokio Marine American Insurance Company	04-01-2017 to 04-01-2018
NOGW44319017	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
NOGW44320017	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
NOGW44321017	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
NOGW44322017	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
NOGW44323017	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
VLLCN000030501	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
VTZCN000030501	United Specialty Insurance Company	04-01-2017 to 04-01-2018
D37362797009	Westchester Fire	04-01-2017 to 04-01-2018
NAP045228904	Westport Insurance Corporation	04-01-2017 to 04-01-2018
NOGW44327017	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
NOGW44328017	Underwriters at Lloyd's	04-01-2017 to 04-01-2018
YB2-L9L-458619-017	Liberty Mutual Fire Insurance Company	03-18-2017 to 03-18-2018
6610	Texas Municipal League	07-01-2016 to 07-01-2017
01-333-42-11-00357	AXA Insurance Company	06-26-2017 to 06-26-2018
CA00001556807	Admiral Insurance Company	02-26-2017 to 02-26-2018
73652M172ALI	Starstone Specialty Insurance Company	02-26-2017 to 02-26-2018
01-333-42-11-00619	AXA Insurance Company	11-03-2016 to 11-03-2017
105324683	Travelers Casualty & Surety	12-30-2016 to 12-30-2017
14266605	National Union Fire Insurance Company of Pittsburgh, PA	05-29-2017 to 05-29-2018
61BPEAM5075	Hartford Casualty Insurance Company	10-29-2016 to 10-29-2017
61BDDHO5613	Hartford Casualty Insurance Company	2-11-2017 to 02-11-2018
46BPEEC12302	Hartford Insurance	07-18-2016 to 07-18-2017
Various (approximately 2,000)	Western Surety Company	Four Year Term per Bond
KKO0000021043000	National Casualty Company	06-26-2017 to 07-07-2017
L010077	Lloyd's of London - Houston Casualty Company	06-26-2017 to 07-05-2017
14582336	New Hampshire Insurance Company	11-25-2015 to 11-28-2015
US754030	United States Fire Insurance Company	11-23-2016 to 11-25-2016
6610	Texas Municipal League	07-01-2016 to 07-01-2017
VBA50802600	Covington Specialty Insurance Company	04-01-2017 to 04-01-2018
AAPN11235487 003	ACE Property & Casualty Insurance Company	03-15-2017 to 03-15-2018



<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
City Treasurer	Public Official Bond	\$ 25
Deputy Controller	Public Official Bond	\$ 25
Municipal Courts	Public Official Bond	\$ 25
Tax Collector	Public Official Bond	\$ 25
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 *	\$ 7,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 7,000
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 6,737
City of Houston	Property Insurance *	\$ 25,000
City of Houston	Property Insurance *	\$ 2,500
City of Houston	Property Insurance *	\$ 7,500
City of Houston	Property Insurance *	\$ 11,250
City of Houston	Property Insurance *	\$ 12,000
City of Houston	Property Insurance *	\$ 5,250
City of Houston	Property Insurance *	\$ 6,250
City of Houston	Property Insurance *	\$ 4,000
City of Houston	Property Insurance *	\$ 2,250
City of Houston	Property Insurance *	\$ 5,000
City of Houston	Property Insurance *	\$ 1,500
City of Houston	Property Insurance *	\$ 7,500
City of Houston	Property Insurance *	\$ 6,737
City of Houston	Property Insurance *	\$ 5,775
City of Houston	Property Insurance *	\$ 5,750
City of Houston	Property Insurance *	\$ 25,000
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	\$ 81,245
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	\$ 14,818
City of Houston	Pole Attachment Bond, Centerpoint	\$ 250
City of Houston	Public Employee Dishonesty/Crime	\$ 2,000
City of Houston	Public Employee Dishonesty	\$ 10
City of Houston	Public Employee Dishonesty	\$ 10
Houston Center for Literacy	Employee Dishonesty	\$ 375
Various City of Houston Notaries	Notary Public Bonds	\$ 3
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Adverse Weather Event Cancellation	\$ 1,000
City of Houston	Special Event Commercial General Liability	\$ 1,000
City of Houston	Excess Accident Medical	\$ 5
City of Houston	Property Insurance - Floats	\$ 256
City of Houston HHS Parking Lot	Commercial General Liability	\$ 1,000
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, 2017**  
**(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
Larry V. Green, 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**

Carl Medley, Deputy City Controller  
Olatundun Akinsanya, Assistant City Controller  
Alicia Cai, Assistant City Controller  
Sabrina Jackson, Assistant City Controller  
Larry Liu, Assistant City Controller  
Chris Okeagu, Assistant City Controller  
Maria G. Perez, Administrative Specialist  
Beverly Riggans, Deputy Director  
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  
Dora-Lee Arjona, Microcomputer Analyst  
Monika De Los Santos, Assistant City Controller  
Brenda Jackson, System Support Analyst  
Martina Lee, Assistant City Controller  
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  
Sharon Liu, Senior Treasury Analyst  
Lillie Nobles, Management Analyst  
Asha Patnaik, Debt Manager  
Catherine Smith, Senior Treasury Analyst  
Asia Speights, Administrative Assistant  
Martin Troupe, Assistant City Controller

**Debt and Investment Management Disclosures**

**CITY OF HOUSTON, TEXAS**  
**Schedule of Credits - Continued**  
**(unaudited)**

**Finance Department**

**Preparation, Coordination, Analysis and Documentation**

Tantri Emo, Interim Director  
Bukola Bayo, Financial Analyst  
Greg Carrington, Deputy Assistant Director  
Joe Dumas, Division Manager  
Isis Mathoslah, Financial Analyst  
Beverly McFarlain, Division Manager  
Gloria Moreno, Deputy Assistant Director  
Vivien Nguyen, Staff Analyst  
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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

In late August 2017, Hurricane Harvey made landfall in Southeast Texas. Over the ensuing days, Harvey dropped 51 inches of rain over the Greater Houston region. The devastation left behind by the storm was unprecedented, as more than 100,000 homes were destroyed and almost every Houstonian was affected by the storm in one way or another. While the storm's lasting impacts are still being felt, the true legacy of Hurricane Harvey will be the relentless spirit of this city and its residents. The photos chosen for the FY 2017 CAFR seek to capture that spirit – what it means to be “Houston Strong.”

Perhaps no other organization gave the City more reason to celebrate in the aftermath of Hurricane Harvey than the Houston Astros. The team – led by a roster full of young, dynamic All-Stars – brought a sense of normalcy back to the city with a doubleheader played at Minute Maid Park on September 3rd, 2017, just days after the storm made landfall. Wearing jerseys adorned with a new “Houston Strong” patch, the Astros would take the city for a historic postseason ride that culminated in the franchise's first World Series championship in early November. On November 3rd, 2017 – just over 60 days removed from Harvey – more than 1,000,000 Houstonians packed downtown for a parade celebrating the World Series champions. A 56-year title drought was broken, a city celebrated, and the world got to witness what it truly meant to be “Houston Strong.”

BakerRipley, formerly Neighborhood Centers, Inc., played a pivotal role in the immediate recovery from Hurricane Harvey. Immediately after the storm hit, BakerRipley began operating the Emergency Shelter at NRG Center in partnership with NRG and Harris County. To stabilize the lives of those displaced by Harvey, the community development organization provided critical supplies and necessities to Houstonians living in the shelter. BakerRipley also helped coordinate thousands of volunteers and dispersed them throughout the city. BakerRipley also plays an important role in the long-term recovery, helping Houstonians secure employment, address issues with their personal property, work with FEMA, and so much more.

BARC is the City of Houston's Animal Shelter and Adoption Facility and was instrumental in keeping Houston's furriest residents safe during Hurricane Harvey. During the storm BARC staff worked around the clock to keep animals already in the facility safe and dry. Following the storm, BARC coordinated with its partners to take in displaced animals and either return them to their owners, or find them new permanent homes. BARC's many partners across the region also took in hundreds of animals and helped coordinated donations from across the country for BARC.

Thousands of Houston's youngest residents had their lives uprooted because of Hurricane Harvey – taking them out of their homes, delaying the start of the school year, and disrupting the routines of everyday life. To help bring some normalcy back to kids' lives, the Children's Museum of Houston brought its brand of educational fun to the George R. Brown Convention Center immediately following the storm. The Children's Museum also re-opened to normal business hours just days after Harvey's landfall and provided free admission for families in shelters. In partnership with Houston ISD, the Museum also helped coordinate back-to-school supplies and uniform donations from across the country for families displaced by the storm.

A local government corporation formed in 2011, Houston First manages more than 10 city-owned buildings and properties and underground and surface parking for nearly 7,000 vehicles. One of the facilities managed by Houston First is the George R. Brown Convention Center, which became the city's main shelter during Hurricane Harvey. The George R. Brown Convention Center housed thousands of Houstonians for several weeks after the storm made landfall, providing families with safe, comfortable shelter throughout the disaster. Houston First will continue its recovery work for some time, as it works to rebuild many of Houston's preforming arts venues that were devastated by the storm.

The Houston Food Bank is America's largest food bank in distribution to its network of 600 hunger relief charities in 18 southeast Texas counties. The Houston Food Bank has always played a critical role in disaster recovery, but increased its capabilities in the aftermath of Houston's most devastating natural disaster. The Houston Food Bank provided food and supplies to thousands of residents in southeast Texas affected by the storm. The Food Bank also worked with its partner agencies to ensure food reached those most in need, and connected other agencies with individuals and organizations who needed help in the recovery process.

The Houston Zoo is the permanent home to 6,000 animals and sees more than 2 million visitors walk through its doors each year. During Hurricane Harvey, the Zoo's staff helped keep all its animals safe and re-opened just days after landfall. The Houston Zoo helped bring normalcy back to not only Houston families, but even played host to members of the Army National Guard who needed some much-needed relaxation after helping countless Houstonians during the storm. The Houston Zoo also helped move displaced animals back into their natural habitats, including the sea turtle featured in the photos found in the CAFR.

The City of Houston Office of Emergency Management (OEM) is responsible for the emergency management response for the nation's fourth-largest city, which includes the coordination of disaster mitigation, planning, response, and recovery. The OEM became the central “hub” for the coordinated response to Hurricane Harvey. The OEM disseminated critical information across the City, helping keep Houstonians informed on the path of the storm, as well as providing vital information and resources to those impacted. The OEM was also the main operation center for city and regional leaders who worked around the clock throughout the duration of the storm.

Team Rubicon is 501(c)3 nonprofit that utilizes the skills and experiences of military veterans with first responders to rapidly deploy emergency response teams. Founded in 2010, Team Rubicon has deployed across the United States and around the world to provide immediate relief to those impacted by disasters and humanitarian crises. Team Rubicon was deployed throughout the city to help Houstonians “muck out” their houses and help rebuild their lives in the immediate aftermath of Hurricane Harvey.

### Photos provided by:

Marco Torres for Houstonia Magazine

BakerRipley

BARC

Children's Museum of Houston

Houston First

Houston Food Bank

Houston Zoo

City of Houston – Office of Emergency Management (OEM)

FEMA

