



HARRIS COUNTY, TEXAS

COMMISSIONERS COURT

1001 Preston, Suite 934 • Houston, Texas 77002 • (713) 274-1111

Ed Emmett
County Judge

Rodney Ellis
Commissioner, Precinct 1

Jack Morman
Commissioner, Precinct 2

Steve Radack
Commissioner, Precinct 3

R. Jack Cagle
Commissioner, Precinct 4

June 21, 2018

To: County Judge Emmett and
Commissioners Ellis, Morman,
Radack, and Cagle

Re. **Capital Improvements Program**

The Capital Improvements Program for Fiscal Year 2018-19 includes the following:

Executive Summary

1. Hurricane Harvey Recovery
2. Harris County Flood Control District
3. County Engineering Department
4. Central Technology Services
5. Harris County Sports & Convention Corporation
6. Harris County Toll Road Authority
7. Harris County Hospital District
8. Port of Houston Authority

Future Year Capital Needs and Financing

9. Debt and Financing
10. Economic Update

Executive Summary

Maintaining and expanding Harris County facilities, transportation systems and infrastructure to serve the rapidly growing population is a challenging and essential function of county government. This annual update of the capital improvements program is intended to provide information about the needs and opportunities for enhancing these assets. Specific projects and related funding sources included in these presentations will be brought back on regular Court agendas for consideration and approval.

The following is a discussion of the capital improvement needs for the current fiscal year.

- 1. Hurricane Harvey Recovery** – On August 25, 2017, Hurricane Harvey made landfall near Corpus Christi, Texas causing significant damage to homes and businesses along the Texas coast. Over the next several days, the storm dumped over 50 inches of rain over most of Southeast Texas including Harris County and surrounding counties. A historic number of homes and businesses in Harris County flooded as a result either of the rain from Harvey or the rising water flowing through county reservoirs, bayous and watersheds as well as the Brazos and San Jacinto rivers.

The impact of the flooding on Harris County government operations was significant primarily impacting the Criminal Justice and Jury Assembly buildings downtown and two major annex locations on the northwest side of the county. County departments and functions were relocated and operational soon after the floods but efforts to restore these buildings to normal operations is ongoing.

A special election will be held on August 25, 2018 seeking approval for the Flood Control District to issue up to \$2.5 billion of bonds to fund capital projects related to Harvey and other projects aimed at reducing the impact of future flood events. The ability for the Flood Control District to meet matching funds requirements to receive significant federal funding is an essential part of this bond election.

- 2. Harris County Flood Control District** – The Flood Control District has operated on a \$120 million program for several years split about evenly between capital projects and operating and maintenance expenditures. Should the new bonds be approved by voters in August, a larger percentage of the \$120 million likely will be dedicated to operating expenses as the Flood Control District significantly increases its annual project list with substantially more resources available through Federal grants and the local bond funding related to Harvey.

The bonds are expected to be issued over the next 15 years. The cost to repay the bonds for the average county homeowner is expected to start at \$5 per year in 2020 growing to just over \$50 per year, by the time all of the bonds have been issued, which is expected to be by 2035. This increase in taxes is less than 1% for the next several years reaching a high of less than a 1.4% increase for most county taxpayers by 2035.

Homeowners with an over-65 or disabled exemption with a home valued at \$200,000 or less pay no county property taxes now and wouldn't see any increase related to the bonds.

- 3. County Engineering** – The Engineering department works on a number of building and infrastructure projects and new county road projects each year, typically funded with long-term debt. The current year focus is a combination of repairs related to Harvey and continuing to catch up with deferred maintenance projects for existing county facilities.

Buildings & Infrastructure – A report prepared by the County Engineer listing current year plans to improve and maintain existing buildings and related infrastructure is included. The projects presented for approval are estimated to cost approximately \$150 million and include repairs related to flooding from Harvey, maintenance of existing buildings and some new construction. Specific capital projects will be presented to Court for approval and funding over the next 12 months.

County Roads – County road construction and maintenance is funded through a combination of general funds, mobility funds, road bonds and other sources. The voters approved \$700 million in new road bonds in 2015. These bonds will likely be issued starting in Fiscal Year 2020 and continuing for the next five to seven years.

- 4. Central Technology Services** – CTS has a number of technology projects that are in progress or planned for the next several years. The process of acquiring and implementing a new enterprise accounting system is expected to be completed by the end of the current fiscal year with payroll related systems planned to go live on January 1, 2019 and the other financial systems on March 1, 2019.

A list of technology projects totaling approximately \$21 million is included for the next 12 months. Funding requests for these projects will be brought back to Court for approval during the year as needed.

- 5. Harris County Sports & Convention Corporation** – A report showing the HCSCC repair and replacement needs related to the operation of NRG Park facilities is included. Projects to upgrade phone systems and resurface many of the parking lots in the complex are included on the Engineering and CTS list of projects. Additional life-safety projects in NRG Park are presented separately and will be brought to Court for approval and funding over the next 12 months.
- 6. Harris County Toll Road Authority** – A report showing the plans for major toll road development projects is included. The largest project is the new toll road bridge over the Houston Ship Channel which is expected to take several years to complete.
- 7. Harris County Hospital District** – A report from the Harris County Hospital District on the status of their capital improvements program is included.
- 8. Port of Houston Authority** – The County continues to support the Port of Houston by allocating part of the property tax rate to pay approximately \$50 million of annual debt service payments.

Future Year Capital Needs and Financing

- 9. Debt and Financing** – An analysis of the financing needs and the County's debt situation related to county roads, buildings & infrastructure and flood control projects is included. The report includes historical debt service funding trends along with a discussion of plans for funding future road and infrastructure debt.

- 10. Economic Update** – The latest report on the local economic environment is included for Court consideration.