



Advisory Committee: Minutes of Regular Meeting – August 26, 2014

IN ATTENDANCE:

Gilbert A. Herrera, Chair – **Present**
Jeri Brooks – Absent
Frances Castaneda Dyess – **Present**
Kathryn Easterly – **Present**
Scott Elmer – **Present**
Vernita Harris – **Present**
Bert Keller – **Present**
Jeff Ross – **Present**
Edward Taravella – **Present**
Council Member Oliver Pennington, Ex-Officio – Absent

1. Call to Order / Welcome

Chairman Gilbert Herrera called the meeting of the ReBuild Houston Advisory Committee (RHAC) to order at 10:40 a.m. and thanked all in attendance. Also in attendance was Council Member Larry Green.

2. Approval of the Minutes

Motion to approve the June 24, 2014 meeting minutes was made by Ms. Kathy Easterly and seconded by Mr. Bert Keller. Motion carried.

3. ReBuild Houston Finance & Funding Discussion

Chairman Herrera introduced Ms. Susan Bandy (Deputy Director, Resource Management Division). Ms. Bandy informed the committee that the presentation (attached) she prepared does not include funds received from METRO. Ms. Bandy also shared with the committee that it is very difficult to collect unpaid Drainage Collection fees (and this included commercial accounts) and that it is typically handled through a collections agency. She anticipates the collections will closely reflect that of FY13.

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Mr. Dale Rudick then informed the committee that it is estimated to take approximately \$650 million annually to keep up with the needs of our street and drainage infrastructure service life. He stated that while the available funds have increased since the inception of ReBuild Houston, it will only be after the pre-existing debt is incrementally paid off that we will see a major increase in funding. That is anticipated to accelerate around the year 2020 and beyond.

Chairman Gilbert Herrera inquired about publishing measureable means to display ReBuild Houston programs and project successes. Council Member Green stated that the measure is the number of projects. Mr. Rudick noted that depending on when a project begins, an 18 month project can be spread out over three fiscal years. Funds are not only used for CIP projects, but programmatic rehabilitation projects for the current fiscal year; as well as Operations & Maintenance.

Mr. Jeff Ross inquired about how drainage and street funding is intertwined due to our street system serving as our drainage system. Mr. Rudick informed the committee that each of the four funding sources for ReBuild Houston projects have their own specific purpose and can only be utilized for particular uses. Ms. Bandy noted that one way we are seeing funding increase is when we have more funds in reserve, then we move some of those funds to pay for additional projects.

Mr. Rudick shared with the committee that aerial imagery is used to determine the drainage utility charge and that the aerial imagery is constantly improving. He also stated that in October, some citizens in designated areas of the City will receive notice that their bills will be increasing due to new and improved aerial imagery. If the citizen feels that their increase is incorrect, he/she will be given the opportunity to go through the Verification and Correction process. Some residents will see no change in their monthly bill while some will actually see a decrease.

Mr. Scott Elmer suggested, in an effort to provide better citizen communication, that the door hangers used should include more thorough project details; as well as the ReBuild Houston logo. Mr. Rudick stated that a process is being initiated to also include project information and contact information for the resident/business owner within the benefited area of the project.

4. Executive Report

Mr. Rudick noted that the updated CIP Process Manual has been posted to the web (http://www.rebuildhouston.org/images/pdf/cip_process_manual_20140731.pdf). He also informed the committee that the September 23, 2014 meeting will include a special presentation by Carol Haddock, P.E. Senior Assistant Director of the Infrastructure & Planning Branch of the Public Works & Engineering Department.

5. Old Business/New Business

Ms. Kathy Easterly inquired about if/when the committee should expect to hear back from the Mayor's office regarding the CIP committee recommendations. Chairman Herrera informed the committee that he had spoken to the Mayor and that she was taking the recommendations into consideration.

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Mr. Herrera provided an overview of the upcoming meeting schedule.

6. Public Comments

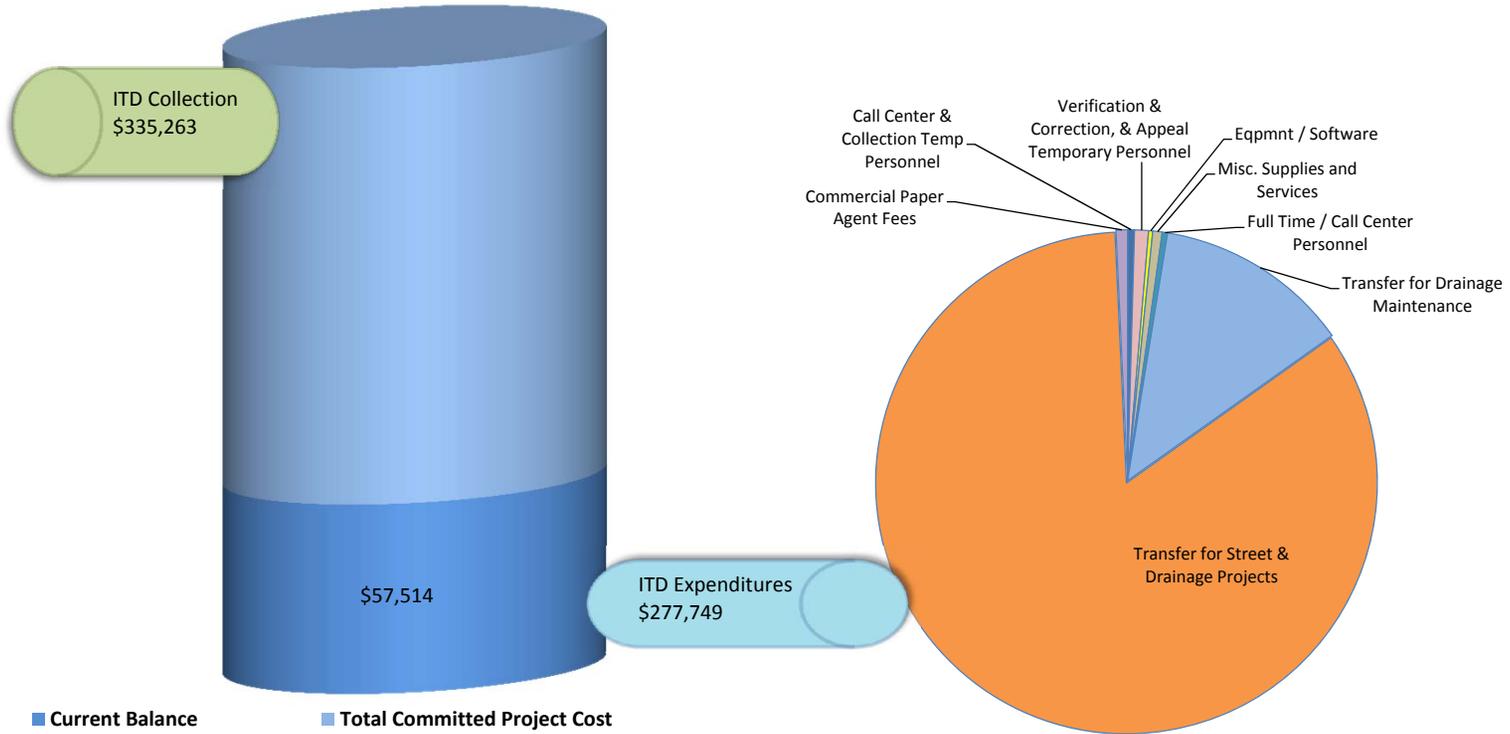
Mr. Donald Perkins (Chief of Staff for Council Member Larry Green) announced that the upcoming Transportation, Technology, and Infrastructure (TTI) committee meeting will be held on September 11, 2014.

7. Adjourn: Meeting adjourned at 12:10 p.m.

Attachments:

- Drainage Utility Collections/Expenditures – Inception to Date (as of July 31, 2014)
- DDSRF Financial Update - PowerPoint Presentation

**Drainage Utility
Inception to Date (ITD) Collections / Expenditures
(\$ in Thousands)
(As of July 31, 2014)**



Note: Currently committed project costs total \$190.1 Million.

DDSRF Financial Update



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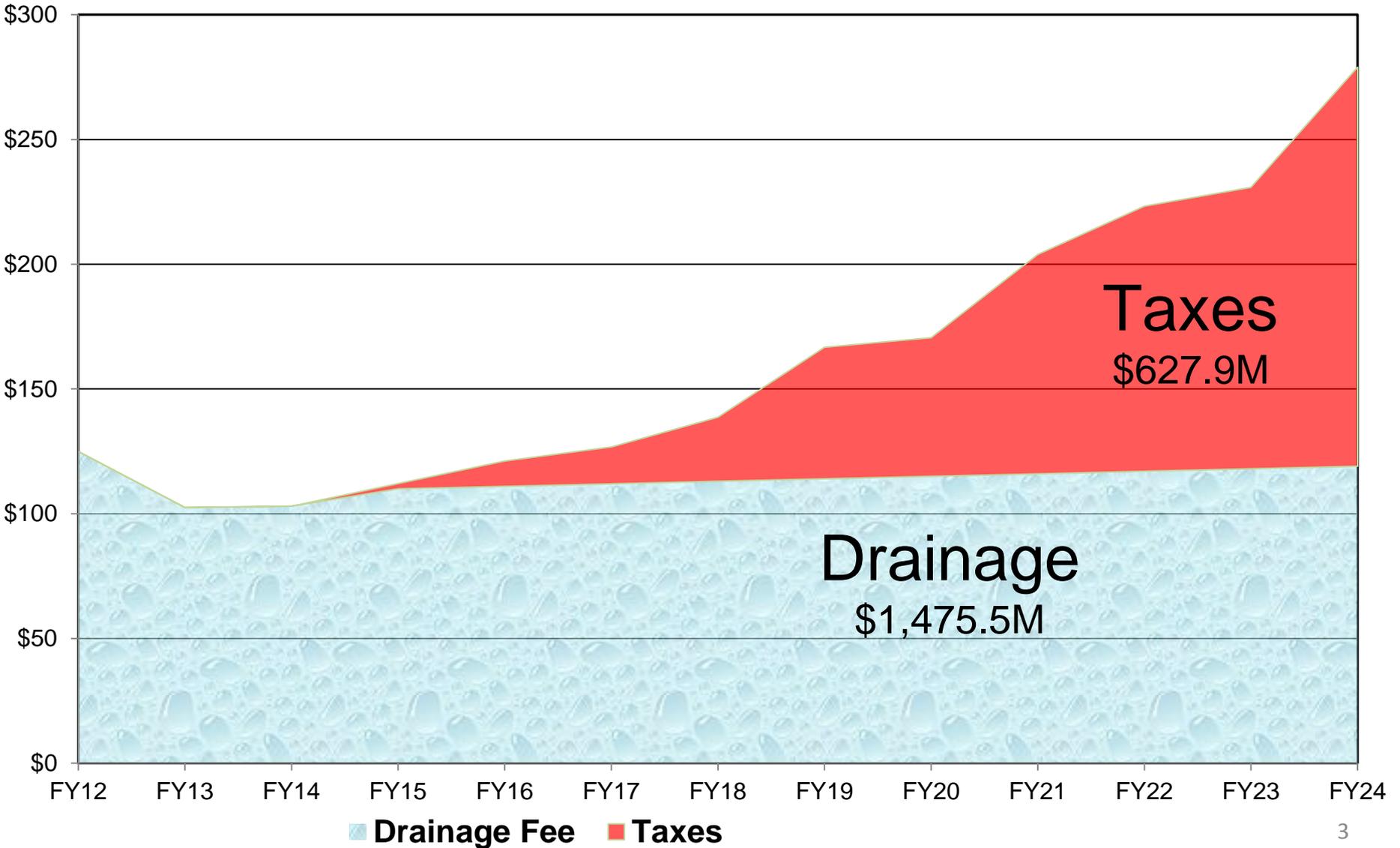
Overview

- Revenue update
- Collection rate
 - With/without litigated accounts
 - Account composition
- Cash flow model results
- Bonds vs. RH financing

DDSRF Revenues

Drainage Fees + Taxes - FY12 Projections

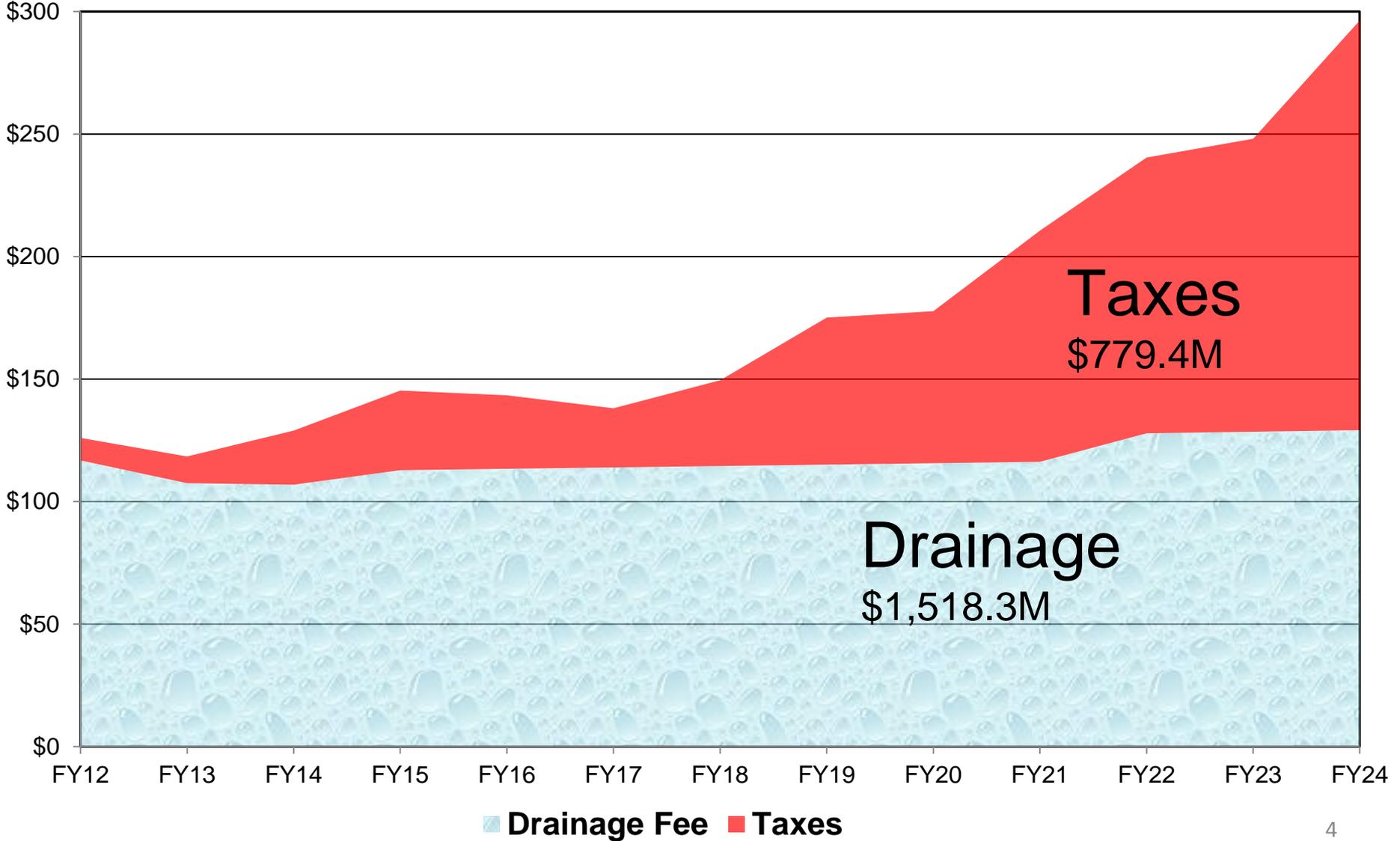
(In Millions)



DDSRF Revenues

Drainage Fees + Taxes - FY15 Projections

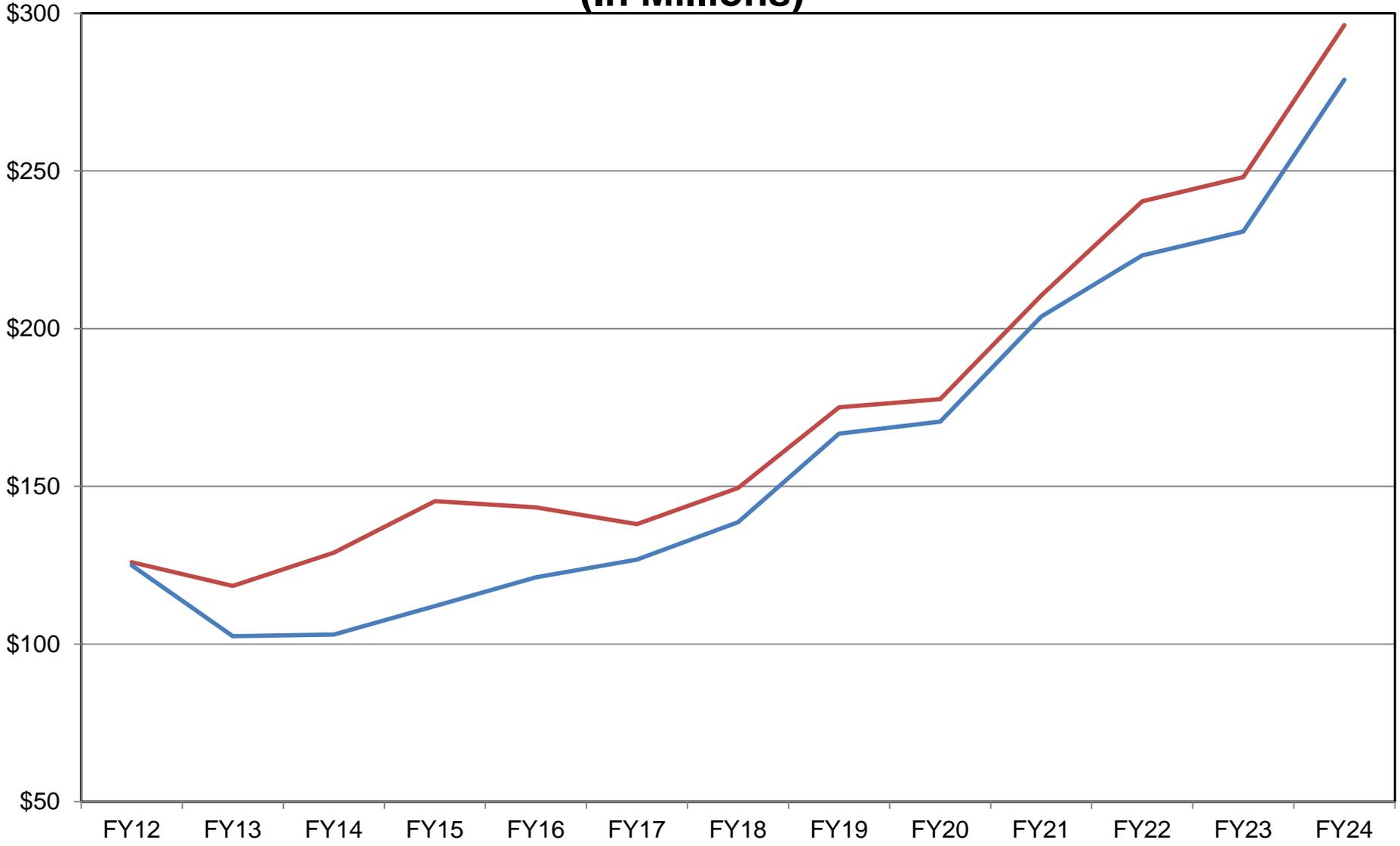
(In Millions)



DDSRF Revenue

Drainage Fees + Taxes – Projections From FY12 And FY15

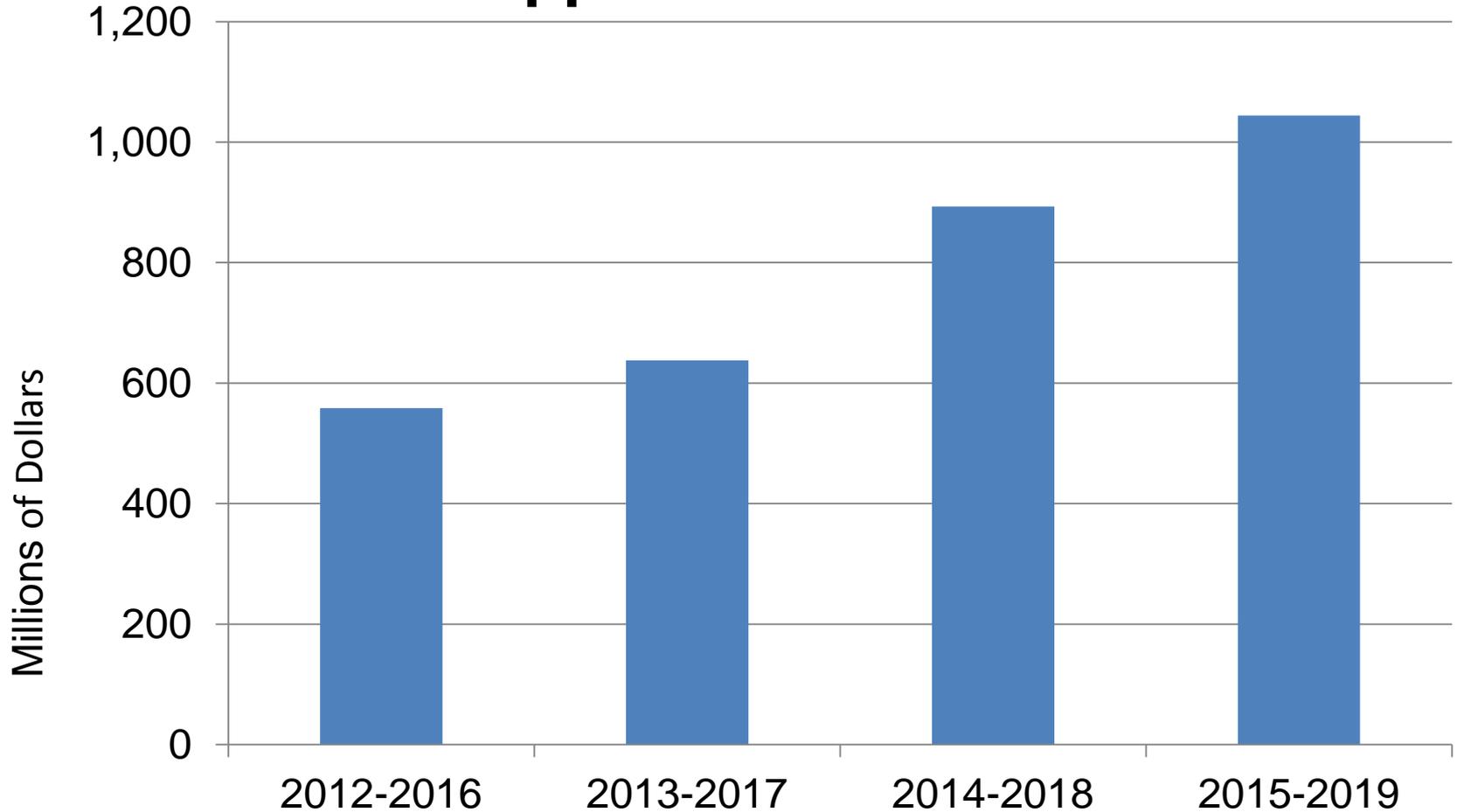
(In Millions)



— FY15 PROJECTION/ACTUAL

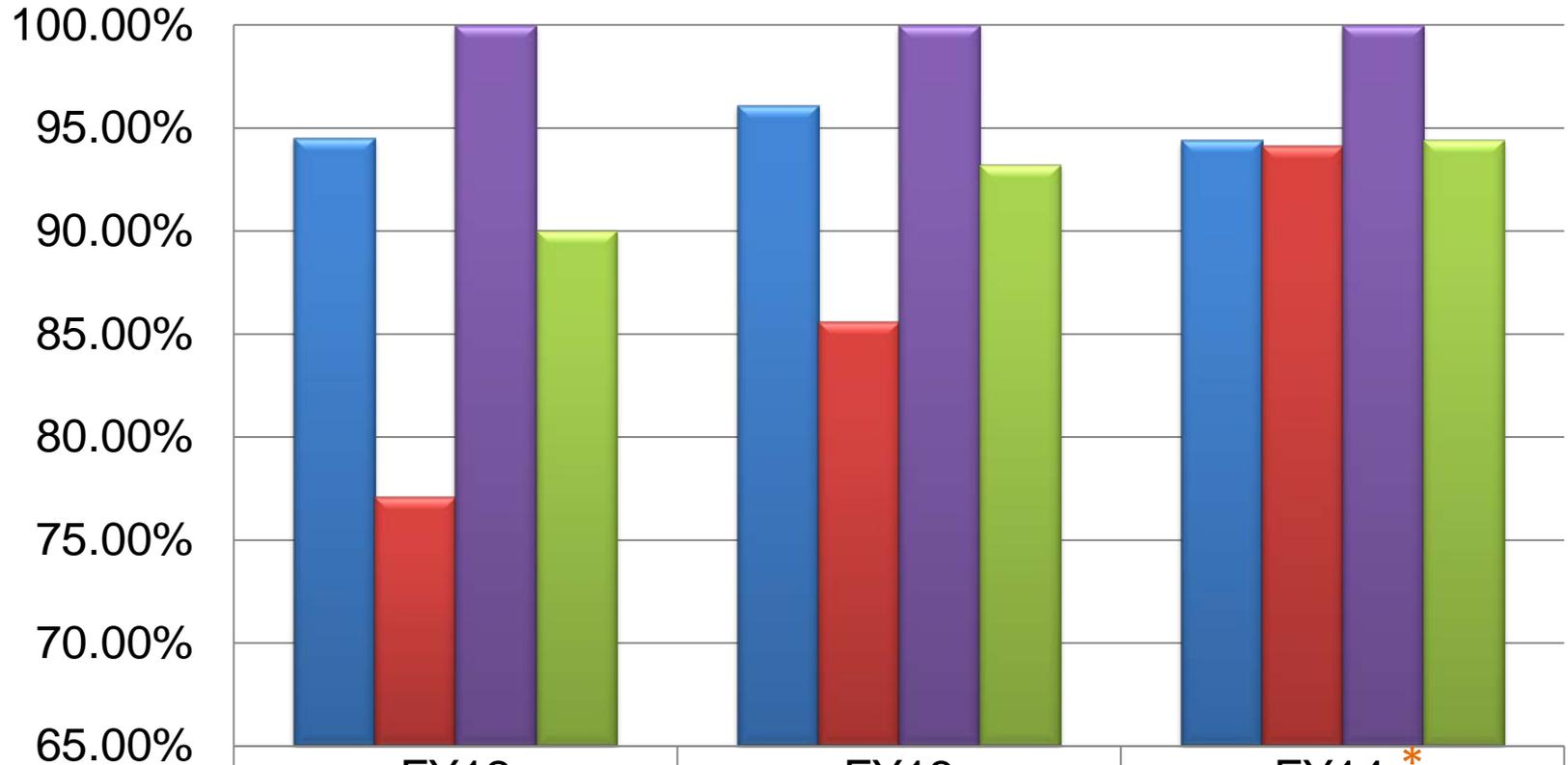
— FY12 PROJECTION

Street & Drainage Funding - Approved 5 Year CIPs



Funds 4040 & 4042 only

Drainage Charge Collection Rate

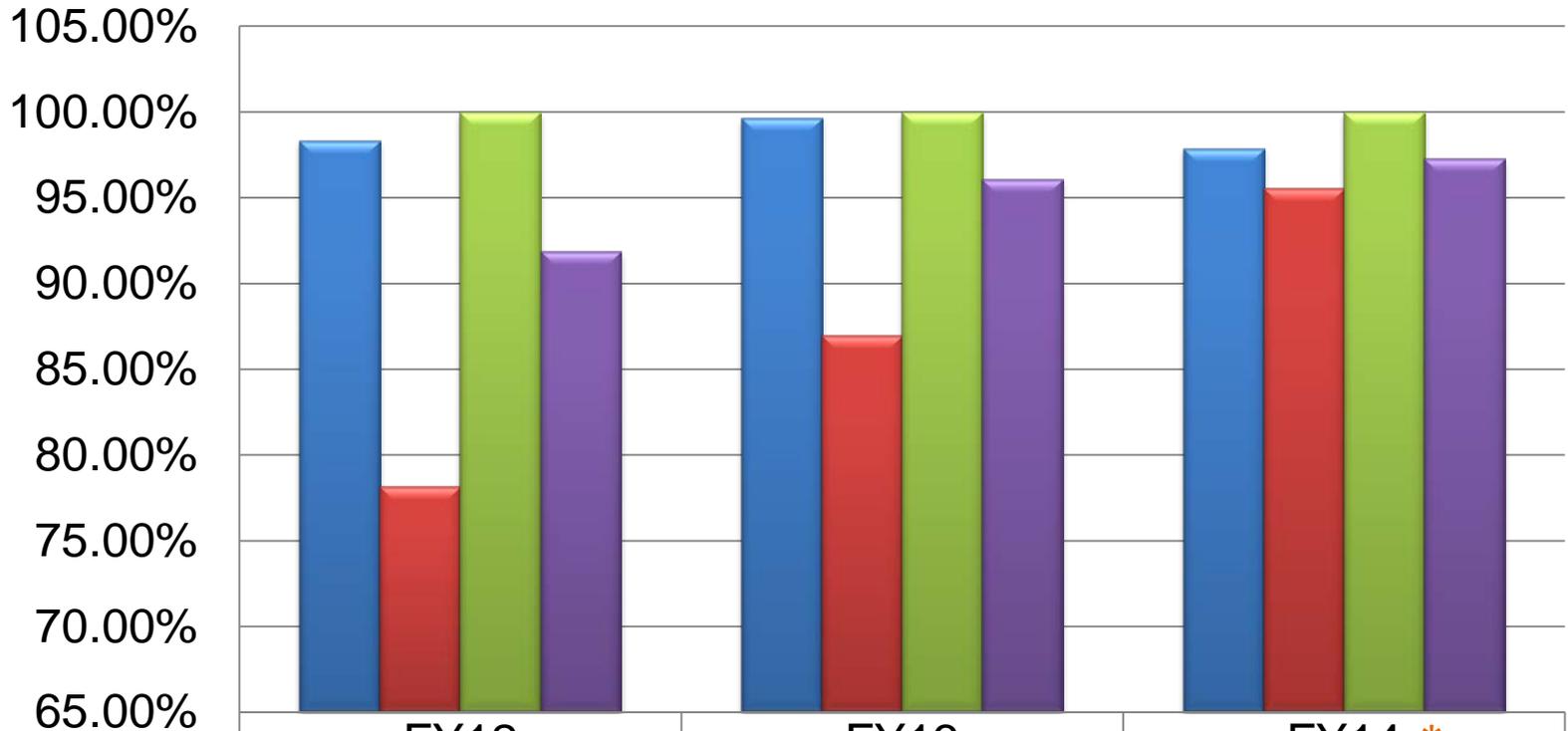


	FY12	FY13	FY14 *
■ Combined Bill	94.54%	96.11%	94.42% **
■ Drainage Only	77.10%	85.62%	94.16%
■ City	100%	100%	100%
■ Total	90.01%	93.24%	94.43%

* FY14 based on actual collections through 7/31/14. Collections for FY14 continue through August 29, 2014.

** FY14 Drainage Only collections include a number of large payments for FY12 –FY14 bills. Collection rate for this category may not be as high in future years.

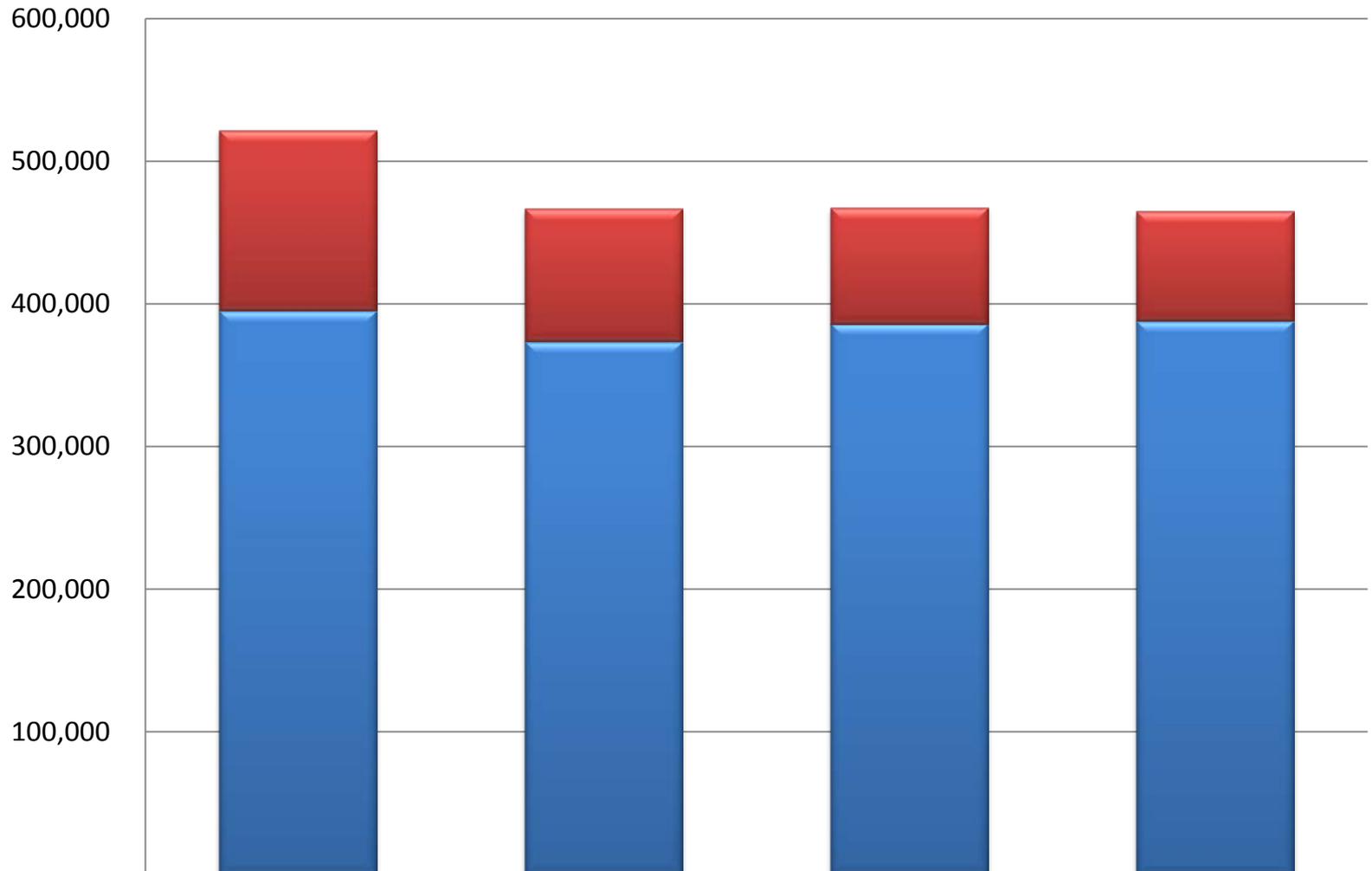
Drainage Charge Collection Rate Assuming NRG Park/Litigated Accounts Paid



	FY12	FY13	FY14 *
■ Combined Bill	98.35%	99.63%	97.87%
■ Drainage Only	78.19%	86.97%	95.54%
■ City	100.00%	100.00%	100.00%
■ Total	91.86%	96.10%	97.27%

* FY14 based on collections through 7/31/14 plus unpaid litigated accounts and unpaid NRG Park accounts. Collections for FY14 continue through August 29, 2014.

Number of Accounts on Water Bills vs. Drainage Only

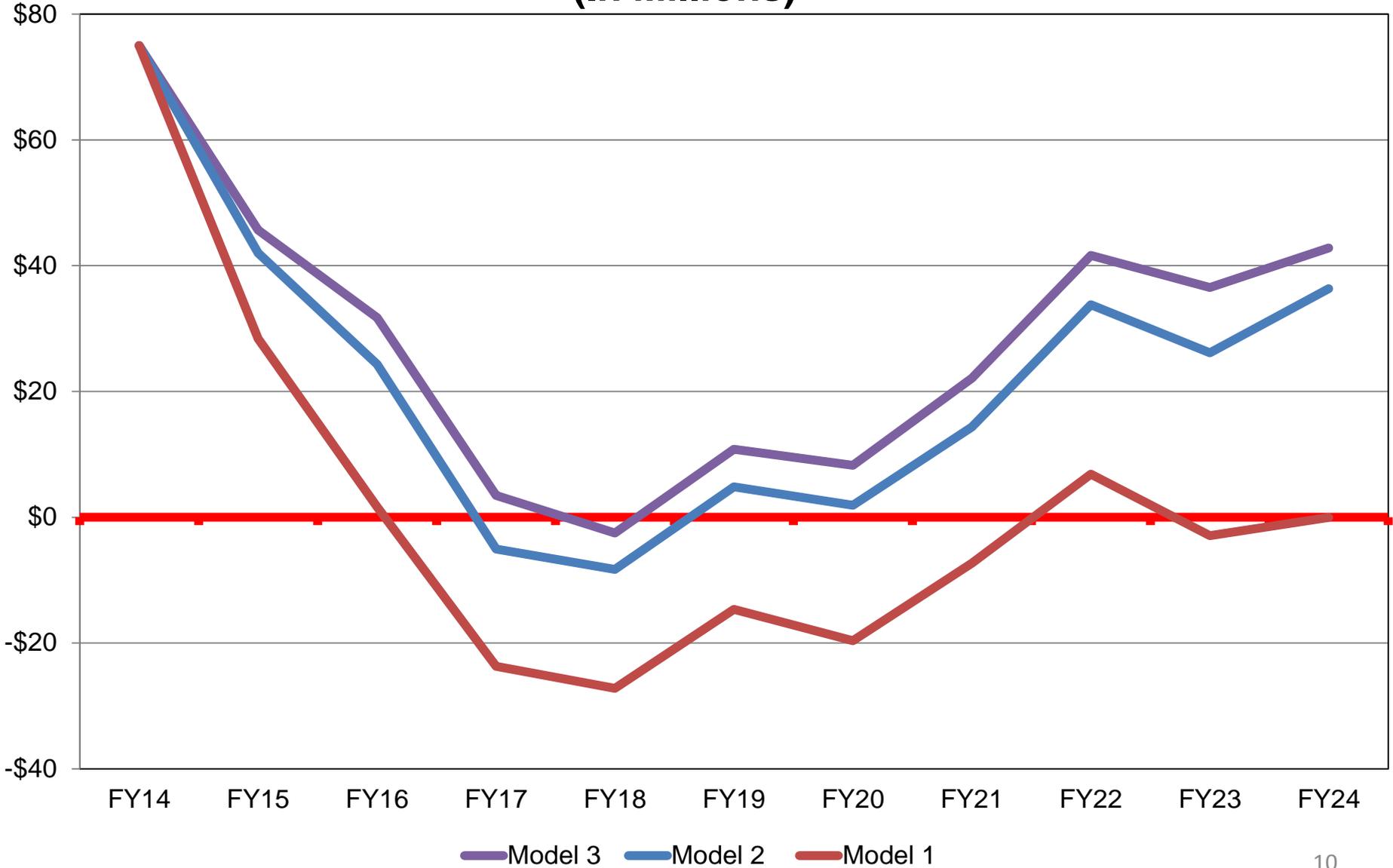


■ Drainage Only	126,394	92,995	81,246	76,640
■ Combined Account	395,570	373,820	386,241	388,240

DDSRF Fund 2310

Projected Ending Cash Balance - Models

(In Millions)



Cash Flow Model Assumptions

	Model 1	Model 2	Model 3
Years to complete projects	3 FYs	3 FYs	4 FYs
% projects completed ea. yr.	10/60/30	10/45/45	10/45/35/10

For all models:

- Left CIP plan unchanged through FY19
- CIP in out years designed using Model 3
- CIP in out years modeled to have ending cash balance of 10%-15% of annual budget for Model 3
- All models assume more CP capacity acquired, as needed
- Used same CIP for other models for comparison
- Annual O&M budget grows at 2.5% for inflation
- Tax revenue estimates from Finance Dept.
- Drainage revenue estimated to grow at 0.5% annually
- Drainage O&M (Fund 2302) fully covered by FY2023

Adding Commercial Paper vs. Multi-Appropriations

Commercial Paper Costs for \$50M:

• Two year cost - assumes 30 basis points per year	\$300,000
• Issuance costs – assumes every two years	<u>\$235,000</u>
Total Cost	\$535,000
Average cost per year over two years	<u>\$267,500</u>

Cost of Multi-Appropriations Model:¹

• Contractor's risk factor added to bid price – Per 1% increase	<u>\$1,560,000²</u>
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1 Possibility of projects being stopped if ongoing appropriations not approved. Also, significant amount of administrative time required.

2 Fund 4042 CIP for FY15 is \$156 million.

Bonds Vs. RH Financing Example - Math

	Bonds	RH
Beginning CP outstanding	-0-	-0-
Beginning L/T debt outstanding	-0-	-0-
Beginning CP Approp. available	\$ 250M	\$ 250M
Less: Sept., Dec., March approp.	\$(220)M	\$(220)M
Plus: Amounts spent on projects thru March	<u>N/A</u>	<u>\$ 156M</u>
Available for approp.	\$ 30M	\$ 186M
CP take out (spent Sept., Dec. March)	<u>\$ 156M</u>	<u>N/A</u>
Available for approp.	\$ 186M	\$ 186M
Less: June approp.	\$ (40)M	\$ (40)M
Plus: Amounts spent on projects last quarter	<u>N/A</u>	<u>\$ 43M</u>
CP Approp. Available	<u>\$ 146M</u>	<u>\$ 189M</u>
Ending Outstanding CP	\$ 43M	-0-
Ending L/T debt outstanding	\$ 156M	-0-

thumbs up  for progress

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