



Finance Department

Presentation to the City of Houston Joint Budget and Fiscal Affairs and Labor Committee

Houston Fire Settlement and CBA
Financial Update

April 2, 2024

Presented by:

Melissa Dubowski – Chief Business Officer and Director of Finance



Funding the Settlement Agreement



Series 2024 Refunding Bonds

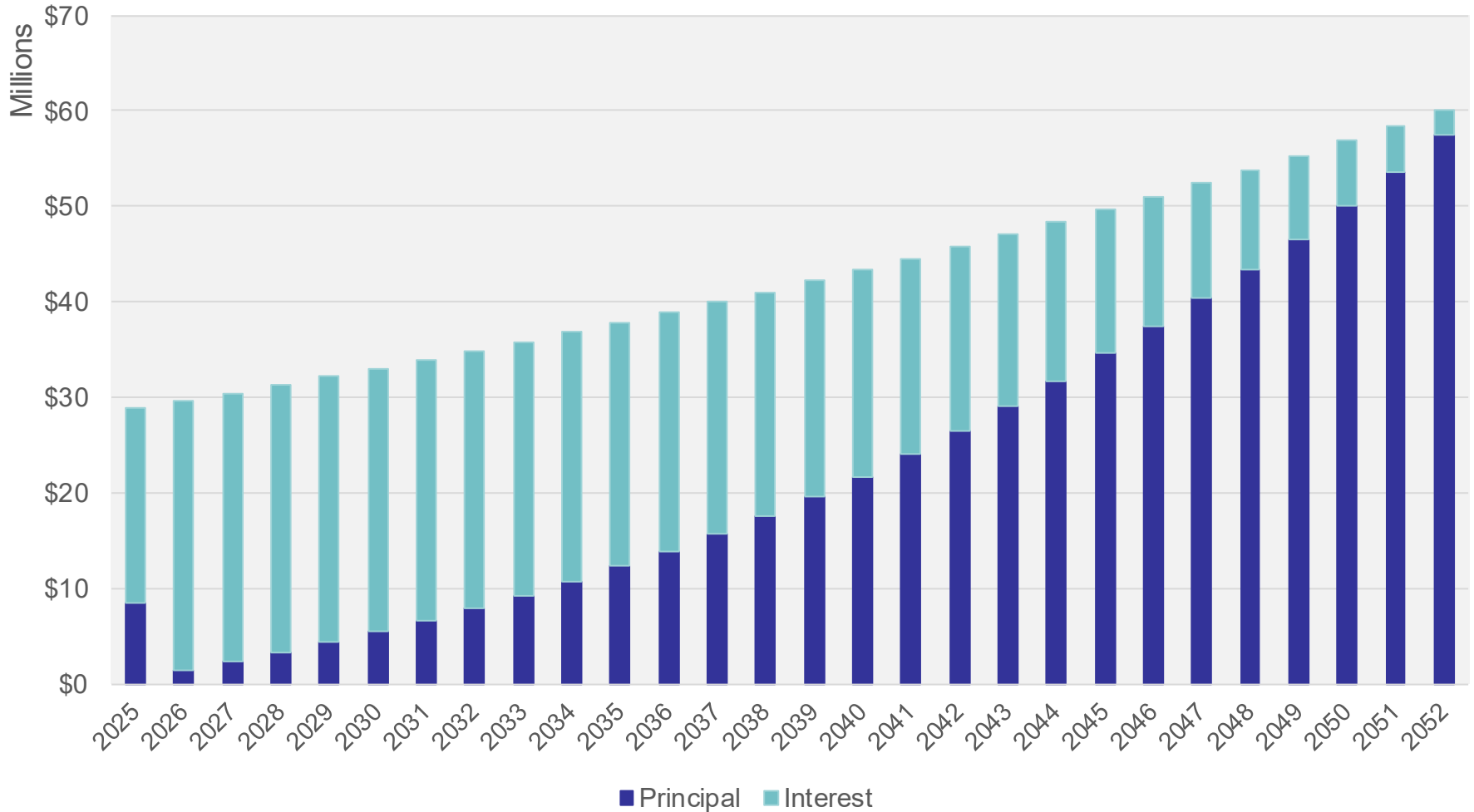
System:	General Obligation
New Money or Refunding?:	Refunding of Obligation
Bond Proceeds:	\$655 million
Use of the Debt Proceeds:	Settlement with Local 341

Revenue Source Securing Debt:	Ad Valorem Property Taxes
Estimated Weighted Average Life of 2024 Bonds:	19.6 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded:	N/A
Estimated Net Present Value Savings:	N/A
Estimated Percentage Savings:	N/A
Estimated True Interest Cost (%):	4.25%
Anticipated Council Agenda Date:	TBD
Anticipated Date of Pricing:	TBD
Anticipated Date Closing:	TBD

All figures are subject to market adjustments. Market rates assume (Aa3/AA-/AA) ratings as of March 27, 2024.



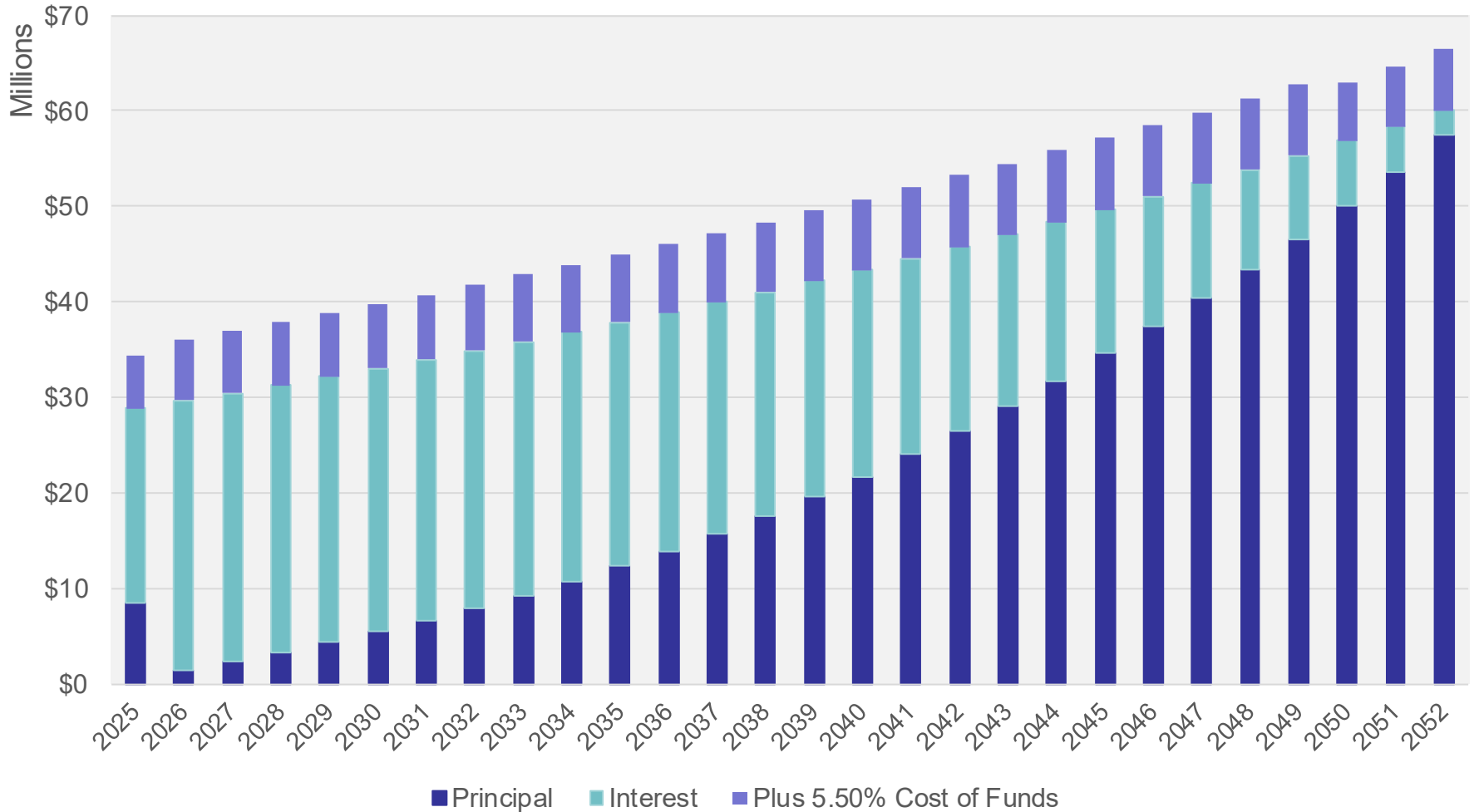
2024 Refunding Bond Debt Service - Baseline



All figures are subject to market adjustments. Market rates assume (Aa3/AA-/AA) ratings as of March 27, 2024.



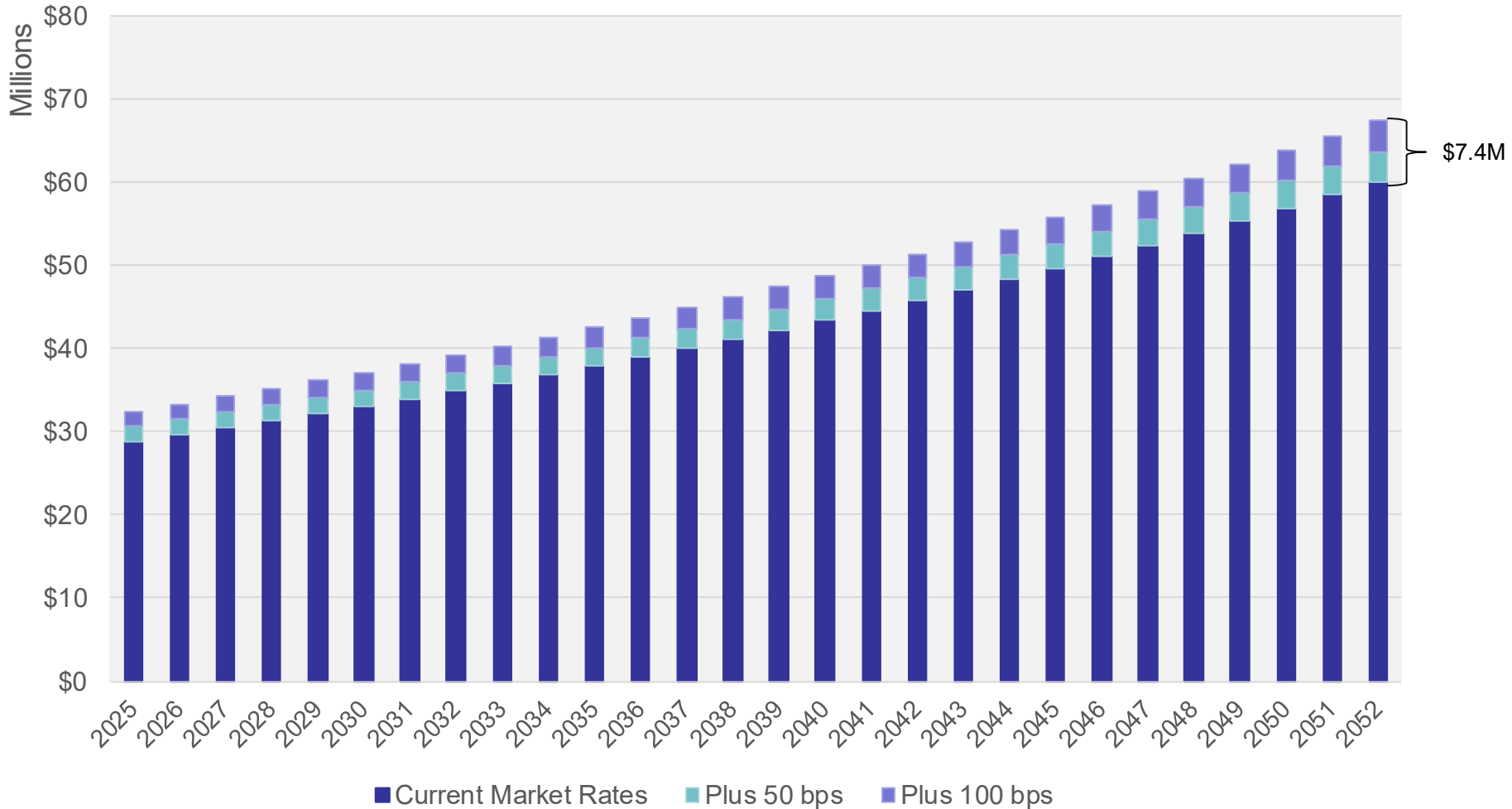
2024 Refunding Bond Debt Service – 5.50% Cost of Funds



All figures are subject to market adjustments. Market rates assume (Aa3/AA-/AA) ratings as of March 27, 2024.



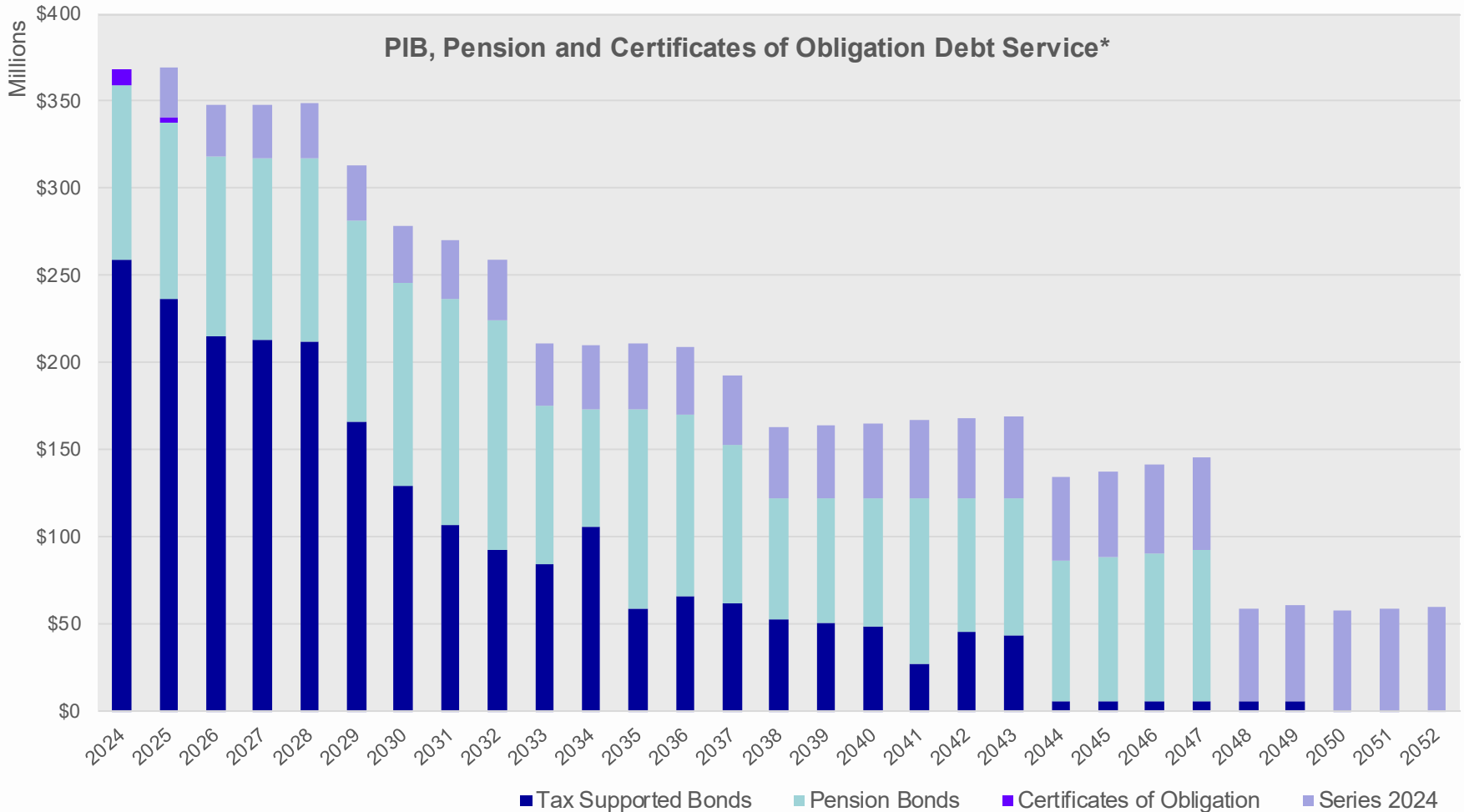
2024 Debt Service plus 50 & 100 bps



All figures are subject to market adjustments. Market rates assume (Aa3/AA-/AA) ratings as of March 27, 2024.



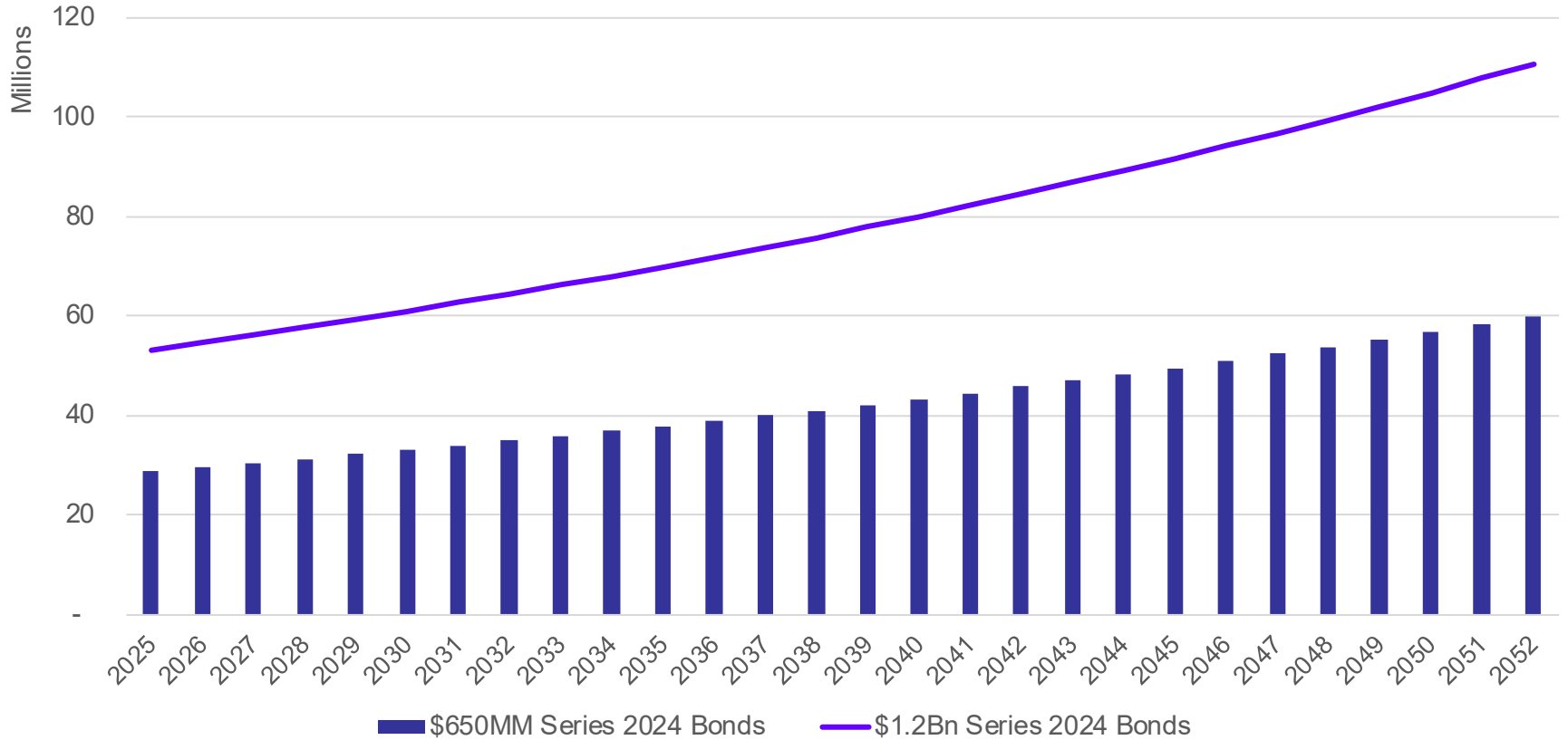
Pro forma GO Debt Service – Post 2024 Refunding Bonds



- 2024 Bonds figures are subject to market adjustments. Assumes (Aa3/AA-/AA) ratings and market rates as of March 27, 2024. **DOES NOT include future issuances.**



Cost Avoided





Financial Policies

Potential Impacts:

- Issuing over \$650 million in bonds could impact compliance with the City's financial policies related to debt
 - J.2. Debt Service Fund Balance: may need to increase debt service reserve amount
 - J.5. Debt Service Index: if exceed 4% annual growth in GO debt service, need to identify funding mechanism to offset difference
 - J.6. General Fund Transfer: Target to drive Maximum General Fund transfer for debt service from 20% of total revenues in FY2019 to 12% in FY34 and beyond.
 - J.7. Average Weighted Life of GO bonds: must be 12 years or less

- Next Steps: Evaluate Financial Policies with this issuance in mind



2024 FOMC Meetings

The Federal Open Markets Committee (“FOMC”):

- The FOMC holds eight regularly schedule throughout the year
- Remaining meetings for 2024 are as follows:
 - April 30 – May 1
 - June 11-12*
 - July 30 - 31
 - September 17-18*
 - November 6 - 7
 - December 17- 18*
- Currently, 9.8% and 56.9% probability of a rate decrease at May and June meetings, respectively
 - Rate decreases are theoretically already priced into the market

Date of FOMC Meeting	5/1/24	6/12/24	7/31/24	9/18/24	11/7/24	12/18/24
FED Funds Forecast (Bloomberg)	5.30%	5.15%	5.05%	4.85%	4.75%	4.60%

*Meeting associated with a Summary of Economic Projections and a press conference by the Chair



Funding the Collective Bargaining Agreement



FY24 Pay Comparisons

- HFD has received an 18% increase in the last three fiscal years
- Base pay is up to 37% behind in some ranks when compared to Texas city with the highest pay
- Adjusting for hours worked, a gap in pay remains in comparison to benchmarked city

	Base Pay			Hourly Wage		
	FY24 COH Step One	FY24 Top of Market Step One	% Below Market	FY24 COH Step One	FY24 Top of Market Step One	% Below Market
Probationary Firefighter	\$ 1,840	\$ 2,530	37%	\$ 19.70	\$ 22.59	15%
Fire Fighter	\$ 1,994	\$ 2,655	33%	\$ 21.35	\$ 23.71	11%
Engineer/Operator	\$ 2,809	\$ 3,532	26%	\$ 30.07	\$ 31.54	5%
Captain	\$ 2,963	\$ 3,993	35%	\$ 31.72	\$ 35.65	12%
Senior Captain	\$ 3,287	\$ 4,240	29%	\$ 35.19	\$ 37.86	8%
District Chief	\$ 3,763	\$ 4,844	29%	\$ 40.29	\$ 43.25	7%
Deputy Chief	\$ 4,339	\$ 5,433	25%	\$ 46.46	\$ 48.51	4%
Assistant Fire Chief*	\$ 5,306	\$ 6,110	15%	\$ 66.33	\$ 76.37	15%
Executive Assistant Fire Chief*	\$ 5,837	\$ 6,676	14%	\$ 72.96	\$ 83.45	14%

*80 hours bi-weekly

NOTES

Captain Classification consist of Captains, Communication Captains, Inspector and Investigators.

Sr. Captain Classification consist of Sr. Captains, Communication Sr. Captains, Sr. Inspectors, Sr. Investigators and Shop Supervisor.

District Chief Classification consist of District Chiefs, Chief Communication Officers, Chief Inspectors, Chief Investigators and Master Mechanic.

Deputy Chief Classification consist of Deputy Chiefs, Assistant Fire Marshall, Deputy Communication Officer, and Deputy Chief Investigator.



Proposed 5-Year Agreement

- Proposed CBA will increase the total budgeted base pay by 10% in year one
- The full six percent in the final four years are contingent upon revenue targets
- Goal in the first year is to get all ranks closer to the top of market
 - FY25 percentages are shown for illustrative purposes only. Specifics are still being negotiated with the Union.

	FY25	FY26	FY27	FY28	FY29	Total Increase
Probationary Firefighter	12%	6%	6%	6%	6%	36%
Fire Fighter	12%	6%	6%	6%	6%	36%
Engineer/Operator	9%	6%	6%	6%	6%	33%
Captain	9%	6%	6%	6%	6%	33%
Senior Captain	8%	6%	6%	6%	6%	32%
District Chief	8%	6%	6%	6%	6%	32%
Deputy Chief	8%	6%	6%	6%	6%	32%
Assistant Fire Chief	6%	6%	6%	6%	6%	30%
Executive Assistant Fire Chief	6%	6%	6%	6%	6%	30%
Incremental Cost	\$ 35,582,066	\$ 23,527,783	\$ 24,939,450	\$ 26,435,817	\$ 28,021,966	
Cumulative Cost	\$ 35,582,066	\$ 59,109,849	\$ 84,049,299	\$ 110,485,116	\$ 138,507,082	\$ 427,733,412



FY25 Pay Comparisons

- The illustration from the previous slide brings Houston closer to the benchmark city

	Base Pay			Hourly Wage		
	FY25 COH Step One	FY25 Top of Market Step One	% Below Market	FY25 COH Step One	FY25 Top of Market Step One	% Below Market
Probationary Firefighter	\$ 2,061	\$ 2,606	26%	\$ 22.07	\$ 23.27	5%
Fire Fighter	\$ 2,233	\$ 2,735	22%	\$ 23.91	\$ 24.42	2%
Engineer/Operator	\$ 3,061	\$ 3,465	13%	\$ 32.78	\$ 30.94	-6%
Captain	\$ 3,229	\$ 4,112	27%	\$ 34.57	\$ 36.71	6%
Senior Captain	\$ 3,550	\$ 4,367	23%	\$ 38.01	\$ 38.99	3%
District Chief	\$ 4,064	\$ 4,989	23%	\$ 43.52	\$ 44.54	2%
Deputy Chief	\$ 4,686	\$ 5,596	19%	\$ 50.17	\$ 49.96	0%
Assistant Fire Chief*	\$ 5,625	\$ 6,293	12%	\$ 70.31	\$ 78.66	12%
Executive Assistant Fire Chief*	\$ 6,187	\$ 6,877	11%	\$ 77.34	\$ 85.96	11%

*80 hours bi-weekly

NOTES

Captain Classification consist of Captains, Communication Captains, Inspector and Investigators.

Sr. Captain Classification consist of Sr. Captains, Communication Sr. Captains, Sr. Inspectors, Sr. Investigators and Shop Supervisor.

District Chief Classification consist of District Chiefs, Chief Communication Officers, Chief Inspectors, Chief Investigators and Master Mechanic.

Deputy Chief Classification consist of Deputy Chiefs, Assistant Fire Marshall, Deputy Communication Officer, and Deputy Chief Investigator.



Incentives and Special Pays

- A cost impact for each type of incentive and special pay will be provided once the CBA is closer to a final draft form.



General Fund Proposals

How will the City pay Fire Fighter Settlement

➤ Potential Revenue Discussions:

- Garbage Fee
- Fee Adjustments
- Combined Utility Right of Way Rental Fee
- Property Tax Public Safety Add-on

➤ Potential Expenditure Discussions:

- Contact Center Consolidations
- Corporate Function
- 5% Budget Reductions



Finance Department

Questions?



Debt Service: Aa3 vs. A1

City of Houston, Texas

2024 Refunding Bonds

PRELIMINARY, FOR DISCUSSION PURPOSES ONLY

Scenario: Current Ratings (Aa3 / AA / AA)					Scenario: Downgrade (A1 / AA- / AA-)					Difference	
Period Ending	Principal	Coupon	Interest	Debt Service	Period Ending	Principal	Coupon	Interest	Debt Service		
6/30/2025	1,000,000	5.00%	20,280,391	21,280,391	6/30/2025	1,000,000	5.00%	20,469,840	21,469,840	189,449	
6/30/2026	1,520,000	5.00%	28,469,300	29,989,300	6/30/2026	1,535,000	5.00%	28,735,713	30,270,713	281,413	
6/30/2027	2,420,000	5.00%	28,393,300	30,813,300	6/30/2027	2,445,000	5.00%	28,658,963	31,103,963	290,663	
6/30/2028	3,390,000	5.00%	28,272,300	31,662,300	6/30/2028	3,420,000	5.00%	28,536,713	31,956,713	294,413	
6/30/2029	4,430,000	5.00%	28,102,800	32,532,800	6/30/2029	4,470,000	5.00%	28,365,713	32,835,713	302,913	
6/30/2030	5,545,000	5.00%	27,881,300	33,426,300	6/30/2030	5,595,000	5.00%	28,142,213	33,737,213	310,913	
6/30/2031	6,740,000	5.00%	27,604,050	34,344,050	6/30/2031	6,805,000	5.00%	27,862,463	34,667,463	323,413	
6/30/2032	8,020,000	5.00%	27,267,050	35,287,050	6/30/2032	8,100,000	5.00%	27,522,213	35,622,213	335,163	
6/30/2033	9,395,000	5.00%	26,866,050	36,261,050	6/30/2033	9,480,000	5.00%	27,117,213	36,597,213	336,163	
6/30/2034	10,860,000	5.00%	26,396,300	37,256,300	6/30/2034	10,960,000	5.00%	26,643,213	37,603,213	346,913	
6/30/2035	12,430,000	5.00%	25,853,300	38,283,300	6/30/2035	12,545,000	5.00%	26,095,213	38,640,213	356,913	
6/30/2036	14,100,000	5.00%	25,231,800	39,331,800	6/30/2036	14,235,000	5.00%	25,467,963	39,702,963	371,163	
6/30/2037	15,890,000	5.00%	24,526,800	40,416,800	6/30/2037	16,040,000	5.00%	24,756,213	40,796,213	379,413	
6/30/2038	17,795,000	5.00%	23,732,300	41,527,300	6/30/2038	17,960,000	5.00%	23,954,213	41,914,213	386,913	
6/30/2039	19,825,000	5.00%	22,842,550	42,667,550	6/30/2039	20,010,000	5.00%	23,056,213	43,066,213	398,663	
6/30/2040	21,990,000	5.00%	21,851,300	43,841,300	6/30/2040	22,195,000	5.00%	22,055,713	44,250,713	409,413	
6/30/2041	24,295,000	5.00%	20,751,800	45,046,800	6/30/2041	24,525,000	5.00%	20,945,963	45,470,963	424,163	
6/30/2042	26,750,000	5.00%	19,537,050	46,287,050	6/30/2042	27,000,000	5.00%	19,719,713	46,719,713	432,663	
6/30/2043	29,360,000	5.00%	18,199,550	47,559,550	6/30/2043	29,635,000	5.00%	18,369,713	48,004,713	445,163	
6/30/2044	32,135,000	5.00%	16,731,550	48,866,550	6/30/2044	32,435,000	5.00%	16,887,963	49,322,963	456,413	
6/30/2045	35,085,000	4.00%	15,124,800	50,209,800	6/30/2045	35,415,000	4.00%	15,266,213	50,681,213	471,413	
6/30/2046	37,870,000	4.00%	13,721,400	51,591,400	6/30/2046	38,225,000	4.00%	13,849,613	52,074,613	483,213	
6/30/2047	40,805,000	4.00%	12,206,600	53,011,600	6/30/2047	41,185,000	4.00%	12,320,613	53,505,613	494,013	
6/30/2048	43,895,000	4.00%	10,574,400	54,469,400	6/30/2048	44,305,000	4.00%	10,673,213	54,978,213	508,813	
6/30/2049	47,150,000	4.00%	8,818,600	55,968,600	6/30/2049	47,590,000	4.00%	8,901,013	56,491,013	522,413	
6/30/2050	50,575,000	4.25%	6,932,600	57,507,600	6/30/2050	51,045,000	4.25%	6,997,413	58,042,413	534,813	
6/30/2051	54,305,000	4.25%	4,783,163	59,088,163	6/30/2051	54,815,000	4.25%	4,828,000	59,643,000	554,838	
6/30/2052	58,240,000	4.25%	2,475,200	60,715,200	6/30/2052	58,785,000	4.25%	2,498,363	61,283,363	568,163	
				\$ 635,815,000	\$ 563,427,604	\$ 1,199,242,604					\$ 11,209,961
Dated Date				6/15/2024	Dated Date				6/15/2024		
Delivery Date				6/15/2024	Delivery Date				6/15/2024		
First Coupon				9/1/2024	First Coupon				9/1/2024		
Last Maturity				3/1/2052	Last Maturity				3/1/2052		
Arbitrage Yield				4.098%	Arbitrage Yield				4.176%		
All-In TIC				4.241%	All-In TIC				4.313%		0.072%
Average Coupon				4.381%	Average Coupon				4.381%		
Average Life (years)				20.225	Average Life (years)				20.226		
Weighted Average Maturity (years)				19.808	Weighted Average Maturity (years)				19.790		
Duration of Issue (years)				13.247	Duration of Issue (years)				13.202		
Par Amount				635,815,000	Par Amount				641,755,000		\$ 5,940,000
Total Interest				563,427,604	Total Interest				568,697,565		\$ 5,269,961
Total Debt Service				1,199,242,604	Total Debt Service				1,210,452,565		
Maximum Annual Debt Service				60,715,200	Maximum Annual Debt Service				61,283,363		\$ 568,163
Average Annual Debt Service				43,276,598	Average Annual Debt Service				43,681,127		\$ 404,529

Market rates as of March 27, 2024.



Property Tax Rate Comparison

Tax Rate Per \$100 of value

City	Tax Rate
Dallas	0.735700
Fort Worth	0.672500
Austin	0.445800
El Paso	0.818875
San Antonio	0.541590
Houston	0.519190