



CITY OF HOUSTON

Finance and Administration
Department

Interoffice

Correspondence

To: Mayor Bill White
Members of City Council

From: Judy Gray Johnson, Director

Date: January 30, 2004

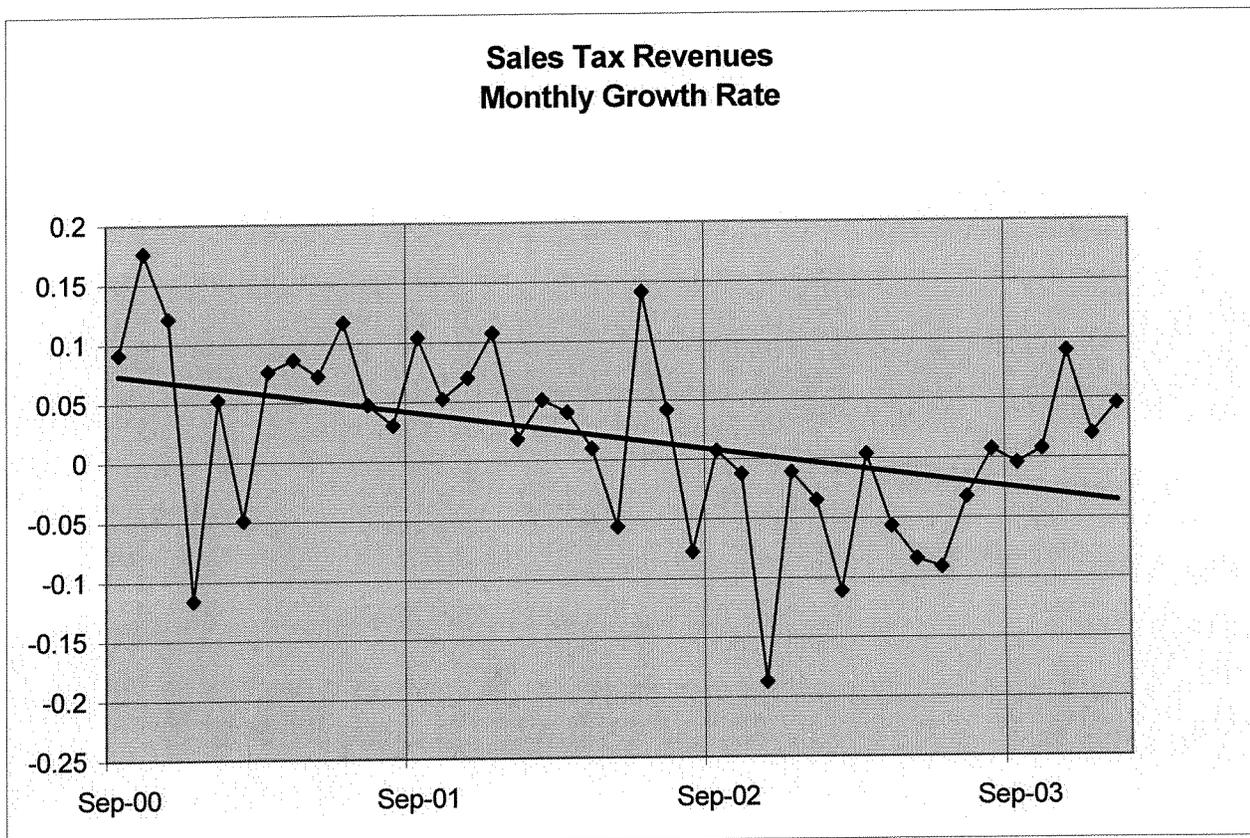
Subject: **December Monthly Financial
and Operations Report**

Attached is the Monthly Financial and Operations Report for the period ending December 31, 2003.

Our estimates of General Fund Revenues have declined by \$4 million since last month. This is primarily due to changes in franchise revenues. We have decreased our estimates for electric franchise revenues by \$2.1 million and telephone franchise revenues by \$2.4 million, offset by increased estimates for gas franchise revenues of \$500 million.

In many respects, this is a challenging month for updating our projections. We are half-way through the fiscal year, but it is important to remember that for some of the largest revenue sources, we don't have six months of actual data. We have five months actual data for sales taxes and only the first quarter for franchise revenues. Two weeks from now, we will have the actual amount of the largest sales tax check for the year. At that time, we will also know the total second quarter's franchise revenues. In the meantime, we report our best estimates, based on the actual data in hand.

We will meet our sales tax projection if the remaining months of the year average 3.6% higher than the same month the previous year. This seems reasonable, considering the recent improvements in the economy. However, sales taxes on a monthly basis are quite volatile. The chart on the following page shows the percent change each month for the past three fiscal years, when compared to the same month for the previous year.



On balance, charges for services and miscellaneous revenues could also come in above current projections, but property taxes and industrial assessments could come in below our current estimates.

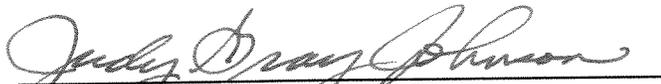
In December, the Convention and Entertainment Facilities Department transferred \$1.5 million to the General Fund to pay most of the additional costs related to hosting the Super Bowl. When the FY04 budget was prepared, this was not included in the General Fund budget. The additional transfer amount is shown on page three in transfers from other funds. This amount will be allocated to the appropriate department budgets, primarily Police and Fire, once the actual costs are known. In the meantime, we have projected expenditures of \$1.5 million in other Interfund Services in General Government. This is merely a placeholder until we determine the actual costs.

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Except for the additional Super Bowl expenses, we have not changed the expenditure projections since last month. We are working with all the departments to conduct an in-depth review of expenses and to identify cost savings that can be implemented before year-end. Since these expense reductions have not been implemented, we are currently projecting a drawdown of the fund balance in the amount of \$4.3 million, to \$78.7 million. While this is lower than the balance we would like to maintain, we believe this is a level that can be sustained without borrowing from other funds for cash flow needs.

In the Enterprise Fund, there is no significant change in estimates. The Aviation Fund projections reflect a shift between landing area revenues and building and ground area billings, but overall revenues are above budget.

If you have any questions, please let me know.



Judy Gray Johnson, Director
Finance and Administration Department