

OFFICE OF CITY CONTROLLER

**CITY OF HOUSTON
INTER OFFICE CORRESPONDENCE**

To	Mayor Bill White City Council Members	From	Annise D. Parker City Controller
		Date	March 26, 2004
		Subject	February 2004 Financial Report

Attached is the Monthly Financial and Operations Report for the period ending February 29, 2004.

GENERAL FUND

The projected General Fund budget deficit has increased to \$6.1 million, up by \$2.5 million from last month. While our revenue projection is up by \$1.2 million, this increase is more than offset by increases in estimates for several expenditure line items mentioned below. The changes in our revenue projection include:

- The sales tax revenue projection is \$335.6 million, or \$3.7 million more than last month. Our projection is based on year-to-date receipts, which are running higher than we anticipated at the start of the fiscal year, and additional revenues from new Limited Purpose Annexations that will begin generating revenue in April of this year. For the remainder of FY 04 we are predicting a 3% increase over FY 03 sales tax revenues.
- The telephone franchise revenue projection is \$53 million, or a decrease of \$1 million. Our projection is based on year-to-date collections and the expectation that the third and fourth quarter receipts will be in line with those of the second quarter.
- The intergovernmental revenue projection is \$20.5 million, or a decrease of \$1.5 million. Our projection is based on a decline from our original estimate of anticipated receipts in several categories.
- The projection for charges for services revenue is \$39.3 million, or an increase of \$1.3 million. Our projection is based on higher than anticipated trends in ambulance receipts.
- The direct interfund services revenue projection is \$62.3 million, or a decrease of \$2.3 million. Our projection is primarily based on lower than anticipated billings for police services at the Airports.
- The municipal courts fines and forfeits revenue projection is \$44 million, or an increase of \$1 million. This is primarily based on higher than anticipated revenue from moving violations.

The projection of total expenditures and other uses for the General Fund has increased by \$3.7 million from last month. This is largely based on a \$1 million reduction in anticipated savings in the Parks and Recreation Department, a \$1.6 million increase in election costs, and a \$1.4 million increase in expenditures for the Limited Purpose Annexations (LPA). As part of the LPAs, the City has a revenue sharing agreement with the MUDs that we annex whereby one-half of the sales tax generated in a given MUD is forwarded back to that MUD. These sale tax revenues from the LPAs are higher than we had originally projected and, therefore, the related revenue sharing, or expense, is also higher.

ENTERPRISE FUNDS

Water and Sewer reflects a net increase in operating income of \$3.1 million. Operating revenues increased by \$1.3 million due to an increase in miscellaneous revenues, and operating expenses decreased by \$1.8 million due to lower than anticipated electricity costs.

Convention and Entertainment reflects an increase in net income of \$3.2 million resulting from various adjustments. The change is mostly due to a decrease in operating revenues of \$1.1 million resulting from minor downward adjustments to all revenue categories, and a decrease in operating expenses of \$4.4 million resulting from a flood control project being postponed until FY05.

Mayor Bill White
 City Council Members
 February 2004 Monthly Financial and Operations Report

HIGHLIGHTS OF THE BOND STATUS REPORT

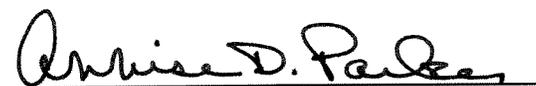
<u>COMMERCIAL PAPER</u>	<u>Drawdowns FY04</u> <small>(in millions)</small>	<u>Drawdowns in Feb.</u> <small>(in millions)</small>	<u>Increased Authorization/ (Refunded)</u> <small>(in millions)</small>	<u>Amount Available to be Drawn</u> <small>(in millions)</small>	<u>Amount Outstanding</u> <small>(in millions)</small>
General Obligation					
<i>(Series A & B)</i>					
<i>Public Improvement Bonds</i>	\$ 39.00	\$ 2.00	\$ (69.00)	\$ 68.00	\$ 310.30
<i>(Series C)</i>					
<i>Equipment</i>	\$ 2.40	\$ 0.00	\$ (45.90)	\$ 0.00	\$ 0.00
<i>Storm & Overlay</i>	\$ 3.10	\$ 0.00	\$ (19.10)	\$ 0.00	\$ 0.00
<i>(Series D)</i>					
	\$ 27.00	\$ 0.00	\$ 110.00	\$ 235.00	\$ 40.00
<i>(Series E)</i>					
<i>Downtown Streetscape</i>	\$ (0.10)	\$ 0.40	\$ 0.00	\$ 0.10	\$ 5.40
<i>Equipment</i>	\$ 18.10	\$ (0.40)	\$ 9.50	\$ 60.90	\$ 18.10
<i>Metro Street Projects</i>	\$ 0.00	\$ 0.00	\$ 63.00	\$ 63.00	\$ 0.00
<i>Cotswald Project</i>	\$ 0.00	\$ 0.00	\$ 7.50	\$ 7.50	\$ 0.00
Water and Sewer	\$ 190.00	\$ 0.00	\$ 0.00	\$ 294.75	\$ 605.25
<i>(Series A & B)</i>					
Aviation	\$ 0.00	\$ 0.00	\$ 0.00	\$ 300.00	\$ 0.00
<i>(Series A,B, & C)</i>					
Convention & Entertainment	\$ 0.00	\$ 0.00	\$ 0.00	\$ 52.50	\$ 22.50
<i>(Series A)</i>					

The City's practice has been to maintain no more than 20% of the total outstanding debt for each type of debt in a variable rate structure.

As of February 29, 2004, the ratio for each type of outstanding debt was

General Obligation	17.9%
Water and Sewer	15.2%
Aviation	16.0%
Convention & Entertainment	27.1%

Respectfully submitted,


 Annise D. Parker
 City Controller