OFFICE OF CITY CONTROLLER

CITY OF HOUSTON
INTER OFFICE CORRESPONDENCE

To	Mayor Bill White City Council Members	**From**	Annise D. Parker City Controller
		Date	December 29, 2004
		Subject	**November 2004 Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending November 30, 2004.

GENERAL FUND

We are currently projecting a $24 million shortfall for the general fund in FY05. Overall, we are projecting a net $681 thousand increase in revenues and a net $432 thousand decrease in expenditures. These changes can be summarized as follows:

Revenues

- Gas Franchise has increased by $1.4 million because the cost of natural gas has increased. The cost for residential and small commercial consumers, which is approximately 60% of natural gas users, has increased by 24% from last year.
- Licenses & permits has increased by $1.2 million due to anticipated increases in dumpster permits by the Solid Waste department.
- Direct interfund charges decreased by almost $2 million based on a decrease in Public Works and Engineering Department's ("PWE") salary recovery for capital improvement projects.

Expenditures

- The decrease in salary recovery mentioned above is attributable to a reduction in PWE's personnel (almost $2 million in savings).
- The Solid Waste department will incur start up costs of $1.5 million to administer the dumpster permit program.

ENTERPRISE FUNDS

There are no changes this month in our projections for Aviation.

Convention & Entertainment Facilities ("C&E") has a $3.9 million increase in other non-operating revenue and an $8 million increase in capital outlay. The revenue increase was for an unbudgeted payment from the Houston Convention Center Hotel Corporation ("Corporation"). While this payment is required as part of their interlocal agreement, it is up to C&E to determine whether or not to take the funds or leave them with the Corporation each year. Due to an increase in the Corporation's interest income, C&E determined that the Corporation should make this payment. This money, along with other funds, was used to purchase the land (the $8 million increase in capital outlay) that is being donated to the Houston Downtown Park Corporation.

The Combined Utility System ("CUS") has a projected decrease of $5.6 million in revenue and a $20.9 million decrease in expenses. The revenue decrease is primarily due to lower than anticipated water revenue ($1.1 million) and sewer revenue ($4.6 million). The water revenue projection is due to delays in the opening of the Northeast Water plant and the sewer revenue projection is attributed to sewer revenue trends so far this year. The decrease in expenses are primarily attributed to:

- $7.3 million reduction in personnel costs due to higher than anticipated personnel vacancies;
- $13.6 million reduction in contracts and other payments, $11.4 million of which is due to the Northeast Water plant not being operational. The remainder is due to anticipated savings in telephone, computer information/software maintenance, contracts and sponsorships, and refuse disposal.

The net $15 million increase in income before transfers will increase the transfers to the CUS general purpose fund.

COMMERCIAL PAPER AND BONDS

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. At month-end, the ratio for each type of outstanding debt was:

General Obligation	20.0%
Combined Utility System	18.9%
Aviation	17.4%
Convention and Entertainment	27.4%

Respectfully submitted,

Annise D. Parker
City Controller