

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

TO: Mayor Bill White
City Council Members

From: Annise Parker
City Controller

Date: August 25, 2006

Subject: July 31, 2006 Financial Report

Attached is the Monthly Financial and Operations Report for the period ending July 31, 2006.

GENERAL FUND – Fiscal Year 2007

Our current revenue projections are \$481,000 lower than the Controller's Trends Report issued back in May 2006. Although the overall amount of change is small, there are significant adjustments in several individual categories. We have reduced our property tax projection by \$8 million in anticipation of a property tax rollback to comply with Proposition 1. The latest census figures are smaller than the population estimate used for our original Prop. 1 calculation. As a result, we revised downward our property tax projections. Neither our numbers nor the census estimate took into account the influx of Katrina evacuees. In addition, we are increasing our projections for sales taxes and interest revenues by \$6 million and \$1.5 million, respectively. These increases are based on higher than anticipated collections in FY 06.

The amount needed to balance the budget is projected to be \$23.6 million. Part of this is attributed to the anticipated property tax rate adjustment mentioned above. In addition, the FY 07 Adopted Budget anticipates drawing down the fund balance by \$17.3 million.

ENTERPRISE FUNDS

We are currently projecting the Aviation Operating Fund, Convention and Entertainment Facilities Operating Fund, Combined Utility System, and Stormwater Fund at budget. It is important to note that in SAP (Systems Applications and Products) financial information is available in a financial reporting module and in a budget-reporting module. Asset purchases are not recognized as expenses in our financial reporting module. The monthly financial reports for the enterprise funds are prepared using the budget-reporting module from SAP, which yields different results than the financial reporting module.

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:

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|------------------------------|-------|
| General Obligation | 20.3% |
| Combined Utility System | 20.8% |
| Aviation | 22.4% |
| Convention and Entertainment | 28.0% |

Respectfully submitted,



Annise D. Parker
City Controller