OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: July 6, 2007

Subject: May 2007 Financial Report

Attached is the Monthly Financial and Operations Report for the period ending May 31, 2007.

GENERAL FUND

We are currently projecting an increase of $34 million over the ending unreserved fund balance for FY 2006.

We have increased our projection for Telephone Franchise Fees a $1 million, reflecting current receipts through May. Other Franchise Fees have increased $1.6 million, primarily due to cable franchise fees received through the third quarter of FY 2007. Finally, we have decreased our projection for Indirect Interfund revenues by $1.4 million to be in line with lower than budgeted recoverable expenditures in the CIP Salary Recovery Fund.

With regard to our expenditure projections, the total has remained relatively unchanged, although there were changes within different departments. As a result of slower than anticipated hiring for staff vacancies, we have decreased projected spending for the Library and for the General Fund portion of Convention and Entertainment Facilities Department by $479,000 and $249,000, respectively. There is an increase of $1.4 million in Public Works Department to reflect the current projection for electricity costs. We have also decreased the projection in General Government by $567,000 for transfers of funds to the Parks Department and Municipal Courts – Justice to cover anticipated budget overruns.

ENTERPRISE FUNDS

The Aviation Operating Fund's projection for Operating Revenues has increased $2 million. This is due to better than expected year-to-date revenues in Parking and Concessions. Projected Operating Expenses have decreased $1.8 million to more accurately reflect below budget staffing levels. The projection for Interfund Transfers to the Operating Reserve Fund has increased $2.4 million to be in line with the available amount.

Higher than anticipated fourth quarter receipts for Hotel/Motel Taxes are the reason for a $3 million increase in Convention and Entertainment Facilities Department revenues. Advertising Services and Promotion Contract expenses have increased $1.3 million. We have also decreased the projection for Capital Outlay by $1.3 million to recognize project costs that will not be completed in FY 2007.

The Combined Utility System (CUS) projects a decrease of $2.7 million in Operating Revenues. This consists of $1.4 million in decreased revenue from Water Sales, and a $1.54 million decrease in Sewer Sales, both of which are the result of decreased water sales caused by continued higher than average rainfall. The projection for Operating Expenses has increased by $1.6 million, mainly due to higher than expected electricity costs. Finally, the projection for Equipment Acquisition operating transfer has been decreased $1 million for chemical tanks that are not expected to be received prior to June 30, 2007.

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. The City is planning to refund Airport System Commercial Paper and Combined Utility System Commercial Paper with fixed rate debt in the upcoming months. Aviation is also maintaining high investment balances that will hedge against increases in variable rate debt payments. Convention and Entertainment issued a higher percentage of variable rate debt based on agreements with the Hotel Corporation. At month-end, the ratio for each type of outstanding debt was:

General Obligation	16.7%
Combined Utility System	23.1%
Aviation	23.4%
Convention and Entertainment	28.1%

Respectfully submitted,

Annise D. Parker

Annise D. Parker
City Controller