

OFFICE OF THE CITY CONTROLLER

**CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE**

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: January 4, 2007

**Subject: November 2006
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending November 30, 2006.

GENERAL FUND

We are projecting a shortfall of \$17.9 million, or \$3.9 million less than the shortfall reported last month. We have increased our revenue projection for Sales Tax by \$2.2 million, due to recent actual experience. Additionally, we have decreased our projection of Direct Interfund Services by \$513,000, to reflect the transfer to the Combined Utility System of payroll services previously handled by Finance and Administration.

We are also reducing several departmental expenditure projections totaling \$2.2 million. The primary reason is savings in personnel costs, due to lower than budgeted staffing levels.

ENTERPRISE FUND

There are no changes to the projections for the Aviation Operating Fund and Stormwater Fund.

Convention & Entertainment's projection for Hotel Occupancy Tax revenues has been increased by \$3.8 million to reflect current trends for the first five months of FY 2007. The projected expenses for Advertising Services and Promotion Contracts have been increased by \$927,000.

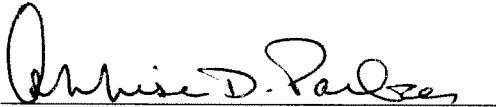
The Combined Utility System (CUS) projects decreases totaling \$2.5 million in Sewer Sales due to year to date trends. The CUS also projects an increase of \$2.5 million in Contracts, to reflect higher than anticipated fleet repair costs.

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 refunded \$229.4 million of General Obligation Commercial Paper with fixed rate debt in December 2006, and it is planning to refund Combined Utility System Commercial Paper with fixed rate debt in spring 2007. Aviation currently is 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	21.9%
Combined Utility System	21.1%
Aviation	22.9%
Convention and Entertainment	27.0%

Respectfully submitted,



Annise D. Parker
City Controller