

**OFFICE OF THE CITY CONTROLLER**

**CITY OF HOUSTON  
INTEROFFICE CORRESPONDENCE**

**To:** Mayor Bill White  
City Council Members

**From:** Annise D. Parker  
City Controller

**Date:** December 1, 2006

**Subject: October 2006  
Financial Report**

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

**GENERAL FUND**

We are projecting a shortfall of \$21.8 million, or \$6.4 million more than the shortfall reported last month. We have increased our revenue projection for Sales Tax by \$3 million, and Charges for Services by \$2 million, due to recent actual experience. Additionally, we have decreased our projection of Direct Interfund Services by \$1 million, to reflect security at water plants being handled by private firms, and not the Police Department, as in the past.

We are also changing several departmental expenditure projections. For those projected below budget (City Council, Finance & Administration, Human Resources, Information Technology, Legal, and Public Works), totaling \$1.9 million, the primary reason is savings in personnel costs, due to lower than budgeted staffing levels. For Fire and Police, we are projecting increases over budget of \$1.6 million and \$7.8 million, respectively. These increases are due to overtime costs. In General Government, the projection for election costs has been increased by \$3 million. This reflects the cost of a special election and runoff to fill the vacancy created when former CM Shelley Sekula-Gibbs won election to Congress.

**ENTERPRISE FUND**

There are no significant changes to the bottom line for the Aviation Operating Fund, Convention and Entertainment, Combined Utility System, and Stormwater Fund, although there were numerous changes within each fund.

Aviation shows a decrease of \$7.6 million in Landing Area revenues, offset by increases in Building and Ground, and Parking and Concession revenues, all from reflection of 4 months actual activities in FY 2007.

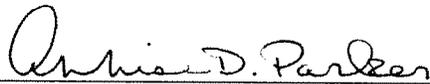
Combined Utility System projects decreases totaling \$6 million in Water and Sewer Sales, related to higher than average rainfall, primarily offset by a decrease in Personnel costs and an increase in Interest Income revenues.

**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 will refund 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 early in 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	21.5%
Combined Utility System	21.2%
Aviation	22.7%
Convention and Entertainment	28.8%

Respectfully submitted,



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Annise D. Parker  
City Controller