OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: February 29, 2008

Subject: January 2008 Financial Report

Attached is the Monthly Financial and Operations Report for the period ending January 31, 2008.

GENERAL FUND

We are still projecting an approximately balanced budget. Our projection for Charges for Services revenue has decreased $1.7 million due to lower-than-expected revenues received through the first seven months of FY2008. This decrease is attributable to numerous sources, but mainly involves Police Services, $532,000; Pay Phone Concessions, $350,000; and Weed Cutting Liens, $350,000. We have increased our projection for Other Fines and Forfeits by $1.5 million to reflect the correct accounting of Interest on Liens collections.

Our projection for total General Fund expenditures is mainly unchanged from last month's report, although several departmental projections have changed to reflect the specific reporting of $6 million reported last month as Transfers to Other Funds. The more significant changes include: an increase of $537,000 in the General Services Department for increased Security Services costs, an increase of $265,000 in Parks for office relocation expenses during the office renovation, and a decreased projection for Public Works of $674,000 for personnel savings from vacancies.

ENTERPRISE FUNDS

The operating revenue projection for Aviation has decreased by $574,000 due to fewer-than-expected passengers parking. The operating expense projection has decreased $1.4 million to reflect current electricity and natural gas costs provided by General Services. We are also increasing the Debt Service Principal and Interest projections by $17.8 million. This is mainly due to the possibility that an anticipated Letter of Intent grant from the FAA may not be received before June 30. These changes decrease the operating transfer to Capital Improvement by $17.2 million.

In the Convention & Entertainment operating fund, we have decreased our projection for operating expenses by $406,000. This involves a reduction in Construction Costs of $854,000 and an increase in Electrical Parts of $303,000. Our projection for Non-Capital Outlay expenses has decreased $1.45 million for CIP projects that will not be completed until FY2009. Within the Operating Transfer section, we have increased our projection for Transfers for Interest expense by $438,000 because of higher-than-anticipated interest on variable rate debt.

Continued higher rainfall has further decreased Water and Sewer Sales by $3.3 million in the Combined Utility Fund. Our Supplies projection has increased $498,000 in Chemical Expenses. Non-Operating Revenues have increased $1.4 million due to the sale of the Willow Street pump station. Lastly, our projection for Equipment Acquisitions has decreased $4.8 million, reflecting CIP projects costs that were re-classed to the Services expense projection.

Our projection for Stormwater expenses has increased $461,000 due to higher-than-expected costs for refuse disposal, fuel and construction projects.

We are not projecting any significant changes in the Parking Management enterprise fund this month.

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 plans to refund most of its Airport System commercial paper in the spring. The Airport System also maintains high investment balances that 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.

As of January 31, 2008 the ratio for each type of outstanding debt was:

General Obligation	15.6%
Combined Utility System	11.6%
Aviation	22.6%
Convention and Entertainment	29.5%

Since November 2007 the city has been paying considerably higher auction rates than it has been receiving on its LIBOR-based swap indexes. The city is actively working to convert most of its auction rate products to other modes of debt.

Respectfully submitted,

Annise D. Parker
City Controller