

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: August 29, 2008

Subject: July 2008
Financial Report

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

GENERAL FUND

We are projecting a shortfall of \$70 million. This is based largely on the revenue projections included in the Controller's Office Trends Report issued in May 2008. However, there are three revenue categories for which we have revised our projections since May. Our Sales Tax projection is up by \$6.8 million. This change was made to recognize higher than anticipated total collections in FY 2008 final, plus a 4.09% projected growth rate for FY 09. Revenues from Licenses & Permits are expected to come in about \$2.8 million lower than indicated in the Trends Report because the adopted budget anticipates shifting this amount from the Licenses and Permits revenue category to the Police Special Services Fund. Finally, we have increased the projection for Direct Interfund revenues by \$250,000 to more accurately reflect the adopted budget.

The only change to the expenditure projections is a decrease of \$1.1 million in anticipated payments to the Limited Purpose Annexations.

The FY 09 budget adopted by city council anticipated drawing down the fund balance by \$51 million. This is not reflected in our projections, which is part of the reason we are projecting such a large shortfall.

ENTERPRISE FUNDS

We are currently projecting all Enterprise funds at budget.

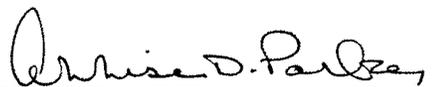
COMMERCIAL PAPER AND BONDS

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 GO commercial paper and most of its Airport System commercial paper in the next several months, as well as \$250 million of Airport's auction rate debt. Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the Hotel Corporation.

At July 31, 2008, the ratio for each type of outstanding debt was:

General Obligation	20.3%
Combined Utility System	7.9%
Aviation	23.5%
Convention and Entertainment	29.4%

Respectfully submitted,



Annise D. Parker
City Controller