

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON  
INTEROFFICE CORRESPONDENCE

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

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

**Date:** September 25, 2009

**Subject:** August 2009  
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending August 31, 2009.

**GENERAL FUND**

We are projecting a revenue shortfall of \$102.3 million. This consists of the \$50.7 million planned draw down of the fund balance City Council approved in adopting the FY 10 budget and an additional \$51.6 million gap that will likely need to be closed through expenditure adjustments because of the current revenue situation. There is a \$33 million difference between the Controller's Office and the Administration. Their revenue projections are \$12 million higher than ours. In addition, they are including \$14.2 million of additional transfers not yet approved by City Council and an additional drawdown of \$6.8 million from the fund balance that was not part of the Adopted Budget.

Our changes in revenue projections are as follows:

1. Our projection for Sales Tax revenue is down \$9.6 million. This is 1% lower than Dr. Barton Smith's latest projection. We believe our number is more realistic given the ongoing recession. A good example of the trend is the July sales tax report, which was down nearly 16% from July 2008.
2. Our projection for Interest revenue is down \$3 million due to ongoing market conditions and lower cash balances that are a direct result of lower revenues.
3. Our projection for Direct Interfund Services is up about \$1.3 million to account for complete recovery of CIP overhead costs from construction funds. Up until recently, some departments had not been seeking reimbursement for all of these costs.

Expenditure projections are \$12.2 million lower than last month. This includes the additional 2% reduction in personnel costs Mayor White has requested of most City departments. It also includes a \$4.9 million decrease in the General Government line item that is attributed to lower than anticipated Limited Purpose Annexation payments, an additional \$2 million of yet to be identified Management Initiative Savings and the shifting of \$900,000 of General Fund personnel costs to the debt-financed Capital Improvement Program.

**ENTERPRISE FUNDS**

In the Convention & Entertainment Facilities Operating Fund our projection for Services is \$343,000 less than last month, reflecting lower Hotel Occupancy Tax (HOT) refund payments and lower electricity costs at the George R Brown Convention Center. We are also anticipating continued declines in HOT revenues of \$1.7 million. This is the net impact of a \$2.9 million decrease in our projection for HOT tax collections and a corresponding decrease of \$1.2 million in the contractually mandated Advertising and Promotion contract expenses.

There are no material changes to our projections for Aviation, Parking Management, Combined Utility, and Stormwater funds.

Mayor Bill White  
City Council Members  
August 2009 Monthly Financial and Operations Report

**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. On August 20, 2009, the Houston Airport System issued fixed rate bonds to refund a portion of its variable rate debt. In addition to the Houston Airport System refunding, the City issued fixed rate

bonds on September 15, 2009 to refund \$488.4 million of its general obligation variable rate debt. Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the hotel corporation.

As of August 31, 2009 the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	17.1%
Combined Utility System	4.6%
Aviation	16.9%
Convention and Entertainment	29.8%

Respectfully submitted,



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Annise D. Parker  
City Controller