



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

To: Mayor Annise D. Parker
City Council Members

From: Ronald C. Green
City Controller

Date: March 26, 2010

Subject: February 2010
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending February 28, 2010.

GENERAL FUND

The Controller's office is projecting an ending fund balance of \$141.29 million for FY2010. This is \$2.99 million higher than last month's projection. This is also \$21.7 million lower than the projection of the Finance Department. The difference between our projection and that of the Finance department is due to the following: (a) Finance's revenue projection is \$12.9 million higher than ours; (b) Finance is including \$1.6 million of transfers not yet approved by City Council; and (c) Finance is including \$7.2 million of Sale of Capital Assets not yet finalized. Based on our current projections, the fund balance will be \$15.6 million above the City's target of holding 7.5% of total expenditures, excluding debt service, in reserve.

Our revenue projection increased \$893,000, across several categories. Our projection for Intergovernmental revenues decreased by \$601,000 for an audit adjustment which will move grant costs to a grant fund. Our projection for Direct Interfund increased \$595,000, due to higher than expected allowable charges to Aviation for Police Services. Indirect Interfund increased \$1.1 million to reflect additional grants awarded the Health Department, which will increase the cost recovery revenue. Our projection for Other Fines & Forfeits decreased \$403,000 mainly reflecting YTD trends in Other Interest Income, Interest on Liens, and Miscellaneous Fines and Forfeits.

Expenditure projections decreased \$1.4 million. Our projection for Fire decreased \$1 million primarily for savings within the department being identified to cover the increase in projection from the January MFOR for termination pay. We also changed our projection for several departments, but for immaterial amounts, primarily for savings in Electricity and Insurance costs.

Within Other Financing Sources, our projection for Transfers from Other Funds was increased \$545,000 reflecting a decrease of \$1.25 million in the transfer from Building Inspection Fund, and an increase of \$1.8 million to recognize a transfer from the Ike Fund to cover costs in the CIP funds.

ENTERPRISE FUNDS

Within the Convention & Entertainment Facilities Operating Fund, we are reducing our projection for Total Operating Expenses by \$333,000, mainly for lower costs of contracts, insurance, and data/network services. We

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City Council Members
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are also decreasing our projection for Net Hotel Occupancy Tax by \$925,000, due to the continued economic recession. Finally, we are reducing our projection for Operating Transfers by \$1.9 million for lower than expected interest rates, and Interfund Transfers for capital projects not expected to be completed this fiscal year.

Our projection for Combined Utility System Operating Revenues decreased \$4 million mainly due to lower than expected usage by the Water Authorities and commercial customers. We also decreased Operating Expenses by \$352,000 mainly for higher personnel and supply costs, net of lower electricity and insurance costs. Finally, we decreased our projection for Transfer to Stormwater by \$7.6 million for a decision to fund the drainage debt payment from the Drainage Supplemental Reserve Fund.

The projection for Other Services in the Stormwater Fund was reduced \$322,000 for delays on contract implementation which will not occur by June 30, 2010.

There are no material changes in the Aviation and Parking Management funds.

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. Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the hotel corporation. As of February 28, 2010 the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	7.1%
Combined Utility System	5.6%
Aviation	16.9%
Convention and Entertainment	30.5%

Respectfully submitted,



Ronald C. Green
City Controller