

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 28, 2009

Subject: July 2009
Financial Report

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

GENERAL FUND

We are projecting a shortfall of \$103 million. This consists of the \$38.5 million revenue deficit the Controller's Office projected in its Trends Report back in May, the \$51 million planned draw down of the fund balance city council approved in adopting the FY 10 budget, and revisions to our projections in five revenue categories:

1. Our projection for Property Tax revenue is down by \$13.5 million. This is tied to a lower estimate of total taxable value that is attributed to a high number of successful appraisal protests.
2. Our projection for Sales Tax revenue is down by \$5.1 million. This is about 1% lower than Dr. Barton Smith's latest projections. We believe our lower number is more realistic given the ongoing recession.
3. Our projection for Charges for Services is down about \$1.3 million due to declining Ambulance and Platting fees.
4. Our projection for Transfers from Other Funds is \$1.9 million lower in accordance with the transfers included in the adopted budget.
5. Our projection for Gas Franchise revenue is up \$451,000 to reflect the final contractual amount to be received.

Expenditure projections are \$5.3 million lower than the adopted budget. All City departments, except for City Council and City Secretary, are reducing their budgets by 1%. These cuts are expected to generate \$14.3 million in savings, \$10 million of which had originally been budgeted in General Government. Now that the departments are absorbing the savings, there is a corresponding bookkeeping increase in General Government. When this increase is combined with an anticipated \$1 million decrease in Limited Purpose Annexation payments, the net impact on the General Government line item is \$9 million.

ENTERPRISE FUNDS

In the Convention & Entertainment Facilities Operating Fund our projection for Services is \$330,000 over the Adopted Budget primarily due to repair costs for a canopy at Jones Hall. There is a decrease of an equal amount in Interfund Transfers. There are similar transfers in and out of Other Non-operating revenue and Contracts/Sponsorships, respectively, to account for additional costs at Discovery Green.

Our projection for Combined Utility System (CUS) Fund Operating Expenses is down \$1.25 million, which automatically triggers a decrease of the same amount in Operating Transfers. These adjustments are related to water meter costs.

We are currently projecting Aviation, Parking Management, and Stormwater funds at budget.

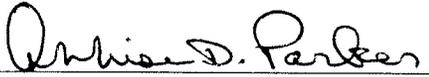
COMMERCIAL PAPER AND BONDS

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. 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 sold fixed rate bonds on August 20, 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 July 31, 2009 the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	17.4%
Combined Utility System	3.7%
Aviation	23.7%
Convention and Entertainment	29.8%

Respectfully submitted,



Annise D. Parker
City Controller