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:** April 1, 2011

**Subject: February 2011 Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending February 28, 2011.

**GENERAL FUND**

The Controller's Office is projecting an ending fund balance of $85.5 million for FY2011. This is $5.3 million higher than last month's projection. This is also $14 million lower than the projection of the Finance Department. The difference is due to the Finance Department's $6 million higher revenue projection and a $8 million higher projection for the Sale of Capital Assets. Based on our current projections, the fund balance will be $41.6 million below the City's target of holding 7.5% of total expenditures, excluding debt service, in reserve. This amount includes the undesignation of the $20 million in the Rainy Day Fund, and drawdown of fund balance of $54 million, both approved as part of the FY2011 Adopted Budget.

Our revenue projection increased $11.3 million. Property Tax revenue was increased $3.7 million, due to an increased projected collection rate for the year. Sales Tax was also increased $4.5 million, for seven months actual collections and growth of 4% the remainder of the year. Licenses and Permits was reduced $989,000 as the increased fee amounts are being slow to increase revenue trends. Direct Interfund revenues was increased $1.4 million for Other Interfund Services, and Indirect Interfund increased $515,000 for Grants. Our projection for Interest Income was lowered $400,000 for lower than expected cash balances. Miscellaneous/Other revenues was increased $1.8 million for Prior Year Revenue. Finally, we reduced Transfers from Other Funds $848,000 reflecting lower transfers from FEMA, partially offset by an increase in transfers from Fleet.

The major revenue differences are in four categories; (1) Property Tax revenues are $1.2 million lower; (2) Charges for Services are $2.3 million lower; (3) Miscellaneous/Other revenues are $1.4 million lower; (4) Sale of Capital Assets are $8 million lower.

Expenditure projections are now at $1.916 billion, which is $20 million above the adopted budget total. This month's expenditure projection has increased $3.4 million in total. C&E's projection was reduced $1.2 million, as their General Fund services will be funded within the Enterprise Fund. Police increased $560,000 primarily for Workers' Compensation costs. PWE increased $2 million mainly for additional project costs (offset by increased revenues). Finally, General Government increased $2.9 million for lower management initiative savings, and higher LPA payments.

**Mayor Annise D. Parker**
**City Council Members**
**February 2011 Monthly Financial and Operations Report**

Please be advised that the current expenditure projections do not contain any projected costs for any additional Termination Pay which will result from planned layoffs. Until the plans are finalized, the amount is not calculable, but could range from $10 to $35 million, depending on the specific employees terminated.

**ENTERPRISE FUNDS**

In the Aviation Operating Fund, we have increased our projection for Operating Revenues $3.1 million mainly for higher than expected retail concessions and garage parking revenue, from higher than expected enplaned passengers. We have also increased our projection for Operating Expenses $17 million. This is primarily from an increase in Management Consulting expense, caused by an accounting adjustment for capital operating expenses.

We also increased our projection for Other Nonoperating revenues $1.4 million for sale of land at Ellington. Our projection for Operating Transfers decreased $12.6 million, primarily from the Debt Service Principal and Interest Transfers projection decreased $19.5 million, for funding expected from grant sources. These changes caused the projection for Transfer for Capital Improvements to increase accordingly.

Within the Convention & Entertainment Facilities Operating Fund, we have increased our projection for Operating Revenues by $283,000 recognizing higher than expected Concession revenues. We also decreased our projection for Operating Expenses $1.2 million, reflecting savings from security, maintenance, insurance, and electricity. Finally, we increased our projection for Operating Transfers $544,000, reflecting the $1.2 million Miller Outdoor Theater transfer from General Fund will not occur, partially offset by savings from interest rates on auction-rate securities, and cost of capital projects.

Our projection for Combined Utility System Operating Revenues decreased an additional $6.8 million, primarily due to lower water consumption than expected. Operating Expenses increased $3.5 million reflecting mainly arbitrage liability incurred. We have increased our projection for Non-Operating revenues $266,000, from lower interest earnings, higher sales of property, and higher other revenues. Finally, we decreased our projection for Operating Transfers by $13 million. This was caused by a decrease in the debt service transfer for bonds not issued in FY2011, equipment purchases not completed in FY2011, and an increase in the transfer to Stormwater, reflecting drainage debt service previously paid from the General Fund.

In the Stormwater Fund this month, we are increasing our projection for Total Expenditures by $2.3 million, mainly reflecting drainage fund implementation costs. We are also increasing our projection for Other Financing Sources $2.4 million, which is due to an increase for Operating Transfers in (from CUS), and an increase in Transfers out for debt service, previously paid from the General Fund.

**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, 2011, the ratio of unhedged variable rate debt for each type of outstanding debt was:

| | |
|---|---|
| General Obligation | 5.0% |
| Combined Utility System | 8.8% |
| Aviation | 16.7% |
| Convention and Entertainment | 31.1% |

Respectfully submitted,

Ronald C. Green

Ronald C. Green
City Controller