CITY OF HOUSTON
Finance Department

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To: Mayor Annise D. Parker
City Council Members

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Subject: 8+4 Financial and Operations Report

Attached is the 8+4 Financial and Operations Report for the period ending February 28, 2011. Fiscal Year 2011 projections are based on eight months of actual results (July - February) and four months of projected results (March - June).

General Fund

The projected budget gap in the General Fund is currently at $32 million. This is $22.3 million higher than we projected in the 7+5 Report due to the following:

Revenues and Other Sources decreased by $18.9 million from last month's projection. This is largely due to a decrease of $27.4 million in the Sale of Land, a result of Gillette not selling this fiscal year, offset by an increase of $4 million for the sale of Battleground Rd which is expected to close by year end. Transfers from Other Funds decreased by $848,000 related to a decrease in the Hurricane Ike FEMA Grant transfer of $3.4 million, offset by a $2.6 million transfer from fund 9002 for the sale of vehicles.

Our projection for Sales Tax revenue increased by $4.5 million based on positive trending in the actual receipts. Property Tax revenues are estimated to be $849 million an increase of $3 million over the adopted budget due to positive trends in collections and taxable values. Other adjustments include an increase of $1.2 million in Miscellaneous/Other Revenue, reflecting accounting adjustment for stale account balances, an increase $515,000 for grants in the Health Department, offset by a $1 million decrease in Interest.

Expenditures increased by $3.4 million mainly due to $2 million less in Management Initiative Savings, a $906,000 increase in the projection for Limited Purpose Annexation Payments(1), increased electricity costs of $935,000, and an increase of $601,000 in Workers Compensation Classified Claims in Police. These increases are offset by a decrease of $1.2 million related to the costs for Miller Outdoor Theater which will be funded with HOT Tax revenues in lieu of a transfer from the General Fund. In addition, we are

(1) The City receives all sales tax collected in Limited Purpose Annexation (LPA) areas and then sends payment to the LPAs for their share of the revenue. Therefore, our LPA payments generally increase as total sales tax collected increases.

projecting savings of $276,000 due to reduced refuse disposal contracts and $203,000 savings in property insurance.

Major Fiscal Items

The total amount projected from non-right-of-way land sales ($20.5 million) and cost of service fee recovery ($5.8 million) in the finance projections is currently at $26.3 million.

Enterprise, Special Revenue and Other Funds

We are projecting all Enterprise Funds, Special Revenue Funds and all other funds at budget except the following:

Aviation

Non Operating Revenues increased by $1.4 million due to the pending sale of land at Ellington Field. Operating Expenditures increased by $17 million due to reclassification of capital operating expenses. Operating Revenues increased by $3.1 million due to higher auto rental, ground transportation, and retail concessions. Operating Transfers decreased by $12.6 million due to less savings transferred to system improvement relating to the adjustments of managing consulting services and a decrease in Debt Service Transfers.

Convention & Entertainment

Operating Expenses decreased $1.2 million due to a reduction in security services, building maintenance, insurance fees, and electricity. Operating Revenues increased by $284,000 due to facility rentals and concessions. Operating Transfers increased $544,000 due to less work projected to be completed at various buildings offset by a decrease of $1.2 million for Miller Outdoor Theater which will be funded with HOT Tax revenues in lieu of a transfer from the General Fund.

Combined Utility System

Non Operating Revenues increased $266,000 due to sale of property and infrastructure recovery, additional facility rental chargeback, offset by reduction in interest rate. Operating Expenditures increased $3.5 million primarily due to the arbitrage liability expense incurred. Operating Revenues decreased $6.8 million primarily due to lower consumption of water by commercial and contract customers and low year to date trending in fire sprinkler fee revenue. Operating Transfers decreased $13.1 million primarily due to budgeted bonds not issued in FY2011 ($17.8 million) and budgeted pumps and vehicles which will not be received in FY2011 ($7.2 million) offset by the transfer to Storm Water ($11.8 million).

Storm Water Fund

Operating Expenditures increased $10.8 million primarily due to drainage debt service not originally budgeted and drainage implementation costs offset by $11.8 million transfer from the Combined Utility System.

Property & Casualty Fund

Operating Revenues and Expenditures decreased by $1.5 million primarily due to lower premium projections.

Asset Forfeiture Fund

Operating expenditures decreased by $300,000 due to additional radios not being purchased.

Building Inspection Fund

Operating Expenditures decreased $390,000 primarily due to savings in overtime, termination pay, fuel and printing supplies. Operating Transfers Out decreased $360,000 due to lower debt service projection.

Houston Emergency Center

Operating Revenues decreased $231,000 due to personnel savings and property insurance fees. Operating Revenues decreased by $354,000 due to a lower than anticipated transfer from Aviation.

If you have any questions, please feel free to contact me.

Sincerely,

Kelly Dowe

Kelly Dowe
Acting Director