



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: July 1, 2011

Subject: May 2011
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending May 31, 2011.

GENERAL FUND

The Controller's Office is projecting an ending fund balance of \$101.6 million for FY2011. This is \$8.8 million higher than last month's projection. This is also \$6.2 million lower than the projection of the Finance Department. The difference is due to the Finance Department's \$6.2 million higher revenue projection. Based on our current projections, the fund balance will be \$25 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 \$3.2 million. Direct Interfund revenue was decreased \$1.1 million, for lower than expected overlay expenses reimbursed. Our projection for Interest increased \$415,000, from higher than projected cash balances. We also decreased our projection for Transfers from Other Funds \$2.5 million, reflecting a delay in the transfer from Building Inspection for proceeds from land sales. Finally, we increased our projection for Sale of Capital Assets \$5.6 million for the sale of the Heights Recycling Center and Battleground Road properties.

The major revenue differences are in three categories; (1) Property Tax revenues are \$1.3 million lower; (2) Sales Tax are \$1.3 million lower; (3) Charges for Services are \$1.6 million lower.

Expenditure projections are now at \$1.908 billion. This month's expenditure projection has decreased \$5.5 million. Finance decreased \$500,000 for savings in Personnel. Health increased \$200,000 for increased grant costs. Library decreased \$300,000 for savings in Personnel. PWE decreased \$1.8 million for savings in Overlay costs and Personnel. General Government decreased \$3.2 million for savings in Claims and Judgements, as well as Contingencies.

ENTERPRISE FUNDS

In the Aviation Operating Fund, we have increased our projection for Operating Revenues \$1.5 million for higher concession revenues received. We also increased our projection for Operating Expenses \$3.4 million for higher Services and Personnel costs. Finally, we increased our projection for Debt Service Principal and Interest \$5.8 million to account for less alternative financing available than expected.

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

Within the Convention & Entertainment Facilities Operating Fund, we have increased our projection for Food and Beverage Concessions \$1.6 million. We also increased Total Nonoperating Revenues by \$1.8 million, primarily from increased Hotel Occupancy Taxes, and higher Contributions from others.

Our projection for Combined Utility System Operating Revenues increased \$19 million for record level water usage due to the ongoing drought. We also reduced Operating Expenses \$13.1 million for savings in Personnel and Contracts. Operating Transfers increased \$2 million for the reallocation of meter costs.

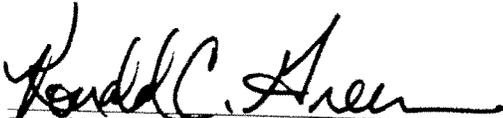
There are no material changes in the Stormwater Fund this month.

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 May 31, 2011, the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	6.5%
Combined Utility System	10.3%
Aviation	16.7%
Convention and Entertainment	31.1%

Respectfully submitted,



Ronald C. Green
City Controller