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 30, 2012

Subject: February 2012 Financial Report

Attached is the Monthly Financial and Operations Report for the period ending February 29, 2012.

GENERAL FUND

The Controller's office is projecting an ending fund balance of $126.5 million for FY2012. This is $22.7 million lower than the projection of the Finance Department. The difference is due to a $12.1 million higher revenue projection from the Finance Department and a $10.6 million higher projection for the Sale of Capital Assets from the Finance Department. Based on our current projections, the fund balance will be $5.3 million **above** the City's target of holding 7.5% of total expenditures, excluding debt service, in reserve. This amount includes the un-designation of the $20 million in the Rainy Day Fund in FY2011, as well as the designation of $2.7 million of contingent funding of the DARLEP settlement, and designation of $5 million back to the Rainy Day Fund in FY2012.

While we have increased and decreased several revenue projections, the total increased $1.6 million over last month's projection. Sales Tax was increased $7.9 million to recognize January receipts, which were higher than expected, and we are now projecting growth of 6% for the remainder of the fiscal year. Other Franchise fees was increased $384,000 for Cable Franchise fees trending higher. Our projection for Licenses & Permits increased $692,000 for additional receipts of Plan Review Fees, Admin. Fees, and Dumpster permits. Intergovernmental was increased $347,000 mainly for higher Medicare and TIRZ Admin. fees. Charges for Services was increased $653,000 for higher Ambulance, Platting, and Copy collections. Direct Interfund was decreased $390,000 for Interfund Payroll services provided to Enterprise funds. We have increased our projection for Interest $1 million for recent cash balances higher than budgeted. Finally, we are decreasing Sale of Capital Assets $9.1 million. Due to the fact that no viable deals are currently before Council, and it now being the 4th quarter of the fiscal year, we are unable to certify that these funds will be available for FY2012 use.

The major differences (over $1 million) are now in only four categories: (1) Property Tax revenues are $3.4 million lower than the Finance Department due to the Controller's office using a collection rate of 97.4% versus 97.7% for Finance. (2) Finance is reporting Charges for Services $1.8 million higher than the Controller's projection. Ambulance fees are the largest single revenue in this category. (3) Finance is reporting Municipal Courts Fines & Forfeits $2.9 million higher than Controller's projection. Low ticket issuance in the beginning of the fiscal year has caused the collections to be under budget. (4) Sale of Capital Assets are $10.6 million lower than the Finance Department, as the Controller's office has not recognized all proposed land sales, which have yet to be finalized and approved by Council.

Expenditure projections increased $6.6 million, primarily for $7 million of deferred FY2011 termination pay in Fire which will be funded this year. Police decreased $1.2 million for lower unemployment costs ($849,000), and the transfer of Anti-Gang costs to Neighborhoods ($304,000). ARA was also increased $517,000 mainly for higher 3-1-1 costs. There were numerous small changes related to lower unemployment and property insurance costs in several other departments.

ENTERPRISE FUNDS

In the Aviation Operating Fund, we have increased our projection for Operating Revenues $2.9 million for Parking and Concession revenues trending higher than previously expected. We have also increased our projection for Operating Transfers $2.9 million for the changes above.

Within the Convention & Entertainment Facilities Operating Fund, we have decreased our projection for Non-Operating Revenues $878,000 to reflect current trending of the Other revenues.

Our projection for the Combined Utility System Operating Revenues increased $2.4 million mainly for Fire Sprinkler fee adjustments effective January 1, 2012. We have also decreased our projection for Operating Expenses $1.3 million for lower Personnel costs, from delays in filling vacancies. Our projection for Non-Operating revenues increased $5.5 million higher Impact Fees, net of lower interest revenues. We have also decreased our projection for Operating Transfers $11.4 million, mainly from lower variable rate debt, delayed equipment acquisition, and a lower transfer to Stormwater.

In the Dedicated Drainage & Street Renewal Fund we have increased Revenues $1.6 million for additional Concrete Street Repair funds being provided by METRO General Mobility funds. We have also decreased our projection for Expenditures $671,000 for savings in Personnel, Construction Materials, and Capital Equipment, partially offset by additional costs in Infrastructure Maintenance.

Finally, in the Stormwater Fund this month we have reduced our projection for Expenses $2.3 million for delayed Capital Equipment purchases and filling of vacancies. We also decreased the projection for Operating Transfers In by $2.4 million for lower funding to be received from CUS.

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. As of February 29, 2012, the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	9.3%
Combined Utility System	3.4%
Aviation	16.9%
Convention and Entertainment	18.3%

Respectfully submitted,

Ronald C. Green
City Controller