



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:** September 28, 2012

**Subject:** August 2012  
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending August 31, 2012.

**GENERAL FUND**

The Controller's Office is projecting an ending fund balance of \$130.8 million for FY2013. This is \$33 million lower than the projection of the Finance Department. The difference is due to a \$33 million higher revenue projection from the Finance Department. Based on our current projections, the fund balance will be \$2.8 million above 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 reimbursement of \$10 million. I would like to again point out that the Administration's plan to replenish the Rainy Day Fund \$5 million a year for each of four years is not in compliance with Ordinance 2003-474, which requires that "The City shall allocate sufficient funds during the subsequent two fiscal years to replenish any use of Rainy Day funds in the previous year."

The only change in our revenue projections is an increase of \$7.9 million in Sales Tax. This recognizes the July receipt that was up 23% over the prior year, although current period collections were up only 13.75%.

The major differences are in seven categories: (1) Property Tax revenues are \$15.4 million lower due to the Controller's Office using a lower Certified Roll projection. (2) Industrial Assessments are \$1.9 million lower as Controller's Office is using a lower collection rate than Finance. (3) Sales Tax revenues are \$6.7 million lower, as the Controller's Office is using Barton Smith's April 2012 growth estimate, discounted by his margin of error. (4) Charges for Services are \$1.9 million lower. Controller's Office is projecting slightly lower Ambulance collections. (5) Municipal Courts are \$3 million lower, as the Controller's Office expects lower ticket issuance than Finance. (6) Interest is \$1 million lower reflecting lower cash balances and lower interest rates. (7) Miscellaneous/Other is \$1.8 million lower because one-time revenues.

Expenditure projections are slightly above the Adopted Budget, increased \$233,000, mainly to reflect unspent City Council funds from the prior year being allocated per the Council member's request.

Please remember that all FY2012 numbers are preliminary estimates and subject to change until the annual audit is completed and the Comprehensive Annual Financial Report is published.

**ENTERPRISE FUNDS**

In the Aviation Operating Fund, we have decreased our projection for Operating Revenues \$972,000 for lower than expected Parking and Concessions. Our projection for Operating Expenses decreased \$3.5 million for savings in  
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**Mayor Annise D. Parker  
City Council Members  
August 2012 Monthly Financial and Operations Report**

Personnel and Services. We have decreased our projection for Non-Operating Revenues \$979,000 for lower interest rates. Finally, we have increased our projection for Operating Transfers \$1.6 million mainly for higher than expected Debt Service Principal amounts.

We are currently projecting the Convention & Entertainment Operating Fund, Combined Utility System, Dedicated Drainage & Street Renewal Fund and Stormwater Funds at budget.

**HEALTH BENEFITS FUND**

I would also like to bring to your attention the Preliminary FY2012 Net Assets of negative \$14.1 million on pg III-1. This is due to an Operating Loss of \$17.5 million for the first year under the new City health insurance model. Under the Governmental Accounting Standards Board (GASB), this is allowed, but must be expected to be recovered under the next rate calculation. This will be for the May 1, 2013, through April 30, 2014, plan year, with the majority of the additional cost occurring in FY14.

**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 August 31, 2012, the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	6.9%
Combined Utility System	3.1%
Aviation	17.4%
Convention and Entertainment	18.3%

Respectfully submitted,



Ronald C. Green  
City Controller