



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: January 4, 2013

**Subject: November 2012
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending November 30, 2012.

GENERAL FUND

The Controller's Office is projecting an ending fund balance of \$152.1 million for FY2013. This is \$14.7 million lower than the projection of the Finance Department. The difference is due to a \$14.7 million higher revenue projection from the Finance Department. Based on our current projections, the fund balance will be \$23.9 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 \$6.4 million in Sales Tax. This recognizes the October sales tax receipt that was up 16.5% over the prior year.

The major differences are still in seven categories: (1) Property Tax revenues are \$9.8 million lower due to the Controller's Office using a higher TIRZ payment 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 \$5.3 million higher, as the Controller's Office is using Barton Smith's April 2012 growth estimate, discounted by his margin of error, plus actual receipts for July, August, September, and October 2012. (4) Charges for Services are \$1.4 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 unchanged, but still \$2.5 million above the Adopted Budget.

I am pleased to announce that the FY2012 Comprehensive Annual Financial Report has been finalized. The report is available on the Controller's website, <http://www.houstontx.gov/controller/cafr2012.pdf>.

**Mayor Annise D. Parker
City Council Members
November 2012 Monthly Financial and Operations Report**

ENTERPRISE FUNDS

There were no changes in the Aviation Operating Fund, the Combined Utility System Fund, the Convention & Entertainment Operating Fund, the Stormwater Fund, and the Dedicated Drainage & Street Renewal Fund.

HEALTH BENEFITS FUND

I would also like to again 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 November 30, 2012, the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	7.6%
Combined Utility System	3.1%
Aviation	17.4%
Convention and Entertainment	18.3%

Respectfully submitted,



Ronald C. Green
City Controller