# CITY OF HOUSTON

Finance Department

**Sylvester Turner**

Mayor

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**To:** Mayor Sylvester Turner
City Council Members

**Date:** July 29, 2016

**Subject:** 12+0 Financial Report

Attached is the 12+0 Financial Report for the period ending June 30, 2016. Fiscal Year 2016 projections are based on twelve months of actual results, however, invoices for goods and services provided in Fiscal Year 2016 do continue to come in. These expenses continue to be recorded as accruals to Fiscal Year 2016 until August 31$^{st}$, so the results are not final until the publication of the FY2016 Comprehensive Annual Financial Report.

Next month we will begin presenting this Monthly Financial Report for Fiscal Year 2017. At the time of the FY2017 Adopted budget formulation, the beginning fund balance was estimated to be $196 million. In this 12+0 Financial Report, we are currently projecting that this balance will be $222 million, an increase of $26 million. This increase in projected fund balance from the time that budget was first presented is primarily due to:

- $5 million in Property Taxes as the increase in settlement losses has begun to subside,
- $3 million in sales taxes as the price of oil has rebounded,
- $4 million in charges for services, primarily Ambulance Fees,
- $2 million Municipal Courts Fines and Forfeits,
- $2 million in Street and Easement Sales, and
- $10 million in expenditure savings.

The remainder of this report compares changes from the prior 11+1 Financial Report:

**<u>General Fund</u>**

We are currently projecting the ending fund balance of $222.1 million, which is $12.7 million higher than last month and 11% of expenditures less debt service and pay-as-you-go (PAYGO) transfers.

The projection for Revenues and Other Sources decreased by $834,000 from last month due to the following forecast changes:

- Other Taxes decreased by $345,000 due to lower receipts for Mixed Beverage Tax and Bingo Tax,
- Other Franchise Fees decreased by $793,000 due to lower than anticipated Cable TV Franchise Fees,
- Charges for Services increased by $1.1 million mainly due to higher than anticipated Ambulance Fees and Passport Service Fees,
- Direct Interfund Services increased by $1.3 million due to higher chargeback for police services,

- Municipal Courts Fines and Forfeits increased by $710,000 due to higher than anticipated receipts,
- Other Fines and Forfeits increased by $300,000 mainly due to higher False Alarm Penalties,
- Miscellaneous/Other revenue decreased by $3.6 million mainly to recognize a prior year expenditure adjustment. This $3.1 million adjustment has a corresponding adjustment in expenditures that results in a net zero impact.

The projection for Expenditures and Other Uses decreased by $13.5 million from last month due to the following forecast changes:

- Expenditure decreases of $3.1 million corresponding to the adjustment in miscellaneous/other revenue,
- Fuel savings of $2.1 million primarily impacting Police, Solid Waste Management, and Fire,
- IT chargeback savings of $2.1 million primarily due to wireless deployment credits of the new Verizon wireless contract,
- Savings in vehicle services of $1.5 million primarily impacting Fire, Parks, and Solid Waste Management,
- Expenditure decreases of $1.2 million in Parks primarily due to vacancy savings and lower than anticipated land and ground maintenance services,
- Electricity savings of $1.1 million primarily impacting PWE and GSD,
- Expenditure decreases in Finance of $1.1 million primarily due to vacancy savings and lower than anticipated consulting services,
- Expenditure decreases in HITS of $1.0 million primarily due to vacancy savings.

**Enterprise, Special Revenue and Other Funds**

We are projecting the following forecast changes in Enterprise Funds, Special Revenue Funds and other funds from the 11+1 Report:

**Dedicated Drainage & Street Renewal Fund**

Revenues increased by $560,000 primarily due to a one-time State reimbursement related to hazardous waste cleanup and higher than anticipated Mobility Permits. Expenditures decreased by $16.3 million mainly due to lower than anticipated transfer to capital projects as a result of heavy rainfall in the fourth quarter.

**Aviation**

Operating Revenues increased by $800,000 primarily due to higher than anticipated terminal space rental revenue. Operating Expenses increased by $3.2 million mainly due to higher than anticipated reimbursement for police and fire services. Non-Operating Revenue decreased by $800,000 due to a prior year adjustment. As a result, Operating Transfers decreased by $3.2 million.

**Storm Water**

Revenues increased by $951,000 mainly due to a one-time State reimbursement related to hazardous waste cleanup. Expenditures decreased by $2.1 million mainly due to personnel savings and delays in vehicle and equipment purchases. As a result, Operating Transfer-In decreased by $3.1 million.

**Combined Utility System**

Operating Expenses decreased by $41 million due to delays in program implementation for regulatory compliance in operations and maintenance activities, as well as personnel savings and lower than anticipated electricity and fuel costs. Operating Transfers decreased by $7.5 million primarily due to the refunding of various first lien debt series and delay in vehicle and equipment purchases.

**Health Benefits Fund**

Revenues increased by $676,000 due to higher than anticipated subscribers.

**Property & Casualty Fund**

Revenues and Expenditures decreased by $10.4 million due to lower judgements and settlements than anticipated.

**Workers' Compensation Fund**

Operating Revenues and Expenditures decreased by $1.2 million due to lower claims than anticipated.

**Asset Forfeiture Fund**

Revenues increased by $1.6 million due to higher than anticipated confiscations. Expenditures decreased by $1.5 million due to savings in overtime, supplies, services and delays in equipment purchases.

**Auto Dealers Fund**

Revenues increased by $321,000 mainly due to higher towing charges than anticipated. Expenditures decreased by $291,000 to reflect savings in services and a delay in equipment purchases.

**BARC Fund**

Expenditures decreased by $580,000 to reflect savings in personnel, supplies, and services.

**Bayou Greenway 2020 Fund**

Expenditures decreased by $309,000 to reflect savings in personnel, supplies, and services.

## Building Inspection Fund

Expenditures decreased by $9.6 million to reflect savings in personnel, supplies, services, and delays in vehicle and capital equipment purchases.

## Essential Public Health Services Fund

Expenditures decreased by $433,000 to reflect savings in personnel, supplies, services, and delays in vehicle and capital equipment purchases.

## Forensic Fund

Revenues and Expenditures decreased by $870,000 due to vacancy savings.

## Health Special Revenue Fund

Expenditures decreased by $1.1 million to reflect savings in personnel, supplies, services, and delays in equipment purchases.

## Historic Preservation Fund

Expenditures decreased by $397,000 due to lower than anticipated consulting services for historic district design guidelines.

## Houston Emergency Center Fund

Revenues decreased by $1.2 million due to lower than anticipated reimbursement for 911 staff. Expenditures decreased by $2.3 million due to delays in filling vacant positions.

## Parking Management Fund

Revenues increased by $1.8 million due to higher than anticipated parking fees and violations. Expenditures decreased by $1.8 million to reflect savings in supplies and services, and delays in vehicle purchases.

## Parks Golf Special Fund

Revenues decreased by $637,000 due to heavy rainfall in the fourth quarter. Expenditures decreased by $317,000 to reflect savings in personnel.

## Parks Special Revenue Fund

Expenditures decreased by $524,000 due to delays in construction services.

## Planning and Development Special Fund

Revenues decreased by $1.1 million due to lower than anticipated platting fees. Expenditures decreased by $926,000 to reflect savings in personnel.

**Police Special Services Fund**

Revenues increased by $836,000 primarily due to higher than anticipated police services for special events.

**Special Waste Fund**

Expenditures decreased by $793,000 to reflect savings in personnel.

**Houston Economy**

**Energy** – The average oil price of $48.76 for the month of June was 4.4% higher than the prior month's average price of $46.71. Compared to last year, the price has dropped by 18.5%. The average oil rig count of 330 for the month of June was 3.1% higher than prior month's count of 320. The rig count year-over-year comparison for the month of June showed a decrease of 48.0%.

**Employment** – According to the Bureau of Labor Statistics, the preliminary total nonfarm employment in the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area stood at 2,993,200 in May 2016, up approximately 0.1% year-over-year. Houston's unemployment rate remained unchanged in May at 4.8% from prior month.

**Home Sales** – According to the latest report prepared by the Houston Association of Realtors (HAR) for the month of June 2016, the total single-family home sales (7,696 units) were 4.8% higher compared to May 2016 (7,343 units). Comparing year- over- year June 2016 sales were down 0.2%. Sales of all property types were down 0.9% (9,139 units) compared to last June.

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

Sincerely,

Kelly Dowe

Kelly Dowe
Director