



CITY OF HOUSTON

Finance Department

Sylvester Turner

Mayor

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To: Mayor Sylvester Turner
City Council Members

Date: November 4, 2016

Subject: 3+9 Financial Report

Attached is the 3+9 Financial Report for the period ending September 30, 2016. Fiscal Year 2017 projections are based on three months of actual results and nine months of projections.

General Fund

Our revenue projection is \$11.3 million higher than Adopted Budget and remains unchanged from the 2+10 Report.

General Fund Revenues (amounts expressed in thousands)

Category	FY16 Preliminary Unaudited	FY17 Adopted Budget	FY17 Current Projection	Variance Over/(Under)
Property Tax	\$1,098,664	\$1,133,191	\$1,144,481	\$11,290
Sales Tax	640,476	615,000	615,000	-
Franchise Fees	191,169	192,785	192,785	-
Other	370,538	357,437	357,437	-
Total	\$2,300,847	\$2,298,413	\$2,309,703	\$11,290

Our expenditure projection is \$17.6 million higher than Adopted Budget and \$3.1 million higher than the 2+10 Report. The variance from prior month projection is primarily due to:

- \$1.8 million increase to reflect Council District Service Fund rollover savings of \$1.6 million as well as prior year's City Council unspent funds of \$264,000,
- \$1.0 million increase in Solid Waste to purchase refuse carts that are no longer eligible for capital funding,
- \$848,000 increase in Parks to hire additional Park Rangers to deter increased drug activity at City parks and,
- \$500,000 increase in the transfer to the Mayor's Office of Special Events due to increased community events throughout the City and various events leading up to the Super Bowl, and
- Finally, these expenditure increases are offset by first quarter vacancy savings of \$1.1 million.

General Fund Expenditures (amounts expressed in thousands)

Category	FY16 Preliminary Unaudited	FY17 Adopted Budget	FY17 Current Projection	Variance Over/(Under)
Police	\$800,918	\$811,296	\$825,897	\$14,601
Fire	504,177	504,652	504,635	(17)
Other Departments	696,811	699,266	702,328	3,062
Debt Service/PAYGO	346,000	293,156	293,156	-
Total	\$2,347,906	\$2,308,370	\$2,326,016	\$17,646

As a result of these changes, and with the greater than anticipated beginning fund balance, we are currently projecting an ending fund balance of \$227 million, which is approximately 11.2% of estimated expenditures less debt service and pay-as-you-go (PAYGO) transfers.

Fund Balance (amounts expressed in thousands)

Category	FY16 Preliminary Unaudited	FY17 Adopted Budget	FY17 Current Projection	Variance Over/(Under)
Fund Balance - Beginning of Year	\$287,843	\$196,394	\$242,926	\$46,532
Changes to Designated Fund Balance	-	300	300	\$0
Budgeted Increase/(Decrease) in Fund Balance	(47,059)	(9,957)	(16,313)	(\$6,356)
Change in Inventory/Prepaid Items/Imprest Cash	2,142	-	-	-
Fund Balance, End of Year	\$242,926	\$186,737	\$226,913	\$40,176
% of Expenditures Less Debt Service and PAYGO	12.1%	9.3%	11.2%	1.9%

A Summary of all variances from Adopted Budget that have been reported year to date is included in the attachment to this letter.

Enterprise, Special Revenue and Other Funds

We are projecting the following forecast changes in Enterprise Funds, Special Revenue Funds and other funds from the 2+10 Report.

Aviation

Operating Expenses decreased by \$9.5 million mainly due to delays in filling vacant positions and contract savings. As a result, Operating Transfers increased by \$9.5 million.

Combined Utility System

Operating Expenses decreased by \$3 million due to delays in filling vacant positions.

Dedicated Drainage & Street Renewal Fund

Expenditures decreased by \$1.2 million mainly due to vehicle purchases received in FY2016.

Building Inspection Fund

Expenditures decreased by \$1.9 million due to delays in filling vacant positions.

Houston Economy

Energy – The average oil price of \$45.18 for the month of September was 1.0% higher than prior month's average price of \$44.72. Compared to last year the price has dropped slightly by 0.7%. The average oil rig count of 416 for the month of September was 4.8% higher than prior month's count of 397. The rig count year-over-year comparison for the month of September showed a decrease of 36%.

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 2,991,700 in August 2016, up approximately 0.72% year-over-year. Houston's unemployment rate remained unchanged in August at 5.8% from prior month.

Home Sales – According to the latest report prepared by the Houston Association of Realtors (HAR) for the month of September 2016, single-family home sales (6,652 units) were down 0.5% compared to last year (6,685 units), however on a year-to-date basis, home sales are up 1.3%. The median price rose 4.8 percent to a September high of \$219,990 while the average price increased 2.4 percent to \$277,849, also a September record.

Sincerely,



Kelly Dowe

Director