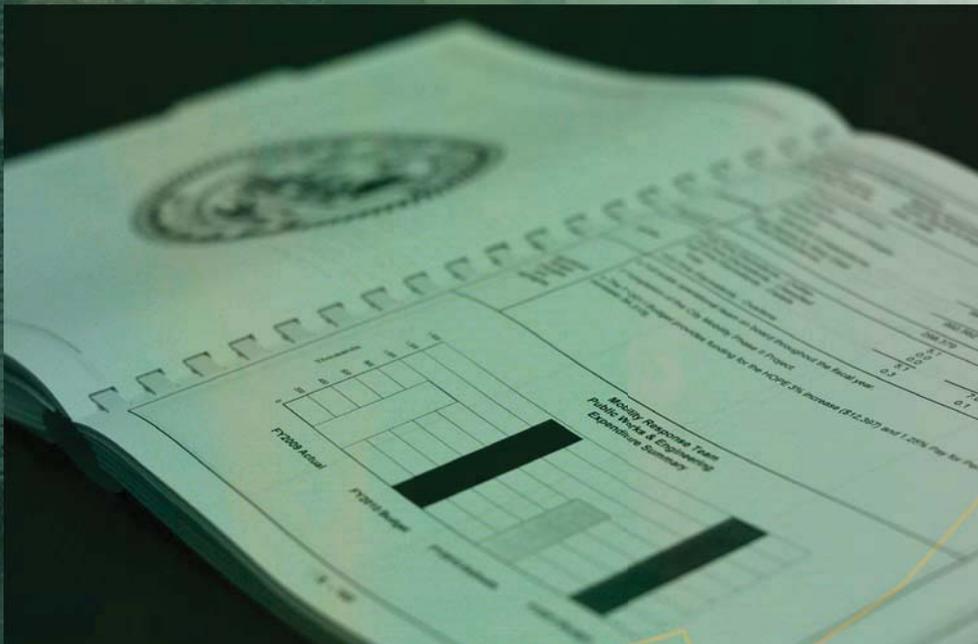




CONTROLLER'S OFFICE ANNUAL REPORT,
JANUARY-DECEMBER 2010



Ronald C. Green
Controller
City of Houston

5.00

4.90

4.50

Houston City Controller Ronald C. Green is the second highest elected official in Houston City Government and its Chief Financial Officer. The Office of the Houston City Controller superintends the fiscal affairs of the City. This includes conducting audits, managing investments and debt, preparing accurate and timely financial statements and providing leadership on policy issues pertaining to the City's financial health. He has the independent authority to conduct performance reviews of the City bureaucracy to make sure Houston has a modern, efficient city government. He thus serves as an independently elected "financial watchdog" over City government's fiscal affairs. The Controller's Office also assesses the City's future financial condition with accurate forecasts of projected revenues and expenses.

Audit Division

The Audit Division performs the Internal Audit function for the Office of the City Controller. This includes provision of independent, objective assurance, attestation and consulting services designed to add value and improve the City's operations. The Audit Division helps City departments bring a systematic, disciplined approach to evaluate and improve the effectiveness of various processes (i.e. risk management, control and governance).

The Association of Local Government Auditors (ALGA) completed an audit of the City Controller's Audit Division Friday, July 30, 2010, and concluded the Audit Division is in **full compliance** and has an *internal system of quality control designed and operating effectively to reasonably assure continued compliance.*



On June 16, 2010, Controller Green joined District I City Council Member James Rodriguez and Airport Director Mario Diaz for a ribbon cutting of the new terminal renovation at Hobby Municipal Airport.

Highlights of the Year

- Performed grant testing as assistance to the external audit project, with approximate savings of \$250,000-\$500,000.
- Cost of paying vendors one day after invoice receipt – without holding funds (Time Value of Money/Cost of Capital), approximate savings of \$3.6 Million.
- Memorandum to mayor: Represents cash payments when CDO lands on Paid Holiday – policy was implemented to allow alternative CDO in lieu of additional pay, approximate savings of \$675,000.
- Open PO's: Open encumbrances greater than one year old, not related to contracts – releasing these outdated PO's frees the encumbered dollar amounts back to the general fund, approximate savings of \$700,000.
- Overpayments identified and erroneous payments (Hurricane Ike P-Card), approximate savings of \$51,000.
- GSD Fuel Management : 20% Storage tanks need replacement – represents additional costs due to aging infrastructure: (\$6.5) million.

www.houstontx.gov/controller:

The Controller's web site has hundreds of pages of useful and interesting information, as well as financial archives. On the home page, take a moment and watch Controller Green's welcome. Here is some of what's on the site:

Audit Division Reports, Monthly and Annual Financial Reports, Investment Policy/Reports, Vendor Liaison, History of the Controller's Office, News Releases, Speeches, Glossary of Financial Terms, Photo Gallery, Links to Government, University and Financial Institution Sites, Volunteer Opportunities, E-VendorDisbursement site.

Controller History

While most cities have some agent that oversees its finances, few have a popularly elected City Controller and one who has as much independence and authority as does Houston's City Controller. Nor do other similar entities combine politics and professionalism to the extent Houston's Office of the City Controller does.

On July 1, 1903, City Council passed an ordinance that actually created the office and named Assistant City Auditor Tom Bringhurst as the first City Controller of the City of Houston.

Recent Controllers have broadened the scope of the office beyond bookkeeping, taking on issues that are more political. Each Controller has worked to control spending and eliminate that which is deemed unwise or unnecessary, even if such elimination has meant extended and difficult battles with the other branches of government.

Recent Controllers:

Leonel Castillo, 1972-1977

Kathryn Whitmire, 1978-1982

Lance Lalor, 1982-1988

George Greanias, 1988-1996

Lloyd Kelly, 1996-1998

Sylvia Garcia, 1998-2002

Judy Gray Johnson, 2003

Annise Parker, 2004-2009

Ronald Green, 2010-

BANK on HOUSTON www.bankonhouston.org

Bank on Houston is a collaborative effort of the City of Houston Controller's Office, the Federal Deposit Insurance Corporation (FDIC), the National League of Cities, the Federal Reserve Bank, 26 participating banks, credit unions, and many nonprofit organizations to bring the city's unbanked individuals into the financial mainstream. Since the initiative's inception in 2009, nearly 40,000 Houstonians have opened a bank account.

The Bank on Houston goals are:

- Raise awareness among unbanked consumers, especially the low to moderate income market, about the benefits of account ownership and spur them to open accounts.
- Make quality money management education more easily available to low to moderate income Houstonians.

On October 4, 2010, Controller Green hosted a meeting of Bank on Houston financial institution and education partners to outline the initiative's goals.

On September 8, 2010, Controller Green was joined at a press conference by Mayor Annise Parker and Harris County Sheriff Adrian Garcia to kick off the Bank on Houston fall campaign.



Financial Reporting Division

The Financial Reporting Division is ultimately responsible for the preparation of both the Monthly Financial and Operations Report (MFOR) and the Comprehensive Annual Financial Report (CAFR), although every division of the City Controller's Office contributes to the CAFR effort. The CAFR is available on the City Controller's website: www.houstoncontroller.org and on a CD disc upon request.



Controller Green interviewed Univ. of Houston Chancellor and President Renu Khator, Sept. 30, 2010, for an upcoming episode of The Green Report, airing on HCC TV, Comcast Ch. 19.

Highlights of the Year

- Issued CAFR (Comprehensive Annual Financial Report) five months after year-end (first time since 2001).
- Issued 12 monthly MFOR's (Monthly Operations and Financial Report) in conjunction with Finance Dept.
- Issued Annual Trends Report for FY2011.
- Certified FY2010 revenues.
- Certified FY2011 budget in compliance with Proposition 1.



On August 31, 2010, Controller Green met with the Houston Chronicle Editorial Board to discuss a significant UH Bauer College of Business recognition. Also in attendance was GHP president Jeff Moseley and Dean Arthur Warga.

Treasury Division: Debt and Investment

The Treasury Division is responsible for managing the City's \$2.4 billion investment portfolio in accordance with state law and the City's investment policy. Standard and Poor's has awarded its highest AAA rating to the general portfolio. The Treasury Division is also responsible for overseeing a debt program of approximately \$13 billion. The City has twelve commercial paper programs totaling \$1.7 billion, seven auction-rate security issues, nine series of variable rate demand obligation bonds, SIFMA indexed notes, and two interest rate swaps with a total notional amount of \$902 million and credit agreements totaling \$ 2.6 billion.

In 2010, the City's general obligation credit ratings were upwardly adjusted by Moody's from Aa3 to Aa2 and by Fitch from AA- to AA. Standard and Poor's affirmed the City's AA rating on its general obligation debt based on the City's "sizable and diverse economic base."

Highlights of the Year

- In August 2010, the City issued \$212 million in bonds to refinance bonds previously issued by the City's water system. At the time, market conditions proved to be favorable allowing us to lock in an all in rate under 3% for maturities that go out to the year 2020. The City's savings from this refinance equals \$12 million over nine years.
- In November 2010, the City issued over \$500 million in General Obligation bonds. This bond issue allowed the City to achieve close to \$19 million in savings and lock in low fixed rate costs for variable debt eligible for the Build America Bond subsidy.
- In December 2010, the City's Airport System refunded over \$92 million of debt subject to alternative minimum tax (AMT) into variable rate debt that would no longer be subject to this tax, saving approximately \$2 million.
- For the Fiscal Year ending June 30, 2010, the City's \$2 billion investment portfolio outperformed our benchmark, the Merrill Lynch bond index.



Executive Division

The Executive Division launched a fall promotional and public education campaign for Bank on Houston, a City-sponsored program to connect unbanked residents with the financial mainstream.

Controller Ronald Green was a panelist on the Bloomberg News "Cities and Debt Briefing" in New York City, Sept. 9, 2010.

Highlights of the Year

- Provided constituents a means to communicate their concerns and requests via the Controller's website.
- The Green Report premiered on HCC TV. The half-hour program sees Controller Green interviewing prominent Houstonians about current issues; guests the first season included METRO CEO George Greanias, State Representative Carol Alvarado, University of Houston Chancellor Renu Khator, political scientist Richard Murray and former Harris County Clerk Beverly Kaufman among others.
- Hosted the first Houston Financial Planning Day, which allowed the public to receive professional financial advice for no cost.
- Assisted the Government Accountability Office with tracking the effectiveness of stimulus funds and weatherization projects.
- Developed an internship program for local college and university students.
- The Controller's Office was represented at 34 events hosted by various non-profits; 27 events hosted by surrounding high schools, colleges, and universities; and 126 community-wide events.

Operations and Technical Services Division

The Operations and Technical Services Division performs certification of funds for contracts, accounts payables, bank reconciliation, payroll payments, and record retention for all City-wide departments. Additionally, the division disburses checks for all City and private vendors and fulfills the Vendor Liaison function. Furthermore, IT needs for the Controller's Office are handled by the Technical Services section.

Highlights of the Year

- City's cash disbursements now available on-line. Daily payment records are available to increase office transparency and show the nature of payments made by the City. These payments are primarily direct deposits to the listed vendor's bank account. The rest of the payments are made by check.

www.houstontx.gov/controller/evendordisbursement.html

- Enhanced automated Accounts Payable (AP) processing from budget setup, procurement processing, cash flow monitoring, and disbursement via banking services for efficiency and high performance.
- Established payroll and vendor accounts payable **regarding** disaster recovery procedures and tested as planned to ensure the capability of meeting emergency needs.
- Maintained efficient and sufficient electronic devices and client servers for City-wide accounting records retrieval, investment accounts maintenance, and interfacing with related financial institutions, auditors' supporting programs and data maintenance; and to meet users' needs.
- Reviewed SAP financial and accounting - AP system blue print procedures periodically to ensure that IT - ERP and the Controller's Office are working as a team for the safeguard of security setup and the efficiency and internal control purposes of AP operations.
- Performed final approval on Payroll and personnel actions that were processed by the City departments through Human Resources (HR) and Central Payroll personnel.

Ronald C. Green



The Controller's Office was named a "Community of Respect" by the Anti-Defamation League

Ronald C. Green was elected Houston's City Controller on December 12, 2009, after serving three terms on Houston City Council, At-Large, Position Four. He chaired the Budget and Fiscal Affairs Committee, overseeing the City's annual budget of nearly \$4 billion. While he served on City Council, his work entailed regular financial and operations reports, strategic purchasing, and municipal court reform. He also served as a member of the Transportation, Infrastructure and Aviation Committee and the Ad-Hoc Committee on Legislative Affairs.

Mr. Green is a native Houstonian and a 1988 graduate of the Houston Independent School District's Michael E. DeBakey High School for Health Professions. He earned

both a Bachelor of Science and a Master of Business Administration from the University of Houston, as well as a law degree from Texas Southern University's Thurgood Marshall School of Law. He is licensed to practice law in the State of Texas, the District of Columbia, the 5th Circuit Court of Appeals and the United States Supreme Court. He is also a licensed real estate broker.

Mr. Green is a founding partner of his own law firm and a member of Alpha Phi Alpha Fraternity, Inc., 100 Black Men of America, Inc., UH Alumni Organization, UH Black Alumni Association, Thurgood Marshall School of Law Alumni Association, Government Finance Officers Association, National Association of Bond Lawyers, Houston Lawyers Association, and Leadership Houston Class XXIII. He is married to Judge Hilary Harmon Green, Justice of the Peace, Harris County Precinct Seven, Place 1. They have a son and are active in their community and Windsor Village United Methodist Church.

Controller or comptroller?

Both controller and comptroller balance accounts. A controller is a person that is at the highest accounting level in an organization. Controllers are responsible for the financial accounting reporting, balancing of the books, analysis and interpretation of financial data and responsibility to report to the executive management team.

A comptroller must possess the same duties of a financial controller. There is not a significant difference in the roles of a controller versus comptroller. A comptroller definition is a senior accountant in a government organization, however, the duties of a comptroller and controller do not differ. Comptroller dates back to the 1800's from the misspelling of the word controller.

From www.accountingweb.com

To further confuse the matter, the two words have the same pronunciation, "con-TROL-er," despite the fact that one is spelled with an "m" and the other an "n."

*In the pronunciation of "comptroller," the "p" is silent. "Sounding the 'p' has traditionally been viewed as semiliterate," according to Bryan A. Garner, author of *Garner's Modern American Usage*.*

Random House Dictionary says "comptroller" originated from the archaic word "compt," which is pronounced "count" and which means "count."

From www.knoxnews.com, Scripps Interactive Newspaper Group



The Office of the City Controller is committed to eliminating fraud and waste in City government. If you are aware of fraudulent activities being committed by government employees or officials, citizens, or business entities defrauding the City of Houston, you can help save taxpayer money by furnishing this information to the Office of the City Controller. See "Report Fraud" on the Controller's home page, www.houstontx.gov/controller

Image Solution is the City of Houston's onsite full-service resource for design, copy, print, binding, signage, and scanning projects. Image Solutions produces the City's publications and other printed materials while saving the City money through competitive pricing. The storefront is located at 901 Bagby between City Hall and the City Annex.

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