

Debt Administration

The City continues to issue commercial paper during the construction period for various capital improvement programs. The commercial paper program remains the most efficient and cost-effective method of initially financing new capital projects until permanent financing is arranged. The program has also helped in reducing the City's arbitrage rebate liability.

During the year the City converted \$213 million dollars of its outstanding commercial paper to long-term fixed interest rate debt. The City also defeased approximately \$148 million of its Water and Sewer Prior Lien Revenue Bonds.

Cash Management

The City Controller's Office manages the investment of all City funds, except those administered by pension boards or trustees. In meeting that responsibility, the City Controller's Office is governed by the following objectives, in order of priority: safety of principal, liquidity, return on investment, and meeting legal requirements. All of these objectives were satisfied during the past fiscal year.

To maximize efficiency, the City's various funds are pooled for investment purposes. As of June 30, 2000 general pooled investments totaled \$1.16 billion. In addition the City maintains a fund for airport construction and improvements that totaled \$334 million as of June 30, 2000. The general pool had a yield to maturity at cost of 5.84% as of fiscal year-end. Investment results outperformed benchmarks. The City's portfolios earned \$96.6 million in fiscal year 2000, compared to \$87.5 million in fiscal year 1999. The increased earnings are due to higher levels of interest rates that prevailed in fiscal year 2000 as compared to the prior year.

Award

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement* for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

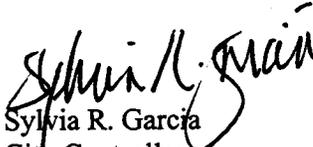
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the dedicated services and hard work of a highly qualified staff. The City of Houston has such a staff in the City Controller's Office. Although much of the time and effort in preparation of this report

lies in the Financial Reporting Division, they were supported by the other divisions of the Office: Executive, Administration, Information Systems, Operations, Investment and Debt Management, and Audit. I would like to express my appreciation to all the staff of the City Controller's Office, and to the staff of the Finance and Administration Department, Aviation Department, Convention and Entertainment, and Public Works and Engineering Department who assisted and contributed to the preparation of this report.

The City Controller's Office also received invaluable assistance and support from many others outside our immediate organization. Within the City of Houston, the accounting staffs of the operating departments and the technical staff of the Information Services Division all played key roles in producing this report. The cover photograph is courtesy of the Greater Houston Partnership. KPMG LLP was not only our independent auditor, but also served as an invaluable source of information and ideas for improving the way that City finances are reported. Finally, we acknowledge the Mayor and City Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated, and I look forward to working together to continue improving the City's financial condition.


Sylvia R. Garcia
City Controller

Sources:

ACCRA

Federal Reserve Bank of Dallas

Greater Houston Partnership

University of Houston Center for Public Policy