

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: May 25, 2007

Subject: April 2007
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending April 30, 2007.

GENERAL FUND

We are currently projecting an increase of \$33 million over the ending unreserved fund balance for FY 2006. These changes are the net result of a \$13 million increase in projected revenues and a decrease of \$1.9 million in expenditures over the prior month.

We have increased our projection for Intergovernmental revenue by \$8.8 million based on a recovery of costs from the Federal Emergency Management Association for Katrina and Rita expenditures made out of the General Fund. Projected revenues from Telephone Franchise fees are \$2.9 million higher than last month, reflecting receipts received through the third quarter. Interest income increased \$2 million due to continuing higher cash balances. The revenue category of Other Taxes is up by \$575,000 because we received the third quarter mixed beverage tax receipt from the State of Texas. Finally, we have decreased our projection for Miscellaneous/Other revenues by \$6.4 million. This decrease reflects a change in presentation for Sale of Capital Assets, which is shown "below the line", and is now projected at \$5.1 million.

With regard to our expenditure projections, we have transferred \$2.9 million of increased spending for computers and other information technology from General Government to various departments so that the bookkeeping accurately reflects the final Appropriations Ordinance approved by City Council earlier this month. There was an additional net decrease in General Government of \$2.8 million, resulting from \$1.1 million increase in Claims and Judgements, and decreases of \$2.4 million in Contingency's, and \$1.5 million in Elections due to Harris County's participation in the election offset. We are also increasing Building Services electricity projection by \$830,000.

ENTERPRISE FUNDS

The Aviation Operating Fund's projection for Operating Expenses has decreased \$3 million, primarily in Services. This is due to lower than anticipated contract and utility costs. The projection for Interfund Transfers to the Operating Reserve fund has decreased \$821,000 million to better reflect the actual required amount.

Interfund Transfers Expense within the Convention and Entertainment Facilities Department increased by \$7.8 million to accurately reflect the decrease in operating transfers previously reported. This is due to lower debt payments resulting from the sale of the Fannin Street garage, which is being transferred to the C&E Debt Service Fund.

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The Combined Utility System (CUS) projects a decrease of \$892,000 in Operating Revenues. This consists of \$455,000 in decreased revenue from Water Sales due to continued higher than average rainfall, and \$440,000 in decreased Sewer Sales. The projection for Non-Operating Revenues increased by \$800,000 due to higher than expected interest earnings on investments.

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. The City is planning to refund Airport System Commercial Paper and Combined Utility System Commercial Paper with fixed rate debt in the upcoming months. Aviation is also maintaining high investment balances that will hedge against increases in variable rate debt payments. Convention and Entertainment issued a higher percentage of variable rate debt based on agreements with the Hotel Corporation. At month-end, the ratio for each type of outstanding debt was:

General Obligation	16.4%
Combined Utility System	23.1%
Aviation	23.4%
Convention and Entertainment	27.9%

Respectfully submitted,



Annise D. Parker
City Controller