

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON  
INTEROFFICE CORRESPONDENCE

**To:** Mayor Bill White  
City Council Members

**From:** Annise D. Parker  
City Controller

**Date:** January 26, 2007

**Subject: December 2006  
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending December 31, 2006.

**GENERAL FUND**

We are currently projecting a \$3.1 million surplus for the General Fund, as compared to the deficit of \$17.9 million reported last month. The main reason for the change is that we have increased our revenue projection for Property Taxes by \$13 million to reflect higher taxable values reported by the appraisal district. Due to recent actual experience, we have also increased our Sales Tax projection by \$3.9 million.

We have made \$4.2 million of reductions in various departmental expenditures. The primary reason is savings in personnel costs, caused by lower than budgeted staffing levels in several departments, and a decrease in Police overtime of \$2.8 million.

**ENTERPRISE FUND**

There are no changes to our projections for the Stormwater Fund.

The Aviation Operating Fund's projection for Operating Expenses has been decreased by \$11.5 million. Personnel costs have been decreased \$1.5 million due to lower than expected staffing levels, and Services have been decreased \$9.8 million, to reflect lower than budgeted electricity costs. Higher interest rates have prompted a \$3.5 million increase in Interest Income.

Convention & Entertainment's projections for numerous revenues and expenses has been changed to reflect current trends, with the bottom line projection of Net Income increasing by \$450,000. This is mainly due to a combination of increased Hotel Occupancy Tax revenues and decreased expenses in Services, Advertising Services and Promotion Contracts.

The Combined Utility System (CUS) projects a decrease of \$2.6 million in Water and Sewer Sales due to higher than average rainfall, which tends to result in lower water and sewer sales. The CUS also projects a decrease of \$9.2 million in Electricity and Gas expenses, to reflect lower prices and usage.

## COMMERCIAL PAPER AND BONDS

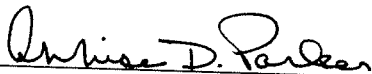
The City's practice has been to maintain no more than 20% of the total outstanding debt for each type of debt in a variable rate structure. The City refunded \$229.4 million of General Obligation Commercial Paper with fixed rate debt in December 2006, and it is planning to refund Combined Utility System Commercial Paper with fixed rate debt in spring 2007. Aviation currently is 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	14.6%
Combined Utility System	21.1%
Aviation	22.8%
Convention and Entertainment	27.2%

## SWAP REPORT

The City's Swap Policy requires a quarterly report on the financial implications of its swap agreements. The report includes a summary of key terms of the agreements, mark-to-market values, exposure to counterparties, credit ratings of counterparties or guarantors, summary of risks, and disclosure of any collateral posted as a result of the swaps. The report for December 31, 2006 is attached.

Respectfully submitted,



Annise D. Parker  
City Controller