

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: March 30, 2007

**Subject: February 2007
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending February 28, 2007.

GENERAL FUND

We are currently projecting a \$16.1 million surplus for the General Fund, compared to the surplus of \$12.8 million reported last month. The primary reason for the change is a \$1.9 million decline in projected expenditures, the majority of which is tied to decreased electricity and personnel costs within PWE. We have also increased our projection for Electric and Natural Gas Franchise Fees by \$1.4 million to reflect settlement payments for prior year fees received in this fiscal year.

ENTERPRISE FUNDS

The Aviation Operating Fund's projection for Parking and Concessions revenue has decreased by \$639,000 in recognition of a recent downturn in parking revenues. This decrease is offset by increases of \$238,000 in Buildings and Grounds and \$344,000 in Other revenues, which more accurately reflect FY 2007 revenue trends through February. On the expense side, the projection for Personnel spending has decreased \$949,000 to reflect hiring delays. The projection for Non-operating revenues increased by \$4.4 million, mainly for Interest Income, which continues to come in above budget.

Convention & Entertainment's projections for Hotel Occupancy Taxes (HOT) have increased by \$1.9 million due to higher than budgeted year-to-date trends. There is a corresponding increase of \$824,000 in projected spending for Advertising and Promotion, which is contractually tied to the HOT revenues. Interest Income has also been increased \$294,000. Again, this is due to higher than anticipated year-to-date revenues.

The Combined Utility System (CUS) projects an additional decrease of \$4.5 million in Water and Sewer Sales revenue due to continued higher than average rainfall. The CUS also projects an increase of \$4.6 million in Operating Expenses. This is mostly due to increases in contract costs and refuse disposal costs, combined with increased Electricity and Gas costs of \$1.7 million. We are projecting an increase of \$3.6 million in the Sale of Land revenue line item to reflect the pending sale to the Aviation Department of about 80 acres of land near the northeast corner of George Bush Intl. Airport. Finally, we are projecting a decrease in Equipment Acquisition of \$2.3 million for additional equipment that is not expected to be received this fiscal year.

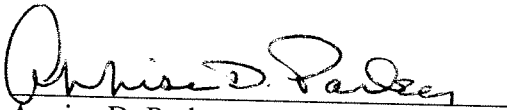
Projected spending for the Stormwater Fund has decreased \$1.7 million due to lower than budgeted staff vacancies and project delays.

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 spring 2007. Aviation currently 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	15.2%
Combined Utility System	22.2%
Aviation	23.4%
Convention and Entertainment	27.6%

Respectfully submitted,



Annise D. Parker
City Controller