

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 2, 2007

**Subject: January 2007
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending January 31, 2007.

GENERAL FUND

We are currently projecting a \$12.8 million surplus for the General Fund, as compared to the surplus of \$3.1 million reported last month. The primary reason for the change is that we have increased our revenue projection for Sales Tax by \$11.8 million. December sales tax receipts were 6.8% higher than the same month a year ago. Based on year to date performance, we are estimating a 4% increase in sales taxes for the remainder of the fiscal year. We have also increased our Property Tax projection by \$2.8 million. Offsetting the increased sales and property taxes are decreases in Municipal Courts Fines and Forfeits and reduced Intergovernmental revenues of \$2 million and \$1.4 million, respectively. The decrease in Municipal Court fines is tied to problems related to the new ICMS system.

We have made \$1.4 million worth of increases in various departmental expenditures. The projection for Fire increased \$800,000 for overtime and fuel, and General Government jumped \$600,000 to reflect the pass through of higher sales tax revenues related to the limited purpose annexations

ENTERPRISE FUNDS

The Aviation Operating Fund's projection for Operating Revenues has been decreased by \$2.4 million in Buildings and Grounds and Parking and Concessions. This recognizes actual FY 2007 revenue trends through January. Operating Expenses have also been decreased by \$2 million, primarily for additional savings in electricity.

Convention & Entertainment's projections for Operating Expenses have been reduced by \$831,000 due to lower than budgeted hotel tax rebates. Total Non-Operating revenues have been increased by \$1.6 million. \$1.2 million of this represents C & E's proportionate share of the \$2 million in reimbursement received from the NBA for the All-Star game. The other \$400,000 is due to lower Capital Outlays.

The Combined Utility System (CUS) projects an additional decrease of \$1.4 million in Water and Sewer Sales due to higher than average rainfall. The CUS also projects a decrease of \$3.6 million in Operating Expenses. This is primarily due to lower prices and reduced spending for electricity and natural gas. We also project a decrease of \$4.6 million in Equipment Acquisition, for equipment not expected to be received this fiscal year.

Mayor Bill White
City Council Members
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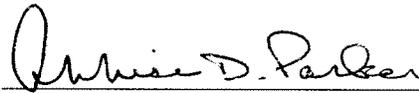
There are no changes to our projections for the Stormwater Fund.

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	14.4%
Combined Utility System	21.6%
Aviation	23.4%
Convention and Entertainment	27.5%

Respectfully submitted,



Annise D. Parker
City Controller