OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To:	Mayor Bill White City Council Members	**From:**	Annise D. Parker City Controller
		Date:	April 27, 2007
		Subject:	**March 2007 Financial Report**

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

GENERAL FUND

We are currently projecting an $18.1 million surplus for the General Fund, compared to the surplus of $16.1 million reported last month. This is the net result of an $8.3 million increase in projected revenues and an increase of $6.3 million in expenditures. We have increased our projection for Sales Taxes by $4.9 million based on year-to-date receipts. Revenues from Industrial Assessments and Natural Gas Franchise Fees are up by $1.3 million each, reflecting actual billings for Industrial Assessments and actual year-to-date receipts for Natural Gas.

We have also made changes in our expenditure projections, increasing the estimate for General Government by $7.1 million. This includes $3.6 million of increased spending for computers and other information technology by various departments as well as a $3.5 million loan to the Dangerous Buildings fund to pay for stepped up demolition activity. These increases are offset by $776,000 of lower than anticipated costs for Electricity in Public Works.

ENTERPRISE FUNDS

The Aviation Operating Fund's projection for Operating Revenues has increased $2 million. Nearly all of this change is attributed to higher than anticipated revenues for Parking and Concessions. The projection for Operating Expenses has decreased $890,000 due mainly to hiring delays and difficulty in filling certain types of skilled positions. Projections for Interfund Transfers to the Operating Reserve fund have decreased $2.8 million to better reflect the actual required amount. There is a $7 million decrease in the Renewal and Replacement fund because of delays in anticipated capital projects, mainly pavement repair, which are now expected to occur in FY 2008.

The projection for Operating Revenues within the Convention and Entertainment Facilities Department has increased by just under a million dollars. This is predominantly due to increased revenues for Food and Beverage Concessions. There is a $300,000 decrease in the projection for Non-Operating expenses. At budget time, it was anticipated this $300,000 would be needed as matching funds for improvements at Jones Hall, which have been delayed.

The Combined Utility System (CUS) projects an increase of $302,000 in Operating Revenues. This consists of $1.27 million in decreased revenue from Water Sales due to continued higher than average rainfall, $710,000 in increased Sewer Sales from evaporation credits, and an increase of $862,000 in Other revenues for additional capacity fees. The CUS also projects a decrease of $2.1 million in Operating Expenses, due primarily to a decrease of $1.4 million in Electricity and Gas costs and another decrease of $1.7 million for lower than expected costs for pump and blower repairs. Higher costs for construction materials for various projects have caused a $936,000 increase in the projection for Supplies. The projection for Non-Operating Revenues increased by $455,000 due to higher than expected interest earnings on investments. Finally, there is an $8.9 million decrease in the projection for Operating Transfers to reflect a refunding of commercial paper and favorable swap auction rates.

The Stormwater Utility Fund reflects a decrease of approximately $900,000 due to a lower estimate for discretionary debt payments. In addition, funding for Personnel has been reduced $240,000 to be more in line with recent hiring trends.

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%

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 March 31, 2007 follows.

Respectfully submitted,

Annise D. Parker

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City Controller