

OFFICE OF THE CITY CONTROLLER

**CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE**

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: September 28, 2007

**Subject: August 2007
Financial Report**

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

GENERAL FUND

We now project a \$5.5 million budget surplus. This change is largely due to a \$22.5 million increase in our overall revenue projection. According to the FY 07 certified tax roll from the Harris County Appraisal District, the total appraised value of property within the city is much higher than anticipated at budget time. Therefore, we have increased our property tax projection by \$24.4 million. We have also increased our projection for Other Franchise revenues by \$1.5 million to reflect current trends in collection of cable TV and solid waste hauler franchise fees. Offsetting these two increases is a \$3.3 million decline in projected Indirect Interfund revenues, which can be attributed to adjustments for equipment depreciation and lower than anticipated transfers from public works to 3-1-1.

With the exception of Municipal Courts Administration, general fund expenditures are still projected at budget. Municipal Courts Administration anticipates being \$1 million over budget due to increased staffing recommended in the MITRE Assessment Report of the Case Management System.

ENTERPRISE FUNDS

We are currently projecting the Aviation, Convention & Entertainment, and Stormwater enterprise funds at budget.

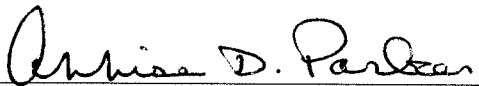
The wet summer continues to impact the Combined Utility System (CUS). Rainfall for July and August was almost 11 inches higher than the historic average for those two months, prompting a \$12 million decrease in projected water and sewer revenues.

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 refunding its Airport System Commercial Paper Notes with fixed rate debt in fall 2007. The Airport System also maintains high investment balances that 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. As of August 31, 2007, the ratio for each type of outstanding debt was:

General Obligation	19.4%
Combined Utility System	15.6%
Aviation	23.9%
Convention and Entertainment	28.3%

Respectfully submitted,



Annise D. Parker
City Controller