

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: August 31, 2007

**Subject: July 2007
Financial Report**

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

GENERAL FUND

We project a \$16 million shortfall between revenues and expenditures. This is based on revenue projections that remain unchanged from the Controller's Trends Report issued back in May 2007. The FY 08 budget adopted by city council anticipated drawing down the fund balance by \$12.5 million. This is not reflected in our projections.

ENTERPRISE FUNDS

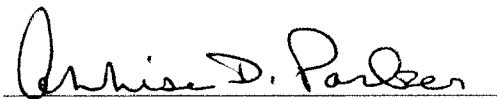
We are currently projecting all Enterprise funds at budget.

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 will refund certain Airport System Commercial Paper Notes with fixed rate debt in September 2007. Aviation 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. At July 31, 2007, the ratio for each type of outstanding debt was:

General Obligation	18.6%
Combined Utility System	15.1%
Aviation	23.9%
Convention and Entertainment	28.3%

Respectfully submitted,



Annise D. Parker
City Controller