

**OFFICE OF THE CITY CONTROLLER**

**CITY OF HOUSTON  
INTEROFFICE CORRESPONDENCE**

**To:** Mayor Bill White  
City Council Members

**From:** Annise D. Parker  
City Controller

**Date:** June 27, 2008

**Subject: May 2008  
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending May 31, 2008.

**GENERAL FUND**

We are now projecting an end of year budget surplus of \$12.1 million, up \$8 million from last month's report. This is the net impact of a \$1.7 million decrease in projected departmental expenditures and a \$6.3 million increase in our overall revenue projections.

Based on the latest property value data from the Harris County Appraisal District, we are decreasing our projection for Property Taxes by \$258,000. We are increasing our projection for Sales Taxes by \$3.9 million based on year-to-date activity through April. We have increased our projection for Indirect Interfund revenues by \$820,000 to better reflect actual cost recoveries being covered by grant funds. Our projection for Interest revenue is up another \$870,000 due to continued higher than anticipated cash balances. Finally, we have increased our projection for Miscellaneous/Other revenues by \$933,000 to reflect year-to-date collections for street millings and other cost recoveries and refunds.

Our projection for Fire Department expenditures is down \$1.1 million from last month's report due to lower overtime costs. We are also decreasing our projections for spending within the Parks and Police Departments by \$312,000 and \$984,000, respectively, to reflect their ability to absorb some of the increased fuel costs they are experiencing. The projection for Solid Waste spending is up \$1.1 million due to heavy equipment purchases and salary adjustments for certain positions.

**ENTERPRISE FUNDS**

The projection for Aviation Department Operating Revenue has increased \$1.6 million. This is attributed to higher than anticipated traveler spending on parking and concessions and increased grant reimbursement for security costs. Our projection for Operating Expenses has decreased by \$1.5 million, mainly due to lower than expected charge backs for Police and Sewer services. Operating Transfers have increased \$3.7 million. This is the net impact of a \$23.4 million transfer to the Capital Improvement line item, an \$18.9 million decrease in spending for Debt Service and an Operating Reserve adjustment of \$775,000.

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In the Convention & Entertainment Facilities Operating fund we have increased our revenue projection for Food and Beverage Concessions by \$667,000 due to higher than expected attendance at the Windpower 2008 Expo. Our projection for Hotel Occupancy Tax is up by \$3 million based on year-to-date receipts. There is also a corresponding increase in Advertising Services and Promotion Contracts expenses of approximately \$1.3 million.

Our projection for Combined Utility System Operating Revenues has declined by \$2.6 million. Once again, this is due to lower water and sewer sales. In addition, there is a \$2.5 million increase in projected Operating Expenses. This is the impact of higher personnel, chemical, and engineering costs. Non-Operating Revenues have increased \$2 million. This is due to a \$1 million refund from the federal government for Hurricane Rita related expenses and Claims Recovery of \$900,000. Finally, operating transfers for Equipment Acquisition have decreased by \$335,000 because of purchase delays.

We are not projecting any significant changes in the Parking Management or Stormwater funds this month.

## **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 plans to refund most of its Airport System commercial paper in the next several months, as well as \$250 million of auction rate debt. Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the Hotel Corporation.

As of May 31, 2008 the ratio for each type of outstanding debt was:

General Obligation	18.7%
Combined Utility System	6.3%
Aviation	23.1%
Convention and Entertainment	29.4%

As of June 25, 2008 the City has converted or refunded all \$1.3 billion of its Combined Utility auction rate bonds with variable rate demand bonds and special term bonds. Variable rates on tax-exempt bonds have come down from highs over 6% to current rates of 1.65%. The three-year term bonds priced at a yield of 3.9%.

Respectfully submitted,



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Annise D. Parker  
City Controller