

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 26, 2008

Subject: **August 2008
Financial Report**

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

GENERAL FUND

We are currently projecting a shortfall of \$66 million. We have increased our overall revenue projection by \$4.2 million from last month's report. This is comprised of an increase of \$3 million in projected Property Tax revenues that is tied to a higher than expected tax roll and an increase of \$1.2 million in Sales Tax estimates to reflect higher than anticipated July receipts.

This report covers the period prior to Hurricane Ike. There are no changes in our expenditure projections. While we are reflecting City Council's approval of a \$20 million transfer from the Rainy Day Fund to the Hurricane Ike Aid and Recovery Fund, next month's report will cover the hurricanes impact.

The FY 09 budget adopted by City Council anticipated drawing down the fund balance by \$51 million. This is not reflected in our projections, which is part of the reason we are projecting such a large shortfall.

ENTERPRISE FUNDS

In the Convention & Entertainment Facilities (CEF) Operating fund we have increased our expense projection for Services by \$432,000 due to a new elevator contract that is more expensive than originally forecast. We have decreased our projection for Transfers for Interest by \$262,000 to reflect lower interest rates on CEF's variable rate debt. Finally, we have increased our projection for Transfers from Special funds by \$3 million, to reflect the transfer from the Disaster Recovery Fund (TS Allison), which was approved by Council in August.

Our projection for Combined Utility System (CUS) Operating Expenses is up by \$14.1 million. This is the net impact of a \$2.2 million decrease in contract payments to the Houston Area Water Corporation and increased costs for chemicals, electricity and natural gas. We have also lowered our projection for Impact Fees by \$3.9 million to reflect the area decline in housing construction.

There are no changes in the Aviation, Parking Management, or Stormwater Enterprise Funds.

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. Plans to refund GO commercial paper, most of its Airport System commercial paper, and \$250 million of Airport's auction rate debt have been on hold pending improvements in market conditions. Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the Hotel Corporation.

At August 31, 2008, the ratio for each type of outstanding debt was:

General Obligation	20.9%
Combined Utility System	7.9%
Aviation	23.5%
Convention and Entertainment	29.2%

Respectfully submitted,



Annise D. Parker
City Controller