



CITY OF HOUSTON

Finance Department

Interoffice

Correspondence

To: Mayor Bill White
Members of City Council

From: Michelle Mitchell, Director
Finance

Date: August 28, 2009

Subject: **JULY MONTHLY FINANCIAL AND
OPERATIONS REPORT**

Attached is the Monthly Financial and Operations Report for the period ending July 31, 2009.

Fiscal Year 2009

The unaudited preliminary figures for FY2009 are shown for each fund. In accordance with government accounting standards for governmental funds, the final revenues for FY2009 will include revenues earned through June 30 only if they are collected by the end of August. Expenditures through June 30 will include spending incurred before the end of June. As a result, there will be additional adjustments made for both revenue and expenditures. We expect the final undesignated fund balance for the General Fund to be about \$233.2 million which is approximately \$1.2 million higher than our June MFOR projection. This is mainly due to additional savings from the year-end Workers Compensation and Long Term Disability actuarial adjustments.

Fiscal Year 2010

Since the budget was adopted, employment data became available that clearly shows the severity of job losses in the Houston-Sugarland-Baytown Metropolitan Statistical Area (MSA). While Houston was less affected by the recession than most cities in late 2008 and early 2009, it is now evident that Houston's economy will be more deeply affected in FY2010. Data for July 2009 employment showed an 80,800 decrease from the same month of last year for the Houston-Sugarland-Baytown MSA. Employment directly correlates to our sales tax revenues and affects property tax and other revenues as well. As a result of the recent economic indicator, our projection for the general fund revenue is approximately \$46.6 million lower than the FY2010 Adopted Budget due to the following:

General Fund Revenues

- Property Tax revenues are projected at \$894.2 million, a decrease of \$15.5 million. The decrease in revenue is the result of a lower projection in the assessed value from the Harris County Appraisal District as well as higher than anticipated hearing losses.
- Industrial Assessments decreased by \$7.8 million due to an early payment from Lyondell as reported in the FY2009 June MFOR.
- Our sales tax receipt for June was 6.25% lower than the prior year. In the past three months, our sales tax receipts have been approximately 5.4% lower than the previous year. As a result of the downward trending in the economy as well as the higher job losses rate, we have decreased our sales tax projection by \$23.3 million.

August 28, 2009

General Fund Expenditures

Council approved a \$10 million Management Initiative Savings in the FY2010 Budget. We have addressed this savings goal by reducing the expenditure budgets of the departments, including General Government, by approximately 1% and/or \$15 million. This resulted in our projection for expenditures to decrease by a net of \$5.3 million which will help close the gap caused by lower revenues.

We are currently projecting the ending fund balance to be approximately \$141.2 million, which is 8.4% of estimated expenditures less debt service. As a result of the decrease in revenues for property tax and sales tax, there is a budget gap of \$34.4 million. We are currently working on eliminating this gap by working with the Departments and Administration to identify additional savings and revenues (e.g. \$2.4 million for Katrina appeal, Ike reimbursement, etc.).

Enterprise, Special Revenue and Other Funds

We are projecting all Enterprise Funds, Special Revenue Funds and all other funds at budget except the following:

Convention and Entertainment

- Operating revenue increased \$235,000 due to additional facility rental fees from George R. Brown Convention Center.

Auto Dealers

- Operating expenses decreased \$236,000 due to anticipated vacancies in the first half of the year.

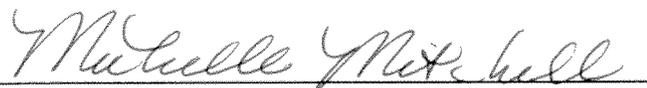
DARLEP

- Operating expenses decreased \$656,000 due to projected lower payment to the State of Texas because of increased overhead in the fund.

Hurricane Ike Aid & Recovery Fund

As of July 31, 2009, the City has submitted documentation to FEMA for the processing of Project Worksheets (PWs) totaling \$187.8 million, consisting of emergency work in the amount of \$165.3 million and permanent work of \$22.5 million. To date, FEMA has obligated \$132.9 million. The City has also received insurance advances totaling \$7 million which is up by \$2 million from the previous month.

If you have any questions, please feel free to contact me.



Michelle Mitchell, Director