

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: December 31, 2009

**Subject: November 2009
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending November 30, 2009.

GENERAL FUND

We are projecting a revenue shortfall of \$96.4 million. This consists of the \$50.7 million planned drawdown of the fund balance City Council approved in adopting the FY10 budget and an additional \$45.7 million gap between the Controller's Office and the Administration. Their revenue projections are \$14.7 million higher than ours. In addition, they are including \$5.7 million of transfers not yet approved by City Council, \$9.5 million of Sale of Capital Assets not yet finalized, and a drawdown of \$15.8 million from the fund balance that was not part of the Adopted Budget. Our projection for Transfers from other funds increased \$10 million to reflect funds to be moved from the Ike Fund to the General Fund. These funds were originally from the Limited Use Roadway & Mobility Fund.

Our revenue projection is unchanged from last month.

Expenditure projections are unchanged from last month on a net basis. Our projection for Administration and Regulatory Affairs (ARA) increased \$1.7 million because payroll function costs are being moved from several departments to ARA, with a corresponding decrease in the other departments. Police decreased \$2.6 million primarily reflecting the deletion of previously projected costs of forensics testing (\$2 million in the September MFOR), pending review by the incoming administration. Finally, our projection for General Government increased \$1.7 million because procurement reengineering savings originally identified in the General Fund have been determined to be in Enterprise Funds. Smaller departmental changes accounted for the remainder.

ENTERPRISE FUNDS

Our projection for Combined Utility System Operating Revenues has decreased \$652,000. This is a net change of a decrease in Water Sales of \$2.5 million and a increase of \$1.7 million in Sewer Sales due to revenue trends through November. The projection for Impact Fees decreased \$2.2 million, reflecting the downturn in the construction and housing markets.

Mayor Bill White
City Council Members
November 2009 Monthly Financial and Operations Report

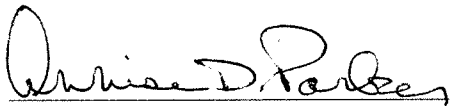
There are no material changes in the Aviation, Convention & Entertainment, Parking Management, and Stormwater funds.

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. Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the hotel corporation. As of November 30, 2009 the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	4.7%
Combined Utility System	5.0%
Aviation	16.9%
Convention and Entertainment	30.5%

Respectfully submitted,



Annise D. Parker
City Controller