



CITY OF HOUSTON

Finance Department

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Mayor

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To: Mayor Annise D. Parker
City Council Members

Date: January 28, 2011

Subject: 6+6 Financial and
Operations Report

Attached is the 6+6 Financial and Operations Report for the period ending December 31, 2010. Fiscal Year 2011 projections are based on six months of actual results (July - December) and six months of projected results (January - June).

General Fund

The projected budget gap in the General Fund is currently at \$10.3 million. This is \$3.1 million lower than we projected in the 5+7 Report due to the following:

Revenues and Other Sources increased by \$14.5 million from last month. This is largely due to an increase of \$10.3 million in Sales Tax based on positive trending in the actual receipts, an increase of \$6 million in Sale of Land, as well as an increase of \$1.3 million in Transfers from the Parking Management Fund. These increases are offset by a decrease of \$2 million in Charges for Services and Interest as well as \$750,000 decrease in expected Cost of Service Fee Recoveries⁽¹⁾.

Expenditures increased by \$11.4 million mainly due to an \$8.6 million increase in Houston Fire Department for classified termination pay and overtime costs, a \$1.4 million increase in the projection for Limited Purpose Annexation payments⁽²⁾, and an \$8 million less in Management Initiative Savings. These increases are offset by involuntary furlough savings of \$4.8 million as well as approximately \$2 million additional savings from various departments.

Major Fiscal Items

The total amount projected from non-right-of-way land sales (\$46.5 million)⁽³⁾, management initiative savings (\$2 million), and cost of service fee recovery (\$5.8 million) in the finance projections is currently at \$54.3 million.

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- (1) The projection for Cost of Service Fee Recoveries has been reallocated from Miscellaneous/Other category to the Licenses & Permits and Charges for Services categories.
- (2) The City receives all sales tax collected in Limited Purpose Annexation (LPA) areas and then sends payment to the LPAs for their share of the revenue. Therefore, our LPA payments generally increase as total sales tax collected increases.
- (3) \$7.5 million in land sales is budgeted under Transfers from Other Funds to comply with generally accepted accounting principles but is included here in land sales in the interest of clarity.

Sale of Land

We have increased our projection by \$6 million to recognize land sold not included in the adopted budget. The projected land sales in the budget (\$40.5 million) that have not materialized are expected to close by the end of the fiscal year.

Management Initiative Savings

We have reduced our projection for Management Initiative Savings to \$2 million.

Cost of Service Fee Recovery

We have evaluated the revenue impact from the Cost of Service Fee Recoveries that were approved on November 17th, 2010 and December 15th, 2010 and are now projecting \$5.8 million in revenue for the fiscal year.

Other Items

Also included in this projection is the reallocation of electricity, fuel, and health benefits.

Enterprise, Special Revenue and Other Funds

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

Aviation

Operating and Non-Operating Revenues increased by approximately \$4 million due to concessions and parking as well as interest earned. As a result, the Operating Transfers also increased by approximately \$4 million.

Convention & Entertainment

Operating Expenditures decreased by \$851,000 to reflect personnel savings and lower construction costs. Operating Transfers increased by \$445,000 due to an accounting adjustment for the lower construction costs at George R. Brown Convention Center. Non Operating Revenue increased by \$256,000 due to higher collections in Delinquent HOT tax.

Combined Utility System

Operating Revenues decreased by \$9.5 million due to lower consumption of water than budgeted by the water authorities and commercial customers. Operating Expenditures decreased by \$12 million primarily due to \$2.8 million in personnel savings and \$9 million due to contracts and other payments related to the change in implementation timing and better information on how much Multi-Family Water Conservation Rebate Program will cost.

Health Benefits Fund

Operating Revenues decreased by \$7 million due to lower number of active subscribers and enrollment in the retiree subscribers. As a result, Operating Expenditures in the fund also decreased.

Workers' Compensation Fund

Operating Revenues and Expenditures decreased by \$1.4 million due to lower than anticipated workers' compensation claims and administrative costs.

Building Inspection Fund

Operating Expenditures decreased by \$801,000 primarily due to the decline in reimbursements requested from builders related to the energy efficiency testing for affordable homes.

DARLEP

Operating Revenues and Expenditures increased by \$1 million due to Red Light Enforcement revenue continuing to be booked during the program phase out.

Houston Transtar

Operating Expenditures decreased by \$270,000 primarily due to deferral of several expansion projects associated with Houston Transtar building as well as capital purchases.

Parking Management Fund

Operating Revenues increased by \$1.3 million largely due to an accounting adjustment associated with converting from an enterprise fund to a special revenue fund. As a result, Operating Transfers to the General Fund also increased by \$1.3 million.

Police Special Services Fund

Operating Revenues increased by \$863,000 primarily due to cost of service fee recoveries.

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

Sincerely,



Kelly Dowe
Acting Director