



CITY OF HOUSTON

Finance Department

Annise D. Parker

Mayor

Finance Department
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To: Mayor Annise D. Parker
City Council Members

Date: January 7, 2011

Subject: 5+7 Financial and
Operations Report

Attached is the 5+7 Financial and Operations Report for the period ending November 30, 2010. Fiscal Year 2011 projections are based on five months of actual results (July - November) and seven months of projected results (December - June).

General Fund

The projected budget gap in the General Fund is currently at \$13.4 million. This is approximately \$1.9 million lower than we projected in the October MFOR (4+8 Report) as a result of higher than anticipated franchise fees revenues and additional departmental savings.

The gap represents a negative difference between the sources and uses of funds that was not included in the Adopted Budget. The administration will continue addressing the gap through further reductions in spending. Positive trends in sales tax, if they continue, would also help further reduce the gap.

Major Fiscal Items

The total amount projected from non-right-of-way land sales (\$40.5 million), management initiative savings (\$10 million), and cost of service fee recovery (\$6.5 million) in the finance projections is currently at \$57 million.

Sale of Land

Currently, the year-to-date non-right-of-way land sales are \$6 million. The projected land sales that have not been materialized are expected to close by late May.

If we do not close on these land sales at that time, we will further draw down fund balance to close the gap with the intention of replenishing fund balance when the land sells in FY2012.

Management Initiative Savings

Consolidation efforts to increase departmental efficiency are fully underway. We had previously adjusted our projection for management initiative savings in October MFOR (4+8 Report). If it is necessary to adjust the projection again, we will present a plan to City Council in February for further reducing expenditures and balancing the budget.

Revenue Collections

As communicated to the Council during the cost of service fee recovery presentations, the administration is committed to aggressively collect all revenues due to the City. We will also monitor closely the revenue impact from the cost of service fee recoveries that were approved on November 17th, 2010 and December 15th, 2010.

Other Items

Voluntary and Mandatory Furlough savings are not included in the expenditures projection. We will include these savings in the 6+6 Financial and Operations Report.

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 revenues decreased by approximately \$3.2 million due to the finalization of the rates and charges, and operating expenditures decreased by \$264,000 mainly due to personnel savings. As a result, there is a decrease in operating transfers by \$2.9 million.

Convention & Entertainment

Operating service expenditures increased by \$745,000 primarily due to an accounting adjustment for the project at Wortham Theater which is funded and offset by a decrease in operating transfers.

Combined Utility System

Operating service expenditures decreased approximately \$634,000 primarily related to savings of \$2.1 million due to lower than budgeted prices for several major chemicals offset by a \$1.5 million increase due to the installation of emergency generators as required by Senate Bill 361.

Property & Casualty

Operating revenues and expenditures decreased by \$2.3 million mainly due to personnel savings as well as reduction in outside legal counsel services.

Mobility Response

Operating expenditures decreased by \$360,000 due to personnel savings.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Dowe". The signature is fluid and cursive, with a large loop for the letter 'D' and a long horizontal stroke extending to the right.

Kelly Dowe
Acting Director