



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

To: Mayor Annise D. Parker
City Council Members

From: Ronald C. Green
City Controller

Date: June 29, 2012

Subject: May 2012
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending May 31, 2012.

GENERAL FUND

The Controller's office is projecting an ending fund balance of \$129.5 million for FY2012. This is \$10.6 million lower than the projection of the Finance Department. The difference is due to a \$10.6 million higher revenue projection from the Finance Department. Based on our current projections, the fund balance will be \$8.3 million **above** the City's target of holding 7.5% of total expenditures, excluding debt service, in reserve. This amount includes the un-designation of the \$20 million in the Rainy Day Fund in FY2011, as well as the designation of \$2.7 million of contingent funding of the DARLEP settlement, and designation of \$5 million back to the Rainy Day Fund in FY2012.

While we have changed several revenue projections, the total decreased \$11.7 million under last month's projection. Industrial Assessments was decreased \$13.9 million, reflecting delays in replacing the agreements; the prior agreements recently expired, and the new agreements are currently in process. Sales Tax increased \$2.5 million, reflecting the April receipt being above our previous projection. Our projection for Licenses & Permits increased \$409,000 for additional receipts of Fire Alarm Permits and Plan Reviews. Charges for Services decreased \$896,000 primarily for lower Ambulance collections, net of commissions.

The major differences (over \$1 million) are now in only three categories: (1) Property Tax revenues are \$1.9 million lower than the Finance Department due to the Controller's office using a collection rate of 97.4% versus 97.7% for Finance. (2) Finance is reporting Sales Tax \$4.4 million higher than the Controller's projection. Currently two months' revenues are unknown. (3) Finance is reporting Municipal Courts Fines & Forfeits \$2.4 million higher than Controller's projection. Low ticket issuance in the beginning of the fiscal year has caused the collections to be under budget.

The expenditure projection was decreased \$1.1 million from last month's report, mainly for savings in contract legal services.

ENTERPRISE FUNDS

In the Aviation Operating Fund, we have increased our projection for Operating Expenses \$345,000 for higher Drainage and Legal fees. A corresponding decrease was applied to the Capital Improvement Transfer.

**Mayor Annise D. Parker
City Council Members
May 31, 2012, Monthly Financial and Operations Report**

Within the Convention & Entertainment Facilities Operating Fund, we have increased our projection for Non-Operating Revenues \$3 million, mainly for higher HOT tax receipts.

Our projection for the Combined Utility System Operating Expenses decreased \$4.4 million mainly for lower drought-related leak repair costs, and lower personnel costs from delays in filling vacant positions. We have also decreased our projection for Operating Transfers \$5.3 million mainly for lower interest costs on variable rate debt and commercial paper, as well as a lower equipment acquisition costs.

In the Dedicated Drainage & Street Renewal Fund, we have decreased our expense projection \$528,000 mainly due to lower supply costs.

There were no material changes in the Stormwater fund this month.

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. As of May 31, 2012, the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	5.8%
Combined Utility System	3.1%
Aviation	17.3%
Convention and Entertainment	18.3%

Respectfully submitted,



Ronald C. Green
City Controller