



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: December 2, 2011

Subject: October 2011
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending October 31, 2011.

GENERAL FUND

The Controller's office is projecting an ending fund balance of \$118.9 million for FY2012. This is \$17.8 million lower than the projection of the Finance Department. The difference is due to a \$14.9 million higher revenue projection from the Finance Department and a \$2.9 million higher projection for the Sale of Capital Assets from the Finance Department. Based on our current projections, the fund balance will be \$2.1 million below the City's target of holding 7.5% of total expenditures, excluding debt service, in reserve. This amount includes the undesignation of the \$20 million in the Rainy Day Fund.

Our revenue projection increased \$5.7 million. Property Tax was increased \$2.8 million reflecting current property values. We also increased Sales Tax \$3 million to recognize September receipts, which were higher than expected.

The major differences are in six categories: (1) Property Tax revenues are \$2.4 million lower than the Finance Department due to Controllers using a collection rate of 97% versus 97.5% for Finance. (2) Sales Tax revenues are \$1.7 million lower, as the Controller's office is using Barton Smith's latest growth estimate, discounted by his stated margin of error, and recognizing July thru September receipt amounts over projection. (3) Finance is reporting Licenses and Permits \$5 million higher than the Controller's projection. The Controller's office recognizes the fee increases, but until we see the effect on the number of licenses we will not modify our projection. (4) Finance is reporting Charges for Services \$1.6 million higher than the Controller's projection. Ambulance fees are the largest single revenue in this category. (5) Finance is reporting Miscellaneous/Other revenues \$1.5 million higher than the Controller's projection. Many of these revenue sources are non-recurring. (6) Sale of Capital Assets are \$2.9 million lower than the Finance Department, as the Controller's Office has not recognized all proposed land sales, which have yet to be finalized and approved by Council.

Expenditure projections are \$5.5 million above the Adopted Budget. Our projection for Fire increased \$475,000 for personnel costs moved from Building Inspection Fund and Fire Station facilities costs. We decreased the projection for Police \$1 million for expenditures to be covered by Police Special Revenue funds. We also decreased General Government \$320,000 for costs funded in Fire, noted above.

Please remember that all FY2011 numbers are preliminary estimates and subject to change until the annual audit is completed and the Comprehensive Annual Financial Report is published.

Mayor Annise D. Parker
City Council Members
October 31, 2011 Monthly Financial and Operations Report

ENTERPRISE FUNDS

In the Aviation Operating Fund, we have decreased our projection for Operating Expenses \$386,000 for lower than expected Supplies and Services. We have also decreased our projection for Debt Service Interest transfer by \$5.7 million, along with a corresponding increase in Capital Improvement transfer. Unexpected funding sources have been identified which are able to be used to pay Debt Service Interest.

There were no material changes in the Convention & Entertainment Operating Fund, the Combined Utility Fund, the Dedicated Drainage & Street Renewal Fund, and the Stormwater Fund.

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 October 31, 2011, the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	7.6%
Combined Utility System	3.2%
Aviation	17.0%
Convention and Entertainment	18.3%

Respectfully submitted,



Ronald C. Green
City Controller