



# CITY OF HOUSTON

Finance Department

Sylvester Turner

Mayor

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**To:** Mayor Sylvester Turner  
City Council Members

**Date:** April 28, 2017

**Subject:** 9+3 Financial Report

Attached is the 9+3 Financial Report for the period ending March 31, 2017. Fiscal Year 2017 projections are based on nine months of actual results and three months of projections.

**General Fund**

Our revenue projection is \$26.4 million higher than the Adopted Budget and \$14.2 million higher than the 8+4 Report. The variance from the prior month's projection is primarily due to:

- \$13.9 million increase in Property Taxes primarily due to lower TIRZ payments,
- \$1.4 million increase in Interfund Airport Police Services due to greater police presence at Houston airports,
- \$279,000 increase in Industrial Assessment due to higher than anticipated billings,
- \$1.5 million decrease in Miscellaneous/Other due to lower than anticipated Payment in Lieu of Taxes (PILOT) agreement.

**General Fund Revenues (amounts expressed in thousands)**

Category	FY16 Actual	FY17 Adopted Budget	FY17 Current Projection	Variance Over/(Under)
Property Tax	\$1,098,664	\$1,133,191	\$1,158,377	\$25,186
Sales Tax	640,476	615,000	621,000	6,000
Franchise Fees	191,169	192,785	188,383	(4,402)
Other	370,538	357,437	357,006	(431)
<b>Total</b>	<b>\$2,300,847</b>	<b>\$2,298,413</b>	<b>\$2,324,766</b>	<b>\$26,353</b>

Our expenditure projection is \$28.4 million higher than Adopted Budget and there are no major changes from our 8+4 Report.

**General Fund Expenditures (amounts expressed in thousands)**

Category	FY16 Actual	FY17 Adopted Budget	FY17 Current Projection	Variance Over/(Under)
Police	\$800,918	\$811,296	\$823,455	\$12,159
Fire	504,177	504,652	505,194	542
Other Departments	696,816	699,266	714,927	15,661
Debt Service/PAYGO	346,000	293,156	293,156	-
<b>Total</b>	<b>\$2,347,911</b>	<b>\$2,308,370</b>	<b>\$2,336,732</b>	<b>\$28,362</b>

We are currently projecting an ending fund balance of \$225.3 million, which is \$14.1 million higher than the 8+4 Report and 11% of estimated expenditures less debt service and pay-as-you-go (PAYGO) transfers.

**Fund Balance (amounts expressed in thousands)**

Category	FY16 Actual	FY17 Adopted Budget	FY17 Current Projection	Variance Over/(Under)
Fund Balance - Beginning of Year	\$287,843	\$196,394	\$236,947	\$40,553
Changes to Designated Fund Balance	-	300	300	-
Budgeted Increase/(Decrease) in Fund Balance	(47,064)	(9,957)	(11,966)	(2,009)
Change in Inventory/Prepaid Items/Imprest Cash	(3,832)	-	-	-
<b>Fund Balance, End of Year</b>	<b>\$236,947</b>	<b>\$186,737</b>	<b>\$225,281</b>	<b>\$38,544</b>
% of Expenditures Less Debt Service and PAYGO	11.8%	9.3%	11.0%	1.8%

A summary of all variances from Adopted Budget that have been reported year-to-date is included in the attachment to this letter.

**Enterprise, Special Revenue and Other Funds**

We are projecting the following forecast changes in Enterprise Funds, Special Revenue Funds and other funds from the 8+4 Report.

**Aviation**

Operating Revenues decreased by \$700,000 primarily due to lower parking and concession revenues. Operating Expenses decreased by \$4 million mainly due to savings in personnel, supplies and services. Non-Operating Revenues increased by \$736,000 primarily due to interest on pooled investments. As a result, Operating Transfers Out increased by \$4 million.

**BARC Special Revenue**

Expenditures decreased by \$1.8 million primarily to reflect personnel savings and supplies.

### **Parks Golf Special Fund**

Operating Revenues decreased by \$449,000 due to lower than anticipated golf fees revenue. Operating Expenditures decreased by \$299,000 to reflect savings in supplies and services.

### **Houston Economy**

**Energy** – The average oil price of \$49.33 for the month of March was 7.7% lower than prior month's average price of \$53.47. Compared to last year, the price has increased by 31.4%. The average oil rig count of 634 for the month of March was 6.9% higher than prior month's count of 593. The rig count year-over-year comparison for the month of March showed an increase of 65.1%.

**Employment** – According to the Bureau of Labor Statistics, the preliminary total nonfarm employment in the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area stood at 3,011,700 in February 2017, up approximately 0.64% year-over-year. Recently revised payroll figures from the Texas Workforce Commission indicate marginal job growth for the Houston metro area of 18,700 in 2016. This represents a 0.6% increase over prior year. Despite job losses in the oil and gas industry, Houston remains strong in other sectors.

**Home Sales** – The latest report prepared by the Houston Association of Realtors for the month of March 2017 shows the total single-family home sales (7,013 units) were 11.7% higher compared to March 2016 (6,278 units). The Houston housing market recorded across the board gains in March, with single-family home sales, total property sales, total dollar volume and pricing all up compared to March 2016.

Sincerely,



Kelly Dowe

Director