



The Investors Conference, March 27, 2013. Concurrent with the Investors Conference, the Controller's Office unveiled the new Investors web page at [www.houstontx.controller/investorrelations/index.html](http://www.houstontx.controller/investorrelations/index.html)



Controller Green discusses Houston's economic outlook at the German Consulate's Monthly Business Meeting. Over 700 Houston companies do business in Germany



Controller Green offers welcoming remarks at conference.

## CONTROLLER'S OFFICE HOSTS INVESTOR CONFERENCE

The City of Houston hosted its first Investor Conference, March 27, 2013, at the Hilton Americas Hotel. The day-long Houston Investor Conference explored strategies, trends and opportunities for future investment in the City of Houston and featured presentations on city debt issues, along with panel discussions from senior finance officials. The Houston Investor Conference gave investors a current snapshot of the City's financial and operational data and allowed City financial experts to differentiate its credits from other comparable credits in the market. Importantly, the conference allowed City personnel to speak directly with institutional investors and answer specific questions concerning the City's expected growth.

"Tax exempt municipal bonds have been a mainstay for cities for a century," says Controller Ronald Green. "Three quarters of all public infrastructure built by states and cities is financed by these bonds, so in a very real way the bonds contribute to job growth as well as sales and property tax revenue while keeping homeowners safe from escalating taxes. It's important to note that Houston voters have overwhelmingly approved bond ordinances over the years, and we are very excited to have this opportunity to 'show off' Houston to our conference attendees."

## CITY OF HOUSTON CONTROLLER'S OFFICE HISTORY



Controller Green interviewed regarding the audit "Airport Systems - Audit of Rental Car Agencies," released in October 2013.

On March 20, 1903, the Texas legislature passed legislation that allowed for the creation of the City of Houston Office of the City Controller.

While most cities have some agent that oversees its finances, few have a popularly elected City Controller and one who has as much independence and authority as does Houston's City Controller. Nor do other similar entities combine politics and professionalism to the extent Houston's Office of the City Controller does.

Recent Controllers have broadened the scope of the office beyond bookkeeping, taking on issues that are more political. Each Controller has worked to control spending and eliminate that which is deemed unwise or unnecessary, even if such elimination has meant extended and difficult battles with the other branches of government.

### Recent Controllers:

Leonel Castillo, 1972-1977

Kathryn Whitmire, 1978-1982

Lance Lalor, 1982-1988

George Greanias, 1988-1996

Lloyd Kelly, 1996-1998

Sylvia Garcia, 1998-2002

Judy Gray Johnson, 2003

Annie Parker, 2004-2009

Ronald Green, 2010 -

[www.houstontx.gov/controller](http://www.houstontx.gov/controller)

The Controller's web site has hundreds of pages of useful and interesting information, as well as financial archives. On the home page, take a moment and watch Controller Green's welcome.



## Controller or Comptroller?

The term *comptroller* evolved in the 15th century through a blend of the French *compte* ("an account") and the Middle English *countroller* (someone who checks a copy of a scroll, from the French *contreroule* "counter-roll, scroll copy"), thus creating a title for a *comptroller* who specializes in checking financial ledgers. This etymology explains why the name is correctly pronounced identically to "controller" despite the unique spelling. However, *comptroller* is sometimes pronounced phonetically. - Strategiccfo.com

## Ronald C. Green

Ronald C. Green was elected Houston's City Controller on December 12, 2009, after serving three terms on Houston City Council, At-Large, Position Four. On Council, he chaired the Budget and Fiscal Affairs Committee, overseeing the City's annual budget of nearly \$4 billion. He also served as a member of the Transportation, Infrastructure and Aviation Committee and the Ad-Hoc Committee on Legislative Affairs.

Controller Green was unopposed for his second term as Controller and was elected to his third and final term as Controller in November 2013.

After serving as a member of the National League of Cities' 2013 Community and Economic Development Steering Committee, Green was elected to the NLC's Board of Directors in November 2013. In this position, he will play a key role in shaping NLC's policy positions, while advocating on behalf of America's cities and towns on Capitol Hill, with the Administration, and at home.

Controller Green was also recently appointed to the Governmental Accounting Standards Advisory Council (GASAC), which is responsible for advising the Governmental Accounting Standards Board (GASB) on technical issues, project priorities, and other matters that affect financial accounting and reporting by state and local governments.

Controller Green earned both a Bachelor of Science and a Master of Business Administration from the University of Houston, as well as a law degree from Texas Southern University's Thurgood Marshall School of Law. He is licensed to practice law in the State of Texas, the District of Columbia, the 5th Circuit Court of Appeals and the United States Supreme Court. He is also a licensed real estate broker.

Mr. Green is a founding partner of his own law firm and a member of Alpha Phi Alpha Fraternity, Inc., 100 Black Men of America, Inc., UH Alumni Organization, UH Black Alumni Association, Thurgood Marshall School of Law Alumni Association, Government Finance Officers Association, National Association of Bond Lawyers, Houston Lawyers Association, and Leadership Houston Class XXIII. He is married to Judge Hilary Harmon Green, Justice of the Peace, Harris County Precinct Seven, Place 1. They have a son and are active in their community and Windsor Village United Methodist Church.



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*Protect Your Money!*

[www.bankonhouston.org](http://www.bankonhouston.org)

"You've worked hard for your money. Protect it!" -Controller Ronald Green

Bank on Houston is a collaborative effort of the City of Houston Controller's Office, the Federal Deposit Insurance Corporation (FDIC), the National League of Cities, the Federal Reserve Bank, 27 participating banks, credit unions, and numerous nonprofit organizations to bring the city's unbanked individuals into the financial mainstream. The Bank on Houston goals are:

- Raise awareness among unbanked consumers, especially the low to moderate income market, about the benefits of account ownership and spur them to open accounts.
- Make quality money management education more easily available to low-to-moderate income Houstonians.

In August 2011, Bank on Houston was awarded a grant from the National League of Cities with a focus on "Improving Data Collection in Municipal Bank On Initiatives." Bank on Houston received a three-year grant (2013 through 2015) from Wells Fargo and United Way that enabled us to hire a full-time BOH coordinator to greatly enhance outreach and community education efforts.

The Office of the City Controller is committed to eliminating fraud and waste in City government. If you are aware of fraudulent activities being committed by government employees or officials, citizens, or business entities defrauding the City of Houston, you can help save taxpayer money by furnishing this information to the Office of the City Controller. See "Report Fraud" on the Controller's home page, [www.houstontx.gov/controller](http://www.houstontx.gov/controller)



City of Houston

CONTROLLER'S OFFICE ANNUAL REPORT  
JANUARY-DECEMBER 2013



Ronald C. Green  
Controller



Dear fellow Houstonians,

I am pleased to present the City of Houston Controller's Office Annual Report for the calendar year 2013 highlighting activities within the divisions of the Controller's Office during the year. As I have said in previous annual reports, I am always anxious to talk about our accomplishments and the important role this office plays in our municipal government. The fact is that very few cities have an elected controller, independent of the Mayor and City Council. This independence is good for all because it makes the controller an independent "watchdog" over the City's fiscal affairs. In brief, the City's finance department proposes the annual budget, the City Council approves the annual budget, and the Controller's Office does the following:

- manages all payroll and vendor payments;
- conducts audits;
- manages investments and debt;
- prepares accurate and timely financial statements;
- provides leadership on policy issues pertaining to the City's financial health;
- has the independent authority to conduct performance reviews of the City bureaucracy;
- assesses the City's future financial condition with accurate forecasts of projected revenues and expenses and area's economic outlook.

Clearly, Houston has experienced an economic upswing following the nationwide recession—just as it did following the earlier recessions of the 1980s and 1990s. As the City's FY 2013 ended, all economic growth parameters were positive.

- June 2013 saw Houston home prices—both median and average—at an all-time high, \$192,000 and \$268,085 respectively. (Houston Association of Realtors [HAR])
- June 2013 foreclosures declined 45 percent compared to June 2012, and made up 8.4 percent of the total market, compared to 19.6 percent at the beginning of 2013. (HAR)
- The Houston area added 91,000 jobs in the year ending May 2013, a 4 percent growth rate. (Texas Workforce Commission)
- Of the nation's 20 largest metro areas, Houston had the fastest rate of job growth during the 12 months ending March 2013, 3.8 percent, followed by Dallas and Tampa. (U.S. Bureau of Labor Statistics.)
- Houston's net migration amounts to 150 people daily, contributing to the demand for housing and retail goods and services. (Greater Houston Partnership)
- Houston's unemployment in May 2013 was 6 percent, down from 8.8 percent in June 2011. (U.S. Bureau of Labor Statistics)

All of these positive economic indicators bode well for the City of Houston. As you remember, we found it necessary to lay off 750 employees in Fiscal Year 2011, the low point of the recession. Now, with the surge in property values and sales and in the increased employment, we have Fiscal Year 2014 with property tax revenue increased 10.7 percent over FY 2011 and sales tax up 34 percent over FY 2010. That's a remarkable recovery for the City. And the upswing should continue: most economists expect approximately 70,000 new jobs in the Houston MSA annually in the next few years. The accepted economic forecast for Houston is that the gross regional product will double by the year 2040.

While strong, especially in comparison to other cities, the Houston economy is beginning to show some slowdown. After all, our city's economy is tied to the nation's economy, and so long as there continues to be uncertainty—most of it emanating from the halls of Congress—about jobs and national health care and other issues, Houston will feel at least some of the negative side effects.

A major event for all large U.S. cities in 2013 was the bankruptcy of Detroit. A city's insolvency is not unheard of, but the number of them in recent years—especially in fairly large metro areas such as Detroit, Stockton, California, and Jefferson County, Alabama—compared with previous generations is surprising. The cause for a city filing bankruptcy is its inability to honor the debt it has accrued, typically pension obligations and bond indebtedness for infrastructure improvements. People choose to live in cities because of the services—water and sewer service, schools, transportation, right of ways, parks and libraries. Just imagine living without these amenities. But these services—including retirees' pensions and health benefits—are funded at least in part through debt.

Huge financial challenges that could lead a city into insolvency do not happen overnight—they are years in the making. I believe the challenge of honoring the City's pension obligations—and restructuring our future pension programs—is the single most important issue at hand.

We live in a city with traditions of growth, entrepreneurialism, generosity and diversity—a city that Forbes calls "the next great global city." I look forward to working with our City Council and Mayor in 2014 as we address our challenges. And, of course, if you have questions about the Controller's Office, please contact us at [controllers@houstontx.gov](mailto:controllers@houstontx.gov). I wish you the very best in 2014!

Sincerely,

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Questions for the Controller? Please write to: [controllers@houstontx.gov](mailto:controllers@houstontx.gov)  
Follow us on twitter at COHController. Join our Facebook page at Office of Houston City Controller

## AUDIT DIVISION

### Promoting efficiency, quality assurance

The Audit Division performs the Internal Audit function for the Office of the City Controller. This includes providing independent, objective assurance, attestation, and consulting services designed to add value and improve the City's operations. The Audit Division helps City departments bring a systematic, disciplined approach to evaluate and improve the effectiveness of various processes (i.e. risk management, control, and governance).

During Fiscal Year 2013, the Audit Division engaged in 34 Audits and Special Projects that produced 10 Audit Reports as posted on the Controller's website. The audits and projects performed focused on risk assessment, contract compliance, performance and efficiency, process reviews, ongoing monitoring, consideration of fraud, waste or abuse, and quality assurance. The Audit Division continued its role in performing all detail testing required by the OMB Circular A-133 for Federal and State grants which is a key component of the Single Audit. Together, these efforts resulted in over \$7.5 million dollars in direct cost-savings realized or identified and \$1.3 million in hard dollar recoveries.

The Audit Division remains committed to its development of a specific IT Audit Function. This is supported by providing aggressive training and staff development to efficiently analyze data from disparate systems including the use of technology tools that are integrated with the City's ERP System (SAP).

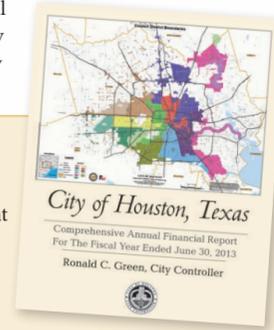
### 2013 Highlights

- Human Resources – Drug Benefit Program Analysis
- Houston Airport Systems – Audit of Rental Car Agencies
- Public Works and Engineering Department – Performance Audit of Water Meters and Electronic Radio Transmitters
- A-133/Single Audit Testwork

## FINANCIAL REPORTING DIVISION

### Pulling together the numbers for public disclosure

The Financial Reporting Division is ultimately responsible for the preparation of both the Monthly Financial and Operations Report (MFOR) and the Comprehensive Annual Financial Report (CAFR), although every division of the City Controller's Office contributes to the CAFR effort. The CAFR is available on the City Controller's website: [www.houstoncontroller.org](http://www.houstoncontroller.org) and on a USB drive by request.



### 2013 Highlights

- Issued 2013 Comprehensive Annual Financial Report (CAFR)
- Issued 12 Monthly Financial and Operations Report (MFOR) in conjunction with Finance Department
- Issued Annual Trends Report for FY2014
- Certified FY2013 revenues
- Certified FY2014 budget in compliance with Proposition 1

## TREASURY DIVISION: DEBT AND INVESTMENT

### Seizing the moment for re-financing

The Treasury Division is responsible for managing the City's \$2.6 billion investment portfolio in accordance with state law and the City's investment policy. Fitch has awarded the City's general investment its highest portfolio rating, AAA. The Treasury Division is also responsible for overseeing a debt program of approximately \$13 billion. The City has 15 commercial paper programs totaling \$1.675 billion, seven auction-rate security issues, nine series of variable rate demand obligation bonds, SIFMA indexed notes, and three interest rate swaps with a total notional amount of \$902 million and credit agreements totaling \$ 2.55 billion.

It is worth noting that Houston has received favorable evaluations from the rating agencies. Notably, in April 2013 Moody's Investors Service upgraded the City of Houston's Combined Utility System's (CUS) \$281 million lien debt from Aa2 to Aa1; at the same time, Moody's reaffirmed the City's Aa2 rating on the system's \$5.6 billion in outstanding parity debt. The report states the debt "reflects the utility's essential role as the primary water provider to the growing Houston metropolitan region, a strong balance sheet and historically adequate debt service coverage, a sizeable capital improvement plan and adequate bond covenants."

The Moody's report goes on to state: "The stable outlook reflects the large and growing service area, stable debt service coverage levels supported by annual rate increases, and solid liquidity in the system."

### 2013 Highlights

- May 16, 2013: \$343,540,000 General Obligation Debt = savings \$19,943,971

## OPERATIONS AND TECHNICAL SERVICES DIVISION

### The "workhorse" of the Controller's Office

The Operations and Technical Services Division is responsible for funding certification and reservation for contracts; accounts payable (AP) vendor payments and cash disbursement; bank accounts and travel advances monthly reconciliation, review and approval of City-wide personnel action requests (PAR), payroll payments processing; City wide contract, financial and accounting records retention and imaging retrieval; vendor liaison function; issuing annual tax form 1099 to vendors per IRS rules; escheating unclaimed checks to State Office; testing accounts payable and treasury new system features; the Controller's Office information technology (IT) operations and related administrations. In the coming year, the division's goals are to develop AP streamline processing via an on-line vendor invoice interfacing feature in SAP-AP module with the related City wide teams to reduce manual operations, to continue coordinating with City wide users for a paperless invoice approval system workflow procedure, to encourage direct deposit payment by City vendors and employees, and to replace current outdated document retrieval system with an efficient and sufficient system and a high speed engine for server operation.

### 2013 Highlights

- Maintained Accounts Payable records through various electronic devices for future reference and audit trail to reduce cost for storage of paper documents.
- Tested payroll processing facilities at a different safeguard location (HEC) to ensure that the capability of performing payroll and disbursement disaster recovery procedures is well maintained.
- Reviewed SAP financial and accounting-AP system blueprint procedures periodically to ensure that IT-ERP and the Controller's Office are working as a team for the safeguard of security setup and the efficiency and internal control purposes of AP operations.
- Performed system program runs and reconciliation on the monthly investment interest apportionment and the financial/accounting operations monthly closing.
- Maintained Controller's Office computer servers/technical program services pertaining to departments and City-wide financial/accounting, information technical and auditing systems.
- Provided availability of on-line vendor payment history database for vendor to retrieve the payment information efficiently.

## EXECUTIVE DIVISION

### The "voice" of the Controller's Office

The Executive Division oversees the initiatives, reports and requests for information that are the responsibility of the Controller's Office. The division serves as liaison to City Council and the City's departments. The division continued the Bank on Houston initiative, a City-sponsored program to connect unbanked residents with the financial mainstream.

### 2013 Highlights

- The Controller's Office has been called upon—by the National League of Cities, the Governmental Accounting Standards Board (GASB), Bloomberg Cities and Debt Briefing Panel and other professional and governmental organizations— to take a leadership role in the ongoing national forum focusing on U.S. cities' financial challenges.
- Provided constituents a means to communicate their concerns and requests via the Controller's website.
- Controller Green spoke to numerous chambers of commerce, civic groups and professional associations about the City's budget challenges and the area's economic outlook, including the Greater Houston Partnership, Houston Association of Realtors, Texas Public Finance Conference, German Consulate Business Luncheon, Services Cooperative Association and the League of Women Voters among others.
- Continued production of the monthly "The Green Report" on HTV, the City's municipal television station. The half-hour program sees Controller Green interviewing prominent Houstonians about current issues. (Watch an episode with Harris County Tax Assessor Mike Sullivan and Harris County Appraisal District Chief Tax Appraiser Roland Altinger discussing property taxes with Controller Green on the Controller's web site, [www.houstontx.gov/controller](http://www.houstontx.gov/controller).)
- Continued for a fourth year the Controller's Office internship program for local college and university students.
- The Controller's Office was represented at 30 events hosted by various non-profits; 21 events hosted by surrounding high schools, colleges, and universities; and 114 community wide events.



Speaking to students is a regular item on the Controller's calendar.