



City of Houston

Long Range Financial Management Task Force

City Financial Overview
Part I

August 29, 2011



Agenda

- Main Financial Concepts
- City Financial Historical Trends
- Enterprise Funds
- Future Areas of Discussion
- Next Agenda



City of Houston

City Financial Overview

Main Financial Concepts



Main Concepts - Budget

- A Budget is
 - Annual plan for spending
 - Used to manage operations
 - The legal limit and policy guide for spending for one fiscal year
- Fiscal Year: July 1 to June 30
 - Basis for Annual Budget and Financial Report



Main Concepts – Five Year Forecast

- Used to project revenues and expenditures over a longer horizon than the budget
- Identifies potential issues for the Mayor and Council for which planning is needed
- Can project budget gaps in future years; no requirement that sources and uses of funds are equal beyond current fiscal year



Main Concepts – CIP

- A Capital Improvement Plan (CIP) is:
 - Long-term: Five to six years
 - Four major capital improvements: Streets, drainage, water and wastewater, facilities
 - Multi-year projects
 - Major financial resources: Long-term debt
 - Budget is adopted separately from the Operating Budget
- Benefits of CIP:
 - Address major needs systematically
 - Project selection and timing
 - Anticipate and plan for operating budget impacts of major improvements



Main Concepts – Debt

- Used to fund capital investments that will yield benefits over a period of years
 - Bond: for Long Term Debt
 - Commercial Paper: for Short Term Debt
 - Both are loans with differing principal and interest payment schedules; generate future obligations to repay borrowing → debt service
- Can be issued from General Fund (General Obligation Bonds) or Enterprise Funds
- Are generally backed by pledges of revenues on which bondholders have first claims
- Debt service paid out of “sinking funds” that have their own revenues, expenditures, and fund balances



Main Concepts - Fund

- A Fund is:
 - Group of accounts used to record, manage and account for income that is legally restricted to specific purposes
 - Established by City Controller according to city ordinance or state law
 - Major Types of Funds:
 1. General Fund
 2. Special Revenue Funds
 3. Debt Service Funds
 4. Enterprise Funds



Fund Types

1. General Fund

- City's Chief Operating Fund, this is generally tax-supported for the operations and services of the City
- Where we account for everything unless there is a compelling reason not to such as GAAP, legal requirements or for financial administration
- Ordinance 2003-474 requires a 5% fund balance of expenditures before debt service. It is City's desire to maintain an ending fund balance equal to 7.5% of expenditures before debt service



Fund Types

2. Special Revenue Funds

- Used to account for the proceeds of specific revenue sources
- Typically have limitations on their use – imposed either by outside parties or by the government itself
- *Examples: Parks Golf Special Fund, BARC, Houston Transtar*

3. Debt Service Funds

- Used when governments set aside resources to meet current and future debt service requirements on general long-term debt
- Property tax and general resources used to repay principal and interest on long-term tax supported debt
- *Once set aside, can only be used for debt*



Fund Types

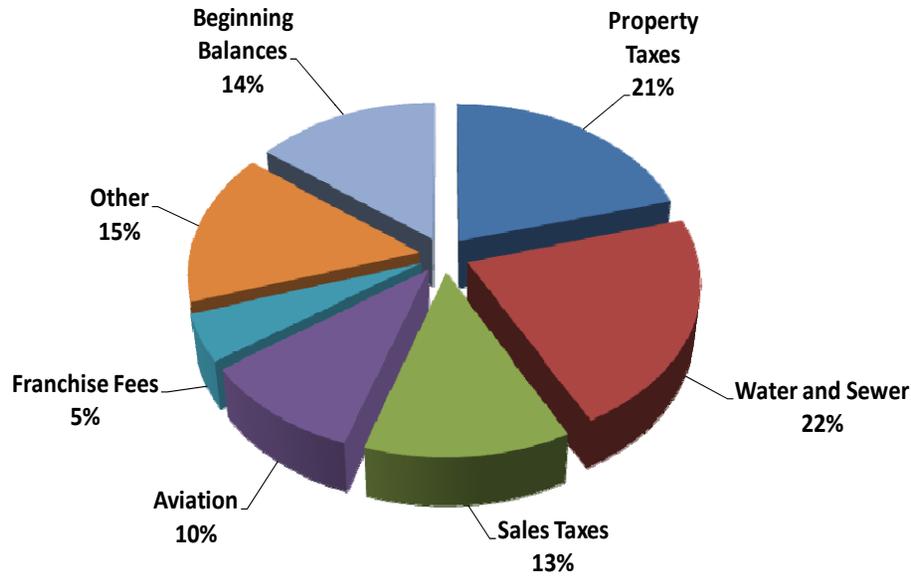
4. Enterprise Funds

- Operations similar to private enterprises; user fees cover full cost of major city operations (water and wastewater, aviation), including operations, debt service and long-term liabilities
- Accounted for on a full accrual basis of accounting
- Included in these funds are:
 - » Aviation
 - » Combined Utility System
 - » Convention and Entertainment Facilities

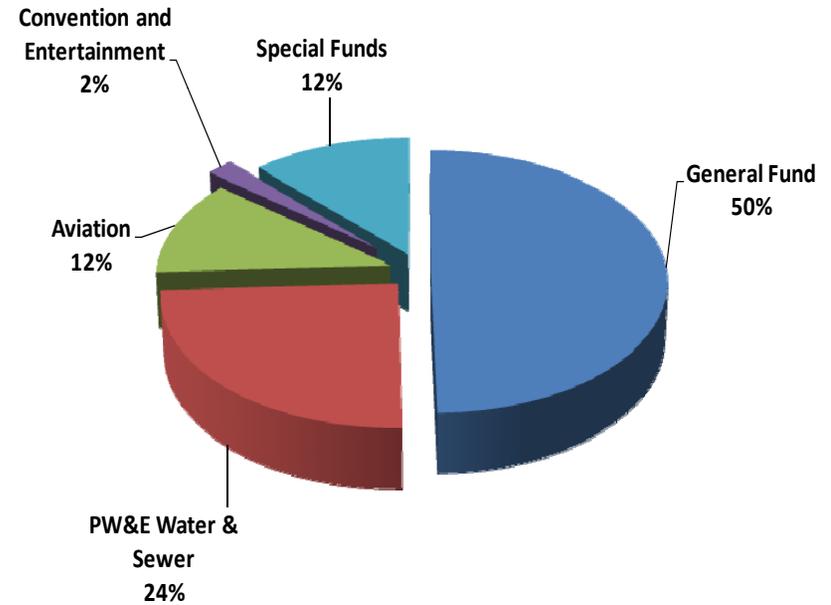


Composition of Sources – All Funds

FY2012 Revenues and Beginning Balances



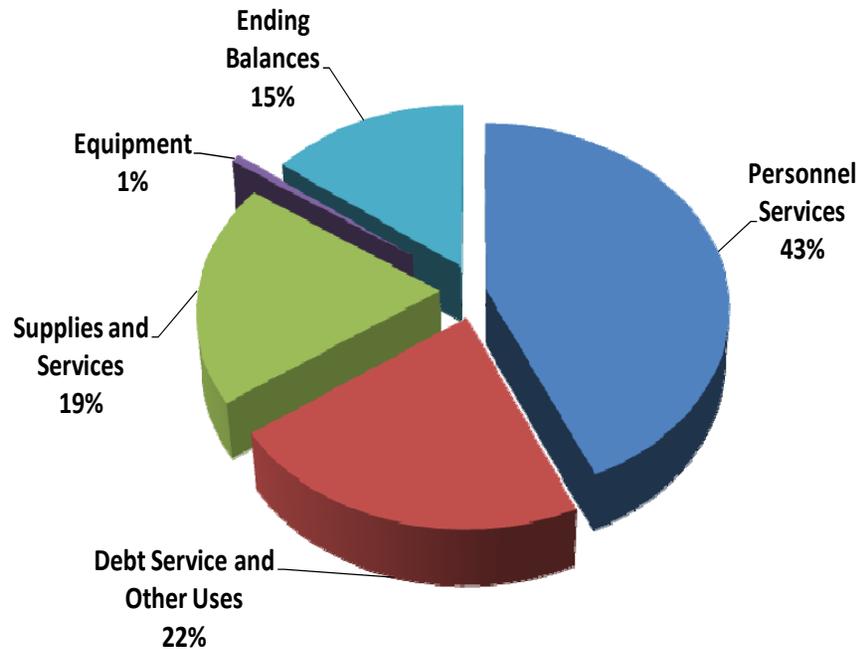
Revenues and Other Sources by Fund



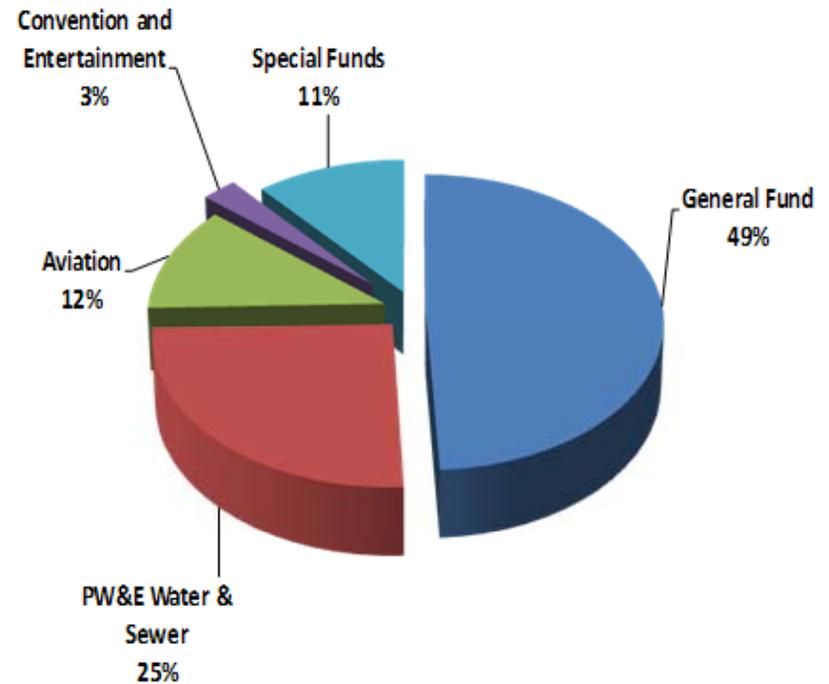


Composition of Uses – All Funds

FY2012 Expenditures and Ending Balances



Total Expenditures By Fund





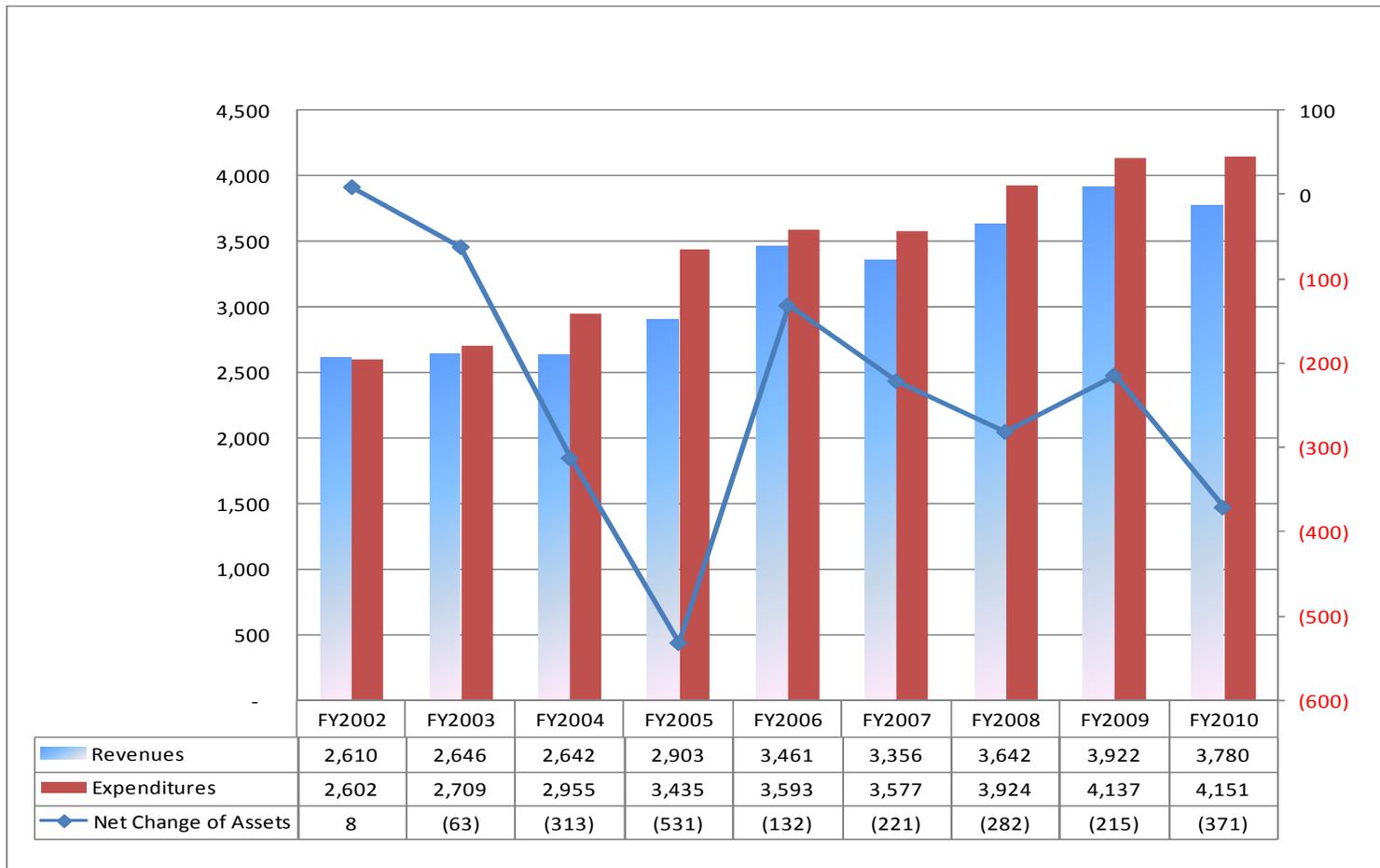
City of Houston

City Financial Overview

City Financial Historical Trends

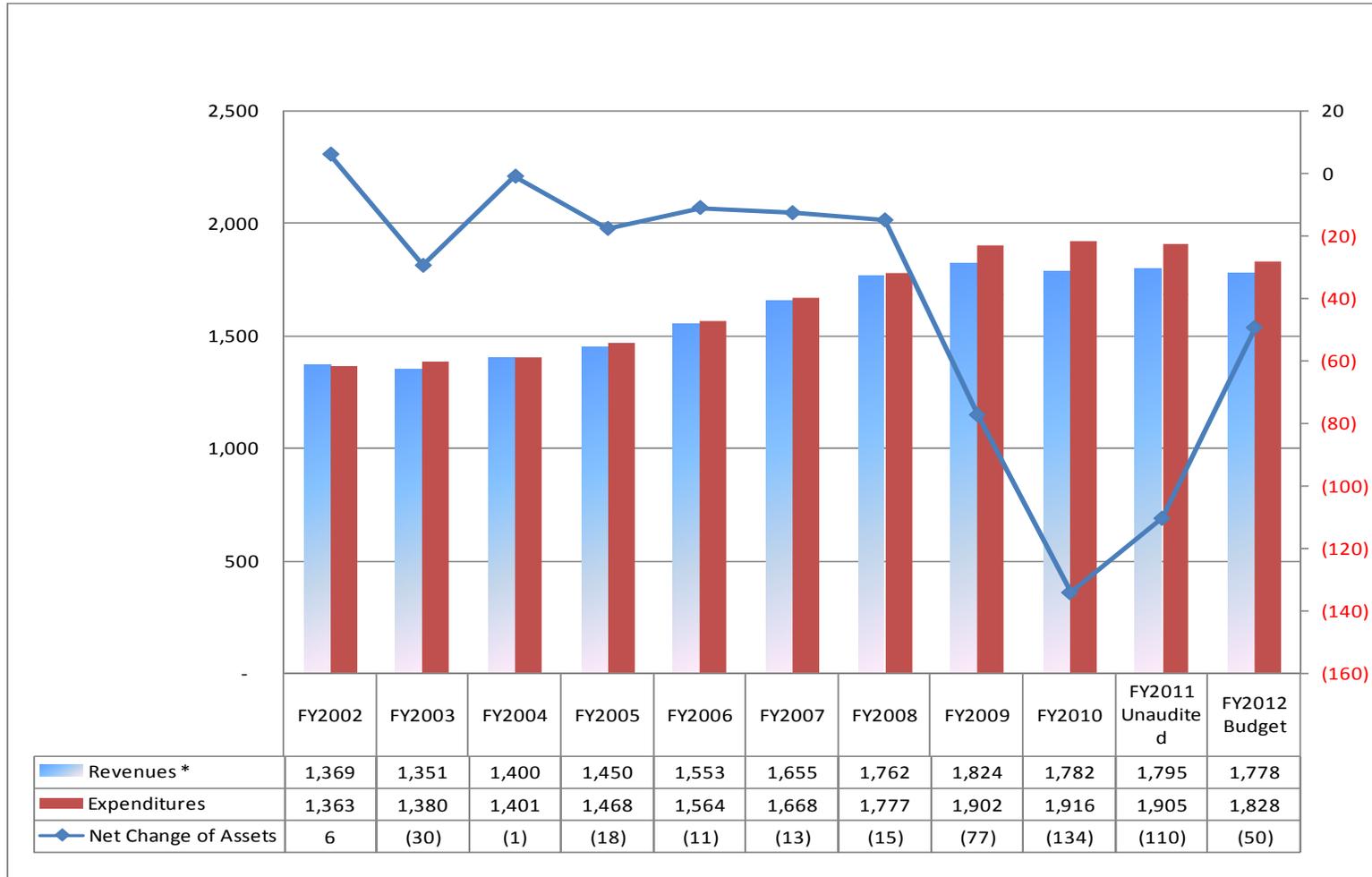


Change in Net Assets All Funds (\$ in Millions)





Net Revenues less Expenditures General Fund (\$ in Millions)



*Note: Revenues does not include Other Sources such as Sales of Capital Assets and Transfers



Balanced Budget

Beginning Fund Balance + Revenues + Other Sources

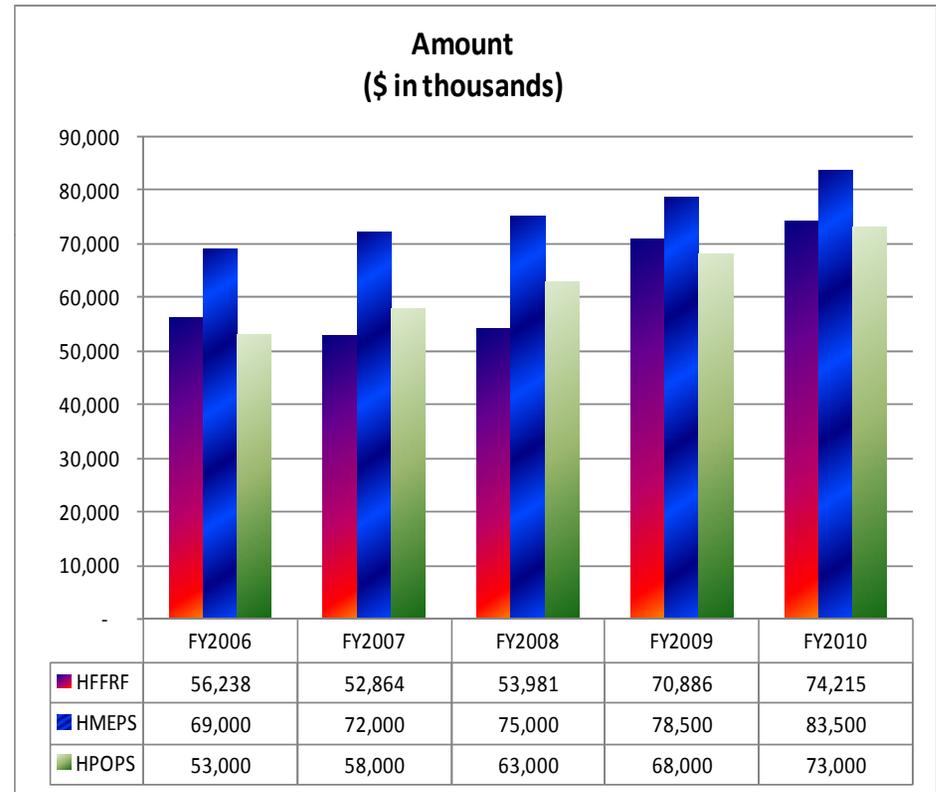
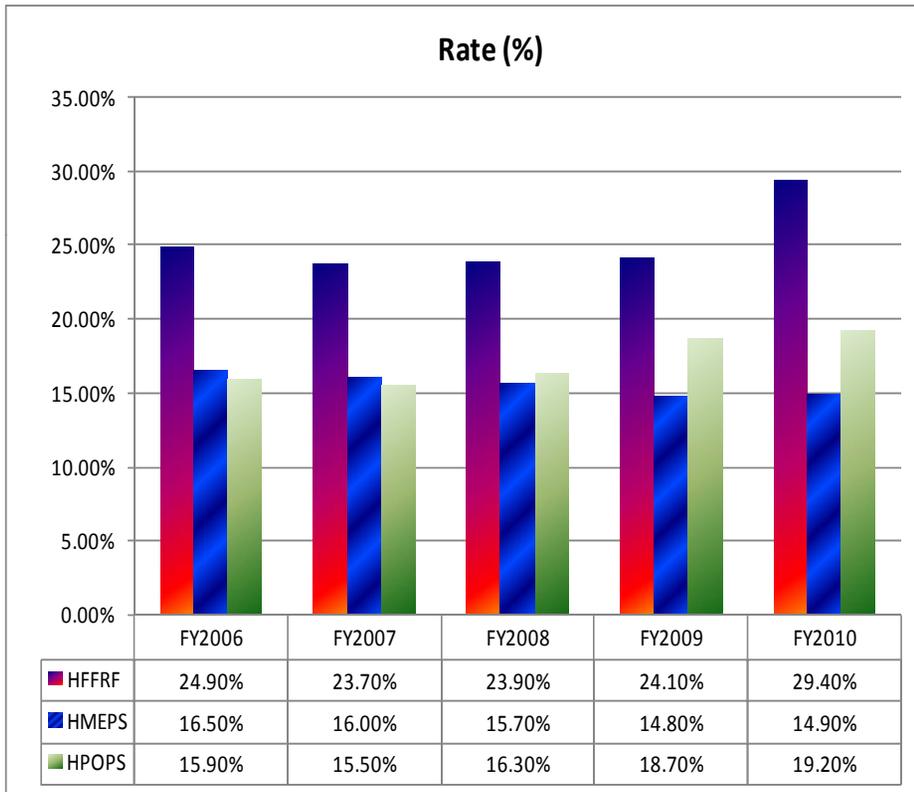
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Ending Fund Balance + Expenditures + Other Uses

- Fund Balance:
 - Net resources available after all expenses and potential expenses has been recorded
- Revenues:
 - Anticipated revenues received on a recurring basis
- Expenditures:
 - Anticipated expenses such as personnel, supplies and services.
- Other Sources of Funds:
 - Generally non-recurring, can be used to balance the budget if current revenues and expenditures do not balance
 - Can include sales of capital assets, transfers from other funds
- Other Uses of Funds:
 - Transfers to other fund

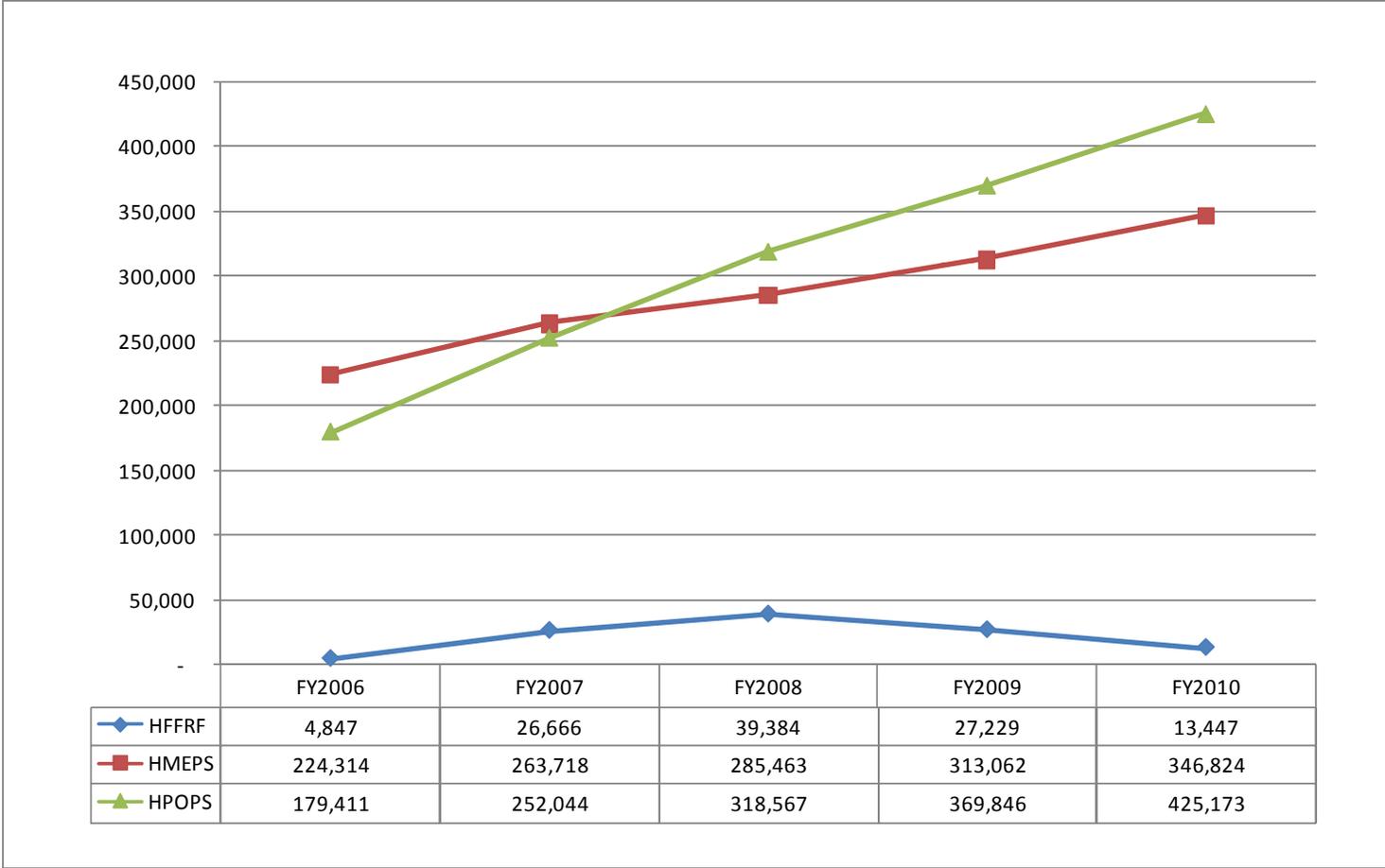


Pension – City Contributions



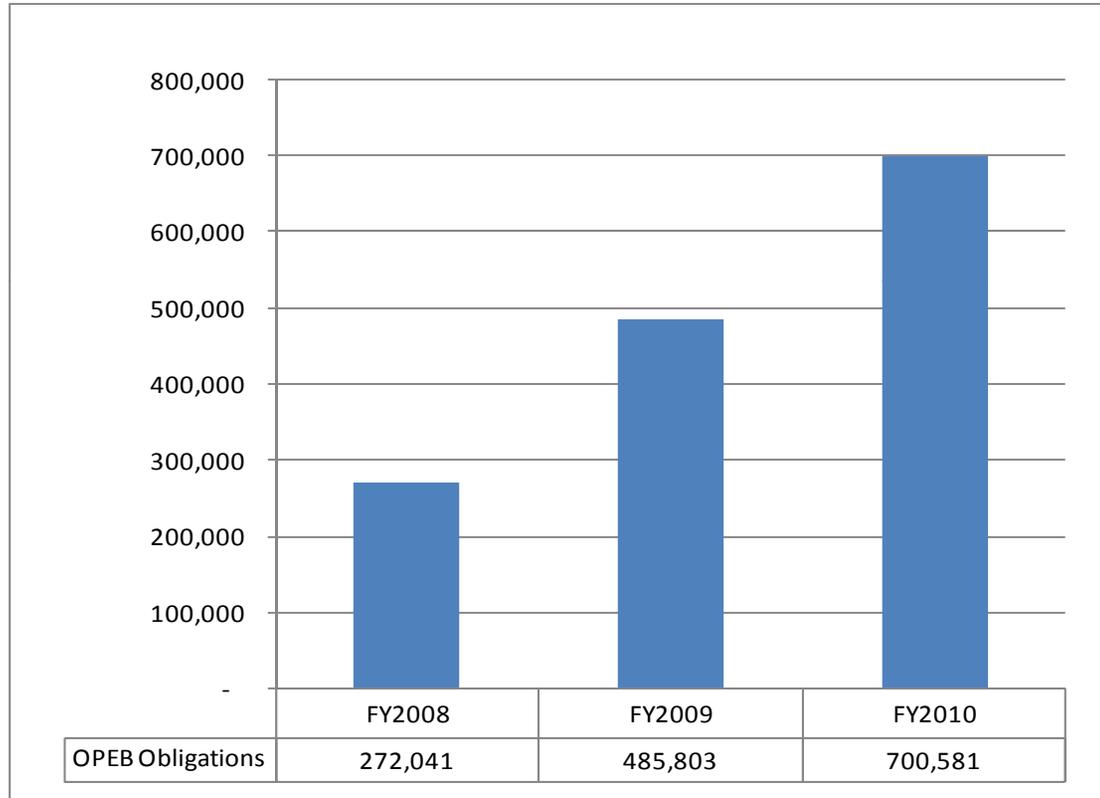


Pension – Net Obligations (\$ in thousands)





Other Post Employment Benefits (OPEB)

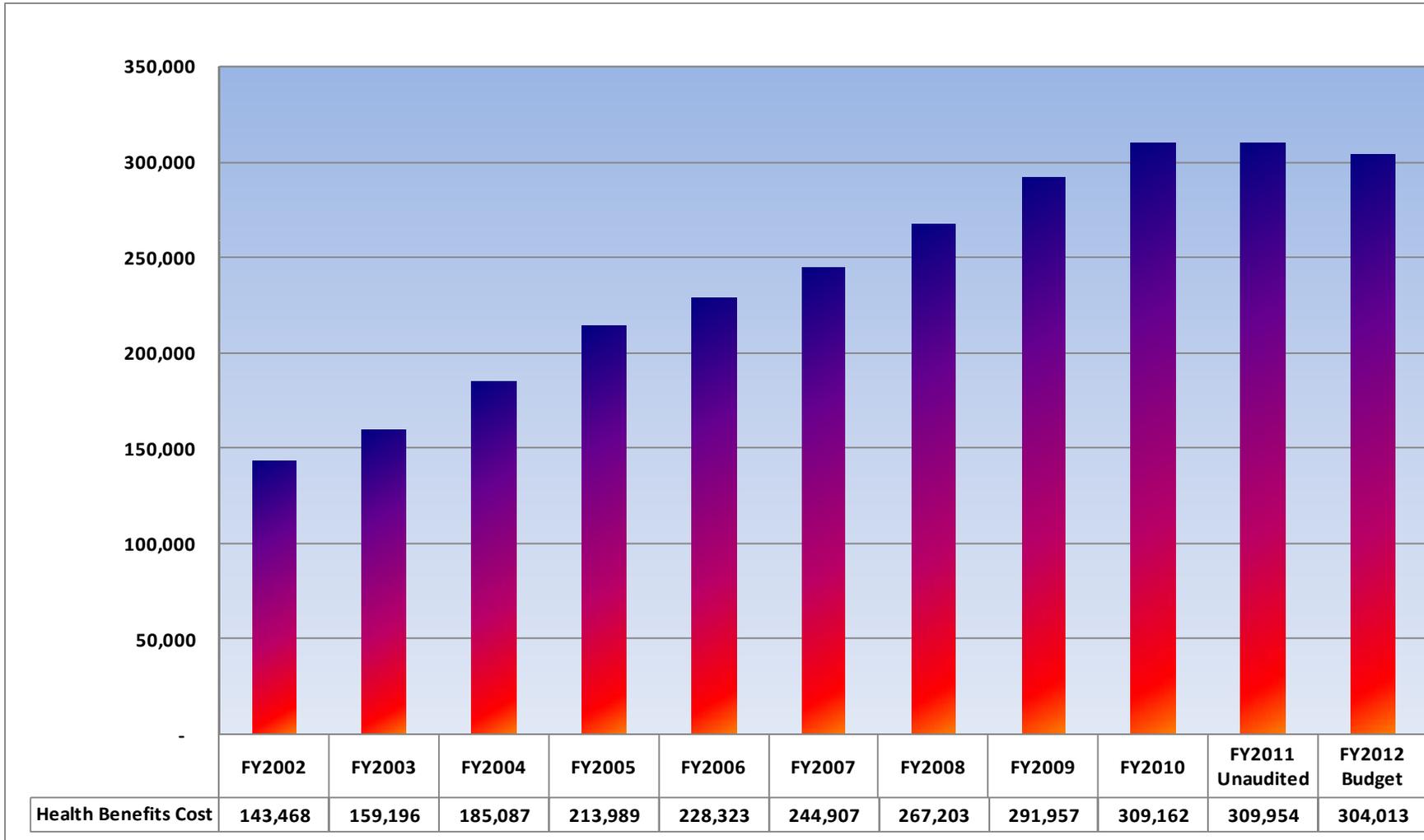


Note: Disclosure of the net obligation of Other Post Employment Benefits, as stated on GASB 50, is effective for the periods beginning June 15, 2007.



Health Benefits Cost

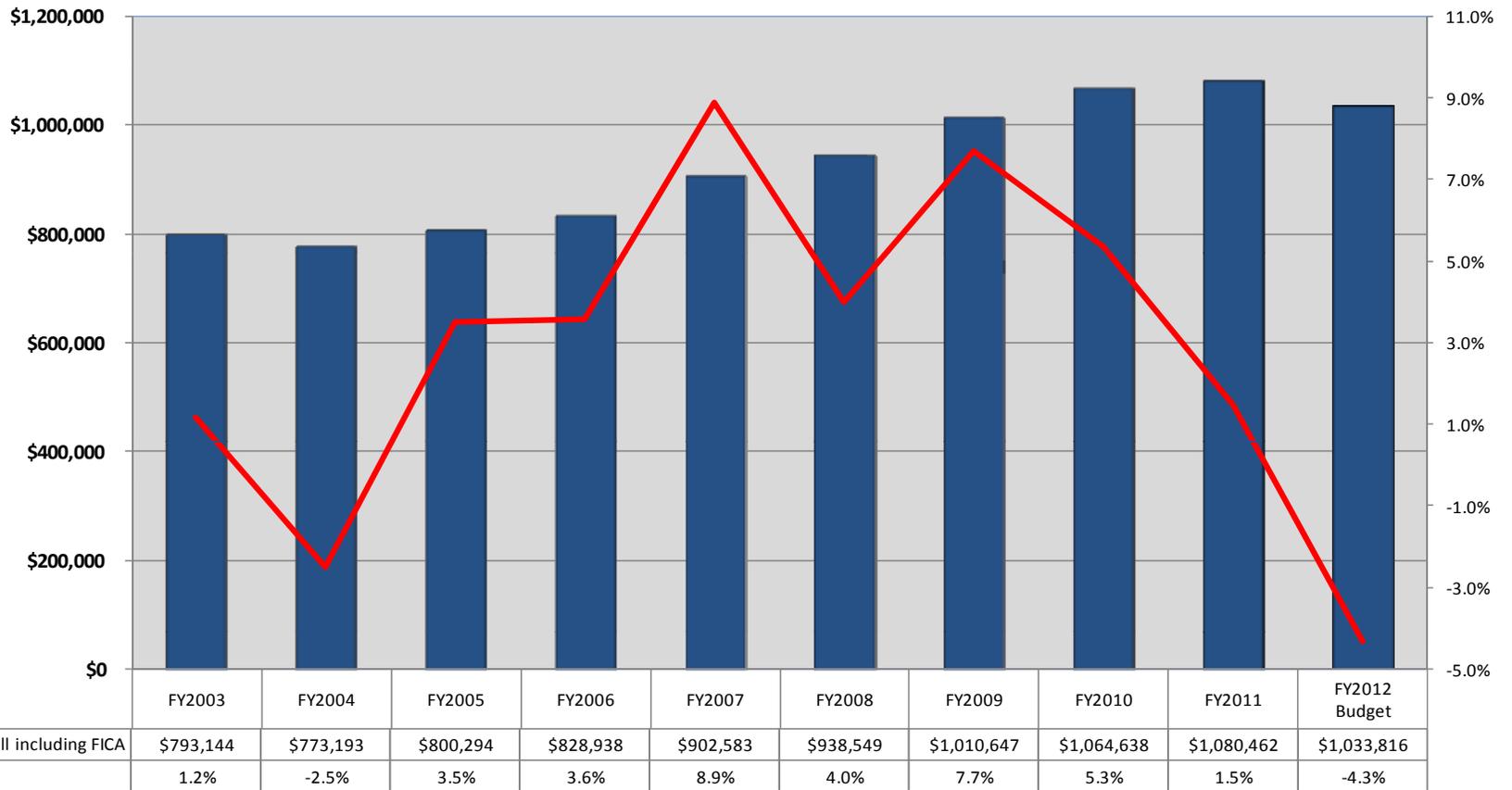
(\$ in thousands)





Citywide Payroll

(\$ in thousands)

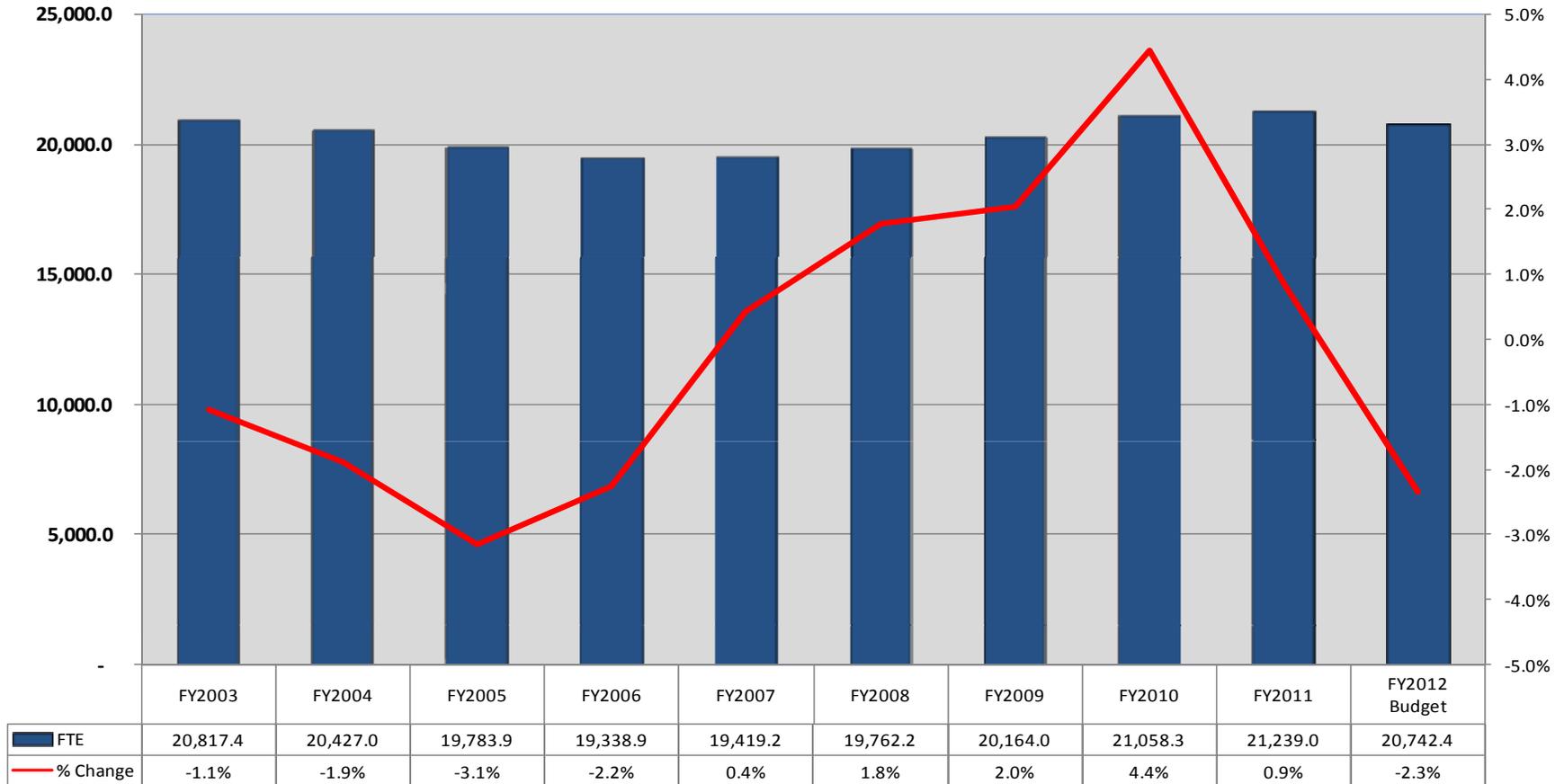


Note:

1. Citywide Payroll is based on Salary plus FICA
2. Full Time and Part Time
3. Includes Civilian and Classified



Citywide FTEs (Full Time Equivalents)



Note:

1. Full Time and Part Time
2. Includes Civilian and Classified



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City Financial Overview

Enterprise Funds



Enterprise Fund - Aviation

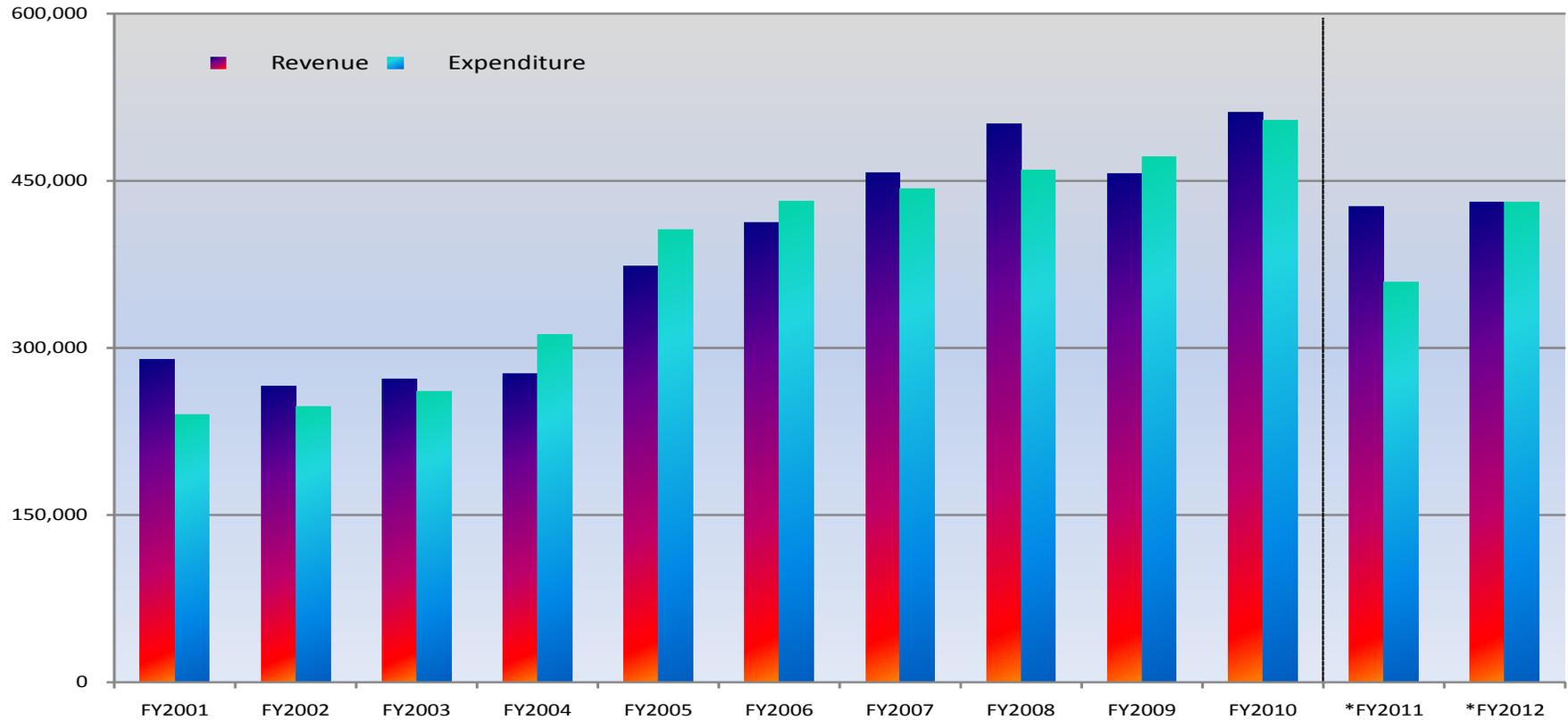
- Includes:
 - George Bush Intercontinental Airport
 - William P. Hobby Airport
 - Ellington Airport

- Main Sources of Funds:
 - Passenger Facility Charges
 - Landing Fees
 - Parking and Concessions



Enterprise Fund – Aviation

(\$ in thousands)



	Actuals											Budget
Revenues	289,848	266,026	271,726	276,583	372,904	412,424	456,931	500,992	456,580	510,974	426,672	431,071
Expenditures	240,391	247,203	261,066	312,147	405,771	431,232	442,757	459,521	471,233	504,472	358,726	431,071

*Note:

1. FY2001 - FY2010 Actuals is based on CAFR (Full Accrual)
2. FY2011 is based on unaudited preliminary totals
3. FY2011 - FY2012 is based on Modified Accrual



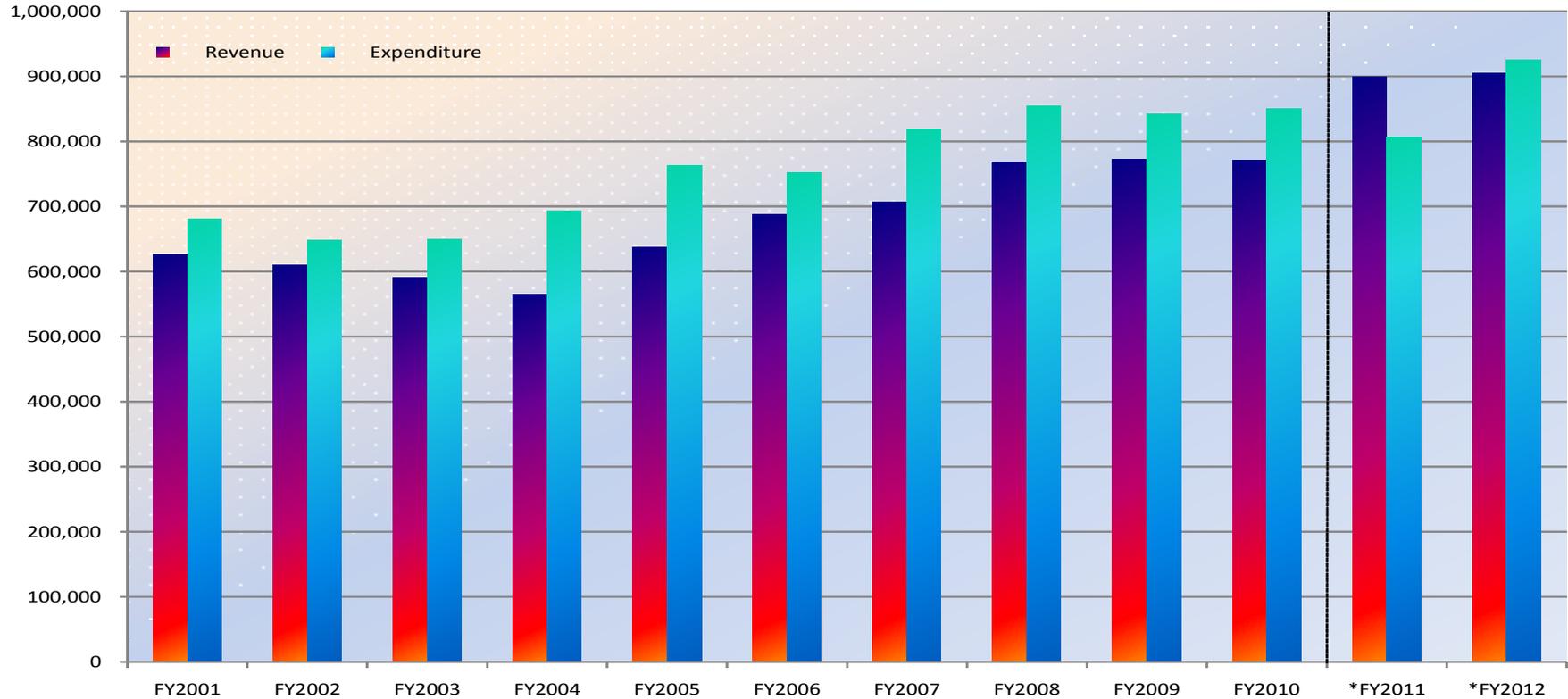
Enterprise Fund Combined Utility System

- To plan, design and maintain Houston's critical public infrastructure systems to provide excellent drinking water and wastewater collection and treatment.
- Main Sources of Funds:
 - Water and Sewer Sales
 - Drainage Fees



Combined Utility System

(\$ in thousands)



	Actuals										Current Budget	Budget
Revenues	626,717	609,467	590,254	564,276	636,553	687,869	706,051	767,931	771,936	771,375	898,977	904,245
Expenditures	681,626	648,280	649,858	693,603	762,209	752,122	818,830	853,874	842,517	849,669	806,723	924,925

1. FY2001 - FY2010 Actuals is based on CAFR (Full Accrual)
2. FY2011 is based on unaudited preliminary totals
3. FY2011 - FY2012 is based on Modified Accrual; excludes \$17.4 M one time general obligation drainage debt service repayment; includes one time Combined Utility drainage debt service repayment



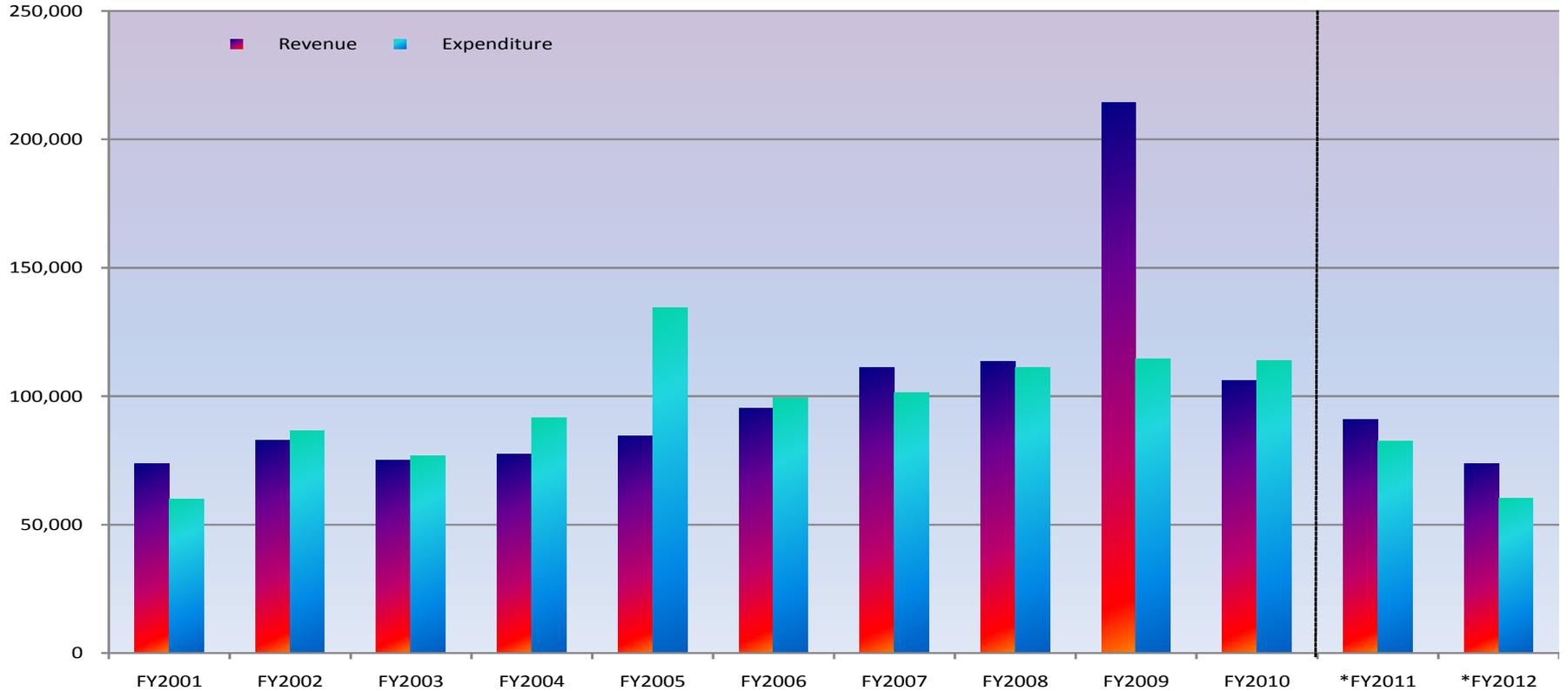
Enterprise Fund Convention & Entertainment Facilities

- Used to manage facilities such as George R. Brown Convention Center, Theater Districts and Parking Garages.
- Houston First was created in FY2012.
 - With the adoption of Houston First, effective July 1, 2011, CEFD will only consist of the Pledged Revenues and Debt Service Expenditure Budget.



Convention & Entertainment Facilities

(\$ in thousands)



	Actuals											Budget
Revenues	73,619	82,739	75,203	77,477	84,646	95,283	111,182	113,393	214,238	106,183	91,059	73,733
Expenditures	60,040	86,730	76,756	91,588	134,331	99,271	101,245	111,169	114,610	113,795	82,588	60,370

*Note:

1. FY2001 - FY2010 Actuals is based on CAFR (Full Accrual)
2. FY2011 is based on unaudited preliminary totals
3. FY2011 - FY2012 is based on Modified Accrual
4. FY2012 expenditures excludes one time transfers related to Houston First



Future Areas of Discussions

- City Financial Overview
 - Part I
 - Financial Concepts
 - Overview of Major Funds
 - Part II
 - General Fund Overview
- General Fund Revenues:
 - Historical Trends
 - Tax Burden and Limitations
- General Fund Expenditures:
 - Services Provided
 - Historical Trends
 - Categories of Costs
- Health Benefits Costs
- Pension Plans
- Capital Expenditures
- Debt Obligations



Next Agenda

- General Fund Overview
 - Historical Revenues and Expenditures
 - Houston Economy
 - Revenues Outlook
 - Expenditures Outlook