

OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON  
INTEROFFICE CORRESPONDENCE

**To:** Mayor Bill White  
City Council Members

**From:** Annise D. Parker  
City Controller

**Date:** January 4, 2008

**Subject: November 2007  
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending November 30, 2007.

**GENERAL FUND**

We are projecting a \$4 million budget deficit. This represents a decrease of about \$16 million from last month's reported budget surplus. This is the net impact of a \$7.7 million increase in our revenue projections, the administration's decision to take advantage of unanticipated revenues to fund a \$17.5 million increase in projected departmental spending and a \$6 million transfer to the new Internal Service Fund to pay for equipment purchases.

Our projection for Sales Tax revenue has increased \$3.1 million due to higher than expected revenues received for the first four months of FY 2008. We have increased our projection for Telephone Franchise revenues and License and Permit fees by \$1 million and \$2 million, respectively. This is mostly attributed to higher than anticipated collection rates. Miscellaneous/Other revenues are also exceeding budget, prompting a \$1.6 million increase in our projection, reflecting additional taxes recovered from companies that have failed to meet the terms of their tax abatement agreements.

Our projection for General Fund expenditures has increased \$17.5 million from last month's report. We project an increase of \$500,000 in the Fire Department for the Ask-A-Nurse program, a \$5 million increase in the police department budget to pay for additional overtime and a \$13.5 million increase in transfers for debt service.

**ENTERPRISE FUNDS**

We are not projecting any significant changes in the Stormwater and Parking Management enterprise funds this month.

The operating expense projection for Aviation has decreased by \$12.6 million. This is due to a \$6 million adjustment in anticipated pension costs, and \$6.5 million in electricity savings.

In the Convention & Entertainment Operating fund we have increased our projection for Hotel Occupancy Taxes by \$2.7 million to more accurately reflect ongoing occupancy rates. There was also a corresponding increase of \$1.1 million in spending for Advertising and Promotion. Our projection for Food and Beverage Concessions has decreased by \$500,000 because Microsoft has postponed an event at the convention center to FY 2009.

The projection for Water Sales by the Combined Utility System has been increased \$2.2 million, reflecting November's drier and warmer weather. Interest income has increased \$757,000 due to higher than expected interest rates.

**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. The City issued bonds to refund \$226 million of general obligation commercial paper on December 6, 2007, which will result in a ratio of 15.3% variable rate general obligation debt at December 31, 2007. The City plans to refund most of its Airport System commercial paper in the spring. The Airport System also maintains high investment balances that hedge against increases in variable rate debt payments. Convention and Entertainment issued a higher percentage of variable rate debt based on agreements with the Hotel Corporation. As of November 30, 2007, the ratio for each type of outstanding debt was:

General Obligation	20.2%
Combined Utility System	16.4%
Aviation	22.4%
Convention and Entertainment	29.3%

Respectfully submitted,



Annise D. Parker  
City Controller