



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

To: Mayor Bill White  
Members of City Council

From: Michelle Mitchell, Director  
Finance

Date: September 29, 2009

Subject: **AUGUST MONTHLY FINANCIAL AND  
OPERATIONS REPORT**

Attached is the Monthly Financial and Operations Report for the period ending August 31, 2009.

### General Fund

Our projection for General Fund Revenue is \$10.5 million lower than last month. This is principally due to the August employment report compared to the same month last year. The decline of jobs lost increased by 14,300 from our report in July's MFOR. Although there are some positive trends in the employment data, the decrease in employment in the past month has led us to decrease our revenue projections.

- Sales Tax decreased \$10 million due to the aforementioned employment data and July sales tax receipts that were \$6.6 million or 15.62% below the same period last year.
- Property Tax remains unchanged.
- Licenses and Permits increased \$1.0 million due to an increase in Special Fire Permit collections (offset by New Station 24 expenditures).
- Direct Interfund Services increased approximately \$1.3 million due to standardization of CIP overhead charges between departments.
- Municipal Courts Fines and Forfeits increased \$458,000 due to higher than anticipated Bond Forfeiture Fees.
- Interest decreased \$3.2 million due to lower investment interest rates and cash balances.

Our projection for General Fund expenditures is approximately \$12.2 million lower than last month.

- Approximately \$8.3 million in savings by the departments are a result of the departments reengineering their processes thereby eliminating the need for vacant positions and/or backfilling projected attrition.
- Fire Department increased by approximately \$1 million to staff an engine at the new Station 24. This is offset by additional revenues of \$1.0 million in Special Fire Permits.
- General Government decreased \$4.9 million as a result of reductions in LPA sales tax payments in the amount of \$2 million, \$2 million in management initiative savings from procurement reengineering, and \$900,000 in savings from General Fund employees moving to capital project funds.

September 29, 2009

Our projection for transfers is approximately \$14.2 million higher than last month.

- \$10 million from Hurricane Ike excess funds.
- \$2.4 million from Hurricane Katrina FEMA appeal.
- \$1.8 million from Fund 1850 as a result of repair of damaged buildings during Hurricane Ike being covered by CIP.

We are projecting the ending fund balance to be \$160.7 million, which is approximately 9.0% of estimated expenditures less debt service.

### **Enterprise, Special Revenue and Other Funds**

We are projecting all Enterprise Funds, Special Revenue Funds and all other funds at budget except the following:

#### **Convention and Entertainment**

- Operating expenses decreased by \$523,000 due primarily to the reduction of electricity and 10 vacant positions.
- Non-operating revenues decreased by \$1.7 million based on recent trends in Hotel Occupancy Taxes.
- Non-operating expenses decreased by \$1.4 million due to lower projected payments to Greater Houston Visitor's Bureau and Art Alliance based on lower Hotel Occupancy Taxes.

#### **Building Inspection**

- Operating expenses decreased by \$1.4 million. This is due to \$500,000 in Architectural Services being paid out of debt service, \$274,000 in Miscellaneous Support Services being performed in-house, and \$570,000 for equipment being delivered early in FY2009.

### **Hurricane Ike Aid & Recovery Fund**

As of August 31, 2009, the City has submitted documentation to FEMA for the processing of Project Worksheets (PWs) totaling \$192.2 million, consisting of Emergency Work in the amount of \$169.7 million and Permanent Work for \$22.5 million. To date, FEMA has obligated \$136.8 million and \$129.5 million has been received. The City has also received insurance advances totaling \$7.0 million which is unchanged from the previous month.

If you have any questions, please feel free to contact me.



Michelle Mitchell, Director

General Fund  
Comparative Projections  
Controller's Office and Finance  
For the period ended August 31, 2009  
(amounts expressed in thousands)

|   | FY2010                             |                   |                   |                |                            |                       | Variance                  |
|---|------------------------------------|-------------------|-------------------|----------------|----------------------------|-----------------------|---------------------------|
|   | Unaudited<br>Preliminary<br>FY2009 | Adopted<br>Budget | Current<br>Budget | % of<br>Budget | Controller's<br>Projection | Finance<br>Projection | Controller<br>and Finance |
| <b>Revenues</b>                                     |                                    |                   |                   |                |                            |                       |                           |
| General Property Taxes                              | \$ 890,088                         | \$ 909,715        | \$ 909,715        | 49%            | \$ 894,096                 | \$ 894,216            | 120                       |
| Industrial Assessments                              | 19,133                             | 26,880            | 26,880            | 1%             | 11,000                     | 19,080                | 8,080                     |
| Sales Tax   | 507,406                            | 507,300           | 507,300           | 28%            | 472,434                    | 474,000               | 1,566                     |
| Other Taxes   | 10,914                             | 10,783            | 10,783            | 1%             | 10,700                     | 10,783                | 83                        |
| Electric Franchise                                  | 99,612                             | 96,985            | 96,985            | 5%             | 96,985                     | 96,985                | 0                         |
| Telephone Franchise                                 | 48,229                             | 47,150            | 47,150            | 3%             | 47,500                     | 47,150                | (350)                     |
| Gas Franchise                                       | 21,258                             | 21,727            | 21,727            | 1%             | 21,727                     | 21,727                | 0                         |
| Other Franchise                                     | 21,223                             | 20,415            | 20,415            | 1%             | 20,130                     | 20,415                | 285                       |
| Licenses and Permits                                | 17,512                             | 16,117            | 16,117            | 1%             | 15,820                     | 17,117                | 1,297                     |
| Intergovernmental                                   | 32,927                             | 32,476            | 32,476            | 2%             | 32,476                     | 32,476                | 0                         |
| Charges for Services                                | 35,646                             | 34,185            | 34,185            | 2%             | 34,000                     | 34,185                | 185                       |
| Direct Interfund Services                           | 48,041                             | 48,489            | 48,489            | 3%             | 49,739                     | 49,739                | 0                         |
| Indirect Interfund Services                         | 12,928                             | 15,401            | 15,401            | 1%             | 15,401                     | 15,401                | 0                         |
| Municipal Courts Fines and Forfeits                 | 37,692                             | 35,497            | 35,497            | 2%             | 35,000                     | 35,955                | 955                       |
| Other Fines and Forfeits                            | 2,692                              | 2,391             | 2,391             | 0%             | 2,635                      | 2,391                 | (244)                     |
| Interest  | 8,826                              | 9,200             | 9,200             | 0%             | 6,000                      | 6,000                 | 0                         |
| Miscellaneous/Other                                 | 10,734                             | 9,069             | 9,069             | 0%             | 9,000                      | 9,069                 | 69                        |
| <b>Total Revenues</b>                               | <b>1,824,861</b>                   | <b>1,843,780</b>  | <b>1,843,780</b>  | <b>100%</b>    | <b>1,774,643</b>           | <b>1,786,689</b>      | <b>12,046</b>             |
| <b>Expenditures</b>                                 |                                    |                   |                   |                |                            |                       |                           |
| Administration & Regulatory Affairs                 | 22,845                             | 24,190            | 24,142            | 1%             | 23,945                     | 23,945                | 0                         |
| Affirmative Action                                  | 2,289                              | 2,551             | 2,526             | 0%             | 2,518                      | 2,518                 | 0                         |
| City Council  | 5,097                              | 5,313             | 5,313             | 0%             | 5,254                      | 5,254                 | 0                         |
| City Secretary                                      | 667                                | 751               | 751               | 0%             | 751                        | 751                   | 0                         |
| Controller  | 7,111                              | 7,684             | 7,612             | 0%             | 7,594                      | 7,594                 | 0                         |
| Convention & Entertainment                          | 1,147                              | 1,170             | 1,159             | 0%             | 1,159                      | 1,159                 | 0                         |
| Finance   | 9,044                              | 10,804            | 10,696            | 1%             | 10,318                     | 10,318                | 0                         |
| Fire  | 422,718                            | 433,138           | 429,613           | 22%            | 430,556                    | 430,556               | 0                         |
| General Services                                    | 50,477                             | 47,795            | 47,317            | 2%             | 47,317                     | 47,317                | 0                         |
| Health and Human Services                           | 56,607                             | 56,564            | 55,998            | 3%             | 54,485                     | 54,485                | 0                         |
| Housing and Community Dev.                          | 779                                | 859               | 850               | 0%             | 849                        | 849                   | 0                         |
| Houston Emergency Center                            | 11,280                             | 11,386            | 11,272            | 1%             | 11,272                     | 11,272                | 0                         |
| Human Resources                                     | 2,740                              | 3,305             | 3,272             | 0%             | 3,234                      | 3,234                 | 0                         |
| Information Technology                              | 17,495                             | 17,889            | 17,710            | 1%             | 17,423                     | 17,423                | 0                         |
| Legal   | 15,996                             | 17,301            | 17,128            | 1%             | 16,453                     | 16,453                | 0                         |
| Library   | 37,647                             | 39,344            | 38,950            | 2%             | 37,739                     | 37,739                | 0                         |
| Mayor's Office                                      | 2,917                              | 2,999             | 2,969             | 0%             | 2,914                      | 2,914                 | 0                         |
| Municipal Courts - Administration                   | 18,330                             | 18,025            | 17,845            | 1%             | 17,845                     | 17,845                | 0                         |
| Municipal Courts - Justice                          | 5,109                              | 5,515             | 5,452             | 0%             | 5,452                      | 5,452                 | 0                         |
| Parks and Recreation                                | 70,592                             | 69,186            | 68,494            | 4%             | 66,000                     | 66,000                | 0                         |
| Planning and Development                            | 8,220                              | 9,464             | 9,370             | 0%             | 9,177                      | 9,177                 | 0                         |
| Police  | 657,156                            | 674,537           | 668,787           | 35%            | 668,787                    | 668,787               | 0                         |
| Public Works and Engineering                        | 92,620                             | 87,444            | 86,570            | 5%             | 85,491                     | 85,491                | 0                         |
| Solid Waste Management                              | 74,429                             | 71,743            | 70,832            | 4%             | 70,832                     | 70,832                | 0                         |
| <b>Total Departmental Expenditures</b>              | <b>1,593,312</b>                   | <b>1,618,957</b>  | <b>1,604,628</b>  | <b>84%</b>     | <b>1,597,365</b>           | <b>1,597,365</b>      | <b>0</b>                  |
| General Government                                  | 78,129                             | 75,020            | 75,020            | 4%             | 79,120                     | 79,120                | 0                         |
| <b>Total Expenditures Other Than Debt</b>           | <b>1,671,441</b>                   | <b>1,693,977</b>  | <b>1,679,648</b>  | <b>87%</b>     | <b>1,676,485</b>           | <b>1,676,485</b>      | <b>0</b>                  |
| Budgeted Debt Service                               | 251,198                            | 254,600           | 254,600           | 13%            | 254,600                    | 254,600               | 0                         |
| Transfer of Equipment to Departments                | (18,250)                           | (14,580)          | (14,580)          | -1%            | (14,580)                   | (14,580)              | 0                         |
| Allocation to Public Safety & Drainage              | 0                                  | 0                 | 0                 | 0              | 0                          | 0                     | 0                         |
| Debt Service Transfer                               | 232,948                            | 240,020           | 240,020           | 0              | 240,020                    | 240,020               | 0                         |
| <b>Total Expenditures and Other Uses</b>            | <b>1,904,389</b>                   | <b>1,933,997</b>  | <b>1,919,668</b>  | <b>100%</b>    | <b>1,916,505</b>           | <b>1,916,505</b>      | <b>0</b>                  |
| <b>Net Current Activity-General Fund 1000</b>       | <b>(79,528)</b>                    | <b>(90,217)</b>   | <b>(75,888)</b>   |                | <b>(141,862)</b>           | <b>(129,816)</b>      | <b>12,046</b>             |
| <b>Other Financing Sources (uses)</b>               |                                    |                   |                   |                |                            |                       |                           |
| Transfers from other funds                          | 35,810                             | 16,074            | 16,074            |                | 16,074                     | 30,273                | (14,199)                  |
| Pension Bond Proceeds                               | 20,000                             | 20,000            | 20,000            |                | 20,000                     | 20,000                | 0                         |
| Sale of Capital Assets                              | 6,987                              | 3,450             | 3,450             |                | 3,450                      | 3,450                 | 0                         |
| <b>Total Other Financing sources (uses)</b>         | <b>62,797</b>                      | <b>39,524</b>     | <b>39,524</b>     |                | <b>39,524</b>              | <b>53,723</b>         | <b>(14,199)</b>           |
| Budgeted Increase (Decrease) in Fund Balance*       | (16,731)                           | (50,693)          | (36,364)          |                | (50,693)                   | (57,530)              | 6,837                     |
| Budget vs. Actual Variance, Favorable (Unfavorable) | -                                  | -                 | -                 |                | (51,845)                   | (18,563)              | (33,082)                  |
| Fund Balance - Beginning of Year                    | 253,506                            | 236,775           | 236,775           |                | 236,775                    | 236,775               | 0                         |
| <b>Fund Balance, End of Year**</b>                  | <b>236,775</b>                     | <b>186,082</b>    | <b>200,411</b>    |                | <b>134,437</b>             | <b>160,682</b>        | <b>(26,245)</b>           |

\* Additional usage of fund balance in FY2010 in the Finance Projection is due to an early payment from Lyondell in FY2009 that was included in the FY2010 Adopted Budget Revenue

\*\* City policy is to maintain an ending Fund Balance equal to 7.5% of expenditures before Debt Service which is \$125,736 based on current expenditure projections. The balance available for appropriation \$8,701 million based on the Controller's projections for Fiscal Year 2009.