



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

To: Mayor Annise D. Parker
City Council Members

From: Ronald C. Green
City Controller

Date: September 30, 2011

Subject: August 2011
Financial Report

Attached is the Monthly Financial and Operations Report for the period ending August 31, 2011.

GENERAL FUND

The Controller's office is projecting an ending fund balance of \$112.6 million for FY2012. This is \$23.2 million lower than the projection of the Finance Department. The difference is due to a \$20.3 million higher revenue projection from the Finance Department and a \$2.9 million higher projection for the Sale of Capital Assets from the Finance Department. Based on our current projections, the fund balance will be \$7.3 million below the City's target of holding 7.5% of total expenditures, excluding debt service, in reserve. This amount includes the undesignation of the \$20 million in the Rainy Day Fund.

The major differences are in five categories: (1) Sales Tax revenues are \$9.7 million different, as the Controller's office is using Barton Smith's latest growth estimate, discounted by his stated margin of error. (2) Finance is reporting Licenses and Permits \$4.3 million higher than the Controller's projection. The Controller's office recognizes the fee increases, but once we see the effect on the number of licenses we will then modify accordingly. (3) Finance is reporting Charges for Services \$1.6 million higher than the Controller's projection. Ambulance fees are the largest single revenue in this category. (4) Finance is reporting Miscellaneous/Other revenues are \$1.5 million higher than the Controller's projection. Many of these revenue sources are non-recurring. (5) Sale of Capital Assets are \$2.9 million different, as the Controller's Office has not recognized all proposed land sales, which have yet to be finalized and approved by Council.

Expenditure projections are slightly above the Adopted Budget, increased \$350,000 for a contribution received for community center operations in Parks. Our projections for ARA and Municipal Courts decreased \$209,000 and \$1.457 million respectively, offset by a corresponding increase in IT of \$1.665 million. This reflects budgeted costs being moved as part of the IT consolidation.

Please remember that all FY2011 numbers are preliminary estimates and subject to change until the annual audit is completed and the Comprehensive Annual Financial Report is published.

**Mayor Annise D. Parker
City Council Members
August 2011 Monthly Financial and Operations Report**

ENTERPRISE FUNDS

In the Aviation Operating Fund, we have decreased our projection for Interest Income \$3.2 million for lower than budgeted interest rates, along with a corresponding decrease of \$3.2 million in Operating Transfers.

Within the Convention & Entertainment Operating Fund, we have decreased our projection for Operating Transfers \$1.8 million to reflect the recent bond refunding that was completed.

We are currently projecting the Combined Utility System, Dedicated Drainage, and Stormwater Funds at budget.

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. Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the hotel corporation. As of August 31, 2011, the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	8.3%
Combined Utility System	3.2%
Aviation	17.0%
Convention and Entertainment	18.3%

Respectfully submitted,



Ronald C. Green
City Controller