

**OFFICE OF THE CITY CONTROLLER**

**CITY OF HOUSTON  
INTEROFFICE CORRESPONDENCE**

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

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

**Date:** November 30, 2007

**Subject: October 2007  
Financial Report**

Attached is the Monthly Financial and Operations Report for the period ending October 31, 2007.

**GENERAL FUND**

We are projecting a \$12 million budget surplus. This represents an increase of \$8 million from last month's report. Our projection for Property Tax revenue has increased \$7.2 million due to new taxable value estimates received from the Harris County Appraisal District. We have also decreased our projection of Intergovernmental revenues by \$900,000 to reflect the TIRZ Municipal Service Fees being deposited into the Police Special Fund instead of the General Fund, as previously budgeted and projected.

Our projection for General Fund expenditures has decreased \$1.6 million from last month's report. We project a decrease of \$1.6 million in the Fire Department from savings in overtime, caused by lower than expected absenteeism. Our projection for the Health Department increased \$469,000 to cover additional approved staffing for the Bureau of Animal Regulation Care and HIV/AIDS programs. In addition, our projection for Parks Department spending has decreased by \$260,000. This is the net result of \$600,000 decrease in departmental electricity costs and an increase of \$300,000 to fund the tree service contract.

**ENTERPRISE FUNDS**

We are currently projecting no significant changes in the Stormwater and Parking Management enterprise funds this month.

The operating revenue projection for Aviation has increased by \$5.9 million, reflecting actual rates and charges now known in Landing Area, Building and Grounds, and Parking and Concessions revenues. We have also decreased the projection for Personnel costs by \$1.6 million due to lower than expected staffing levels. Finally, we increased our projection for Interest by \$3 million to adjust for current interest rate trends.

In the Convention & Entertainment Operating fund, we have increased our projection of Hotel Occupancy Tax by \$2.7 million for higher than budgeted room rates.

**Mayor Bill White**  
**City Council Members**  
**October 2007 Monthly Financial and Operations Report**  
**Page 2**

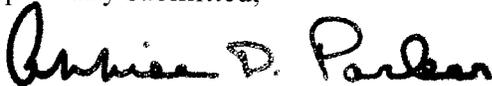
The higher than expected rainfall is still impacting the Combined Utility System (CUS). Rainfall for October was 2 inches higher than anticipated, causing an additional \$5.8 million decrease in our projection for water and sewer revenues. Non-operating revenues were increased by \$5.8 million for Impact Fees and Interest. Our projection for Debt Service has decreased \$8.3 million reflecting an agreement with the Texas Water Development Board allowing the City to use interest earned for debt service relating to TWDB bonds held by the City. Lastly, we decreased our projection of operating expenses by \$3.2 million due to realized personnel savings from vacant positions.

**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 refunded part of its Airport System Commercial Paper Notes with fixed rate debt in September and plans to refund the remaining notes later in the year. 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 October 31, 2007, the ratio for each type of outstanding debt was:

General Obligation	19.9%
Combined Utility System	15.9%
Aviation	22.2%
Convention and Entertainment	29.3%

Respectfully submitted,



---

Annise D. Parker  
City Controller