

OFFICE OF THE CITY CONTROLLER

**CITY OF HOUSTON
INTEROFFICE CORRESPONDENCE**

To: Mayor Bill White
City Council Members

From: Annise D. Parker
City Controller

Date: June 26, 2009

Subject: **May 2009
Financial Report**

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

GENERAL FUND

We are currently projecting a shortfall of \$36 million. This is down by about \$2 million from last month. The change is the net affect of a \$1.3 million increase in our overall revenue projection and a \$495,000 decrease in projected expenditures.

We have increased our projection for Indirect Interfund revenues by \$500,000 to reflect an increase in grant funding for the Health department. We have also increased our projection for Transfers from Other Funds by \$2 million, recognizing the transfers associated with City Council's adoption of Ordinance 2009-459 on May 27, 2009. Finally, we reduced our projection for Sale of Capital Assets by \$1.2 million due to lower than anticipated revenues from Sales of Streets.

General Fund expenditures are down just under half a million dollars. This is mainly tied to the Department of Public Works and Engineering's (PWE) deferment of the purchase of Supplies and Construction Materials to FY 2010.

The FY 09 budget adopted by City Council anticipated drawing down the fund balance by \$51 million. If our current projections hold through next month's report the amount needed from the fund balance will drop to \$36 million.

ENTERPRISE FUNDS

The projection for Aviation Department Operating Revenues is down \$578,000. This is the net impact of a \$991,000 decline in our estimate for Parking and Concessions revenues, and a \$259,000 increase in Other Revenues for Recoveries and Refunds. Operating Expenses are down \$1.7 million to account for savings in Personnel and Services.

In the Convention & Entertainment Facilities (CEF) Operating Fund we are increasing our projection for Operating Expenses by \$295,000 to reflect current spending trends for Supplies and Services. Our projection for HOT taxes is up by \$717,000. Contractually, there must also be a corresponding increase of \$156,000 in spending for Advertising and Promotion. Lastly, we are increasing our projection for Other revenues by \$276,000 to reflect the annual contribution from the Houston Convention Center Hotel Corporation.

Our projection for the Parking Management Fund is \$871,000 more than last month due to increased revenues from Parking Violations and Metered Parking.

**Mayor Bill White
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Our projection for Combined Utility System (CUS) Fund Operating Revenues is down by \$7.2 million. This change is due to lower water usage, which is contrary to what we would expect during the ongoing drought conditions. Operating Expenses are up by \$2.4 million. This is due to increased spending for personnel, pump repairs and raw water, coupled with lower costs for Natural Gas. Non-operating Revenues have decreased \$2.1 million to account for continued low interest rates. We have decreased the projection for Total Operating Transfers by \$1.7 million. This is mainly due to a lower debt service transfer, which is due to lower than anticipated commercial paper usage.

The Stormwater Fund Expenditure projection increased \$881,000, mainly reflecting higher maintenance and repair costs in the Vehicle line item. Other Financing Sources increased \$671,000 to account for an increase in the projection for Operating Transfers In from the CUS fund due to additional borrowings.

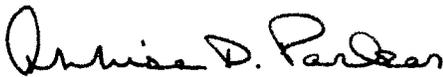
COMMERCIAL PAPER AND BONDS

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. As a result of the temporary alternative minimum tax reprieve provided in the 2009 American Recovery and Reinvestment Act, the Houston Airport System plans to issue fixed rate bonds in August 2009, which will refund a portion of its variable rate debt. The Convention and Entertainment maintains a higher percentage of variable rate debt due to agreements with the hotel corporation.

As of May 31, 2009 the ratio of unhedged variable rate debt for each type of outstanding debt was:

General Obligation	15.0%
Combined Utility System	3.3%
Aviation	23.4%
Convention and Entertainment	29.8%

Respectfully submitted,



Annise D. Parker
City Controller